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September 5, 2023

FINANCE MEMORANDUM

MEMO NO. 23-12

TO: All Department Heads

FROM: Luis P. Salaveria /s/  
Director of Finance

SUBJECT: FY 25 Supplemental Budget Policies and Guidelines (Fiscal  
Biennium 2023-25)

The policies and guidelines included herein shall apply to the preparation of the Executive Supplemental Budget for FY 25 (FB 2023-25).

**General Background**

On August 8, 2023, heavy winds brought on by Hurricane Dora transformed brush fires in Maui and Hawai'i County into deadly wildfires that scorched thousands of acres and destroyed nearly all of Lāhainā. Emergency proclamations issued by Maui County, Hawai'i County, and our Administration quickly followed. On the morning of August 10, 2023, President Biden issued a Major Disaster Declaration.

The devastation is unfathomable but, clearly, the greatest loss has been the tragic loss of life. Others have lost their homes, businesses, and all their worldly possessions. Recovery and healing will take time and we recognize that the process must be thoughtful and respectful.

Accordingly, our response to the worst natural disaster in the State's history will require flexibility and adaptability, including in the planning and execution of the State's budget, as the State is fully committed to support recovery efforts for the long haul. As we continue to assess the resources that are needed for response and recovery, be aware that FY 24 appropriations could be impacted. We will work with departments as these costs become more defined and resources are delineated.

We expect that the Maui wildfires may significantly impact the State's measures of economic health. Hawai'i's tourism sector had been showing healthy growth, with June 2023 visitor spending, measured in nominal dollars, up by 9.2% compared to

June 2022 and 22.7% compared to June 2019, the benchmark year prior to the COVID-19 pandemic. Total visitor arrivals had also recovered to 93.9% compared to June 2019. However, visitor arrivals to Maui, which had 31% of the State's visitor arrivals in June 2023, have understandably dropped significantly since the wildfires.

Hawai'i's unemployment rate had fluctuated between 3.2% and 3.7% between October 2021 and December 2022 but improved gradually from 3.7% in December 2022 to 2.8% in July 2023, the lowest rate since the start of the pandemic. It is truly unfortunate that the Maui wildfires destroyed and disrupted many businesses, and the outcome will be reflected in the unemployment rates in the upcoming months.

The Council on Revenues' (COR) most recent general fund tax revenue growth projections, as of May 15, 2023, were 4.0% for FY 24 and 3.5% for FY 25 through FY 29. Preliminary actual general fund tax revenue growth for the first month of FY 24 was 2.2%, 1.8% less than the COR's projected level for FY 24. While this is concerning, general fund tax revenue growth rates had been expected to improve through the next two months, as the comparison would be made to the period during which the constitutional Individual Income Tax refunds, which decreased FY 23 general fund tax revenues by \$312 million, were paid out.

The COR will be meeting on September 7, 2023, and will undoubtedly consider the current and potential long-term economic impact of the county wildfires. While the influx of federal funds and private insurance moneys for disaster recovery will buffer the negative impact, we do not yet know how this will weigh into the COR's decision.

In addition, the COR previously noted risks that could inhibit the State's economic recovery, which it would likely continue to consider, including inflation, an aggressive monetary policy response from the Federal Reserve, risks in the banking sector, labor shortages, supply chain disruptions, sustained travel hesitancy from Asian markets, and the reduction in Federal stimulus spending.

Our Administration also remains committed to improving Hawai'i's cost of living. A phased implementation of the Green Affordability Plan, which will help to relieve some of the tax burden on Hawai'i's people, is still a component of the financial plan. Providing widespread tax relief for our residents, while beneficial, will also reduce the resources available to the State. Thus, departments should be aware that changes made by the COR to general fund tax revenue projections or proposals that impact tax revenues could ultimately impact budget decisions.

We must also be mindful of the actions taken by Congress and their potential impact to Hawai'i. These actions could affect federal funds coming into the State and the stability of federal grant programs. The State must be prepared to assume the costs should the federal government reduce or discontinue funding for services which the State deems critical. The State would also have to bear the economic impact of the reduced funding while having to provide State funding for federal programs.

