

GOVERNOR'S BUDGET EXECUTION POLICIES FISCAL YEAR 2012

Budget Execution policies for FY 12 contained in this document are generally similar to those issued for FY 08, as amended and continued through FY 11, except for changes, deletions and/or additions in the following sections:

- 3. Allocations
- 9. Federal Funds
- 14. Workforce Control
- 16. Contracts
- 17. Travel
- 21. Procurement of Goods, Services and Construction and Purchase of Health and Human Services
- 25. CIP Expenditures
- 28. Submission Requirements and Due Dates

Questions on the specific policies and instructions contained in this document should be directed to the Department of Budget and Finance (B&F) through the B&F budget analyst(s) assigned to each department.

1. **Scope and Applicability.** The Governor's Budget Execution Policies and Instructions shall apply to all means of financing (MOF) appropriated and authorized by Act 164, SLH 2011 (the General Appropriations Act of 2011) and other specific appropriations authorized for expenditure in FY 12 by the 2011 Legislature or other legislative sessions.
2. **General Statement of Policies.** State agencies shall implement appropriation acts providing for State government programs in conformance with the purpose of such acts, and shall carry out such purposes efficiently, with due respect for the financial condition of the State and all applicable laws.
 - a. Oversight and control shall be executed in accordance with Part II of Chapter 37, HRS; Section 37-74, HRS; and other applicable legislation and statutes.
 - b. Departments shall plan program operations and expenditures for the fiscal year at levels necessary to accomplish program goals within allocation ceilings approved for the departments, pursuant to Part II of Chapter 37, HRS (Allotment System).

Total expenditures and total positions designated for each program in each fiscal year shall not exceed the sums and numbers appropriated or authorized, and allocated as provided in Exhibit 1, *FY 2012 Allocation*, except as otherwise provided by law.

- c. Expenditure plans shall be developed within allocated amounts consistent with legislative requirements and executive priorities. These plans shall be prepared and submitted to B&F according to **Attachment B**.
- d. Program reports of affected activities, attainments, and expenditures corresponding to proposed allocations by allotment periods shall be submitted according to **Attachment B**.
- e. Special fund expenditure plans shall include estimates of transfers to the general fund as required by Sections 36-27 through 36-30, HRS (or as otherwise provided by law), for the payment of various assessments for special fund central services and departmental administrative expenses. Such assessments should be within allocated appropriations and treated as first charges against the respective funds, unless otherwise specified. Transfers shall be made to the general fund on a quarterly basis.
- f. As appropriate, every effort shall be made to utilize authorized federal and other non-general revenue resources to provide services which meet similar objectives of programs for which State funds are authorized. All such non-general fund expenditures, however, must be within amounts appropriated and allocated, except where otherwise authorized by law. *(See section on "Federal Funds" in this attachment for further guidelines.)*

All agencies receiving federal funds for operational purposes shall review such operations for possible changes in anticipated federal or other grants. It is not to be assumed that State funds will replace any reduction in federal or other grant funds; nor should it be assumed that State funds will be increased to qualify for increases in available federal matching funds. Program need and statewide priority must be demonstrated.

- g. To control the growing energy demand and costs of State operations, agencies are urged to take appropriate steps to improve energy efficiency in State facilities. Agencies shall comply with Administrative Directive (A.D.) No. 06-01 (Energy and Resource Efficiency and Renewable Energy and Resource Development) and Act 96, SLH 2006 (Relating to Energy). Coordination of A.D. No. 06-01 shall be under the auspices of the Department of Business, Economic Development and Tourism (DBEDT).
- h. The implementation of program budgets shall be consistent with the overall theme, goals, objectives and policies of the priority guidelines contained within applicable approved functional plans, and as contained within Chapter 226, HRS.

3. **Allocations.**

Effective immediately, departments will receive their respective budget allocations for the FY 12.

