

A Bill for an Act Relating to the State Budget.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. **Short title.** This act may be cited as "The Executive Budget Act."

SECTION 2. **Definitions.** Unless otherwise clear from the context, as used in this act:

(a) "Agency" means any executive department, independent commission, board, bureau, office, or other establishment of the State government (except the legislature), or any quasi-public institution which is supported in whole or in part by State funds.

(b) "Bond categories" means types of bonds and includes general obligation bonds, reimbursable general obligation bonds, and revenue bonds.

(c) "Bond fund" means the fund used to account for the proceeds of bond issues and expenditures therefrom.

(d) "Bond receipts" means the proceeds from the issuance of governmental bonds.

(e) "Capital investment costs" means costs, beyond the research and development phase, associated with capital improvements, including the acquisition and development of land, the design and construction of new facilities, and the making of renovations or additions to existing facilities, which are required for a new program, system or capability to be introduced into use.

(f) "Construction costs" means the costs involved in building, equipping and landscaping capital facilities, including any consultant or staff services required.

(g) "Cost categories" means the major types of costs and includes research and development, capital investment, non-capital investment, and operating.

(h) "Cost elements" means the major subdivisions of a cost category. For the category "research and development," it includes research, planning, and test and evaluation. For the category "capital investment," it includes land acquisition, design, and construction. For the category "non-capital investment," it includes such items as in-service training, books, etc. For the category "operating," it includes personal services, other current expenses, equipment, and motor vehicles.

(i) "Cost subelements" means further subdivisions of a cost element. For the cost element "capital investment-land acquisition," it includes land, consultant services, and staff services. For the cost element "capital investment-design," it includes consultant services and staff services. For the cost element "capital investment-construction," it includes building, equipment, landscaping, consultant services, and staff services.

(j) "Crosswalk" means a reconciliation of the program structure with the structure used for accounting and/or appropriations.

(k) "Debt service" means interest and principal repayments on monies borrowed.

(l) "Departmental earnings" means the amounts collected by governmental agencies for services provided and products or property sold; rentals collected for use of public property; fees, fines, forfeitures, and penalties assessed; and other related types of charges.

(m) "Design costs" means the costs related to the preparation of architectural drawings for capital improvements through its various stages from schematic to final construction drawings. It does not include costs associated with the identification of needs, determining alternative ways of meeting needs, and prescription of standards for capital improvements.

(n) "Effectiveness measure" means the criterion for measuring the degree to which the objective sought is attained.

(o) "Federal aid interstate" means funds received from the federal government for the purpose of constructing the interstate highway system in the State.

(p) "Federal aid primary" means funds received from the federal government for the purpose of constructing primary roadways.

(q) "Federal aid secondary" means funds received from the federal government for the purpose of constructing secondary roadways.

(r) "Federal aid urban" means funds received from the federal government for the purpose of constructing roads in urban areas.

(s) "Federal receipts" means financial aid received from the federal government.

(t) "Full cost" means the total cost of a program, system or capability, including research and development costs, capital and non-capital investment costs, and operating costs.

(u) "General fund" means the fund used to account for all transactions which are not accounted for in another fund.

(v) "General obligation bonds" means certificates or notes of indebtedness for the payment of the principal and interest of which the full faith and credit of the State are pledged.

(w) "General obligation reimbursable bonds" means general obligation bonds, the principal and interest of which are paid from the general fund but the general fund is reimbursed to the extent of such payments from other sources.

(x) "Land acquisition costs" means the costs of obtaining lands, including any consultant or staff services costs attributable to that acquisition.

(y) "Non-add" means a program which is listed with an objective or a program grouping, but the cost of which is not to be included in the total cost of that objective or program grouping because it is included in some other objective or program group.

(z) "Non-capital investment costs" means costs, beyond the research and development phase, other than investment costs for capital improvements, which are required for a new program, system or capability to be introduced into use (e.g., cost of initial training of personnel which is required for a program to get underway).

(aa) "Non-tax revenue sources" means sources other than taxes from which revenues are produced and includes departmental earnings of various

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kinds, reimbursements of principal on general obligation bonds issued for State agencies and counties, federal receipts which are restricted in their use to specified purposes, and other federal receipts.

(bb) "Objective" means a statement of the end result, product, or condition desired, for the accomplishment of which a course of action is to be taken.

(cc) "Operating costs" means recurring costs of operating, supporting and maintaining authorized programs, including costs for personnel salaries and wages, employee fringe benefits, supplies, materials, equipment and motor vehicles.

(dd) "Phases of capital improvement project" means land acquisition, design and construction.

(ee) "Planning" means that process by which government objectives are formulated; measures by which effectiveness in attaining the objectives are identified; alternatives by which objectives may be attained are determined; the full cost, effectiveness and benefit implications of each alternative are determined; the assumptions, risks and uncertainties of the future are clarified; and cost and effectiveness and benefit tradeoffs of the alternatives are identified.

