



EXECUTIVE CHAMBERS

HONOLULU

NEIL ABERCROMBIE
GOVERNOR

August 30, 2012

EXECUTIVE MEMORANDUM

MEMO NO. 12-05

TO: All Department Heads

SUBJECT: FY 13 Budget Execution Policies and Instructions

The attached Budget Execution Policies and Instructions are provided to guide your implementation of program appropriations for FY 13.

We continue to make inroads towards our goals of economic recovery and sustainability. As a result of our fiscally balanced approach to address the potential \$1.2 billion budget shortfall for FB 2011-13, the State was able to end FY 12 in the black, with a \$275 million general fund balance.

Actual general fund tax revenues for FY 12 grew by 14.9%, nearly 3% more than the 12% general fund tax revenue growth rate projected by the Council on Revenues (COR). The COR currently projects that general fund tax revenues will increase at a rate of 5.3% in FY 13, as compared to FY 12.

The State's economy has strengthened in recent months, with our visitor and hospitality industry leading the way. All visitor markets showed growth in expenditures and arrivals during the first half of 2012 compared to the same period last year. Total visitor expenditures for the period increased by 21.4%, while total arrivals rose by 10.2%.

The strength of the visitor and hospitality industry's growth will continue to impact other sectors of Hawaii's economy; thus far, however, recovery of those sectors has been less than remarkable. As even the stunning growth of the visitor and hospitality industry has its own limitations, we cannot afford to take things for granted.

We are vulnerable to uncertainties at the national and worldwide level, including a potentially significant contraction in federal spending for defense, education and social services; economic volatility in Europe; slowdowns in Asia and unrest in the Middle East. We also remain committed to recapitalize our reserve funds and address our unfunded liabilities in the Employees' Retirement System and Employer-Union Health Benefits Trust Fund.

Although Hawaii's economy has improved since last year, we remain cautious, though optimistic, about its recovery and sustainability in the face of numerous uncertainties. In this light, and in consideration of the many demands on our limited resources, we must continue to be prudent with our expenditures. We are responsible to maintain the State's fiscal integrity.

As such, all general fund discretionary appropriations will be subject to a 5% contingency reserve restriction. While we will continue to monitor our State revenues through the fiscal year as more definitive information on tax revenue collections and projections becomes available, I trust that each department will make the necessary effort to operate efficiently and stay within its departmental allocation to allow the State's fiscal health to be maintained.

Similar to FY 12, these budget execution policies delegate many responsibilities to the department level to facilitate the efficiency of your operations. These responsibilities deserve your appropriate attention and should be executed with the utmost care and accountability in consideration of the State's fiscal situation. The expenditure of State funds should always be judicious and appropriate.

Through sound fiscal management, we can continue to maintain and improve the State's fiscal well-being. We must continue our efforts to deliver State services more efficiently and accelerate the implementation of New Day Work Projects. The energy and expenditures generated by moving our CIP projects quickly and purposefully will support our infrastructure needs while producing job growth and stimulating Hawaii's economy.

Our commitment to our State, to Hawaii's people, is steadfast and our efforts are unwavering. We will not wait for A New Day in Hawaii, we will make it happen. We will transform government in Hawaii by continuing to improve our ability to service Hawaii's people. We will grow a sustainable economy. We will invest in our State's most valuable asset, our people.

Exhibit 1 contains your department's FY 13 allocation of operating program appropriations and position ceilings from Act 164, SLH 2011, as amended by Act 106, SLH 2012, which may include a 5% contingency reserve restriction on discretionary general fund appropriations. Exhibit 1 also reflects the labor savings adjustment for CIP staff services cost appropriations (if not previously reduced in Act 164, SLH 2011, as amended by Act 106, SLH 2012).

Attachments A and B contain detailed, specific expenditure policies, guidelines, and procedures for FY 13 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 appropriate forms will be provided for your use.

NEIL ABERCROMBIE
Governor, State of Hawaii

Exhibit 1
Attachment A
Attachment B
Operational Expenditure Plan

FY 2013 ALLOCATION (AUGUST 2012)

Exhibit 1

DEPARTMENT OF EDUCATION
(August 2012)

	General Fund	Special Funds	Federal Funds	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus Funds	Revolving Funds	Other Funds	Total Allocation	CIP Funds
Appropriation	19,168.72	737.50	5.00	-	-	-	-	-	8.00	-	19,919.22	
	1,348,108,657	55,627,903	264,473,822	-	-	32,919,060	10,537,704	20,073,434	30,370,337	-	1,762,110,917	
Collective Barg.	970,300	105,750	19,860	-	-	703	216	-	4,442	-	1,101,271	
Contingency Reserve												
Restrictions	(12,243,122)										(12,243,122)	
Labor Savings												
Restrictions												
TOTAL	19,168.72	737.50	5.00			32,919,763	10,537,920	20,073,434	8.00		19,919.22	
	1,336,835,835	55,733,653	264,493,682						30,374,779		1,750,969,066	

