

**GUIDELINES FOR OPERATING AND CAPITAL IMPROVEMENT PROGRAM
BUDGETS FOR FB 2017-19 AND THE PLANNING PERIOD**

Budget submissions shall include all costs of Executive Branch agencies and programs, including operating, current lease payment and capital improvement program project (CIP) costs by the appropriate means of financing (MOF).

All requests for operating and capital improvement program budget authorizations shall conform to the guidelines contained herein. For additional information, departments should also refer to:

- Attachment 3 (*Additional Operating Budget Detail Guidelines FB 2017-19 and the Planning Period*).
- Attachment 6 (*General Budget Information and Instructions for Completing Program Budget Request Forms (August 2016)*).

A. OPERATING BUDGET

The following instructions apply to all MOF, except as otherwise noted.

1. Departmental Budget Ceilings

Attachment 1 contains the operating budget ceilings established for each department for all MOF. The ceilings are based on each department's FY 17 appropriations, less non-recurring expenses, and plus collective bargaining, as applicable.

2. Requests for Trade-Off and Transfer and Conversion of Unbudgeted Positions

Departments should consider whether it is feasible to reallocate current resources to address their operating program needs. Departments should review current expenditures which are not appropriately budgeted (i.e., budgeted in the wrong line item or program) and submit trade-off and transfer requests to ensure that budgeted amounts appropriately reflect anticipated program expenditures by line item. Departments are encouraged to use their resources wisely to accommodate the changing conditions and priorities of State programs and to increase efficiency.

Departments should also ensure that they are able to meet the requirements of Act 160, SLH 2015, which, effective July 1, 2017, 1) defines "position ceiling" as the maximum number of permanent and temporary positions that an expending agency is authorized for a particular program and 2) prohibits the expenditure of funds to fill a permanent or temporary position for the lowest level of a program if the filling of that position causes the position ceiling for that level of the program to be exceeded, with exceptions for a:

- a. Position established by the University of Hawaii (UH) or the Hawaii Health Systems Corporation;
- b. Position that is entirely federally funded;
- c. Position that is necessary for compliance, without undue delay, with a court order or decree if the director of the Department of Human Resources Development determines that recruitment through normal civil service procedures would likely result in delay or noncompliance;
- d. Position approved by the Governor for a special, research, or demonstration project of an agency;
- e. Position approved by the Governor to perform an emergency management function under the Department of Defense pursuant to the authority of Section 127A-12(b)(9);
- f. Casual hire position;
- g. Vicing position;
- h. Position established by an agency pursuant to express statutory authorization to establish the position; and
- i. Position established by an agency for a program or project funded by an appropriation in an Act other than a General or Supplemental Appropriations Act.

As such, all other unbudgeted positions that are critical and anticipated to be ongoing must be identified and incorporated into the budget. Additional funding will not be provided for these positions because they are currently funded within existing budgets; as such, only requests for "Conversion of Unbudgeted Positions" (trade-off and transfer) may be submitted.

Requests for trade-off and transfer or conversion of unbudgeted positions shall be cost neutral; however, requests for conversion of unbudgeted positions may include new temporary or permanent position counts. All such requests shall be prioritized; corresponding requests shall share the same priority number.

Use **Form B** to list all trade-off and transfer and conversion of unbudgeted positions requests in the "Trade-Off and Transfer and Conversion of Unbudgeted Positions Requests" portion of the form and **Form A** to propose and justify a trade-off and transfer or conversion of unbudgeted positions request. **Form A-Attachment** may be used to list multiple trade-off and transfer or conversion of unbudgeted positions requests.

3. Requests for Fixed Cost and Entitlement Expenses

Requests for the following fixed cost and entitlement expenses will be considered:

- Debt Service

AGS 231: Finance agreement payments

BUF 721, BUF 725, BUF 728: Principal and interest on general obligation (G.O.) bonds

TRN 195, TRN 395, TRN 595: Principal and interest on Department of Transportation's revenue bonds and G.O. reimbursable (G.O.R.) bonds

- Employee Fringe Benefits

BUF 741, BUF 745, BUF 748: Pension Accumulation, Social Security and Medicare

BUF 761, BUF 765, BUF 768: Employer-Union Health Benefits Trust Fund premiums for health insurance

- Medicaid/QUEST

HMS 401: Health care payments

Use **Form B** to list all fixed cost and entitlement expense requests in the "Allowable Non-Discretionary Expense Requests" portion of the form and **Form A** to propose and justify a fixed cost and entitlement expense request.

