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**WRITTEN ONLY**  
TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 291, 292, AND 293, S.D. 1

**February 22, 2023**  
**10:00 a.m.**  
**Room 211 and Videoconference**

RELATING TO BUDGET-RELATED REPORTS

The Department of Budget and Finance (B&F) offers comments on these bills.

Senate Bill Nos. 291, S.D. 1; 292, S.D. 1; and 293, S.D. 1, proposes to amend Section 37-70, HRS, Program Memoranda, and Section 37-75, HRS, Variance Report, to require the Governor to ensure that the Program Memoranda and Variance Report reflect the current responsibilities of State programs, address the current and future needs of the State, and align with budget-related submittals.

The current process to produce the Program Memoranda involves updating the previous submittal to include the statutory requirements and reflect the proposed Biennium Budget submitted to the Legislature pursuant to Section 37-71, HRS, The Budget. The Variance Report, however, is a program performance report that reflects budget execution, not budget preparation, and includes data for the last completed fiscal year and the ongoing fiscal year.

The intent of the Variance Report is to show the difference between the planned performance of a program at its highest level (e.g., economic development,

employment, etc.) through its lowest program ID level. Performance is measured by comparing planned data for program expenditures and measures of effectiveness (MOE), target groups, and program activities developed for the Program Structure for the Executive Biennium Budget proposed pursuant to Section 37-71, HRS, The Budget, to actual data for the prior fiscal year and planned data in the current fiscal year.

As required by statute, the Variance Report is produced every year; thus, every other year, it covers two fiscal years from different biennium. For example, the Variance Report to be submitted to the Legislature in December 2023 will include the actual expenditures for FY 23 (FB 2021-23 Executive Budget from Act 88, SLH 2021, as amended by Act 248, SLH 2022) and the first quarter of FY 24, along with proposed expenditures for the remainder of FY 24. It will also compare data for the planned MOE, target groups, and program activities developed for the proposed FB 2023-25 Executive Biennium Budget versus actual data for FY 23 and planned data for FY 24.

This comparison between the initial planned data and actual (prior fiscal year) and planned (current fiscal year) data produces the variances; significant variances must be explained in the narratives. For the most current MOE, target groups, and program activities, the planned data for current fiscal year should be referenced.

Both the Program Memoranda and the Variance Report are compiled using reports that must be generated off the State's mainframe and B&F's budget eSystems; thus, changes to these reports may require substantial amounts of time to reprogram.

Thank you for your consideration of our comments.