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September 4, 2019

FINANCE MEMORANDUM

MEMO NO. 19-11

TO: All Department Heads

FROM: Neal H. Miyahira *Neal Miyahira*
Director of Finance

SUBJECT: FY 21 Supplemental Budget Policies and Guidelines (Fiscal
Biennium 2019-21)

The policies and guidelines included herein shall apply to the preparation of the Executive Supplemental Budget for FY 21 (FB 2019-21).

General Background

At its August 29, 2019 meeting, the Council on Revenues (COR) raised its FY 20 general fund tax revenue growth rate forecast from 4.0% to 4.1%. For the forthcoming years, the COR decreased the projected growth rates for FY 21 and FY 22 from 4.0% to 3.0% and maintained its 4.0% growth forecast for FY 23 through FY 25. The COR also added 4.0% growth for FY 26 to its forecast.

The COR recognized the underlying strength of the current economy, citing more construction down the pike and stronger visitor statistics for July, but raised concerns regarding the end of Hawaii's expansionary cycle. The COR's decision was also impacted by the uncertainty caused by tighter enforcement of vacation rentals by the City and County of Honolulu and ongoing trade and currency wars.

General fund tax revenue growth was 5.1% for FY 19 though the fluctuations in growth during the first and third quarters raised concerns earlier in the fiscal year. Thus far, general fund tax revenue growth for FY 20 has been considerable, increasing 13.7% for the first month compared to last fiscal year. However, while it is likely that growth levels will flatten as the fiscal year progresses, changes in revenue growth can be unpredictable over a 12-month period.

One of the State's major economic drivers, the tourism industry, has started to slow after years of record growth. Although visitor arrivals for 2019 have increased by

4.5% through July 2019 compared to the same period last year, visitor expenditures have decreased by 1.3% and average daily spending is down by 3.3% due to lower spending by visitors from most markets. The stricter enforcement of vacation rentals on O'ahu could have substantial impact on the tourism industry and the State's economy, but the extent is unknown at this time.

Hawai'i's preliminary seasonally adjusted unemployment rate held steady at 2.8% for five months from February through July 2019. While the unemployment rate has gradually increased from the record low of 2.2% at the end of 2017, Hawai'i's unemployment rate remains relatively low. However, our tight labor market, along with continued strains on our infrastructure, may limit future growth.

Continued, but slower, expansion of Hawai'i's economy is forecast through 2019 and 2020. The health of the U.S. and other international economies, such as Japan, greatly impacts our State's economy. Like Hawai'i, positive growth is also expected for the U.S. and Japan. There is, however, lingering uncertainty regarding the ongoing trade wars and persistent tensions in the Middle East. These factors could negatively impact the State's economy and accelerate the end of current expansionary cycle.

With that in mind, our expenditures must be reasonable and sustainable. It is a concern that the State's general fund expenditures are expected to exceed revenues through FY 21 despite expected general fund tax revenue growth. We are responsible to ensure that there are adequate resources to meet the substantial demands on the State's resources now and in the future.

The significant unfunded liabilities in the Employees' Retirement System and Employer-Union Health Benefits Trust Fund (EUTF) must be funded. The stability of federal grant programs, for which the State must be prepared to bear the costs of should the federal government reduce or discontinue funding for services which the State deems critical, is often in question. The State would bear the economic impact of the reduced funding while having to provide State funding for federal programs.

Our efforts to improve the lives of Hawai'i's people and provide necessary public services must also leave the State in the best fiscal position to handle whatever comes our way. We must be thoughtful and prudent with our expenditures. Thus, we will continue our conservative approach to the budget to maintain the State's fiscal stability through FB 2019-21 and beyond.

Constitutional and Statutory Requirements

In preparing the supplemental budget, the Executive Branch is bound by constitutional and statutory requirements, which include, but are not limited to, the following:

- Article VII, Section 9, of the State Constitution provides that “. . . in each regular session in an even-numbered year, at such time as may be provided by law, the governor may submit to the legislature a bill to amend any appropriation for operating expenditures of the current fiscal biennium, to be known as the supplemental appropriations bill, and bills to amend any appropriations for capital expenditures of the current fiscal biennium. . . .”

