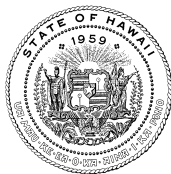


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FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

September 17, 2021

FINANCE MEMORANDUM

MEMO NO. 21-11

TO: All Department Heads

FROM: Craig K. Hirai /s/
Director of Finance

SUBJECT: FY 23 Supplemental Budget Policies and Guidelines (Fiscal
Biennium 2021-23)

The policies and guidelines included herein shall apply to the preparation of the Executive Supplemental Budget for FY 23 (FB 2021-23).

General Background

Through the summer, the flattening in the number of coronavirus (COVID-19) cases and the easing of restrictions nearly allowed us to return to normal life. During July 2021, most air travelers could bypass the State's mandatory ten-day self-quarantine with a valid negative COVID-19 test result prior to their departure under the State's Safe Travels program. In addition, beginning July 8, travelers who were fully vaccinated in the United States could bypass the quarantine order.

These relaxed travel requirements resulted in 3,631,400 visitor arrivals through the first seven months of 2021. Although tourism has rebounded faster than expected, this was a 41.1% drop in visitor arrivals compared to pre-pandemic levels for the same period in 2019. Total visitor expenditures were \$6.6 billion through July 2021, which is 37.51% less than visitor expenditures during the first seven months of 2019.

The resurgence of the visitor industry and the broader opening of businesses helped the State's general fund tax revenue collections recover more quickly than anticipated. Hawaii's preliminary unemployment rate also decreased significantly from a high of 21.9% in April 2020 to 7.3% in July 2021.

Also contributing to the State's recovery is the substantial influx of federal funds, including those provided through the American Rescue Plan Act (ARPA) of 2021. The ARPA appropriated:

- \$219.8 billion for the Coronavirus State Fiscal Recovery Fund of which the State of Hawai'i has received \$1.6 billion.
- \$122.8 billion for the third round of the Elementary and Secondary School Emergency Relief Fund (ARP ESSER) which will provide \$412.3 million to Hawai'i's Department of Education (DOE), and \$39.6 billion for the Higher Education Emergency Relief Fund (HEERF III), of which the University of Hawai'i (UH) is estimated to receive \$40.4 million for student aid and \$97.2 million for institutional support.
- \$10 billion for the Coronavirus Capital Projects Fund, of which Hawai'i's allocation is \$115,475,318, to provide funding to carry out critical capital projects directly enabling work, education, and health monitoring in response to the COVID-19 public health emergency.

The ARP ESSER imposes a maintenance of effort (MOE) requirement that requires the state to maintain proportional levels of state support for education relative to the state's overall spending over a specified period, which is expected to have considerable impact on our ability to consider budget requests for all departments through this supplemental budget process.

In recent months, however, the COVID-19 delta variant has been spreading around the world. In Hawai'i, the delta variant has caused a substantial increase in the number of COVID-19 cases and hospitalizations, which have taxed our health systems. Stricter restrictions again imposed to reduce the spread of COVID-19 will undoubtedly impact local businesses. Over the past year and a half, we have come to realize that the pandemic adds a level of uncertainty and the potential for rapid change to the State's economy and resource requirements.

Nevertheless, the Council on Revenues (COR) increased its FY 22 general fund tax revenue projection from 3% to 6.3% at its September 7, 2021 meeting, while it maintained its projections for FYs 23-27 at 4% each year. The increase for FY 22 was due to healthy year-to-date general excise and income tax collections, the rapid recovery of visitor arrivals, and renewed consumer spending. However, the COR noted risks that could inhibit the State's economic recovery including new variants, vaccine reluctance, sustained travel restrictions, burdensome regulations imposed on businesses for public health reasons, and significant supply chain disruptions. The COR also expects the decrease in federal stimulus spending compared to last year to impact Hawai'i's economy.

While other economic forecasts have also been generally positive, there have been similar underlying concerns. Hawai'i's economy is expected to continue to improve through 2021 but the impact of the current surge in cases due to the delta variant could impair the strength of the State's economic recovery as mitigation efforts are imposed to control the spread. Prior to the current surge, however, the recovery of jobs had already been lagging while many employers had found labor to be in short supply.

