

Instructions for Completing Program and Financial Plans
and
Program Budget Request Forms

General Budget Information

1.0 Types of Cost Categories

- Financing Agreements
- Operating
- Capital Investment

1.1 Financing Agreements

1.1.1 Definition of Financing Agreement

Chapters 37 and 37D, HRS, provide separate requirements for the budgeting and management of *“financing agreements”* and related transactions.

A *“financing agreement”* includes any lease purchase agreement, installment sale agreement, loan agreement, line of credit, or other agreement to finance the improvement, use, or acquisition of real or personal property that is or will be owned or operated by the State or any agency or to refinance any such previously executed financing agreement including certificates of participation relating thereto.

“Financing agreement” applies, but is not limited to, agreements involving tangible personal property, software (including software, training, and maintenance contracts related to the operation of computer equipment), fixtures, and property rights. (See Executive Memorandum (E.M.) No. 96-17, dated November 15, 1996, Relating to Financing Agreements.)

1.2 Operating Costs

1.2.1 Definition of Operating Costs

Recurring costs to operate, support and maintain authorized programs.

1.2.2 Examples of Operating Costs

- Personnel salaries and wages.
- Employee fringe benefits.
- Expenses of a consumable nature, such as materials and supplies; travel expenses; utilities; stamps; consultant fees; building and equipment rentals.

- All repairs and maintenance of existing buildings and facilities (reroofing, repainting, resurfacing) in order to retain and restore their former condition, unless the construction cost exceeds 40 percent (40%) of the replacement value for the entire facility. See E.M. No. 97-07, as amended, for additional guidance.
- Equipment needed by staff and programs.
- All equipment and furnishings for existing buildings.
- All motor vehicles for programmatic purposes, including buses and ambulances.

1.3 Capital Investment Costs

1.3.1 Definition of Capital Investment Costs

Capital improvement costs are those costs which are required to support the operation of a program by providing facilities and other related physical support. The time stream of benefits will accrue over the expected life of the facility.

Acquisition and development of land, the design and construction of new facilities, and renovations and additions to existing facilities are expenses usually associated with capital investment costs.

1.3.2 Examples of Capital Investment Costs

- Advance planning for specific complexes, including the development of cost estimates and other support activities (feasibility study, site selection, master plan, long-range facility related plan, etc.).
- Acquisition of land and other related expenses, such as appraisal fee and cadastral engineering.
- Architectural and engineering design, including the preparation of an environmental impact statement and other necessary building permits and zoning clearances.
- Construction of facilities, including built-in equipment and fixtures to make the facility operable and other related engineering services.
- Initial furnishings and equipment essential for the proper functioning of the facility which cannot be provided by the existing inventory.
- Art-in-state buildings, as stipulated by Section 103-8.5, HRS.

- Projects which would renovate existing facilities as follows:
 - Extend or add to a facility to accommodate program growth.
 - Modify a facility in order to comply with standards which have been adopted since the construction of the facility (OSHA, EPA, programmatic, etc.) or to change its usage and utility.
 - Make significant improvements to a facility for better functional or operational efficiency.

1.3.3 Differences Between Operating and Capital Investment Costs

Equipment needed for on-going programs are operating cost items, while the initial equipment to make the physical plant functional are capital improvement cost items.

Small replaceable equipment items which are used for programmatic purposes and have a life expectancy of less than 20 years (slide projectors, weighing scales, cameras, portable microphones, etc.) are not allowable as CIP costs.

Major repair and maintenance (R&M) projects extend the useful life of a facility or provide for greater functional/operational efficiency through a significant improvement or upgrade. The life expectancy of major R&M projects should be generally over 15 years. Examples include: reroofing, air conditioning equipment, refurbishing of building space or building infrastructure, major improvements to sports facilities, and resurfacing. All other R&M projects should be treated as operating costs.

