



EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

June 23, 2003

EXECUTIVE MEMORANDUM

MEMO NO. 03-05

TO: All Department Heads

SUBJECT: FY 04 Interim Budget Execution Policies and Instructions

At its May 16, 2003 meeting, the Council on Revenues revised its earlier March projections **downward** to reflect actual and projected **declines in revenue** beginning in FY 03. The revised forecasts were based on current revenue collection trends as well as the effect of recent changes in tax laws.

Based on those projections, **the State will not have enough resources to finance expenditures authorized by the 2003 Legislature for FY 04, much less for FY 05, the second year of the biennium.**

Clearly, spending must be immediately reduced in FY 04 to ensure our timely accommodation of the shortfall. As such, general and special fund allocations will be authorized for only the first quarter at reduced levels. This will allow your programs to continue essential ongoing operations, while they consider and develop cost-cutting proposals for the rest of the fiscal year.

Accordingly, effective July 1, 2003, the following interim policies shall apply to all operating authorizations and appropriations. These policies supersede and/or suspend **conflicting provisions** of any other Executive Memorandum (E.M.) or Administrative Directive previously issued which may still be in effect as of July 1, 2003.

1. Reduced General and Special Fund Allocations for the First Quarter of FY 04

- a. Attached is your total general and special fund operating allocation **for the first quarter of FY 04.** The first quarter allocation is one-fourth of:

Fixed Costs	100% Allocation
All other operating costs	80% Allocation

- b. Fixed costs include funding for debt services, employee fringe benefits, public welfare financial assistance, and Medicaid/QUEST.
- c. Departments shall determine the appropriate allocation of funds among their programs in a manner consistent with statutory and legislative intent, and with guidelines provided herein.
- d. First quarter allocations for all other means of financing are not subject to restrictions. However, full year allocations should not exceed balances actually available in such funds, nor amounts appropriated for FY 04.

2. Restricted Filling of Position Vacancies

- a. Guidelines in E.M. No. 02-07 (*Vacant Positions*), dated December 30, 2002, shall remain in effect until superseded or replaced.
- b. The freeze on hiring to fill any position vacancy shall continue through July 31, 2003. This prohibition shall apply even to vacancies where approval to fill had previously been given. **This prohibition shall not apply to positions where a firm offer has already been made and accepted** as of the date of this memo.
- c. These provisions apply to all positions funded by all means of financing, except 100% federally funded positions and 100% *non-appropriated* trust funded positions, which are exempt.
- d. These provisions do not apply to the University of Hawaii (UH); Hawaii Health Systems Corporation (HHSC); Department of Education (DOE) program staff in EDN 100, EDN 150, EDN 400; Public Safety Correctional Facilities Staff; Child Protective Services (CPS); "Felix"-related staff; State Hospital Staff; the Hawaii Youth Correctional Facility (HYCF), and specific exemptions granted by the Governor in FY 03.

3. Continuation of FY 03 Spending Moratorium

- a. Guidelines in E.M. No. 03-04 (*FY 03 Spending Moratorium*), dated March 31, 2003, shall remain in effect until superseded or replaced, as modified herein.
- b. The moratorium on expenditures or commitments of expenditures (contracts or encumbrances) shall continue through July 31, 2003, on the following:
 - Motor vehicles
 - Training
 - Purchase of furniture and equipment
 - Consultant/personal service contracts not otherwise exempted (including new contracts costing less than \$25,000)

- c. These provisions apply to all expenditures funded by all means of financing except for 100% federally funded expenditures and 100% *non-appropriated* trust funded expenditures, which are exempt.
- d. These provisions do not apply to DOE (including Hawaii State Public Libraries (HSPLS)), UH, HHSC, Hawaii State Hospital, Department of Public Safety (PSD) correctional facilities, the Sheriff's Office and Protective Services in PSD, HYCF, Hansen's Disease Facilities, and Animal Quarantine.
 - The Department of Accounting and General Services (DAGS) surplus property program is exempt from the moratorium on motor vehicle purchases.
 - These provisions do not apply to equipment purchases required for maintenance of State facilities and budgeted by DAGS and/or the Airports and Harbors Divisions of the Department of Transportation.
- e. All other exemptions from this moratorium must be approved by the Department of Budget and Finance (B&F).

