

## ACT 219

H.B. NO. 3095-74

A Bill for an Act Relating to the Executive Budget Act.

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

SECTION 1. Section 37-62, Hawaii Revised Statutes, is amended to read:

**“Sec. 37-62 Definitions.** Unless otherwise clear from the context, as used in this part:

- (1) ‘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.
- (2) ‘Bond categories’ means types of bonds and includes general obligation bonds, reimbursable general obligation bonds, and revenue bonds.
- (3) ‘Bond fund’ means the fund used to account for the proceeds of bond issues and expenditures therefrom.
- (4) ‘Bond receipts’ means the proceeds from the issuance of governmental bonds.
- (5) ‘Capital expenditures’ means payments to contractors and payments for other items related to the construction of a capital improvement project.
- (6) ‘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. Capital investment costs for a program are the sum of the program’s capital improvement project costs.
- (7) ‘Construction costs’ means the costs involved in building, equipping and landscaping capital facilities, including any consultant or staff services required.
- (8) ‘Cost categories’ means the major types of costs and includes research and development, capital investment, and operating.

- (9) 'Cost elements' means the major subdivisions of a cost category. For the category 'capital investment,' it includes land acquisition, design, and construction. For the categories 'research and development' and 'operating,' it includes personal services, other current expenses, equipment, and motor vehicles.
- (10) 'Crosswalk' means a reconciliation of the program structure with the structure used for accounting and/or appropriations.
- (11) 'Debt service' means interest and principal repayments on moneys borrowed.
- (12) '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.
- (13) '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.
- (14) 'Effectiveness measure' means the criterion for measuring the degree to which the objective sought is attained.
- (15) 'Federal aid interstate' means funds received from the federal government for the purpose of constructing the interstate highway system in the State.
- (16) 'Federal aid primary' means funds received from the federal government for the purpose of constructing primary roadways.
- (17) 'Federal aid secondary' means funds received from the federal government for the purpose of constructing secondary roadways.
- (18) 'Federal aid urban' means funds received from the federal government for the purpose of constructing roads in urban areas.
- (19) 'Federal receipts' means financial aid received from the federal government.
- (20) 'Full cost' means the total cost of a program, system or capability, including research and development costs, capital investment costs, and operating costs.
- (21) 'General fund' means the fund used to account for all transactions which are not accounted for in another fund.
- (22) '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.
- (23) '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.
- (24) 'Inter-departmental transfers' means funds which will be used by a program but will be appropriated to a different program.
- (25) 'Land acquisition costs' means the cost of obtaining lands, including

- any consultant or staff services costs attributable to that acquisition.
- (26) 'Means of financing' 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.
  - (27) '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 of program grouping because it is included in some other objective or program group.
  - (28) 'Non-tax revenue sources' means sources other than taxes from which revenues are produced and includes departmental earnings of various 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.
  - (29) '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.
  - (30) '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.
  - (31) 'Phases of capital improvement projects' means land acquisition, design, construction, and occupancy.
  - (32) '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.
  - (33) 'Program' means a combination of resources and activities designed to achieve an objective or objectives.
  - (34) '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.
  - (35) 'Program size indicator' means a measure to indicate the magnitude of a program.
  - (36) 'Program structure' means a display of programs which are grouped in accordance with the objectives to be achieved, or the functions to be performed.
  - (37) '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.
- (38) '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.
  - (39) '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 operating costs are required to introduce the program, system or capability into operational use.
  - (40) 'Resource categories' means types of resources and includes tax revenues, departmental earnings, and federal receipts.
  - (41) '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.
  - (42) '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.
  - (43) '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.
  - (44) 'Taxes' and 'tax revenue sources' mean each specific kind of tax.
  - (45) '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.
  - (46) '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 37-64, Hawaii Revised Statutes, is amended to read:

**"Sec. 37-64 Governing principles.** The system shall be governed by the following general principles:

- (1) Planning, programming, budgeting, evaluation, appraisal and reporting shall be by programs or groups of programs.
- (2) 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 programs which are the simplest units of activities, about which resource allocation decisions are to be made by the governor and the legislature.
- (3) 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.