- Section 37-72, Supplemental Budget, HRS, states that the Governor may submit to the Legislature a supplemental budget to amend any appropriation for the current fiscal biennium. The supplemental budget shall reflect the changes being proposed in the State's program and financial plan and shall be submitted, as applicable, in the manner provided in Section 37-71, The Budget, HRS.
- Section 37-71(b)(4), HRS, prescribes that the information provided in the budget be formatted such that "[p]rogram costs shall include all costs, including research and development, operating and capital, regardless of the means of financing. . ."
- Section 37-71(c)(3), HRS, requires a summary listing of all capital improvement projects by program, at the lowest level of the program structure, which shows for each project, by investment cost elements, the amount of new appropriations and authorizations proposed. Under Section 37-62, Definitions, HRS, "cost elements" means the major subdivisions of a cost category. The category "capital investment" includes plan, land acquisition, design, construction, and equipment and furnishing.

Thus, the process to prepare a comprehensive Executive Supplemental Budget, which is to include all program costs, began by transferring FY 20 and FY 21 operating appropriations and position ceilings from various departmental budget bills, as approved by the Governor on June 19, 2019, to Act 5, SLH 2019, the General Appropriations Act, pursuant to Section 44 of Act 5, SLH 2019 (to be referred to as "Act 5, SLH 2019, including transfers"). These transfers were also intended to provide centralized funding for operations, which would improve fiscal control and reduce workload. Further, multiple budget acts could not be accommodated by the State's budget systems and put a strain on our accounting resources.

These transfers have been included in each department's operating budget ceilings, as applicable. For your reference, the Governor's approval and list of bills with budget impact is attached along with a summary spreadsheet that provides a breakdown by program ID and organization code; cost element; and means of financing (MOF) of the Section 44 transfers.

To meet the requirements of Section 37-71, HRS, we must also consolidate the operating and capital improvement program (CIP) budgets in the supplemental budget. All new CIP requests will be included along with the CIP appropriations from Act 40, SLH 2019, which we will request be moved to the supplemental budget. As such, CIP appropriations from Act 40, SLH 2019, for both FY 20 and FY 21, will already be included in each department's FY 21 supplemental budget request. All CIP requests, including those for projects to be moved from Act 40, SLH 2019, will designate funding by cost elements (i.e., plans, land acquisition, design, construction, and equipment) pursuant to Section 37-71, HRS.

Reasonable and Sustainable

The Administration will continue to pursue initiatives to improve the lives of our families, children, and kupuna, including those focused on:

- Education, which is fundamental to our children and our future. We must provide more support at the school level to ensure suitable learning environments.
- Affordable housing, which Hawai'i's families are in great need of to rent or buy.
- Homelessness, which continues to significantly impact our communities. We need to provide more shelters and social services.
- Local food production, which is necessary to develop a sustainable food supply.
- Our 100% clean energy future, which will reduce the State's reliance on fossil fuels.
- Correctional facilities, where we must alleviate overcrowding.

Balancing growing needs against limited resources is always difficult. First and foremost, we must ensure that we are using our current resources efficiently and effectively.

Each department's budget review process should consider alternative means and resources that could be used to address program needs. Departments are strongly encouraged to realign their budgets to best meet their current needs, including eliminating long-term vacancies where appropriate.

In cases where realignment is not feasible, departments may consider requests that are reasonable and sustainable. Departmental budget requests should concentrate on addressing the critical program needs that would most significantly impact our State programs and the residents of our State. We must always be prudent with the expenditure of public funds.

