
A BILL FOR AN ACT

RELATING TO THE BUDGET DOCUMENTS.

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

1 SECTION 1. The purpose of this Act is to address the
2 budget documents.

3 More specifically, this Act requires the six-year program
4 and financial plan and budget to include information on pension
5 liability and other post-employment benefits liability.

6 The legislature finds that this information is necessary to
7 promote transparency in state budgeting and future cost.

8 SECTION 2. Section 37-62, Hawaii Revised Statutes, is
9 amended by adding four new definitions to be appropriately
10 inserted and to read as follows:

11 "Annual required contribution" means the State's required
12 contribution to the employees' retirement system or Hawaii
13 employer-union health benefits trust fund, as applicable, that
14 is sufficient to cover:

15 (1) The normal cost, which is the cost of other post-
16 employment benefits attributable to the current year
17 of service; and



1 (2) An amortization payment, which is a catch-up payment
2 for past service costs to fund the unfunded actuarial
3 accrued liability over the next thirty years.

4 "Funded ratio" means the ratio of net assets to net
5 liabilities of the employees' retirement system or Hawaii
6 employer-union health benefits trust fund, as applicable, as
7 determined by actuarial valuation.

8 "Funding period" means the number of years in the future
9 that will be required to fully fund the unfunded actuarial
10 accrued liability of the employees' retirement system or Hawaii
11 employer-union health benefits trust fund, as applicable, based
12 upon actuarial assumptions and no assumed future actuarial gains
13 or losses.

14 "Unfunded actuarial accrued liability" means the portion of
15 the actuarial accrued liability, including the present value of
16 benefits presently being paid to retirees, that exceeds the
17 value of current assets."

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

20 "(c) The financial plan for the ensuing six fiscal years
21 shall more specifically include:



- 1 (1) Economic data for the State and the counties of the
- 2 following kinds:
- 3 (A) Population: Including historical, current, and
- 4 projected population count; population
- 5 distribution by age and sex; estimated increases
- 6 and decreases, including increases and decreases
- 7 by immigration;
- 8 (B) Employment: Including magnitude of labor force by
- 9 age and sex; labor force participation rates;
- 10 employment by age and sex; industry and
- 11 occupational surpluses and shortages; effects of
- 12 government programs on employment rate;
- 13 (C) Income: Including per capita and per family
- 14 income; disposable income; income distribution;
- 15 (D) Wages and prices: Including wages by industry and
- 16 occupational groups; prices for government
- 17 procurement items; construction costs; cost of
- 18 living index; price indices for components of
- 19 personal consumption;
- 20 (E) Industry and business trends; and



- 1 (F) Effects of national economic and financial
- 2 policies and conditions;
- 3 (2) Brief statements disclosing the basis upon which the
- 4 revenue estimates in the plan were made, including for
- 5 each specific tax and nontax revenue source:
- 6 (A) The previous projections for the last completed
- 7 fiscal year and the fiscal year in progress;
- 8 (B) The variance between the projections and the
- 9 actual or revised estimate, and the reasons for
- 10 the variances;
- 11 (C) Tax or source base and rates;
- 12 (D) Yield projections of existing revenue sources and
- 13 existing taxes at authorized rates;
- 14 (E) Assumptions made and methodology used in
- 15 projections;
- 16 (F) Changes recommended; and
- 17 (G) Projected yields if changes are adopted; etc.;
- 18 (3) At the lowest level on the state program structure,
- 19 for each program:
- 20 (A) The total actual program cost for the last
- 21 completed fiscal year, the estimated cost for the



1 fiscal year in progress, and the estimated cost
2 for each of the next six fiscal years; research
3 and development, operating, and capital costs
4 shall be included and the means of financing
5 shall be identified. The number of personnel
6 positions and all lease payments shall be shown
7 for the program, identified by their means of
8 financing;