4. **Discontinuation of Student Hires**

- a. Prior directions to curtail and cease the employment of all student helpers or interns shall continue.
- b. This provision applies to all student hires funded by all means of financing.
- c. This provision does not apply to UH, DOE, HSPLS, and other specific exemptions approved by the Director of Finance in FY 03.

5. **Other Budget Execution Policies and Guidelines Still in Effect**

Policies, guidelines, and procedures not covered in this memorandum shall comply with guidelines provided in previous E.M. Nos. 02-02 (*Fiscal Year 2003 Budget Execution Policies and Instructions*), 02-07 (*Vacant Positions*), and 03-04 (*FY 03 Spending Moratorium*).

Where guidelines and/or instructions conflict with previously issued memos, policies stated herein shall prevail.

6. **Capital Improvement Project (CIP) Expenditures**

Policies, guidelines, and procedures in E.M. No. 02-02 (*Fiscal Year 2003 Budget Execution Policies and Instructions*) dated June 25, 2002, as amended by E.M. No. 03-01 (*Amended CIP Allotment Procedures*), dated January 6, 2003, shall remain in effect until superseded or replaced.

7. Submission and Due Dates

First Quarter operating expenditure plans and Allotment Advices (Forms A-19) should be submitted to B&F **no later than Friday, June 27, 2003**.

Please keep in mind that full year allocations and expenditure guidelines will depend on the direction of the State's revenue outlook. It is possible that allocations and policies may be even more restrictive. As such, long term funding commitments should be avoided.

Your cooperation in adhering to the letter and intent of this memo is appreciated.

LINDA LINGLE

Attachment

FY 2004 ALLOCATION - 1ST QUARTER
STATEWIDE TOTAL
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	34,522.82 3,715,171,150	(1,470,831,062)	34,522.82 2,244,340,088	448,868,018	34,522.82 3,265,803,132	1,197,845,121
Special Funds	6,917.95 1,461,303,758		6,917.95 1,452,724,216	290,544,843	6,917.95 1,162,179,373	290,544,844
Federal Funds	2,147.06 1,318,665,984		2,147.06 1,318,665,984		2,147.06 1,318,665,984	329,666,496
Private Contrib.	122,500		122,500		122,500	30,625
County Funds	200,000		200,000		200,000	50,000
Trust Funds	48.94 36,287,195		48.94 22,278,632		48.94 22,278,632	5,569,658
Interdept'l Trsf	156.35 580,601,340		156.35 580,601,340		156.35 580,601,340	145,150,337
Revolving Funds	543.15 297,090,236		478.15 297,090,236		478.15 297,090,236	74,272,560
Other Funds	67.00 17,297,224		67.00 17,297,224		67.00 17,297,224	4,324,306
Sub-total: Non-GF	9,880.45 3,711,568,237		9,815.45 3,688,980,132	290,544,843	9,815.45 3,398,435,289	849,608,826
TOTAL	44,403.27 7,426,739,387	(1,470,831,062)	44,338.27 5,933,320,220	739,412,861	44,338.27 6,664,238,421	2,047,453,947

Note: Net allocation includes fixed costs: for EDN and UOH, 1st Quarter includes full-year funding of fixed costs; for BUF and HMS, 1st Quarter includes 1/4 of total funding.

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF AGRICULTURE
(06/23/03)

Means of Financing	FY 04 Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	238.50 12,813,975		238.50 12,813,975	2,562,795	238.50 10,251,180	2,562,795
Special Funds	60.00 4,725,628		60.00 4,725,628	945,126	60.00 3,780,502	945,126
Federal Funds	911,144		911,144		911,144	227,786
Trust Funds	663,600		663,600		663,600	165,900
Interdept'l Trsf	1.00 453,646		1.00 453,646		1.00 453,646	113,412
Revolving Funds	14.00 10,682,192		14.00 10,682,192		14.00 10,682,192	2,670,548
TOTAL	313.50 30,250,185	0	313.50 30,250,185	3,507,921	313.50 26,742,264	6,685,567

