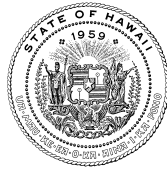


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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN COMMENTS
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 713
SENATE BILL NO. 712
SENATE BILL NO. 722
SENATE BILL NO. 724

February 3, 2017
9:30 a.m.
Room 211

SB 713 -- RELATING TO BUDGET DOCUMENTS
SB 712 -- RELATING TO VARIANCE REPORT
SB 722 -- RELATING TO EFFICIENCY MEASURES
SB 724 -- RELATING TO NON-DISCRETIONARY COSTS

The Department of Budget and Finance appreciates the intent of these measures and offers the following comments.

Senate Bill No.713 requires the state six-year program and financial plan and budget include information on tax expenditures, meaning the amount of revenue lost due to tax credits, exemptions, deductions, and abatements.

Senate Bill No.712 requires the annual variance report to include additional information comparing the means of financing for actual expenditures versus budgeted amounts and the status of budgeted positions appropriated in position ceilings.

Senate Bill No.722 requests the director of finance to work with various state departments to determine if inclusion of efficiency measure data in budget documents, may be prepared, collected, and analyzed by the department of budget and finance in a cost-effective manner.

Senate Bill No.724 requires the department of budget and finance to report certain data on non-discretionary costs, to provide alternative views of the burden of non-discretionary costs on the general fund.

All of these measures propose to amend or add new reporting requirements to Part IV, the Executive Budget Act, which was first enacted in 1970. If the legislature is asserting that this information is critical to the development and execution of the state budget, we would encourage a broader discussion. While it appears that there have been various reports by legislative research agencies about public finance and taxation, we could find no recent studies evaluating the Executive Budget Act itself, particularly whether it meets the current needs of either the legislative or the executive branches of government. We would welcome a continuing dialogue with the legislature about an evaluation of Part IV and based upon that evaluation, a collaboration between the branches that would result in a budget development and execution framework that serves the needs of both branches.

Thank you for your consideration of our testimony.



SENATE COMMITTEE ON WAYS AND MEANS
The Honorable Jill N. Tokuda, Chair
The Honorable Donovan M. Dela Cruz, Vice Chair

S.B. No. 722, Relating to Efficiency Measures

Hearing: Friday, February 3, 2017, 9:30 a.m.

The Office of the Auditor **supports the intent** of S.B. No. 722, Relating to Efficiency Measures, which extends the deadline for the submission of data and reports on the efficiency measures pilot project required under Act 67, Session Laws of Hawai'i 2015. However, we request that the committee clarify Section 7 of the bill, which provides that "the auditor shall submit a report to the legislature evaluating the pilot project, including findings and recommendations on the pilot project."

Act 67, Session Laws of Hawai'i 2015, requires the director of finance to select and work with a state department to conduct a pilot project for efficiency measures. Section 6 specifically provides that the "director of finance, after consulting with the selected state department, shall submit a report to the legislature on the findings and recommendations resulting from the pilot project," including a recommendation on whether to require efficiency measures for every state executive department and data on the cost incurred to perform the pilot project. Section 7 then requires our office to submit a report to the legislature evaluating the pilot project and making findings and recommendations on the project.

S.B. No. 722 amends the Section 6 deadline to twenty days prior to the regular session of 2019 and the Section 7 deadline to March 1, 2019. We have concerns about the evaluation being requested of our office. We request that the committee clarify the purpose and scope of the evaluation required of our office in Section 7 to define, as specifically as practicable, the aspects of the pilot project and/or the director of finance's report that the legislature would like us to evaluate. Defining the scope of the evaluation to be performed by our office will help ensure that it results in more meaningful findings and recommendations. It will also allow us to assess the feasibility of completing the evaluation by the March 1, 2019, deadline.

We recently received a copy of the December 30, 2016, report submitted by the department of budget and finance pursuant to Act 67, Session Laws of Hawai'i 2015. If the committee determines that the submission of that report eliminates the need to amend Section 6, our above concerns related to Section 7 and the evaluation to be performed by our office still apply.

We are available to work with the committee to define a scope for an evaluation of the efficiency measures pilot project and a deadline that will allow for a meaningful evaluation. Assuming that

Senate Committee on Ways and Means

S.B. No. 722

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the bill passes out of the committee, we intend to discuss our concerns with the bill's primary sponsors, if possible.

Thank you for considering our testimony related to S.B. No. 722.