

---

---

# A BILL FOR AN ACT

RELATING TO EFFICIENCY MEASURES.

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

1           SECTION 1. The legislature finds that, at present,  
2 projections of state general fund revenues are not particularly  
3 robust. Thus, the legislature finds that the budgetary  
4 situation of the State may require more scrutiny in the future  
5 to better control appropriations.

6           Present state budget documents do not include efficiency  
7 measures tied to appropriation requests. The legislature finds  
8 that efficiency measures may provide data to enhance the level  
9 of scrutiny and help the legislature make difficult budget  
10 decisions to improve and continue important programs on a  
11 sustainable basis. The executive budget act of chapter 37, part  
12 IV, Hawaii Revised Statutes, requires state budget documents to  
13 include measures of effectiveness. Together, efficiency  
14 measures and the measures of effectiveness may provide  
15 additional, complementary tools by which the legislature  
16 evaluates programs and budget requests.



1 In 2015, the legislature believed that, before requiring  
2 the inclusion of efficiency measures in state budget documents,  
3 a determination should be made regarding whether efficiency  
4 measures may be formulated, collected, and analyzed by the  
5 department of budget and finance and other state agencies in a  
6 practical and cost-effective manner. Act 67, Session Laws of  
7 Hawaii 2015, established an efficiency measures pilot project  
8 intended to provide the legislature with the information  
9 necessary to make that determination.

10 Act 67 required the department of budget and finance to  
11 submit a report on the pilot project to the legislature before  
12 the convening of the regular session of 2017. The department of  
13 budget and finance submitted the report on December 30, 2016.  
14 The report raised certain concerns, such as the proper  
15 definition of efficiency measures and the resources necessary to  
16 provide data on efficiency measures. Because of the concerns,  
17 the report recommended further discussion with the legislature  
18 on the issue.

19 The legislature finds that the concerns raised in the  
20 report are valid and should be addressed. However, the  
21 legislature also find that instead of engaging in further



1 discussion, the legislature should recommence that the pilot  
2 project with clearer expectations and objectives, most of which  
3 were cited in the report. The legislature intends that the  
4 recommenced pilot project result in a more intensive effort on  
5 the part of the department of budget and finance and the  
6 selected state department. Ultimately, the legislature intends  
7 that the pilot project produce better data and clearer  
8 determination of the benefits, appropriateness, and value of  
9 efficiency measures.

10 The purpose of this Act is to recommence the efficiency  
11 measures pilot project first established under Act 67, Session  
12 Laws of Hawaii 2015.

13 The legislature notes that this Act includes general fund  
14 appropriations of \$50,000 each for fiscal year 2017-2018 and  
15 fiscal year 2018-2019 for the conduct of the pilot project. The  
16 legislature also notes that the general fund appropriation of  
17 \$100,000 for fiscal year 2015-2016 under Act 67, Session Laws of  
18 Hawaii 2015, for the pilot project was not expended.  
19 Consequently, for the purpose of the State's financial plan, the  
20 legislature intends that the appropriations under this Act be  
21 regarded as cost-neutral.



1 SECTION 2. Act 67, Session Laws of Hawaii 2015, is amended  
2 as follows:

3 1. By amending sections 2 to 5 to read:

4 "SECTION 2. For the purposes of this Act:

5 "Budget document" means the multi-year program and  
6 financial plan, executive budget, or supplemental budget.

7 [~~"Costs"~~] "Cost" means the sum of research and development  
8 costs and operating costs as those terms are defined under  
9 section 37-62, Hawaii Revised Statutes.

10 [~~"Budget document" means the multi-year program and~~  
11 ~~financial plan, executive budget, or supplemental budget.~~]

12 "Direct cost" means the cost directly allocable to the  
13 production of a thing or service, including the cost of  
14 supervisory, line, and support staff's salaries, wages, and  
15 fringe benefits, supplies, equipment, facilities, and utilities;  
16 provided that the director of finance may refine this definition  
17 if the director deems it necessary or appropriate.

18 "Efficiency measure" means the [~~costs within the lowest~~  
19 ~~level of a program to provide a single unit of an activity or~~  
20 ~~effectiveness measure of that level of the program.~~] direct cost



1 to the State to do or produce something or some service without  
2 wasting funds, material, time, or energy.

3 "Measure of effectiveness" mean "effectiveness measure" as  
4 defined under section 37-62, Hawaii Revised Statutes.

5 "Program" means the same as defined in section 37-62,  
6 Hawaii Revised Statutes.

7 "State department" means any of the principal departments  
8 listed under section 26-34, Hawaii Revised Statutes.

9 SECTION 3. (a) The director of finance shall select one  
10 state department to participate in a pilot project for the  
11 establishment of and data collection for efficiency measures  
12 intended to be included with the budget documents submitted to  
13 the legislature [~~after~~] for the fiscal biennium [~~2015-2017.~~]  
14 2019-2021. To the extent possible, the director of finance  
15 shall select a state department in which the executive head is  
16 willing to participate in the pilot project.

17 The director of finance [~~may transfer a portion of the~~  
18 ~~appropriation made under this Act to the selected state~~  
19 ~~department for its participation in the pilot project.~~] shall  
20 select the state department by August 1, 2017.



