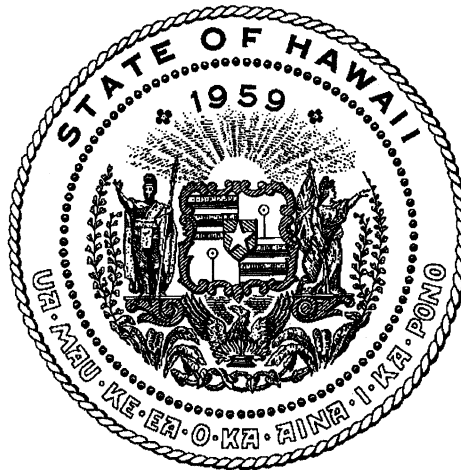


# STATE OF HAWAII



## **EXECUTIVE SUPPLEMENTAL BUDGET (Budget Period 2013-2015)**

Submitted to the Twenty-Seventh State Legislature  
December 16, 2013

EXECUTIVE CHAMBERS  
State Capitol  
Honolulu, Hawaii 96813

**GOVERNOR'S MESSAGE TO THE 27<sup>TH</sup> STATE  
LEGISLATURE OF HAWAII MEETING IN THE REGULAR  
SESSION OF 2014**

In compliance with Article VII, Section 9, of the Hawaii Constitution, I hereby submit to the State Legislature the Executive Supplemental Budget for Fiscal Biennium (FB) 2013-15 and the updated Program and Financial Plan for the period 2013-19.

**OVERVIEW**

For the past three years, the Administration's financial strategy has focused on objectives that would move the State in a forward direction, toward a New Day in Hawaii. Federal funding and private partnership opportunities have been pursued to supplement State efforts and leverage State funds. These collaborative efforts and shared sacrifice to address the State's fiscal challenges have allowed us to better serve Hawaii's people during difficult times.

Fiscal prudence and revenue increases have also helped to generate a positive general fund balance at the end of each of the past three fiscal years. Moreover, the preliminary fiscal year (FY) 13 general fund balance of \$844 million is historically unprecedented. A turnaround of over \$1 billion has been achieved and the State's financial health has been restored.

We must remain mindful that federal resources and funding are uncertain. Along with the likelihood of some continued sequestration effects, there remains some question as to what the effect of Congressional budget action will be in January 2014. As State grants are one of the largest

discretionary portions yet to be determined at this time, our State budget must have some ability to adapt in the event funding for critical programs needs to be shored up. In addition, we must also remain prudent in light of the fact that the State was managing a -\$200 million plus revenue shortfall and negative general fund balances as recently as FY 11.

It is in this context and landscape that the Administration approached the construction of the FY 15 Executive Supplemental Budget. We remain committed to the need for continued fiscal management of our resources and expenditures while being respectful of managing for the future. Noting where we have been, this budget request also reflects essential program initiatives which will improve State government and the overall quality of life in Hawaii.

**Strengthening Our Government and Fiscal Position**

My Administration has developed a sustainable long-term fiscal plan that will ensure a firm financial base is maintained going forward. The proposed FY 15 Executive Supplemental Budget will allow a solid general fund balance to be maintained through FB 2013-15 as well as the planning period (FYs 16–19). We are confident of success for these proposals based on the Council on Revenue's (COR) current general fund tax revenue projections and the demonstrated validity of this Administration's budget discipline.

Although there are many priority needs that must be addressed, fiscal stability is essential. This plan will allow the State to address its priority needs while positioning itself to best handle uncertainties, such as economic slowdowns or the recent Federal government shutdown by building up our reserves and exercising continued fiscal prudence.

Currently, the State's improved fiscal condition allows the Administration to continue to make meaningful strides towards strengthening our State government and its fiscal health. We will:

- Restore critical State services.

We are focusing on restoring critical positions necessary to maintain and improve our programs and operations and, most importantly, restoring our ability to deliver services the public rightly expects of its government. We will ensure that the funding of these programs can be maintained.