9 (B) The program size indicators; the actual size
10 attained in the last completed fiscal year, the
11 estimated size for the fiscal year in progress,
12 and the estimated size for each of the next six
13 fiscal years; and

14 (C) The effectiveness measures; the actual level of
15 effectiveness attained in the last completed
16 fiscal year, the estimated level of effectiveness
17 for the fiscal year in progress, and the
18 estimated level for each of the next six fiscal
19 years;

20 (4) Appropriate displays of paragraph (3)(A) and (C), at
21 every level of the state program structure above the



1 lowest level, by the major groupings of programs
2 encompassed within the level. The displays of
3 [†]paragraph[†] (3)(A) shall appropriately identify
4 the means of financing and the number of positions
5 included in the level;

6 (5) Financial summaries displaying the State's financial
7 condition, actual for the last completed fiscal year,
8 and estimated for the fiscal year in progress and each
9 of the next six fiscal years, including:

10 (A) A display of the programmed, total state
11 expenditures, by cost categories, the total state
12 resources anticipated from existing tax and
13 nontax sources at existing rates, by resource
14 categories, including the fund balance or deficit
15 at the beginning of the fiscal year and bond
16 receipts, and the resulting fund balance or
17 deficit at the close of each fiscal year. Lease
18 payments in each cost category shall be stated
19 separately; and

20 (B) The changes proposed to the existing tax and
21 nontax rates, sources or structure, and the



1 estimated increases or reductions in revenues,
2 the estimated cumulative increases or reductions,
3 and the estimated fund balance or deficit in each
4 of the next six fiscal years as a result of such
5 proposed changes. Proposals for changes in the
6 existing tax and nontax rates, sources or
7 structure shall be made in every case where the
8 proposed, total state expenditures exceed the
9 total resources anticipated from existing tax and
10 nontax sources at existing rates.

11 Such financial summaries shall be prepared for the
12 total state expenditures and resources and for the
13 general fund and special fund portions thereof;

14 (6) A summary of the balance of each special fund, actual
15 for the last completed fiscal year and estimated for
16 the fiscal year in progress and estimated for each of
17 the next six fiscal years;

18 (7) A summary of the State's total bond fund required to
19 carry out the recommended programs and the kinds of
20 bonds and amounts thereof through which the
21 requirements were met in the last completed fiscal



1 year, are to be met in the fiscal year in progress,
2 and are proposed to be met in each of the next six
3 fiscal years. The summary shall detail, for each
4 fiscal year:

5 (A) Of the total bond fund requirements, the amount,
6 by cost categories, requiring new bond issuance
7 authorization and the kinds and amounts of bonds
8 planned for issuance under such new
9 authorizations;

10 (B) By bond categories, the total, cumulative balance
11 of bonds authorized in prior years but unissued
12 and the amount thereof proposed to be issued; and

13 (C) A recapitulation of the total bonds to be issued,
14 including both new authorizations and prior
15 authorizations, by bond categories;

16 (8) Separately for general fund tax revenues, special fund
17 tax revenues, general fund nontax revenues, and
18 special fund nontax revenues:

19 (A) By kinds of taxes or sources, the amount of
20 revenue from existing, authorized taxes or
21 sources at existing rates received in the last



1 completed fiscal year and estimated to be
2 received in the fiscal year in progress and in
3 each of the next six fiscal years;

4 (B) A summary of the proposed changes in the existing
5 taxes or sources or rates, and the estimated
6 increases or reductions in revenues in each of
7 the next six fiscal years resulting from such
8 changes; and

9 (C) The total estimated revenues with and without the
10 proposed changes in each of the next six fiscal
11 years; [~~and~~]

12 (9) A summary of the State's total payments due under
13 financing agreements required to carry out the
14 recommended programs and the kinds of financing
15 agreements and amounts thereof through which the
16 requirements were met in the last completed fiscal
17 year, are to be met in the fiscal year in progress,
18 and are proposed to be met in each of the next six
19 fiscal years. The summary shall detail, for each
20 fiscal year:



1 (A) Of the total financing agreement requirements,
2 the amount, by cost categories, requiring new
3 financing agreement authorizations and the kinds
4 and amounts of financing agreements planned for
5 execution and delivery under such new
6 authorizations;

7 (B) By cost category, the cumulative balance of
8 financing agreements authorized in prior years
9 but not executed and delivered and the amount
10 proposed to be executed and delivered; and

11 (C) A recapitulation of the total financing
12 agreements to be executed and delivered,
13 including both new authorizations and prior
14 authorizations, by cost categories[-]; and

15 (10) A summary of the state government's pension liability
16 and other post-employment benefit liability for which
17 the most current information is available, including:

18 (A) Unfunded actuarial accrued liability specified in
19 the latest actuarial valuation report available
20 in the pertinent fiscal year;



- 1 (B) Funded ratio specified in the latest actuarial
2 valuation report available in the pertinent
3 fiscal year;
- 4 (C) Funding period specified in the latest actuarial
5 valuation report available in the pertinent
6 fiscal year; and
- 7 (D) Annual required contribution for the pertinent
8 fiscal year and the proportion of the annual
9 required contribution budgeted to be paid in that
10 fiscal year."

11 SECTION 4. Section 37-71, Hawaii Revised Statutes, is
12 amended by amending subsection (d) to read as follows:

13 "(d) The summaries of the state receipts and revenues
14 shall more specifically include:

15 (1) Financial summaries displaying the State's financial
16 condition, to-wit:

17 (A) A display of the proposed, total state
18 expenditures, by cost categories, the total state
19 resources anticipated from existing taxes and
20 nontax sources at existing rates, by resource
21 categories (including the available fund balances



1 or deficits and anticipated bond receipts), and
2 the fund balance or deficit resulting therefrom
3 for the biennium in progress, for the ensuing
4 biennium, and for each of the two fiscal years of
5 the ensuing biennium; and

6 (B) The changes proposed to the existing tax and
7 nontax rates, sources, or structure, and the
8 estimated cumulative increases or reductions, and
9 the estimated fund balance or deficit in the
10 ensuing biennium and in each of the two fiscal
11 years of the biennium as a result of such
12 proposed changes. Proposals for changes in the
13 existing tax and nontax rates, sources, or
14 structure shall be made in every case where the
15 proposed, total state expenditures exceed the
16 total state resources anticipated from existing
17 tax and nontax sources at existing rates.

18 Such financial summaries shall be prepared for the
19 total state expenditures and resources and for the
20 general fund and special fund portions thereof;



- 1 (2) A summary of the balances of each special fund, actual
2 for the last completed fiscal year and estimated for
3 the fiscal year in progress and for each of the two
4 fiscal years in the ensuing biennium;
- 5 (3) A summary of the State's total bond fund required to
6 carry out the recommended programs and the kinds of
7 bonds and amounts thereof through which such
8 requirements are to be met in the biennium in progress
9 and in each of the two fiscal years in the ensuing
10 biennium. The summary shall detail for the biennium
11 in progress and for each of the two years of the
12 ensuing biennium:
- 13 (A) Of the total requirements, the amount, by cost
14 categories, requiring new bond issuance
15 authorization and the kinds and amounts of bonds
16 planned for issuance under such new
17 authorization;
- 18 (B) By bond categories, the total, cumulative balance
19 of bonds authorized in prior years but unissued
20 and the amount thereof planned to be issued; and



1 (C) A recapitulation of the total bonds, both new
2 authorizations and prior authorizations, by bond
3 categories, proposed to be issued;

4 (4) A tentative schedule by quarter and fiscal year of the
5 amount of general obligation bonds and the amount of
6 revenue bonds proposed to be issued in the ensuing
7 fiscal biennium;

8 (5) A schedule of projected debt service charges for
9 general obligation bonds outstanding at the time of
10 the submission of the budget and to be issued by the
11 close of the budget biennium in progress and the close
12 of the ensuing budget biennium. The projection shall
13 be separately stated for:

14 (A) Bonds currently outstanding;

15 (B) Bonds to be issued during the remainder of the
16 fiscal biennium in progress and during the
17 ensuing fiscal biennium; and

18 (C) The total bonds currently outstanding and to be
19 issued.