Attachment

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	832.00 78,642,705		832.00 78,642,705	15,728,541	832.00 62,914,164	15,728,541
Special Funds	48.50 10,921,685		48.50 10,921,685	2,184,337	48.50 8,737,348	2,184,337
Federal Funds	750,336		750,336		750,336	187,584
Trust Funds	4.00 394,801		4.00 394,801		4.00 394,801	98,700
Interdept'l Trsf	34.00 8,915,843		34.00 8,915,843		34.00 8,915,843	2,228,961
Revolving Funds	45.00 20,670,184		45.00 20,670,184		45.00 20,670,184	5,167,546
TOTAL	963.50 120,295,554	0	963.50 120,295,554	17,912,878	963.50 102,382,676	25,595,669

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF THE ATTORNEY GENERAL
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	283.17 22,358,275		283.17 22,358,275	4,471,655	283.17 17,886,620	4,471,655
Special Funds	15.00 1,475,959		15.00 1,475,959	295,192	15.00 1,180,767	295,192
Federal Funds	140.04 27,641,681		140.04 27,641,681		140.04 27,641,681	6,910,420
Trust Funds	13.94 6,621,228		13.94 6,621,228		13.94 6,621,228	1,655,307
Interdept'l Trsf	40.85 6,879,698		40.85 6,879,698		40.85 6,879,698	1,719,925
Revolving Funds	16.00 5,446,637		16.00 5,446,637		16.00 5,446,637	1,361,659
TOTAL	509.00 70,423,478	0	509.00 70,423,478	4,766,847	509.00 65,656,631	16,414,158

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	117.50 11,095,654		117.50 11,095,654	2,219,131	117.50 8,876,523	2,219,131
Special Funds	30.50 121,289,815		30.50 121,289,815	24,257,963	30.50 97,031,852	24,257,963
Federal Funds	4.00 12,896,004		4.00 12,896,004		4.00 12,896,004	3,224,001
Revolving Funds	2.00 4,098,094		2.00 4,098,094		2.00 4,098,094	1,024,524
TOTAL	154.00 149,379,567	0	154.00 149,379,567	26,477,094	154.00 122,902,473	30,725,619

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF BUDGET AND FINANCE
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	149.00 494,316,877	(474,968,460)	149.00 19,348,417	3,869,683	149.00 490,447,194	122,011,798
Special Funds	43.00 7,490,045		43.00 7,490,045	1,498,009	43.00 5,992,036	1,498,009
Trust Funds	27.00 6,846,992		27.00 6,846,992		27.00 6,846,992	1,711,748
Interdept'l Trsf	1.00 508,573,491		1.00 508,573,491		1.00 508,573,491	127,143,373
Other Funds	67.00 16,554,244		67.00 16,554,244		67.00 16,554,244	4,138,561
TOTAL	287.00 1,033,781,649	(474,968,460)	287.00 558,813,189	5,367,692	287.00 1,028,413,957	257,103,489

Note: Net Allocation includes fixed costs (pension accumulation, social security/Medicaid, health fund, and debt service).

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund			0.00 0	0	0.00 0	0
Special Funds	330.00 36,403,519		330.00 36,403,519	7,280,704	330.00 29,122,815	7,280,704
Trust Funds	4.00 1,726,946		4.00 1,726,946		4.00 1,726,946	431,737
TOTAL	334.00 38,130,465	0	334.00 38,130,465	7,280,704	334.00 30,849,761	7,712,441

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF DEFENSE
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	144.80 9,325,187	(500,000)	144.80 8,825,187	1,765,037	144.80 7,060,150	1,765,037
Federal Funds	43.70 9,571,420		43.70 9,571,420		43.70 9,571,420	2,392,855
TOTAL	188.50 18,896,607	(500,000)	188.50 18,396,607	1,765,037	188.50 16,631,570	4,157,892