- Recapitalize our reserves to higher than pre-recession levels.

We are duly committed to further building the financial strength of the State, and demonstrating such strengths to residents, taxpayers, and investors. As such, the Administration has set a targeted objective to build State reserves to 10% of general fund revenues. These reserves will allow the State to weather future economic downturns and mitigate against cyclical public service cutbacks.

Accordingly, the Emergency and Budget Reserve Fund will receive \$50 million in FY 14. The Hawaii Hurricane Relief Fund has received \$50 million in FY 14, which is in addition to the \$55.5 million in general excise tax revenues also transferred this fiscal year to the hurricane reserve trust fund pursuant to Act 62, Session Laws of Hawaii (SLH) 2011, Relating to the Hawaii Hurricane Relief Fund.

Through separate legislation, we will also be proposing the transfer of \$50 million to each fund in FY 15. The estimated balance of our reserves after these transfers will be over \$372 million, or 5.6% of projected general fund revenues in FY 15.

- Effectively manage our liabilities.

Our commitment to forward fund the State's Other Post Employment Benefits (OPEB) unfunded liability begins this fiscal year with a landmark payment of \$100 million and, in FY 15, a payment of \$117.4 million. We must address this major unfunded liability without delay. Failure to do so is irresponsible.

Although these are significant demands on State resources, with the cost of OPEB increasing in upcoming years, they must be accounted for to maintain the State's fiscal health. Bond rating agencies and marketplace bond purchases have acknowledged the State's favorable fiscal approach and condition. Continued commitment to forward fund OPEB and replenish our reserves will result in better bond ratings, a positive financial outlook, record bond sales and low interest rates.

### **New Day Initiatives**

The State's positive economic outlook and our fiscal prudence have afforded us an opportunity to put into place New Day Initiatives for the benefit of the people of Hawaii. The FY 15 Executive Supplemental Budget builds on the FB 2013-15 Executive Budget by:

- Stimulating longer term job growth as we shift Hawaii's economy to a sustainable foundation.

Continuing to invest in our long-term economic and social well-being through clean energy, food security, technology, education, good health, and other aspects of our human capital. Our ongoing New Day Work Projects program for capital improvements has simultaneously helped to improve our infrastructure and economic landscape. As private construction activity is on the rise, our focus will

now shift to completing projects that are underway, improve energy efficiency, and address the backlog of major R&M for State facilities.

- Investing in education, skills and training opportunities for Hawaii's people.

Hawaii's most valuable asset, its people, must be provided the means to reach and live their lives to their fullest potential. Among the most important New Day Initiatives are the investments we make in our youngest citizens and our kupuna. Investing in early childhood development and early learning programs will build Hawaii's social, educational, and economic future. Supporting home and community-based services will help our kupuna age in place with dignity and curb rising healthcare costs.

We will continue to transform our healthcare system to align with federal resources and work collaboratively with the county and State housing agencies toward our goal to end homelessness.

- Transforming State government into an efficient and effective enterprise.

When our Administration took office, department operations had suffered through years of program cuts and personnel lapses. We are continuing to makeover State government operations to best manage our human resources. The State's ongoing Enterprise Resource Planning project will provide the necessary technological tools to improve the management of our personnel, fiscal transactions, and budget.

## **THE ECONOMY**

The State's economic situation has continued to improve. Much of the State's economic growth came as the result of the strong performance of the visitor and hospitality industry, a

major economic driver of the local economy. Last year, the industry experienced peak growth rates of 17.9% in visitor expenditures and 10% in visitor arrivals.

Tourism market growth has reached planned capacity. For the first ten months of 2013 compared to the same period last year, total visitor expenditures and arrivals increased by 3.4% and 3.9%, respectively.

Total visitor expenditures and arrivals can be expected to level off. Spending reductions by the federal government, increasing hotel room rates, and a weakening yen need to be taken into account.