2.0 Means of Financing

The 18 different types of funds to finance programs are called means of financing. The means of financing of each of the three cost categories must be identified. The codes to indicate each means of financing are listed below:

| <u>Code</u> | <u>Financing</u> |
|-------------|-----------------------------------|
| A | - General Fund |
| B | - Special Funds |
| C | - General Obligation (G.O.) Bonds |
| D | - G.O. Bonds Reimbursable |
| E | - Revenue Bonds |
| J | - Federal Aid Interstate |
| K | - Federal Aid Primary |
| L | - Federal Aid Secondary |
| M | - Federal Aid Urban |
| N | - Federal Funds |
| P | - Other Federal Funds |
| R | - Private Contributions |
| S | - County Funds |
| T | - Trust Funds |
| U | - Inter-departmental Transfers |
| V | - Federal Stimulus Funds |
| W | - Revolving Funds |
| X | - Other Funds |

Program Performance Measures

3.0 Types of Performance Measures

- **Planned Levels of Program Effectiveness (Table A)** – the degree to which results and accomplishments are expected with the implementation of the Executive Budget.
- **Projected Target Groups (Table B)** – recipients or beneficiaries of the services provided by the program.
- **Program Activities (Table C)** – major activities that will be carried out by the program to achieve the planned levels of program effectiveness.

3.1 Performance Measures Data Collection

The Department of Budget and Finance's (B&F) web-based system, eAnalytical, will be used to capture data for Tables A, B and C. After preliminary budget recommendations have been made by B&F, the data for the approved measures should be updated to reflect the level of program goals that will be achieved by the implementation of the approved Executive Budget.

The performance measures and data in the Variance Report will come from the data input into eAnalytical.

The user manual for eAnalytical, available for download on the eAnalytical website, provides instructions on using the data capture system.

The Operating Budget

4.0 Components of the Operating Budget

- Table BJ Summary - summary of the detail tables
- Detail Tables by Cost Elements:
 - Personal Services (Tables BJ-1, BJ-1A, and BT-1)
 - Other Current Expenses (Table BJ-2)
 - Equipment (Table BJ-3)
 - Motor Vehicles (Table BJ-4)

All detail tables (in Excel format) will be sent to each department for update. After detail tables are updated and returned to B&F, Table BJ Summaries will be generated in eBUDDI, B&F's web-based operating budget system. Subsequently, all Table BJ Summaries and detail tables will be available for update in eBUDDI. Please refer to your eBUDDI user manual for instructions to update your Table BJ Summary and detail tables.

Departments using their own budget systems should generate their own updated detail files and should follow these procedures as applicable.

4.1 Table BJ Summary

Departments using eBUDDI will be notified when to update their Table BJ Summaries. After Governor's decisions, update the BJ details in eBUDDI to incorporate approved budget requests so that the Table BJ Summaries can be generated by eBUDDI.

Departments using their own budget systems should submit Excel files/electronic files of their revised Table BJ Summaries and detail tables, as applicable.

4.2 Personal Services (Tables BJ-1, BJ-1A, and BT-1)

- Personal services includes the major objects of expenditure 20XX and 28XX only. 29XX, Services on a Fee Basis, is reflected on Table BJ-2, Other Current Expenses.
- Table BJ-1 – enter permanent positions only.
Table BT-1 – enter temporary positions only.
Table BJ-1A – enter other personal services costs, such as overtime, night differential, etc.

All three types of records are included in the personal services sections on eBUDDI.

- All permanent and temporary positions in the budget details of Act 134, SLH 2013, as amended by Act 122, SLH 2014, will be updated with current incumbent information from DHRD's Human Resources Management System (HRMS). All information should be checked to ensure accuracy when it is transmitted to you. The following positions were not included:

1. Student positions.
2. Positions with any of these five attributes: vicing, floater, substitute, seasonal, or temporary as needed.

NOTE: Any corrections made to the BJ-1 tables will not automatically update HRMS.

