



EXECUTIVE CHAMBERS

HONOLULU

DAVID Y. IGE
GOVERNOR

June 22, 2017

EXECUTIVE MEMORANDUM

MEMO NO. 17-01

TO: All Department Heads

SUBJECT: Interim Budget Execution Policies and Instructions for FY 18

As we move into the next fiscal biennium, the State's economy continues to be buoyed by the tourism industry. The tourism industry is still experiencing record breaking visitor arrivals and expenditures; however, the State's overall economic growth has slowed and general fund tax revenue collections are lower than previously expected.

After the FB 2017-19 Executive Budget was submitted to the Legislature, the Council on Revenues (COR) lowered its FY 17 growth rate projection for general fund tax revenues from 5.5% to 3.0% and maintained its forecasts of 5% in FY 18 and 4.4% in FY 19 through FY 23 at its January 4, 2017 meeting. As a result of the lower projection in FY 17, we proposed significant reductions to the Administration's budget request.

As revenues continued to lag, the COR further reduced its FY 17 general fund growth rate projection to 2.5%, while adjusting its general fund tax forecast to 4% for FY 18 and FY 19 and 4.5% for FY 20 through FY 23 at its March 13, 2017 meeting. These projections were retained by the COR at their most recent meeting on May 30, 2017.

Preliminary general fund tax revenue collections for FY 17 through May 2017 are 1.6% more than the same period in FY 16, short of the 2.5% projection. Thus, with only June collections remaining, there are serious concerns that general fund revenue growth for FY 17 will not meet 2.5% and that FY 18 may get off to a slow start, making it difficult to reach the 4% projected level of growth.

Although the Department of Taxation has indicated that one-time adjustments have negatively impacted FY 17 general fund tax revenue growth, the current lackluster level of revenue growth warrants our attention. In addition, the ongoing and proposed changes to federal grant programs may be significant and the State may be forced to make difficult - and costly - choices regarding the continuation of federally funded programs which may be reduced or discontinued.

Thus, while we are cautiously optimistic about the strength of Hawaii's economy, we must responsibly control our expenditures now to maintain the State's fiscal stability during uncertain periods of tax revenue collections. We must be prudent when spending State funds and be prepared, to the extent possible, for reductions in federal funds. It is under this context that all general funded programs are subject to a 10% restriction (5% restriction and 5% contingency restriction) on their FY 18 discretionary appropriations, with applicable adjustments. Restrictions shall not be applied to Chapter 42F general funded grants.

Full-year budget execution policies for FY 18 are forthcoming. During the interim, the following actions are hereby authorized:

1. On July 1, 2017, 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: 100% of non-discretionary appropriation; \$4,000,000 of discretionary appropriation; and 90% of balance of discretionary appropriation (adjusted by 5% restriction, 5% contingency restriction and grants). Other allocation adjustments may be applied, as applicable.
 - Non-general funds – One fourth of: 100% of appropriation.
2. Allocations for subsequent quarters will be made upon further consideration of revenue and expenditure requirements.
 3. General funded grants and specific appropriations will be considered for release after FY 17 actual and FY 18 preliminary general fund revenue data indicate that the revenue climate has stabilized. CIP grants and specific appropriations with other means of financing may be requested for release beginning July 1, 2017.
 4. Except for allocation amounts, budget execution policies as contained in Executive Memorandum (E.M.) No. 16-02, *FY 17 Budget Execution Policies and Instructions* (dated June 24, 2016) shall continue. Policies and procedures for FY 18 operating grants will be issued under separate cover.
 5. E.M. No. 97-07, *Procedures for Requesting the Implementation of Capital Improvement Projects* (dated June 19, 1997), shall also remain in effect.
 6. Departments are reminded that all information systems technology (IT) and telecommunications services (TC) facilities and resources are under the purview of the State's Chief Information Officer (CIO). As such, all related IT and TC acquisitions require CIO approval through the Office of Enterprise Technology Services.

Questions on the specific policies and procedures should be directed to the Department of Budget and Finance analyst assigned to your department.