(ff) "Program" means a combination of resources and activities designed to achieve an objective or objectives. In the context of the program structure, "program" may be a principal subdivision within a level of the structure and consist of a group of programs, all serving a common objective.

(gg) "Program element" means a subdivision of a program in the program structure, consisting of resources and activities designed to produce a specific, identifiable output.

(hh) "Program size" means the magnitude of a program, such as the number of persons serviced by the program, the amount of a commodity, the time delays, the volume of service in relation to population or area, etc.

(ii) "Program size indicator" means a measure to indicate the magnitude of a program.

(jj) "Program structure" means a display of programs which are grouped in accordance with the objectives to be achieved.

(kk) "Program subelement" means a further subdivision of a program element where necessary to identify in more detail specific, identifiable outputs.

(ll) "Programming" means that process by which government's long-range program and financial plans are scheduled for implementation over a six-year period and which specifies what programs are to be implemented, how they are to be implemented, when they are to be implemented, and what the costs of such implementation are.

(mm) "Reimbursable general obligation bonds" means general obligation bonds, the principal and interest of which are paid from the general fund but the general fund is reimbursed to the extent of such payments from other sources.

(nn) "Research and development costs" means costs primarily associated with the development of a new program, system or capability to the point where capital and/or non-capital investments are required to introduce the program, system or capability into operational use.

(oo) "Resource categories" means types of resources and includes tax revenues, departmental earnings, and federal receipts.

(pp) "Revenue bonds" means certificates or notes of indebtedness payable from and secured solely by the revenues or user taxes, or any combination of both, of a public undertaking, improvement, or system.

(qq) "Revolving fund" means a fund from which is paid the cost of goods and services rendered or furnished to or by a State agency and which is replenished through charges made for the goods or services or through transfers from other accounts or funds.

(rr) "Sources of funding" means the various sources from which funds are available and includes the general fund, special fund, revolving fund, general obligation bonds, reimbursable general obligation bonds, revenue bonds, federal aid interstate highway fund, federal aid primary road fund, federal aid secondary road fund, federal aid urban fund, other federal funds, private contributions, county funds, trust funds, and other funds.

(ss) "Special funds" means funds which are dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds.

(tt) "Taxes" and "tax revenue sources" mean each specific kind of tax.

(uu) "Tax revenues" means the amounts collected from compulsory charges, in the form of taxes, levied by the State for the purpose of financing services performed for the common public benefit.

(vv) "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 3. Statement of policy.** It is the purpose of this act to establish a comprehensive system for State program and financial management which furthers the capacity of the governor and the legislature to plan, program and finance the programs of the State. The system shall include procedures for:

(a) The orderly establishment, continuing review and periodic revision of the State program and financial objectives and policies.

(b) The development, coordination and review of long-range program and financial plans that will implement established State objectives and policies.

(c) The preparation, coordination and analysis, and enactment of a budget organized to focus on State programs and their costs, that authorizes the implementation of the long-range plans in the succeeding budget period.

(d) The evaluation of alternatives to existing objectives, policies, plans and procedures that offer potential for more efficient and effective use of State resources.

(e) The regular appraisal and reporting of program performance.

**SECTION 4. Governing principles.** The system shall be governed by the following general principles:

(a) Planning, programming, budgeting, evaluation, appraisal and report-

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ing shall be by programs grouped by objectives, regardless of their placements in the State or agency organizational structure.

(b) The State program structure shall be such as will enable meaningful decisions to be made by the governor and the legislature at all levels of the structure. At its lowest level, it shall display those program elements or program subelements which are the simplest units of activities, each unit producing a specific, identifiable result, about which resource allocation decisions are to be made by the governor and the legislature.

(c) A program which serves two or more objectives shall be placed in the program structure along with that objective which it primarily serves; where desirable, it shall also be placed with other objectives, but as a non-add item.

(d) The full cost, including both capital and operating costs, shall be identified for all programs regardless of the source of funding; costs shall be displayed in the year of their anticipated expenditure, regardless of whether such costs have been authorized to be expended by prior appropriations acts or are authorized to be expended by existing law or require new appropriations or authorizations.

(e) Objectives shall be stated for every level of the State program structure.

(f) The effectiveness of programs in attaining objectives shall be assessed.

(g) Planning shall have a long-range view.

(h) Systematic analysis in terms of problems, objectives, alternatives, costs, effectiveness, benefits, risks and uncertainties shall constitute the core of program planning.

**SECTION 5. Responsibilities of the governor.** The governor shall direct the preparation and administration of State programs, program and financial plans, and budget. He shall evaluate the long-range program plans, requested budgets and alternatives to State objectives and programs; and formulate and recommend for consideration by the legislature the State's long-range plans, a proposed six-year State program and financial plan and a proposed State Budget.

