



EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

June 22, 2010

EXECUTIVE MEMORANDUM

MEMO NO. 10-02

TO: All Department Heads

SUBJECT: Interim Budget Execution Policies and Instructions for FY 11

The nationwide recession, which began in December 2007 and worsened following the collapse of Lehman Brothers in September 2008, became a financial and economic crisis of proportion not seen since the Great Depression. General fund revenues plummeted by 9.5 percent in FY 09, forcing us to make difficult and, sometimes, painful decisions.

In FY 10, our operations took the brunt of the blow, with further reductions to staffing and other resources. However, as the year has progressed, the economy has shown signs of improvement. On May 27, 2010, the Council on Revenues changed its FY 10 and FY 11 revenue forecasts upward from -2.5 percent to 4.0 percent (net of 0.5 percent growth rate adjusted for \$150 million in tax refunds deferred to FY 11) and from 6.0 percent to 6.2 percent (net of 8 percent growth rate adjusted for payment of \$150 million in deferred tax refunds), respectively. Preliminary general fund tax collections for the first 11 months of FY 10 indicate that revenues have increased by 5.2 percent (net of 1.8 percent increase adjusted by \$128.9 million in deferred tax refunds) over the prior year.

As we move into FY 11, we are cautiously optimistic about the State's economic recovery. While positive revenue growth is encouraging, following the significant decline in revenue in FY 09, anticipated FY 11 general fund revenues will still be less than in FY 08. As such, we must maintain our perspective and continue to be prudent with our expenditures. Our management of public resources should always be thoughtful and appropriate.

Full year budget execution policies for FY 11 are forthcoming. During the interim, the following actions are hereby authorized:

1. On July 1, 2010, departments will receive their respective budget allocations for the first quarter only.

- a. Exhibit 1 contains your department's First Quarter allocation, which is one-fourth of FY 11 operating program appropriations from House Bill No. 2200, H.D. 1, S.D. 2, C.D. 1, SLH 2010.
 - b. Requests for exception from this policy will be reviewed on a case-by-case basis and must be submitted to the Governor's Office through the Department of Budget and Finance (B&F) no later than July 15, 2010.
2. Allocations for subsequent quarters will be made upon further consideration of revenue and expenditure requirements.
 3. Except for allocation amounts, all other current budget execution policies as contained in the following Executive Memoranda will continue until further notice.
 - Executive Memorandum (E.M.) No. 08-03, *FY 09 Budget Execution Policies and Instructions* (dated June 23, 2008).
 - E.M. No. 08-05, *Amendments to E.M. No. 08-03* (dated August 26, 2008).
 - E.M. No. 09-06, *Third Interim Budget Execution Policies and Instructions for FY 10* (dated November 10, 2009).

Questions on the specific policies and instructions should be directed to B&F or the appropriate agency referenced.

Your continued hard work and dedication to maintain State services during these uncertain times has not gone unnoticed and is sincerely appreciated.

LINDA LINGLE

Exhibit 1