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF EDUCATION
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	18,934.60 1,412,440,521	(363,167,130)	18,934.60 1,049,273,391	209,854,678	18,934.60 1,202,585,843	573,021,808
Special Funds	728.50 42,013,098		728.50 42,013,098	8,402,620	728.50 33,610,478	8,402,620
Federal Funds	5.00 196,864,723		5.00 196,864,723		5.00 196,864,723	49,216,181
Trust Funds	5,950,000		5,950,000		5,950,000	1,487,500
Interdept'l Trsf	8,400,000		8,400,000		8,400,000	2,100,000
Revolving Funds	4,530,000		4,530,000		4,530,000	1,132,500
TOTAL	19,668.10 1,670,198,342	(363,167,130)	19,668.10 1,307,031,212	218,257,298	19,668.10 1,451,941,044	635,360,609

Note: Net Allocation and 1st Quarter allocation includes full-year funding of fixed costs (pension accumulation, social security/Medicare, health fund, and debt service) which should be transferred to B&F by July 16, 2003.

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF EDUCATION - PUBLIC LIBRARIES
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	534.55 24,530,903		534.55 24,530,903	4,906,181	534.55 19,624,722	4,906,181
Special Funds	3,125,000		3,125,000	625,000	2,500,000	625,000
Federal Funds	865,244		865,244		865,244	216,311
TOTAL	534.55 28,521,147	0	534.55 28,521,147	5,531,181	534.55 22,989,966	5,747,492

FY 2004 ALLOCATION - 1ST QUARTER
OFFICE OF THE GOVERNOR
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	37.00 3,294,991		37.00 3,294,991	658,998	37.00 2,635,993	658,998
TOTAL	37.00 3,294,991	0	37.00 3,294,991	658,998	37.00 2,635,993	658,998

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF HAWAIIAN HOME LANDS
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	29.00 1,297,007		29.00 1,297,007	259,401	29.00 1,037,606	259,401
Special Funds	89.00 7,115,343		89.00 7,115,343	1,423,069	89.00 5,692,274	1,423,069
TOTAL	118.00 8,412,350	0	118.00 8,412,350	1,682,470	118.00 6,729,880	1,682,470

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF HUMAN SERVICES
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	1,233.44 579,683,825	(486,836,818)	1,233.44 92,847,007	18,569,401	1,233.44 561,114,424	140,278,606
Special Funds	450,000		450,000	90,000	360,000	90,000
Federal Funds	1,045.56 848,750,984		1,045.56 848,750,984		1,045.56 848,750,984	212,187,746
Private Contrib.	10,000		10,000		10,000	2,500
Trust Funds	14,008,563		14,008,563			
Interdept'l Trsf	0.50 32,435,577		0.50 32,435,577		0.50 32,435,577	8,108,894
Revolving Funds	65.00 12,025,229		65.00 12,025,229		65.00 12,025,229	3,006,307
TOTAL	2,344.50 1,487,364,178	(486,836,818)	2,279.50 986,518,797	18,659,401	2,279.50 1,454,696,214	363,674,053

Note: Net allocation includes fixed costs (public welfare financial assistance and Medicaid/QUEST).

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	115.00 13,874,757		115.00 13,874,757	2,774,951	115.00 11,099,806	2,774,951
Special Funds	700,000		700,000	140,000	560,000	140,000
Interdept'l Trsf	4,886,281		4,886,281		4,886,281	1,221,570
TOTAL	115.00 19,461,038	0	115.00 19,461,038	2,914,951	115.00 16,546,087	4,136,521

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF HEALTH
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	2,574.85 345,392,213		2,574.85 345,392,213	69,078,443	2,574.85 276,313,770	69,078,443
Special Funds	65.20 75,010,444		65.20 75,010,444	15,002,089	65.20 60,008,355	15,002,089
Federal Funds	333.55 100,643,521		333.55 100,643,521		333.55 100,643,521	25,160,880
Interdept'l Trsf	3.00 3,074,974		3.00 3,074,974		3.00 3,074,974	768,744
Revolving Funds	62.40 100,136,730		62.40 100,136,730		62.40 100,136,730	25,034,183
TOTAL	3,039.00 624,257,882	0	3,039.00 624,257,882	84,080,531	3,039.00 540,177,351	135,044,339