But overall economic indicators remain positive. Hawaii's construction industry, a significant contributor to the State's job growth and another major economic driver, ended its downward cycle last year after five years of contraction. After losing jobs annually since 2007, the industry generated job growth of 2.4% last year and 9.3% for the first half of 2013, a considerable increase over last year. The housing upswing and Honolulu's rail project are expected to spur further growth through 2015.

The State's economic improvement is seen in our decreasing unemployment rate of 4.4% (seasonally adjusted) for October 2013, which is approaching the lowest unemployment rate since August 2008. The expansion of the construction industry will reinforce this positive trend.

Also impacting Hawaii's economy favorably is the nation's recovery from the "Great Recession." The national seasonally adjusted unemployment rate decreased from 7.3% in October 2013 to 7% in November 2013, a five-year low.

Monthly job growth has averaged 204,000 jobs from August through November, up from 159,000 jobs from April through July, accelerating the economic recovery.

**REVENUE PROJECTIONS**

Preliminary actual general fund tax revenues for FY 13 grew by 9.9%, 3.2% more than the 6.7% general fund tax revenue growth rate projected by the COR in its May 30, 2013 report. In its September 10, 2013 report, the COR lowered its forecast from 8.0% to 4.1% for FY 14 but raised its forecast from 7.0% to 7.4% in FY 15; 1.5% to 7.7% in FY 16; 4.2% to 5.7% in FY 17; 5.0% to 6.1% in FY 18; and 4.7% to 5.5% in FY 19. The COR also projected 5.3% growth in FY 20.

Because the FY 13 base was higher than formerly projected, we note the impact of the COR’s downward projection for FY 14 is cushioned. General fund tax revenues are projected to decrease slightly in FY 14 by \$45.3 million and FY 15 by \$22.9 million from the May 30, 2013 projections, due to the replenishment of the hurricane reserve trust fund pursuant to Act 62, SLH 2011. These transfers, which must be made by October 1st of the respective fiscal year, were not included in the COR’s previous forecast.

While Hawaii is subject to national and worldwide economic factors, we are confident that our philosophy and practice in managing our State economy takes the necessary steps along a proven path to consolidate our recovery and insure its growth.

**THE FY 15 EXECUTIVE SUPPLEMENTAL BUDGET**

	<u>FY 14</u> <u>Appropriations</u> (\$million)	<u>FY 14</u> <u>Adjustments</u> (\$million)	<u>FY 14</u> <u>Requests</u> (\$million)
Operating Budget			
All means of financing (MOF)	11,819.3	-52.6	11,766.8*
General Fund	6,036.6	-53.2	5,983.4
Capital Improvements			
All MOF	2,246.1	-2.0	2,244.1
General Obligation Bonds	980.5	0.0	980.5

\* - Difference due to rounding.

	<u>FY 15</u> <u>Appropriations</u> (\$million)	<u>FY 15</u> <u>Adjustments</u> (\$million)	<u>FY 15</u> <u>Requests</u> (\$million)
Operating Budget			
All MOF	11,988.0	283.8	12,271.8
General Fund	6,123.5	183.3	6,306.8
Capital Improvements			
All MOF	843.8	1,847.0	2,690.8
General Fund	0.0	287.1	287.1
General Obligation Bonds	387.3	351.7	739.1

**The Operating Budget**

In the spirit of Section 136 of Act 134, SLH 2013, and providing greater budget transparency, departments were tasked to review and submit budget requests, to the extent possible, to correct their FB 2013-15 operating budget detail items that did not align with anticipated expenditures, such as:

- Negative adjustments;

- Underfunded, unfunded and/or unbudgeted positions; and
- Other specific budget line items.

Additionally, we are also continuing the transition process for the budgeting and expenditure of federal awards with the intent of increasing transparency and improving the State's ability to meet anticipated federal reporting requirements. Consequently, the FY 15 Executive Supplemental Budget includes requests to correct the means of financing (MOF) for federal fund appropriations (MOF "N" or "P") or adjust federal fund ceilings to more accurately reflect anticipated federal award amounts, as appropriate.