Budget Transparency

Departments should review their FB 2019-21 operating budget details for items that do not align with anticipated expenditures and can be addressed immediately. Each department's review should include, but should not be limited to, the following, as applicable:

- Negative adjustments
- Underfunded, unfunded, or unbudgeted positions
- Specific budget line items that do not align with anticipated expenditures

Be aware that Section 37-74(f), HRS, and Section 42 of Act 5, SLH 2019, prohibit funds from being expended 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. "Position ceiling" is defined as the maximum number of permanent and temporary positions that an expending agency is authorized for a particular program. This prohibition does not apply to:

- Positions at the University of Hawai'i (UH) and Hawai'i Health Systems Corporation;
- Positions entirely federally funded;
- Positions necessary for compliance, without undue delay, with a court order or decree if the Director of Human Resources Development determines that the recruitment through normal civil service procedures would result in delay or noncompliance;
- Positions for special, research, or demonstration projects approved by the Governor;
- Positions approved by the Governor to perform an emergency management function under the Department of Defense pursuant to Section 127A-12(b)(9), HRS;
- Casual hire positions;
- Vicing positions;
- Positions established by an agency or department pursuant to explicit statutory authorization to establish such positions; and
- Positions established by an agency or department for a program or project funded by an appropriation in an act other than the general or supplemental appropriations act.

Thus, it is imperative that all departments review their unbudgeted positions. All unbudgeted positions that are critical and on-going 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," which are cost neutral but may increase temporary or permanent position counts, may be submitted.

Departments should submit the following for changes necessary to align their budgets in FY 21:

1. "Conversion of unbudgeted positions" requests to authorize unbudgeted positions through trade-off and transfer of funding and position counts (if necessary, permanent or temporary position counts may be requested); or
2. Trade-off and transfer adjustment requests necessary to correct negative amounts, fully fund underfunded or unfunded positions, or realign the budget to expenditures; or
3. Base adjustment requests to delete underfunded or unfunded positions.

Federal Fund Budgeting

Since FY 14, the State has been budgeting and expending federal awards by budgeting each anticipated grant award and expending each grant award on a one-to-one (grant award to appropriation symbol) basis. This process is intended to increase transparency and improve the State's ability to meet federal reporting requirements.

The Federal Fund Information for States (FFIS) list of major, recurring federal awards was used to determine which federal awards were appropriated in FB 2019-21 as MOF "N" (federal funds). All other federal awards anticipated to be received in FY 20 or FY 21 were appropriated as MOF "P" (other federal funds).

Each operating federal grant award anticipated to be received in FY 20 received a unique appropriation symbol and an extended lapse date (operating federal funds lapse after three fiscal years instead of one fiscal year) to accommodate the difference between the State and the federal fiscal years and performance periods, which extend beyond one year. Also, federal fund CIP appropriations that have been deemed necessary to qualify for federal-aid financing and reimbursement will lapse five fiscal years after the fiscal biennium to encourage the timely implementation of federally funded projects and expenditure of federal grant awards.

For planning purposes, it should not be assumed that State funding will automatically replace federal funding in situations where federal funding is disrupted or discontinued, nor should it be assumed that State funding will be increased to qualify for increases in available federal matching funds. Future reductions to federal grant awards and other federal funding agreements are highly possible and departments should be working with their federal contacts to closely monitor the status of the appropriate federal programs.

All agencies receiving federal funds for operational purposes shall review such operations for possible changes to anticipated federal grants or other federal funding agreements. The use of discretionary federal funds for positions is discouraged and should be minimized.

During this supplemental budget process, departments should submit requests to adjust FY 21 federal fund ceilings to more accurately reflect anticipated federal award amounts or to correct the MOF, if necessary. The attached listing of "Major, Recurring Federal Awards for FY 21" shall be used to determine the appropriate MOF for all federal awards anticipated to be received and appropriated in FY 21. (Note: The list is based on the federal FY 19 budget.)

All departments should use the Federal Award Management System (FAMS) electronic workflow, which is part of Datamart, to update their **Form FF** (*Federal Awards for FY 21*), which should include all anticipated grants to be received in FY 21 and shall be used to determine MOF "N" and MOF "P" ceiling adjustments. The

appropriate budget request **Form A** (*Operating Budget Adjustment Request*) should be submitted to reflect all adjustments; all requests should also be included on **Form B** (*Department Summary of Operating Budget Adjustment Requests*).

I. General Policies

The general policies for the development of the FY 21 Executive Supplemental Budget are as follows:

- A. Program goals and objectives are generally expected to be accomplished within existing funding levels for general and non-general funds. There will be very limited operating budget increases from current appropriations for FY 21, as authorized in Act 5, SLH 2019, including transfers.
- B. Before requesting additional funds, departments should first consider trade-offs and transfers within and among their programs to address departmental needs or to bring about greater efficiency.
- C. Departments should continue their efforts to consider the use of non-general funds, as appropriate, to support their programs. Changes in MOF may be proposed as appropriate.