Exhibit 1 contains each department's full-year allocation (net allocation), which reflects each department's FY 12 operating program appropriation (gross allocation) from Act 164, SLH 2011, that may have been adjusted by:

- Proposed labor savings adjustment (assumes similar 5% labor savings for all bargaining units). The proposed labor savings have been applied to all means of financing; however, general fund amounts have generally been prorated to equal \$88.2 million in labor savings statewide. General fund labor savings shall be transferred to B&F pursuant to Section 96 of Act 164, SLH 2011.
- \$50 million in specific general fund program reductions identified through the 2011 Program Review. General fund reduction amounts shall be transferred to B&F pursuant to Section 97 of Act 164, SLH 2011.

FY 12 departmental Requests for Allotments (Form A-19) shall reflect full-year allocations by program ID and MOF. Journal vouchers to effectuate the transfers to B&F and summaries of labor savings and program review adjustments shall be prepared and submitted with each department's Requests for Allotments for FY 12.

4. **Funds Subject to Allotments.** All MOF appropriated or authorized by the Legislature for FY 12 shall be subject to the allotment process as provided by Section 37-33, HRS. Unencumbered allotment balances at the end of each allotment quarter shall revert to the related appropriation account, except for: the Department of Education (DOE) pursuant to general law; as otherwise provided by specific statute; pursuant to Section 37-40, HRS; or by procedures specified in **Attachment B** with respect to trust funds.
5. **Allotment of Funds to Private Agencies and Specific Appropriations.**
 - a. Appropriations for grants, subsidies and other specific appropriations shall be subject to the allotment system.
 - b. Expenditure of grants, subsidies, and other specific appropriations shall require the Governor's prior approval through B&F. Form A-19 for specific appropriations shall be submitted after receiving the Governor's approval to expend.
 - c. All allotments for grants and subsidies will be made on a case-by-case basis, subject to the Governor's approval through B&F.

Prior to the submission of any request for allotment, the expending agency or user department (when the user is different from the expending agency) must follow the applicable procedures for CIP implementation under **Item 25.**

Requests for the release of individual grants/subsidies must include a copy of the grant/subsidy application and indication of compliance with Chapter 42F, HRS, requirements. Use **Form F** for the individual grant/subsidy allotment requests.

Note: Section 42F-107, HRS, requires the Executive Branch to give public notice, beginning on the 91st day after the effective date of the legislation, to the recipient of any grant awarded under Chapter 42F, HRS, of the status of a grant that is not yet released until a final determination is made on the status of the grant.

- d. Funds to private agencies shall not be allotted where it has been determined that the private agency has not complied with qualifying provisions and procedures of Chapters 9, 42F, 103D, or 103F, HRS, as applicable. Departments should consult with the Department of the Attorney General (AG) on the legal requirements to be fulfilled by grant recipients.
 - e. Pursuant to Section 42F-103(d), HRS, if a grant or subsidy is used by an organization for the acquisition of land and the organization subsequently discontinues its activities, repayment to the State of the amount of the grant/subsidy must be made.
6. **Deficiency Spending Prohibited.** There shall be no expenditure of funds in excess of amounts appropriated and allotted, nor shall agencies establish positions in excess of the numbers authorized in the budget and allotted, unless otherwise provided by specific legislation, and as provided elsewhere in these instructions.
 7. **Lapsing of Funds.** Operating funds appropriated for FY 12 not expended or encumbered as of June 30, 2012 shall lapse on that date, except as provided for DOE, or as otherwise provided by law.
 8. **Delegation by Department Heads.** As permitted by applicable general laws, department heads may delegate authority to approve certain agreements and contracts (which have been deemed to be within the director's authority) to an appropriately designated deputy, officer, or manager in the director's respective department. The Comptroller of the Department of Accounting and General Services (DAGS) must be notified of such delegation in writing.

Delegation of procurement authority shall be in accordance with Chapter 103D, HRS, Subchapter 3, Chapter 3-121, HAR, and Procurement Delegation No. 2010-01 and Amendment 1, or as amended. Department heads shall ensure that procurement delegations of authority are current as submitted (Transmittal and SPO-036) to the Administrator, State Procurement Office (SPO).

9. **Federal Funds**. All departments receiving federal funds for operations and CIP should not assume that State funds will replace the loss of any federal-aid money, nor should it be assumed that State funding will be increased to qualify for increases in available federal matching funds.