Recent events such as the pandemic and the county wildfires have made it abundantly clear how quickly things can change. To ensure that the State maintains a secure fiscal position, all departments must be mindful of their spending, including proposed budget requests. Many departments received substantial funding in Act 164, SLH 2023, as well as other specific appropriation acts; consequently, please be sure to take all resources into consideration before submitting requests for additional funding.

### **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 Executive Supplemental Budget will include all appropriations from Act 164, SLH 2023, the General Appropriations Act. 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 25 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 164, SLH 2023.

### **Critical Program Needs**

Recovery efforts for the 2023 wildfires are our highest priority. The health and welfare of Maui’s people must be at the forefront as they heal from the devastation. Therefore,

as you prepare your budget requests, bear in mind that recovery efforts may require a great deal of the State's resources. It is expected that, even with federal matching funds, the State's share of response costs to provide non-congregate housing and debris clean up and removal for the Maui wildfire will be considerable, possibly requiring hundreds of millions of dollars.

It is our responsibility to make the best use of the State's resources, especially during trying times. We are managers of the public's funds and we must ensure that we use these funds prudently. As such, it is strongly recommended that each department's budget review process consider rebalancing their budget resources as well as using alternative means and resources to address current program requirements.

Thus, departmental budget requests should concentrate on addressing critical program needs related to: 2023 Wildfires recovery; health and safety requirements; requirements due to court orders, consent decrees or federal mandates; second-year funding for recurring costs; funding for new half-year funded positions or critical authorized unfunded or underfunded positions; and fixed costs (including other post-employment benefits) and entitlements. Non-general funded programs may consider requests that are reasonable and sustainable.

### ***Budget Transparency***

Departments should review their FB 2023-25 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 the University of Hawai'i (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, 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, departments may submit requests for “conversion of unbudgeted positions,” which are cost neutral but may increase temporary or permanent position counts.

Departments should submit the following for changes necessary to align their budgets in FY 25:

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 list of major, recurring federal awards was used to determine which federal awards were appropriated in FB 2023-25 as means of financing (MOF) "N" (federal funds). All other federal awards anticipated to be received in FY 24 or FY 25 were appropriated as MOF "P" (other federal funds).

Each operating federal grant award anticipated to be received in FY 24 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 25 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 State FY 2025" shall be used to determine the appropriate MOF for all federal awards anticipated to be received and appropriated in FY 25. Please note that the list is based on the federal FY 23 budget.

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 2023-25 – Supplemental Executive Budget Request*), which shall include all anticipated grants to be received in FY 25 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 25 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 25, as authorized in Act 164, SLH 2023.

- 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.

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

- F. Departments should expect and be prepared to discuss workforce realignment in the context of addressing departmental vacancies and future needs. Requests for additional manpower will be reviewed against existing vacancy rates, and trade-off transfers should be considered before requesting increases to position ceilings (i.e., additional full-time equivalent position counts) above current authorized levels. Fringe benefit rates for positions, regardless of MOF, will be included in the analysis of additional manpower requests.

## **II. Supplemental Budget Guidelines**

### **A. Operating Budget**

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

1. Allowable FY 25 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: Employer-Union Health Benefits Trust Fund 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 State FY 2025” shall be used to determine the appropriate MOF for all federal awards anticipated to be received and appropriated in FY 25.

**Form FF** (*Federal Awards for FB 2023-25 – Supplemental Executive Budget Request*) shall include the following:

- All awards on the list of “Major, Recurring Federal Awards for State FY 2025” 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 25, 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 24 or prior years should not be included on **Form FF** or included in the budget.

FY 25 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 25 exceeds the Act 164, SLH 2023, 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 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 25 is less than the Act 164, SLH 2023, appropriation ceiling for the respective MOF, as indicated on **Form FF**.