4. Requests for Appropriated Federal Fund Adjustments

In 2013, B&F and the Department of Accounting and General Services initiated processes to change the way the State budgets for and accounts for federal awards with the intent of increasing transparency on the use of federal funds and improving the State's ability to meet federal requirements. Implementation of these changes continues, as this department's Office of Federal Awards Management (OFAM) will introduce a new online electronic workflow for **Form FF** (*Federal Awards for FB 2017-19*). (OFAM will provide additional information under separate cover.)

The list of "*Major, Recurring Federal Awards for FB 2017-19*" (Attachment 7) shall be used to determine the appropriate MOF for all federal awards anticipated to be received and appropriated in FY 18 and FY 19 (a copy of this list can also be found at www.federalawards.hawaii.gov). Federal awards on this list shall be budgeted as MOF "N." All other federal awards shall be budgeted as MOF "P."

Form FF must be completed and submitted for each Program ID from which federal funds are anticipated to be expended during FB 2017-19 and shall include the following:

- All awards assigned to your department from the list of *“Major, Recurring Federal Awards for FB 2017-19”* under MOF “N” (federal funds).
- All other recurring, including currently non-appropriated, or anticipated awards under MOF “P” (other federal funds). Anticipated awards under MOF “P” may be included if you reasonably expect to apply for and receive a federal award that has not been designated as MOF “N.”
- The total amount of each federal award anticipated to be received in FY 18 and/or FY 19, regardless of the performance period. Departments should make reasonable estimates of anticipated grant award amounts based on the prior grant awards and/or by discussion with the awarding federal agencies.
- Due to the extended lapse date for prior years’ federal fund appropriations, anticipated carryover amounts from previous years should not be included on **Form FF** or included in the budget ceiling.

FY 18 and/or FY 19 federal fund (MOF “N” or “P”) budget requests may be submitted:

- For appropriation ceiling increases required because the total amount of awards anticipated to be received in the respective fiscal year exceeds the budget ceiling for the respective MOF (to be indicated on **Form FF**).

Given the uncertain nature of future federal funding levels and the likelihood that an increase in federal funds, besides for Medicaid, will be limited, programs should not assume that State funds will be available to support program costs if federal funds are reduced or no longer available.

- For appropriation ceiling decreases required because the total amount of awards anticipated to be received in the respective fiscal year is less than the budget ceiling for the respective MOF (to be indicated on **Form FF**).
- To correct the MOF for awards appropriated in Act 119, SLH 2015, as amended by Act 124, SLH 2016, and anticipated to be received in FY 18 and/or FY 19, if necessary.
- Note: Changes in receipts must be reflected in the Quarterly Update of Revenue Estimates.

Use **Form B** to list federal fund adjustment requests which do not require adjustments to general funds or other means of financing in the “Federal Fund Adjustment Requests” portion of the form and **Form A** to propose and

justify a federal fund adjustment request. Federal fund adjustment requests which have matching general or other fund requirements should be listed on the **Form B** in the “Other Requests” portion.

5. Requests for Public Health and Safety or Immediate Requirements of Court Orders or Federal Mandates

Budget requests may be proposed to provide for public health and safety needs or to meet the immediate requirements of court orders or federal mandates.

Use **Form B** to list all public health and safety requests or requests to meet the immediate requirements of court orders or federal mandates in the “Other Requests” portion of the form and **Form A** to propose and justify each request related to public health and safety or meeting the immediate requirements of court orders or federal mandates.

6. Requests for Full-Year Funding for New Positions

Departments with new positions which were partially funded in FY 17 may request full-year funding for those positions.

Use **Form B** to list requests for full-year funding for new positions in the “Other Requests” portion of the form and **Form A** to propose and justify each request for full-year funding for new positions.

7. Requests for Adjustments to Legislatively Identified Non-Recurring Items

Departmental budget ceilings were reduced by the amount of non-recurring items identified in the legislative worksheets for Act 119, SLH 2015, as amended by Act 124, SLH 2016, for all means of financing. Because many items identified in the worksheets appear to be recurring-type expenses based on the worksheet descriptions, requests to reinstate these items will be considered.

Use **Form B** to list all adjustments to non-recurring item requests in the “Other Requests” portion of the form and **Form A** to propose and justify an adjustment to non-recurring item request.

8. Other Requests

Departments may submit other requests for funding necessary for program implementation which are **sustainable and reasonable**.

Use **Form B** to list requests for other requests in the “Other Requests” portion of the form and **Form A** to propose and justify each request for funding for other requests.