The Executive Supplemental Budget includes requests for FY 14 and FY 15 that propose a number of changes and adjustments to Act 134, SLH 2013, the General Appropriations Act of 2013, which authorized funding for the two-year fiscal period that began on July 1, 2013 and ends on June 30, 2015.

The Executive Supplemental Budget includes proposed FY 14 amendments that total -\$52.6 million and FY 15 amendments that total \$283.8 million from all means of financing for operating costs. This represents a decrease of -0.4% over FY 14 appropriations and increase of 2.4% over FY 15 appropriations in the FB 2013-15 Executive Budget.

The net request for general funds totals -\$53.2 million in FY 14 and \$183.3 million in FY 15, resulting in a decrease of -0.9% in FY 14 and an increase of 3% in FY 15. Of the requested \$183.3 million in general funds in FY 15, \$43.4 million is for non-recurring costs (e.g., one-time cash infusions to special funds, equipment, motor vehicles).

Additional information on funding distribution by means of financing and department may be found in the sections that follow.

A significant portion of the requested general funds are for items that are considered non-discretionary costs. \$17.3 million for FY 14 and \$50.9 million for FY 15 are for these non-discretionary cost increases. For example:

- \$5.3 million in FY 15 for debt service payments for Department of Education (DOE), University of Hawaii (UH), and State programs other than DOE and UH.
- \$1.1 million in FY 14 and \$0.1 million in FY 15 for retirement benefit payments for UH and \$16.2 million in FY 14 and \$16.1 million in FY 15 for State programs other than DOE and UH.
- 4.00 permanent positions and \$9.2 million in FY 15 for adults with severe and persistent mental illness who are Medicaid eligible (transfer from the Department of Health (DOH) to the Department of Human Services (DHS)).
- \$2.6 million in FY 15 for the General Assistance block grant.
- \$5.5 million (and \$3 million in federal funds) in FY 15 to increase the Foster Care Board Rate.
- \$3.5 million in FY 15 to restructure payments for Child Care Subsidy programs.
- \$2.0 million (and \$18.1 million in federal funds) in FY 15 to establish the Medicaid Health Home Services program.
- \$4.0 million (and \$7.7 million in federal funds) in FY 15 to restore preventative adult dental benefits for Medicaid recipients.

The aforementioned general fund requests are offset by requests totaling -\$70.7 million in FY 14 and -\$53.1 million (differences due to rounding) in general fund reductions to reflect projected savings:

- -\$29.7 million for debt service payments savings in FY 14 due to a more favorable interest rate for the general obligation (G.O.) bond sale and refunding of previous bond issuances in 2013.

- -\$2.1 million in FY 14 and -\$0.9 million in FY 15 in FICA and pension accumulation payment savings due to updated projected requirements.
- -\$39 million in FY 14 and -\$52.3 million in FY 15 for health premium payments savings due to lower than projected rates and enrollments.

In addition to these non-discretionary cost adjustments, there are other general fund requests intended to support vital New Day Initiatives, such as early learning. This supplemental budget requests these additional investments in our youngest children in FY 15:

- \$1.2 million for additional purchase of services funds for early intervention services in DOH.
- \$2.5 million for DHS' School Readiness program - Preschool Open Doors - to reduce the high family co-payments currently required.
- \$4.5 million for the Executive Office on Early Learning (EOEL) to establish pre-kindergarten classes on DOE campuses through a Memorandum of Agreement.
- \$1 million for EOEL to provide family engagement for four-year olds through family-child interaction learning programs.
- \$218,000 for 3.00 temporary positions for EOEL.

Other significant FY 15 general fund requests for New Day Initiatives include:

- \$2 million for the New Farmer Loan program.
- \$1 million to establish the agricultural development and food security program.
- \$7 million for the High Technology Transfer Bridge to Manufacturing.
- \$6 million for the HI Growth Initiative.
- 7.50 temporary positions and \$752,870 (and 2.50 temporary positions and \$319,300 in federal funds) to expand Healthcare Transformation initiatives.