Again, departments should not assume that State funds will be available to support program costs if federal funds are no longer available or that State funding will be increased to qualify for increases in available federal matching funds. The use of discretionary federal funds for positions is discouraged and should be minimized.

- D. Except as otherwise provided by law, special or other funds authorized to receive general revenue receipts or general fund appropriations should consider the feasibility of discontinuing such general fund support as funds of this type should generally be self-sustaining. As necessary, draft legislative proposals should be prepared to discontinue such general fund support.
- E. Pursuant to Section 37-68(1), HRS, any proposal for new programs, regardless of funding sources, must demonstrate that such programs are appropriate functions of State government and can be implemented by government as cost-effectively as by the private sector.
- F. Departments should be prepared to initiate necessary enabling legislation or appropriate rule changes to coincide with budget requests, as applicable. However, bear in mind that only legislative proposals that have been coordinated with the Governor's Office should be proposed.

The Department of Budget and Finance (B&F) analyst assigned to your department should be informed of the applicable proposals as part of the budget review. In addition, **Form A** (*Request for Operating Budget Adjustment*) should be used to provide the necessary information to justify the request.

II. Supplemental Budget Guidelines

A. Operating Budget

The following guidelines apply to all MOF, unless otherwise specified.

1. Allowable FY 21 operating budget requests:

- a. Governor's initiatives. Requests that support the Governor's priorities may be submitted.
- b. Trade-off and transfer and conversion of unbudgeted positions.
 - Trade-offs and transfers. Cost neutral trade-off and transfer requests within and among programs may be submitted to address changes in program needs or to improve operational efficiency or budget transparency.
 - Conversion of unbudgeted positions. Cost neutral trade-off and transfer requests within and among programs may be submitted to fund unbudgeted positions. Requests for conversion of unbudgeted positions may include new temporary or permanent position counts, if necessary.
- c. Fixed costs and entitlement expenses. Requests for debt service, fringe benefits, Medicaid, and financial assistance may be submitted for the following programs:

- Debt Service

AGS 231: Finance agreement payments

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

HHL 625: Finance agreement payments

TRN 195, TRN 395, TRN 595: Principal and interest on Department of Transportation's (DOT) 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

HHL 625: Pension Accumulation, Social Security, Medicare, and EUTF premiums for health insurance

BUF 761, BUF 765, BUF 768: EUTF premiums for health insurance

BUF 762: Employer contribution payments for the annual required contribution for other post-employment benefits

- Medicaid/QUEST

HMS 401: Health care payments

- d. Federal fund adjustments. The attached listing of "Major, Recurring Federal Awards for FY 21" shall be used to determine the appropriate MOF for all federal awards anticipated to be received and appropriated in FY 21.

Form FF, Federal Awards for FY 21, shall include the following:

- All awards on the list of "Major, Recurring Federal Awards for FY 21" included 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 21, regardless of the performance period. Departments should make reasonable estimates of anticipated grant award amounts based on the previous year's grant award and/or by discussion with the awarding federal agencies.
- Note: Due to the extended lapse dates for federal fund appropriations, anticipated carryover amounts from FY 20 or prior years should not be included on Form FF or included in the budget.

FY 21 federal fund (MOF "N" or "P") budget requests shall be submitted:

- For appropriation ceiling increases required because the total amount of awards anticipated to be received in FY 21 exceeds the Act 5, SLH 2019, including transfers, appropriation ceiling for the respective MOF, as indicated on Form FF.

All departments, however, should consider that future reductions to federal grant moneys are always a possibility and should exercise caution when requesting an increase to their federal fund ceiling. Departments should not assume that State funds will be available to support program costs if federal funds are no longer available.

