



EXECUTIVE CHAMBERS

HONOLULU

NEIL ABERCROMBIE
GOVERNOR

January 19, 2011

EXECUTIVE MEMORANDUM

MEMO NO. 11-01

TO: All Department Heads

SUBJECT: Amendments to Budget Execution Policies

This memorandum amends specific policies and/or procedures as communicated in ***Executive Memorandum (E.M.) No. 08-05, dated August 26, 2008, Amendments to E.M. No. 08-03, FY 09 Budget Execution Policies and Instructions and E.M. No. 09-06, dated November 10, 2009, Third Interim Budget Execution Policies and Instructions for FY 10, which amended E.M. No. 08-03, FY 09 Budget Execution Policies and Instructions, dated June 23, 2008.***

The State of Hawaii, as an operating entity, has been under significant fiscal and budgetary duress for the past 30 months. In order to conserve funds and operate under a constrained budget, policies and practices were put into place as a strategy to ensure that there were adequate funds to survive the fiscal year. Within this context, one practice that was employed was to direct the suspension of filling all position vacancies as of August 26, 2008. This strategy, while perhaps fiscally prudent or necessary at the time, has contributed to a reduction in human capital resources which is now contributing to operational deficiencies and reduced service capacity to provide minimal expected service levels of State government.

The strategies of reduction-in-force actions, lay-offs, hiring freezes, position eliminations, and attrition have likely run their course to the fullest value for the State. Maintaining these strategies to the degree in which they were in practice via E.M. No. 08-05, is having an adverse affect on the efficiency and effectiveness of certain key operational areas.

Furthermore, there are certain approval processes that are cumbersome and are no longer relevant to current operations and management philosophy. As such, please be advised that effective immediately, the following revisions to ***E.M. No. 08-05, FY 09 Budget Execution Policies and Instructions, and E.M. No. 09-06, Third Interim Budget Execution Policies and Instructions for FY 10,*** shall apply:

From E.M. No. 08-05:

14. Workforce Control (amended).

b. Establishment and Filling of Positions/Vacancies (**amended**).

- As you know, the fiscal condition of the State of Hawaii is still very tenuous. The relaxing of fiscal constraint in this area is not intended to imply that the budget condition has improved to the point where State government can begin expanding or that there is support to return government to the size it was in 2008. Rather, this directive is intended to restore critical service capacity to a bare minimum where departments can provide the core services that the public and internal customers expect.
- Departments are advised that the freeze on filling of “all current and future position vacancies” is relaxed as indicated in Item b.1 below.
- Exception for 100% federally funded positions supercedes the prior Chief of Staff’s directive which required Governor’s approval for all requests to fill such positions.

b.1 Departments may submit requests for Governor’s approval through the Department of Budget and Finance (B&F) for the consideration of the establishment and/or filling of positions which meet all of the following criteria:

- Current positions that are budgeted and funded in the current fiscal year (FY) budget.

Or, for positions which are:

- i. Budgeted but not funded;
- ii. Created by general law or specific legislation which are not included in the budget; or
- iii. Unauthorized but are allowed pursuant to Section 134 of Act 162, SLH 2009, as amended by Act 180, SLH 2010;

for which an operational criticality is justified, departments may submit requests to establish and/or fill such positions with thorough explanation and justification.

- Positions that the director of the requesting department has assessed as being CRITICAL to the core operations of the department in delivery of services to the public.

- Positions that the director of the requesting department has assessed as increasing core capacity to deliver necessary services to the public.

b.2 Exceptions (**amended**). The Governor's approval is not required for the cases listed below.

- Establishment, filling and extension of positions that are 100% federally funded (including American Recovery and Reinvestment Act of 2009 (ARRA) funds), or 100% funded by non-appropriated trust funds (**amended**).
- Filling of authorized direct instructional (teaching) positions in the University of Hawaii, Department of Education, and the Charter Schools.
- Filling of authorized positions in the Hawaii Health Systems Corporation.
- Filling of Public Safety correctional facilities and correctional programs staff positions.
- Filling of positions in Child Protective Services.
- Filling of Hawaii State Hospital staff positions.
- Filling of Hawaii Youth Correctional Facility staff positions.
- Filling of Department of Health positions previously mandated by the Felix Consent Decree and are currently necessary to ensure compliance (**amended**).
- Granting of temporary assignment to existing employees.
- Establishment and filling of positions pursuant to Section 76-16(b), subsections (5), (7), (9), and (16), HRS.
- Filling of civil service positions identified for Reduction-in-Force placements, and/or for placements of disabled employees.
- Filling and/or extensions of blanket authorizations previously approved by the Governor.

If your department has a position that meets the criteria indicated in Item b.1, please assess and evaluate the need to establish and/or fill this position. Department directors are expected to be accountable for the decision to request to establish and/or fill a position.

