



GOV. MSG. NO. 1329

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 13, 2015

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Eighth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker
and Members of the House
Twenty-Eighth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

I am transmitting herewith SB105 SD1 HD1 CD1, without my approval, and with the statement of objections relating to the measure.

SB105 SD1 HD1 CD1

RELATING TO THE BUDGET

Sincerely,

DAVID Y. IGE
Governor, State of Hawaii

EXECUTIVE CHAMBERS

HONOLULU

July 13, 2015

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 105

Honorable Members
Twenty-Eighth Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 105, entitled "A Bill for an Act Relating to the Budget."

The purpose of Senate Bill No. 105 is to require that information regarding the projected annual debt service for bonds issued to finance capital improvement projects be included in the six-year program and financial plan and budget documents submitted to the Legislature by the Executive branch and the Judiciary.

While this bill has merit, accurate information in the form required by the bill is unavailable due to the limitations of the State's accounting system. For example, capital improvement projects are usually funded by the sale of bonds whose proceeds are deposited into the bond fund. Moneys from the bond fund are disbursed for capital improvement projects as needed. Consequently, it is not known ahead of time which bond issuance will be used for a specific project or program and accurate information on the debt service costs for each project or each program cannot be provided.

Further, it would be difficult to provide accurate information on the total debt service for capital improvement project appropriations in the budget, because assumptions would need to be made about the start date and disbursement schedule for the projects.

In lieu of the information requested by this bill and in addition to the currently provided bond issuance and debt service information, the Legislature could be provided with an illustration of debt service costs using an example of a \$100,000,000 bond issuance and a generic twenty-year general obligation bond debt service schedule. The debt service costs of a project or a program could then be calculated

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SENATE BILL NO. 105
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based on the project's or program's costs as a percentage of the \$100,000,000.

For the foregoing reasons, I am returning Senate Bill No. 105 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read "David Y. Ige". The signature is fluid and cursive, with a large, sweeping flourish at the end.

DAVID Y. IGE
Governor of Hawaii

A BILL FOR AN ACT

RELATING TO THE BUDGET.

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

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

3 More specifically, this Act requires information on the
4 estimated future debt service for a proposed capital improvement
5 project to be included in the budget documents submitted to the
6 legislature. The legislature finds that the information is
7 necessary to make the best decisions regarding the funding of
8 proposed capital improvement projects.

9 The legislature intends that this Act also apply to the
10 judiciary budget by operation of section 601-2, Hawaii Revised
11 Statutes.

12 SECTION 2. Section 37-68, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§37-68 Responsibilities of agencies.** (a) Under rules as
15 may be prescribed by the director of finance with the approval
16 of the governor:

17 (1) Each agency assigned the task of developing programs
18 and preparing program and financial plans, budgetary



1 requests, and program performance reports shall
2 develop the programs and prepare the plans, requests,
3 and reports and submit the same to the director of
4 finance at times, on forms, and in a manner as the
5 director may prescribe. For informational purposes,
6 the University of Hawaii shall submit its program and
7 financial plans, budgetary requests, and program
8 performance reports to the legislature at the same
9 time the university submits them to the director of
10 finance. Where new programs are being proposed, each
11 agency shall demonstrate that the program:

12 (A) Is an appropriate function of state government;
13 and, as applicable

14 (B) Can be implemented by the public sector as cost-
15 effectively as the private sector while meeting
16 the same plans, goals, objectives, standards,
17 measures of effectiveness, wage, salary,
18 conditions of employment, and employee benefit
19 programs of the State;

20 (2) Each agency administering state programs and each
21 agency responsible for the formulation of programs and



1 the preparation of program and financial plans,
2 budgetary requests, and program performance reports,
3 shall furnish the department of budget and finance all
4 documents and information as the department may from
5 time to time require. Each agency shall make
6 available all documents and information, as may be
7 requested, to the legislature and any member or
8 committee of either house of the legislature;

9 (3) The director of finance or any employee of the
10 department of budget and finance, when duly
11 authorized, for the purpose of securing information,
12 shall have access to and may examine any books,
13 documents, papers, or records of any agency; and

14 (4) Each agency submitting a capital improvement project
15 proposal shall furnish the department of budget and
16 finance with an estimate of operational costs for the
17 proposed capital improvement project and all documents
18 that support the estimate of operational costs. Each
19 agency shall make available all documents and related
20 information, as may be requested, to the legislature
21 and any member or committee of either house.



1 (b) The director of finance shall include, in the six-year
2 program and financial plan and budget submitted before each odd-
3 numbered year and supplemental budget submitted before each
4 even-numbered year, a summary of the following:

5 (1) The projected annual debt service for bonds intended
6 to finance capital improvement projects,
7 appropriations for which are proposed during the six
8 fiscal years covered by the financial plan and budget
9 or supplemental budget, as applicable. The
10 information shall be listed from the fiscal year of
11 the first debt service payment on the bonds until the
12 fiscal year of the last debt service payment on the
13 bonds;

14 (2) The projected annual debt service for bonds used or
15 planned to be used to finance capital improvement
16 projects, appropriations for which were made before
17 the first fiscal year covered by the financial plan
18 and budget or supplemental budget, as applicable. The
19 information shall be listed for the same fiscal years
20 required under paragraph (1); and



1 (3) The sum of the projected annual debt service under
2 paragraphs (1) and (2) for the same fiscal years
3 required under paragraph (1).

4 The summary shall categorize the information by program, bond
5 category, and means of financing for the debt service payments.

6 The summary required by this subsection shall be in
7 addition to any other information on the debt ceiling;
8 authorized, issued, and outstanding bonds; or debt service
9 payment schedule that the director of finance is required to
10 include in the six-year program and financial plan and budget or
11 supplemental budget."

12 SECTION 3. New statutory material is underscored.

13 SECTION 4. This Act shall take effect on July 1, 2016.

APPROVED this day of , 2015

GOVERNOR OF THE STATE OF HAWAII