

JAN 22 2015

A BILL FOR AN ACT

RELATING TO BUDGETING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to improve the
2 State's budgeting process.

3 More specifically, this Act:

4 (1) Changes the information required to be provided in the
5 variance reports submitted to the legislature before
6 each regular session. The major changes delete the
7 requirement for estimated variances for the fiscal
8 year in progress and, instead, require a comparison of
9 the variances for the last completed fiscal year
10 against the immediate preceding fiscal year; and

11 (2) Repeals the requirement that program memoranda be
12 submitted to the legislature before regular sessions
13 of odd-numbered years.

14 The legislature finds that variance reports, which show the
15 differences between budgeted and actual expenditures, positions,
16 program size indicators, and levels of effectiveness, will
17 promote the legislature's decision-making capability. With the



1 information, the legislature will be better able to evaluate the
2 execution of the enacted budget and effectiveness, efficiency,
3 and productivity of budget programs in relation to expenditures.
4 The legislature intends that the variance reports be submitted
5 annually to the legislature as prescribed by current statute.
6 This intent is emphasized because the administration in recent
7 years has submitted variance reports biennially.

8 This Act also requires the auditor to conduct an audit of
9 the first two variance reports submitted under this Act. The
10 legislature intends to review this Act based on the findings and
11 recommendations of the auditor.

12 The legislature has repealed the requirement for program
13 memoranda in order to compensate for the possible additional
14 administrative workload required for the annual variance
15 reports.

16 The legislature intends that the provisions of this Act
17 also apply to the judiciary budget by operation of section 601-
18 2, Hawaii Revised Statutes.

19 SECTION 2. Section 37-75, Hawaii Revised Statutes, is
20 amended to read as follows:



1 "**§37-75 Variance report.** (a) Not fewer than thirty days
2 prior to the convening of each regular session of the
3 legislature, the governor shall submit to the legislature and to
4 each member thereof a variance report on program performance for
5 the last completed fiscal year and the immediate preceding
6 fiscal year [~~in progress~~]. For purposes of this section,
7 "immediate preceding fiscal year" means the fiscal year
8 immediately preceding the last completed fiscal year. The
9 purposes of the variance report shall be to:

- 10 (1) Compare and explain the differences between the:
11 (A) Budgeted expenditures, authorized positions,
12 anticipated program sizes, and anticipated levels
13 of effectiveness for the last completed fiscal
14 year; and
15 (B) Actual expenditures, filled positions, actual
16 program sizes, and actual levels of effectiveness
17 for the last completed fiscal year; and
18 (2) Compare the differences between the information
19 described in paragraphs (1)(A) and (B) for the last
20 completed fiscal year and corresponding information
21 for the immediate preceding fiscal year.



1 (b) In format, the variance report generally shall follow
2 the fiscal requirements portion of the executive budget or
3 budgets. The report shall include:

4 (1) At the lowest level of the program structure, for each
5 program contained in the budget finally approved by
6 the legislature for the last completed fiscal year and
7 the immediate preceding fiscal year [~~in progress~~]:

8 (A) A comparison, by the operating and research and
9 development cost categories, of the budgeted
10 expenditures and [~~the~~] actual expenditures for
11 the last completed fiscal year and the budgeted
12 expenditures and [~~the estimated~~] actual
13 expenditures for the immediate preceding fiscal
14 year [~~in progress~~];

15 (B) A comparison[~~, for the operating and research and~~
16 ~~development cost categories,~~] of the [~~budgeted~~
17 ~~expenditures and~~] number of positions authorized
18 in the budget and [~~the actual expenditures and~~]
19 number of positions filled in the last completed
20 fiscal year and [~~a comparison of the budgeted~~
21 ~~expenditures and~~] the number of positions



1 authorized [~~for the fiscal year in progress~~] in
2 the budget for and [~~the actual expenditures and~~]
3 number of positions filled in [~~the first three~~
4 ~~months of the fiscal year in progress~~ and the
5 ~~estimated expenditures and number of positions~~
6 ~~expected to be filled in the remaining months of~~]
7 the immediate preceding fiscal year [~~in~~
8 ~~progress~~];

9 (C) The program size indicators and a comparison of
10 the program size anticipated and [~~the~~] size
11 actually realized in the last completed fiscal
12 year and the program size anticipated and [~~the~~]
13 size [~~estimated~~] actually realized for the
14 immediate preceding fiscal year [~~in progress~~];

15 (D) The effectiveness measures and a comparison of
16 the level of effectiveness anticipated and [~~the~~]
17 level actually attained in the last completed
18 fiscal year and the level of effectiveness
19 anticipated and [~~the~~] level [~~estimated~~] actually
20 attained for the immediate preceding fiscal year
21 [~~in progress~~]; and



1 (E) A narrative explanation of the significant
2 differences for the last completed fiscal year in
3 each of the comparisons made in subparagraphs
4 (A), (B), (C), and (D), including an explanation
5 of the basis upon which the original estimates
6 were made and the reasons why the estimates
7 proved accurate or inaccurate, and a statement of
8 what the actual experience portends for the
9 future of the program in terms of costs, size,
10 and effectiveness[+]. No narrative explanation
11 of the difference for the immediate preceding
12 fiscal year shall be required;

13 provided that expenditure amounts in the comparisons
14 shall be shown to the nearest thousand dollars;

15 (2) Appropriate summaries at each level of the state
16 program structure for each major grouping of programs
17 encompassed therein, showing:

18 (A) A comparison of the total budgeted expenditure
19 and [~~the~~] total actual expenditure for the last
20 completed fiscal year and the total budgeted
21 expenditure and [~~the~~] total [~~estimated~~] actual



1 expenditure for the immediate preceding fiscal
2 year [~~in progress~~]; provided that the expenditure
3 amounts shall be shown to the nearest thousand
4 dollars;

5 (B) The effectiveness measures and a comparison of
6 the level of effectiveness anticipated and the
7 level actually attained in the last completed
8 fiscal year and the level of effectiveness
9 anticipated and the level [~~estimated~~] actually
10 attained for the immediate preceding fiscal year
11 [~~in progress~~]; and

12 (C) A narrative explanation summarizing the major
13 reasons for the differences in the comparisons
14 made for the last completed fiscal year in
15 subparagraphs (A) and (B) [~~and~~]. No narrative
16 explanation of the differences for the immediate
17 preceding fiscal year shall be required;

18 (3) A narrative explanation of the significant variations
19 in capital improvement costs[+] for the last completed
20 fiscal year; provided that capital improvement project
21 variances shall be referenced to the six-year program



1 and financial plan, which shall contain the
2 information specified in section 37-69(d) (1) (K) [-];

3 and

4 (4) The percentage differences shall be shown when
5 comparisons are required under paragraphs (1) and (2)
6 between:

7 (A) Budgeted and actual expenditures, positions
8 authorized and filled, anticipated and actually
9 realized program size indicators, and anticipated
10 and actually attained levels of effectiveness for
11 a fiscal year; and

12 (B) The information specified under subparagraph (A)
13 for the last completed fiscal year and the
14 immediate preceding fiscal year.

15 (c) The variance report shall be submitted to the
16 legislature in a document separate from the six-year program and
17 financial plan and executive or supplemental budget."

18 SECTION 3. Section 37-70, Hawaii Revised Statutes, is
19 repealed.

20 [~~"§37-70 Program memoranda. (a) Not later than the third~~
21 ~~Wednesday of January of each odd-numbered year, the governor~~



1 ~~shall submit to the legislature and to each member thereof, a~~
2 ~~program memorandum covering each of the major programs in the~~
3 ~~statewide program structure. Each program memorandum will~~
4 ~~include:~~

5 ~~(1) An overview of the program as a whole including a~~
6 ~~discussion of:~~

7 ~~(A) Objectives.~~

8 ~~(B) Component programs.~~

9 ~~(C) Departments involved.~~

10 ~~(D) Relationships to other agencies and~~
11 ~~jurisdictions.~~

12 ~~(E) Major activities.~~

13 ~~(F) Important external developments affecting the~~
14 ~~program.~~

15 ~~(G) Significant discrepancies between previously~~
16 ~~planned cost and effectiveness levels and those~~
17 ~~actually achieved.~~

18 ~~(H) Trends and comparisons in costs, effectiveness,~~
19 ~~or activity data over the budget and planning~~
20 ~~period.~~



- 1 ~~(2) A statement of the major program changes being~~
- 2 ~~recommended for the budget and planning period to~~
- 3 ~~include for each proposed change:~~
- 4 ~~(A) A brief statement of the recommended change.~~
- 5 ~~(B) The cost and program performance consequences of~~
- 6 ~~the change over the budget and planning period.~~
- 7 ~~(C) A summary of the analytic rationale for the~~
- 8 ~~change.~~
- 9 ~~(3) A discussion of emerging conditions, trends and issues~~
- 10 ~~including:~~
- 11 ~~(A) Actual or potential impact on the State and its~~
- 12 ~~programs.~~
- 13 ~~(B) Possible alternatives for dealing with the~~
- 14 ~~specific problems occasioned by the emerging~~
- 15 ~~conditions, trends, and issues.~~
- 16 ~~(C) Suggestions for a program of analyses to resolve~~
- 17 ~~the most urgent of the problems.~~
- 18 ~~(4) Appendices as needed to include appropriate issue~~
- 19 ~~papers, special analytic studies, other reports, and~~
- 20 ~~crucial source data.~~



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

5 SECTION 4. Section 2 shall apply to the variance reports
6 required to be submitted to the legislature pursuant to section
7 37-75 and 601-2, Hawaii Revised Statutes, after the effective
8 date of this Act.

9 SECTION 5. (a) The auditor shall conduct an audit of the
10 variance reports that have been issued by the department of
11 budget and finance after July 1, 2016, and submitted to the
12 legislature before the regular sessions of 2017 and 2018.

13 (b) The primary purpose of the audit shall be to determine
14 if the information in the variance reports is accurate and
15 worthwhile for legislative use. For this purpose, the auditor
16 may limit the audit to a sample of budget programs and
17 information from the variance reports of the executive and
18 judiciary.

19 (c) The secondary purpose of the audit shall be to
20 determine if:



S.B. NO. 102

Report Title:

Budget; Variance Reports, Program Memoranda

Description:

Changes the information required in the variance reports submitted to the legislature. Emphasizes the intent that the variance reports be submitted annually as prescribed by current statute. Requires the auditor to conduct an audit of the first two variance reports required under this Act. Repeals the requirement for submittal of program memoranda to the legislature before sessions of odd-numbered years. States intent that the provisions also apply to the judiciary budget by operation of existing law. Effective 07/01/16.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

