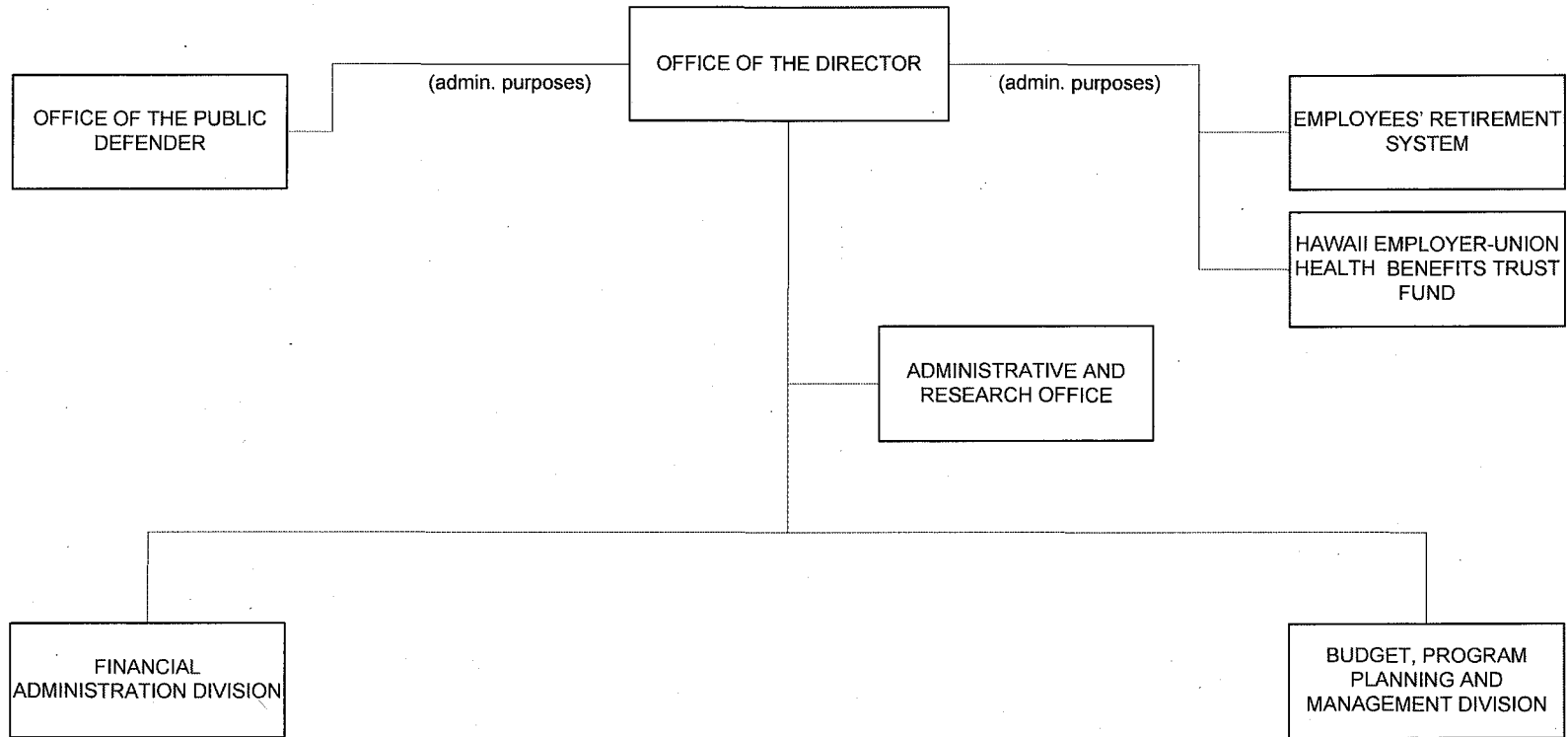




Department of Budget and Finance

STATE OF HAWAII
DEPARTMENT OF BUDGET AND
FINANCE
ORGANIZATION CHART



DEPARTMENT OF BUDGET AND FINANCE

Department Summary

Mission Statement

To enhance long-term productivity and efficiency in government operations by providing quality budget and financial services that prudently allocate and effectively manage available resources.

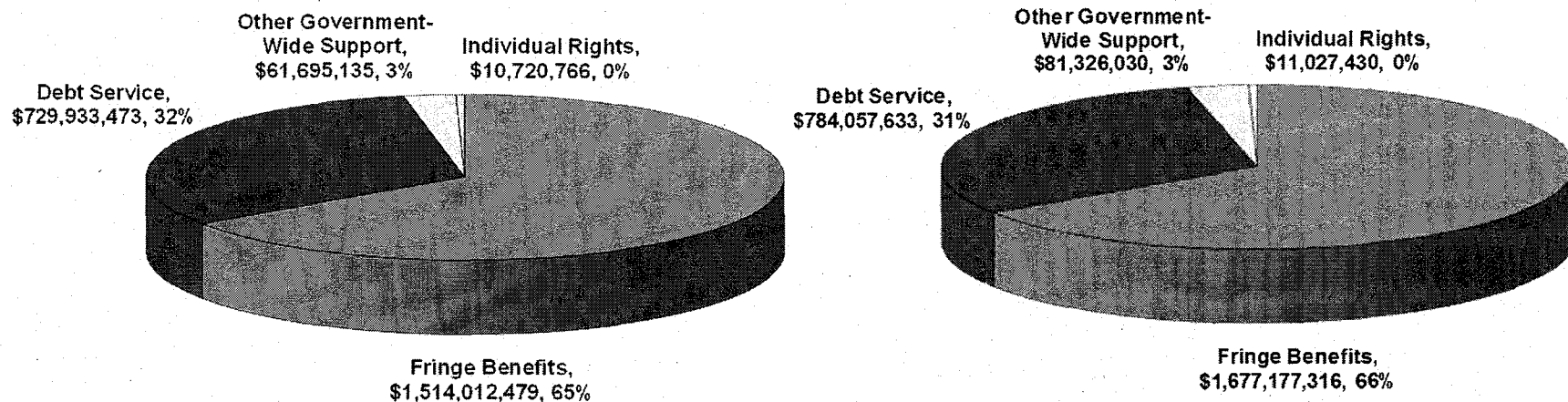
Department Goals

Improve the executive resource allocation process through planning, analysis and recommendation on all phases of program scope and funding; maximize the value, investment, and use of State funds through planning, policy development, timely scheduling of State bond financing and establishment of appropriate cash management controls and procedures; administer retirement and survivor benefits for State and County members and prudently manage the return on investments; administer health and life insurance benefits for eligible active and retired State and County public employees and their dependents by providing quality services and complying with federal and State legal requirements; and to safeguard the rights of indigent individuals in need of assistance in criminal and related cases by providing statutorily entitled and effective legal representation.

Significant Measures of Effectiveness

	<u>FY 2016</u>	<u>FY 2017</u>
1. Percentage of recommendations on departments' requests completed by due date	90	90
2. Average annual rate of return on State treasury investments	0.30	0.30

FB 2015-2017 Operating Budget by Major Program Area



DEPARTMENT OF BUDGET AND FINANCE MAJOR FUNCTIONS

- Administers the multi-year program and financial plan and executive budget, management improvement, and financial management programs of the state under the general direction of the Governor.
- Coordinates state budget services and prepares the Governor's budget for submission to the legislature; administers the financial affairs of the State.
- Plans, directs and coordinates the State's investments and financing programs.
- Directs and coordinates a statewide retirement benefits program for state and county government employees.
- Administers health and life insurance benefits for eligible state and county active and retired public employees and dependents.
- Provides comprehensive legal and related services to persons who are financially unable to obtain legal and related services.

MAJOR PROGRAM AREAS

The Department of Budget and Finance has programs in the following major program areas:

Government-Wide Support

BUF 101	Departmental Administration and Budget Division
BUF 102	Collective Bargaining Statewide
BUF 115	Financial Administration
BUF 141	Employees Retirement System
BUF 143	Employer Union Trust Fund
BUF 721	Debt Service Payments – State
BUF 725	Debt Service Payments – DOE
BUF 728	Debt Service Payments – UH
BUF 741	Retirement Benefits – State

BUF 745	Retirement Benefits – DOE
BUF 748	Retirement Benefits – UH
BUF 761	Health Premium Payments – State
BUF 765	Health Premium Payments – DOE
BUF 768	Health Premium Payments - UH

Individual Rights

BUF 151	Office of the Public Defender
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**Department of Budget and Finance
(Operating Budget)**

Funding Sources:	Positions	Budget Base	Budget Base	FY 2016	FY 2017
		FY 2016	FY 2017		
		136.75	136.75	136.75	136.75
General Funds	\$	2,106,883,383	2,107,319,587	2,283,200,725	2,518,180,833
		62.00	62.00	-	-
Special Funds		12,452,628	12,561,793	1,547,739	2,854,560
		-	-	-	-
Federal Funds		-	-	478,486	841,250
		-	-	-	-
Other Federal Funds		-	-	5,675	12,196
		64.00	64.00	64.00	64.00
Trust Funds		13,520,485	13,584,833	13,972,755	14,077,220
		1.75	1.75	1.75	1.75
Interdepartmental Transfers		4,122,819	4,126,439	4,140,882	4,147,627
Revolving Funds				102,919	213,261
		102.00	102.00	102.00	102.00
Other Funds		11,984,968	12,217,891	12,912,672	13,261,462
		366.50	366.50	304.50	304.50
Total Requirements		2,148,964,283	2,149,810,543	2,316,361,853	2,553,588,409

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Adds \$4,642,426 in FY16 and \$58,766,586 in FY17 for debt service payments.
2. Adds \$65,461,245 in FY16 and \$99,799,291 in FY17 for retirement benefits payments.
3. Adds \$87,423,284 in FY16 and \$216,250,075 in FY17 for health premium payments and OPEB pre-funding.
4. Transfers out (62.00) permanent positions and trust funds of \$12,452,628 in FY16 and \$12,561,793 in FY17 to the Department of Commerce and Consumer Affairs to complete the transfer of the Public Utilities Commission per Act 108/SLH 2014.
5. Adds funds for collective bargaining for the University of Hawaii Professional Assembly as follows: General funds \$18,790,387 in FY16 and \$36,045,294 in FY17; Special funds \$1,547,739 in FY16 and \$2,854,560 in FY17; Federal funds \$478,486 in FY16 and \$841,250 in FY17; Other Federal funds \$5,675 in FY16 and \$12,196 in FY17; and Revolving funds \$102,919 in FY16 and \$213,261 in FY17. This request also creates a new BUF102 Program ID to segregate statewide collective bargaining costs from the operating budget of the department.
6. Adds funds in various means of financing for FY 16 and FY 17 for fringe benefits increases.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID:
 PROGRAM STRUCTURE NO.
 PROGRAM TITLE: DEPARTMENT OF BUDGET AND FINANCE

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COST	359.50*	365.50*	304.50*	304.50*	304.5*	304.5*	304.5*	304.5*
PERSONAL SERVICES	34,901,259	37,372,531	49,130,778	69,068,337	69,069	69,069	69,069	69,069
OTHER CURRENT EXPENSES	1,993,268,227	2,120,956,635	2,267,231,075	2,484,520,072	2,636,543	2,812,880	2,868,175	2,928,583
EQUIPMENT	16,200	599,232						
TOTAL OPERATING COST	2,028,185,686	2,158,928,398	2,316,361,853	2,553,588,409	2,705,612	2,881,949	2,937,244	2,997,652
BY MEANS OF FINANCING								
GENERAL FUND	133.75*	136.75*	136.75*	136.75*	136.7*	136.7*	136.7*	136.7*
	1,988,439,256	2,111,474,795	2,283,200,725	2,518,180,833	2,670,203	2,846,540	2,901,835	2,962,243
	61.00*	61.00*	*	*	*	*	*	*
SPECIAL FUND	12,994,116	18,477,128	1,547,739	2,854,560	2,855	2,855	2,855	2,855
	*	*	*	*	*	*	*	*
FEDERAL FUNDS	61,539	61,539	478,486	841,250	841	841	841	841
	*	*	*	*	*	*	*	*
OTHER FEDERAL FUNDS			5,675	12,196	12	12	12	12
	61.00*	64.00*	64.00*	64.00*	64.0*	64.0*	64.0*	64.0*
TRUST FUNDS	13,434,860	13,427,793	13,972,755	14,077,220	14,078	14,078	14,078	14,078
	1.75*	1.75*	1.75*	1.75*	1.8*	1.8*	1.8*	1.8*
INTERDEPT. TRANSFER	2,114,486	4,120,613	4,140,882	4,147,627	4,148	4,148	4,148	4,148
	*	*	*	*	*	*	*	*
REVOLVING FUND	93,036	110,567	102,919	213,261	213	213	213	213
	102.00*	102.00*	102.00*	102.00*	102.0*	102.0*	102.0*	102.0*
OTHER FUNDS	11,048,393	11,255,963	12,912,672	13,261,462	13,262	13,262	13,262	13,262
CAPITAL INVESTMENT APPROPRIATIONS								
CONSTRUCTION	83,000,000	382,383,000	38,113,000					
TOTAL CAPITAL APPROPRIATIONS	83,000,000	382,383,000	38,113,000					
BY MEANS OF FINANCING								
G.O. BONDS	83,000,000	382,383,000	38,113,000					
TOTAL POSITIONS	359.50*	365.50*	304.50*	304.50*	304.50*	304.50*	304.50*	304.50*
TOTAL PROGRAM COST	2,111,185,686	2,541,311,398	2,354,474,853	2,553,588,409	2,705,612	2,881,949	2,937,244	2,997,652

**Department of Budget and Finance
(Capital Improvements Budget)**

	<u>FY 2016</u>	<u>FY 2017</u>
Funding Sources:		
General Obligation Bonds	38,113,000	-
Total Requirements	<u>38,113,000</u>	<u>-</u>

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Adds \$38,113,000 in FY 16 for reauthorization for transfers to the State Educational Facilities Improvement (SEFI) fund.