20 In each case, the projection shall be categorized into
21 debt service to be paid directly from the general



1 fund, debt service to be paid through reimbursements,
2 and total debt service. The projection shall extend
3 at least five years beyond the close of the ensuing
4 fiscal biennium. An explanation shall be appended to
5 the schedule, which shall include among other things,
6 the amount of bonds to be issued during the fiscal
7 year in progress and in each of the two fiscal years
8 of the ensuing biennium, the maturities of the bonds
9 to be issued, the method of retirement, and the
10 interest rate assumed in the projection;

- 11 (6) A schedule of the current state funded debt, legal
12 debt limit, and the legal debt margin, including the
13 details thereof. In any budget which proposes
14 appropriations for which the source of funding is
15 general obligation bonds, the schedule shall include a
16 declaration by the director of finance and
17 computations showing that the total amount of
18 principal and interest, estimated for such proposed
19 appropriations and for all bonds authorized and
20 unissued and calculated for all bonds issued and



1 outstanding, will not cause the debt limit to be
2 exceeded at the time of issuance;

3 (7) Separately for general fund tax revenues, special fund
4 tax revenues, general fund nontax revenues, and
5 special fund nontax revenues:

6 (A) By kinds of taxes or sources, the amount of
7 revenue from existing, authorized taxes or
8 sources at existing rates received in the last
9 completed fiscal year and estimated to be
10 received in the fiscal year in progress and in
11 each of the two fiscal years in the ensuing
12 biennium, with appropriate totals for the two
13 bienniums;

14 (B) A summary of the proposed changes in the existing
15 taxes or sources or rates, and the estimated
16 increases or reductions in revenues in each of
17 the two years in the ensuing fiscal biennium
18 resulting from such changes; and

19 (C) The total estimated revenues with and without the
20 proposed changes; [~~and~~]



- 1 (8) A summary of the State's total payments due under
2 financing agreements required to carry out the
3 recommended programs and the kinds of financing
4 agreements and amounts thereof through which [~~such~~]
5 those requirements are to be met in the biennium in
6 progress and in each of the two fiscal years in the
7 ensuing biennium. The summary shall detail for the
8 biennium in progress and for each of the two years of
9 the ensuing biennium:
- 10 (A) Of the total financing agreement requirements,
11 the amount, by cost categories, requiring new
12 financing agreement authorizations and the kinds
13 and amounts of financing agreements planned for
14 execution and delivery under [~~such~~] the new
15 authorizations;
- 16 (B) By cost category, the cumulative balance of
17 financing agreements authorized in prior years
18 but not executed and delivered and the amount
19 thereof proposed to be executed and delivered;
20 and



1 (C) A recapitulation of the total financing
2 agreements to be executed and delivered,
3 including both new authorizations and prior
4 authorizations, by cost categories[-]; and
5 (9) The same information required under section
6 37-69(c)(10) for the state government's pension and
7 other post-employment benefits liabilities."

8 SECTION 5. Statutory material to be repealed is bracketed
9 and stricken. New statutory material is underscored.

10 SECTION 6. This Act shall take effect on July 1, 2115, and
11 shall apply to the six-year program and financial plan, budget,
12 and supplemental budget submitted to the legislature, for the
13 regular session of 2017.



Report Title:

Budget Documents; Pension and OPEB Liabilities

Description:

Requires the six-year program and financial plan and budget to include information on pension and other post-employment benefit liabilities. (SB158 HD1)

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

