

JAN 26 2011

A BILL FOR AN ACT

RELATING TO CAPITAL INVESTMENTS.

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

1 SECTION 1. The State of Hawaii needs to upgrade, improve,
2 or replace its technology and computer systems infrastructure to
3 become more efficient and productive. The department of
4 accounting and general services) usesthe financial accounting
5 management and information system (FAMIS), and the department of
6 education uses the financial management system (FMS); both
7 financial management systems are approximately twenty years old
8 and based on antiquated technologies. These are just two
9 examples of agency-wide technology or computer systems that, if
10 replaced,could result in improved efficiencies, greater
11 accountability and transparency in the use of public funds, and
12 improved reporting for decision makers and stakeholders at all
13 levels.However, the replacement of existing, aging, or obsolete
14 technology or computer systems is impeded when the projects are
15 funded within a biennium operating budget over a phased
16 implementation. A large-scale project designed to have a useful
17 life of greater than seven years should be funded and

1 depreciated as a capital investment over a longer period of
2 time.

3 The purpose of this Act is to include agency-wide
4 technology and computer systems with an estimated useful life of
5 greater than seven years as capital investments to allow all
6 agency and contracted labor costs, hardware, software, and
7 licenses for the installation, monitoring, and replacement of
8 these technologies and computer systems to be financed with bond
9 funds and depreciated as capital investments.

10 SECTION 2. Section 37-62, Hawaii Revised Statutes, is
11 amended by amending the definitions of "capital investment
12 costs", "cost elements", and "phases of capital improvement
13 project" to read:

14 ""Capital investment costs" means costs, beyond the
15 research and development phase, associated with capital
16 improvements, including all agency or contracted labor costs,
17 hardware, software, and licenses allocated to the development,
18 installation, monitoring, and replacement of agency-wide
19 technology or computer systems with an estimated useful life of
20 greater than seven years, the acquisition and development of
21 land, the design and construction of new facilities, and the
22 making of renovations or additions to existing facilities.

1 Capital investment costs for a program are the sum of the
2 program's capital improvement project costs."

3 "Cost elements" means the major subdivisions of a cost
4 category. The category "capital investment" includes plan, land
5 acquisition, design, construction, and equipment and
6 furnishing[-], as well as agency-wide technology or computer
7 systems with an estimated useful life of greater than seven
8 years. The categories "research and development" and
9 "operating" include personal services, current lease payments,
10 other current expenses, equipment, and motor vehicles.

11 ""Phases of capital improvement project" means land
12 acquisition, design, construction, and occupancy.For technology
13 or computer systems with an estimated useful life greater than
14 seven years, "phases of capital improvement project" means
15 planning, acquisition, testing, implementation, and monitoring."

16 SECTION 3. Section 37-69, Hawaii Revised Statutes, is
17 amended by amending subsection (d) to read as follows:

18 "(d) The program plans for the ensuing six fiscal years
19 shall more specifically include:

20 (1) At the lowest level on the state program structure,
21 for each program:

22 (A) A statement of its objectives;

- 1 (B) Measures by which the effectiveness in attaining
2 the objectives is to be assessed;
- 3 (C) The level of effectiveness planned for each of the
4 ensuing six fiscal years;
- 5 (D) A brief description of the activities encompassed;
- 6 (E) The program size indicators;
- 7 (F) The program size planned for each of the next six
8 fiscal years;
- 9 (G) A narrative explanation of the plans for the
10 program. It shall contain, and in general be
11 limited to, the following:
- 12 (i) A description of the kinds of activities
13 carried out or unusual technologies employed;
- 14 (ii) A statement of key policies pursued;
- 15 (iii) Identification of important program or
16 organizational relationships involved;
- 17 (iv) A description of major external trends
18 affecting the program;
- 19 (v) A discussion of significant discrepancies
20 between previously planned cost,
21 effectiveness, and program size levels and
22 those actually achieved;

- 1 (vi) Comments on, and an interpretation of, cost,
2 effectiveness, and program size data over the
3 upcoming budget period, with special attention
4 devoted to changes from the current budget
5 period;
- 6 (vii) Comments on, and an interpretation of, cost,
7 effectiveness, and program size data over the
8 four years of the planning period and how they
9 relate to the corresponding data for the
10 budget period; and
- 11 (viii) A summary of the special analytic study,
12 program evaluation, or other analytic report
13 supporting a substantial change in the program
14 where such a major program change
15 recommendation has been made;
- 16 (H) The full cost implications of the recommended
17 programs, by cost categories and cost elements,
18 actually experienced in the last completed fiscal
19 year, estimated for the fiscal year in progress,
20 and estimated for each of the next six fiscal
21 years. The means of financing shall be identified
22 for each cost category. The personal services cost