**SECTION 6. Responsibilities of the legislature.** The legislature shall:

(a) Consider the long-range plans, including the proposed objectives and policies, the six-year State program and financial plan, and the budget and revenue proposals recommended by the governor and any alternatives thereto.

(b) Adopt programs and the State budget and appropriate moneys to implement the programs it deems appropriate.

(c) Adopt such other legislation as necessary to implement State programs.

(d) Review the implementation of the State budget and program accomplishments and execution of legislative policy direction. Implementation of the State budget and program management, execution, and performance shall be subject to post-audits by the auditor who shall report his findings and recommendations to the legislature as provided in chapter 23, Hawaii Revised Statutes.

**SECTION 7. Responsibilities of the department of budget and finance.**

The director of finance shall assist the governor in the preparation, explanation and administration of the State long-range plans, the proposed six-year program and financial plan and the State budget. To this end, subject to this act, the director shall:

(a) With the approval of the governor, develop procedures and prescribe rules and regulations to guide such State agencies as may be assigned by the director the task of formulating and preparing the initial proposals with respect to long-range plans, program and financial plans, program budget requests and program performance reports and to assure the availability of information needed for effective policy decision-making.

(b) Assist such State agencies in the formulation of program objectives, preparation of program plans and program budget requests, and reporting of program performance.

(c) Coordinate, analyze and revise as necessary the program objectives, long-range plans, program and financial plans, program budget requests and program performance reports initially proposed or prepared by such State agencies and develop the State comprehensive program and financial plan, budget and program performance report.

(d) Administer its responsibilities under the program execution provisions of this act so that the policy decisions and budget determinations of the governor and the legislature are implemented to the fullest extent possible within the concepts of proper management.

(e) Investigate continuously the administration of the various agencies for the purpose of advising the governor and recommending to the governor, the legislature and the committees of the legislature concerning the duties of the various positions in these agencies, the methods of the agency, the standards of efficiency therein, and changes which in his judgment will produce greater effectiveness of programs and economy in the conduct of government programs and assist in the preparation of program and financial plans, budget requests and program performance reports.

(f) Provide the legislature and any member or committee of either house of the legislature with such documents and information as may be requested concerning the programs, budget, and fiscal and management operations of the State.

**SECTION 8. Responsibilities of agencies.** Under such rules and regulations as may be prescribed by the director of finance with the approval of the governor:

(a) Every agency assigned the task of developing programs and preparing program and financial plans, budgetary requests and program performance reports shall develop such programs and prepare such plans, requests and reports and submit the same to the director of finance at such times, on such forms and in such manner as the director may prescribe.

(b) Every agency administering State programs and every agency responsible for the formulation of programs and the preparation of program and financial plans, budgetary requests and program performance reports, shall fur-

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nish the department of budget and finance all such documents and information as the department may from time to time require. Each agency shall make available to the legislature and any member or committee of either house of the legislature, all documents and information as may be requested.

(c) The director of finance or any employee of the department of budget and finance, when duly authorized, shall, for the purpose of securing information, have access to and may examine any books, documents, papers or records of any agency.

**SECTION 9. The six-year program and financial plan.** (a) The governor shall prepare a State six-year program and financial plan encompassing all State programs. The program and financial plan shall be annually and continually updated and maintained, and copies of the current plan shall be transmitted to the legislature and to each member thereof, not less than twenty days prior to the convening of each regular session. The program and financial plan shall, in general, contain:

- (1) The State program structure.
- (2) Statements of statewide objectives and program objectives.
- (3) Program plans which describe the programs recommended to implement the statewide and program objectives and the manner in which the recommended programs are proposed to be implemented over the next six fiscal years.
- (4) A financial plan which shows the fiscal implications of the recommended programs for the next six fiscal years.

(b) The information contained in the program and financial plan shall be presented generally in the following manner:

- (1) Information shall be displayed by programs, regardless of their placement in the State or agency organizational structure.
- (2) Programs shall be appropriately crosswalked to expending agencies.
- (3) Data shall be appropriately summarized at each level of the program structure.
- (4) Program costs shall include all costs, both operating and capital, regardless of the source of funding, except that the sources of funding shall be expressly identified; all costs shall be displayed in the year of their anticipated expenditure, regardless of whether such costs have been authorized to be expended by prior appropriations acts or are authorized to be expended by existing law, or require new appropriations or authorizations.
- (5) Cost data shall be presented to the nearest thousand dollars.
- (6) Comparative data for the last completed fiscal year and the fiscal year in progress shall be shown.

