



GOV. MSG. NO. 616

EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

April 17, 2009

The Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
State Capitol
Honolulu, Hawaii 96813

Dear Madam President:

Transmitted herewith are proposed changes to the FB 2009-11 Executive Budget (House Bill No. 200) to reflect revised amounts for Federal Medical Assistance Percentage (FMAP) federal stimulus funds through the Department of Human Services (DHS). In addition, requests are being submitted to increase the federal fund ceiling for DHS' Homeless Services program and the Department of Health's (DOH) Water Pollution Control program for the receipt of American Recovery and Reinvestment Act of 2009 (ARRA) funding. Additionally, the request includes changes to the Department of Accounting and General Services capital improvement program funds.

Also proposed is an amended proviso to allow the expenditure of federal stimulus funds for administrative costs to track ARRA spending.

Please note that these requests replace amounts previously identified in my March 30, 2009 transmittal of the third budget message.

It is also proposed to reduce the appropriation for FB 2009-11 for Retirement Benefits Payments and Health Benefit Premiums to reflect the targeted labor costs savings resulting from collective bargaining and to provide additional funding to address a shortfall in retiree health benefit payments. A proviso is proposed to enable the transfer of labor cost savings from the various departments to the Retirement Benefits Payments and Health Benefit Premiums program to restore funding for these two programs. Further, this request includes an increase to the interdepartmental transfer ceiling for DHS' Adult and Community Care Services program.

Your favorable consideration is requested for the attached replacement budget items:

Operating:

Department of Budget and Finance:

1. New request to reduce the Retirement Benefits Payments (BUF 941) general fund appropriation by \$146,120,420 and the Health Benefit Premiums (BUF 943) general fund appropriation by \$146,120,420 over both years of the biennium to reflect a reduction in labor costs resulting from collective bargaining negotiations to address the State budget shortfall. The targeted labor savings total \$303,000,000 over the biennium including \$25,000,000 to address a retiree health benefit payments shortfall. The Retirement Benefits Payments and Health Benefit Premiums adjustments are \$292,240,840 of that total with the balance of \$10,759,160 in labor savings coming from the Judiciary's budget.
2. New request to increase the Health Premium Payments (BUF 943) general fund appropriation by \$25,000,000 over the biennium to address the retiree health benefit payments shortfall.
3. Add a new proviso to enable the transfer of savings resulting from a reduction in labor costs from collective bargaining negotiations occurring in the various departments to the Retirement Benefits Payments and Health Benefit Premiums program to restore funding for those two programs.

Department of Education:

Revise the revolving fund ceiling from \$189,284 and \$65,067 to \$209,121 in FY 10 and \$106,297 in FY 11, respectively, for the Comprehensive Student Support Services program (EDN 150) to reflect additional stimulus FMAP funds from DHS, and decrease general funds by the same amount to help address the State's budget shortfall.

Office of the Governor:

Replace the proviso enabling the transfer of federal stimulus funds from the ARRA appropriated in GOV 100 in FY 10 to DOE and UH programs, upon the Governor's determination, by expanding the original proviso to also enable the expenditure of funds for administrative costs to track ARRA spending.

Department of Health:

1. Revise the amount of stimulus FMAP funds coming through DHS from \$20.0 million and \$6.9 million to \$23,248,979 in FY 10 and \$11,686,184 in FY 11, respectively, and decrease general funds by the same amounts for the Adult Mental Health

Division - Outpatient program (HTH 420), the Child and Adolescent Mental Health Division (CAMHD) (HTH 460), the Developmental Disabilities (DD) program (HTH 501), and the Family Health, Early Intervention program (EIP) (HTH 560). The updated FMAP funds are due to increasing the percentage under the ARRA and are reimbursements through DHS. For the Adult, CAMHD, and EIP programs, special fund ceiling adjustments are being made to reflect the FMAP funds coming through DHS; for DD, a corresponding interdepartmental transfer fund ceiling adjustment is made for the FMAP funds coming through DHS.