The health of the U.S. economy and other international economies, such as Japan, have considerable impact on the State's economy. While the availability of the vaccines in the U.S. has helped bring about a level of normalcy and economic growth, other countries have been slower to vaccinate. The continued recovery of the tourism sector is contingent upon the U.S. and other countries managing the spread of COVID-19. Other issues that could slow the State's economic recovery include instabilities in Congress, supply chain disruptions and tensions in the Middle East.

Given the uncertainties of the pandemic, we must proceed with caution. Although we can only manage what is within our control, we must ensure that we are able to meet the substantial demands on the State's resources now and going forward, including funding the State's unfunded liabilities in the Employees' Retirement System and Employer-Union Health Benefits Trust Fund (EUTF).

We must also consider 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. The State would have to bear the economic impact of the reduced funding while having to provide State funding for federal programs.

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, to prepare a comprehensive Executive Supplemental Budget which includes all program costs, appropriations from Act 1 and Act 6, SpSLH 2021, were transferred to Act 88, SLH 2021, the General Appropriations Act, as approved by the Governor on August 23, 2021. These transfers have been included in the Department of Business, Economic Development and Tourism and Department of Budget and Finance's (B&F) respective operating budget ceilings.

To meet the requirements of Section 37-71, HRS, we must also designate the funding for capital improvement program (CIP) projects included in the FY 23 Supplemental Budget by cost element (i.e., plans, land acquisition, design, construction, and equipment). This includes providing cost element breakdowns for CIP projects that were originally appropriated in Act 88, SLH 2021.

Critical Program Needs

Our efforts to ensure the health and welfare of Hawai'i's people must be at the forefront and, as managers of the public's funds, we must make the best use of our resources. As it is our utmost responsibility to leave the State's finances in a favorable position for the future, all budget requests must be for critical program needs. Consequently, we will continue our conservative approach to the budget to maintain the State's fiscal stability through FB 2021-23 and beyond.

Balancing the State's growing needs against limited resources is always difficult, even more so during periods of economic uncertainty. 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 requirements. Departments are strongly encouraged to realign their budgets to best meet their current needs.

The ARP ESSER MOE proportional spending requirements will significantly constrain what may be included in the FY 23 Supplemental Budget. Each FY 23 Supplemental Budget request for a department other than DOE or UH will trigger an additional budget adjustment of over 40% for DOE and UH.

Thus, departmental budget requests should concentrate on addressing critical program needs including, but not limited to: COVID-19 direct and indirect costs, health and safety requirements, court orders, and second-year funding for recurring costs. Non-general funded programs may also consider requests that are reasonable and sustainable.

Budget Transparency

Departments should review their FB 2021-23 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, prohibits 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 UH and the 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 23:

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

The State budgets each anticipated federal grant award and expends 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 2021-23 as means of financing (MOF) "N" (federal funds). All other federal awards anticipated to be received in FY 22 or FY 23 were appropriated as MOF "P" (other federal funds) or MOF "V" (American Rescue Plan Funds).

Each operating federal grant award anticipated to be received in FY 22 received a unique appropriation symbol and an extended lapse date 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 23 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 FB 2021-23” shall be used to determine the appropriate MOF for all federal awards anticipated to be received and appropriated in FY 23. Please note that the list is based on the federal FY 20 budget as an updated list is not available from FFIS at this time.

All departments shall use the Federal Award Management System (FAMS) electronic workflow, which is part of Datamart, to update their **Form FF** (*Federal Awards for FB 2021-23 – Supplemental Executive Budget Request*), which shall include all anticipated grants to be received in FY 23 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 23 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 limited operating budget increases from current appropriations for FY 23, as authorized in Act 88, SLH 2021, 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. Given the uncertain nature of future federal funding levels and the State’s uncertain fiscal situation, programs should not assume that State funds will be available to support program costs if federal funds are reduced or no longer available or that State funding will be increased to qualify for increases in federal matching funds. The use of discretionary federal funds for positions is also discouraged.
- D. 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.
- E. 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 Office of the Governor should be proposed.

The 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 23 operating budget requests:

a. Trade-off and transfer and conversion of unbudgeted positions.

- Trade-off and transfer. 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. Departments shall submit requests to trade-off and transfer funding for positions that are unfunded or underfunded in the budget but have been filled or approved for filling.
- 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.

b. 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 the 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

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

- c. Federal fund adjustments. The attached listing of “Major, Recurring Federal Awards for FB 2021-23” shall be used to determine the appropriate MOF for all federal awards anticipated to be received and appropriated in FY 23.