- \$4.2 million for continuation of the Kupuna Care program.
- \$427,937 for Aging and Disability Resource Centers.
- 2.00 temporary positions and \$1.5 million for the Vision and Hearing Screening program to be provided at public elementary schools.
- 1.00 temporary position and \$3.1 million to establish the REACH Initiative after-school programs for middle and intermediate schools.
- 11.00 temporary positions and \$3.5 million for the Watershed Initiative.

Other significant FY 15 general fund requests include:

- \$2 million for a Sports Development Initiative.
- \$794,959 for the County Victim Services program as part of the Justice Reinvestment Initiative.
- 9.52 permanent positions and \$299,394 (and 18.48 permanent positions; \$737,504 in other federal funds) for case management staff at the Child Support Enforcement Agency.
- 0.75 permanent position and \$1.3 million (and 2.25 permanent positions; \$2.9 million in federal funds) for National Guard facilities.
- \$14 million for the Weighted Student Formula for public schools, statewide, to address issues such as Elementary and Secondary Education Act Flex requirements, information technology support, and common core standards.
- \$9 million to address increased utility (electricity, gas, water, and sewer) costs for DOE facilities, statewide.
- \$2 million to support the Strive HI Performance system which replaces components of the U.S. DOE's "No Child Left Behind Act."
- \$3.1 million for Charter Schools' per pupil funding based on enrollment projections.
- \$600,000 for the maintenance of the Broadband Technology Opportunities program for the public library system.

- 130.00 permanent, 4.00 temporary positions, and \$5.4 million for administrative and operating expenses for the Department of Hawaiian Home Lands.
- \$3 million for the Statewide Health Information Exchange Infrastructure.
- \$22 million for the Hawaii Health Systems Corporation (HHSC) - Regions.
- \$1 million for the Invasive Species program.
- \$4 million to host the 2016 International Union for Conservation of Nature World Conservation Congress.
- 7.00 positions and \$1.0 million for the Ocean Resources Management Plan.
- 21.00 permanent positions and \$808,630 to improve mental health treatment at correctional facilities.
- 12.00 permanent positions, 2.00 temporary positions and \$1.1 million for statewide staff support for increased tax collections and processing of claims.
- \$14 million for salary restoration for the University of Hawaii Professional Assembly (UHPA).
- \$19.5 million for UHPA salary increases.

### **The Capital Improvements Program Budget**

The focus of our New Day Work Projects program for capital improvements is to improve the public infrastructure and the economic landscape. With the resurgence of private construction, we will now focus on completing ongoing projects, improving energy efficiency and address the backlog of major repair and maintenance (R&M) for public and educational facilities. Other proposed projects address health and safety, and court-mandated or statutory requirements.

In regard to the G.O. bond capital improvements program (CIP) budget, our primary objective was to preserve the standard amortization debt profile that we have been working diligently these past three years to put into place. Being a supplemental year, our goal was to keep debt service level in the near future and not have it spike due to a large amount of CIP authorizations in FY 15.

To achieve this objective, we propose to convert \$187.4 million in G.O. bond funded major R&M projects appropriated in FY 15 of Act 134, SLH 2013, to general funded (i.e., cash) and use that margin to fund new non-R&M CIP projects along with a relatively modest amount of new G.O. bond funded CIP. To help further in keeping G.O. bond authorizations manageable, we have also proposed \$100 million of R&M-related CIP authorizations using general funds.

We are presently planning on continuing this practice in subsequent budgets because we strongly believe that cash funding is the more appropriate funding source for R&M-related CIP now that we have the financial wherewithal to handle these costs again.

For the CIP budget, proposed FY 14 amendments total -\$2 million and FY 15 amendments total \$1,847.0 million from all means of financing. This represents a decrease of -0.1% over FY 14 and increase of 218.9% over FY 15 in the FB 2013-15 Executive Budget. Of this amount, the net request for G.O. bond funds totals \$351.7 million in FY 15, resulting in an increase of 90.8%.

