

EXECUTIVE CHAMBERS

NEIL ABERCROMBIE GOVERNOR

HONOLULU

June 21, 2012

EXECUTIVE MEMORANDUM

MEMO NO. 12-03

TO:

All Department Heads

SUBJECT:

Interim Budget Execution Policies and Instructions for FY 13

Last year, we confronted a potential \$1.2 billion budget shortfall for FB 2011-13 head-on. We worked closely with the Legislature to pass several tax revenue enhancement measures, while dealing with the State's uncertain fiscal outlook.

At its May 29, 2012 meeting, the Council on Revenues (COR) maintained its FY 12 general fund tax revenue growth rate forecast of 12.0%. The COR, however, reduced its projected FY 13 general fund tax revenue growth rate from 7.5% to 5.3% but did not change its forecast for FYs 14-18. The FY 13 change was due to the changes in estimated revenue gains from Act 105, SLH 2011, which temporarily suspended certain general excise and use tax exemptions, and the possibility that renewable energy tax credits may cost more than previously anticipated. The change to the FY 13 projection will result in an estimated decrease in general fund tax revenue of over \$100 million per year for FY 13 and subsequent fiscal years.

Since the COR's meeting, the Department of Taxation has indicated that preliminary FY 12 general fund tax collections through May 2012 have grown by 13.6% compared to the same period of FY 11. General fund tax collections for May 2012 exceeded May 2011 by almost 20%.

Though we are in a much better position than we were last year, we remain cautious, though optimistic, about Hawaii's economy. We must address the estimated decrease of over \$100 million in general fund tax revenues in FY 13 and subsequent fiscal years due to the change in the COR's forecast. Uncertainties on the national and worldwide level, including impending federal cutbacks to defense, education and social service spending; economic volatility in Europe; slowdowns in Asia and unrest in the Middle East also give us cause to remain prudent with our expenditures. We must also remain cognizant of future demands on the State's resources, including recapitalization of our emergency funds (the Hawaii Hurricane Relief Fund and the Emergency Budget and Reserve Fund) and unfunded liabilities in the Employees' Retirement System and Employer-Union Health Benefits Trust Fund.

Through sound fiscal management, we can keep the State's fiscal health on track through FY 13 and beyond. We must make prudent decisions to maintain and improve the operation of our programs, while living within our means. We must continue our efforts to deliver State services more efficiently and accelerate the implementation of New Day Work Projects to stimulate job growth and Hawaii's economy.

Full-year budget execution policies for FY 13 are forthcoming. During the interim, the following actions are hereby authorized:

1. On July 1, 2012, departments will receive their respective budget allocations for the <u>first quarter only</u>.

Exhibit 1 contains your department's First Quarter allocation, which is:

- General funds: One-fourth of 95% of the FY 13 operating program appropriation from Act 106, SLH 2012.
- Non-general funds: One-fourth of the FY 13 operating program appropriation from Act 106, SLH 2012.
- 2. Departments should exercise caution with expenditures as final allocations have not been established. Allocations for subsequent quarters will be made upon further consideration of revenue and expenditure requirements.
- 3. Release of other specific appropriations authorized for expenditure in FY 13 by the 2012 Legislature or other legislative sessions will be considered after full-year allocations have been made.
- 4. Except for allocation amounts, all other current budget execution policies as contained in Executive Memorandum (E.M.) No. 11-10, *FY 12 Budget Execution Policies and Instructions* (dated September 9, 2011), remain in effect.
- 5. Capital Improvement Program policies and procedures as contained in E.M. No. 97-07, *Procedures for Requesting the Implementation of Capital Improvement Projects* (dated June 19, 1997), shall continue to be followed.

These interim budget execution policies, as continued from FY 12, provide a high level of flexibility which I trust that all departments will responsibly utilize with the utmost accountability. Questions on the specific policies and procedures should be directed to the Department of Budget and Finance analyst assigned to your department or the appropriate agency referenced.

NEIL ABERCROMBIE Governor, State of Hawaii

Attachment: Exhibit 1

DEPARTMENT OF AGRICULTURE (Interim June 2012)

	General	Special	Federal		County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	Allocation
	160.68	121.82	2.00			ı	9.00		15.50		309.00
Appropriation	10,297,218	16,551,067	1,894,188	1	,	812,854	1,460,162	·	11,086,465	1	42,101,954
	160.68	121.82	2.00		ı		9.00		15.50		309.00
1st Qtr Allocation	2,445,589	4,137,767	473,547	١	ŀ	203,214	365,041		2,7771,616	f	10,396,774

