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# 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 uses the 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  
14 obsolete technology or computer systems is impeded when the  
15 projects are funded within a biennium operating budget over a  
16 phased implementation. A large-scale project designed to have a  
17 useful life of greater than seven years requires funding and



1 depreciation 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[7]; the design and construction of new facilities[7]; and  
22 the 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,~~  
5 plans, land acquisition, design, construction, [~~and~~] equipment  
6 and furnishing[~~-~~], and 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  
13 agency-wide technology or computer systems with an estimated  
14 useful life of greater than seven years, "phases of capital  
15 improvement project" means planning, acquisition, testing,  
16 implementation, and monitoring."

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

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

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



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



- 1 (v) A discussion of significant discrepancies  
2 between previously planned cost,  
3 effectiveness, and program size levels and  
4 those actually achieved;
- 5 (vi) Comments on, and an interpretation of, cost,  
6 effectiveness, and program size data over  
7 the upcoming budget period, with special  
8 attention devoted to changes from the  
9 current budget period;
- 10 (vii) Comments on, and an interpretation of, cost,  
11 effectiveness, and program size data over  
12 the four years of the planning period and  
13 how they relate to the corresponding data  
14 for the budget period; and
- 15 (viii) A summary of the special analytic study,  
16 program evaluation, or other analytic report  
17 supporting a substantial change in the  
18 program where such a major program change  
19 recommendation has been made;
- 20 (H) The full cost implications of the recommended  
21 programs, by cost categories and cost elements,  
22 actually experienced in the last completed fiscal



1 year, estimated for the fiscal year in progress,  
2 and estimated for each of the next six fiscal  
3 years. The means of financing shall be  
4 identified for each cost category. The personal  
5 services cost element and the lease payments cost  
6 element shall be shown separately; the cost  
7 elements of other current expenses, equipment,  
8 and motor vehicles may be combined. The number  
9 of positions included in the program shall be  
10 appropriately identified by means of financing;

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

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



- 1 (K) Details of implementation of each capital
- 2 improvement project included in the total program
- 3 cost, including:
- 4 (i) A description of the project, location, and
- 5 scope;
- 6 (ii) The initially estimated, currently
- 7 estimated, and final cost of the project, by
- 8 investment cost elements and by means of
- 9 financing;
- 10 (iii) The amounts previously appropriated by the
- 11 legislature for the project, by cost
- 12 elements and by means of financing specified
- 13 in the acts appropriating the sums, and an
- 14 identification of the acts so appropriating;
- 15 (iv) The costs incurred in the last completed
- 16 fiscal year and the estimated costs to be
- 17 incurred in the fiscal year in progress and
- 18 in each of the next six fiscal years, by
- 19 cost elements and by means of financing; and
- 20 (v) A commencement and completion schedule, by
- 21 month and year, of the various phases of the
- 22 capital improvement project (i.e., land



1 acquisition, design, construction, and  
2 occupancy[+], or planning, acquisition,  
3 testing, implementation, and monitoring) as  
4 originally intended, as currently estimated,  
5 and as actually experienced; and

6 (L) A crosswalk of the program expenditures, by cost  
7 categories and cost elements between the program  
8 and expending agencies for the next two fiscal  
9 years. The means of financing and the number of  
10 positions included in the program costs to be  
11 expended by each agency shall be specified; and

12 (2) Appropriate displays at every level of the state  
13 program structure above the lowest level. The  
14 displays shall include:

15 (A) A listing of all major groupings of programs  
16 included within the level, together with the  
17 objectives, measures of effectiveness, and  
18 planned levels of effectiveness for each of the  
19 ensuing six fiscal years for each such major  
20 groupings of programs; and

21 (B) A summary of the total cost of each cost category  
22 by the major groupings of programs encompassed





1           within the level, actual for the last completed  
2           fiscal year and estimated for the fiscal year in  
3           progress and for each of the next six fiscal  
4           years."

5           SECTION 4. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

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

8



**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. (SD1)

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

