

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Study of the Fiscal Relationship Between Hawaii's Legislative and Executive Branches

Summary

The legislative and executive branches of government share in governance. Over the years, the executive branch has increased its authority over fiscal matters while the Legislature's role has eroded. This led the Legislature to request that the State Auditor examine the fiscal relationship between the executive and legislative branches. Our review focused on two key budget processes: (1) the budget review and appropriations process and (2) the budget execution process.

In budget review, we found that Hawaii's Planning, Programming, and Budgeting (PPB) System has fallen short of expectations. The system generates a massive amount of data that is not very useful. Current budget documents are obscure and difficult to use, budget requests and information are not submitted in a timely manner, and legislative staffing is insufficient.

PPB budget documents do not present information legislators need to understand and analyze the budget. They do not give a good overall picture of the amount of spending and the sources and types of revenues to support this spending. Budget documents do not break down the cost of maintaining the current program, the cost of workload increases, or the cost of any new initiatives, or priorities among them. The appropriation committees and their staff must rely on supplementary budget information from departments that is not always forthcoming in a timely manner.

The executive's recent practice of submitting additional budgetary requests after the start of the session has also hampered the Legislature. During 1989, the Legislature received four separate governor's messages requesting additional funding for 333 items. These requests were submitted an average of 48 days after the statutory deadline for submittal of the executive budget. "Add-ons" are supposed to be used only in emergency or unanticipated situations, but the requests were for items that should be a normal part of an agency's budget.

Legislative independence is compromised by insufficient staffing. Appropriation committees often "borrow" staff from the executive branch. This is contrary to the national trend of developing

professional legislative staff capable of providing legislators with needed analysis and information.

The National Conference of State Legislatures reports that, to increase their independence from the executive branch, about 20 state legislatures now have direct, on-line access to agency expenditure data. In addition, some 38 states use fiscal notes that assess the financial impact of proposed legislation on state revenues and expenditures. These are avenues the Legislature should continue to pursue.

In the budget execution process, we found that the Legislature is undermined by routinely including provisions in the appropriation acts that allow the governor to make transfers among programs. This flexibility has been used by the executive to implement and expand programs without legislative authorization, to transfer funds among programs and appropriations, and to use savings from one state program to supplement appropriations for another program.

The State's allotment system also adds to executive flexibility. The executive may reduce appropriations to any program to promote savings and efficient management. The executive authority to restrict appropriations and to make budget cuts makes it difficult to ensure that legislative priorities are met.

Recommendations and Response

We recommend that the Legislature establish a joint committee to propose amendments to Chapter 37, Hawaii Revised Statutes, to simplify and make more useful and understandable the State's budgeting system. It should consider making the supplementary materials it uses part of the official budget submission. We believe the Legislature should strengthen its resources by expanding its staff, gaining independent access to detailed information on revenues and expenditures, and adopting tools such as fiscal notes. We also recommend that the Legislature consider enacting legislation or exercising the authority it already has to limit executive flexibility in transferring and restricting appropriations.

In its response, the Department of Budget and Finance responded that, in general, it supports the recommendations in the report and would lend its assistance and support to any legislative endeavor to amend or change budget policies. It says, however, that it would hesitate to endorse strict limitations on executive flexibility because of unanticipated contingencies and emergencies.

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