STATE OF HAWAII
 PROGRAM ID
 PROGRAM STRUCTURE NO.
 PROGRAM TITLE

**REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT
 IN THOUSANDS OF DOLLARS**

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DEPARTMENT OF BUDGET AND FINANCE

PROJECT NUMBER	PRIORITY NUMBER	LOC	SCOPE	PROJECT TITLE		BUDGET PERIOD						SUCCEED YEARS	
				PROJECT TOTAL	PRIOR YRS	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19		FY 19-20
			COST ELEMENT/MOF										
			CONSTRUCTION	1,601,797	1,098,301	83,000	382,383	38,113					
			TOTAL	1,601,797	1,098,301	83,000	382,383	38,113					
			G.O. BONDS	1,601,797	1,098,301	83,000	382,383	38,113					



Operating Budget Details

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID:
 PROGRAM STRUCTURE NO. 07
 PROGRAM TITLE: FORMAL EDUCATION

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COSTS								
PERSONAL SERVICES								
OTHER CURRENT EXPENSES	1,062,567,221	1,130,130,788	1,187,095,932	1,263,884,213	1,308,064	1,355,653	1,394,494	1,433,498
TOTAL OPERATING COST	1,062,567,221	1,130,130,788	1,187,095,932	1,263,884,213	1,308,064	1,355,653	1,394,494	1,433,498
BY MEANS OF FINANCING								
GENERAL FUND	1,062,567,221	1,130,130,788	1,187,095,932	1,263,884,213	1,308,064	1,355,653	1,394,494	1,433,498
TOTAL POSITIONS	*	*	*	*	*	*	*	*
TOTAL PROGRAM COST	1,062,567,221	1,130,130,788	1,187,095,932	1,263,884,213	1,308,064	1,355,653	1,394,494	1,433,498

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF745**
 PROGRAM STRUCTURE NO. **07010192**
 PROGRAM TITLE: **RETIREMENT BENEFITS - DOE**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COSTS								
PERSONAL SERVICES								
OTHER CURRENT EXPENSES	272,433,909	285,138,488	311,975,236	327,495,734	335,924	342,643	349,496	356,485
TOTAL OPERATING COST	272,433,909	285,138,488	311,975,236	327,495,734	335,924	342,643	349,496	356,485
BY MEANS OF FINANCING								
GENERAL FUND	272,433,909	285,138,488	311,975,236	327,495,734	335,924	342,643	349,496	356,485
TOTAL POSITIONS								
TOTAL PROGRAM COST	272,433,909*	285,138,488*	311,975,236*	327,495,734*	335,924*	342,643*	349,496*	356,485*

PROGRAM ID: BUF745
 PROGRAM STRUCTURE: 07010192
 PROGRAM TITLE: RETIREMENT BENEFITS - DOE

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<u>MEASURES OF EFFECTIVENESS</u>								
1. ANNUAL F/C EXP AS A % OF ANNUAL ALLOCATION AMTS	15	13	13	13	13	13	13	13
<u>PROGRAM TARGET GROUPS</u>								
1. STATE DEPARTMENT OF EDUCATION MEMBERS	23364	23364	23364	23364	23364	23364	23364	23364
<u>PROGRAM ACTIVITIES</u>								
1. ANNUAL AMT OF RETIREMENT BENEFIT PYMT MADE	272	285	285	285	285	285	285	285

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To provide employer contribution payments for pension accumulation and Social Security/Medicare in an effective and timely manner.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Total additional employer contribution requirements for pension accumulation and Social Security/Medicare for State employees in the Department of Education including Charter Schools are \$26,836,748 in FY16 and \$42,357,246 in FY17.

C. Description of Activities Performed

The major activity of this program is the determination and payment of employer contributions for pension accumulation and Social Security/Medicare.

D. Statement of Key Policies Pursued

Pension accumulation contributions are based on a percentage of payroll as stipulated in Chapter 88, Hawaii Revised Statutes. Social Security/Medicare contributions are federally mandated and based on assessment rates of 6.2 percent for Social Security and 1.45 percent for Medicare.

E. Identification of Important Program Relationships

Federal, special and general funded programs of the State and all County programs are affected by the retirement program because of the annual employer appropriation requirements. Social Security Administration policy and tax changes also have a direct effect on the State's liability.

F. Description of Major External Trends Affecting the Program

The employer contribution rates for pension accumulation do not reflect the market turmoil that global investment assets have experienced. While the actuarial methodology recognizes some year to year market volatility, future program requirements may be adversely impacted by future investment experience.

G. Discussion of Cost, Effectiveness, and Program Size Data

See discussion above for item F.

H. Discussion of Program Revenue

Employer contributions for the Pension Accumulation Fund received from the State and Counties are based on a percentage of payroll.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF765**
 PROGRAM STRUCTURE NO. **07010194**
 PROGRAM TITLE: **HEALTH PREMIUM PAYMENTS - DOE**

PROGRAM EXPENDITURES	- IN DOLLARS -				- IN THOUSANDS -			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COSTS								
PERSONAL SERVICES								
OTHER CURRENT EXPENSES	209,170,168	228,329,456	245,577,984	268,641,012	285,406	303,181	322,441	343,364
TOTAL OPERATING COST	209,170,168	228,329,456	245,577,984	268,641,012	285,406	303,181	322,441	343,364
BY MEANS OF FINANCING								
GENERAL FUND	209,170,168	228,329,456	245,577,984	268,641,012	285,406	303,181	322,441	343,364
TOTAL POSITIONS	209,170,168*	228,329,456*	245,577,984*	268,641,012*	285,406*	303,181*	322,441*	343,364*
TOTAL PROGRAM COST	209,170,168	228,329,456	245,577,984	268,641,012	285,406	303,181	322,441	343,364

PROGRAM ID: BUF765
 PROGRAM STRUCTURE: 07010194
 PROGRAM TITLE: HEALTH PREMIUM PAYMENTS - DOE

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<u>MEASURES OF EFFECTIVENESS</u>								
1. ANNUAL F/C EXP AS A % OF ANNUAL ALLOCATION AMTS	11	11	11	11	11	11	11	11
<u>PROGRAM TARGET GROUPS</u>								
1. STATE DEPARTMENT OF EDUCATION MEMBERS	23364	23364	23364	23364	23364	23364	23364	23364
<u>PROGRAM ACTIVITIES</u>								
1. ANNUAL AMT OF RETIREMENT BENEFIT PYMT MADE	209	228	228	228	228	228	228	228

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To provide employer contribution payments for health premiums in an effective and timely manner.

control rising costs by giving the Board of Trustees full flexibility in the plan designs, limitation of future expenditures for retiree benefits, and setting of employer contributions for active employees at a fixed dollar amount.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Total additional employer contribution requirements for health benefit premiums for State employees in the Department of Education (DOE) including Charter Schools are \$17,248,528 in FY16 and \$40,311,556 in FY17.

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

C. Description of Activities Performed

The major activity of this program is the determination and payment of employer contributions for health benefit premiums for eligible DOE and Charter School employees, retirees, and their dependents.

H. Discussion of Program Revenue

None.

D. Statement of Key Policies Pursued

Health benefit contributions for employees and their dependents are collectively bargained and are considered fixed cost items. Employer contributions for retirees and their dependents are subject to base monthly contribution limits established in Chapter 87A, Hawaii Revised Statutes.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

E. Identification of Important Program Relationships

None.

J. Further Considerations

None.

F. Description of Major External Trends Affecting the Program

Escalating health care costs is a national issue impacted by a multitude of factors. The establishment in 2001 of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) was intended to

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF725**
 PROGRAM STRUCTURE NO. **07010196**
 PROGRAM TITLE: **DEBT SERVICE PAYMENTS - DOE**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COSTS								
PERSONAL SERVICES								
OTHER CURRENT EXPENSES	272,936,119	286,707,551	288,542,702	309,937,982	317,322	327,500	329,697	330,241
TOTAL OPERATING COST	272,936,119	286,707,551	288,542,702	309,937,982	317,322	327,500	329,697	330,241
BY MEANS OF FINANCING								
GENERAL FUND	272,936,119	286,707,551	288,542,702	309,937,982	317,322	327,500	329,697	330,241
TOTAL POSITIONS								
TOTAL PROGRAM COST	272,936,119*	286,707,551*	288,542,702*	309,937,982*	317,322*	327,500*	329,697*	330,241*

PROGRAM ID: BUF725
 PROGRAM STRUCTURE: 07010196
 PROGRAM TITLE: DEBT SERVICE PAYMENTS - DOE

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<u>MEASURES OF EFFECTIVENESS</u>								
1. ANNUAL F/C EXP AS A % OF ANNUAL ALLOCATION AMTS	15	13	13	13	13	13	13	13
<u>PROGRAM TARGET GROUPS</u>								
1. DEPARTMENT OF EDUCATION	1	1	1	1	1	1	1	1
<u>PROGRAM ACTIVITIES</u>								
1. ANNUAL AMT OF DEBT SERVICE PYMT MADE	273	287	287	287	287	287	287	287

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To make and record debt service payments in a timely and accurate manner.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

The request reflects an increase in debt service costs of \$1,835,151 in FY16 and \$23,230,431 in FY17 over the established FY15 budget ceiling. Increased debt service requirements are due in part, to refunding/restructuring bond issues done in prior years to provide budget relief (debt service savings for prior budget periods and additional bond issuances pursuant to the issuance plan).

C. Description of Activities Performed

Closely monitor the municipal bond market in planning, directing, and coordinating the structure and sale of G.O. bonds to allow the State to obtain the lowest overall cost of financing.

D. Statement of Key Policies Pursued

Adhere to strict Federal and State statutes relating to the tax-exempt status of the bonds.

E. Identification of Important Program Relationships

None.

F. Description of Major External Trends Affecting the Program

Financing costs are impacted directly by the overall financial markets, on a local, national and international level. Specifically, the impacts of these markets on the U.S. municipal bond markets affects the interest rates incurred in the sale of the G.O. bonds. In addition, the condition of the Hawaii's economy and management of the State's budget affect bond ratings, which in turn, have an impact on interest rates paid on the bonds.

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

H. Discussion of Program Revenue

Dependent upon market conditions, a premium on the sale of the bonds may be generated which is credited to the general fund.

I. Summary of Analysis Performed

Financial analyses are conducted during each bond sale to determine the most cost efficient means to structure the bonds while achieving the program goals.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF748**
 PROGRAM STRUCTURE NO. **07030892**
 PROGRAM TITLE: **RETIREMENT BENEFITS - UH**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COSTS								
PERSONAL SERVICES								
OTHER CURRENT EXPENSES	128,130,167	138,691,292	143,117,530	146,188,884	149,241	152,226	155,270	158,376
TOTAL OPERATING COST	128,130,167	138,691,292	143,117,530	146,188,884	149,241	152,226	155,270	158,376
BY MEANS OF FINANCING								
GENERAL FUND	128,130,167	138,691,292	143,117,530	146,188,884	149,241	152,226	155,270	158,376
TOTAL POSITIONS	128,130,167*	138,691,292*	143,117,530*	146,188,884*	149,241*	152,226*	155,270*	158,376*
TOTAL PROGRAM COST	128,130,167	138,691,292	143,117,530	146,188,884	149,241	152,226	155,270	158,376

PROGRAM ID: BUF748
 PROGRAM STRUCTURE: 07030892
 PROGRAM TITLE: RETIREMENT BENEFITS - UH

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<u>MEASURES OF EFFECTIVENESS</u>								
1. ANNUAL F/C EXP AS A % OF ANNUAL ALLOCATION AMTS	7	6	6	6	6	6	6	6
<u>PROGRAM TARGET GROUPS</u>								
1. UNIVERSITY OF HAWAII MEMBERS	9038	9038	9038	9038	9038	9038	9038	9038
<u>PROGRAM ACTIVITIES</u>								
1. ANNUAL AMT OF RETIREMENT BENEFIT PYMT MADE	128	139	139	139	139	139	139	139

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To provide employer contribution payments for pension accumulation and Social Security/Medicare in an effective and timely manner.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Total additional employer contribution requirements for pension accumulation and Social Security/Medicare for State employees of the University of Hawaii are \$4,426,238 in FY16 and \$7,497,592 in FY17.

