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October 15, 2008

FINANCE MEMORANDUM

MEMO NO. 08-12

TO: All Department Heads
PPB Coordinators

FROM: Georgina K. Kawamura
Director of Finance

SUBJECT: Instructions for Completion of the FY 08 and FY 09 Variance Report

Pursuant to Chapter 37-75, HRS, the Governor is required to submit an annual Variance Report to the Legislature 30 days before the start of each regular session of the Legislature. Transmitted herewith are the instructions for the preparation of this report for submission to the Department of Budget and Finance (B&F), which will prepare the final report.

We will be using our web-based system, eVARIANCE, to collect all data and prepare narratives. As such, no data collection sheets will be sent out. Two copies of the V61 Report and accompanying narratives generated from eVARIANCE must be submitted to B&F by November 14, 2008. Any questions on the attached material should be directed to your B&F analyst.

Thank you for your attention and cooperation in this matter.

INSTRUCTIONS FOR COMPLETION OF THE DATA
COLLECTION FORM ON THE eVARIANCE SYSTEM

All the data entered for the data collection form should be typed in on the "Update" screen, which is accessible via the "List" screen on eVARIANCE.

1. FY 08 - Budgeted and Actual

"\$" Lines (Cards A02, A04)

The pre-filled amounts in this section reflect only the Part II, Section 3, program appropriations (all means of financing) contained in Act 213, SLH 2007, as amended by Act 158, SLH 2008. Do not include collective bargaining augmentation funds in the budgeted amount.

Enter the actual expenditures plus amounts encumbered at the end of FY 08 from Act 213, SLH 2007, as amended by Act 158, SLH 2008, and the following Acts:

1. Act 132, SLH 2007 – CB for BU 5
2. Act 133, SLH 2007 – CB for BU 10
3. Act 135, SLH 2007 – CB for BU 11
4. Act 136, SLH 2007 – CB for BU 1
5. Act 137, SLH 2007 – CB for BU 2, 3, 4, 6, 8 and 13
6. Act 138, SLH 2007 – CB for BU 9

Actual expenditures should be entered whether or not there is a corresponding budgeted amount. If there is no actual expenditure for a budgeted amount, a zero (0) should be entered in the "Actual" column. If there are no budgeted or actual expenditures, the entire line should be left blank.

All expenditure amounts (budgeted and actual or estimated) in both FY 08 and FY 09 should be entered in thousands of dollars.

"P" Lines (Cards A01, A03)

Like the "\$" lines, the budgeted position counts should reflect the appropriated counts contained in Act 213, SLH 2007, as amended by Act 158, SLH 2008. Only the number of permanent authorized positions filled as of the end of the fiscal year (June 30, 2008) should be entered in the "Actual" columns.

If a position count is shown in the "Budgeted" column, an entry must be made in the "Actual" column, even if the amount to be entered is zero.

If there are positions to be entered in the "Actual" column, they should be entered even if no count is shown in the "Budgeted" column.

If the "Budgeted" column contains no position count and there is no entry to be made in the "Actual" column, leave the entire line blank.

All personnel position counts should be reported to two decimal places (e.g., 101.56).

2. FY 09 - Budgeted and Actual or Estimated

"\$" Lines (Cards A06, A08, A10 and A12)

Chapter 37-75, HRS, requires that variances be shown for the first three-month period and the remaining nine-month period of the current fiscal year.

The entire budgeted amount is shown in the remaining nine-month period block. Please enter the correct first quarter and remaining three quarter breakdown of the budgeted amounts, making sure that the total of the two budgeted amounts equal the program appropriations (all means of financing) in Part II, Section 3 of Act 213, SLH 2007, as amended by Act 158, SLH 2008.

The actual or estimated data must reflect estimated expenditures from Act 213, SLH 2007, as amended by Act 158, SLH 2008, plus collective bargaining and pay adjustment amounts from the following acts:

1. Act 132, SLH 2007 – CB for BU 5
2. Act 133, SLH 2007 – CB for BU 10
3. Act 135, SLH 2007 – CB for BU 11
4. Act 136, SLH 2007 – CB for BU 1
5. Act 137, SLH 2007 – CB for BU 2, 3, 4, 6, 8 and 13
6. Act 138, SLH 2007 – CB for BU 9

"P" Lines (Cards A05, A07, A09, and A11)

There is no need to make an allocation of budgeted positions into three-month and nine-month periods. The amounts entered (on the "P" lines) as budgeted are the same for both fiscal periods. Example: If 25.31 positions are authorized by the Legislature, 25.31 is entered on "P" lines of both budgeted columns (1st quarter and last three quarters). A difference should then be shown between the 25.31 positions budgeted and the actual number of positions filled as of September 30, 2008, and the number estimated to be filled as of June 30, 2009.