Form FF (*Federal Awards for FB 2021-23 – Supplemental Executive Budget Request*) shall include the following:

- All awards on the list of “Major, Recurring Federal Awards for FB 2021-23” 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 23, 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 22 or prior years should not be included on **Form FF** or included in the budget.

FY 23 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 23 exceeds the Act 88, SLH 2021, appropriation ceiling for the respective MOF, as indicated on **Form FF**. However, while federally funded programs may submit

ceiling requests for anticipated grant awards, requests requiring matching general funds should be funded by general fund trade-offs, if possible.

- 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 23 is less than the Act 88, SLH 2021, appropriation ceiling for the respective MOF, as indicated on **Form FF**.
 - To correct the MOF for awards already appropriated in Act 88, SLH 2021, if necessary.
 - Note: Changes in receipts must be reflected in the Quarterly Update of Revenue Estimates.
- d. COVID-19 direct and indirect costs. Requests may be submitted for costs anticipated for FY 23 related to COVID-19; however, departments should use existing federal resources to the extent possible.
- 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 half-year funded positions or critical unfunded positions. Departments with positions that were authorized in FY 22 that were half-year funded or existing critical positions that were unfunded in FY 22 may request full-year funding for those positions if funding has not already been provided for FY 23 in Act 88, SLH 2021.
- g. Second-year funding. Requests may be submitted to provide FY 23 funding for programs with FY 22 funding only.
- h. Other requests. Non-general fund 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 23 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 FB 2021-23 – Supplemental Executive Budget Request*) to summarize all federal awards anticipated to be received and budgeted in FY 23.
 - 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. Non-general fund programs should plan for a fringe benefit assessment rate of 62.78% for FY 23 through FY 27.
 4. 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.
 5. 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.
 6. Section 37-74(f), HRS, prohibits 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 88, SLH 2021, 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.

7. Legislative proposals that contain specific appropriations or that impact revenues must be coordinated with the Office of the Governor. The B&F analyst assigned to your department must also be informed accordingly.
8. With the exception of 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 activities, and shared services, including, but not limited to, data and telecommunications networks. All department IT Applications and Project Roadmaps must be updated on the ETS application portfolio management system, 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, 2018, and Act 58, SLH 2016, Section 3 (Sections 27-43(a)(4) and (5), HRS), effective July 2, 2016. Departments must obtain the CIO’s approval in conjunction with B&F’s recommendation and the Governor’s approval.

B. CIP Budget

All CIP projects from Act 88, SLH 2021, for both FY 22 and FY 23, will already be included in each department’s FY 23 Supplemental Budget request due to the breakdown of lump sum funding by cost element (i.e., plans, 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. There shall be no general-funded CIP requests.

1. CIP project requests may be submitted for the following:
 - a. Completion of ongoing CIP projects. Funding necessary to complete later phases of ongoing CIP projects.
 - b. Energy efficiency. Projects that improve energy efficiency or conservation.

- c. Health, safety, and court mandates. Projects to address public health and safety, court orders/consent decrees, or federal mandates.
- d. Major repair and maintenance (R&M). Major R&M projects for existing public or educational facilities.

Major R&M includes projects that must 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 be generally over 15 years. Examples include: major reroofing, air conditioning equipment, refurbishing of building space or building infrastructure, and major improvements to public facilities.

- e. Public infrastructure improvements.
 - f. Others. Projects that are necessary for program implementation, which are sustainable and reasonable, and do not fit into the above categories.
 - g. 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 23 Supplemental** (*Summary of Proposed CIP Lapses and New CIP Requests*) to identify projects that can be lapsed (including trade-offs) and summarize all FY 23 Supplemental Budget CIP requests. **Form S-FY 23 Supplemental** must be downloaded in Excel format from eCIP. "Part A: Proposed Lapses" and the request category of **Form S-FY 23 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 23 Supplemental** may be downloaded from eCIP in blank form or prefilled after the department's requests have

been inputted. Projects from Act 88, SLH 2021, including those that have not been changed in eCIP, will be included on the **Form S-FY 23 Supplemental** due to the inclusion of cost element breakdowns.

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. 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.
5. 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."
6. 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.