- a. Pursuant to **Section 91** of Act 164, SLH 2011, the Governor's prior approval is required to: 1) increase a program's federal fund ceiling as authorized by the Legislature, and 2) apply for and/or expend non-appropriated federal grant funds. Section 91 also requires that the expenditure be made for the "benefit of the public." Accordingly, all requests for federal ceiling increases shall require the Governor's prior approval in the attached memo formats (**Forms E-1, E-2, and E-3**, as applicable).

Departments are required to prepare and submit **Form E-3** (notice of federal fund approval) in final form under their department head's signature. To comply with reporting requirements, departments should transmit the signed Form E-3, with a copy of the request, to the Legislature and to B&F, in order that B&F may prepare the summary annual report to the Legislature.

- b. **Federal Fund Deposits**. All federal funds received by departments shall be deposited into the State Treasury unless otherwise provided by federal funding conditions or specifically exempted from this provision by competent authority acknowledged by the Director of Finance.
- c. **Recovery of Indirect Costs and Fringe Benefits from Federal Grants and Contracts**. State agencies administering federal grants and contracts shall pursue the recovery of indirect costs and fringe benefits. Federal payments shall be deposited into the general fund. (Source code 0579 and the department's alpha code should be used.)

10. **Special and Revolving Fund Receipts and Expenditures**.

- a. All special and revolving funds must have been authorized and appropriated by law in order to be expended.
- b. Authorized and appropriated special and revolving funds can only be expended up to the level of receipts available in such funds.
- c. Special and revolving fund expenditures authorized in Act 164, SLH 2011, and other specific appropriations are limited to amounts appropriated and allocated, except as otherwise provided by law.
- d. **Appropriated** special and revolving funds authorized by law to expend in excess of appropriated amounts shall require the Governor's prior approval before making such expenditures. All requests for such expenditures shall be submitted to the Governor through B&F.

11. **Trust Funds.**

- a. Pursuant to Section 37-40, HRS, expenditures of trust funds are permitted up to levels of available receipts, except as otherwise provided by law, or except as limited by conditions of the trust agreement or fund.

Section 37-33, HRS, allows the Director of Finance, as required, to prescribe regulations for controlling expenditures and encumbrances of funds which have not been appropriated on a regular basis.

- b. Trust funds **appropriated** in Act 164, SLH 2011, which an agency seeks to expend in excess of appropriation levels, shall require the Governor's prior approval before making such expenditures. All requests for such expenditures shall be submitted to the Governor through B&F.

12. **Reimbursements from Federal or Other Funds.** All federal or other fund reimbursements shall be deposited into the general fund or the appropriate fund account that provided the original advance funding, except as otherwise provided by law. Programs shall ensure that appropriate and correct reimbursements from federal and other funds are made for pension accumulation, Social Security, health insurance, and other fringe benefits. Documentation shall be made available to B&F, upon request.

Expenditure of reimbursements without legislative or statutory authorization or appropriation may be considered to be in violation of Sections 37-31 and 37-42, HRS.

13. **Gifts or Private Contributions to Programs.** Where specific special, trust, revolving or private funds have not been established for such purposes, agencies shall be responsible for demonstrating that such authority is consistent with applicable statutes and appropriate expenditure provisions of the State Constitution. The Governor's approval is required prior to the receipt and expenditure of such contribution or gift, unless otherwise provided by law.

14. **Workforce Control.**

- a. **Position Allocation Ceilings.** The number of permanent full-time equivalent (FTE) positions, which may be established and filled by each department, shall not exceed the total number **allocated in Exhibit 1** to each respective department, by MOF, and the numbers provided for project-funded positions in **Item 25.e.** (CIP Staff Services Cost).
- b. Establishment and Filling of Positions/Vacancies.