3. Variance from Planned Levels of Effectiveness

(Cards B01-B10)

The pre-filled measures of effectiveness are those that were approved in December 2006 and became effective on July 1, 2007.

For each measure, one of the following must be entered in the “Actual” columns, as follows:

1. If the amount is known, the numeric data should be entered in data boxes for the “Actual” data. Decimal points may be used, if necessary, but no other punctuation marks may be used. A zero should be entered only if the amount is known to be zero; it should not be used to indicate that an amount is unknown. An amount may be entered in the “Actual” column even if the “Planned” column is blank.
2. If the amount is not known (because of a lack of data), “NO DATA” should be written in data boxes for “Actual,” as appropriate. This is the only instance where alphabetic information may be entered in the data boxes. Data boxes filled in with “NO DATA” or left blank will appear in the Variance Report as “NO DATA.”

New measures may not be added. If the measures of effectiveness are not correct, B&F should be contacted.

The planned data which comes from the Tables A, B, and C, completed in December 2006 and included in the FB 2007-09 Multi-Year Program and Financial Plan and Executive Budget, cannot be changed. The “actual” data entered on the data collection forms will not automatically update the data on the Tables A, B and C, as the planned data can only be changed during the update of the Program Structure and Tables A, B and C during the preparation of the biennium budget.

4. Variance from Planned Program Size

(Cards C01-C10; Cards D01-D10)

The same instructions, as specified for levels of effectiveness above, apply to this part.

5. Intermediate and Major Program Area Levels

Data collection forms for higher-level programs (those without a program ID) will be completed by the B&F analyst handling each major program area. Expenditure and position data need not be entered in eVARIANCE for higher-level programs since both will be system generated. However, data must be entered for the measures of effectiveness. In some cases, departments will be contacted by their B&F analyst to provide actual data applicable to their department.

INSTRUCTIONS FOR COMPLETION OF NARRATIVES
ON THE eVARIANCE SYSTEM

General

Narrative explanations of the significant variances in the performance measures for each program must be included in the Variance Report document. All narratives should be typed in on eVARIANCE. Please refer to the Variance Report document dated December 2006 for examples of variance explanations used in narratives. The items should be referred to as follows:

Expenditure and Positions:

Research and Development is in Part I, Item 1. Operating is in Part I, Item 2.

Measures of Effectiveness:

These should be referred to as Part II, Items 1 through 10. They will be printed in the Variance Report document in the same order as they are printed on the data collection form.

Program Target Groups:

These should be referred to as Part III, Items 1 through 10. They will be printed in the Variance Report document in the same order as they are printed on the data collection form.

Program Activities:

These should be referred to as Part IV, Items 1 through 10. They will be printed in the Variance Report document in the same order as they are printed on the data collection form.

Format

Narratives must be typed in via the "Update Narrative" screen on eVARIANCE. Narrative text may be cut and pasted from other word processing files to the appropriate fields on the "Update Narrative" screen. Narratives will be automatically formatted by eVARIANCE.

Hard copies for submittal may be generated by printing the "Narrative" report on the "Reports" menu. Please print all narratives on 8 1/2" x 11" paper.

Important: The narrative for a program should not exceed one page (i.e., one side of a sheet of paper), unless permission is first obtained from B&F.

Required Explanations

In accordance with Section 37-75, HRS, any significant differences between budgeted and actual expenditures, positions filled, program size indicators realized and effectiveness measures attained during FY 08 must be explained. In many instances, this will require a judgment as to what is significant.

For consistency, all variances of more than 10%, or variances greater than \$75,000 from the planned or budgeted amounts, should be explained. In certain instances, even smaller variations may be important enough to warrant an explanation. In addition, the basis upon which the original estimates were formulated should be discussed. The impact, future costs and effectiveness, and other related requirements should also be included as part of the narrative explanation. If there are any questions whether a particular difference warrants explanation, B&F should be contacted.

It should be noted that the budgeted amounts shown on the data collection form are the amounts actually appropriated by the Legislature. Therefore, one explanation for large expenditure discrepancies might be an expenditure allocation lower than that appropriated. There are, of course, many other possible explanations.

Although capital investment costs are not shown on Report V61 (or data collection form), any significant capital project variations in scheduling, costs, etc., should be explained in the program narrative. Appropriate references should be made to the Multi-Year Program and Financial Plan and Executive Budget, where the details of scheduling, costs, etc., are shown. Each project's title and project number should be given to aid in locating the information in the plan.

Because of the requirement that only significant differences be explained, it is possible that a specific program may require no narrative at all. If such is the case, the matter should be discussed with B&F.