Hestrictions					TEST	HICHONS - 10	RESTRICTIONS - TO BE DETERMINED				
TOTAL											

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolvina	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	Allocation
	535.50	62.00	5.50	,	-	5.00	35.00	1	46.00	,	00 689
Appropriation	80,945,911	22,162,822	8,769,763	•	,	4,712,482	12,736,463	1	36,877,937	1	166.205.378
	535.50	62.00	5.50	1	-	5.00	35.00		46.00		00.689
1st Otr Allocation	19,224,654	5,540,706	2,192,441		í	1,178,121	3,184,116	•	9,219,484	1	40.539.522

Restrictions					RESTF	SICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	Q			
TOTAL											

DEPARTMENT OF THE ATTORNEY GENERAL (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	-	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds		Allocation
	328.74	21.80	172.56	,	,	0.50	56.53	0.20	34.95	-	-	615.28
Appropriation	22,816,779	2,450,840		52,760	,	6,206,024	9,110,189	766,321	6,336,582	ı		73,122,827
	328.74	21.80	172.56		,	0.50	56.53	0.20	34.95		_	615.28
1st Qtr Allocation	5,418,985	612,710	6,345,833	13,190	1	1,551,506	2,277,547	191,580	1,584,146	J		17,995,497
Hestrictions					REST	RICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	□				
TOTAL												

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds		Funds	Allocation
	76.50	29.50	5.00	,	,	-	*	•	33.00	1	144.00
Appropriation	7,123,263	160,880,127	32,579,073	,	1	21,923,698	•	1,483,282	17,37	4	 241,367,661
	76.50	29.50	2.00	•	,	ı	ř	1		***************************************	144.00
1st Qtr Allocation	1,691,775	40,220,032	8,144,768	,	•	5,480,925	ſ	370,821	4,344,555	•	 60,252,876
Bestrictions					Б	OT - SNOITOIR	A STRICTIONS - TO BE DETERMINED	ç			
TOTAL							מר לבו				

DEPARTMENT OF BUDGET AND FINANCE

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	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	Allocation
	132.25	62.00	ī	,	,	58.00	1.75			99.00	353.00
Appropriation	1,804,683,144	13,849,174	306,558	,	•	12,345,130	119,858	ı	33,136	16,598,987	1,847,935,987
	132.25	62.00	,	,	1	58.00	1.75	ı		00.66	353.00
1st Otr Allocation	428,612,247	3,462,294	76,640	1	ŀ	3,086,283	29,965	ı	8,284	4,149,747	439,425,460
Restrictions					REST	RICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	۵			
TOTAL											

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	Allocation
	ı	396.00			1	8.00	1	1	,	,	404.00
Appropriation		48,149,654	1	1	ı	2,437,147	•	ı	•	ı	50.586.801
	١	396.00	ı	,	1	8.00		,			404 00
1st Qtr Allocation	r	12,037,414	Í	,	1	609,287	ı	ì	ı	ŀ	12 646 701
Bestrictions					TOBO	OT OMOLTOIC	CTIMINATED TO CT ONCITCIONS				
1 10311101113					ווכטע	01 - 800101	DE DE LEMINE	2			
TOTAL											

DEPARTMENT OF DEFENSE (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other		Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds		Allocation
	138.10		101.15		,	1			,		L	239.25
Appropriation	17,250,929	,	91,281,649	ŧ	464,458	1	86,827	1		,		109.083.863
	138.10	1	101.15		,	,	ę	1			L	239.25
1st Otr Allocation	4,097,096	,	22,820,412	,	116,115	ŀ	21,707	ı	1	1		27,055,330
-												
Restrictions					REST	PICTIONS - TC	RESTRICTIONS - TO BE DETERMINED	۵				
TOTAL											5000	

DEPARTMENT OF EDUCATION (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other		Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds		Allocation
	19,168.72	737.50	5.00	,		1	-	1	8.00		L	19.919.22
Appropriation	1,348,108,657	55,627,903	264,473,822	1	,	32,919,060	10,537,704	20,073,434	30,370,337	,		1.762.110.917
	19,168.72	737.50	2.00	1	,	1		1	8.00	,		19,919.22
1st Qtr Allocation	320,175,806	13,906,976	66,118,456	ı		8,229,765	2,634,426	5,018,359	7,592,584	1		423.676.372
Restrictions					REST	RICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	0				-
TOTAL												

DEPARTMENT OF EDUCATION - PUBLIC LIBRARIES (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	Allocation
	555.00	-	,	ŀ	-		t	-	1		555.00
Appropriation	28,070,484	3,125,000	1,365,244	ı	•	,	,	,	1	1	32,560,728
	555.00	ı	ŧ	,	1	,	ŧ	-		1	555.00
1st Qtr Allocation	6,666,740	781,250	341,311	1	,	,	i	f	1	1	7,789,301
Restrictions					REST	"RICTIONS - TC	RESTRICTIONS - TO BE DETERMINED	Q			
TOTAL											

