
A BILL FOR AN ACT

RELATING TO NON-DISCRETIONARY COSTS.

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

1 SECTION 1. The purpose of this Act is to address non-
2 discretionary costs by requiring the department of budget and
3 finance to report certain data on non-discretionary costs. The
4 data are intended to provide alternative views of the burden of
5 non-discretionary costs on the general fund.

6 The legislature finds that data on the impacts and trends
7 of non-discretionary costs paid with general funds are necessary
8 to provide indicators regarding the budgetary situation of the
9 State. If the burden of non-discretionary costs, especially
10 fixed costs for debt service and state employee fringe benefits,
11 becomes too high, support for other worthy discretionary
12 programs may suffer. In order to avoid this predicament, the
13 legislature finds that monitoring of the non-discretionary cost
14 burden must be constant and vigilant. The legislature requires
15 data on impacts and trends in order to make corrective actions
16 early before the advent of crises.



1 The legislature further finds that the state debt
2 affordability study submitted in December of 2016 by the
3 department of budget and finance pursuant to chapter 37C, part
4 II, Hawaii Revised Statutes, includes various indicators of the
5 state debt and fixed costs burden. The data required by this
6 Act are intended to supplement the findings of that study and
7 future studies.

8 SECTION 2. Chapter 37C, Hawaii Revised Statutes, is
9 amended by adding a new part to be appropriately designated and
10 to read as follows:

11 **"PART . NON-DISCRETIONARY COST RATIOS**

12 **§37C-A Definitions.** For the purpose of this part:

13 "Expenditures in a fiscal year of the general fund
14 appropriations for non-discretionary costs for that fiscal year"
15 means the sum of the following:

- 16 (1) Expenditures in the specified fiscal year of the
17 general funds appropriated to be expended for non-
18 discretionary costs; and
- 19 (2) Encumbrances on June 30 of the specified fiscal year
20 of the general funds appropriated to be expended for
21 non-discretionary costs.



1 The "expenditures in the specified fiscal year" under paragraph
2 (1) shall not include any expenditures in the specified fiscal
3 year of an encumbrance that existed on June 30 of any year
4 previous to the specified fiscal year.

5 "Fixed costs" means the following types of costs:

- 6 (1) Debt service payments for general obligation bonds;
- 7 (2) Employer contributions for pension and retirement
8 benefits of state government employees; and
- 9 (3) Employer contributions for health insurance benefits
10 of state government employees and state government
11 retirees.

12 "Gross state product" means the value added in production
13 by the labor and property located in the State, as identified or
14 estimated by the department of business, economic development,
15 and tourism by reference to another source or its own
16 calculation.

17 "Medicaid service costs" means the costs of services
18 provided to low-income persons under the medical assistance
19 programs administered by the department of human services
20 pursuant to section 346-14(7) and funded in part under Title XIX
21 of the federal Social Security Act, as amended. The term does



1 not include the costs of management, administrative, or other
2 overhead services performed by the department of human services
3 for medicaid.

4 "Modified general funded non-discretionary costs coverage
5 ratio for a fiscal year" means the ratio calculated for the
6 specified fiscal year by dividing the difference under paragraph
7 (1) by the difference under paragraph (2):

8 (1) The difference between:

9 (A) General fund revenues collected in the specified
10 fiscal year; and

11 (B) General fund revenues collected in the fiscal
12 year previous to the specified fiscal year; and

13 (2) The difference between:

14 (A) Expenditures in the fiscal year of the general
15 fund appropriations for non-discretionary costs
16 in the specified fiscal year; and

17 (B) Expenditures in the previous fiscal year of the
18 general fund appropriations for non-discretionary
19 costs in the fiscal year previous to the
20 specified fiscal year.



1 "Non-discretionary costs" means fixed costs and medicaid
2 service costs.

3 "Per capita general funded non-discretionary costs for a
4 fiscal year" means the amount of general funded non-
5 discretionary costs per resident of the State, calculated by
6 dividing the amount under paragraph (1) by the amount under
7 paragraph (2):

8 (1) The expenditures of the general fund appropriations
9 for non-discretionary costs in the specified fiscal
10 year; and

11 (2) The resident population of the State in the specified
12 fiscal year, as identified or estimated by the
13 department of business, economic development, and
14 tourism by reference to another source or its own
15 calculation.

16 "Percentage of general funded non-discretionary costs to
17 general fund revenues for a fiscal year" means the percentage
18 calculated by dividing the amount under paragraph (1) by the
19 amount under paragraph (2):



1 (1) The expenditures of the general fund appropriations
2 for non-discretionary costs in the specified fiscal
3 year; and

4 (2) The general fund revenues collected in the specified
5 fiscal year.