- For appropriation ceiling decreases required because the total amount of awards anticipated to be received in FY 21 is less than the Act 5, SLH 2019, including transfers, appropriation ceiling for the respective MOF, as indicated on Form FF.
 - To correct the MOF for awards already appropriated in Act 5, SLH 2019, including transfers, if necessary.
 - Note: Changes in receipts must be reflected in the Quarterly Update of Revenue Estimates.
- e. Health, safety, and court mandates. Requests may be submitted to address requirements for public health and safety or immediate needs to meet court orders or federal mandates.
- f. Full-year funding for new positions. Departments with new positions that were partially funded in FY 20 may request full-year funding for those positions if funding has not already been provided in Act 5, SLH 2019, including transfers.
- g. Second-year funding. Requests may be submitted to provide FY 21 funding for programs with FY 20 funding only.
- h. Other requests. Requests may be submitted for other **sustainable and reasonable** program requirements that do not fall in the aforementioned categories.
2. Operating requests shall be prepared as follows:
- a. Use **Form A** (*Operating Budget Adjustment Request*) to:
- Request FY 21 budget adjustments as allowed under Item II.A (Supplemental Budget Guidelines, Operating Budget).
 - Identify details of plus or minus funding in requests for trade-offs/transfers. **Form A-Attachment** may be used to list multiple conversions of unbudgeted positions or trade-off/transfer proposals.
- b. Use **Form B** (*Department Summary of Operating Budget Adjustment Requests*) to summarize all supplemental budget adjustment requests at the program ID/organization code level. All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding trade-off/transfer requests or for requests with multiple MOF.
- c. Use **Form FF** (*Federal Awards for FY 21*) to summarize all federal awards anticipated to be received and budgeted in FY 21.

- d. For each special or revolving fund request, including transfers, an updated six-year financial plan must be submitted.
 - e. Update **BJ Summary Tables**. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details.
 - f. Prepare **Budget Narratives**. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details.
3. Increases to non-general fund appropriation ceilings may be requested if there is sufficient basis for the department's revised estimates and if such increases will not require additional general fund appropriations. A financial plan for the fund supporting the request must also be submitted. Changes in receipts must be reflected in the Quarterly Update of Revenue Estimates.
 4. Existing positions must be funded for the full year; new positions shall be funded for a maximum of six months for the first year then for the full year thereafter. Vacant positions must be funded for the full year; partially funded or unfunded positions should be eliminated.
 5. Section 37-74(f), HRS, and Section 42 of Act 5, SLH 2019, prohibit funds from being expended 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 specified exceptions (see prior **Budget Transparency** section for details). "Position ceiling" is defined as the maximum number of permanent and temporary positions that an expending agency is authorized for a particular program.

All positions currently funded by departments that are not authorized in Act 5, SLH 2019, including transfers, or exceptions under Section 37-74(f) must be identified. Those positions deemed critical and ongoing should be incorporated into the budget. Additional funding will not be provided for these positions; only requests for "conversion of unbudgeted positions" (trade-off and transfer) may be submitted.

6. Legislative proposals containing specific appropriations or that impact revenues must be coordinated with the Governor's Office. The B&F analyst assigned to your department must also be informed accordingly.
7. With the exception of the Department of Education (DOE), UH, and the Office of Hawaiian Affairs, the State Chief Information Officer (CIO) and the Office of Enterprise Technology Services shall have authority over the design and implementation of all Executive Branch Information Technology (IT) infrastructure, software applications, Information Resource Management (IRM) activities, and shared services, including, but not limited to, data and telecommunications networks. All department IT and IRM roadmaps must be updated, and budget requests shall be submitted to the

CIO as part of the budget submission and review process in compliance with Administrative Directive No. 18-03 dated September 25, 2019, and Act 58, SLH 2016, Section 3 (Sections 27-43(a)(4) and (5), HRS), effective July 2, 2016, and must obtain the CIO's approval in conjunction with B&F's recommendation and the Governor's approval.

B. Capital Improvement Program Budget

In order to present a comprehensive Executive Budget package and to meet the requirements of Section 37-71, HRS, the operating and CIP budgets must both be presented in the supplemental budget. Thus, all new CIP requests will be included along with the CIP appropriations from Act 40, SLH 2019, which we will request be moved into the supplemental budget.

