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A Bill Relating to Control of the Rate of Expenditures of Appropriated State Moneys, and for the Reduction of Such Expenditures Under Prescribed Conditions and Amending Chapter 35, Revised Laws of Hawaii 1955.

Be it Enacted by the Legislature of the State of Hawaii:

SECTION 1. Section 35-1, Revised Laws of Hawaii 1955, is hereby amended by substituting a semi-colon for the period appearing at the end of the definition of "Government," and by adding the following:

"Special fund" means any fund that by law is set aside or appropriated or dedicated for a limited object or purpose; provided that "special fund" does not include a revolving fund or a trust fund;

"Revolving fund" means a fund from which is paid the cost of goods or services rendered or furnished to or by a state department or establishment, and which is replenished through charges made for such goods or services or through transfers from other accounts or funds;

"Trust fund" means a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes.

SECTION 2. Section 35-14, Revised Laws of Hawaii 1955, is hereby repealed in its entirety.

SECTION 3. There is hereby added to chapter 35, Revised Laws of Hawaii 1955, as amended, the following new sections to be numbered and to read as follows:

"Sec. 35-19. Intent and policy. It is hereby declared to be the policy and intent of the legislature that the total appropriations made by it, or the total of any budget approved by it, for any department or establishment, shall be deemed to be the maximum amount authorized to meet the requirements of such department or establishment for the period of the appropriation, excepting as may otherwise be provided by law, and that the governor and the director of budget should be given the powers granted by sections 35-20 to 35-29 in order that savings may be effected by careful supervision throughout each appropriation period with due regard to changing conditions; and by promoting more economic and efficient management of state departments and establishments.

“Sec. 35-20. Quarterly allotment periods. No officer, department or establishment shall expend or be allowed to expend during any fiscal year any sum for any purpose not specifically authorized by the legislature for expenditure during that particular fiscal year, and not made available pursuant to the allotment system provided for in sections 35-19 to 35-29. For the purposes of the allotment system, each fiscal year shall be divided into four quarterly allotment periods, beginning, respectively, on the first days of July, October, January, and April; provided that in any case where the quarterly allotment period is impracticable, the director may prescribe a different period suited to the circumstances, not exceeding six months nor extending beyond the end of the fiscal year.

“Sec. 35-21. Funds to which allotment system applies. The provisions of this act relating to the allotment system shall apply to all appropriations (including standing, continuing or annual appropriations and special funds) for all departments and establishments, but shall not apply to refund accounts nor to appropriations for the courts or the legislature nor to payment of unemployment compensation benefits. In the cases of capital improvements and in other cases where periodical allotments are impracticable, the director may dispense therewith and prescribe such regulations as will insure proper application and encumbering of funds. Subject to the provisions of section 35-28, emergency or contingent funds, revolving funds and trust funds, shall be subject to such regulations as the director may prescribe for controlling the expenditures and encumbering of such funds.

“Sec. 35-22. Appropriations available for allotment; estimate of expenses. No appropriation to which the allotment system is applicable shall become available to any department or establishment for expenditure during any allotment period until such department or establishment submits to the director at such time prior to the beginning of such allotment period and in such form as the director may prescribe an estimate of the amount required to carry on the work of such department or establishment during that period, and until such estimate is approved, increased or decreased by the director and funds allotted therefor.

“Sec. 35-23. Estimated expenditures; approval. The director shall review all estimates submitted to him, and, having due regard for the probable further needs of the department or establishment for the remainder of the term for which the appropriation was made, the terms and purposes of the appropriation, the progress of collection of revenues, and condition of the treasury, and the probable receipts and total cash requirements for the ensuing quarter, he shall approve, increase or reduce the amount of the estimate. The director shall act promptly upon all estimates and notify each department or establishment of its allotment, and shall notify the comptroller.

“Sec. 35-24. Modification. The director shall have authority at any time to modify or amend any allotment previously made by him, upon application of, or upon notice to, the department or establishment concerned, provided, that no deficit or undue reduction of funds to meet future needs of such department or establishment will result therefrom and provided, further, that no such modification or amendment reduces

an allotment below the amount required to meet valid obligations or commitments previously incurred against the allotted funds.

“Sec. 35-25. Reduction. In case the director determines at any time that the probable receipts from taxes or any other sources for any appropriation will be less than was anticipated, and that consequently the amount available for the remainder of the term of the appropriation or for any allotment period will be less than the amount estimated or allotted therefor, the director shall, with the approval of the governor, and after notice to the department or establishment concerned, reduce the amount allotted or to be allotted, provided that no such reduction reduces any allotted amount below the amount required to meet valid obligations or commitments previously incurred against the allotted fund.

“Sec. 35-26. Allotment according to classification prescribed in appropriation. Allotments shall be made according to the classifications of expenditures prescribed in the appropriation measure as enacted by the legislature, and the funds allotted for each classification of expenditure shall be used for no other classification of expenditure.

“Sec. 35-27. Reduction of allotted amounts for objects and items. The head of a department or establishment may, at any time during any allotment period, reduce the expenditure of money appropriated and allotted for that period for specific items and objects within the classification of expenditures prescribed in the appropriation measure and allotted to such department or establishment.

“Sec. 35-28. Exceptions; revolving and trust funds. Except as to administrative expenditures, and except as otherwise provided by law, expenditures from revolving and trust funds and funds established to provide services rendered by any state department or establishment to other state departments or establishments or to any political subdivision of the state, may be made by any department or establishment without appropriation or allotment; provided that no expenditure shall be made from and no obligation shall be incurred against any revolving fund or trust fund in excess of the amount standing to the credit of such fund or for any purpose for which such fund may not lawfully be expended. Nothing contained in sections 35-19 to 35-29 shall be construed to require that revolving funds, trust funds or any refund account established pursuant to law be reappropriated annually.

“Sec. 35-29. Appropriations to revert to state treasury; exceptions. Unless otherwise provided by law, every appropriation or part thereof of any kind made subject to the provisions of sections 35-19 to 35-28, remaining unexpended and unencumbered at the close of any fiscal year shall lapse and be returned to the general fund in the manner prescribed in sec. 34-45.

“Sec. 35-30. Allotment as limit of expenditure; liability for excessive expenditure. No department or establishment shall expend or be allowed to expend any sum, or incur or be allowed to incur any obligation in excess of an allotment. No obligation incurred in excess of the balance of an allotment shall be binding against the state, but where the obligation is violative only for having been made in excess of an allotment, the director may authorize payment thereof from unallotted funds. Any officer, employee or member of any department or establishment, who

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makes or causes to be made any excessive expenditure or incurs or causes to be incurred any excessive obligation shall be deemed guilty of neglect of official duty and shall be subject to removal from office and shall be liable to the state for such sum as may have been expended or paid, and such sum, together with interest and costs, shall be recoverable in an action instituted by the Attorney General.”

SECTION 4. This Act shall take effect upon approval.

(Approved November 13, 1959.) **S.B. 27.**
