



EXECUTIVE CHAMBERS

HONOLULU

DAVID Y. IGE
GOVERNOR

June 20, 2022

EXECUTIVE MEMORANDUM

MEMO NO. 22-01

TO: All Department Heads

SUBJECT: Interim Budget Execution Policies and Instructions for FY 23

Hawai'i's economy is recovering well from the impact of the coronavirus (COVID-19) pandemic. Rebounding from the significant initial blow to Hawai'i's economy has not always been easy, especially with the pandemic continuing throughout the United States and other parts of the world, but general fund tax revenue growth has been noteworthy.

Consequently, the Council on Revenues (COR) increased its FY 22 general fund tax revenue projection by 7% from 21% to 28% at its May 23, 2022 meeting. However, the COR lowered its projection for FY 23 from 6% to 5% and for FY 24 from 4% to 3.5% but maintained its projections for FYs 25-28 of 3.5%.

Factors influencing the FY 22 change include robust year-to-date general fund tax revenue collections, strong economic factors, and that there were only two months remaining in the fiscal year. The COR attributes the increased revenues to the faster than anticipated recovery of visitor arrivals, the State's larger share of the Transient Accommodations Tax, renewed consumer spending, and additional tax collections due to high inflation.

While the State's economic recovery and revenues are in good shape, there are uncertainties on the national and international levels due to increasing levels of inflation, rising fuel prices, supply chain issues and international tensions that could negatively impact economic conditions appreciably in the near future. In addition, the State must ensure that the Department of Education (DOE) and the University of Hawai'i (UH) meet the Elementary and Secondary School Emergency Relief (ESSER) maintenance of effort (MOE) proportional funding requirements. Insufficient general funds were provided to UH to meet its proportional percentage for FY 23 and, although additional general funds were provided to DOE, DOE may be unable to fully expend these funds in FY 23 to meet its proportional percentage.

Thus, as part of a multi-pronged approach to address these requirements, restrictions will be imposed on discretionary general fund appropriations for departments other than DOE and UH when full-year allocations are released with the FY 23 budget execution policies. This approach is incumbent on actions that must be taken on House Bill (H.B.) No. 1600, H.D. 1, S.D. 2, C.D. 1, the Executive Supplemental Budget bill, and, thus, it is expected that H.B. No. 1600 may not be enacted until after FY 22 is over.

However, we must start the process to begin FY 23. Given the lack of a Supplemental Budget Act at this time, the following is authorized:

- Continuation of FY 22 budget execution policies (Executive Memorandum (E.M.) No. 21-04, dated July 30, 2021), except for allocation amounts and as noted in this memorandum. E.M. No. 97-07, dated June 19, 1997, shall also remain in effect for capital improvement program projects.
- Submittal of “dummy” first quarter allotments of one-quarter of FY 23 appropriations from Act 88, SLH 2021. All dummy A-19s should be dated July 1, 2022.
- Consideration of the release of specific appropriations on a case-by-case basis.

FY 23 budget execution policies and full-year allocations will be issued after the Supplemental Budget is enacted. Again, be aware that general fund restrictions will be imposed.

We will continue to take the necessary actions to ensure the State’s compliance with the ESSER MOE requirements and that the appropriate fiscal controls are in place for FY 23 budget execution. Questions on specific policies and procedures should be directed to the Department of Budget and Finance analyst assigned to your department.

/s/

DAVID Y. IGE
Governor, State of Hawai‘i