(c) The financial plan for the ensuing six fiscal years shall more specifically include:

- (1) Economic data for the State and the counties of the following kinds:
  - (A) Population - historical, current and projected population count; population distribution by age and sex; estimated increases and decreases, including increases and decreases by in-migration; etc.
  - (B) Employment - magnitude of labor force by age and sex; labor force participation rates; employment by age and sex; industry and occupational surpluses and shortages; effects of government programs on employment rate; etc.
  - (C) Income - per capita and per family income; disposable income; income distribution; etc.
  - (D) Wages and prices - wages by industry and occupational groups; prices for government procurement items; construction costs; cost of living index; price indices for components of personal consumption; etc.
  - (E) Industry and business trends.
  - (F) Effects of national economic and financial policies and conditions.
- (2) Brief statements disclosing the basis upon which the revenue estimates in the plan were made, including for each specific tax and non-tax revenue source, the previous projections for the last completed fiscal year and the fiscal year in progress, the variance between the projections and the actual or revised estimate, and the reasons for the variances; the tax or source base and rates; yield projections of existing revenue sources and existing taxes at authorized rates; assumptions made and methodology used in projections; changes recommended, projected yields if changes are adopted, etc.
- (3) At the lowest level on the State program structure, for each program:
  - (A) The total actual program cost for the last completed fiscal year, the estimated cost for the fiscal year in progress and the estimated cost for each of the next six fiscal years; both operating and capital costs shall be included and the sources of funding and the number of positions included in the cost shall be appropriately identified.
  - (B) The program size indicators; the actual size attained in the last completed fiscal year, the estimated size for the fiscal year in progress and the estimated size for each of the next six fiscal years.
  - (C) The effectiveness measures; the actual level of effectiveness attained in the last completed fiscal year, the estimated level of effectiveness for the fiscal year in progress, and the estimated level for each of the next six fiscal years.

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- (4) Appropriate summaries of (3)(A) and (C) immediately above, at every level of the State program structure above the lowest level, by the major groupings of programs encompassed within the level. The summaries of (3)(A) shall appropriately identify the sources of funding and the number of positions included in any cost.
- (5) Financial summaries displaying the State's financial condition, actual for the last completed fiscal year, estimated for the fiscal year in progress, and estimated for each of the next six fiscal years, including:
  - (A) A display of the programmed, total State expenditures, by cost categories, the total State resources anticipated from existing tax and non-tax sources at existing rates, by resource categories (including the fund balance or deficit at the beginning of the fiscal year and bond receipts), and the resulting fund balance or deficit at the close of each fiscal year.
  - (B) The changes proposed to the existing tax and non-tax rates, sources or structure, and the estimated increases or reductions in revenues, the estimated cumulative increases or reductions, and the estimated fund balance or deficit in each of the next six fiscal years as a result of such proposed changes. Proposals for changes in the existing tax and non-tax rates, sources or structure shall be made in every case where the proposed, total State expenditures exceed the total resources anticipated from existing tax and non-tax sources at existing rates.

Such financial summaries shall be prepared for the total State expenditures and resources and for the general fund and special fund portions thereof.

- (6) A summary of the balance of each special fund, actual for the last completed fiscal year and estimated for the fiscal year in progress and estimated for each of the next six fiscal years.
- (7) A summary of the State's total bond fund required to carry out the recommended programs and the kinds of bonds and amounts thereof through which such requirements were met in the last completed fiscal year, are to be met in the fiscal year in progress, and are proposed to be met in each of the next six fiscal years. The summary shall detail, for each fiscal year:
  - (A) Of the total bond fund requirements, the amount, by cost categories, requiring new bond issuance authorization and the kinds and amounts of bonds planned for issuance under such new authorizations.
  - (B) By bond categories, the total, cumulative balance of bonds authorized in prior years but unissued and the amount thereof proposed to be issued.

- (C) A recapitulation of the total bonds to be issued, including both new authorizations and prior authorizations, by bond categories.
- (8) Separately for general fund tax revenues, special fund tax revenues, general fund non-tax revenues and special fund non-tax revenues:
  - (A) By kinds of taxes or sources, the amount of revenue from existing, authorized taxes or sources at existing rates received in the last completed fiscal year and estimated to be received in the fiscal year in progress and in each of the next six fiscal years.
  - (B) A summary of the proposed changes in the existing taxes or sources or rates, and the estimated increases or reductions in revenues in each of the next six fiscal years resulting from such changes.
  - (C) The total estimated revenues with and without the proposed changes in each of the next six fiscal years.
- (d) The program plans for the ensuing six fiscal years shall more specifically include:
  - (1) At the lowest level on the State program structure, for each program:
    - (A) A statement of its objectives.
    - (B) Measures by which the effectiveness in attaining the objectives is to be assessed.
    - (C) The level of effectiveness planned for each of the ensuing six fiscal years.
    - (D) A brief description of the activities encompassed.
    - (E) The program size indicators.
    - (F) The program size planned for each of the next six fiscal years.
    - (G) A narrative explanation of the plans for the program which summarizes the findings of any program analysis performed and which explains the plans to accomplish program objectives and the programming of the plans over the next six years. It shall contain, among other things:
      - (i) a statement of the program issues;
      - (ii) the recommendations being made in terms of the objectives to be pursued and the activities to be undertaken;
      - (iii) an identification of the agencies involved in implementing various parts of the recommended program;
      - (iv) the alternatives considered in arriving at the recommendations;
      - (v) a brief and summary explanation of the results of compari-

sons made of the alternatives in terms of their costs, effectiveness and benefits.