C. Description of Activities Performed

The major activity of this program is the determination and payment of employer contributions for pension accumulation and Social Security/Medicare.

D. Statement of Key Policies Pursued

Pension accumulation contributions are based on a percentage of payroll as stipulated in Chapter 88, Hawaii Revised Statutes. Social Security/Medicare contributions are federally mandated and based on assessment rates of 6.2 percent for Social Security and 1.45 percent for Medicare.

E. Identification of Important Program Relationships

Federal, special and general funded programs of the State and all County programs are affected by the retirement program because of the annual employer appropriation requirements. Social Security Administration policy and tax changes also have a direct effect on the State's liability.

F. Description of Major External Trends Affecting the Program

The employer contribution rates for pension accumulation, does not reflect the market turmoil that global investment assets have experienced. While the actuarial methodology recognizes some year to year market volatility, future program requirements may be adversely impacted by future investment experience.

G. Discussion of Cost, Effectiveness, and Program Size Data

See discussion above for item F.

H. Discussion of Program Revenue

Employer contributions for the Pension Accumulation Fund received from the State and Counties are based on a percentage of payroll.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF768**
 PROGRAM STRUCTURE NO. **07030894**
 PROGRAM TITLE: **HEALTH PREMIUM PAYMENTS - UH**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COSTS								
PERSONAL SERVICES								
OTHER CURRENT EXPENSES	78,883,566	85,153,921	91,093,213	96,912,969	102,731	108,896	115,569	122,810
TOTAL OPERATING COST	78,883,566	85,153,921	91,093,213	96,912,969	102,731	108,896	115,569	122,810
BY MEANS OF FINANCING								
GENERAL FUND	78,883,566	85,153,921	91,093,213	96,912,969	102,731	108,896	115,569	122,810
TOTAL POSITIONS								
TOTAL PROGRAM COST	78,883,566*	85,153,921*	91,093,213*	96,912,969*	102,731*	108,896*	115,569*	122,810*

PROGRAM ID: BUF768
 PROGRAM STRUCTURE: 07030894
 PROGRAM TITLE: HEALTH PREMIUM PAYMENTS - UH

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<u>MEASURES OF EFFECTIVENESS</u>								
1. ANNUAL F/C EXP AS A % OF ANNUAL ALLOCATION AMTS	4	4	4	4	4	4	4	4
<u>PROGRAM TARGET GROUPS</u>								
1. UNIVERSITY OF HAWAII MEMBERS	9038	9038	9038	9038	9038	9038	9038	9038
<u>PROGRAM ACTIVITIES</u>								
1. ANNUAL AMT OF RETIREMENT BENEFIT PYMT MADE	78	85	85	85	85	85	85	85

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To provide employer contribution payments for health premiums in an effective and timely manner.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Total additional employer contribution requirements for health benefit premiums for State employees of the University of Hawaii are \$5,939,292 in FY16 and \$11,759,048 in FY17.

C. Description of Activities Performed

The major activity of this program is the determination and payment of employer contributions for health benefit premiums for eligible University of Hawaii employees, retirees, and their dependents.

D. Statement of Key Policies Pursued

Health benefit contributions for employees and their dependents are collectively bargained and are considered fixed cost items. Employer contributions for retirees and their dependents are subject to base monthly contribution limits established in Chapter 87A, Hawaii Revised Statutes.

E. Identification of Important Program Relationships

None.

F. Description of Major External Trends Affecting the Program

Escalating health care costs is a national issue impacted by a multitude of factors. The establishment in 2001 of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) was intended to

control rising costs by giving the Board of Trustees full flexibility in the plan designs, limitation of future expenditures for retiree benefits, and setting of employer contributions for active employees at a fixed dollar amount.

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

H. Discussion of Program Revenue

None.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF728**
 PROGRAM STRUCTURE NO. **07030896**
 PROGRAM TITLE: **DEBT SERVICE PAYMENTS - UH**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COSTS								
PERSONAL SERVICES								
OTHER CURRENT EXPENSES	101,013,292	106,110,080	106,789,267	114,707,632	117,440	121,207	122,021	122,222
TOTAL OPERATING COST	101,013,292	106,110,080	106,789,267	114,707,632	117,440	121,207	122,021	122,222
BY MEANS OF FINANCING								
GENERAL FUND	101,013,292	106,110,080	106,789,267	114,707,632	117,440	121,207	122,021	122,222
TOTAL POSITIONS	101,013,292*	106,110,080*	106,789,267*	114,707,632*	117,440*	121,207*	122,021*	122,222*
TOTAL PROGRAM COST	101,013,292	106,110,080	106,789,267	114,707,632	117,440	121,207	122,021	122,222

PROGRAM ID: BUF728
 PROGRAM STRUCTURE: 07030896
 PROGRAM TITLE: DEBT SERVICE PAYMENTS - UH

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<u>MEASURES OF EFFECTIVENESS</u>								
1. ANNUAL F/C EXP AS A % OF ANNUAL ALLOCATION AMTS	5	5	5	5	5	5	5	5
<u>PROGRAM TARGET GROUPS</u>								
1. UNIVERSITY OF HAWAII	1	1	1	1	1	1	1	1
<u>PROGRAM ACTIVITIES</u>								
1. ANNUAL AMT OF DEBT SERVICE PYMT MADE	101	106	106	106	106	106	106	106

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To make and record debt service payments in a timely and accurate manner.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

The request reflects an increase in debt service costs of \$679,187 in FY16 and \$8,597,552 in FY17 over the established FY15 budget ceiling. Increased debt service requirements are due in part, to refunding/restructuring bond issues done in prior years to provide budget relief (debt service savings for prior budget periods and additional bond issuances pursuant to the issuance plan).

C. Description of Activities Performed

Closely monitor the municipal bond market in planning, directing, and coordinating the structure and sale of G.O. bonds to allow the State to obtain the lowest overall cost of financing.

D. Statement of Key Policies Pursued

Adhere to strict Federal and State statutes relating to the tax-exempt status of the bonds.

E. Identification of Important Program Relationships

None.

F. Description of Major External Trends Affecting the Program

Financing Costs are impacted directly by the overall financial markets, on a local, national and international level. Specifically, the impacts of these markets on the U.S. municipal bond markets affects the interest rates incurred in the sale of the G.O. bonds. In addition, the condition of the Hawaii's economy and management of the State's budget affect bond ratings, which in turn, have an impact on interest rates paid on the bonds.

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

H. Discussion of Program Revenue

Dependent upon market conditions, a premium on the sale of the bonds may be generated which is credited to the general fund.

I. Summary of Analysis Performed

Financial analyses are conducted during each bond sale to determine the most cost efficient means to structure the bonds while achieving the program goals.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID:
 PROGRAM STRUCTURE NO. **10**
 PROGRAM TITLE: **INDIVIDUAL RIGHTS**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COST	141.50*	143.50*	82.50*	82.50*	82.5*	82.5*	82.5*	82.5*
PERSONAL SERVICES	13,532,144	14,290,987	10,037,752	10,344,416	10,344	10,344	10,344	10,344
OTHER CURRENT EXPENSES	7,194,339	11,435,529	683,014	683,014	683	683	683	683
EQUIPMENT		519,032						
TOTAL OPERATING COST	20,726,483	26,245,548	10,720,766	11,027,430	11,027	11,027	11,027	11,027
BY MEANS OF FINANCING								
GENERAL FUND	80.50*	82.50*	82.50*	82.50*	82.5*	82.5*	82.5*	82.5*
	9,779,693	9,861,113	10,720,766	11,027,430	11,027	11,027	11,027	11,027
SPECIAL FUND	61.00*	61.00*	*	*	*	*	*	*
	10,946,790	16,384,435						
TOTAL POSITIONS	141.50*	143.50*	82.50*	82.50*	82.50*	82.50*	82.50*	82.50*
TOTAL PROGRAM COST	20,726,483	26,245,548	10,720,766	11,027,430	11,027	11,027	11,027	11,027

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF901**
 PROGRAM STRUCTURE NO. **10010305**
 PROGRAM TITLE: **PUBLIC UTILITIES COMMISSION (HISTORICAL)**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COST	61.00*	61.00*	*	*	*	*	*	*
PERSONAL SERVICES	4,435,465	5,112,888						
OTHER CURRENT EXPENSES	6,511,325	10,752,515						
EQUIPMENT		519,032						
TOTAL OPERATING COST	10,946,790	16,384,435						
BY MEANS OF FINANCING								
SPECIAL FUND	61.00*	61.00*	*	*	*	*	*	*
	10,946,790	16,384,435						
TOTAL POSITIONS	61.00*	61.00*	*	*	*	*	*	*
TOTAL PROGRAM COST	10,946,790	16,384,435						

PROGRAM ID: **BUF901**
PROGRAM STRUCTURE: **10010305**
PROGRAM TITLE: **PUBLIC UTILITIES COMMISSION**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
MEASURES OF EFFECTIVENESS								
1. % RATE CASES COMPLTD W/IN APPLIC STATUTORY TIME PD	100	100	0	0	0	0	0	0
2. % NON-RATE MATTERS COMPLTD W/IN APPLC STATU/REG PD	100	100	0	0	0	0	0	0
3. % INFORMAL COMPLAINTS RESOLVED IN REASONABLE TIME	90	90	0	0	0	0	0	0
4. NO. REPORTED ACCIDENTS INVOLVING UTILITY EMPLOYEES	95	95	0	0	0	0	0	0
5. AV NO. ELECTRIC SVC INTERRPTNS PER CUSTOMER SVCD	2	2	0	0	0	0	0	0
6. NO. TELECOMM SVC DISRUPTNS LONGER THAN 1 HR	2	2	0	0	0	0	0	0
PROGRAM TARGET GROUPS								
1. ELECTRIC AND GAS COMPANIES	5	5	0	0	0	0	0	0
2. PROPERTY CARRIERS	575	575	0	0	0	0	0	0
3. PASSENGER CARRIERS	755	755	0	0	0	0	0	0
4. WATER COMMON CARRIERS	4	4	0	0	0	0	0	0
5. PRIVATE WATER AND WASTEWATER UTILITY COMPANIES	38	38	0	0	0	0	0	0
6. TELECOMMUNICATIONS COMPANIES	175	175	0	0	0	0	0	0
7. OPERATORS OF SUBSURFACE INSTALLATIONS	80	80	0	0	0	0	0	0
PROGRAM ACTIVITIES								
1. NUMBER OF APPLICATIONS FILED	400	400	0	0	0	0	0	0
2. NO. DECISIONS/ORDERS & ORDERS ISSUED DOCKETD MATTR	750	750	0	0	0	0	0	0
3. NO. OF PUBLIC HEARINGS AND CONTESTED CASE HEARINGS	20	20	0	0	0	0	0	0
4. NUMBER OF CITATIONS ISSUED	20	20	0	0	0	0	0	0
5. NUMBER OF INFORMAL COMPLAINTS FILED	220	220	0	0	0	0	0	0
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
CHARGES FOR CURRENT SERVICES	22,772	21,737	21,737	21,737	21,737	21,737	21,737	21,737
FINES, FORFEITS AND PENALTIES	50	42	16	42	42	42	42	42
NON-REVENUE RECEIPTS	12,283	13,501	6,542	10,289	9,187	11,040	11,471	11,471
TOTAL PROGRAM REVENUES	35,105	35,280	28,295	32,068	30,966	32,819	33,250	33,250
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS)								
GENERAL FUNDS	12,283	13,501	6,542	10,289	9,187	11,040	11,471	11,471
SPECIAL FUNDS	22,822	21,779	21,753	21,779	21,779	21,779	21,779	21,779
TOTAL PROGRAM REVENUES	35,105	35,280	28,295	32,068	30,966	32,819	33,250	33,250