Details of Collective Bargaining

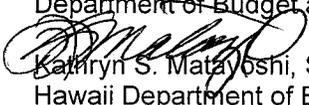
Bargaining Unit	General Fund	Special Funds	Federal Funds	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Federal Stimulus Funds	Revolving Funds	Other Funds	Total	
BU 01 - Included	23,746	39	4,362								28,147	
- Excluded	354,968		39								355,007	
BU 02,03,04,06,08,13												
- Included	71,270	748	3,970			120	51		4,149		80,308	
- Excluded	520,316	104,963	11,489			583	165		293		637,809	
TOTAL C.B.	970,300	105,750	19,860			703	216		4,442		1,101,271	



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

September 10, 2012

TO: The Honorable Neil Abercrombie, Governor, State of Hawaii
THRU: The Honorable Kalbert K. Young, Director
Department of Budget and Finance
FROM:  Kathryn S. Matayoshi, Superintendent
Hawaii Department of Education
SUBJECT: Request for Partial Release of FY13 Restriction per E.M. 12-05

This memorandum is to ask for the partial release of the FY12-13 general fund restriction for the Department of Education (Department), which was based on a high level classification of "discretionary" activities.

Background:

On August 30, 2012 Executive Memorandum 12-05, FY 13 Budget Execution Policies and Instructions, was issued announcing that, "all general fund discretionary appropriations will be subject to a 5% contingency reserve restriction." The following is how the Department's restriction of \$12,243,122 was determined:

EDN	Description	Non-Discretionary	Discretionary	5% Restriction	Comment
100	School Based Budgeting	772,510,601	-	-	
150	Comp Student Supp Svcs	313,456,272	-	-	
200	Instructional Support	-	43,767,584	(2,188,379)	All programs
300	State Administration	-	41,945,114	(2,097,256)	All programs
400	School Support	17,279,336	156,649,750	(7,832,488)	Excl Food Svc & Custodian Svcs
500	School Community Svcs	-	2,500,000	(125,000)	Only Adult Ed has General Funds
		1,103,246,209	244,862,448	(12,243,122)	

We are planning on sharing this information with the Board of Education's Finance and Infrastructure Committee at their next scheduled meeting on September 18, 2012.

Concerns:

There are several programs within EDN 200, 400, and 500 that were classified as "discretionary" and therefore subject to the 5% restriction, which are already projecting shortfalls, are subject to a federal maintenance of effort requirement, are critical activities for the Race to the Top (RTTT) initiatives, or provide direct support to assist schools implement RTTT initiatives. These programs include:

EDN/Org Code	Description	Appropriated Amt Subject to 5% Restriction	Comment
EDN200/GN	School Complex Resource Services (Complex Area Support)	17,728,171	RTTT related
EDN200/GP	Systems Accountability, Hawaii Content and Performance Standards Assessment & Training, and Testing Development	11,365,216	RTTT related
EDN400/MC	Office of Hawaii Child Nutrition Program (OHCNP) Maintenance of Effort	179,634	Mandatory MOE
EDN400/OE	Utilities (electricity & sewer), Telephone, & Telecommunications for Schools	59,423,037	Shortfall Area
EDN400/YA	Student Transportation	54,248,834	Shortfall Area
EDN500/PC	Adult Education	2,500,000	Shortfall Area
		145,444,892	

As these are programs that must be maintained at least at the level of their appropriations, the impact of the restriction to the remaining programs in EDN 200, 300, and 400 is that they will need to be curtailed much more than 5%.

REQUEST:

To exclude from the list FY12-13 "discretionary" programs the six programs above, thereby reducing the basis for the 5% restriction by \$145,444,892. If approved, the amount restriction from the Department's appropriation would be \$4,970,878.

RECOMMEND:

APPROVAL DISAPPROVAL

APPROVED DISAPPROVED

 KALBERT K. YOUNG
 Director of Finance, State of Hawaii

 NEIL ABERCROMBIE
 Governor, State of Hawaii

 DATE

 DATE

KSM:BH:lg

- c: Members of the Board of Education
 Ronn Nozoe, Deputy Superintendent
 Presley Pang, Executive Assistant to the Superintendent
 Assistant Superintendents
 Adele Chong, Budget Director