



## EXECUTIVE CHAMBERS

HONOLULU

NEIL ABERCROMBIE  
GOVERNOR

June 19, 2014

### EXECUTIVE MEMORANDUM

MEMO NO. 14-04

TO: All Department Heads

SUBJECT: Interim Budget Execution Policies and Instructions for FY 15

After two years of healthy general fund tax revenue growth of 15% in FY 12 and 9.9% in FY 13, revenue growth for FY 14 has flattened. Such high levels of growth, spurred by our collaborative efforts and shared sacrifice, were expected to level off to more sustainable levels over time.

In its June 2, 2014 report, however, the Council on Revenues (COR) lowered its FY 14 general fund tax revenue growth rate forecast from 0% to -0.4%. The COR was concerned that cumulative general fund tax revenue collections to date this fiscal year were lower than expected. This shortfall may be due to a number of factors, including declining visitor spending and the impact of federal fiscal austerity on the spending of Hawaii's residents. Although the COR remained optimistic about the economy for FY 15 through FY 20 and maintained its forecasts for those fiscal years, the change to the FY 14 projection will result in an estimated decrease in general fund tax revenue of approximately \$22 million in FY 14, increasing annually to \$30 million by FY 20 due to the impact of the lower base amount being carried forward.

Preliminary FY 14 general fund tax collections through May 2014 were -0.8% less than the same period in FY 13. General fund tax revenue growth for FY 14 has been negatively impacted by two uncommon events: 1) the allocation of \$55.5 million to the Hawaii Hurricane Relief Fund in August of FY 14 and 2) an unusually large allocation to the Hawaii County Surcharge in July of FY 14 compared to an unusually small allocation in July of FY 13. However, beyond the impact of these events, revenue growth has not appeared to be straightforwardly reflective of the performance of Hawaii's economy.

While we are optimistic about Hawaii's economy given the positive outlook for key economic indicators – unemployment is down to 4.4%, a rate unseen since August 2008; the construction industry is continuing to strengthen; and tourism, though growth has somewhat leveled off, is still expected to show gains – the FY 15 general fund revenue forecast seems less clear and more speculative as we come out of FY 14.

Additionally, Hawaii's reliance on the conditions of the national economy and key international economies, especially Japan's, will always necessitate that we keep a watchful eye toward these outside influences.

We are ever mindful of the national and worldwide events to which Hawaii is vulnerable, including reductions in federal spending and unrest in the Middle East. We also recognize that the future demands on the State's resources, including recapitalization of our emergency funds (the Hawaii Hurricane Relief Fund and the Emergency and Budget Reserve Fund) and unfunded liabilities in the Employees' Retirement System and Employer-Union Health Benefits Trust Fund are truly significant.

To ensure the State's fiscal stability going forward, we remain committed to making sound fiscal decisions. We are focused on managing the fiscal budget to help achieve near term financial stability, while delivering core Administration priorities. We will continue our efforts to deliver State services more efficiently and accelerate the implementation of New Day Work Projects to stimulate job growth and Hawaii's economy.

Full-year budget policies for FY 15 are forthcoming. During the interim, the following actions are hereby authorized:

1. On July 1, 2014, departments will receive their respective budget allocations for the first quarter only.

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

- General funds: One-fourth of 90% of the FY 15 operating program appropriation less vacancy payout and gubernatorial transition appropriations, as applicable, from Act 134, SLH 2013, as amended by House Bill (H.B.) No. 1700, H.D. 1, S.D. 1, C.D. 1.
  - Non-general funds: One-fourth of the FY 15 operating program appropriation from Act 134, SLH 2013, as amended by H.B. No. 1700, H.D. 1, S.D. 1, C.D. 1.
2. Departments should exercise caution with expenditures as final allocations have not been established. Allocations for subsequent quarters will be made upon further consideration of revenue and expenditure requirements.
  3. Release of collective bargaining allocations will be made in September 2014.
  4. Release of grants and other specific appropriations authorized for expenditure in FY 15 by the 2014 Legislature or other legislative sessions will be considered in January 2015 based upon revenue and expenditure requirements.
  5. Except for allocation amounts, all other current budget policies as contained in E.M. No. 13-02, FY 14 Budget Execution Policies and Instructions (dated June 28, 2013), remain in effect.