All departments should thoroughly assess and evaluate the need to establish and/or fill a position. All department heads 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. Department heads are expected to be accountable for all decisions to establish and/or fill positions.

b.1 Department heads are delegated the authority to approve the following:

- Establishment and/or filling of authorized (permanent or temporary) and funded civil service positions as indicated in the department's FY 12 operating budget (BJ) details or CIP Staff Services Cost appropriation of Act 164, SLH 2011.
- Establishment and/or filling of authorized positions in the Department of Education (DOE), Charter Schools, Hawaii State Public Library System (HSPLS), Hawaii Health Systems Corporation (HHSC) and the University of Hawaii (UH).
- Establishment, filling and/or 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.

All departments should exercise caution in the filling of federally funded positions in view of recent actions by the federal government. Future reductions to federal-aid money is a distinct possibility and departments should not assume that State funds will be available to support program costs which were previously federally funded.

- Establishment and/or filling of authorized exempt positions in Child Protective Services.
- Establishment and/or filling of authorized exempt Hawaii State Hospital staff positions.
- Establishment and/or filling of authorized exempt Hawaii Youth Correctional Facility staff positions.
- Establishment and/or filling of authorized exempt Department of Health positions previously mandated by the Felix or Makin Consent Decrees and are currently necessary to ensure compliance.
- Establishment and/or filling of exempt positions pursuant to Section 76-16(b), subsections (5), (7), (9), and (16), HRS.

- Extension of exempt positions with incumbents, provided positions are authorized and funded in FY 12.
 - Filling and/or extension of positions under blanket authorizations approved by the Governor on or after April 27, 2011.
 - Granting of temporary assignment to existing employees.
 - Filling of civil service positions identified for Reduction-in-Force placements, and/or for placements of disabled employees.
- b.2 Governor's approval, through B&F, is required for the following, unless specifically allowed under Item b.1.
- Establishment, filling and/or extension of exempt positions.
 - Establishment, filling and/or extension of positions authorized by general law or specific legislation which are not included in the budget.
 - Establishment, filling and/or extension of unauthorized positions but are allowed pursuant to Section 119 of Act 164, SLH 2011.
- b.3 All vacancies permitted to be filled must be funded within currently approved departmental allocations.
- b.4 Proposed actions to establish or extend positions that are exempt from civil service pursuant to Section 76-16(b), subsections (2), (12), and (15), HRS, unless previously delegated to the departments, shall require the prior review and approval of Department of Human Resources Development (DHRD) before submission to the Governor, through B&F, for approval to fill or extend exempt positions and appointments beyond their not-to-exceed (NTE) dates.
- b.5 DHRD has provided the departments with delegated authority to review and approve civil service exemption for positions established under Section 76-16(b), subsections (3), (10), and (17), HRS. The Governor's approval is not required for extending these exempt positions and appointments beyond their NTE dates.
- b.6 Positions not Authorized by the Legislature. **Section 119** of Act 164, SLH 2011, prohibits the expenditure of funds, including federal funds, to fill any position not authorized by the Legislature. This prohibition does not apply to:
- Positions at UH and HHSC;
 - Positions entirely funded with federal monies;

- Positions established pursuant to Section 76-16(b), subsections (3), (12), (13), (21), and (23), HRS; or
- Where an agency has explicit statutory authorization to establish positions to accomplish necessary functions.

Departments are required to submit a report, with specific details, to the Legislature within five days of each use of this exception.

- b.7 Positions Authorized but not Funded. The 2011 Legislature reduced funding in FY 12 which may have been applied to vacant positions, resulting in unfunded positions. In such cases, these positions may not be filled. Supplemental budget requests must be submitted to delete or fund (through trade off/transfer) such positions.
- b.8 Job Sharing. New job sharing arrangements are allowed as long as departments operate within their allocated position and funding ceilings. Prior approval from the Governor through B&F is required.
- b.9 Recruitment Above the Minimum (RAM) and Appointment Above the Minimum. Prior approval from DHRD is required for RAM and Appointment Above the Minimum. Governor's approval is not required.
- b.10 Procedures for Approval. Position requests requiring the Governor's approval for establishing and/or filling shall be submitted in the attached formats (Form B-2 for unauthorized or exempt positions).
- c. Position Variances. Program positions should be of the same position classification series described in BJ details of the approved budget. Any variance from such authorization must be supported by appropriate justification or legislative authorization, and must be consistent with policies in A.D. No. 90-13, dated February 5, 1990, and as further provided herein.
- c.1 Department heads are delegated the authority to change a position's classification series (position variance) where the cost difference is no more than 20% above the authorized budgeted amount.
- c.2 The Governor's prior approval through B&F is required for requests to change a position's classification series where the cost difference exceeds 20% of the authorized budgeted amount.
- c.3 Other requests to implement position variances from authorizations in Act 164, SLH 2011, or as authorized in general law, or in any other Act of the Legislature, shall also be submitted to the Governor for review in the manner prescribed above, to ensure consistency with program and legislative intent.