- Salary Projection Methodology

1. Salary amounts for FY 15, FY 16 and FY 17 will be based on the latest salary schedule for positions in bargaining units with contracts through FY 17, as applicable. For all other positions, salary amounts for FY 16 and FY 17 reflect the full-year salary amounts based on the FY 15 salary schedule. Transactions which were processed after the date the BJ-1 and HRMS files were interfaced were not used in calculating the salary amounts for FY 15, 16 or 17. When the updated BJ-1 file is transmitted to you, you will be notified of the file interface date.
2. No assumptions have been made for future salary increases beyond currently approved collective bargaining contracts.
3. Hourly and daily rate positions have been converted to an annual amount based on the FTE percent.
4. All vacant civil service positions have been reduced to the entry step on the pay scale. The salaries of vacant exempt positions are the salary amounts of the last incumbent, if the record of the last incumbent exists in HRMS. **If there is no record of the last incumbent, the salary may be 0.**
5. If a position is funded by more than one means of financing (MOF), each MOF portion is shown on a separate line.

Because the BJ-1 and BT-1 files will be used as the basis for CB and other reports, it is important that they should reflect the most current information possible. Please ensure that each position title shows its corresponding BU, job code, and SR levels as laid out in the DHRD Compensation Plan.

- Pseudo Position Numbers - A unique pseudo number must be assigned to each new position, i.e., a pseudo number cannot be used more than once in the same department.
 1. Positions requested for FY 16 will have pseudo numbers beginning with 96xxxA, and positions requested for FY 17 will have numbers beginning with 97xxxA (xxx is the arbitrary number assigned to the position, and A is the department's alpha code.

Example: 96001M is a pseudo number for a position (001) that the DAGS (M) is requesting for FY 16.

2. For further information on pseudo position numbers, contact your departmental coordinator.
- Show positions that are on loan from one department (or program) to another only in the department from which they are loaned. For example, if the Department of the Attorney General (AG) has assigned persons to the Department of Transportation (DOT), they should be included in the AG's personnel total.

Use MOF code U as the funding for these positions in the AG budget. DOT should show the cost of the positions as Other Current Expenses, using the appropriate MOF code (in this case, MOF B - special funds).

- Include employee fringe benefits as a BJ-1A line item only if the program is non-general funded.
- Do not include funds in the planning period for anticipated collective bargaining increases.

4.3 Other Current Expenses (Table BJ-2)

- In the past, the item descriptions and object codes of the first 53 lines of Table BJ-2 were pre-set. This practice has been discontinued. **You may enter any object code and any description on any line of the Other Current Expenses file.**
- Exceptions to this flexibility: specific object codes have been assigned in the following three areas for budgeting purposes only:

EDP-Related Requests

71BB EDP Consultant Services

56DD Rental of Printer/Copy Machine

56EE Rental of Other EDP Equipment

57AA Other EDP Rentals

58AA R&M of Computer Equipment

Services-on-a-Fee Basis (Previously 2900)

29AA Personal Services Rendered by Other State Departments and Agencies (State Employees)

71AA Services-on-a-Fee Basis (Other than State Employees)

Purchases of Service, Culture and Arts Grants, and Subsidies

71CC Purchases of Health and Human Services

65XX Culture and Arts Grants

- Effective July 1, 1996, all real or personal property acquired by the State through leasing or other financial agreements as defined by Act 119, SLH 1996, will be budgeted on the BK tables. See Section 5.0 of these instructions for more discussion on this matter.

5.0 Current Lease Payments

In order to comply with Act 119, SLH 1996, the BK tables, which were formerly used for Research and Development costs, have been renamed "Operating Costs - Current Lease Payments" and will be used to capture funding requirements for lease payments in this biennium budget.

Briefly, the purpose of the Act is to protect the State's credit rating by disclosing funding requirements for leases and other financing agreements in the Program and Financial Plan and Executive Budget. The Act also makes current lease payments a new cost element in the operating budget. Clarification regarding which leases and financing agreements in the operating and capital budgets are covered by this Act will be issued separately.

Enter your funding requirements for these financing agreements on Table BK Summary and the appropriate BK detail records on eBUDDI.

ENTER YOUR FINANCING AGREEMENT REQUIREMENTS ON THE BK FILES ONLY. DO NOT INCLUDE THEM ON THE BJ TABLES WITH YOUR OTHER RENTAL REQUIREMENTS OR YOU WILL BE DOUBLE BUDGETING THESE AMOUNTS. The total of all of your department's Table BJ and BK amounts must be within your budget allocation ceiling.