DAVID Y. IGE
Governor, State of Hawaii

Attachment (Exhibit 1)

FY 2018 ALLOCATION

DEPARTMENT OF AGRICULTURE
(Interim June 22, 2017)

[illegible]

FY 2018 ALLOCATION

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
(Interim June 22, 2017)

[illegible]

FY 2018 ALLOCATION

DEPARTMENT OF THE ATTORNEY GENERAL
(Interim June 22, 2017)

[illegible]

FY 2018 ALLOCATION

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
(Interim June 22, 2017)

[illegible]

FY 2018 ALLOCATION

DEPARTMENT OF BUDGET AND FINANCE
(Interim June 22, 2017)

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FY 2018 ALLOCATION

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
(Interim June 22, 2017)

		General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'al Transfers	Revolving Funds	Other Funds	Total Allocation
Appropriation	Perm	-	492.00	-	-	-	-	8.00	-	-	-	500.00
	Temp	-	29.00	-	4.00	-	-	5.00	-	-	-	38.00
	\$	-	79,075,383	-	250,000	-	-	2,955,968	-	-	-	82,281,351
1st Quarter Allocation	Perm	-	492.00	-	-	-	-	8.00	-	-	-	500.00
	Temp	-	29.00	-	4.00	-	-	5.00	-	-	-	38.00
	\$	-	19,768,846	-	62,500	-	-	738,992	-	-	-	20,570,338
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FY 2018 ALLOCATION

DEPARTMENT OF EDUCATION
(Interim June 22, 2017)

		General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dep'tal Transfers	Revolving Funds	Other Funds	Total Allocation
	Perm	19,403.75	22.00	720.50	-	-	-	-	-	8.00	-	20,154.25
	Temp	2,007.50	-	156.50	1.00	-	-	-	-	2.00	-	2,167.00
Appropriation	\$	1,610,321,050	52,301,103	263,588,685	9,292,794	-	-	15,900,000	7,765,636	24,083,680	-	1,983,252,948
	Perm	19,403.75	22.00	720.50	-	-	-	-	-	8.00	-	20,154.25
	Temp	2,007.50	-	156.50	1.00	-	-	-	-	2.00	-	2,167.00
1st Quarter Allocation	\$	399,999,669	13,075,276	65,897,171	2,323,199	-	-	3,975,000	1,941,409	6,020,920	-	493,232,644
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FY 2018 ALLOCATION

DEPARTMENT OF EDUCATION - PUBLIC LIBRARIES
(Interim June 22, 2017)

		General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'al Transfers	Revolving Funds	Other Funds	Total Allocation
Perm		558.00	-	-	-	-	-	-	-	-	-	558.00
Temp		1.00	-	-	-	-	-	-	-	-	-	1.00
Appropriation	\$	35,325,668	4,000,000	1,365,244	-	-	-	-	-	-	-	40,690,912
Perm		558.00	-	-	-	-	-	-	-	-	-	558.00
Temp		1.00	-	-	-	-	-	-	-	-	-	1.00
1st Quarter Allocation	\$	8,053,275	1,000,000	341,311	-	-	-	-	-	-	-	9,394,586
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FY 2018 ALLOCATION

DEPARTMENT OF EDUCATION - CHARTER SCHOOLS
(Interim June 22, 2017)

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FY 2018 ALLOCATION

OFFICE OF THE GOVERNOR
(Interim June 22, 2017)

		General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Revolving Funds	Other Funds	Total Allocation
Appropriation	Perm	23.00	-	-	-	-	-	-	-	-	-	23.00
	Temp	22.00	-	-	-	-	-	-	-	-	-	22.00
	\$	3,462,635	-	-	-	-	-	-	-	-	-	3,462,635
1st Quarter Allocation	Perm	23.00	-	-	-	-	-	-	-	-	-	23.00
	Temp	22.00	-	-	-	-	-	-	-	-	-	22.00
	\$	865,659	-	-	-	-	-	-	-	-	-	865,659
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FY 2018 ALLOCATION