c.4 UH, DOE, Charter Schools, HSPLS, and HHSC are exempt from the provisions of 14.c.

d. Other General Provisions.

d.1 Each department shall provide for the most efficient and economical use of workforce.

d.2 Departments shall limit and monitor the use of overtime for each month. Monthly program reports shall be made available to B&F, upon request.

d.3 All positions and personnel-related costs shall be funded within currently approved departmental allocations. Funding for positions shall conform to the means of financing indicated in the operating budget (BJ) details.

d.4 Reporting Requirement. Quarterly updates of department vacancies and positions filled shall be submitted to B&F as provided in the Quarterly Staffing Report, **Form A** (with instructions).

UH, DOE, Charter Schools, HSPLS, and HHSC are exempt from this requirement.

15. Transfer of Funds and/or Positions.

a. Unless otherwise provided, **Section 95** of Act 164, SLH 2011, authorizes, with the Governor's approval, transfers between operating appropriations within the same fund, within an expending agency, for operating purposes.

a.1 Other provisos in Act 164, SLH 2011, authorize transfers under certain conditions. To the extent possible, anticipated transfers should be identified in full-year expenditure plans and A-19s.

a.2 All requests for transfer authorization shall require the Governor's prior approval through B&F.

a.3 All requests for transfer shall include appropriate references to authorizing sections or statutes.

a.4 See Item 23, "Allotment Balances/Transfer of Funds," for other allotment limitations.

a.5 Pursuant to Section 37-74 (d)(2) and (3), HRS, specific transfer authority and responsibilities have been delegated to the UH, DOE, Charter Schools, and HHSC (special funds).

- b. **Section 98** of Act 164, SLH 2011, allows the **transfer of positions** within a department or agency, provided that: total position ceiling allocations are not exceeded; there is no change in the authorized MOF of the position count; and such transfers do not conflict with, or circumvent, other related laws.
 - b.1 All requests for transfer authorization shall require the Governor's prior approval through B&F.
 - b.2 Transfer requests shall include appropriate references to authorizing sections or statutes.
 - b.3 See Item 23, "Allotment Balances/Transfer of Funds," for other allotment limitations.
 - b.4 Proposed and actual transfers of vacant positions should be identified in the quarterly staffing report.
 - b.5 HHSC (special funded positions), UH, DOE, and Charter Schools are exempt from these provisions where specific transfer authority and responsibilities have been delegated to those agencies by general law.

16. **Contracts.**

- a. All contractual funding agreements are contingent on the availability of funds. Departments should exercise caution in negotiating contracts with funding obligations that extend beyond the fiscal year.
- b. Procurement of all approved goods, services, and construction, including purchase of health and human services, shall comply with applicable provisions of HRS Chapters 103D or 103F; SPO procurement circulars and directives; guidelines and directives issued by the AG and DAGS, as applicable; and any other pertinent requirements of statute, regulation, rule, order, or other directive.
- c. **Financing Agreements**
 - c.1 The applicability, scope and guidelines governing financing agreements may be found in E.M. No. 96-17, *Implementation of Act 119, SLH 1996, Relating to Municipal Leases*, dated November 15, 1996, and Chapter 37D, HRS.
 - c.2 Approval of the Director of Finance and the AG must be obtained prior to implementation of financing agreements subject to Chapter 37D, HRS (for either CIP or operating costs, regardless of amount or MOF).