- (vi) how effective the program has been in the past, what the apparent reasons were for this level of success or lack of it, what levels will be sought in the future and on what basis these levels were determined, both as to their absolute amounts and incremental differences;
  - (vii) what the size and scope of the program has been and is anticipated to be, how and why past estimates differed from actual experience, and how future estimates were arrived at;
  - (viii) how the program cost and revenue figures were arrived at;
  - (ix) what possible event could result in significant variations in actual versus planned performance; and
  - (x) an explanation of the significant changes proposed in the program and the implications of such changes and the rationale underlying such decisions.
- (H) The full cost implications of the recommended programs, by cost categories, cost elements and cost subelements, actually experienced in the last completed fiscal year, estimated for the fiscal year in progress, and estimated for each of the next six fiscal years. The sources of financing and the number of positions included in the costs shall be appropriately identified.
- (I) A recapitulation of (H) above for the last completed fiscal year, the fiscal year in progress and each of the next six fiscal years, by sources of funding grouped under each cost category. The number of positions included in any cost item shall be appropriately identified.
- (J) An identification of the revenues generated in the last completed fiscal year and estimated to be generated in the fiscal year in progress and in each of the next six fiscal years, and the fund into which such revenues are deposited.
- (K) Details of implementation of each capital improvement project included in the total program cost, including:
- (i) a description of the project, location and scope;
  - (ii) the initially estimated, currently estimated and final cost of the project, by investment cost elements and subelements and by sources of funding;
  - (iii) the amounts previously appropriated by the legislature for the project, by cost elements and subelements and by sources of funding specified in the acts appropriating the sums, and an identification of the acts so appropriating;

- (iv) the costs incurred in the last completed fiscal year and the estimated costs to be incurred in the fiscal year in progress and in each of the next six fiscal years, by cost elements and subelements and by sources of funding;
  - (v) a commencement and completion schedule, by month and year, of the various phases of the capital improvement project (i.e., land acquisition, design, construction and occupancy) as originally intended, as currently estimated, and as actually experienced.
- (L) A crosswalk of the program expenditures, by cost categories, cost elements and cost subelements, between the program and expending agencies for the next two fiscal years. The sources of funding and the number of positions included in the program costs to be expended by each agency shall be specified.
- (2) Appropriate summaries at every level of the State program structure above the lowest level. The summaries shall include:
- (A) A listing of all major groupings of programs included within the level, together with the objectives, measures of effectiveness and planned levels of effectiveness for each of the ensuing six fiscal years for each such major groupings of programs.
  - (B) A narrative explanation of the plans at the level to accomplish the objectives of the major groupings of programs encompassed therein, including a summary of the findings of analysis leading to the establishment of the objectives and the allocation of the State's resources over the planning period among the major program groupings.
  - (C) A summary of the total cost of each cost category by the major groupings of programs encompassed within the level, actual for the last completed fiscal year and estimated for the fiscal year in progress and for each of the next six fiscal years.

**SECTION 10. The budget.** (a) Not less than twenty days before the legislature convenes in every odd-numbered year, the governor shall submit to the legislature and to each member thereof, a budget which shall contain the program and budget recommendations of the governor for the succeeding two fiscal years. The budget shall, in general, contain:

- (1) The State program structure.
- (2) Statements of statewide objectives and program objectives.
- (3) The financial requirements for the next two fiscal years to carry out the recommended programs.
- (4) A summary of State receipts and revenues in the last completed fiscal year, a revised estimate for the fiscal year in progress, and an estimate for the succeeding biennium.

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(b) The information contained in the budget shall be presented generally in the following manner:

- (1) Information shall be displayed by programs, regardless of their placement in the State or agency organizational structure.
- (2) Program financial requirements shall be appropriately crosswalked between the programs and expending agencies.
- (3) Data shall be appropriately summarized at each level of the program structure.
- (4) Program costs shall include all costs, both operating and capital, regardless of the source of funding, except that the sources of funding shall be expressly identified, and regardless of whether the expenditure of any sum was authorized by prior appropriations acts, is authorized by existing law, or requires new authorization, except that the amounts requiring new authorization shall be appropriately identified.
- (5) Financial requirements shall be presented to the nearest dollar, omitting cents; and the summary of State receipts and revenues shall be presented to the nearest thousand dollars.
- (6) The budget shall reflect the ensuing first two fiscal year program costs contained in the six-year program and financial plan.