The proposed FY 15 G.O. bond requests include the following New Day Initiatives:

- \$4.5 million for Molokai Irrigation System improvements.
- \$40 million for the acquisition of prime agricultural land in Central Oahu/North Shore region.
- \$3.5 million for the Waimea Homestead Community Agricultural Park.
- \$22 million for construction of the High Technology Development Corporation Technology Center.
- \$2.7 million (and \$7.8 million in federal funds) for energy savings improvements and renewable energy projects for Department of Defense facilities, statewide.
- \$5 million for energy efficiency improvements at DOH facilities, statewide.
- \$5 million for the Watershed Initiative, statewide.



- \$10 million for conservation land purchase, Central Oahu/North Shore region.
- \$5 million for Central Maui Regional Park, Maui.
- \$40 million for Turtle Bay land acquisition, Oahu.

Other major FY 15 G.O. bond requests:

- \$3 million for Aloha Stadium improvements.
- \$19.4 million to be transferred to the Hawaiian Homelands Trust Fund.
- \$7 million to update the Kalaeloa Enterprise Energy Corridor.
- \$7.8 million for low income housing tax credit loans.
- \$2.7 million for Youth Challenge Academy Upgrade and Improvements at Keaukaha Military Reservation, Hawaii.
- \$12 million (and \$48 million in federal funds) to modernize Solomon Elementary School.
- \$50 million (and \$29 million in general funds) for condition, capacity, equity, and program support projects for public schools, statewide.
- \$25 million for air conditioning in schools, statewide.
- \$3.3 million (and \$5.3 million in general funds) for major R&M and CIP for existing infrastructure for Hawaiian Home Lands.
- \$13 million for Papakolea Sewer Remediation and Slope Stabilization projects.
- \$6 million for decommissioning and restoration of four dams in Anahola, Kauai.
- \$20 million (and \$10 million in general funds) for improvements for HHSC.
- \$20 million (and \$15 million in general funds) for public housing development, improvements and renovations, statewide.
- \$52.5 million (and \$56.3 million in federal funds) for the modernization and integration of the DHS' eligibility system, case management system and KOLEA eligibility system for Medicaid.

- \$25.8 million (and \$25 million in general funds) for capital renewal projects for UH - Systemwide.
- \$28 million (and \$5 million in revenue bond funds) for the College of Pharmacy, New Instructional Facility project at the UH - Hilo.
- \$32 million (and \$8 million in revenue bond funds) to renovate Kuykendall Hall at UH - Manoa.

Major FY 15 CIP requests funded by other MOF:

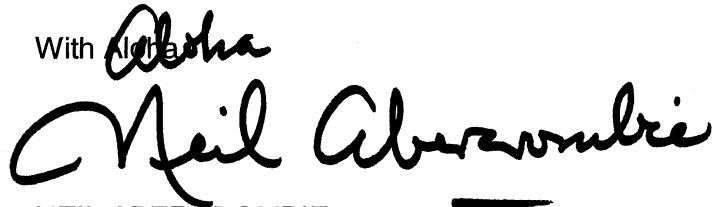
- \$9.8 million in general funds for the maintenance and remodeling of Department of Accounting and General Services' facilities.
- \$3 million in general funds for health and safety projects for public libraries, statewide.
- \$280 million in revenue bond funds for the New Mauka Concourse at Honolulu International Airport.
- \$70 million in revenue bond funds for Elliot Street Support Facilities at Honolulu International Airport.
- \$135 million in revenue bond funds for Rental Car Facilities Improvements, statewide.
- \$9.8 million in revenue bond funds and \$39.2 million in federal funds for 16 bridge replacement/improvement projects.
- \$21.7 million in revenue bond funds and \$29.9 million in federal funds for 16 various highway lump sum projects.
- \$198.0 million in revenue bond funds for deferred maintenance projects for UH - Systemwide.