Use major object code 77 for equipment and motor vehicle financing agreements, and major object codes 55, 56 or 57 for items falling under other current expenses.

6.0 Revenue Estimates

Revenue estimates are updated quarterly by each department via eREV and are uploaded to the DAGS revenue collection system. The quarterly update information is also used in the Statewide Financial Plan and is one of the bases for computing expenditure allocations.

Be sure to report all revenues from ceded lands, since payments to the Office of Hawaiian Affairs must now be budgeted consistently in all affected departments.

Revenue estimate updates were due to B&F on August 14, 2014. These estimates will be used as the basis for evaluating the expenditure requirements of each program over the budget and planning period.

The Capital Improvement (CIP) Budget

7.0 Components of the Capital Budget

- Table P – Required Appropriations
- Table Q – Expected Expenditures
- Table R – Project Justification

A set of each of the three tables is required for each capital project requesting authorizations during the budget biennium. All requests should be input using eCIP, B&F's web-based capital improvement budget system. Please refer to your eCIP user manual for instructions on completing Table P, Q and R.

In addition, pursuant to Act 135, SLH 2014, departments are required to provide estimates of operating costs for each proposed capital improvement project. Please fill out the Form CIPOp provided in Attachment 5 for this purpose.

7.1 Table R - Capital Project Information and Justification Sheet

Project information and justification are required for each project that requests appropriations during the biennial period. Information should be provided to address and clarify the following:

1. The scope of the project, and whether the scope conforms to appropriation language.
2. Benefits to be derived and target group(s).
3. Relationship of the requested project to other planned developments within the area, if applicable.
4. Factors considered in the development of the project timetable.
5. Consequences of possible deferral of this project.
6. Basis for estimating capital improvement requirements (e.g., enrollment, staffing, nature of program activities, traffic patterns and volume, need for recreational facilities, etc.).
7. Standards or criteria used to translate space and facilities required by operating program into specific requirements (e.g., square feet of space/position level, miles of highway, acres of recreational area/000s population). Published standards currently in use for major categories of

capital facilities, such as school buildings, highways, etc., should be provided to B&F.

8. Analysis of the alternative ways of meeting capital requirements. These alternatives may include more efficient use of existing facilities; renovation and/or expansion of existing facilities; construction of new facilities; leasing facilities; and construction of temporary facilities. They may also include alternative definitions of service areas in combination with alternative minimum/maximum criteria governing the size of the facility (e.g., school boundaries).
9. Plot plan, drawn to scale if possible, to illustrate the following:
 - a. Existing buildings, roads, and applicable infrastructure in the area of the proposed project.
 - b. Outline of improvements, including: 1) existing improvements; 2) improvements under construction; 3) improvements previously authorized by the Legislature but not yet under construction; and 4) other proposed improvements.
 - c. Land use requirements in acres. Indicate setbacks, rights of way, easements, parking areas, landscaped areas, open areas, and building areas.
 - d. Location description. Requests for funds for projects with an undetermined location may be subject to further review.
 - e. Other details including: 1) notation of the plot plan structures which would be replaced by the proposed project; and 2) if the facility is to be used by more than one department, the expending agency should prepare and submit one plot plan showing the floor areas being used by each department.

7.2 Form PAB - Expenditure of G.O. Bond Proceeds Questionnaire

Form PAB must be completed for any project which includes, as a source of its funding, G.O. (C) or G.O. reimbursable (D) bond fund proceeds.

Questions are self-explanatory; however, the Policy and Procedures Manual prepared by Grant Thornton, Management Consultants, describes the roles, responsibilities, and procedures that user and expending agencies must follow to comply with Tax Reform provisions relating to G.O./G.O.R.-funded CIP. Specific questions on this questionnaire should be directed to the Financial Administration Division of B&F.

8.0 Program Plan Narrative – Sample 1

- Type lengthwise (across the 14” side in two columns) on 8-1/2” x 14” paper with a three-fourths inch margin on the left, right and bottom of the paper and a one inch margin at the top of the page.
- Use Arial, 12 point font.
- Type the program structure number in the upper right-hand corner of the page.