- (4) The full cost, including research and development, capital and operating costs, shall be identified for all programs regardless of the means of financing; 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) Objectives shall be stated for every level of the state program structure.
- (6) The effectiveness of programs in attaining objectives shall be assessed.
- (7) Planning shall have a long-range view.
- (8) Systematic analysis in terms of problems, objectives, alternatives, costs, effectiveness, benefits, risks and uncertainties shall constitute the core of program planning.”

SECTION 3. Section 37-69, Hawaii Revised Statutes, is amended to read:

“**Sec. 37-69 The six-year program and financial plan.** (a) The governor shall prepare a six-year program and financial plan encompassing all state programs. 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, the six-year program and financial plan. The program and financial plan shall be annually and continually updated and maintained. 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, or groups of programs.
  - (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, including research and development, operating and capital, regardless of the means of financing, except that the means of financing 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 ex-

- pended by existing law, or require new appropriations or authorizations.
- (5) Cost data shall be presented in units of thousands of dollars, or less.
  - (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; research and development, operating and capital costs shall be included and the means of financing shall be appropriately identified. The number of personnel positions shall be shown for the program, identified by their means of financing.
    - (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.
- (4) Appropriate displays 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 displays of (3) (A) shall appropriately identify the means of financing and the number of positions included in the level.
- (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 of 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. It shall contain, and in general be limited to, the following:
      - (i) a description of the kinds of activities carried out or unusual technologies employed;
      - (ii) a statement of key policies pursued;
      - (iii) identification of important program or organizational relationships involved;
      - (iv) a description of major external trends affecting the program;
      - (v) a discussion of significant discrepancies between previously planned cost, effectiveness, and program size levels and those actually achieved;
      - (vi) comments on, and an interpretation of, cost, effectiveness, and program size data over the upcoming budget period, with special attention devoted to changes from the current budget period:



- (vii) comments on, and an interpretation of, cost, effectiveness, and program size data over the four years of the planning period and how they relate to the corresponding data for the budget period;
  - (viii) a summary of the special analytic study, program evaluation, or other analytic report supporting a substantial change in the program where such a major program change recommendation has been made.
- (H) The full cost implications of the recommended programs, by cost categories, and cost elements 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 means of financing shall be identified for each cost category. The personal services cost element shall be shown separately; the cost elements of other current expenses, equipment, and motor vehicles may be combined. The number of positions included in the program shall be appropriately identified by means of financing.
- (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 means of financing grouped under each cost category. The number of positions included in any program 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 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 by means of financing;
  - (iii) the amounts previously appropriated by the legislature for the project, by cost elements and by means of financing 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 by means of financing; and
  - (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 and cost elements between the program and expending agencies for the next two fiscal years. The means of financing and the number of positions included in the program costs to be expended by each agency shall be specified.
- (2) Appropriate displays at every level of the state program structure above the lowest level. The displays 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 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 4. Section 37-70, Hawaii Revised Statutes, is amended to read:

“**Sec. 37-70 Program memoranda.** Not later than the third Wednesday of January of each odd-numbered year, the governor shall submit to the legislature and to each member thereof, a program memorandum covering each of the major programs in the statewide program structure. Each program memorandum will include:

- (1) An overview of the program as a whole including a discussion of:
  - (A) Objectives.
  - (B) Component programs.
  - (C) Departments involved.
  - (D) Relationships to other agencies and jurisdictions.
  - (E) Major activities.
  - (F) Important external developments affecting the program.
  - (G) Significant discrepancies between previously planned cost and effectiveness levels and those actually achieved.
  - (H) Trends and comparisons in costs, effectiveness, or activity data over the budget and planning period.
- (2) A statement of the major program changes being recommended for the budget and planning period to include for each proposed change:
  - (A) A brief statement of the recommended change.
  - (B) The cost and program performance consequences of the change over the budget and planning period.
  - (C) A summary of the analytic rationale for the change.
- (3) A discussion of emerging conditions, trends and issues including:
  - (A) Actual or potential impact on the State and its programs.
  - (B) Possible alternatives for dealing with the specific problems occasioned by the emerging conditions, trends, and issues.
  - (C) Suggestions for a program of analyses to resolve the most urgent of the problems.

(4) Appendices as needed to include appropriate issue papers, special analytic studies, other reports, and crucial source data.