- c.3 The sale, assignment, refinancing, or other disposition of any lease subject to Chapter 37D, HRS (including certificates of participation), shall require the prior approval of the Director of Finance.
- c.4 UH and HHSC shall comply with provisions of Section 37D-2, HRS, as applicable.
- d. Staffing by Contracts (all MOF)

These contracts provide:

- Services of an advisory nature relating to the functions of agency administration and management or program management; or
- Persons and/or organizations that are considered to have knowledge and special abilities not generally available within the agency; or
- Delivery of completed work, product, or services by or during a specified time.

Requests for these types of contracts require the Governor's approval, through B&F, and compliance with DHRD and DAGS requirements for contractual services. Departments are advised to contact DHRD and DAGS to obtain the latest applicable procedures relating to the approval process.

Exceptions. Approval authority is delegated to department heads to make the expenditures listed below (unless applicable to "financing agreements"); however, compliance with DHRD and DAGS requirements for contractual services must still be fulfilled.

- d.1 Initial requests where total estimated costs will be **less than \$100,000.**
- d.2 Amendment to an existing contract where the original cost of which is **less than \$100,000.** However, if the amendment results in the total cost exceeding this amount, the amendment requires the Governor's approval through B&F. (Note: Non-cost amendments to an existing contract do not require the Governor's approval.) Departments should consult with the AG and the SPO on other applicable requirements concerning contract amendments.
- d.3 Medical services contracts.
- d.4 Legal services contracts approved by the AG.
- d.5 Services contracts for expert witnesses for the AG.

- d.6 Engineering and architectural services for Repair and Maintenance projects funded as operating costs.
- d.7 Routine maintenance services necessary for ongoing operations. Examples include: maintenance of elevators/escalators, landscaping services, and janitorial services.
- d.8 Special repair and maintenance services to extend the life of facilities and other assets. Examples include: repainting, repaving, major repairs and rehabilitation of facilities.
- e. Audit contracts under DAGS jurisdiction shall be subject to DAGS procedures under Comptroller's Circular No. 1994-02 and do not require the Governor's prior approval. Exception: when departments elect to delegate such functions to DAGS under conditions of **Section 100** of Act 164, SLH 2011, the Governor's approval through B&F to transfer funding for such audits is required.
- f. With the exception of licensed design professionals as defined under Chapter 464, HRS, professional services defined under Chapter 103D, HRS, shall be procured pursuant to source selections allowed in Chapter 103D, HRS. Licensed design professionals as defined in Chapter 464, HRS, shall only be procured pursuant to Section 103D-304, HRS, and Subchapter 7, Chapter 3-122, HAR (excluding the small purchase process), or Section 103D-307, HRS (Emergency Procurement).
- g. Engineering, architectural, and other contracts with independent contractors or personal services contractors **related to CIP implementation** shall be subject to the Governor's review via the regular A-15 allotment approval process.
- h. Hawaiian Home Lands employee contracts exceeding six years pursuant to Section 202(b) of the Hawaiian Homes Commission Act shall be submitted to the Governor for approval through B&F.
- i. New contracts with the Research Corporation of the University of Hawaii which equal or exceed \$100,000 or amendments to existing contracts which cause the total to equal or exceed \$100,000 require Governor's approval through B&F.
- j. Extension of contracts which have expired is not permitted. If a contract expires before an extension has been approved, departments shall initiate a new procurement process to enter into a new contract.
- k. Reports shall be made available to B&F, upon request.
- l. Exemptions from requirements of Chapter 103D and Chapter 103F, HRS, are identified on DAGS' SPO website: <http://hawaii.gov/spo> (click on

“Statutes and Rules”). For Chapter 103D, HRS, see Section 103D-102, *Application of this chapter*, and Chapter 3-120, HAR, for “Exhibit A” listing of exemptions. For Chapter 103F, HRS, see Section 103F-101, *Application of this chapter*.

