



## EXECUTIVE CHAMBERS

HONOLULU

DAVID Y. IGE  
GOVERNOR

August 22, 2022

### EXECUTIVE MEMORANDUM

MEMO NO. 22-03

TO: All Department Heads

SUBJECT: FY 23 Budget Execution Policies and Instructions

The attached Budget Execution Policies and Instructions are provided to guide your implementation of program appropriations for FY 23. These policies will apply to all appropriations from the following:

- Act 88, SLH 2021, as amended by Act 248, SLH 2022, for operating and capital improvement program (CIP) projects.
- Other specific appropriations authorized for expenditure in FY 22 (retroactively) or FY 23 by the 2022 Legislature or other legislative sessions.

Each day brings us a step closer to recovering from the impact of the coronavirus (COVID-19) pandemic. While we are still approaching a new normal, this past June, the number of visitors to our islands was the second highest amount that we have had since January 2020. We also have seen a decrease in the number of COVID-19 cases over the past three weeks, which is good news.

We all know that getting here has not been easy. Many of our favorite places have closed, while other businesses remain short staffed. Our unemployment rate has declined over the past two years, from a high of 22.4% in April 2020 to 4.3% (preliminary) in June 2022, about where it has been since the end of 2021. We have made great strides but there is still work to be done to stabilize and broaden our economy and economic base.

At its May 23, 2022 meeting, the Council on Revenues (COR) increased its FY 22 general fund tax revenue projection by 7% from 21% to 28%. The COR attributed the increased revenues in FY 22 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. 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%.

Thus far, general fund tax revenue growth for FY 23 is on track with preliminary growth of 6% for July 2022, though continued economic expansion after 29% growth in FY 22 while COVID-19 still lingers worldwide may prove difficult. Further, 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 and ensure the State's fiscal stability, full-year allocations for FY 23 for general-funded programs include a 5% hard restriction and 5% contingency restriction on adjusted discretionary general fund appropriations from Act 88, SLH 2021, as amended by Act 248, SLH 2022, for departments other than DOE and UH. DOE and UH would receive their full adjusted discretionary general fund amounts. The contingency restriction is intended as a contingency reserve for FY 23 and may be adjusted during the second half of the fiscal year based on American Rescue Plan ESSER MOE requirements, actual tax collection trends, and the COR's updated forecasts later in the fiscal year.

Act 88, SLH 2021, as amended by Act 248, SLH 2022, designates amounts in the operating budget for specific purposes, Chapter 42F grants, and CIP projects. These amounts have not been included in your department allocations.

The 5% restriction and 5% contingency restriction will be applied to general-funded operating appropriations for specific purposes from Act 88, SLH 2021, as amended by Act 248, SLH 2022, and specific appropriations from other acts upon release. Non-general funded programs have been allocated their full FY 23 appropriation amounts. Each department's Exhibit 1 includes its full-year allocation for FY 23.

These policies continue to delegate many responsibilities to the department level, including providing the authority to fill budgeted and funded civil service positions to department heads. In addition, we have increased most approval thresholds from \$100,000 to \$150,000. For the most part, these budget execution policies are otherwise much like those from FY 22; however, departments should be aware that there have been many changes made due to adjustments made by the Legislature, including the repeal of the provision that allows the Governor to approve the transfer of funding between programs.

The flexibility and authority provided to execute these budget controls must be used with the utmost care and caution. Prudent management of the State's finances is expected and necessary. All departments must continue to be careful with their spending, regardless of means of financing, to ensure that the State is in the best position to quickly deal with direct program impacts and changes to Hawai'i's, the nation's and the world's economy. Departments are reminded that program expenditures should not exceed current allocations.

Through it all, we have remained committed to broadening the State's economic landscape, while improving government transparency and accountability. We must continue to work towards building a better tomorrow and, together, we can strengthen the foundation of our State government.

Exhibit 1 contains each department's full-year allocation (net allocation), which reflects each department's FY 23 operating program appropriation (gross allocation) from Act 88, SLH 2021, as amended by Act 248, SLH 2022, with applicable adjustments. "Act 88, SLH 2021, as amended by Act 248, SLH 2022," includes transfers pursuant to Act 6, SpSLH 2021 (debt service); Act 219, SLH 2022 (Agribusiness Development Corporation to the Department of Business, Economic Development and Tourism (DBEDT)); and Act 220, SLH 2022 (Stadium Authority to DBEDT).

- General funds

All departments excluding DOE and UH – 100% of non-discretionary appropriation; \$4,000,000 of discretionary appropriation plus 90% (adjusted by a 5% hard restriction and a 5% contingency restriction) of balance of discretionary appropriation (adjusted by appropriations for specific purposes, Chapter 42F grants and CIP funding in the operating budget; i.e., these appropriations are not included in department allocations).

DOE and UH – 100% of appropriation (adjusted by appropriations for specific purposes, Chapter 42F grants and CIP funding in the operating budget).

- Other than general funds

All departments – 100% of appropriation.

Attachments A and B contain detailed, specific expenditure policies, guidelines, and procedures for FY 23 budget execution to provide for prudent and efficient implementation of legislative intent.

Questions on the specific policies and instructions should be directed to the Department of Budget and Finance or the appropriate agency referenced. Electronic files of the budget execution forms will be provided for your use.

/s/

DAVID Y. IGE  
Governor, State of Hawai'i

Exhibit 1  
Attachment A  
Attachment B