6. Capital Improvement Program policies and procedures as contained in E.M. No. 97-07, Procedures for Requesting the Implementation of Capital Improvement Projects (dated June 19, 1997), shall continue to be followed.

As in past years, these interim budget policies provide a high level of flexibility which I trust that all departments will responsibly utilize with the utmost accountability. Questions on the specific policies and procedures should be directed to the Department of Budget and Finance analyst assigned to your department or the appropriate agency referenced.

NEIL ABERCROMBIE  
Governor, State of Hawaii

Attachment: Exhibit 1

FY 2015 ALLOCATION  
 DEPARTMENT OF AGRICULTURE  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation (Operating)	GO Bond Funds (CB)
Appropriation	181,68	128,82	-	2,00	-	-	-	-	-	15,50	-	328,00	-
	13,807,110	17,337,470	187,000	1,558,251	-	-	812,962	454,270	-	12,765,519	-	46,922,582	-
1st Quarter Allocation	181,68	128,82	-	2,00	-	-	-	-	-	15,50	-	328,00	-
	3,044,100	4,334,368	46,750	389,563	-	-	203,241	113,568	-	3,191,380	-	11,322,970	-

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION  
 DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation (Operating)	GO Bond Funds (OB)*
Appropriation	553,000	63,000	5,500				5,000	35,000	-	49,000	-	710,500	
	90,209,026	23,996,145	8,980,650				4,740,925	37,543,171	-	37,508,122	-	202,978,039	
1st Quarter Allocation	553,000	63,000	5,500				5,000	35,000	-	49,000	-	710,500	
	20,683,534	5,999,036	2,245,163				1,185,231	9,985,793	-	9,377,031	-	48,875,788	
Restrictions	RESTRICTIONS - TO BE DETERMINED												

FY 2015 ALLOCATION  
 DEPARTMENT OF THE ATTORNEY GENERAL  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	348,611	24,600	5,200	157,860	-	-	-	101,111	-	25,400	-	662,780	-
	26,172,831	2,988,567	4,473,387	17,140,238	-	-	6,149,224	9,305,313	-	5,248,514	-	71,478,074	-
1st Quarter Allocation	348,611	24,600	5,200	157,860	-	-	-	101,111	-	25,400	-	662,780	-
	5,828,888	747,142	1,118,347	4,285,060	-	-	1,537,306	2,826,328	-	1,312,129	-	17,155,200	-

Restrictions - TO BE DETERMINED

FY 2015 ALLOCATION

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
(Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (GB)*
Appropriation	78.50 9,127,604	28.50 213,904,591	5.00 7,100,000	- 31,672,252	-	-	21,923,698	-	-	34.00 17,895,759	-	146.00 301,943,904	-
1st Quarter Allocation	78.50 2,053,711	28.50 53,476,148	5.00 1,775,000	0.00 7,918,063	-	-	5,480,925	-	80,000	34.00 4,473,940	-	146.00 75,257,787	-
Restrictions	RESTRICTIONS - TO BE DETERMINED												

FY 2015 ALLOCATION  
 DEPARTMENT OF BUDGET AND FINANCE  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	136.75	62.00	-	-	-	-	64.00	1.75	-	-	102.00	366.50	-
	2,111,301,146	18,265,089	61,539	-	-	-	13,427,793	4,118,597	-	110,567	11,255,963	2,158,540,694	-
1st Quarter Allocation	136.75	62.00	0.00	0.00	-	-	64.00	1.75	-	-	102.00	366.50	-
	527,527,239	4,566,272	15,385	-	-	-	3,356,948	1,029,649	-	27,642	2,813,991	539,937,126	-

