



**EXECUTIVE CHAMBERS**

HONOLULU

LINDA LINGLE  
GOVERNOR

June 7, 2005

EXECUTIVE MEMORANDUM

MEMO NO. 05-01

TO: All Department Heads

SUBJECT: FY 06 Budget Execution Policies and Instructions

The attached Budget Execution Policies and Instructions are provided to guide your implementation of program appropriations for FY 06.

Hawaii's economy continues to register strong performances in all areas and significant gains have been made in the past two years. I am pleased to report that the current FY 05 projections are 4.6% higher than earlier forecasts. At the most recent meeting of May 31, 2005, the Council on Revenues projected that general fund tax revenues will grow by 14.6% in FY 05 and between 4.8% to 6.7% thereafter.

In light of Hawaii's strong recovery, and the robust gains in State revenues, FY 06 Budget Execution Policies contained herein provide departments with greater expenditure authority. Specifically, departments will be authorized a full year allocation of general funds once the actual FY 05 tax collections and expenditure totals are known.

While the State's economy continues to strengthen, we must maintain fiscal discipline in managing our resources, as projections of State expenditures continue to show significant growth due to collective bargaining (CB) and fringe benefit obligations. Toward this end, every department must continue to practice sound management principles by scrutinizing how it spends public dollars, ensuring that its expenditures are in line with revenue projections and building sufficient reserves to address any unforeseen emergencies.

Accordingly, Budget Execution Policies for FY 06 have been formulated with the following overall themes and provisions:

- Actions to maintain overall spending within appropriation levels to continue the State's current financial solvency and strength. However, allocation adjustments may occur should State revenue projections no longer support expenditure levels.
- Prudence must be exercised in the expenditure of funds. Every expenditure must compete for priority in the State's spending plan relative to all other funding requirements of the State.
- An initial first quarter general fund allocation which is in Exhibit 1. Exhibit 1 also contains your department's FY 06 full year allocation of non-general funds, position ceilings from House Bill No. 100, H.D. 1, S.D. 1, C.D. 1, Relating to the State Budget (2005 Legislature), and CB allocations, as applicable.
- A full year general fund allocation notice will be sent out by separate memorandum in August, at which time departments must submit their expenditure plans.

Attachments A and B contain executive expenditure policies, guidelines, and procedures for FY 06 budget execution to provide for prudent and efficient implementation of legislative intent.

I am confident that responsible fiscal choices will be made in the spirit of this memorandum even where no specific policies are provided. Your hard work and continued dedication to public service are sincerely appreciated.

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.

LINDA LINGLE

Exhibit 1

Attachment A; Forms A, B, C, C-Ia, D, E1, E2, E3 and PAB

Attachment B; Samples 1, 2, 3, 4, 5, 6, and 7