CIP projects from Act 40, SLH 2019, for both FY 20 and FY 21, will already be included in each department's FY 21 supplemental budget request. All CIP requests, including those for projects to be moved from Act 40, SLH 2019, will designate funding by cost elements (i.e., plan, land acquisition, design, construction, and equipment) pursuant to Section 37-71, HRS.

Departments should focus on completing the CIP projects already authorized in previous and current budget acts. Departments are encouraged to review their current appropriations for trade-offs or to propose lapsing existing projects before considering requests for new funding as CIP funding will be limited.

1. CIP project requests may be submitted for the following:
 - a. Governor's initiatives. Projects that support the Governor's priorities.
 - b. Completion of ongoing CIP projects. Funding necessary to complete later phases of ongoing CIP projects.
 - c. Energy efficiency. Projects that improve energy efficiency or conservation.
 - d. Health, safety, and court mandates. Projects to address public health and safety, court orders/consent decrees, or federal mandates.
 - e. Major repair and maintenance (R&M). Major R&M projects for existing public or educational facilities.
 - f. Public infrastructure improvements.
 - g. Others. Projects that are necessary for program implementation, which are sustainable and reasonable, and do not fit into the above categories.
 - h. Trade-offs. Projects that result in no net increase in authorization levels due to offset by the lapsing of other projects.

2. All departments are required to use eCIP, B&F's web-based CIP system, to prepare their supplemental CIP budget request and update the CIP tables, as follows:
 - a. Use **Table P** (*Capital Project Details*) to request supplemental budget adjustments as allowed under Item II.B (Supplemental Budget Guidelines, Capital Improvement Budget).
 - b. Use **Table Q** (*Capital Project Details*) to provide project schedule, expenditures, and other information for each respective CIP request.
 - c. Use **Table R** (*Capital Project Information and Justification Sheet*) to provide narrative project information and justification for each respective CIP request.
 - d. Use **Form S-FY 21 Supplemental** (*Summary of Proposed CIP Lapses and New CIP Requests*) to identify projects that can be lapsed (including trade-offs) and summarize all FY 21 supplemental budget CIP requests. **Form S-FY 21 Supplemental** must be downloaded in Excel format from eCIP. "Part A: Proposed Lapses" and the request category of **Form S-FY 21 Supplemental** must be completed manually.

All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding requests with multiple MOF. **Form S-FY 21 Supplemental** will be prefilled with CIP appropriations from Act 40, SLH 2019, which will be transferred to Act 5, SLH 2019, and FY 21 CIP requests that were inputted into eCIP.

3. Requests for G.O. or G.O.R. bond-funded appropriations must include a well-defined scope of work for each specific project proposed that is to be funded (i.e., requests for lump sum appropriations must provide a breakdown for the specific projects proposed that are to be funded by each lump sum appropriation). Use **Form CIP Details** (*Details of Scope of Work for CIP Requests*) to provide details on the scope of work and cost breakdowns for each specific project requested. Requests that do not provide sufficient information will not be considered.
4. Major R&M projects include projects that extend the useful life of a facility or provide for greater functional/operational efficiency through a significant improvement or upgrade. The life expectancy of the project should generally be over 15 years. (For example: major improvements or refurbishing of building space or building infrastructure.)
5. CIP projects financed by special, revolving, or revenue bond funds must be self-supporting. Departments must ensure that the responsible program will be able to generate sufficient revenues to cover the cost of the undertaking, including principal and interest, that a dedicated fund has been

authorized to ensure the availability of funds for such purpose, and that these revenues are reflected in the Quarterly Update of Revenue Estimates.

6. CIP requests financed by federal or other federal funds that require extended lapse dates (biennium plus five years) to meet the requirements of their federal awards must include the following language in their project description: "This project is deemed necessary to qualify for federal-aid financing and/or reimbursement."
7. All requests will be reviewed for their impact on debt service and operating costs. Additional operating costs incurred as a result of CIP requests must be accommodated within your department's operating budget ceiling.

Operating cost information must be included in **Table R** (*Capital Project Information and Justification Sheet*), **Form CIP Op** (*Estimated Operating Costs Related to CIP Requests*) and **Form CIP Op B** (*Department Summary of Estimated Operating Costs Related to CIP Requests*) for all CIP budget requests.