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

- | | |
|---|--|
| <p>A. <u>Statement of Program Objectives</u></p> <p>To ensure that regulated companies efficiently and safely provide their customers with adequate and reliable services at just and reasonable rates, while providing regulated companies with a fair opportunity to earn a reasonable rate of return.</p> | <p>G. <u>Discussion of Cost, Effectiveness, and Program Size Data</u></p> <p>See CCA 901 for cost, effectiveness, and program size data.</p> |
| <p>B. <u>Description of Request and Compliance with Section 37-68(1)(A)(B)</u></p> <p>The budget reflects the transfer of sixty-two (62) positions and special funds of (\$12,452,628) in FY16 and (\$12,561,793) in FY17. Per Act 108, SLH 2014, the Public Utilities Commission will be moving from Department of Budget and Finance to the Department of Commerce and Consumer Affairs effective July 1, 2015.</p> | <p>H. <u>Discussion of Program Revenues</u></p> <p>See CCA 901 for a discussion of program revenues.</p> |
| <p>C. <u>Description of Activities Performed</u></p> <p>See CCA 901 for details of activities performed.</p> | <p>I. <u>Summary of Analysis Performed</u></p> <p>See CCA 901 for a summary of analysis performed.</p> |
| <p>D. <u>Statement of Key Policies Pursued</u></p> <p>See CCA 901 for key policies pursued.</p> | <p>J. <u>Further Considerations</u></p> <p>See CCA 901 for further considerations.</p> |
| <p>E. <u>Identification of Important Program Relationships</u></p> <p>See CCA 901 for important program relationships.</p> | |
| <p>F. <u>Description of Major External Trends Affecting the Program</u></p> <p>See CCA 901 for major external trends affecting the program.</p> | |

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF151**
 PROGRAM STRUCTURE NO. **100301**
 PROGRAM TITLE: **OFFICE OF THE PUBLIC DEFENDER**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COST	80.50*	82.50*	82.50*	82.50*	82.5*	82.5*	82.5*	82.5*
PERSONAL SERVICES	9,096,679	9,178,099	10,037,752	10,344,416	10,344	10,344	10,344	10,344
OTHER CURRENT EXPENSES	683,014	683,014	683,014	683,014	683	683	683	683
TOTAL OPERATING COST	9,779,693	9,861,113	10,720,766	11,027,430	11,027	11,027	11,027	11,027
BY MEANS OF FINANCING								
GENERAL FUND	80.50*	82.50*	82.50*	82.50*	82.5*	82.5*	82.5*	82.5*
	9,779,693	9,861,113	10,720,766	11,027,430	11,027	11,027	11,027	11,027
TOTAL POSITIONS	80.50*	82.50*	82.50*	82.50*	82.50*	82.50*	82.50*	82.50*
TOTAL PROGRAM COST	9,779,693	9,861,113	10,720,766	11,027,430	11,027	11,027	11,027	11,027

PROGRAM ID: BUF151
 PROGRAM STRUCTURE: 100301
 PROGRAM TITLE: OFFICE OF THE PUBLIC DEFENDER

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
MEASURES OF EFFECTIVENESS								
1. % ATTORNY CASELDS EXCEED NATL STD FOR FELONY CASES	5	5	0	0	0	0	0	0
2. % ATTRNY CASELDS EXCEED NATL STD FOR MISDMNR CASES	481	481	481	481	481	481	481	481
3. % ATTORNY CASELDS EXCEED NATL STD FOR FAMLY COURT	197	197	197	197	197	481	481	481
4. % ATTRNY CASELDS EXCEED NATL STD FOR APPEALS CASES	5	5	5	5	5	5	5	5
5. ANNL # TRNG HRS COMPL BY PROF STAFF AS % PLNND HRS	90	90	90	90	90	90	90	90
PROGRAM TARGET GROUPS								
1. INDIGENTS REQUIRING SERVICES FOR FELONY CASES	5779	5895	6013	6134	6134	6134	6134	6134
2. INDIGENTS REQUIRING SERVICES FOR MISDEMEANOR CASES	39441	40230	41035	41855	41855	41855	41855	41855
3. INDIGENTS REQUIRING SERVICES FOR APPEALS CASES	148	151	154	157	157	157	157	157
4. INDIGENTS REQUIRNG SVCS FOR MENTAL COMMITMNT CASES	250	255	260	265	265	265	265	265
5. INDIGENTS REQUIRING SERVICES FOR FAMILY COURT CASES	8196	8360	8527	8698	8872	9049	9049	9049
6. INDIGENTS REQUIRING SERVICES FOR PRISON CASES	2326	2373	2420	2469	2518	2567	2567	2567
PROGRAM ACTIVITIES								
1. CASES ACCEPTED - FELONY	5177	5281	5387	5495	5605	5715	5715	5715
2. CASES ACCEPTED - MISDEMEANOR	38116	38878	39656	40449	41249	42049	42049	42049
3. CASES ACCEPTED - FAMILY COURT	6798	6934	7073	7214	7354	7494	7494	7494
4. CASES ACCEPTED - APPEAL	148	151	154	157	160	163	163	163
5. CASES ACCEPTED - MENTAL COMMITMENT	250	255	260	265	270	275	275	275

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To safeguard the rights of individuals by providing statutorily entitled and effective legal representation in criminal, mental commitment, and family cases in compliance with the Hawaii Rules of Professional Conduct. Prudently manage deputy public defender and support service resources and caseloads and maintain a quality training program for deputy defender staff.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

No new programs are being proposed at this time. The budget request reflects the established FB 2015-17 Executive Biennium Budget Ceiling. The program is in compliance with Section 37-68 (1) (A) (B).

C. Description of Activities Performed

Program activities include providing comprehensive legal and related services to the target group in all police, judicial and related administrative proceedings in the following situations:

- Custodial interrogations and lineups
- Preliminary hearings
- Arraignments
- Pretrial release and bail hearings
- Pretrial motions proceedings
- Pretrial investigations
- Trial proceedings
- Sentencing proceedings
- Minimum term and parole hearings
- Appellate and post-conviction proceedings
- Bench warrant, extradition and material witness proceedings
- Family Court juvenile and adult proceedings

- Order to Show Cause proceedings in spouse abuse and other contempt matters in the Family Courts
- Involuntary commitment and out-patient proceedings
- Legal advisement of persons in police custody and members of the public

D. Statement of Key Policies Pursued

Provide comprehensive legal and other necessary services in criminal and related cases at the least possible cost. The scope of services that must be provided generally is dictated by the Federal and State Constitutions, State statutes, judicial rules, decisions and opinions, and the canons of professional ethics.

E. Identification of Important Program Relationships

While the program is necessarily affected by the activities of key components within the criminal justice system (police, prosecution, courts, corrections, parole), the adversarial nature of the program's responsibilities precludes significant relationship with other agencies. The Office of the Public Defender is recognized as an agency which is a critical component of the criminal justice system and has a seat on a number of judiciary committees that address issues and problems within the system.

F. Description of Major External Trends Affecting the Program

The Office of the Public Defender is constitutionally mandated to provide legal assistance to all indigent accused persons requesting representation in misdemeanor, family and felony cases. Staffing requirements for the Office of the Public Defender is dependent not only upon the sheer volume of cases handled by the Office, but is also directly related to administrative changes by the Judiciary. When the Judiciary expands by the addition of judges or the addition of court days, workload for the Office increases. The

Judiciary continues to make organizational changes in its effort to process greater numbers of criminal prosecutions in a reduced time period; this in turn has continued to significantly impact the Office. Workload is also impacted by changes in the law increasing the need for representation (i.e., mandatory sentencing laws, sex offender registry). Increase in clerical staffing requirements on Oahu and the neighbor islands are currently required to fulfill the statutory mandate of the Office of the Public Defender.

G. Discussion of Cost, Effectiveness, and Program Size Data

Planned level of program effectiveness is measured in the number of clients provided effective representation. The goal of the agency is to avoid judicial or disciplinary counsel determinations of ineffective assistance of counsel that would reflect a major denial of Federal and State Constitutional rights as well as to operate efficiently within its allocated budgetary guidelines. The program has realized its planned level of effectiveness in the past biennial period.

H. Discussion of Program Revenue

Pursuant to statute, if at any time after counsel is appointed, the court is satisfied that a defendant is financially able to obtain counsel or to make partial payment for the representation, the court may terminate the appointment of counsel, unless the person so represented is willing to pay for the representation. If appointed counsel continues the representation, the court shall direct payment for such representation as the interests of justice may dictate. Any payments directed by the court shall be general fund realizations.

This reimbursement process is employed in those very rare instances where a defendant has subsequent ability to pay for counsel. Additionally, consideration has been given to requiring some contribution from all but the

most impecunious of clients. It is believed that this would require costs of collection and accounting that would far outweigh the benefit.

I. Summary of Analysis Performed

Improvement in future years will be contingent upon program expansion commensurate with the increase in the size of the target group. It remains difficult to anticipate fluctuations in the target group to provide a staffing and funding pattern to assure an optimum level of effectiveness. Nonetheless, policy changes initiated within the Judiciary such as expansion of court days and number of courts, and increased weekly trial setting to reduce case backlogs in felony, district, and family courts have imposed burdens that require relief through expansion of staff resources.

J. Further Considerations

None.

A. Statement of Program Objectives

To safeguard the rights of individuals by providing statutorily entitled and effective legal representation in criminal, mental commitment, and family cases in compliance with the Hawaii Rules of Professional Conduct. Prudently manage deputy public defender and support service resources and caseloads and maintain a quality training program for deputy defender staff.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

No new programs are being proposed at this time. The budget request reflects the established FB 2015-17 Executive Biennium Budget Ceiling. The program is in compliance with Section 37-68 (1) (A) (B).

C. Description of Activities Performed

Program activities include providing comprehensive legal and related services to the target group in all police, judicial and related administrative proceedings in the following situations:

- Custodial interrogations and lineups
- Preliminary hearings
- Arraignments
- Pretrial release and bail hearings
- Pretrial motions proceedings
- Pretrial investigations
- Trial proceedings
- Sentencing proceedings
- Minimum term and parole hearings
- Appellate and post-conviction proceedings
- Bench warrant, extradition and material witness proceedings
- Family Court juvenile and adult proceedings

- Order to Show Cause proceedings in spouse abuse and other contempt matters in the Family Courts
- Involuntary commitment and out-patient proceedings
- Legal advisement of persons in police custody and members of the public

D. Statement of Key Policies Pursued

Provide comprehensive legal and other necessary services in criminal and related cases at the least possible cost. The scope of services that must be provided generally is dictated by the Federal and State Constitutions, State statutes, judicial rules, decisions and opinions, and the canons of professional ethics.

E. Identification of Important Program Relationships

While the program is necessarily affected by the activities of key components within the criminal justice system (police, prosecution, courts, corrections, parole), the adversarial nature of the program's responsibilities precludes significant relationship with other agencies. The Office of the Public Defender is recognized as an agency which is a critical component of the criminal justice system and has a seat on a number of judiciary committees that address issues and problems within the system.

F. Description of Major External Trends Affecting the Program

The Office of the Public Defender is constitutionally mandated to provide legal assistance to all indigent accused persons requesting representation in misdemeanor, family and felony cases. Staffing requirements for the Office of the Public Defender is dependent not only upon the sheer volume of cases handled by the Office, but is also directly related to administrative changes by the Judiciary. When the Judiciary expands by the addition of judges or the addition of court days, workload for the Office increases. The

Judiciary continues to make organizational changes in its effort to process greater numbers of criminal prosecutions in a reduced time period; this in turn has continued to significantly impact the Office. Workload is also impacted by changes in the law increasing the need for representation (i.e., mandatory sentencing laws, sex offender registry). Increase in clerical staffing requirements on Oahu and the neighbor islands are currently required to fulfill the statutory mandate of the Office of the Public Defender.

G. Discussion of Cost, Effectiveness, and Program Size Data

Planned level of program effectiveness is measured in the number of clients provided effective representation. The goal of the agency is to avoid judicial or disciplinary counsel determinations of ineffective assistance of counsel that would reflect a major denial of Federal and State Constitutional rights as well as to operate efficiently within its allocated budgetary guidelines. The program has realized its planned level of effectiveness in the past biennial period.

H. Discussion of Program Revenue

Pursuant to statute, if at any time after counsel is appointed, the court is satisfied that a defendant is financially able to obtain counsel or to make partial payment for the representation, the court may terminate the appointment of counsel, unless the person so represented is willing to pay for the representation. If appointed counsel continues the representation, the court shall direct payment for such representation as the interests of justice may dictate. Any payments directed by the court shall be general fund realizations.

This reimbursement process is employed in those very rare instances where a defendant has subsequent ability to pay for counsel. Additionally, consideration has been given to requiring some contribution from all but the

most impecunious of clients. It is believed that this would require costs of collection and accounting that would far outweigh the benefit.