2. Revise the FY 10 ceilings for the Water Pollution Control Revolving Fund from \$29,935,893 to \$30,288,193 to provide loans and grants for the construction of wastewater infrastructure improvements, and from \$30,000,000 to \$30,352,300 in V funds based on the grant application submitted to the Environmental Protection Agency to receive the ARRA funds, which includes the establishment of a temporary Accountant IV.

Department of Human Services:

1. Revise the V fund ceiling from \$151,997,757 to \$174,322,095 in FY 10 and from \$56,984,906 to \$92,767,923 in FY 11 for Health Care Payments (HMS 401) to reflect the increase in federal Medicaid funds due to the State qualifying for an enhanced FMAP rate under ARRA. Revise the general fund reduction from \$131,760,951 to \$119,361,184 in FY 10 and from \$50,028,369 to \$60,531,266 in FY 11 for Health Care Payments (HMS 401) to help address the State's budget shortfall and to fund projected general fund shortfalls in the Medicaid program.
2. Create a new V fund ceiling of \$2,166,888 in FY 10 for Homeless Services (HMS 224) to provide funding to help families pay for rent, utilities, make security deposits, and cover other housing expenses as provided for in ARRA.
3. Increase the interdepartmental transfer ceiling by \$103,916 in FY 10 for Adult and Community Care Services (HMS 601) to reflect stimulus funds received from DLIR for the Respite Companion Services program.

Capital Improvement Program:

Department of Accounting and General Services:

New request to increase the general obligation bond funds by \$10,951,000 in FY 10 and delete \$26,007,000 in FY 11 for the Public Works Division to design and construct the Capitol District Energy Savings Performance Contract project at ten State office buildings within the State Capitol District. The project will implement a comprehensive energy conservation initiative that will maximize energy efficiency in public facilities.

Honorable Colleen Hanabusa

April 17, 2009

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Your staff may contact the appropriate agency for additional information. Your understanding and assistance is appreciated.

Sincerely,

LINDA LINGEE

Attachments

c: Honorable Donna Mercado Kim

OPERATING

DEPARTMENT OF BUDGET AND FINANCE

Retirement Benefits Payments (BUF 941/RB)

Add new item.

Reduce the appropriation for Retirement Benefits Payments to reflect a reduction in labor costs to address the shortfall in the Executive Budget.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	- 73,060,210 A	- 73,060,210 A

Health Premium Payments (BUF 943/HP)

Add new item.

Reduce the appropriation for Health Fund Premiums to reflect a reduction in labor costs to address the shortfall in the Executive Budget and retiree health benefits.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	- 73,060,210 A	- 73,060,210 A

Health Premium Payments (BUF 943/HP)

Add new item.

Increase the appropriation for Health Premium Payments to reflect increased expenditures to address the shortfall in retiree health benefit payments.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	12,500,000 A	12,500,000 A

DEPARTMENT OF EDUCATION

Comprehensive Student Support Services – Other Related Services (EDN 150/YK)

Replacement for 3/30/09 proposed changes.

Increase the revolving fund ceiling for the Comprehensive Student Support Services program by \$209,121 in FY 10 and \$106,297 in FY 11 to reflect additional Federal Medical Assistance Percentage funds and decrease general funds by the same amount.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	- 209,121 A 209,121 W	- 106,297 A 106,297 W

DEPARTMENT OF HEALTH

Adult Mental Health - Outpatient (HTH 420)

Replacement for 3/30/09 proposed changes.

Increase the special fund ceiling to receive federal stimulus funds and decrease general funds by the same amount to help address the State's budget shortfall.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	- 4,193,089 A 4,193,089 B	- 1,421,779 A 1,421,779 B

Child and Adolescent Mental Health (HTH 460)

Replacement for 3/30/09 proposed changes.

Increase the special fund ceiling to receive federal stimulus funds and decrease general funds by the same amount to help address the State's budget shortfall.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	- 2,622,320 A 2,622,320 B	- 1,780,343 A 1,780,343 B

Developmental Disabilities (HTH 501)

Replacement for 3/30/09 proposed changes.

Increase the interdepartmental transfer fund ceiling to receive federal stimulus funds and decrease general funds by the same amount to help address the State's budget shortfall.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	- 16,012,416 A 16,012,416 U	- 8,286,719 A 8,286,719 U

Family Health/Early Intervention (HTH 560)

Add new item.