- To correct the MOF for awards already appropriated in Act 164, SLH 2023, if necessary.
  - Note: Changes in receipts must be reflected in the Quarterly Update of Revenue Estimates.
- d. 2023 Wildfires recovery. Requests may be submitted for costs anticipated for FY 25 related to recovery from the 2023 wildfires; however, departments should use available federal resources to the extent possible.
- e. Health and safety, court orders and consent decrees, or federal mandates. Requests may be submitted to address requirements for public health and safety or immediate needs to meet court orders, consent decrees, or federal mandates.
- f. Full-year funding for half-year funded positions or critical authorized but unfunded or partially funded positions. Departments with positions that were authorized in FY 24 that were half-year funded or existing critical positions with authorized position counts but partial or no funding in FY 24 may request full-year funding for those positions if funding has not already been provided for FY 25 in Act 164, SLH 2023.
- g. Second-year funding for recurring costs. Requests may be submitted to provide FY 25 funding for programs with FY 24 funding only for recurring costs.
- 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 25 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 2023-25 – Supplemental Executive Budget Request*) to summarize all federal awards anticipated to be received and budgeted in FY 25.
  - 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 64.25% for FY 24, 64.45% for FY 25, and 65% for FY 26 through FY 29.
  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 164, SLH 2023, 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 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 (ETS) 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 164, SLH 2023, for both FY 24 and FY 25, will already be included in each department's FY 25 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.

State resources will be prioritized for recovery from the county wildfires. Departments should also 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. There shall be no general-funded CIP requests.

1. CIP project requests may be submitted for the following:
  - a. 2023 Wildfires recovery. Requests may be submitted for costs anticipated for FY 25 related to recovery from the 2023 wildfires; however, departments should use available federal resources to the extent possible.
  - b. Major repair and maintenance (R&M) for a public or educational facility. Requests may be submitted for Major R&M 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 be generally over 15 years. Examples include: major reroofing, refurbishing of building space or building infrastructure, and major improvements to public facilities. Justification for such projects must indicate how the proposed improvement will extend the useful life of the asset or improve its functional/operational efficiency.

- c. Completion of ongoing CIP projects. Funding necessary to complete later phases of ongoing CIP projects.
  - d. Health and safety, court orders and consent decrees, or federal mandates. Projects to address public health and safety, court orders and consent decrees, or federal mandates.
  - e. Energy efficiency. Projects that improve energy efficiency or conservation.
  - f. Public infrastructure improvements.
  - 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, CIP 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 25 Supplemental** (*Summary of Proposed CIP Lapses and New CIP Requests*) to identify projects that can be lapsed (including trade-offs) and summarize all FY 25 Supplemental Budget CIP requests. **Form S-FY 25 Supplemental** must be downloaded in Excel format from eCIP. "Part A: Proposed Lapses" and the request category of **Form S-FY 25 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 25 Supplemental** should be downloaded from eCIP prefilled after the department's requests have been inputted. Projects from Act 164, SLH 2023, including those that have not been changed in eCIP, will be included on the **Form S-FY 25 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. 2023-03, Assessment for Works of Art, HRS Section 103-8.5 (<https://ags.hawaii.gov/wp-content/uploads/2023/04/CM2023-03.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 25 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 2023-25 – Supplemental Executive Budget Request*) to summarize all federal awards anticipated to be received and budgeted in FY 25.
4. For each special/revolving fund appropriated in Act 164, SLH 2023, 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 25 Supplemental** (*Summary of Proposed CIP Lapses and New CIP Requests*) to identify projects that can be lapsed (including trade-offs) and summarize all FY 25 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 25 Supplemental**, which will include the CIP projects from Act 164, SLH 2023, 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 25 Supplemental** must be completed manually after downloading the **Form S-FY 25 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 25 Supplemental** should be downloaded from eCIP. The prefilled version, which will include the CIP projects from Act 164, SLH 2023, must be used for your department's budget submittal.
- A prefilled **Form FF**, with FY 25 information from your FB 2023-25 **Form FF** for FY 24, 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, September 29, 2023. 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](mailto: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 25 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 25 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, November 29, 2023: 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](mailto:gregg.h.hirohata-goto@hawaii.gov)) via email when all updates have been completed.
- C. By Wednesday, November 29, 2023: 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](mailto:DBF.DOCS@hawaii.gov). The electronic (Excel) file of Form DMC must be transmitted to your B&F analyst.

- D. By Wednesday, December 6, 2023: 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 Friday, December 29, 2023: 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](mailto: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 25 Supplemental Budget Ceiling  
Form A, A-Attachment and instructions  
Form B and instructions  
Form S-FY 25 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 State FY 2025”