I. Summary of Analysis Performed

Improvement in future years will be contingent upon program expansion commensurate with the increase in the size of the target group. It remains difficult to anticipate fluctuations in the target group to provide a staffing and funding pattern to assure an optimum level of effectiveness. Nonetheless, policy changes initiated within the Judiciary such as expansion of court days and number of courts, and increased weekly trial setting to reduce case backlogs in felony, district, and family courts have imposed burdens that require relief through expansion of staff resources.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID:
 PROGRAM STRUCTURE NO. 11
 PROGRAM TITLE: GOVERNMENT-WIDE SUPPORT

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COST	218.00*	222.00*	222.00*	222.00*	222.0*	222.0*	222.0*	222.0*
PERSONAL SERVICES	21,369,115	23,081,544	39,093,026	58,723,921	58,725	58,725	58,725	58,725
OTHER CURRENT EXPENSES	923,506,667	979,390,318	1,079,452,129	1,219,952,845	1,327,796	1,456,544	1,472,998	1,494,402
EQUIPMENT	16,200	80,200						
TOTAL OPERATING COST	944,891,982	1,002,552,062	1,118,545,155	1,278,676,766	1,386,521	1,515,269	1,531,723	1,553,127
BY MEANS OF FINANCING								
GENERAL FUND	53.25*	54.25*	54.25*	54.25*	54.2*	54.2*	54.2*	54.2*
916,092,342	916,092,342	971,482,894	1,085,384,027	1,243,269,190	1,351,112	1,479,860	1,496,314	1,517,718
SPECIAL FUND	*	*	*	*	*	*	*	*
2,047,326	2,047,326	2,092,693	1,547,739	2,854,560	2,855	2,855	2,855	2,855
FEDERAL FUNDS	*	*	*	*	*	*	*	*
61,539	61,539	478,486	841,250	841	841	841	841	
OTHER FEDERAL FUNDS								
5,675	5,675	12,196	12	12	12	12	12	
TRUST FUNDS	61.00*	64.00*	64.00*	64.00*	64.0*	64.0*	64.0*	64.0*
13,434,860	13,434,860	13,427,793	13,972,755	14,077,220	14,078	14,078	14,078	14,078
INTERDEPT. TRANSFER	1.75*	1.75*	1.75*	1.75*	1.8*	1.8*	1.8*	1.8*
2,114,486	2,114,486	4,120,613	4,140,882	4,147,627	4,148	4,148	4,148	4,148
REVOLVING FUND	*	*	*	*	*	*	*	*
93,036	93,036	110,567	102,919	213,261	213	213	213	213
OTHER FUNDS	102.00*	102.00*	102.00*	102.00*	102.0*	102.0*	102.0*	102.0*
11,048,393	11,048,393	11,255,963	12,912,672	13,261,462	13,262	13,262	13,262	13,262
CAPITAL INVESTMENT APPROPRIATIONS								
CONSTRUCTION	83,000,000	382,383,000	38,113,000					
TOTAL CAPITAL APPROPRIATIONS	83,000,000	382,383,000	38,113,000					
BY MEANS OF FINANCING								
G.O. BONDS	83,000,000	382,383,000	38,113,000					
TOTAL POSITIONS	218.00*	222.00*	222.00*	222.00*	222.00*	222.00*	222.00*	222.00*
TOTAL PROGRAM COST	1,027,891,982	1,384,935,062	1,156,658,155	1,278,676,766	1,386,521	1,515,269	1,531,723	1,553,127

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF101**
 PROGRAM STRUCTURE NO. **11010305**
 PROGRAM TITLE: **DEPARTMENTAL ADMINISTRATION & BUDGET DIV**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COST	41.00*	42.00*	42.00*	42.00*	42.0*	42.0*	42.0*	42.0*
PERSONAL SERVICES	10,246,678	11,020,459	3,729,633	3,837,700	3,838	3,838	3,838	3,838
OTHER CURRENT EXPENSES	15,079,223	8,579,223	8,079,223	8,079,223	8,079	8,079	8,079	8,079
EQUIPMENT	2,400							
TOTAL OPERATING COST	25,328,301	19,599,682	11,808,856	11,916,923	11,917	11,917	11,917	11,917
BY MEANS OF FINANCING								
GENERAL FUND	40.25*	41.25*	41.25*	41.25*	41.2*	41.2*	41.2*	41.2*
	23,085,174	17,290,530	11,766,302	11,874,369	11,874	11,874	11,874	11,874
SPECIAL FUND	*	*	*	*	*	*	*	*
	2,047,326	2,092,693						
FEDERAL FUNDS	*	*	*	*	*	*	*	*
	61,539	61,539						
INTERDEPT. TRANSFER	.75*	.75*	.75*	.75*	.8*	.8*	.8*	.8*
	41,226	44,353	42,554	42,554	43	43	43	43
REVOLVING FUND	*	*	*	*	*	*	*	*
	93,036	110,567						
CAPITAL INVESTMENT APPROPRIATIONS								
CONSTRUCTION	83,000,000	382,383,000	38,113,000					
TOTAL CAPITAL APPROPRIATIONS	83,000,000	382,383,000	38,113,000					
BY MEANS OF FINANCING								
G.O. BONDS	83,000,000	382,383,000	38,113,000					
TOTAL POSITIONS	41.00*	42.00*	42.00*	42.00*	42.00*	42.00*	42.00*	42.00*
TOTAL PROGRAM COST	108,328,301	401,982,682	49,921,856	11,916,923	11,917	11,917	11,917	11,917

PROGRAM ID: **BUF101**
 PROGRAM STRUCTURE: **11010305**
 PROGRAM TITLE: **DEPARTMENTAL ADMINISTRATION AND BUDGET DIVISION**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
MEASURES OF EFFECTIVENESS								
1. % OF RECOMMENDATIONS MADE ON DEPT REQUESTS	0	0.5	0.5	0.5	0.5	0.5	.5	.5
2. % OF VENDOR PAYMENTS MADE WITHIN 30 DAYS	95	95	95	95	95	95	95	95
3. % OF VAR IN EXP FOR FIXED COSTS COMPARE WITH ALLOT	95	95	95	95	95	95	95	95
4. % OF PAYROLL RELATED HRMS TRANSACTION COMPLETED	0	5	5	5	5	5	5	5
5. % OF USER IT TROUBLE SHOOTING REQUESTS RESONDED	100	100	100	100	100	100	100	100
6. % OF PC AND LAN MALFUNCTIONS RESPONDED	100	100	100	100	100	100	100	100
PROGRAM TARGET GROUPS								
1. GOVERNOR AND EXECUTIVE AGENCIES	0	8	8	8	8	8	8	8
2. # OF DEPARTMENTAL DIVISIONS AND ATTACHED AGENCY	0	402	402	402	402	402	402	402
PROGRAM ACTIVITIES								
1. NUMBER OF PROGRAM BUDGET REQUESTS REVIEWED								
2. # OF REFERRALS PROCESSED	265	265	265	265	265	265	265	265
3. # OF LEGISLATIVE PROPOSALS REVIEWED FOR THE GOV	1000	1000	1000	1000	1000	1000	1000	1000
4. # OF BILLS PASSED BY THE LEG REVIEWED FOR THE GOV	265	265	265	265	265	265	265	265
5. AVG # OF DELEGATED CLASSIFICATION ACTIONS	4000	4000	4000	4000	4000	4000	4000	4000
6. # OF NON-ROUTINE HR CONSULTATIVE SERVICES	1700	1700	1700	1700	1700	1700	1700	1700
7. NUMBER OF CIP ALLOTMENT REQUESTS REVIEWED	1	1	1	1	1	1	1	1
8. # OF POSITIONS PROVIDING HR SUPPORT	4	4	4	4	4	4	4	4
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
CHARGES FOR CURRENT SERVICES	72,954	68,110	71,831	72,578	74,535	77,526	79,656	80,958
NON-REVENUE RECEIPTS	198,752	220,517	236,659	245,946	252,279	257,130	257,130	257,130
TOTAL PROGRAM REVENUES	271,706	288,627	308,490	318,524	326,814	334,656	336,786	338,088
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS)								
GENERAL FUNDS	264,240	281,116	296,223	306,257	314,547	322,389	324,519	325,821
SPECIAL FUNDS	7,466	7,511	12,267	12,267	12,267	12,267	12,267	12,267
TOTAL PROGRAM REVENUES	271,706	288,627	308,490	318,524	326,814	334,656	336,786	338,088

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To facilitate and improve the executive resource allocation process by thorough planning, programming, and budgeting and analyses, through sound recommendations on all phases of program scope and funding, and by efforts to simplify and more directly tie program performance with resource allocation decisions.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

A budget request of \$5,063 in Interdepartmental Transfer funds for FY16 and FY17 is requested for fringe benefits cost increases.

C. Description of Activities Performed

Major activities carried out by this program are as follows:

1. Conducts continuous review and advises the Governor on the financial condition of the State.
2. Assists in the preparation, explanation and administration of the State's long-range plans, proposed six-year program and financial plan, and State budget.
3. Performs other staff services for the Governor as required.
4. Advises on and monitors compliance of the budget execution policies and procedures.
5. Conducts comprehensive and in-depth analysis on State programs, operations, problems and issues to provide management with a sound, rational basis for decision-making.
6. Provides information requested by the Legislature.
7. Reviews proposed legislation and recommends appropriate action to the Governor on bills awaiting signature.
8. Develops, designs, and implements government-wide management improvement projects to increase the effectiveness and economical use of management resources.

9. Provides administrative support activities to the Department.

D. Statement of Key Policies Pursued

The method of attaining the program objectives is the implementation of legislative policies expressed in Chapter 37, HRS.

E. Identification of Important Program Relationships

This program has significant relationships with the legislature and staff agencies to ensure that the State budget is consistent with applicable laws and policies.

This program also works with the Financial Administration Division (BUF 115) to ensure availability of funds for capital improvement projects.

F. Description of Major External Trends Affecting the Program

The state of the economy, on the national, international, and local levels, is a major focus area of this program. The program must continually assess and evaluate the State's overall financial condition. It is important to keep abreast of local, national, and international economic, social, and financial trends affecting financing and investments. This program must be aware of Federal and State laws, rules and issues related to investments, debt financing, and cash management to ensure that the State's financial policies and procedures are in conformance. When new procedures are necessary to ensure conformance, they must be implemented in a timely manner.

Since the cash resources of the State constitute a significant and important aspect of the financial management of the State, trends in interest rates are closely monitored. The State's investment earnings are determined to a large extent by the prevailing interest rates of short-term securities. The

prime-lending rate of the banks, which generally sets the tone for all investment rates, is closely monitored.

G. Discussion of Cost, Effectiveness, and Program Size Data

Measures of effectiveness for this program have been and will continue to be impacted as a result of the reductions in program resources necessary to meet the departmental budget reduction targets in previous budgets.

H. Discussion of Program Revenue

Major program revenues are derived from the following sources:

- a. Interest earned on interest bearing demand accounts.
- b. Interest earned on certificates of time deposits.
- c. Interest earned on U.S. Treasury Bills and repurchase agreements primarily acquired for liquidity purposes.
- d. Payments from State agencies for the reimbursement of interest and principal on reimbursable general obligation bonds.
- e. Collections from properties presumed abandoned.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: BUF102
 PROGRAM STRUCTURE NO. 11010307
 PROGRAM TITLE: COLLECTIVE BARGAINING STATEWIDE

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COST	*	*	*	*	*	*	*	*
PERSONAL SERVICES			20,925,206	39,966,561	39,966	39,966	39,966	39,966
TOTAL OPERATING COST			20,925,206	39,966,561	39,966	39,966	39,966	39,966
BY MEANS OF FINANCING								
GENERAL FUND	*	*	18,790,387	36,045,294	36,045	36,045	36,045	36,045
SPECIAL FUND	*	*	1,547,739	2,854,560	2,855	2,855	2,855	2,855
FEDERAL FUNDS	*	*	478,486	841,250	841	841	841	841
OTHER FEDERAL FUNDS	*	*	5,675	12,196	12	12	12	12
REVOLVING FUND	*	*	102,919	213,261	213	213	213	213
TOTAL POSITIONS	*	*	*	*	*	*	*	*
TOTAL PROGRAM COST			20,925,206	39,966,561	39,966	39,966	39,966	39,966

PROGRAM ID: BUF102
 PROGRAM STRUCTURE: 11010307
 PROGRAM TITLE: COLLECTIVE BARGAINING STATEWIDE

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<u>MEASURES OF EFFECTIVENESS</u>								
1. NONE	0	0	0	0	0	0	0	0
<u>PROGRAM TARGET GROUPS</u>								
1. STATE EXECUTIVE BRANCH AGENCIES	0	0	20	20	20	20	20	20
<u>PROGRAM ACTIVITIES</u>								
1. # OF ANNUAL CB ALLOTMENTS	0	0	13	13	13	13	13	13
2. NUMBER OF COLLECTIVE BARGAINING ALLOTMENTS	0	0	40	40	40	40	40	40

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To provide funding for statewide collective bargaining agreements for included employees, and pay adjustment provided for by the appropriate executive orders for excluded employees.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Total collective bargaining requirements, including fringe benefits, total \$20,925,206 in FY16 and \$39,966,561 in FY17 for the University of Hawaii Professional Assembly (UHPA).

