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# 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, 2016, 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. (CD1)

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