7. 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, and criteria set forth by the State Comptroller. Departments should refer to

Comptroller's Memorandum No. 2021-09, Assessment for Works of Art, HRS Section 103-8.5, dated June 28, 2021 (<https://ags.hawaii.gov/wp-content/uploads/2021/06/CM2021-09.pdf>), for additional guidance.

8. 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 October 2020) 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 23 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 FB 2021-23 – Supplemental Executive Budget Request*) to summarize all federal awards anticipated to be received and budgeted in FY 23.
4. For each special/revolving fund appropriated in Act 88, SLH 2021, 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 23 Supplemental** (*Summary of Proposed CIP Lapses and New CIP Requests*) to identify projects that can be lapsed (including trade-offs) and summarize all FY 23 Supplemental Budget CIP requests. All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding requests with multiple MOF.

Departments shall use the prefilled version of **Form S-FY 23 Supplemental**, which will include the CIP projects from Act 88, SLH 2021, and must be downloaded after all new CIP requests have been inputted, for their department's budget submittal. "Part A: Proposed Lapses" and the request category of **Form S-FY 23 Supplemental** must be completed manually after downloading the **Form S-FY 23 Supplemental** file from eCIP.

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 October 2020) 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:

Excel files will be emailed to your Administrative Services or Budget Officer and will also be available on the B&F website unless noted below:

- **Form S-FY 23 Supplemental** should be downloaded from eCIP. The prefilled version, which will include the CIP projects from Act 88, SLH 2021, must be used for your department's budget submittal.
- A prefilled **Form FF**, with FY 23 information from your FB 2021-23 **Form FF** for FY 22, 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.

All other forms are available on the respective budget systems as indicated in this memorandum and attached instructions.

IV. Due Dates/Other Requirements

Requests will be reviewed by B&F and the Office of the Governor; as such, worksheets and other supporting details should be made available upon request. In addition, the schedule below shall be followed for official submittals.

- A. By Friday, October 8, 2021. All budget requests must be submitted via email in PDF format from your department's designated email account to B&F at DBF.DOCS@hawaii.gov. All budget submittals require transmittal memoranda from the respective department head and the following completed tables and forms, as applicable.

1. Operating budget requests:

- Form A
- Form A-Attachment
- Form B
- Form FF

2. CIP requests:

- Table P
- Table Q
- Table R
- Form S-FY 23 Supplemental
- Form CIP Details
- Form PAB
- Form CIP Op
- Form CIP Op B

3. Financial plans to support non-general fund requests are required, as appropriate.

4. Electronic (Excel) files of Forms A, A-Attachment, B, S-FY 23 Supplemental, CIP Details, CIP Op, and CIP Op B reflecting your budget submittal must be transmitted to your B&F analyst, as applicable.

B. By Wednesday, December 1, 2021: The following updates must be completed reflecting the Governor's final supplemental budget decisions:

1. For all departments except DOE, UH, and DOT: All BJ Summary tables in eBUDDI.
2. For DOE, UH, and DOT: Excel or other electronic files of the BJ Summary tables as authorized for submittal by B&F.
3. All departments: Budget Narratives updated in eBUDDI.
4. All departments: Tables P, Q, and R updated in eCIP.

Please notify your B&F analyst and Mr. Gregg Hirohata-Goto (gregg.h.hirohata-goto@hawaii.gov) via email when all updates have been completed.

C. By Wednesday, December 1, 2021: PDF file of Form DMC (additional requirement for deferred maintenance costs) and transmittal memoranda from the respective department head must be submitted from the department's designated email account to B&F at DBF.DOCS@hawaii.gov. The electronic (Excel) file of Form DMC must be transmitted to your B&F analyst.

- D. By Wednesday, December 8, 2021: Electronic (Excel) files of Forms A, A-Attachment, CIP Details, CIP Op, and CIP Op B, and PDF file of updated and signed Form PAB reflecting the Governor's final supplemental budget decisions must be transmitted to your B&F analyst.
- E. By Thursday, December 23, 2021: Updated BJ Details 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.

Please notify your B&F analyst and Mr. Gregg Hirohata-Goto (gregg.h.hirohata-goto@hawaii.gov) via email when these updates have been completed.

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 23 Supplemental Budget Ceiling
Form A, A-Attachment and instructions
Form B and instructions
Tables P, Q, and R Samples
Form S-FY 23 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 FB 2021-23”