C. Description of Activities Performed

Statewide disbursement of funds for collective bargaining.

D. Statement of Key Policies Pursued

Pursuant to collective bargaining agreements, executive orders, and enacted specific appropriations.

E. Identification of Important Program Relationships

None.

F. Description of Major External Trends Affecting the Program

None

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

H. Discussion of Program Revenue

None.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF115**
 PROGRAM STRUCTURE NO. **11020301**
 PROGRAM TITLE: **FINANCIAL ADMINISTRATION**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COST	23.00*	23.00*	23.00*	23.00*	23.0*	23.0*	23.0*	23.0*
PERSONAL SERVICES	1,281,613	1,317,113	1,541,798	1,596,445	1,597	1,597	1,597	1,597
OTHER CURRENT EXPENSES	7,682,286	7,682,286	7,682,286	7,682,286	7,682	7,682	7,682	7,682
EQUIPMENT	1,200							
TOTAL OPERATING COST	8,965,099	8,999,399	9,224,084	9,278,731	9,279	9,279	9,279	9,279
BY MEANS OF FINANCING	13.00*	13.00*	13.00*	13.00*	13.0*	13.0*	13.0*	13.0*
GENERAL FUND	1,872,855	1,904,155	1,977,318	1,998,791	1,999	1,999	1,999	1,999
TRUST FUNDS	7,018,984	7,018,984	7,148,438	7,174,867	7,175	7,175	7,175	7,175
INTERDEPT. TRANSFER	73,260	76,260	98,328	105,073	105	105	105	105
TOTAL POSITIONS	23.00*	23.00*	23.00*	23.00*	23.00*	23.00*	23.00*	23.00*
TOTAL PROGRAM COST	8,965,099	8,999,399	9,224,084	9,278,731	9,279	9,279	9,279	9,279

PROGRAM ID: BUF115
 PROGRAM STRUCTURE: 11020301
 PROGRAM TITLE: FINANCIAL ADMINISTRATION

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
MEASURES OF EFFECTIVENESS								
1. AV ANN RATE OF RETURN ON STATE TREASURY INVSTMTS	.50	.50	.30	.30	.30	.30	.30	.30
2. RATE OF INT PD ON STATE BONDS REL TO BOND INDEX(%)	90	90	90	90	90	90	90	90
3. % TREASURY TRANSACTNS UNRECONCILED AFTER 30 DAYS	8	8	8	8	8	8	8	8
4. % INCR IN NEW UNCLAIMED PROP HOLDER REPTS FILED	4	4	4	4	4	4	4	4
5. % INCR IN UNCLAIMED PROPERTY AMOUNTS REPORTED	1	1	1	1	1	1	1	1
6. % INC IN RETURNS OF UNCLMD PROP TO RIGHTFUL OWNERS	5	5	5	5	5	5	5	5
PROGRAM TARGET GROUPS								
1. STATE DEPARTMENTS	20	20	20	20	20	20	20	20
2. STATE INVESTMENT ACCOUNTS	9	9	9	9	9	9	9	9
3. STATE FUND INVESTMENTS (\$ MILLIONS)	1513	1529	1545	1561	1561	1561	1561	1561
4. LOCAL AND MAINLAND FINANCIAL INSTITUTIONS	11	11	11	11	11	11	11	11
5. UNCLAIMED PROPERTY HOLDERS	11800	11800	11800	11800	11800	11800	11800	11800
6. OWNERS OF UNCLAIMED PROPERTY	95000	95000	95000	95000	95000	95000	95000	95000
PROGRAM ACTIVITIES								
1. NO. OF STATE BOND ISSUES UNDERTAKEN	8	7	8	7	8	8	8	8
2. # STATE BOND CALLS AND/OR REDEMPTIONS INITIATED	2	0	2	0	2	0	0	0
3. NO. OF STATE BOND ACCOUNTS/HOLDERS SERVICED	30	30	30	30	30	30	30	30
4. AMOUNT OF STATE FUNDS MANAGED (IN MILLIONS)	4400	4600	4800	5000	5200	5400	5400	5400
5. NO. OF STATE AGENCY ACCOUNTS SERVICED	368	368	368	368	368	368	368	368
6. NO. OF UNCLAIMED PROPERTY CLAIMS PAID	9750	9750	9750	9750	9750	9750	9750	9750
7. AMOUNT OF UNCLAIMED PROPERTY CLAIMS PAID (000'S)	5940	5940	5940	5940	5940	5940	5940	5940
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
REVENUES FROM THE USE OF MONEY AND PROPERTY	20,300	19,363	18,355	17,323	16,232	15,101	13,924	12,678
REVENUE FROM OTHER AGENCIES: FEDERAL	7,826	7,794	7,577	7,326	7,038	6,713	6,713	6,713
REVENUE FROM OTHER AGENCIES: ALL OTHER	24,831	15,000	15,000	15,000	15,000	15,000	15,000	15,000
NON-REVENUE RECEIPTS	110,609	35,220	34,645	35,283	35,129	35,191	36,371	37,619
TOTAL PROGRAM REVENUES	163,566	77,377	75,577	74,932	73,399	72,005	72,008	72,010
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS)								
GENERAL FUNDS	68,039	62,375	60,575	59,930	58,397	57,003	57,006	57,008
ALL OTHER FUNDS	95,527	15,002	15,002	15,002	15,002	15,002	15,002	15,002
TOTAL PROGRAM REVENUES	163,566	77,377	75,577	74,932	73,399	72,005	72,008	72,010

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To maximize the value, investment, and use of State funds through proactive planning, the development of prudent statewide financial policies, the timely scheduling of State bond financing and the establishment of appropriate cash management controls and procedures.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

No new programs are being proposed at this time. The requests are for the required increase in fringe benefit assessment from 42.04% to 52.00% of payroll, totaling \$97,967 in FY16 and \$111,370 in FY17. The program is in compliance with Section 37-68(1)(A)(B).

C. Description of Activities Performed

One of the major activities of this program is to plan, direct, and coordinate the overall financial policies that govern investments and the issuance and marketing of State of Hawaii bonds.

Other major activities of this program are to receive, safeguard and disburse funds in the State Treasury to meet payment of State obligations and invest moneys in excess of the amount necessary for meeting the immediate requirements of the State.

The program also administers the Unclaimed Property function by assuming custody and responsibility for the safekeeping of property presumed to be abandoned. This function includes the return of property presumed abandoned when the rightful owners file appropriate claims.

The program also administers the State's 529 college savings program authorized by Section 256, HRS, to provide a way for families to save for higher education.

D. Statement of Key Policies Pursued

Manage State funds based on criteria of safety, liquidity, and yield to ensure payment of State obligations in a timely manner. Invest funds consistent with the administration's policy which provides that in cases where State monies are in excess of the amount necessary to meet immediate requirements, and where action will not impede or hamper the financial operation of the State, such monies shall be invested in the type of investments permitted under Chapter 36, Hawaii Revised Statutes (HRS), as amended. Section 40-7, HRS, requires an annual count of moneys and securities in the State Treasury.

Determine the specific date and amount of bond sales based on cash requirements of the State and prevailing money market conditions. The debt management program determines the specific date and amount of bond sales based on cash requirements of the State and prevailing market conditions.

E. Identification of Important Program Relationships

Investments of cash in excess of the State's immediate requirements are made on a regular basis with banks and financial institutions. In an effort to maximize the interest earnings for the State, this program works closely with these institutions to obtain the best possible interest rates at any given time.

Relationships with primary banks are important to obtain necessary cash management services to deposit, disburse and transfer funds for daily operations of the State's departments.

To carry out the coordination of the State's Bond Program, direct involvement with other State department programs is necessary in areas such as: 1) directing the activities of and participating in issuing revenue

bonds; and 2) evaluating and recommending alternative financing options to meet funding requirements.

This program is instrumental in directing all activities of a bond issue. Essential to planning the issuance and marketing the sale of bonds is a good working relationship with the bond counsel, underwriters, investment banking firms and other private sector entities. Coordination of the timing of bond issuances by the State and four Counties is important to avoid having a number of Hawaii issues in the marketplace at any one time which would lead to higher interest costs for all issuers and a negative impact on the marketability of the bonds.

Also important in the marketability of a bond is the bond rating established by national bond rating agencies. Any factors which would possibly affect the State's bond rating are conveyed in a timely manner to these agencies.

F. Description of Major External Trends Affecting the Program

The state of the economy, on the national, international, and local levels, is a major focus area of this program. The program must continually assess and evaluate the State's overall financial condition. It is important to keep abreast of local, national, and international economic, social, and financial trends affecting financing and investments. This program must be aware of Federal and State laws, rules and issues related to investments, debt financing, and cash management to ensure that the State's financial policies and procedures are in conformance. When new procedures are necessary to ensure conformance, they must be implemented in a timely manner.

Since the cash resources of the State constitute a significant and important aspect of the financial management of the State, trends in interest rates are closely monitored. The State's investment earnings are determined to a large extent by the prevailing interest rates of short-term securities. The prime-lending rate of the banks, which generally sets the tone for all

investment rates, is closely monitored. The recent national and global market conditions have impacted the type of acceptable investments and rate of return on the investment portfolio.

Advancements in technology and changes in the banking industry toward electronic processing have required new processes and projects to take advantage of efficiencies available.

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

H. Discussion of Program Revenue

Major program revenues are derived from the following sources:

- a. Interest earned on interest bearing demand accounts.
- b. Interest earned on authorized investments of funds deposited in the State treasury.
- c. Payments from State agencies for the reimbursement of interest and principal on reimbursable general obligation bonds.
- d. Collections from properties presumed abandoned.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF721**
 PROGRAM STRUCTURE NO. **11020303**
 PROGRAM TITLE: **DEBT SERVICE PAYMENTS**

PROGRAM EXPENDITURES	-----IN DOLLARS-----				-----IN THOUSANDS-----			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COSTS								
PERSONAL SERVICES								
OTHER CURRENT EXPENSES	316,503,711	332,473,416	334,601,504	359,412,019	367,975	379,778	382,326	382,956
TOTAL OPERATING COST	316,503,711	332,473,416	334,601,504	359,412,019	367,975	379,778	382,326	382,956
BY MEANS OF FINANCING								
GENERAL FUND	316,503,711	332,473,416	334,601,504	359,412,019	367,975	379,778	382,326	382,956
TOTAL POSITIONS	316,503,711 *	332,473,416 *	334,601,504 *	359,412,019 *	367,975 *	379,778 *	382,326 *	382,956 *
TOTAL PROGRAM COST	316,503,711	332,473,416	334,601,504	359,412,019	367,975	379,778	382,326	382,956

PROGRAM ID: BUF721
 PROGRAM STRUCTURE: 11020303
 PROGRAM TITLE: DEBT SERVICE PAYMENTS -STATE

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<u>MEASURES OF EFFECTIVENESS</u>								
1. ANNUAL F/C EXP AS A % OF ANNUAL ALLOCATION AMTS	17	15	15	15	15	15	15	15
<u>PROGRAM TARGET GROUPS</u>								
1. STATE EXECUTIVE BRANCH AGENCIES (EXCL DOE & UH)	18	18	18	18	18	18	18	18
<u>PROGRAM ACTIVITIES</u>								
1. ANNUAL AMT OF DEBT SERVICE PYMT MADE	317	332	332	332	332	332	332	332

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To make and record debt service payments in a timely and accurate manner.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

The request reflects an increase in debt service costs of \$2,128,088 in FY16 and \$26,938,603 in FY17 over the established FY15 budget ceiling. Increased debt service requirements are due in part, to refunding/restructuring bond issues done in prior years to provide budget relief (debt service savings for prior budget periods and additional bond issuances pursuant to the issuance plan).

C. Description of Activities Performed

Closely monitor the municipal bond market in planning, directing, and coordinating the structure and sale of G.O. bonds to allow the State to obtain the lowest overall cost of financing.

D. Statement of Key Policies Pursued

Adhere to strict Federal and State statutes relating to the tax-exempt status of the bonds.

E. Identification of Important Program Relationships

None.

F. Description of Major External Trends Affecting the Program

Financing costs are impacted directly by the overall financial markets, on a local, national and international level. Specifically, the impacts of these markets on the U.S. municipal bond markets affects the interest rates incurred in the sale of the G.O. bonds. In addition, the condition of the Hawaii's economy and management of the State's budget affect bond ratings, which in turn, have an impact on interest rates paid on the bonds.