Pursuant to Act 135, SLH 2014, and Act 150, SLH 2015, departments submitting CIP requests must provide estimates of operational costs for each proposed CIP project and furnish all documents that support each operational cost estimate. **Form CIP Op** (*Estimated Operating Costs Related to CIP Requests*) and **Form CIP Op B** (*Department Summary of Estimated Operating Costs Related to CIP Requests*) have been developed to standardize reporting of CIP operational costs in conformance with these acts.

8. Works of Art. Departments are reminded that CIP budget requests should include 1% for Works of Art in accordance with Section 103-8.5, HRS, as amended, and criteria set forth by the State Comptroller.
9. User and expending agencies with CIP requests that are to be funded by G.O. or G.O.R. bonds are reminded of the compliance requirements of the Tax Reform Act of 1986, including amendments, thereto. **Form PAB** (*Questionnaire – General Obligation Bond Fund Appropriations*) (revised September 2013) must be completed and submitted for every G.O. or G.O.R. bond fund CIP request. If assistance with this form is required, please contact B&F's Financial Administration Division.

III. Submission Requirements and Format

Departments must use the following formats in submitting their supplemental budget requests and should use the attached instructions as applicable. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details. Financial plans for funds supporting non-general fund requests are also required.

A. Requirements for Operating Budget Requests:

1. Use **Form A** (*Operating Budget Adjustment Request*) to:
 - a. Request FY 21 budget adjustments as allowed under Item II.A (Supplemental Budget Guidelines, Operating Budget).
 - b. Identify details of plus or minus funding in requests for trade-offs/transfers. **Form A-Attachment** may be used to list multiple conversions of unbudgeted positions or trade-off/transfer proposals.
2. Use **Form B** (*Department Summary of Operating Budget Adjustment Requests*) to summarize all supplemental budget adjustment requests at the program ID/organization code level. All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding trade-off/transfer requests or for requests with multiple MOF.
3. Use **Form FF** (*Federal Awards for FY 21*) to summarize all federal awards anticipated to be received and budgeted in FY 21.
4. For each special/revolving fund appropriated in Act 5, SLH 2019, including transfers, an updated six-year financial plan must be submitted.
5. Update of **BJ Summary Tables**. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details.
6. Prepare **Budget Narratives**. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details.

B. Requirements for CIP Budget Requests:

1. All departments are required to use eCIP, B&F's web-based CIP system, to update the CIP tables and prepare their supplemental CIP budget request:
 - a. Use **Table P** (*Capital Project Details*) to request supplemental budget adjustments as allowed under Item II.B (Supplemental Budget Guidelines, Capital Improvement Budget).
 - b. Use **Table Q** (*Capital Project Details*) to provide project schedule, expenditures, and other information for each respective CIP request.
 - c. Use **Table R** (*Capital Project Information and Justification Sheet*) to provide narrative project information and justification for each respective CIP request.
 - d. Use **Form S-FY 21 Supplemental** (*Summary of Proposed CIP Lapses and New CIP Requests*) to identify projects that can be lapsed (including trade-offs) and summarize all FY 21 supplemental budget

CIP requests. "Part A: Proposed Lapses" and the request category of **Form S-FY 21 Supplemental** must be completed manually after downloading the **Form S-FY 21 Supplemental** file from eCIP.

All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding requests with multiple MOF. **Form S-FY 21 Supplemental** will be prefilled with CIP appropriations from Act 40, SLH 2019, which will be transferred to Act 5, SLH 2019.

2. **Form CIP Details** (*Details of Scope of Work for CIP Requests*) must be completed for all G.O. and G.O.R. bond-funded CIP requests to provide a detailed scope of work and cost breakdown for each CIP project requested, including breakdowns of all lump sum requests by specific project.
3. **Form PAB** (*Questionnaire - General Obligation Bond Fund Appropriations*) (revised September 2013) must be completed for all G.O. and G.O.R. bond-funded CIP requests to indicate anticipated private activity use of State facilities.
4. **Form CIP Op** (*Estimated Operating Costs Related to CIP Requests*) and **Form CIP Op B** (*Department Summary of Estimated Operating Costs Related to CIP Requests*) must be completed for all CIP requests to indicate the anticipated operating costs related to each CIP project requested.