## A FOUNDATION FOR THE FUTURE

Our hard work and diligence in stabilizing and growing our economy is a reality that we can build upon with enthusiasm. We have spent the last three years on a path to fiscal stability and sustainability that will positively impact Hawaii's future in the long term. With this solid foundation in place, we can continue to meet our obligations, be fiscally responsible, and fulfill the promise of a New Day future.

Your consideration of these proposals is appreciated. I look forward to working with you.

With Aloha

A handwritten signature in black ink that reads "Neil Abercrombie". The signature is written in a cursive, flowing style.

NEIL ABERCROMBIE  
Governor of Hawaii

APPENDIX TO THE GOVERNOR'S MESSAGE

**A. THE FY 15 EXECUTIVE SUPPLEMENTAL BUDGET RECOMMENDATIONS**

**THE OPERATING BUDGET**

**General Funds**

For **FY 14**, total proposed general fund adjustments to the operating budget amount to a net decrease of -\$53.2 million, or -0.9% less than the current appropriation level.

For **FY 15**, total proposed general fund adjustments to the operating budget amount to a net increase of \$183.3 million, or 3.0% more than the current appropriation level.

**All Means of Financing**

For **FY 14**, total proposed adjustments to the operating budget amount to a net decrease of -\$52.6 million, or -0.4% less than the current appropriation level for all means of financing (MOF).

For **FY 15**, total proposed adjustments to the operating budget amount to a net increase of \$283.8 million, or 2.4% more than the current appropriation level for all MOF.

Breakdowns by MOF are as follows:

Means of Financing	FY 14 Act 134/2013 Appropriation (\$)	FY 14 Proposed Adjustment (\$)	FY 14 Recommended Appropriation (\$)
General Funds	6,036,556,466	(53,151,500)	5,983,404,966
Special Funds	2,874,336,440	582,684	2,874,919,124
Federal Funds	1,991,849,122	.....	1,991,849,122
Other Federal Funds	200,573,310	.....	200,573,310
Private Contributions	433,067	.....	433,067
County Funds	674,179	.....	674,179
Trust Funds	227,631,039	.....	227,631,039
Interdept. Transfers	91,908,871	3,000	91,911,871
Federal Stimulus Funds	151,535	.....	151,535
Revolving Funds	384,155,766	.....	384,155,766
Other Funds	<u>11,048,393</u>	<u>.....</u>	<u>11,048,393</u>
Total	11,819,318,188	(52,565,816)	11,766,752,372

Means of Financing	FY 15 Act 134/2013 Appropriation (\$)	FY 15 Proposed Adjustment (\$)	FY 15 Recommended Appropriation (\$)
General Funds	6,123,494,985	183,279,342	6,306,774,327
Special Funds	2,931,794,332	165,352,666	3,097,146,998
Federal Funds	2,020,114,985	91,463,946	2,111,578,931
Other Federal Funds	192,488,826	(19,559,482)	172,929,344
Private Contributions	433,067	.....	433,067
County Funds	674,179	(464,458)	209,721
Trust Funds	230,908,300	(154,466,288)	76,442,012
Interdept. Transfers	92,608,271	(554,781)	92,053,490
Federal Stimulus Funds	.....	.....	.....
Revolving Funds	384,227,766	18,757,414	402,985,180
Other Funds	<u>11,255,963</u>	<u>.....</u>	<u>11,255,963</u>
Total	11,988,000,674	283,808,359	12,271,809,033

The distribution by department and the significant changes in the Operating Supplemental Budget by department are presented in the sections that follow.

**THE CAPITAL IMPROVEMENT (CIP) BUDGET**

**General Obligation Bond Funds**

For **FY 14**, there are no proposed CIP adjustments for general obligation (G.O.) bond funds. The current G.O. bond appropriation level is \$980.5 million (includes \$3 million in G.O. Reimbursable).

For **FY 15**, total proposed CIP adjustments amount to a net increase of \$351.7 million in G.O. bond funds, increasing the current G.O. bond appropriation level from \$387.3 million to \$739.1 million.