DEPARTMENT OF EDUCATION - CHARTER SCHOOLS (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	1	Other		Total
	Fund	Funds	Funds	Contrib.	Contrib. Funds	Funds	Transfers	Stimulus Funds	Funds	Funds		Allocation
	1	,			1	9	*	-	1	,		1
Appropriation	61,757,919		,		ı	,	1	1	ı			61,757,919
	1		•	ı	,	1	,	,	1	,		
1st Otr Allocation	14,667,506			1	ŀ	1	•	1	ı	1		14,667,506
Restrictions					REST	RICTIONS - TC	RESTRICTIONS - TO BE DETERMINED	Ð.				
TOTAL											105	

OFFICE OF THE GOVERNOR (Interim June 2012)

	General	Special	Federal		County	Trust	Inter-dep'tal	Federal	Revolving	Other	_	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds		Allocation
	25.00		-	-	7	,	1	-	1	ı		25.00
Appropriation	2,921,286	,	-		,	87,147	·	,	I	•		3,008,433
	25.00		1	,	1	•	*	,	ŧ	ı		25.00
1st Qtr Allocation	693,805		1	,		21,787	1	ı	,	ı		715,592
:					1							
Hestrictions					HEST	HICHONS - 10	HESTRICTIONS - TO BE DETERMINED	Q				
TOTAL												

DEPARTMENT OF HAWAIIAN HOME LANDS (Interim June 2012)

	General	Special	Federal		County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	Allocation
	-	115.00	3.00	-	,	82.00	1	1	1		200.00
Appropriation	٠	12,784,660	15,341,820	1		156,865,624	ŀ	,	1	1	184,992,104
	•	115.00	3.00	-	,	82.00	ŧ	,			200.00
1st Qtr Allocation	-	3,196,165	3,835,455	1	,	39,216,406	ť	1	ı	1	46,248,026
Restrictions					REST	RICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	۵			
TOTAL											

DEPARTMENT OF HUMAN SERVICES (Interim June 2012)

	General	Special	Federal		County	Trust	Inter-dep'tal	Federal	Revolvina	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	Allocation
	1,113.59	1	1,060.91	-	,	-			30.00	ı	2.204.50
Appropriation	1,066,786,677	1,007,587	1,297,593,219	10,000	,	t	12,366,525	ı	7,887,637	ı	2.385,651,645
	1,113.59	,	1,060.91	,	,	ı	I		30.00	-	2.204.50
1st Qtr Allocation	253,361,836	251,897	324,398,305	2,500	ı	ŧ	3,091,631	1	1,971,909	ł	583.078.078
Restrictions					REST	RICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	۵			
TOTAL											

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal		Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds		Funds	Allocation
	92.00	,	1		,	+	-		1		92.00
Appropriation	14,218,165	700,000	1	,	1		4,886,281	ŧ	ı	ı	 19,804,446
	92.00	1	•	1	f	1	1	ı	,		92.00
1st Qtr Allocation	3,376,814	175,000	,	,	,	,	1,221,570	1	1	•	 4,773,384
Restrictions					REST	RICTIONS - TC	RESTRICTIONS - TO BE DETERMINED	Q.			
TOTAL											

DEPARTMENT OF HEALTH (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other		Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds		Allocation
	2,015.86	146.00	353.86	ŧ		1	5.50	,	72.20	,		2.593.42
Appropriation	395,813,891	195,618,021	128,903,540	ı	'	I	6,257,009	,	168,196,361	,		894.788.822
	2,015.86	146.00	353.86	,	,		5.50	1	72.20	,	_	2,593,42
1st Qtr Allocation	94,005,799	48,904,505	32,225,885	,	1	•	1,564,252	1	42,049,090	,		218.749.531
Restrictions					REST	RICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	۵				
TOTAL												

DEPARTMENT OF HEALTH - HAWAII HEALTH SYSTEMS CORPORATION (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	Allocation
	,	2,835.25	ı		-	,		,	-		2 835 25
Appropriation	83,640,000	522,593,180	ı	-	,	ı	•	ı	1	1	 606,233,180
	,	2,835.25		,	1	1		1	1		2.835.25
1st Qtr Allocation	19,864,500	130,648,295	1		1	ı	•	1	,		 150,512,795
							and the state of t		T		
Restrictions	******				RESTI	RICTIONS - TC	RESTRICTIONS - TO BE DETERMINED	٩			
TOTAL											