(c) The display of financial requirements for the ensuing two fiscal years shall more specifically include:

- (1) At the lowest level on the State program structure, for each program:
  - (A) The total recommended expenditures, including both capital and operating costs, by cost categories, for the ensuing biennium; the planned allocation of the total biennial request, by cost categories, between the two fiscal years of the biennium. In every instance, the source of funding and the number of positions included in any recommended expenditure amount shall be appropriately identified.
  - (B) A summary showing, by sources of funding, of the total recommended expenditures, those amounts requiring and those amounts not requiring legislative appropriation or authorization for spending in each fiscal year of the biennium.
  - (C) A crosswalk of the total proposed biennial expenditures between the program and expending agencies. The source of funding, the number of positions included in any cost amount, and the net amount requiring appropriation or authorization shall be appropriately identified for each expending agency.
  - (D) The proposed changes in the levels of expenditures, by cost categories, between the biennium in progress and the ensuing biennium, together with a brief explanation of the major reasons for

each change. The reasons may be coded and shall include, as appropriate, the following:

- (i) Salary adjustments to existing positions of personnel.
- (ii) The addition or deletion of positions.
- (iii) Changes in the number of persons being served or to be served by the program.
- (iv) Changes in the program implementation schedule.
- (v) Changes in the actual or planned level of program effectiveness.
- (vi) Increases due to the establishment of a program not previously included in the State's program structure.
- (vii) Decreases due to the phasing out of a program previously included in the State's program structure.
- (viii) Changes in the purchase price of goods or services.

As appropriate, references to the program and financial plan shall be noted for a fuller explanation of the changes. For each program, the total dollar and percentage change shall also be noted. Notwithstanding the provisions of section 10(b) (5), the proposed changes in the levels of expenditures may be shown to the nearest thousand dollars.

- (E) The program size indicators; the actual size attained in the last completed fiscal year and the estimated size for the fiscal year in progress and for each of the two years of the ensuing biennium.
  - (F) The effectiveness measures; the actual level of effectiveness attained in the last completed fiscal year and the estimated level of effectiveness for the fiscal year in progress and for each of the two years of the ensuing biennium.
- (2) Appropriate summaries of (1)(A), (C) and (F) immediately above at every level of the State program structure above the lowest level. Such summaries shall be by the major groupings of programs encompassed within the level. The summaries of (1)(A) shall identify the sources of funding and the number of positions included in any recommended expenditure amount.
- (3) A summary listing of all capital improvement projects included in the proposed program expenditures for the ensuing biennium. The listing shall be by programs at the lowest level of the State program structure and shall show for each project, by investment cost elements:
- (A) The cost of the project.
  - (B) The amount of non-lapsed sums and unissued bonds previously appropriated and authorized by the legislature.

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- (C) The amount of such prior non-lapsed appropriations and authorizations and the amount of new appropriations and authorizations proposed to be expended in each of the two fiscal years of the ensuing biennium and in each of the succeeding four years. The amount of the new appropriations and authorizations proposed to be expended shall constitute the proposed new requests for the project in each of the fiscal bienniums.

In every instance, the source of funds shall be noted.

(d) The summaries of the State receipts and revenues shall more specifically include:

- (1) Financial summaries displaying the State's financial condition, to-wit:
  - (A) A display of the proposed, total State expenditures, by cost categories, the total State resources anticipated from existing taxes and non-tax sources at existing rates, by resource categories (including the available fund balances or deficits and anticipated bond receipts), and the fund balance or deficit resulting therefrom for the biennium in progress, for the ensuing biennium, and for each of the two fiscal years of the ensuing biennium.
  - (B) The changes proposed to the existing tax and non-tax rates, sources or structure, and the estimated increases or reductions in revenues, the estimated cumulative increases or reductions, and the estimated fund balance or deficit in the ensuing biennium and in each of the two fiscal years of the biennium as a result of such proposed changes. Proposals for changes in the existing tax and non-tax rates, sources or structure shall be made in every case where the proposed, total State expenditures exceed the total State resources anticipated from existing tax and non-tax sources at existing rates.

Such financial summaries shall be prepared for the total State expenditures and resources and for the general fund and special fund portions thereof.

- (2) A summary of the balances of each special fund, actual for the last completed fiscal year and estimated for the fiscal year in progress and for each of the two fiscal years in the ensuing biennium.
- (3) A summary of the State's total bond fund required to carry out the recommended programs and the kinds of bonds and amounts thereof through which such requirements are to be met in the biennium in progress and in each of the two fiscal years in the ensuing biennium. The summary shall detail for the biennium in progress and for each of the two years of the ensuing biennium:

- (A) Of the total requirements, the amount, by cost categories, requir-

ing new bond issuance authorization and the kinds and amounts of bonds planned for issuance under such new authorization.