**All Means of Financing**

For **FY 14**, net proposed CIP adjustments amount to a net decrease of -\$2 million, or -0.1%, decreasing the current appropriation level to \$2,244.1 million.

For **FY 15**, total proposed CIP adjustments amount to a net increase of \$1,847.0 million, or 218.9%, increasing the current appropriation level to \$2,690.8 million.

Breakdowns by MOF are as follows:

Means of Financing	FY 14 Act 134/2013 Appropriation (\$)	FY 14 Proposed Adjustment (\$)	FY 14 Recommended Appropriation (\$)
General Funds	.....	.....	.....
Special Funds	46,145,000	(2,000,000)	44,145,000
G.O. Bonds	977,506,000	.....	977,506,000
G.O. Reimbursable	3,000,000	.....	3,000,000
Revenue Bonds	912,873,000	.....	912,873,000
Federal Funds	239,450,000	.....	239,450,000
Other Federal Funds	2,563,000	.....	2,563,000
Private Contributions	1,569,000	.....	1,569,000
County Funds	6,750,000	.....	6,750,000
Interdept. Transfers	.....	.....	.....
Federal Stimulus Funds	.....	.....	.....
Revolving Funds	.....	.....	.....
Other Funds	<u>56,204,000</u>	<u>.....</u>	<u>56,204,000</u>
<b>Total</b>	<b>2,246,060,000</b>	<b>(2,000,000)</b>	<b>2,244,060,000</b>

Means of Financing	FY 15 Act 134/2013 Appropriation (\$)	FY 15 Proposed Adjustment (\$)	FY 15 Recommended Appropriation (\$)
General Funds	.....	287,082,000	287,082,000
Special Funds	138,075,000	825,000	138,900,000
G.O. Bonds	387,346,000	351,716,000	739,062,000
G.O. Reimbursable	.....	.....	.....
Revenue Bonds	153,165,000	818,884,000	972,049,000
Federal Funds	161,768,000	373,344,000	535,112,000
Other Federal Funds	2,863,000	.....	2,863,000
Private Contributions	500,000	11,600,000	12,100,000
County Funds	.....	.....	.....
Interdept. Transfers	.....	2,000,000	2,000,000
Federal Stimulus Funds	.....	.....	.....
Revolving Funds	.....	1,500,000	1,500,000
Other Funds	<u>100,000</u>	<u>.....</u>	<u>100,000</u>
<b>Total</b>	<b>843,817,000</b>	<b>1,846,951,000</b>	<b>2,690,768,000</b>

The distribution by department and the highlights of the CIP program by department are presented in the sections that follow.

The New Day Work projects will provide valuable improvements to the State's infrastructure, while providing economic stimulus.

## **B. THE GENERAL FUND EXPENDITURE CEILING**

By law, general fund appropriations must comply with the expenditure ceiling requirements that are set forth in Section 9 of Article VII of the State Constitution and Section 37-92 of the Hawaii Revised Statutes.

At the aggregate level that includes all branches of government, the total proposed appropriations from the General Fund are within the expenditure ceilings for both FY 14 and FY 15.

For the Executive Branch, the total proposed appropriations from the General Fund (which include the Executive Supplemental Budget for FB 2013-15 and other specific appropriation measures to be submitted) exceed the appropriation ceiling by \$362.5 million (or 6.2%) in FY 14 and by \$381.9 million (or 5.9%) in FY 15. These excesses are due to the substantial costs of social assistance entitlements, support for public education, and other critical requirements.

## **C. THE DEBT LIMIT**

Section 13 of Article VII of the State Constitution places a debt limit on G.O. bonds that may be issued by the State. It has been determined that the total amount of principal and interest calculated on: a) all bonds issued and outstanding; b) all bonds authorized and unissued; and c) all bonds proposed in the Supplemental Budget (including State guaranties) will not cause the debt limit to be exceeded at the time of each bond issuance.