6 "Percentage of general funded non-discretionary costs to
7 gross state product" means the percentage calculated by dividing
8 the amount under paragraph (1) by the amount under paragraph
9 (2):

10 (1) The expenditures of the general fund appropriations
11 for non-discretionary costs in the specified fiscal
12 year; and

13 (2) The gross state product in the specified fiscal year.

14 "Percentage of general funded non-discretionary costs to
15 personal income" means the percentage calculated by dividing the
16 amount under paragraph (1) by the amount under paragraph (2):

17 (1) The expenditures of the general fund appropriations
18 for non-discretionary costs in the specified fiscal
19 year; and

20 (2) The personal income in the specified fiscal year.



1 "Personal income" means the income received by all persons
2 in the State for participation in production, from government
3 and business transfer payments, and from government interest, as
4 identified or estimated by the department of business, economic
5 development, and tourism by reference to another source or its
6 own calculation.

7 **§37C-B Report of expended non-discretionary cost data.**

8 (a) By September 30 of each fiscal year, the department of
9 budget and finance shall submit a report to the governor and
10 legislature that specifies the following:

- 11 (1) Percentage of general funded non-discretionary costs
12 to general fund revenues for the previous fiscal year;
 - 13 (2) Per capita general funded non-discretionary costs for
14 the previous fiscal year;
 - 15 (3) Percentage of general funded non-discretionary costs
16 to gross state product for the previous fiscal year;
 - 17 (4) Percentage of general funded non-discretionary costs
18 to personal income for the previous fiscal year; and
 - 19 (5) Modified general funded non-discretionary costs
20 coverage ratio for the previous fiscal year.
- 21 (b) The report shall include the following:



- 1 (1) The amounts used to calculate the data under
2 subsection (a) (1), (2), (3), (4), and (5); and
3 (2) A comparison of the data for the previous fiscal year
4 against the data for the five fiscal years preceding
5 that fiscal year.

6 (c) If, by the September 30 reporting deadline, the non-
7 discretionary expenditures and encumbrances or general fund
8 revenues collected are not final for the previous fiscal year,
9 the department of budget and finance shall submit the report
10 with a notation that the data are "preliminary".

11 **§37C-C Report of proposed non-discretionary cost**
12 **appropriation data.** (a) Not fewer than thirty days before the
13 convening of each regular session of the legislature, the
14 department of budget and finance shall submit a report to the
15 governor and legislature that specifies the following:

- 16 (1) Percentage of general funded non-discretionary costs
17 to general fund revenues;
18 (2) Per capita general funded non-discretionary costs;
19 (3) Percentage of general funded non-discretionary costs
20 to gross state product;



1 (4) Percentage of general funded non-discretionary costs
2 to personal income; and

3 (5) Modified general funded non-discretionary costs
4 coverage ratio;

5 for the next fiscal year based upon the general appropriations
6 act or supplemental appropriations act, as applicable.

7 (b) The report shall include the following:

8 (1) The amounts used to calculate the data under
9 subsection (a)(1), (2), (3), (4), and (5); and

10 (2) A comparison of the data proposed for the next fiscal
11 year against the data for the other fiscal years
12 covered by the applicable six-year program and
13 financial plan.

14 (c) The department of budget and finance may submit the
15 report as part of or separate from the executive budget or
16 supplemental budget submitted to the legislature pursuant to
17 section 37-71 or section 37-72, as applicable.

18 **§37C-D Other appropriations and expenditures classified as**
19 **"non-discretionary" or "fixed".** (a) This part shall not
20 prohibit the department of budget and finance from classifying
21 appropriations and expenditures for other programs as "non-



1 discretionary" or "fixed" for the purpose of preparing the
2 executive budget or supplemental budget.

3 (b) The department of budget and finance may include in
4 the reports required under section 37C-B and section 37C-C
5 information on other costs classified as "non-discretionary" or
6 "fixed" under subsection (a).

7 **§37C-E Data on non-general fund appropriations and**
8 **expenditures for non-discretionary costs.** The department of
9 budget and finance may submit reports with data on
10 appropriations and expenditures of non-general funds for non-
11 discretionary costs that are similar to data required under
12 section 37C-B and section 37C-C for general fund appropriations
13 and expenditures for non-discretionary costs."

14 SECTION 3. In codifying the new sections added by section
15 2 of this Act, the revisor of statutes shall substitute
16 appropriate section numbers for the letters used in designating
17 the new sections in this Act.

18 SECTION 4. This Act shall take effect on July 1, 2030.



Report Title:

Non-discretionary Costs; Reporting of Data

Description:

Requires the Department of Budget and Finance to submit reports with data on general fund appropriations and expenditures for non-discretionary costs. (SB724 HD1)

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