1        (b) The director of finance and selected state department  
2 shall conduct the pilot project with the intent of addressing  
3 the following issues:

4        (1) The formulation of the best definition of "efficiency  
5 measure" to be used for state budgeting;

6        (2) The development of program expectations using  
7 efficiency measures with corresponding measures of  
8 effectiveness;

9        (3) The determination, based on efficiency measures and  
10 measures of effectiveness, of appropriate benchmarks  
11 for programs;

12        (4) The determination of optimal funding levels for  
13 programs based on appropriate efficiency measures and  
14 measures of effectiveness;

15        (5) The benefits and detriments of preparing, collecting  
16 data on, and analyzing efficiency measures; and

17        (6) The estimated cost to prepare, collect data on, and  
18 analyze efficiency measures.

19        SECTION 4. (a) No later than a deadline to be established  
20 by the director of finance, the selected state department shall



1 submit at least three proposed efficiency measures to the  
2 director.

3 (b) After receiving the proposed efficiency measures and  
4 consulting with the selected state department, the director of  
5 finance shall approve the efficiency measures to be used by the  
6 selected state department. The director of finance may approve  
7 efficiency measures that differ from those proposed by the  
8 selected state department. The director of finance shall  
9 approve the efficiency measures by January 1, 2018, and notify  
10 the legislature within ten days of the approval.

11 (c) If the selected state department does not submit  
12 proposed efficiency measures by the deadline established by the  
13 director of finance under subsection (a), the director of  
14 finance shall formulate and approve the efficiency measures by  
15 January 1, 2018, and notify the legislature within ten days of  
16 the approval.

17 SECTION 5. No later than twenty days prior to the  
18 convening of the regular session of [~~2017,~~] 2019, the director  
19 of finance, after consulting with the selected state department,  
20 shall submit to the legislature a report that includes the  
21 following [~~to the legislature~~]:



- 1 (1) The actual level of the efficiency measures attained  
2 in the fiscal year [~~2015-2016,~~] 2017-2018, the  
3 estimated level of the efficiency measures for the  
4 fiscal year [~~2016-2017,~~] 2018-2019, and the estimated  
5 level for each of the next six fiscal years. The  
6 percentage change from fiscal year to fiscal year of  
7 the efficiency measures also shall be reported;
- 8 (2) A narrative and comments on the change in efficiency  
9 measures from fiscal year to fiscal year[+] and  
10 ~~(3) Any] any~~ intended action to improve efficiency[+];
- 11 (3) Data on the cost incurred by the department of budget  
12 and finance and the selected state department for the  
13 performance of duties under the pilot project;
- 14 (4) A discussion of findings on the issues listed under  
15 section 3(b)(1) to (6); and
- 16 (5) A recommendation on whether to require the inclusion  
17 of efficiency measures for every state executive  
18 department, commencing with the budget documents for  
19 the fiscal biennium 2021-2023.

20 The [~~information]~~ report shall be submitted concurrently  
21 with, but need not be included in, the budget documents for the



1 executive budget for the fiscal biennium [~~2017-2019.~~] 2019-  
2 2021."

3 2. By amending section 8 to read:

4 "SECTION 8. There is appropriated out of the general  
5 revenues of the State of Hawaii the sum of [~~\$100,000~~] \$50,000 or  
6 so much thereof as may be necessary for fiscal year [~~2015-2016~~]  
7 2017-2018 and the same sum or so much thereof as may be  
8 necessary for fiscal year 2018-2019 for the recommenced  
9 efficiency measures pilot project required under this Act [~~-~~], as  
10 amended by Act \_\_\_\_\_, Session Laws of Hawaii 2017.

11 The [~~sum~~] sums appropriated shall be expended by the  
12 department of budget and finance for the purposes of this Act [~~-~~]  
13 ~~provided that any unexpended or unencumbered moneys appropriated~~  
14 ~~pursuant to this section shall lapse on June 30, 2017]."~~

15 3. By repealing sections 6 and 7.

16 [~~"SECTION 6. The director of finance, after consulting~~  
17 ~~with the selected state department, shall submit a report to the~~  
18 ~~legislature on the findings and recommendations resulting from~~  
19 ~~the pilot project. The report shall be submitted no later than~~  
20 ~~twenty days prior to the convening of the regular session of~~  
21 ~~2017 and shall include a recommendation on whether to require~~



1 ~~the inclusion of efficiency measures for every state executive~~  
2 ~~department, commencing with the budget documents for the fiscal~~  
3 ~~biennium 2019-2021. The report also shall include data on the~~  
4 ~~cost incurred by the department of budget and finance and the~~  
5 ~~selected state department for the performance of duties of the~~  
6 ~~pilot project.~~

7 ~~SECTION 7. No later than March 1, 2017, the auditor shall~~  
8 ~~submit a report to the legislature evaluating the pilot project,~~  
9 ~~including findings and recommendations on the pilot project."]~~

10 SECTION 3. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12 SECTION 4. This Act shall take effect upon its approval.



S.B. NO. 722  
S.D. 1

**Report Title:**

Efficiency Measures Pilot Project; Recommencement

**Description:**

Recommences the efficiency measures pilot project first required under Act 67, Session Laws of Hawaii 2015. (SD1)

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