All directors are advised to seriously examine and weigh each request to establish and/or fill positions against their departmental budget, the overall fiscal condition of the State, and the value the position will give to the public, along with the need to sustain government services in the long term. Your department's request will be deliberatively considered. We want to ensure that government services are maintained at an adequate level.

17. **Travel (amended)**. The following procedures and guidelines shall apply:

- The relaxing of the travel approval process is not intended to convey that fiscal conditions have improved where oversight and diligence is not warranted. This process is relaxed in order to garner operational efficiency and expediciencies for departments requesting travel. Department directors are still expected to assess the need and value of travel for departmental operations. Conservatism and prudence in approving all travel is advised.

a. **Out-of-State (amended)**

Approval for out-of-state travel for departmental personnel is delegated to department heads, subject to available funding, program necessity, and other applicable statewide travel policies.

21. **Procurement of Goods, Services, and Construction (HRS Chapter 103D) and Purchase of Health and Human Services (HRS Chapter 103F), (amended)**.

- Again, the relaxing of the equipment and motor vehicle approval process is not intended to convey that fiscal conditions have improved where oversight and diligence is not warranted. To expedite the purchases of equipment and motor vehicles to more immediately address operational needs, purchasing thresholds have been increased. Department directors should ensure that adequate funding is available for any purchases being considered; however, careful and prudent spending is advised.

- f. **Equipment (amended)**. "*Equipment*" is tangible property of a more or less permanent nature (other than land or buildings and improvements thereon) that is used in an operation or activity. Examples are machinery, tools, furniture and furnishing, and certain vehicles such as farm tractors, mowing machines, and plows required for the performance of program tasks. For budget purposes, "*equipment*" **excludes** general-use motor vehicles such as trucks, cars, and buses, which are covered under "*motor vehicles*."

- f.1 Requests to purchase equipment under Administrative Directive (A.D.) No. 77-02 or A.D. No. 87-01 (relating to IT and TC services, facilities and resources) shall: 1) obtain preliminary approval from the Department of Accounting and General Services' Information and Communication Services Division; then 2) submit such request to the Governor for approval through B&F.
- f.2 The Governor's approval through B&F is required for single purchase orders of equipment totaling **\$50,000 or more** (amended).
- f.3 Department heads are delegated the authority to approve the purchase of equipment items which are 100% federally funded (including ARRA funds) or, for all other means of financing, on single purchase orders which total less than \$50,000 (amended).
- g. **Motor Vehicles (amended)**. For budget purposes, "motor vehicles" include "passenger cars," "pickup trucks," "sports wagons," "vans," "buses," or any self-propelled vehicles designed for carrying or transporting passengers and/or property, and generally drawn upon a road or highway.
 - g.1 The Governor's approval through B&F is required for single purchase orders for motor vehicles totaling **\$50,000 or more** (amended).
 - g.2 Department heads are delegated the authority to approve the purchase of motor vehicles which are 100% federally funded (including ARRA funds) or, for all other means of financing, on single purchase orders which total less than \$50,000 (amended).
 - g.3 Motor vehicle purchases are subject to Chapter 103D, HRS, and the following (amended):
 - i. Oahu and Maui: All passenger cars, leased or purchased, new or used, shall require Comptroller's approval. Review for approval shall consider vehicle type, size, and availability from DAGS Automotive Management Division (DAGS-AMD) motor pools.

Hawaii and Kauai: For passenger cars purchased for these islands, agencies shall submit an annual listing of vehicles purchased during the fiscal year for review by the Comptroller for compliance with paragraph "iv" below.

- ii. Passenger vehicles shall conform to the standard specifications and criteria issued by DAGS-AMD. Exceptions to the standards shall require Comptroller's review and approval.
- iii. Specifications for other than passenger vehicles, including exceptions to the DAGS-AMD standards, shall be the responsibility of the individual purchasing agency.
- iv. Used motor vehicles require the approval of the head of the purchasing agency and, for passenger vehicles only, the approval of the Comptroller as provided above.
- v. Used motor vehicles acquired from the SPO Surplus Property program are not subject to Chapter 103D, HRS, but shall comply with paragraph "iv" above.
- vi. Agencies shall ensure compliance with Act 96, SLH 2006, on Energy, and the Department of Business, Economic Development and Tourism's *Departmental Guidelines for Acquisition of New Vehicles*.

From E.M. No. 09-06:

Item 5, regarding all computer and computer-related purchases and purchases of handheld and land line communication devices and other electronic equipment is rescinded. All such purchases shall be subject to the guidelines and policies in Item 21.f, Equipment, above.

Questions on the specific policies and procedures should be directed to the B&F analyst assigned to your department or the appropriate agency referenced.

NEIL ABERCROMBIE
Governor, State of Hawaii