C. Additional Requirement:

Act 150, SLH 2015, also requires that each agency responsible for operating or maintaining a State-owned building, facility, or other improvement furnish B&F with an estimate of the deferred maintenance costs for the building, facility, or other improvement. Deferred maintenance cost refers to the cost of R&M of the State-owned building, facility, or other improvement that has been delayed past the ordinary R&M cycle.

A summary of the deferred maintenance costs must be provided in the supplemental budget document. As such, all departments responsible for operating or maintaining a State-owned building, facility, or other improvement must complete and submit **Form DMC** (*Department Summary of Estimated Deferred Maintenance Costs*). Detailed worksheets and other supporting details should be available upon request.

D. Availability of Electronic Forms:

Forms will be emailed to your Administrative Services/Budget Officers. In addition, these forms will also be available on the B&F website. **Form S-FY 21 Supplemental** should be downloaded from eCIP, prefilled with CIP

appropriations from Act 40, SLH 2019, which will be transferred to Act 5, SLH 2019, and FY 21 supplemental budget requests that have been inputted in eCIP. The budget narrative is available on eBUDDI.

A prefilled **Form FF**, with FY 21 information from your FB 2019-21 Form FF, will be available on FAMS. B&F's Office of Federal Awards Management will notify your department via email when your **Form FF** may be updated on FAMS.

IV. Due Dates/Other Requirements

A. The following must be provided to this office:

1. By Friday, September 27, 2019: Two copies of each submission, including Forms A, A-Attachment, B, and FF (for the operating budget) and Tables P, Q, and R and Forms S-FY 21 Supplemental, CIP Details, PAB, CIP Op, and CIP Op B (for the CIP budget). Financial plans to support non-general fund requests are required, as appropriate. Electronic files of Forms A, A-Attachment, B, S-FY 21 Supplemental, CIP Details, CIP Op, and CIP Op B must be transmitted to your B&F analyst.
2. By Wednesday, November 27, 2019: The following submittals reflecting the Governor's final supplemental budget decisions:
 - a. For all departments except DOE, UH, and DOT: All BJ Summary tables in eBUDDI.
 - b. For DOE, UH, and DOT: Excel or other electronic files of the BJ Summary tables as authorized for submittal by B&F.
 - c. All departments: Two copies of the Budget Narratives as updated in eBUDDI.
 - d. All departments: All Tables P, Q, and R updated in eCIP.
3. By Wednesday, November 27, 2019: Two copies of Form DMC (additional requirement for deferred maintenance costs). The electronic file of Form DMC must be transmitted to your B&F analyst.
4. By Friday, December 6, 2019: Electronic files of Forms A, A-Attachment, CIP Details, CIP Op, CIP Op B, and PAB reflecting the Governor's final supplemental budget decisions must be transmitted to your B&F analyst.
5. By Friday, December 20, 2019: The BJ Details updated in eBUDDI reflecting the Governor's final supplemental budget decisions, for all departments except DOE, UH, and DOT for which Excel or other electronic files are required.

- B. Requests will be reviewed by B&F and the Governor's Office; as such, worksheets and other supporting details should be made available upon request.

As this is a supplemental budget, all budget requests should be focused and limited to those addressing critical and sustainable program needs in light of the limited funding available. We ask for your utmost cooperation in adhering to the specified deadlines, which must be met in order for the supplemental budget to be sent to the Legislature on time.

Attachments:

Attachment 1 – FY 21 Supplemental Budget Ceiling
Summary of FB 19-21 Appropriations Less Section 44 Transfers
Governor's Approval and List of Bills with Budget Impact
Form A, A-Attachment and instructions
Form B and instructions
Tables P, Q, and R Samples
Form S-FY 21 Supplemental and instructions
Form CIP Details and instructions
Form CIP Op and instructions
Form CIP Op B and instructions
Form PAB and instructions
Form DMC and instructions
Form FF and instructions
Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests
Instructions to Update/Delete Supplemental Budget Narratives in eBUDDI
List of "Major, Recurring Federal Awards for FY 21"