Increase the special fund ceiling to receive federal stimulus funds and decrease general funds by the same amount to help address the State's budget shortfall.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	- 421,154 A	- 197,343 A
	421,154 B	197,343 B

Environmental Management (HTH 840)

Replacement for 3/30/09 proposed changes.

Increase the Water Pollution Control Revolving Fund by \$30,288,193 in revolving funds and create V fund ceiling of \$30,352,300 for FY 10 to provide loans and/or grants to the counties for the construction of wastewater infrastructure improvements and for a temporary Accountant IV. The stimulus funds (except for the personal services expense) will be deposited into the revolving fund.

	<u>FY 2010</u>	<u>FY 2011</u>
Personal Services	64,107 V
Other Current Expenses	- 30,288,193 V
	30,288,193 W

DEPARTMENT OF HUMAN SERVICES

Health Care Payments (HMS 401)

Replacement for 3/30/09 proposed changes.

Create V fund ceiling to reflect the increase in federal Medicaid funds and reduce general funds to offset a portion of the additional Medicaid funds allocated to the MedQUEST Division.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	174,322,095 V	92,767,923 V
	- 119,361,184 A	- 60,531,266 A

Homeless Services (HMS 224)

Add new item.

Create V fund ceiling to receive federal stimulus funds for families to pay for rent, utilities, security deposits, and other housing expenses.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	2,166,888 V

Adult and Community Care Services (HMS 601)

Add new item.

Increase the interdepartmental transfer ceiling to receive federal stimulus funds from the Department of Labor and Industrial Relations for the Respite Companion Services program.

	<u>FY 2010</u>	<u>FY 2011</u>
Other Current Expenses	103,916 U

CAPITAL IMPROVEMENT PROJECTS

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Add new item.

AGS 221 PUBLIC WORKS – PLANNING DESIGN & CONSTRUCTION

“K-7 P60131 ENERGY CONSERVATION AND SUSTAINABLE DESIGN IMPROVEMENTS, STATEWIDE

DESIGN AND CONSTRUCTION FOR DEVELOPMENT AND IMPLEMENTATION OF A COMPREHENSIVE ENERGY CONSERVATION PLAN TO MAXIMIZE ENERGY EFFICIENCY IN PUBLIC FACILITIES AND OPERATIONS. EFFORTS WILL INCLUDE CONSIDERATION FOR SUSTAINABLE DESIGN TO THE FULLEST EXTENT POSSIBLE.

	<u>FY 2010</u>	<u>FY 2011</u>
PLANS	[250] 0	[250] 0
DESIGN	[500] 2,500	[550] 0
CONSTRUCTION	[18,289] 27,500	[25,197] 0
EQUIPMENT	[10] 0 C	[10] 0 C”

PROVISOS

Amend Part VII as follows:

Replacement for 3/30/09 proposed proviso.

SECTION ____. Provided that unless otherwise provided in this Act, the governor is authorized to transfer federal stimulus funds from the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, appropriated for the office of the governor (GOV 100) for fiscal year 2009-2010, to EDN and UOH programs for the purpose of providing additional support for education programs, including elementary, secondary and higher education, when the need has been determined by the governor; and provided further that of the federal stimulus funds appropriated for the office of the governor, funds may be expended for administrative costs to track spending of the federal stimulus funds appropriated.

Add new proviso.

SECTION ____. Notwithstanding any other provision of this Act, the director of finance at the direction of the governor is authorized to transfer to retirement benefits payments (BUF 941) up to a total of \$73,060,210 for fiscal year 2009-2010, and up to a total of \$73,060,210 for fiscal year 2010-2011, from savings or unrequired balances as may be available from appropriated general funds from other programs and agencies as a result of savings from collective bargaining agreements; provided further that up to a total of \$73,060,210 for fiscal year 2009-2010, and up to a total of \$73,060,210 for fiscal year 2010-2011, may be transferred to health premium payments (BUF 943) from savings or unrequired balances as may be available from appropriated general funds from other programs and agencies as a result of savings from collective bargaining agreements.