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TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS
ON
SENATE BILL NO. 2719

February 2, 2016

RELATING TO LEGISLATIVE FISCAL IMPACT STATEMENTS

Senate Bill No. 2719 requires a fiscal impact statement for proposed legislation that calls for an appropriation or may result in significant fiscal changes for the State. The bill also prohibits hearings on bills and resolutions without a fiscal impact statement prepared by the Office of the Legislative Analyst.

Although we support the intent to make State government more fiscally accountable, the Department of Budget and Finance has many concerns regarding this measure.

First, it should be pointed out that the Office of the Legislative Analyst has not been funded and staffed after being established by Act 347, SLH 1990. Second, there are many measures for which the fiscal impact cannot be quantified, especially when initially introduced. Even this bill, for example, could have a significant fiscal impact that could not be accurately estimated. The fiscal impact of this bill would need to take into consideration the related operating costs of each agency that would potentially have to provide an estimate of fiscal impact of future bills to the legislative analyst.

Third, this measure places an undue burden by requiring that fiscal impact statements be prepared for all bills with fiscal impact before they may be heard; thus, requiring that fiscal impact statements be prepared for bills for which the

requirements of implementation may be unclear and those which may never be heard by a committee.

Fourth, it is not feasible to provide the fiscal impact of each measure within 24-hours. While we understand the deadline may be extended by the legislative analyst, it would be subjective. Please bear in mind that while Executive agencies are already busy during the legislative session, this measure could result in a significant increase in workload.

Last, we have a significant concern regarding the confidentiality requirement for agencies involved in the preparation of fiscal impact statement information and that its violation shall be a misdemeanor, which could result in imprisonment and a fine. The development of fiscal impact statements often requires the input and collaboration of many parties from different agencies. This measure must clearly support such efforts, otherwise the agencies involved put themselves at risk. We believe this provision is unnecessary.

Testimony on SB 2719

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Submitted: February 1st, 2016 8pm

I support this bill as very necessary for good fiscal government.

I cite as an example the Department of Taxation presentation to the combined WAM/Finance committees on the Tax System Modernization Program. The panel asked two questions critical to evaluating the request for an additional \$28 million system development funds:

- How much additional revenue can we expect from each of our taxes?
- How much are we going to annually save from the DoTax operating budget?

The DoTax panel was stunned into silence by the concept of being expected to return to the State the \$59 million they planned to spend for the Tax System Modernization program. They had no answers.

SB 2719 will require a broad education effort on the concepts of value creation and return-on-investment throughout the government.

Nancy Bernal

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 01, 2016 11:30 PM
To: GVO Testimony
Cc: dmotoyam@gmail.com
Subject: Submitted testimony for SB2719 on Feb 2, 2016 13:15PM

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SB2719

Submitted on: 2/1/2016

Testimony for GVO on Feb 2, 2016 13:15PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Dean Motoyama	Individual	Support	No

Comments: In the name of transparency and accountability, we should know the total cost of a program or project, including not just this year's appropriation, but the total maintenance and operating costs, what other programs are effected and what it costs those programs. This bill helps to expose potential red flags up front for badly planned projects.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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