Example:

07 01 01 01

- Type the program ID and description in the upper left corner of the page.

Example:

EDN 100: SCHOOL-BASED BUDGETING

- The program narratives should not exceed two pages. Additional pages can be submitted provided prior approval from B&F is obtained.

Do not refer to input tables by their letter designations. Instead, refer to the type of data, e.g., target group data, personnel data, etc.

- Each narrative should contain all of the following sections:

A. Statement of Program Objective(s)

Use the objective from the State of Hawaii Program Structure document, or as approved in the latest program structure update.

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

Briefly describe the significant items (new programs that will be started, trade-offs that will be made in order to accommodate these new programs, etc.) in your FB 2015-17 budget request. For new programs starting in FY 16, discuss how these programs are appropriate functions of State government and how implementation by government will be as cost-effective as by the private sector.

C. Description of Activities Performed

This section should contain a brief description of the major activities carried out by the program to achieve program effectiveness.

D. Statement of Key Policies Pursued

This section should clearly state the key policies pursued. This section should state how the activity will carry out the objectives and policies of Part I and Part III (Priority Directions) of the Hawaii State Plan and the interim planning documents as stipulated by Administrative Directive No. 82-3, dated May 3, 1982.

E. Identification of Important Program Relationships

This section should identify important program relationships involved. Federal, City and County, and private sector programs, which have significant relationships to the current approved program, should be identified since obviously the State's activities should be integrated and coordinated with those of all of the other agencies. Particular reference shall be made to relationships with programs which further carry out the Priority Directions of the Hawaii State Plan and the interim planning documents.

F. Description of Major External Trends Affecting the Program

Broad local, state, national and international trends affecting the program should be briefly discussed.

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

This section should contain: a discussion of significant discrepancies between previously planned cost, effectiveness, and program size levels and those actually achieved; comments on and an interpretation of cost, effectiveness and program size data over the upcoming budget period with special attention devoted to changes from the current budget period; comments on and an interpretation of cost, effectiveness and program size data over the four years of the planning period and how they relate to the corresponding data for the budget period.

H. Discussion of Program Revenue

This section is for indicating all revenues generated by (or expected to be generated by) the current program.

Program revenues do not include legislative appropriations or transfers from other departments. The narrative should explain the basis for all revenue estimates.

I. Summary of Analysis Performed

This section should contain a summary of special analytic study, program evaluation or other analytic report supporting a substantial change in the program where such a major change recommendation has been made.

The narrative should summarize the findings of any program analysis performed and explain the plans to accomplish program objectives and the programming of the plans over the next six years. A sample format follows:

- a. General Nature of the Problem
- b. Reasons for Attention at this Time
- c. Target Groups
- d. Client Groups
- e. Other Programs Relevant to this Problem (Including State, County, and Federal Programs)
- f. Objectives Related to this Problem
- g. Measures of Effectiveness Related to this Problem
- h. The Framework of the Analysis
- i. Alternatives
- j. Evaluation of Alternatives
- k. Recommendations
- l. Appendices (As Needed)

J. Further Considerations

Program analysis is not necessarily limited to the items specified in A through H. Some program managers may feel the need to include additional material and are encouraged to do so, keeping in mind the two-page limitation. If a further assessment of the program is warranted, an appendix should also be submitted. The length of the appendix will not be limited to any specific number of pages. However, the existence of an appendix should be noted in this section and that copies will be made available to interested parties.

9.0 Sample Forms

The following forms have been included for reference purposes:

Sample 1 – Budget Narrative Format

EDN100: SCHOOL-BASED BUDGETING

Program Plan Narrative

07.01.01.01

- A. Statement of Program Objectives
- B. Description of Request and Compliance with Section 37-68(1)(A)(B)
- C. Description of Activities Performed
- D. Statement of Key Policies Pursued
- E. Identification of Important Program Relationships
- F. Description of Major External Trends Affecting the Program
- G. Discussion of Cost, Effectiveness, and Program Size Data
- H. Discussion of Program Revenues
- I. Summary of Analysis Performed
- J. Further Considerations