- (B) By bond categories, the total, cumulative balance of bonds authorized in prior years but unissued and the amount thereof planned to be issued.
  - (C) A recapitulation of the total bonds, both new authorizations and prior authorizations, by bond categories, proposed to be issued.
- (4) A tentative schedule by quarter and fiscal year of the amount of general obligation bonds and the amount of revenue bonds proposed to be issued in the ensuing fiscal biennium.
- (5) A schedule of projected debt service charges for general obligation bonds outstanding at the time of the submission of the budget and to be issued by the close of the budget biennium in progress and the close of the ensuing budget biennium. The projection shall be separately stated for:
- (A) Bonds currently outstanding.
  - (B) Bonds to be issued during the remainder of the fiscal biennium in progress and during the ensuing fiscal biennium.
  - (C) The total bonds currently outstanding and to be issued.

In each case, the projection shall be categorized into debt service to be paid directly from the general fund, debt service to be paid through reimbursements, and total debt service. The projection shall extend at least five years beyond the close of the ensuing fiscal biennium. An explanation shall be appended to the schedule, which shall include among other things, the amount of bonds to be issued during the fiscal year in progress and in each of the two fiscal years of the ensuing biennium, the maturities of the bonds to be issued, the method of retirement, and the interest rate assumed in the projection.

- (6) A schedule of the current State funded debt, legal debt limit and the legal debt margin, including the details thereof.
- (7) Separately for general fund tax revenues, special fund tax revenues, general fund non-tax revenues and special fund non-tax revenues.
- (A) By kinds of taxes or sources, the amount of revenue from existing, authorized taxes or sources at existing rates received in the last completed fiscal year and estimated to be received in the fiscal year in progress and in each of the two fiscal years in the ensuing biennium, with appropriate totals for the two bienniums.
  - (B) A summary of the proposed changes in the existing taxes or sources or rates, and the estimated increases or reductions in revenues in each of the two years in the ensuing fiscal biennium resulting from such changes.

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(C) The total estimated revenues with and without the proposed changes.

(e) The proposed budget shall include such other financial statements, information and data which in the opinion of the governor are necessary or desirable in order to make known in all practical detail the programs, program plans, and financial conditions of the State.

(f) The proposed budget shall contain an item to be known as the "contingent fund," which sum, upon approval by the legislature, shall be available for allocation by the governor during the ensuing fiscal biennium to meet contingencies as they arise.

**SECTION 11. Supplemental budget.** (a) Not less than twenty days before the legislature convenes in regular session in an even-numbered year, the governor may submit to the legislature a supplemental budget to amend any appropriation for the current fiscal biennium. The supplemental budget shall reflect the changes being proposed in the State's program and financial plan and shall be submitted, as applicable, in the manner provided in section 10.

(b) In each regular session in an even-numbered year, the legislature may amend any appropriation act of the current fiscal biennium or prior fiscal periods.

**SECTION 12. Legislative review.** The legislature shall consider the governor's proposed program and financial plan and budget; evaluate alternatives to the governor's recommendations; and adopt programs and determine the State budget. It may, from time to time, request the department of budget and finance and any agency to conduct such analysis of programs and finances as will assist in determining the State's program and financial plan and budget.

**SECTION 13. Program execution.** (a) Except as limited by policy decisions of the governor, appropriations by the legislature, and other provisions of law, the several agencies responsible for administering State programs shall administer their program assignments and shall be responsible for their proper management.

(b) The appropriations by the legislature for a biennium shall be allocated between the two fiscal years of the biennium in the manner provided in the budget or appropriations act and as further prescribed by the director of finance. The amounts allocated for each fiscal year shall be subject to the allotment system prescribed in chapter 37, part II, Hawaii Revised Statutes. Each agency (except the courts), in estimating its quarterly requirements under chapter 37, part II, shall prepare a plan for the fiscal year for the operation of each of the programs it is responsible for administering. The operations plan shall be in such form and content as the department of budget and finance may prescribe. It shall be submitted, together with the estimated quarterly requirements, to the department of budget and finance on such date as the department may prescribe.

(c) The department of budget and finance shall:

(1) Review each operations plan to determine that it is consistent with the policy decisions of the governor and appropriations by the legislature,

that it reflects proper planning and efficient management methods, and that appropriations have been made for the planned purpose and will not be exhausted before the end of the fiscal year.

- (2) Approve the operations plan if satisfied that it meets the requirements under paragraph (1). Otherwise, the department of budget and finance shall require revision of the operations plan in whole or in part.
- (3) Modify or withhold the planned expenditures at any time during the appropriation period if the department of budget and finance finds that such expenditures are greater than those necessary to execute the programs at the level authorized by the governor and the legislature, or that State receipts and surpluses will be insufficient to meet the authorized expenditure levels.

(d) No appropriation transfers or changes between programs or agencies shall be made without legislative authorization. Authorized transfers or changes, when made, shall be reported to the legislature.

(e) The department of budget and finance shall report quarterly to the governor and the legislature on the operations and operations plan of each agency, relating actual accomplishments to those planned and indicating the modifications to the operations plan of any agency for the balance of the fiscal year.