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF HEALTH - HAWAII HEALTH SYSTEMS CORPORATION
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	0.00 31,220,000		0.00 31,220,000	6,244,000	0.00 24,976,000	6,244,000
Special Funds	2,836.25 260,637,937		2,836.25 260,637,937	52,127,587	2,836.25 208,510,350	52,127,587
TOTAL	2,836.25 291,857,937	0	2,836.25 291,857,937	58,371,587	2,836.25 233,486,350	58,371,587

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	265.69 17,545,999		265.69 17,545,999	3,509,200	265.69 14,036,799	3,509,200
Special Funds	4.00 200,086,717		4.00 200,086,717	40,017,343	4.00 160,069,374	40,017,343
Federal Funds	448.90 77,805,940		448.90 77,805,940		448.90 77,805,940	19,451,485
Interdept'l Trsf	1,370,044		1,370,044		1,370,044	342,511
TOTAL	718.59 296,808,700	0	718.59 296,808,700	43,526,543	718.59 253,282,157	63,320,539

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF LAND AND NATURAL RESOURCES
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	507.85 26,109,133		507.85 26,109,133	5,221,827	507.85 20,887,306	5,221,827
Special Funds	203.50 33,400,661		203.50 33,400,661	6,680,132	203.50 26,720,529	6,680,132
Federal Funds	18.65 10,349,788		18.65 10,349,788		18.65 10,349,788	2,587,447
Revolving Funds	1.00 543,791		1.00 543,791		1.00 543,791	135,948
TOTAL	731.00 70,403,373	0	731.00 70,403,373	11,901,959	731.00 58,501,414	14,625,354

FY 2004 ALLOCATION - 1ST QUARTER
 OFFICE OF THE LIEUTENANT GOVERNOR
 (06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	9.00 1,028,872		9.00 1,028,872	205,774	9.00 823,098	205,774
TOTAL	9.00 1,028,872	0	9.00 1,028,872	205,774	9.00 823,098	205,774

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF PUBLIC SAFETY
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	2,472.53 153,689,269		2,472.53 153,689,209	30,737,854	2,472.53 122,951,415	30,737,854
Special Funds	6.00 2,365,921		6.00 2,365,921	473,184	6.00 1,892,737	473,184
Federal Funds	7.00 541,407		7.00 541,407		7.00 541,407	135,352
County Funds	200,000		200,000		200,000	50,000
Trust Funds	75,065		75,065		75,065	18,766
Interdept'l Trsf	76.00 5,611,786		76.00 5,611,786		76.00 5,611,786	1,402,947
Revolving Funds	14.00 8,084,824		14.00 8,084,824		14.00 8,084,824	2,021,206
Other Funds	742,980		742,980		742,980	185,745
TOTAL	2,575.53 171,311,252	0	2,575.53 171,311,252	31,211,038	2,575.53 140,100,214	35,025,054

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF TAXATION
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	332.00 18,334,150		332.00 18,334,150	3,666,830	332.00 14,667,320	3,666,830
Special Funds	8,579,542		8,579,542	1,715,908	6,863,634	1,715,908
TOTAL	332.00 26,913,692	0	332.00 26,913,692	5,382,738	332.00 21,530,954	5,382,738

FY 2004 ALLOCATION - 1ST QUARTER
DEPARTMENT OF TRANSPORTATION
(06/23/03)

Means of Financing	Appropriation	Adjustment	Base Allocation	Alloc Reduction 20%	Net Allocation	1st Quarter
General Fund	0.00 0		0.00 0	0	0.00 0	0
Special Funds	2,276.25 515,671,630		2,276.25 515,671,630	103,134,326	2,276.25 412,537,304	103,134,326
Federal Funds	3.00 20,911,641		3.00 20,911,641		3.00 20,911,641	5,227,910
Private Contrib.	112,500		112,500		112,500	28,125
TOTAL	2,279.25 536,695,771	0	2,279.25 536,695,771	103,134,326	2,279.25 433,561,445	108,390,361