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	-	Total
	25	Splin	Spiin	COLUMN.	ruius	ruids	ransiers	Sumulas runds	runds	Funds	+	Allocation
	163.20	30.00	464.30	,	,	,		•	1		_	657.50
Appropriation	12,270,160	392,749,225	82,648,945	,	ı	,	2,693,319	,	70,000	,		490,431,649
	163.20	30.00	464.30		1	,		-	1	-		657.50
1st Qtr Allocation	2,914,163	98,187,306	20,662,236	1	£	1	673,330	,	17,500	ŀ		122,454,535
												4
Restrictions					REST	RICTIONS - TC	RESTRICTIONS - TO BE DETERMINED	Р				
TOTAL												

DEPARTMENT OF LAND AND NATURAL RESOURCES (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Land	Lands	rungs	Contrib.	Funds	Funds	ransters	Stimulus Funds		Funds	Allocation
	417.00	315.00	24.50	1					1.00	1	757.50
Appropriation	25,738,532	64,599,200	19,398,967	ı	,	136,197	800,000	1	861,353	,	111,534,249
	417.00	315.00	24.50			ı	•		1.00		757.50
1st Qtr Allocation	6,112,901	16,149,800	4,849,742		,	34,049	200,000	,	215,338	,	27.561.830
Restrictions					REST	RICTIONS - TO	RESTRICTIONS - TO BE DETERMINED				
TOTAL											

OFFICE OF THE LIEUTENANT GOVERNOR (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	0,	Funds	Funds	Allocation
	8.00	1				٠	,	,	,	,	8 00
Appropriation	1,020,774	ŧ	f	1	,	,	ì	1	1		1.020.774
	8.00	,		'	,	1	9	ŗ	-	,	8.00
1st Qtr Allocation	242,434	ļ	1		,	ı	•	ı	,	,	242.434
Restrictions					REST	RICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	e.			
TOTAL			H.			MIC.					

DEPARTMENT OF PUBLIC SAFETY (Interim June 2012)

	General	Special	Federal		County	Trust	Inter-dep'tal	Federal	Revolving	Other		Total
	runa	runds	Funds	Contrib.	Funds	Funds	ransters	Stimulus Funds	Funds	Funds	-	Allocation
	2,503.10	8.00	00.0	,	-	-	59.00		9.00		_	2,579.10
Appropriation	215,259,729	2,533,051	1,058,558	•	209,721	75,065	4,897,003	,	10,548,297	ı		234,581,424
	2,503.10	8.00			•	ı	59.00	,	9.00	,		2,579.10
1st Qtr Allocation	51,124,186	633,263	264,640	,	52,430	18,766	1,224,251	•	2,637,074	1		55,954,610
Restrictions					REST	AICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	0				
TOTAL												

DEPARTMENT OF TAXATION (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	Allocation
	383.00	1	ı		1	ı	ŧ		,	,	383.00
Appropriation	21,711,148	1,053,627	٠		1	,	•	ı	,	1	22.764.775
	383.00	,	1	1	,	,	3	-	1	1	383.00
1st Qtr Allocation	5,156,398	263,407	•	1	f		,		ı		5.419.805
											20010
Restrictions					REST	RICTIONS - TC	RESTRICTIONS - TO BE DETERMINED	٩			
TOTAL											

DEPARTMENT OF TRANSPORTATION (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	 Allocation
	1	2,157.50	7.00	,	,	*	1	1	•		2.164.50
Appropriation		791,346,017	54,800,129	423,067	,	1	•	1	1		 846.569.213
	,	2,157.50	7.00		ı	1	1	,	1		2.164.50
1st Qtr Allocation	1	197,836,504	13,700,032	105,767	•	ŧ	1		•		 211,642,303
:											
Restrictions					REST	RICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	e			
TOTAL											

UNIVERSITY OF HAWAII (Interim June 2012)

	General	Special	Federal	Private	County	Trust	Inter-dep'tal	Federal	Revolving	Other	12	Total
	Fund	Funds	Funds	Contrib.	Funds	Funds	Transfers	Stimulus Funds	Funds	Funds	Alloc	Allocation
	6,480.09	615.25	97.66		1	1	4	,	54.75	,		7.247.75
Appropriation	377,460,254	510,851,514	11,608,433	1	ŀ	,	•	,	93,725,129	ı	66	3.645.330
	6,480.09	615.25	99.76		,	ı	THE PARTY OF THE P		54.75			7.247.75
1st Qtr Allocation	89,646,810	127,712,879	2,902,108	,		,	•	,	23,431,282	1	24	243.693.079
Restrictions					RESTF	RICTIONS - TO	RESTRICTIONS - TO BE DETERMINED	ρ				
TOTAL									910			