**SECTION 14. Variance report.** Not later than December 1 of each year, the governor shall submit to the legislature and to each member thereof, a report on program performance for the last completed fiscal year and the fiscal year in progress. In format, the report shall generally follow the fiscal requirements portion of the executive budget or budgets covering the two fiscal years. The report shall include:

(a) At the lowest level of the program structure, for each program contained in the budget finally approved by the legislature for the last completed fiscal year and the fiscal year in progress:

- (1) A comparison, by cost categories, of the budgeted expenditures and the actual expenditures for the last completed fiscal year, and the budgeted expenditures and the estimated expenditures for the fiscal year in progress.
- (2) A comparison, by cost elements, of the budgeted expenditures and positions authorized and the actual expenditures and positions filled in the last completed fiscal year, the budgeted expenditures and the number of positions authorized and the actual expenditures and number of positions filled in the first three months of the fiscal year in progress, and the budgeted expenditures and the number of positions authorized and the estimated expenditures and number of positions expected to be filled in the remaining months of the fiscal year in progress.
- (3) The program size indicators, and a comparison of the program size anticipated and the size actually realized in the last completed fiscal

year and the program size anticipated and the size estimated for the fiscal year in progress.

- (4) The effectiveness measures, and a comparison of the level of effectiveness anticipated and the level actually attained in the last completed fiscal year and the level of effectiveness anticipated and the level estimated for the fiscal year in progress.
- (5) A narrative explanation of the differences in each of the comparisons made in (1), (2), (3) and (4), including an explanation of the basis upon which the original estimates were made and the reasons why such estimates proved accurate or inaccurate, and a statement of what the actual experience portends for the future of the program in terms of costs, size and effectiveness.

Expenditure amounts in the comparisons shall be shown to the nearest thousand dollars.

(b) Appropriate summaries at each level of the State program structure for each major grouping of programs encompassed therein, showing:

- (1) A comparison of the total budgeted expenditure and the total actual expenditure for the last completed fiscal year and the total budgeted expenditure and the total estimated expenditure for the fiscal year in progress. The expenditure amounts shall be shown to the nearest thousand dollars.
- (2) The effectiveness measures, and a comparison of the level of effectiveness anticipated and the level actually attained in the last completed fiscal year and the level of effectiveness anticipated and the level estimated for the fiscal year in progress.
- (3) A narrative explanation summarizing the major reasons for the differences in the comparisons made in (1) and (2).

(c) The administrative improvements made in the preceding year, potential improvements in future years, and suggested changes in legislation or administrative procedures to make further improvements.

**SECTION 15. Publication.** The State six-year program and financial plan, the budget and the program performance report shall be printed with a reasonable number of copies for public distribution.

**SECTION 16. Claims for legislative relief.** All claims for refunds, reimbursements, or other payments, authorization for which is sought from the legislature, shall, as a condition to their being considered by the legislature, be filed in quadruplicate with the director of finance at least thirty days prior to the convening of the legislature, together with quadruplicates of all data and documents in support thereof. In the absence of a showing of sufficient reason therefor, failure to comply with this paragraph shall be deemed sufficient cause for refusal of the legislature to consider the claims.

The director shall, immediately upon receipt thereof, refer any claim and data so received by him to the agency concerned, and the agency to which the

reference is made shall immediately investigate the claim, secure in triplicate all available data and documents bearing thereon, and prior to the convening of the legislature refer the same back to the director with its recommendations thereon. The director shall, within five days after the opening of the session, transmit the claims, together with all accompanying data so presented, to the committee on ways and means of the senate and the committee on finance of the house of representatives.

**SECTION 17. Schedule of act's implementation.** The governor shall submit to the legislature:

(a) At the regular session of 1971, his proposed State budget for the fiscal biennium 1971-1973 in two forms, one as provided in chapter 37, Hawaii Revised Statutes, and another as prescribed in section 10 of this act. He shall also submit the proposed State six-year program and financial plan as prescribed in section 9 of this act.

(b) At the regular session of 1972, the then current State six-year program and financial plan as prescribed in section 9 of this act, and a variance report covering the fiscal year 1971-72 as provided in section 14 of this act.

(c) At the regular session of 1973, and thereafter, his proposed State budget, six-year program and financial plan and variance report as prescribed in this act.

**SECTION 18. Amendment and repeal of conflicting laws.** All laws and parts of laws heretofore enacted that are in conflict with the provisions of this act are hereby amended to conform herewith. All acts passed during the regular session of 1970, whether enacted before or after the passage of this act, shall be amended to conform to this act, unless such acts specifically provide that this act is being amended. In addition, except to the extent provided in section 17 of this act, part I of chapter 37, Hawaii Revised Statutes, is hereby expressly repealed.

**SECTION 19. Severability.** If any provision of this act, or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

**SECTION 20. Effective date.** This act shall take effect upon approval.  
(Approved June 30, 1970.)