1 element and the lease payments cost element shall
2 be shown separately; the cost elements of other
3 current expenses, equipment, and motor vehicles may
4 be combined. The number of positions included in
5 the program shall be appropriately identified by
6 means of financing;

7 (I) A recapitulation of subparagraph (H) for the last
8 completed fiscal year, the fiscal year in progress
9 and each of the next six fiscal years, by means of
10 financing grouped under each cost category. The
11 number of positions included in any program shall
12 be appropriately identified;

13 (J) An identification of the revenues generated in the
14 last completed fiscal year and estimated to be
15 generated in the fiscal year in progress and in
16 each of the next six fiscal years, and the fund
17 into which such revenues are deposited;

18 (K) Details of implementation of each capital
19 improvement project included in the total program
20 cost, including:

21 (i) A description of the project, location, and
22 scope;

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- 1 (ii) The initially estimated, currently estimated,
2 and final cost of the project, by investment
3 cost elements and by means of financing;
- 4 (iii) The amounts previously appropriated by the
5 legislature for the project, by cost elements
6 and by means of financing specified in the
7 acts appropriating the sums, and an
8 identification of the acts so appropriating;
- 9 (iv) The costs incurred in the last completed
10 fiscal year and the estimated costs to be
11 incurred in the fiscal year in progress and in
12 each of the next six fiscal years, by cost
13 elements and by means of financing; and
- 14 (v) A commencement and completion schedule, by
15 month and year, of the various phases of the
16 capital improvement project (i.e., land
17 acquisition, design, construction, and
18 occupancy[+], or planning, acquisition,
19 testing, implementation, and monitoring) as
20 originally intended, as currently estimated,
21 and as actually experienced; and

- 1 (L) A crosswalk of the program expenditures, by cost
2 categories and cost elements between the program
3 and expending agencies for the next two fiscal
4 years. The means of financing and the number of
5 positions included in the program costs to be
6 expended by each agency shall be specified; and
- 7 (2) Appropriate displays at every level of the state
8 program structure above the lowest level. The
9 displays shall include:
- 10 (A) A listing of all major groupings of programs
11 included within the level, together with the
12 objectives, measures of effectiveness, and planned
13 levels of effectiveness for each of the ensuing six
14 fiscal years for each such major groupings of
15 programs; and
- 16 (B) A summary of the total cost of each cost category
17 by the major groupings of programs encompassed
18 within the level, actual for the last completed
19 fiscal year and estimated for the fiscal year in
20 progress and for each of the next six fiscal
21 years."

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1 SECTION 4. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 5. This Act shall take effect on July 1, 2011.

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INTRODUCED BY: *W.S.T.*

6

BY REQUEST

S.B. NO. 1285

Report Title:

Relating to Capital Investments

Description:

Amends chapter 37, Hawaii Revised Statutes, to include agency-wide technology and computer systems with an estimated useful life of greater than seven years as capital investments to allow all costs to be financed with bond funds and depreciated as capital investments.

JUSTIFICATION SHEET

DEPARTMENT: Education

TITLE: A BILL FOR AN ACT RELATING TO CAPITAL INVESTMENTS.

PURPOSE: The purpose of this bill is to include agency-wide technology and computer systems with an estimated useful life of greater than seven years as capital investments to allow all agency and contracted labor costs, hardware, software, and licenses for the installation, monitoring, and replacement of technologies and computer systems to be financed with bond funds and depreciated as capital investments.

MEANS: Amend sections 37-62 and 37-69, Hawaii Revised Statutes.

JUSTIFICATION: The State of Hawaii needs to upgrade, improve, or replace its technology and computer systems infrastructure to become more efficient and productive. The Department of Accounting and General Services uses the Financial Accounting Management and Information System (FAMIS), and the Department of Education uses the Financial Management System (FMS); both financial management systems are approximately 20 years old and based on antiquated technologies. These are just two examples of agency-wide technology or computer systems that, if replaced, could result in improved efficiencies, greater accountability and transparency in the use of public funds, and improved reporting for decision makers and stakeholders at all levels.

However, the replacement of existing, aging, or obsolete technology or computer systems is impeded when the projects are funded within a biennium operating budget over a

phased implementation. A large-scale project designed to have a useful life of greater than seven years should be funded and depreciated as a capital investment over a longer period of time.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: N/A

OTHER AFFECTED
AGENCIES: All state departments and agencies.

EFFECTIVE DATE: July 1, 2011.