RESTRICTIONS - TO BE DETERMINED



FY 2015 ALLOCATION  
 DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	-	412,000	-	-	-	-	8,000	-	-	-	-	420,000	-
1st Quarter Allocation	-	51,994,550	-	250,000	-	-	4,624,992	-	-	-	-	56,869,542	-
	-	412,000	-	-	-	-	8,000	-	-	-	-	420,000	-
	-	12,998,638	-	62,500	-	-	1,156,248	-	-	-	-	14,217,386	-

Restrictions - TO BE DETERMINED

FY 2015 ALLOCATION  
 DEPARTMENT OF DEFENSE  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	142.60		101.65									244.25	
	17,636,586		77,852,417	21,075,849								116,564,852	
1st Quarter Allocation	142.60		101.65									244.25	
	3,980,732		19,463,104	5,288,962								28,712,798	

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION  
 DEPARTMENT OF EDUCATION  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB) *
Appropriation	19,234.47	737.50	5.00	-	-	-	-	-	-	8.00	-	19,984.97	-
	1,406,144,711	55,959,324	233,651,324	17,343,500	-	-	24,290,000	10,545,605	-	28,834,438	-	1,776,765,902	-
1st Quarter Allocation	19,234.47	737.50	5.00	-	-	-	-	-	-	8.00	-	19,984.97	-
	345,296,003	13,989,831	58,412,831	4,335,875	-	-	6,072,500	2,636,401	-	7,208,610	-	437,952,051	-

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION

DEPARTMENT OF EDUCATION - PUBLIC LIBRARIES  
(Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (OB)
Appropriation	547,50	3,125,000		1,365,244								547,50	
1st Quarter Allocation	30,044,639											34,534,883	
	6,765,045	781,250		341,311								547,50	
												7,887,606	

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION

DEPARTMENT OF EDUCATION - CHARTER SCHOOLS  
(Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	16.12 69,325,807	-	1.88 2,004,550	-	-	-	-	-	-	-	-	18.00 71,390,357	-
1st Quarter Allocation	16.12 41,085,484	-	1.88 501,138	-	-	-	-	-	-	-	-	18.00 41,586,622	-

Restrictions - TO BE DETERMINED

FY 2015 ALLOCATION  
 OFFICE OF THE GOVERNOR  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	24.00		433,850									24.00	
1st Quarter Allocation	3,365,099											3,798,949	
	24.00											24.00	
	757,147		108,463									865,610	
Restrictions													

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION  
 DEPARTMENT OF HAWAIIAN HOME LANDS  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	9,632,000	115,000	4,000				81,000					200.00	
		13,030,827	23,917,601				10,756,146					56,736,574	
1st Quarter Allocation	2,167,200	115,000	4,000				81,000					200.00	
		3,257,707	5,829,400				2,689,037					13,943,344	

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION  
 DEPARTMENT OF HUMAN SERVICES  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	1,130.57	0.56	1,064.12	-	-	-	-	-	-	43.00	-	2,238.25	-
	1,189,677,223	5,939,604	1,528,414,881	17,731,799	10,000	-	-	14,382,003	-	9,990,663	-	2,766,146,173	-
1st Quarter Allocation	1,130.57	0.56	1,064.12	-	-	-	-	-	-	43.00	-	2,238.25	-
	294,513,383	1,484,901	382,103,720	4,432,950	2,500	-	-	3,595,501	-	2,497,666	-	688,630,621	-

RESTRICTIONS - TO BE DETERMINED



FY 2015 ALLOCATION  
 DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus Funds	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	97.00	-	-	-	-	-	-	1.00	-	-	-	98.00	-
	15,191,285	700,000	-	-	-	-	-	5,061,281	-	-	-	20,952,566	-
1st Quarter Allocation	97.00	-	-	-	-	-	-	1.00	-	-	-	98.00	-
	3,617,001	175,000	-	-	-	-	-	1,265,320	-	-	-	5,057,321	-