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

H. Discussion of Program Revenue

Dependent upon market conditions, a premium on the sale of the bonds may be generated which is credited to the general fund.

I. Summary of Analysis Performed

Financial analyses are conducted during each bond sale to determine the most cost efficient means to structure the bonds while achieving the program goals.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF141**
 PROGRAM STRUCTURE NO. **11030601**
 PROGRAM TITLE: **EMPLOYEES' RETIREMENT SYSTEM**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COST	102.00*	102.00*	102.00*	102.00*	102.0*	102.0*	102.0*	102.0*
PERSONAL SERVICES	6,932,988	7,579,033	9,235,742	9,584,532	9,585	9,585	9,585	9,585
OTHER CURRENT EXPENSES	4,109,105	3,676,930	3,676,930	3,676,930	3,677	3,677	3,677	3,677
EQUIPMENT	6,300							
TOTAL OPERATING COST	11,048,393	11,255,963	12,912,672	13,261,462	13,262	13,262	13,262	13,262
BY MEANS OF FINANCING								
OTHER FUNDS	102.00*	102.00*	102.00*	102.00*	102.0*	102.0*	102.0*	102.0*
	11,048,393	11,255,963	12,912,672	13,261,462	13,262	13,262	13,262	13,262
TOTAL POSITIONS	102.00*	102.00*	102.00*	102.00*	102.00*	102.00*	102.00*	102.00*
TOTAL PROGRAM COST	11,048,393	11,255,963	12,912,672	13,261,462	13,262	13,262	13,262	13,262

PROGRAM ID: **BUF141**
 PROGRAM STRUCTURE: **11030601**
 PROGRAM TITLE: **EMPLOYEES RETIREMENT SYSTEM**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
MEASURES OF EFFECTIVENESS								
1. AV TIME TO PROC INIT CHECK TO TERMNTG EMPlys (WKS)	3	3	3	3	3	3	3	3
2. % INITIAL MTHLY PENSION PROC W/IN 1 MTH AFTR RETIR	100	100	100	100	100	100	100	100
3. ANNUALIZED RETURN ON INVESTMENTS OVER PAST 5 YEARS	8	8	8	8	8	8	8	8
PROGRAM TARGET GROUPS								
1. ACTIVE MEMBERS	70475	71110	71751	72468	72468	72468	72468	72468
2. RETIRED MEMBERS	42450	43480	44535	45426	45426	45426	45426	45426
3. INACTIVE VESTED MEMBERS	6918	7071	7227	7372	7372	7372	7372	7372
PROGRAM ACTIVITIES								
1. ANNUAL NUMBER OF NEW MEMBERS	4000	4000	4000	4000	4000	4000	4000	4000
2. ANNUAL NUMBER OF MEMBERS COUNSELED	14000	14000	14000	14000	14000	14000	14000	14000
3. ANNUAL NUMBER OF RETIREMENT BENEFIT COMPUTATIONS	8500	8500	8500	8500	8500	8500	8500	8500
4. ANNUAL NUMBER OF NEW RETIREES	2000	2000	2000	2000	2000	2000	2000	2000
5. ANNUAL RETIREMNT BENEFIT PAYMNT AMOUNTS (MILLIONS)	1050	1100	1155	1213	1213	1213	1213	1213
6. ANNUAL NUMBER OF DECEASED MEMBER CLAIMS	1600	1600	1600	1600	1600	1600	1600	1600
7. ANNUAL NUMBER OF REFUND PAYMENTS	1000	1000	1000	1000	1000	1000	1000	1000
8. ASSETS (BILLIONS OF DOLLARS)	14	15	15	15	15	15	15	15
9. ANNUAL NET INVESTMENT INCOME (MILLIONS)	1200	1200	1200	1200	1200	1200	1200	1200
10. ANNUAL RETURN ON INVESTMENTS	8	8	8	8	8	8	8	8

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To administer the retirement and survivor benefits program for the State and county members and to anticipate and exceed their needs; manage the Employee Retirement System's (ERS) resources in a responsible and cost effective manner; prudently manage investments in accordance with fiduciary standards; and to provide an open and participative work environment for staff.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

No new programs are being proposed at this time. The program is in compliance with Section 37-68(1)(A)(B).

The budget request reflects an increase in the fringe benefit assessment from 42.04% to 52.00% of payroll, pay raises and required reimbursements to other State departments, totaling \$927,704 in FY16 and \$1,043,571 in FY17. The total cost will be funded from ERS' investment earnings, and member and employer contributions.

C. Description of Activities Performed

The major activities in this program are: pre-retirement counseling services; computation of retirement, disability and death benefits; enrollment of new State and county employees; conducting disability hearings and appeals; processing retirement checks on a timely basis; tax reporting requirements for benefit distributions; management oversight; safeguarding and accounting for the program's investments in stocks, bonds, foreign securities, mortgages, real estate, certificates of deposits, and etc.

D. Statement of Key Policies Pursued

The Board of Trustees establishes policies and procedures to administer the program and to conduct disability hearings and appeals. The Board also develops asset allocation strategies to prudently maximize the rate of return on investments for the benefit of the State and county government employers and ERS members and pensioners.

E. Identification of Important Program Relationships

Major funding from this program is provided by investment earnings; employer contributions from the State under the following programs BUF741, BUF745, BUF748, employer contributions from the counties, and member contributions.

F. Description of Major External Trends Affecting the Program

ERS' actuary has estimated continued growth in the annual numbers of new retirees. This continued increase in the numbers of new retirees will have an impact on the operational and funding requirements of this program. The volatility of the U.S. and international markets continues to impact the growth of the ERS' investment portfolio.

G. Discussion of Cost, Effectiveness, and Program Size Data

The ERS' membership of 118,466 has increased by approximately 7% in the last 5 years and is expected to grow an estimated 6%-11% in the next 5-10 years. The growing membership requires an increase in ERS services related to their retirement, disability and death benefits. In addition, recent legislation added more complexity to the already complex ERS retirement system, which is also contributing to the increase in ERS service levels.

H. Discussion of Program Revenue

Program revenues are received from:

Earnings on the investment portfolio consisting of real estate loans and mortgages, preferred and common stocks, government obligations, corporate bonds, certain debt instruments, real property, alternative investments, and other securities and futures contracts as authorized by Section 88-119, Hawaii Revised Statutes.

Employer contributions for the Pension Accumulation Fund received from the State and counties are based on a statutorily determined percentage of payroll.

The Pension Accumulation Fund also receives funds upon retirement of ERS' members when the member's contributions are transferred from the Annuity Savings Fund to the Pension Accumulation Fund. Member contributions are paid into the Annuity Savings Fund based on a statutorily determined percentage of payroll. Since 2006 almost all new members of the ERS are required to make employee contributions.

I. Summary of Analysis Performed

The increase in costs is primarily based on the State's required fringe benefit assessments and to a lesser extent mandatory reimbursements to other State agencies.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF143**
 PROGRAM STRUCTURE NO. **11030603**
 PROGRAM TITLE: **HAWAII EMPLOYER-UNION TRUST FUND**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COST	52.00*	55.00*	55.00*	55.00*	55.0*	55.0*	55.0*	55.0*
PERSONAL SERVICES	2,907,836	3,164,939	3,660,647	3,738,683	3,739	3,739	3,739	3,739
OTHER CURRENT EXPENSES	3,501,740	3,163,670	3,163,670	3,163,670	3,164	3,164	3,164	3,164
EQUIPMENT	6,300	80,200						
TOTAL OPERATING COST	6,415,876	6,408,809	6,824,317	6,902,353	6,903	6,903	6,903	6,903
BY MEANS OF FINANCING								
TRUST FUNDS	52.00*	55.00*	55.00*	55.00*	55.0*	55.0*	55.0*	55.0*
	6,415,876	6,408,809	6,824,317	6,902,353	6,903	6,903	6,903	6,903
TOTAL POSITIONS	52.00*	55.00*	55.00*	55.00*	55.00*	55.00*	55.00*	55.00*
TOTAL PROGRAM COST	6,415,876	6,408,809	6,824,317	6,902,353	6,903	6,903	6,903	6,903

PROGRAM ID: BUF143
 PROGRAM STRUCTURE: 11030603
 PROGRAM TITLE: EMPLOYER-UNION TRUST FUND

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
MEASURES OF EFFECTIVENESS								
1. % DOCUMENTS IMAGED BY END 1ST WRKNG DAY AFTER RCPT	90	90	90	90	90	90	90	90
2. AV NO. DAYS REQUIRED TO PROCESS ENROLLMNT TRNSCTNS	15	15	15	15	15	15	15	15
3. PERCENTAGE OF ABANDONED CALLS	5	5	5	5	5	5	5	5
4. PERCENTAGE OF REFUNDS PROCESSED WITHIN 60 DAYS	65	65	65	65	65	65	65	65
5. % OF SHORTAGE CONDITIONS CLEARED WITHIN 60 DAYS	70	70	70	70	70	70	70	70
6. % PARTICIPANTS ATTENDING INFO SESSIONS IN ONE YEAR	20	20	20	20	20	20	20	20
7. % OF TIME COMPUTER SYSTEM IS AVAILABLE DURING 1 YR	98	98	98	98	98	98	98	98
8. % COBRA FORM/NOTICES SENT W/IN REQUIRED TIME FRAME	99	99	99	99	99	99	99	99
9. % ELIG RETIREES/SPOUSES ENROLLD IN MEDICARE PART B	98	98	98	98	98	98	98	98
10. NO. OF MINOR & MAJOR HIPAA VIOLATIONS PER YEAR	3	3	3	3	3	3	3	3
PROGRAM TARGET GROUPS								
1. TOTAL EMPLOYEES - (ACTIVES) FULL-TIME (STATE/CNTY)	67000	67000	67000	67000	67000	67000	67000	67000
2. TOTAL EMPLOYEES - RETIRED	42650	42650	42650	42650	42650	42650	42650	42650
3. TOTAL DEPENDENT BENEFICIARIES	78000	78000	78000	78000	78000	78000	78000	78000
4. MEDICARE PREMIUM REIMBURSEMENT RECIPIENTS	42000	42000	42000	42000	42000	42000	42000	42000
5. PERSONNEL AND FINANCE OFFICERS	500	500	500	500	500	500	500	500
PROGRAM ACTIVITIES								
1. NEW ENROLLMENTS (ADDITIONS)	8500	8500	8500	8500	8500	8500	8500	8500
2. TERMINATIONS (DELETIONS, CANCELLATIONS)	8800	8800	8800	8800	8800	8800	8800	8800
3. ENROLLMNT DATA CHGS (INS PLAN, NAME, ADDRESS, ETC.)	27000	27000	27000	27000	27000	27000	27000	27000
4. COBRA ENROLLMENTS	1300	1300	1300	1300	1300	1300	1300	1300
5. OUTREACH/EDUC BENEFIT BRIEFING SESSIONS CONDUCTED	120	120	120	120	120	120	120	120
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
REVENUES FROM THE USE OF MONEY AND PROPERTY	11,459	40,579	53,734	80,625	112,662	154,705	203,483	254,812
CHARGES FOR CURRENT SERVICES	62,317							
NON-REVENUE RECEIPTS	1,168,149	1,036,428	1,142,097	1,255,553	1,353,447	1,477,361	1,461,777	1,452,703
TOTAL PROGRAM REVENUES	1,241,925	1,077,007	1,195,831	1,336,178	1,466,109	1,632,066	1,665,260	1,707,515
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS)								
ALL OTHER FUNDS	1,241,925	1,077,007	1,195,831	1,336,178	1,466,109	1,632,066	1,665,260	1,707,515
TOTAL PROGRAM REVENUES	1,241,925	1,077,007	1,195,831	1,336,178	1,466,109	1,632,066	1,665,260	1,707,515

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To administer health and life insurance benefits for eligible active and retired State and county public employees and their dependents by 1) providing quality service levels to employee-beneficiaries and dependent-beneficiaries, 2) complying with federal and State legal requirements.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

The budget request includes additional trust fund authorization of \$367,303 in FY 2016 and \$397,142 in FY 2017 for additional fringe benefit costs for the deputy attorney general assigned to the Trust Fund and Trust Fund staff. The fringe benefit costs increased from 42.04% to 52%.

C. Description of Activities Performed

Board of Trustees:

- Determine the nature, scope and specific benefit levels of the benefit plans. Oversee all Trust Fund activities.
- Negotiate and enter into contracts with administrators and insurance carriers.
- Procure fiduciary liability insurance, fidelity bond, and errors and omissions coverage.
- Establish eligibility criteria and management policies for the Trust Fund.
- Contract for financial audits of the Trust Fund and claims audits of its carriers.