DEPARTMENT OF HUMAN SERVICES
(Interim June 22, 2017)

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FY 2018 ALLOCATION

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
(Interim June 22, 2017)

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FY 2018 ALLOCATION

DEPARTMENT OF HEALTH
(Interim June 22, 2017)

		General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dep'tal Transfers	Revolving Funds	Other Funds	Total Allocation
Appropriation	Perm	2,175.16	129.50	251.86	80.60	-	-	-	7.00	45.00	-	2,689.12
	Temp	325.30	34.00	68.10	149.15	-	-	-	3.00	-	-	579.55
	\$	475,118,321	203,673,124	133,678,727	68,756,451	-	-	-	4,027,031	211,594,712	-	1,096,848,366
1st Quarter Allocation	Perm	2,175.16	129.50	251.86	80.60	-	-	-	7.00	45.00	-	2,689.12
	Temp	325.30	34.00	68.10	149.15	-	-	-	3.00	-	-	579.55
	\$	115,079,275	50,918,281	33,419,682	17,189,113	-	-	-	1,006,758	52,898,678	-	270,511,787
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FY 2018 ALLOCATION

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
(Interim June 22, 2017)

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FY 2018 ALLOCATION
DEPARTMENT OF LAND AND NATURAL RESOURCES
(Interim June 22, 2017)

FY 2018 ALLOCATION
DEPARTMENT OF LAND AND NATURAL RESOURCES
(Interim June 22, 2017)

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OFFICE OF THE LIEUTENANT GOVERNOR
(Interim June 22, 2017)

		General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'al Transfers	Revolving Funds	Other Funds	Total Allocation
Appropriation	Perm	3.00	-	-	-	-	-	-	-	-	-	3.00
	Temp	11.00	-	-	-	-	-	-	-	-	-	11.00
	\$	1,061,626	-	-	-	-	-	-	-	-	-	1,061,626
1st Quarter Allocation	Perm	3.00	-	-	-	-	-	-	-	-	-	3.00
	Temp	11.00	-	-	-	-	-	-	-	-	-	11.00
	\$	265,407	-	-	-	-	-	-	-	-	-	265,407
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FY 2018 ALLOCATION

DEPARTMENT OF PUBLIC SAFETY
(Interim June 22, 2017)

		General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'al Transfers	Revolving Funds	Other Funds	Total Allocation
Appropriation	Perm	2,641.60	8.00	-	-	-	-	-	59.00	10.00	-	2,718.60
	Temp	-	-	-	1.00	-	3.00	-	-	42.00	-	46.00
	\$	256,739,033	3,084,824	1,615,989	1,059,315	-	209,721	75,065	6,589,465	11,243,623	-	280,617,035
1st Quarter Allocation	Perm	2,641.60	8.00	-	-	-	-	-	59.00	10.00	-	2,718.60
	Temp	-	-	-	1.00	-	3.00	-	-	42.00	-	46.00
	\$	63,794,881	771,206	403,997	264,829	-	52,430	18,766	1,647,366	2,810,906	-	69,764,381
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FY 2018 ALLOCATION

DEPARTMENT OF TAXATION
(Interim June 22, 2017)

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DEPARTMENT OF TRANSPORTATION
(Interim June 22, 2017)

		General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dep'tal Transfers	Revolving Funds	Other Funds	Total Allocation
Appropriation	Perm	-	2,303.70	7.00	0.80	-	-	-	-	-	-	2,311.50
	Temp	-	16.00	1.00	-	-	-	-	-	-	-	17.00
	\$	2,000,000	975,809,449	28,967,701	754,989	728,352	-	-	-	-	-	1,008,260,491
1st Quarter Allocation	Perm	-	2,303.70	7.00	0.80	-	-	-	-	-	-	2,311.50
	Temp	-	16.00	1.00	-	-	-	-	-	-	-	17.00
	\$	500,000	243,952,362	7,241,925	188,747	182,088	-	-	-	-	-	252,065,122
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