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION  
 DEPARTMENT OF HEALTH  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	2,009,06	164,00	268,46	71,40				5,00		77,20		2,595,12	
	400,753,750	211,311,079	85,259,394	39,201,021				3,693,348		168,812,770		909,031,362	
1st Quarter Allocation	2,009,06	164,00	268,46	71,40				5,00		77,20		2,595,12	
	97,692,783	52,827,770	21,314,849	9,800,255				923,337		42,203,193		224,762,187	

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION

DEPARTMENT OF HEALTH - HAWAII HEALTH SYSTEMS CORPORATION  
(Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	91,440,000	2,835,250										2,835,250	
1st Quarter Allocation	20,574,000	523,593,180										615,033,180	
		2,835,250										2,835,250	
		130,898,295										151,472,295	

Restrictions - TO BE DETERMINED

FY 2015 ALLOCATION  
 DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
 (Interim, June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	175.70	31.00	379.75	79.05								665.50	
	14,788,300	394,050,658	41,812,506	9,140,000				2,705,580		70,000		462,567,044	
1st Quarter Allocation	175.70	31.00	379.75	79.05								665.50	
	3,277,368	98,512,665	10,453,127	2,285,000				676,395		17,500		115,222,055	

Restrictions - TO BE DETERMINED

FY 2015 ALLOCATION  
 DEPARTMENT OF LAND AND NATURAL RESOURCES  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)*
Appropriation	410,25	343,00	21,25	10,00								784,50	
	29,952,383	74,193,930	9,908,383	22,193,850			99,755	1,720,000		792,602		138,860,903	
1st Quarter Allocation	410,25	343,00	21,25	10,00								784,50	
	6,739,286	18,548,483	2,477,096	5,548,463			24,939	430,000		198,151		33,966,418	
Restrictions													

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION  
 OFFICE OF THE LIEUTENANT GOVERNOR  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (OB)
Appropriation	8,000	-	-	-	-	-	-	-	-	-	-	8,000	-
1st Quarter Allocation	1,545,503	-	-	-	-	-	-	-	-	-	-	1,545,503	-
Restrictions	8,000	-	-	-	-	-	-	-	-	-	-	8,000	-
	347,738	-	-	-	-	-	-	-	-	-	-	347,738	-

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION  
 DEPARTMENT OF PUBLIC SAFETY  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	2,632.10	8.00						59.00		10.00		2,709.10	
	222,540,886	2,760,157		1,065,476		209,721	75,065	5,076,280		10,733,288		242,460,873	
1st Quarter Allocation	2,632.10	8.00						59.00		10.00		2,709.10	
	55,251,324	690,039		266,369		52,430	18,766	1,269,070		2,683,322		60,231,320	

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION  
 DEPARTMENT OF TAXATION  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	384,000	-	-	-	-	-	-	-	-	-	-	384,000	-
	26,892,138	1,047,875	-	-	-	-	-	-	-	-	-	27,940,013	-
1st Quarter Allocation	384,000	-	-	-	-	-	-	-	-	-	-	384,000	-
	6,050,732	261,969	-	-	-	-	-	-	-	-	-	6,312,701	-

RESTRICTIONS - TO BE DETERMINED



FY 2015 ALLOCATION  
 DEPARTMENT OF TRANSPORTATION  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation		2,211,70	6,00	0,80	-							2,218,50	
		886,105,125	26,361,476	871,139	423,067							913,760,807	
1st Quarter Allocation		2,211,70	6,00	0,80	-							2,218,50	
		221,526,281	6,590,369	217,785	105,767							228,440,202	

RESTRICTIONS - TO BE DETERMINED

FY 2015 ALLOCATION  
 UNIVERSITY OF HAWAII  
 (Interim June 2014)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	6,556,09	599,25	82,56							53,75		7,291,65	
	409,656,245	622,528,454	12,688,542							105,600,860		1,150,474,101	
1st Quarter Allocation	6,556,09	599,25	82,56							53,75		7,291,65	
Restrictions	99,665,879	155,632,114	3,172,136							26,400,215		284,870,344	

RESTRICTIONS - TO BE DETERMINED