Trust Fund Staff:

- Train State and County personnel and fiscal officers to enroll eligible employees and retirees in benefit plans; publicize benefit plan information.
- Administer health benefit and life insurance plans.

- Procure insurance carriers and administrators for benefit plans in addition to contracts for consultants, BAS, and other goods and services.
- Maintain the BAS and update as needed to respond to changes in federal and state legislation and other plan changes.
- Collect and disburse enrollment information; process enrollment applications; record cancellations and terminations; update files; respond to inquiries about benefit plan enrollments.
- Collect and reconcile employee payroll deductions and employer contributions in accordance with statutes and collective bargaining agreements; remit premiums to insurance carriers and administrators.
- Collect employer contributions and process reimbursement of Medicare Part B health insurance premiums to eligible retirees and their spouses.
- Administer enrollment records for qualified-beneficiaries eligible under P.L. 99-272. Federal COBRA law mandates a temporary extension of health insurance benefits for these persons.
- Maintain financial records for employees enrolled in the State of Hawaii's Premium Conversion Plan.
- Comply with HIPAA privacy regulations and policies related to health benefit enrollment records.
- Comply with Government Accounting Standards Board ("GASB") No. 43, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, and 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Collect and maintain separate employer accounts for the pre-funding of Other Post-Employment Benefits ("OPEB").

D. Statement of Key Policies Pursued

Each State and County employing agency is responsible to notify their eligible employees about the Trust Fund's benefit plans by distributing information and providing enrollment assistance. In order to receive

benefits, employees must file enrollment applications with their employing agency; new retirees file directly with the Trust Fund. Employers, employees, and retirees are required to make timely payments for benefit plans to the Trust Fund office as appropriate. The Trust Fund office services the health and life insurance benefits enrollment needs of State and County employees and retirees.

E. Identification of Important Program Relationships

The Board of Trustees negotiates health benefit and group life insurance plans with insurance carriers. Public employers and employees are notified of premium rates after collective bargaining agreements are negotiated. EUTF also maintains liaisons with insurance carriers, legislative committees, the Centers for Medicaid and Medicare Services, unions, State and County Directors of Finance and Personnel Offices, and the State Office of Collective Bargaining.

The State and County Directors of Finance pay negotiated and statutory contributions amounts to the Trust Fund. The Trust Fund collects both State and County employer and employee contributions. After processing and reconciling the enrollments and contributions, the Trust Fund remits applicable amounts to insurance carriers or administrators for insurance premiums.

The Trust Fund also notifies employees of premium shortages and their ineligibility to receive benefits if deficiencies are not paid in full. A Benefit Plan Consultant advises the Board and staff on benefit programs. The consultant provides comprehensive data on benefit plan trends and conducts special studies on benefit improvements as directed by the Board of Trustees.

The State Attorney General's Office provides legal assistance by reviewing health insurance contracts, administrative rules and the Board's program activities for compliance with applicable State and Federal laws.

State agencies having control of special and Federal funds are required by law to reimburse the State general fund for employer health and life insurance plan employer contributions advanced by the State Director of Finance.

F. Description of Major External Trends Affecting the Program

Based on increasing medical and prescription drug trends and claims experience, future rates for health benefit plans are projected to increase. Increasing availability and cost of specialty drugs and Act 226, SLH 2013, caused a significant increase in prescription drug premiums. Public employers' contributions for active employees are a specific dollar amount to be negotiated through collective bargaining once rates are approved by the EUTF Board of Trustees. Finally, as the number of retiree subscribers increases in the future and as the longevity of this group also increases, this shift in demographics will result in potentially higher amounts that will need to be budgeted for employer health benefit premiums contributions. The federal Affordable Care Act will continue to present new requirements in 2014 and beyond which may impact member enrollment and plan cost.

G. Discussion of Cost, Effectiveness, and Program Size Data

The administrative workload to collect varying amounts of premiums from employees who were hired after June 30, 1996, and who subsequently retire will progressively increase over the years.

H. Discussion of Program Revenue

Program revenues are received from:

- State and County employers for their share of health and life insurance plan premium contributions.
- State and county employees and retirees for their share of health insurance premium contributions; active employee contributions are paid through payroll deduction; retiree premium payments are paid directly.
- Refunds and interest earned on reserve monies from health and life insurance plans' experience gains.
- Interest income earned on the Trust Fund.
- State and County employers for their share of pre-funding of OPEB.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF741**
 PROGRAM STRUCTURE NO. **11030605**
 PROGRAM TITLE: **RETIREMENT BENEFITS - STATE**

PROGRAM EXPENDITURES	--IN DOLLARS--				--IN THOUSANDS--			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COSTS								
PERSONAL SERVICES								
OTHER CURRENT EXPENSES	280,138,068	293,980,148	328,178,407	343,924,601	354,188	361,152	368,255	375,500
TOTAL OPERATING COST	280,138,068	293,980,148	328,178,407	343,924,601	354,188	361,152	368,255	375,500
BY MEANS OF FINANCING								
GENERAL FUND	278,138,068	289,980,148	324,178,407	339,924,601	350,188	357,152	364,255	371,500
INTERDEPT. TRANSFER	2,000,000	4,000,000	4,000,000	4,000,000	4,000	4,000	4,000	4,000
TOTAL POSITIONS	280,138,068 *	293,980,148 *	328,178,407 *	343,924,601 *	354,188 *	361,152 *	368,255 *	375,500 *
TOTAL PROGRAM COST	280,138,068	293,980,148	328,178,407	343,924,601	354,188	361,152	368,255	375,500

PROGRAM ID: BUF741
 PROGRAM STRUCTURE: 11030605
 PROGRAM TITLE: RETIREMENT BENEFITS - STATE

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<u>MEASURES OF EFFECTIVENESS</u>								
1. ANNUAL F/C EXP AS A % OF ANNUAL ALLOCATION AMTS	15	14	14	14	14	14	14	14
<u>PROGRAM TARGET GROUPS</u>								
1. STATE EXECUTIVE BRANCH MEMBERS (EXCL DOE & UH)	61617	61617	61617	61617	61617	61617	61617	61617
<u>PROGRAM ACTIVITIES</u>								
1. ANNUAL AMT OF RETIREMENT BENEFIT PYMT MADE	280	294	294	294	294	294	294	294

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To provide employer contribution payments for pension accumulation and Social Security/Medicare in an effective and timely manner.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Total additional employer contribution requirements for pension accumulation and Social Security/Medicare for State employees (other than the Department of Education and the University of Hawaii) are \$34,198,259 in FY16 and \$49,944,453 in FY17.

C. Description of Activities Performed

The major activity of this program is the determination and payment of employer contributions for pension accumulation and Social Security/Medicare.

D. Statement of Key Policies Pursued

Pension accumulation contributions are based on a percentage of payroll as stipulated in Chapter 88, Hawaii Revised Statutes. Social Security/Medicare contributions are federally mandated and based on assessment rates of 6.2 percent for Social Security and 1.45 percent for Medicare.

E. Identification of Important Program Relationships

Federal, special and general funded programs of the State and all County programs are affected by the retirement program because of the annual employer appropriation requirements. Social Security Administration policy and tax changes also have a direct effect on the State's liability.

F. Description of Major External Trends Affecting the Program

The employer contribution rates for pension accumulation do not reflect the market turmoil that global investment assets have experienced. While the actuarial methodology recognizes some year to year market volatility, future program requirements may be adversely impacted by future investment experience.

G. Discussion of Cost, Effectiveness, and Program Size Data

See discussion above for item F.

H. Discussion of Program Revenue

Employer contributions for the Pension Accumulation Fund received from the State and Counties are based on a percentage of payroll.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: **BUF761**
 PROGRAM STRUCTURE NO. **11030607**
 PROGRAM TITLE: **HEALTH PREMIUM PAYMENTS - STATE**

PROGRAM EXPENDITURES	-----IN DOLLARS-----				-----IN THOUSANDS-----			
	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21
OPERATING COSTS								
PERSONAL SERVICES								
OTHER CURRENT EXPENSES	296,492,534	329,834,645	394,070,109	494,014,116	583,031	693,012	699,815	713,344
TOTAL OPERATING COST	296,492,534	329,834,645	394,070,109	494,014,116	583,031	693,012	699,815	713,344
BY MEANS OF FINANCING								
GENERAL FUND	296,492,534	329,834,645	394,070,109	494,014,116	583,031	693,012	699,815	713,344
TOTAL POSITIONS	296,492,534*	329,834,645*	394,070,109*	494,014,116*	583,031*	693,012*	699,815*	713,344*
TOTAL PROGRAM COST	296,492,534	329,834,645	394,070,109	494,014,116	583,031	693,012	699,815	713,344

PROGRAM ID: BUF761
 PROGRAM STRUCTURE: 11030607
 PROGRAM TITLE: HEALTH PREMIUM PAYMENTS - STATE

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
MEASURES OF EFFECTIVENESS								
1. ANNUAL F/C EXP AS A % OF ANNUAL ALLOCATION AMTS	16	15	15	15	15	15	15	15
PROGRAM TARGET GROUPS								
1. STATE EXECUTIVE BRANCH MEMBERS (EXCL DOE & UH)	61617	61617	61617	61617	61617	61617	61617	61617
PROGRAM ACTIVITIES								
1. ANNUAL AMT OF RETIREMENT BENEFIT PYMT MADE	296	330	330	330	330	330	330	330
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
CHARGES FOR CURRENT SERVICES	127,499	127,499	127,499	127,499	127,499	127,499	127,499	127,499
TOTAL PROGRAM REVENUES	127,499	127,499	127,499	127,499	127,499	127,499	127,499	127,499
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS)								
ALL OTHER FUNDS	127,499	127,499	127,499	127,499	127,499	127,499	127,499	127,499
TOTAL PROGRAM REVENUES	127,499	127,499	127,499	127,499	127,499	127,499	127,499	127,499

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To provide employer contribution payments for health premiums in an effective and timely manner.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Total additional employer contribution requirements for health benefit premiums for State employees (other than the Department of Education and the University of Hawaii) are \$64,235,464 in FY16 and \$164,179,471 in FY17. The additional contribution requirements also include increases for the pre-funding of Other Post-Employment Benefits (OPEB).

C. Description of Activities Performed

The major activity of this program is the determination and payment of employer contributions for health benefit premiums for eligible State employees, retirees, and their dependents.

D. Statement of Key Policies Pursued

Health benefit contributions for employees and their dependents are collectively bargained and are considered fixed cost items. Employer contributions for retirees and their dependents are subject to base monthly contribution limits established in Chapter 87A, Hawaii Revised Statutes.

E. Identification of Important Program Relationships

None

F. Description of Major External Trends Affecting the Program

Escalating health care costs is a national issue impacted by a multitude of factors. The establishment in 2001 of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) was intended to control rising costs by giving the Board of Trustees full flexibility in the plan designs, limitation of future expenditures for retiree benefits, and the setting of employer contributions for active employees at a fixed dollar amount. Other Post-Employment Benefits also brings to light the full cost of providing retiree benefits and with it, unfunded liabilities in excess of pension benefits.

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

H. Discussion of Program Revenue

None.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.



Capital Budget Details

STATE OF HAWAII

PROGRAM ID

PROGRAM STRUCTURE NO.

PROGRAM TITLE

BUF-101
11010305

DEPARTMENTAL ADMINISTRATION & BUDGET DIV

REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT
IN THOUSANDS OF DOLLARS

REPORT B78

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PROJECT NUMBER	PRIORITY NUMBER	LOC	SCOPE	PROJECT TITLE	BUDGET PERIOD						SUCCEED YEARS			
					COST ELEMENT/MOF	PROJECT TOTAL	PRIOR YRS	FY 13-14	FY 14-15	FY 15-16		FY 16-17	FY 17-18	FY 18-19
00-01	0001		OTHER	HAWAIIAN HOMELANDS TRUST FUND, STATEWIDE										
			CONSTRUCTION		603,283	543,900	30,000	29,383						
			TOTAL		603,283	543,900	30,000	29,383						
			G.O. BONDS		603,283	543,900	30,000	29,383						
00-02	0002		NEW	STATE EDUCATIONAL FACILITIES IMPROVEMENT FUND, STATEWIDE										
			CONSTRUCTION		998,514	554,401	53,000	353,000	38,113					
			TOTAL		998,514	554,401	53,000	353,000	38,113					
			G.O. BONDS		998,514	554,401	53,000	353,000	38,113					
			PROGRAM TOTALS											
			CONSTRUCTION		1,601,797	1,098,301	83,000	382,383	38,113					
			TOTAL		1,601,797	1,098,301	83,000	382,383	38,113					
			G.O. BONDS		1,601,797	1,098,301	83,000	382,383	38,113					