(b) If it is deemed more desirable, the program memoranda and the six-year program and financial plan may be combined into a single document containing all the information required for each separate document.”

SECTION 5. Section 37-71, Hawaii Revised Statutes, is amended to read:

“**Sec. 37-71 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.
- (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.

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

- (1) Information shall be displayed by programs or groups of programs.
- (2) Program financial requirements shall be appropriately crosswalked between the programs and the expending agencies.
- (3) Data shall be appropriately summarized at each level of the program structure.
- (4) Program costs shall include all costs, including research and development, operating and capital, regardless of the means of financing, except that the means of financing 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 research and development, capital and operating costs, by cost categories and cost elements for the ensuing biennium; the planned allocation of the total biennial requests, by cost categories, and cost elements, between the two fiscal years of the biennium. The

means of financing and the number of positions included in any cost category amount shall be appropriately identified.

- (B) A summary showing means of financing 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 means of financing 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 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 an explanation of the changes. For each program, the total dollar and percentage change shall also be noted. Notwithstanding the provisions of subsection (b) (5) of this section, the proposed changes in the levels of expenditures may be shown to the nearest thousand dollars.

- (2) Appropriate summaries of (1) (A) and (C) 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 means of financing and the number of positions included in any cost category amount.
- (3) A summary listing of all capital improvement projects included in the proposed capital investment costs 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 funds previously appropriated and authorized by the legislature.

- (C) The amount of new appropriations and authorizations proposed 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 shall constitute the proposed new requests for the project in each of the fiscal bienniums.

In every instance, the means of financing 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 of 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 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, requiring 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.
  - (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.

(g) If it is deemed more practical, the six-year program and financial plan and the budget may be combined into a single document containing all the information required for each separate document."

SECTION 6. Section 37-74, Hawaii Revised Statutes, is amended to read:

**"Sec. 37-74 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. 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.

SECTION 7. Section 37-75, Hawaii Revised Statutes, is amended to read:

**“Sec. 37-75 Variance report.** Not less than twenty days prior to the convening of each regular session of the legislature, 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. The report shall include:

- (1) 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:
  - (a) A comparison, by the operating and research and development 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.
  - (b) A comparison, for the operating and research and development cost categories, of the budgeted expenditures and positions authorized and the actual expenditures and positions filled in the last completed fiscal year and a comparison of the budgeted expenditures and the number of positions authorized for the fiscal year in progress and the actual expenditures and number of positions filled in the first three months of the fiscal year in progress and the estimated expenditures and number of positions expected to be filled in the remaining months of the fiscal year in progress.
  - (c) 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.
  - (d) 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.
  - (e) A narrative explanation of the major differences for the last completed fiscal year in each of the comparisons made in (a), (b), (c) and (d), 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.

- (2) Appropriate summaries at each level of the state program structure for each major grouping of programs encompassed therein, showing:
  - (a) 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.

- (b) 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.
  - (c) A narrative explanation summarizing the major reasons for the differences in the comparisons made for the last completed fiscal year in (a) and (b).
- (3) Significant variations in capital improvement costs will be explained in the narrative. Capital improvement project variances will be referenced to the six-year program and financial plan, which will contain the information specified in section 37-69(d) (1) (K)."

SECTION 8. Section 37-76, Hawaii Revised Statutes, is amended to read:

**"Sec. 37-76 Publication.** The state six-year program and financial plan, the budget and the variance report shall be printed with a reasonable number of copies for public distribution."

SECTION 9. Section 37-78, Hawaii Revised Statutes, is amended to read:

**"Sec. 37-78 Schedule of implementation.** The governor shall submit to the legislature:

- (1) At the regular session of 1975, and every odd-numbered year's session thereafter, the program memoranda described in section 37-70.
- (2) At the regular session of 1975, and every odd-numbered year's session thereafter, his proposed State budget, and six-year program and financial plan."

SECTION 10. Severability. If any portion of this Act or its application to any person or circumstances is held to be invalid for any reason, then the legislature hereby declares that the remainder of the Act and each and every other provision thereof shall not be affected thereby.

SECTION 11. Statutory material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material, or the underscoring.\*

SECTION 12. Effective date. This Act shall take effect upon its approval.

(Approved June 13, 1974.)

\*Edited accordingly.