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

a. **Out-of-State**

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.

b. **Intra-State**

Approval for all intra-state travel is delegated to department heads, subject to available funding, program necessity, and other applicable statewide travel policies. As permitted by applicable general laws, department heads may delegate authority to approve intra-state travel to appropriately designated program administrators in the department.

c. Departments shall continue to comply with DAGS travel rules Comptroller Memoranda, and Procurement Circular 2007-03, *Intra-State and Out-of-State TRAVEL PROCEDURES*, and any subsequent amendments. Travel information is available at <http://hawaii.gov/spo> (click on *For State and County Procurement Personnel*; scroll to *Other Information for Travel Services*).

d. Reports of all travel shall be made available to B&F, upon request.

e. Department heads shall notify the Governor’s chief of staff of any out-of-state travel to be taken by them.

18. **Information Systems Technology (IT) and Telecommunication (TC) Services, Facilities and Resources**. All IT and TC services, facilities, and resources are functions of the ICSD of DAGS, under the authority of the Comptroller.

a. DAGS shall have general supervision and control over the acquisition and utilization of IT and TC facilities and resources within the Executive Branch and may grant exemptions from A.D. No. 77-02, as amended, and A.D. No. 87-01, as amended.

Note: A.D. No. 77-02 was amended by E.M. No. 1993-11 (delegation of IT and TC personnel actions), dated December 14, 1992, and E.M. No. 1994-08 (delegation of certain computer hardware and software acquisitions), dated August 31, 1994, and was clarified by Director of Finance memorandum dated October 18, 1994. A.D. No. 87-01 was

clarified by Director of Finance memo dated February 1, 1993 (DOE), and August 31, 1994 (cellular and pager equipment).

- b. Applicable statutory provisions, such as Chapters 76 and 103D, HRS, shall be observed by departments and agencies, as applicable.
- c. All IT and TC consulting services and all other IT and TC related services must obtain A.D. No. 77-02 and A.D. No. 87-01 approval from the Comptroller. Only IT or TC related consulting service requests that have been approved and/or cleared by the Comptroller should be submitted to the Governor, through B&F, for approval, in accordance with Item 16 as provided herein.

Note: The required review and approval by the Comptroller pursuant to A.D. No. 77-02 or A.D. No. 87-01, shall be conducted and completed by ICSD. ICSD requires at least two work weeks advance time to complete its review and recommendation.

- d. Departments or agencies contemplating acquisition of any IT or TC facility, service, hardware or software must plan the acquisition project as required by A.D. No. 77-02 or A.D. No. 87-01.
 - e. Ongoing IT services, such as hardware or software maintenance, should be considered as operational expenses and shall not require A.D. No. 77-02 or A.D. No. 87-01 approval, but shall comply with applicable provisions provided herein.
 - f. Other IT or TC products or services that are not operational expenses and are not included within A.D. No. 77-02 or A.D. No. 87-01 policy and procedures, shall require prior approval by the Comptroller to assure compliance with the State's strategic direction for IT/TC, as are all acquisitions of IT/TC items.
19. **Lease of Office Space.** Section 171-30, HRS, provides DAGS with the responsibility for the acquisitions of any office space in nonstate owned buildings for use by State departments or agencies. Departments shall submit all requests for new leases and lease renewals through the Comptroller under procedures established by DAGS. All requests shall include current organizational charts approved by B&F (if an approved organizational chart is not available, provide appropriate BJ details) and completed DAGS forms (including staff space computations and leasing information sheets).
20. **Risk Management and Insurance Administration.**
- a. Comptroller Memo No. 89-06 (dated February 15, 1989) provides guidelines for and shall govern departmental procedures with respect to the operations and implementation of a comprehensive State risk management and insurance program.

- b. Most appropriations for general fund agencies for risk management benefits have been centralized within AGS 203 (State Risk Management and Insurance Administration). Pursuant to Section 176 of Act 213, SLH 2007, as amended by Act 158, SLH 2008, agencies with appropriations for risk management costs are reminded to transfer funds to AGS 203 for administration and implementation.

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

- a. All department heads that are delegated procurement authority to purchase by the Chief Procurement Officer shall be in compliance with Chapter 103D, HRS, and its applicable Chapters 3-120 to 3-132, HAR, as issued by the Procurement Policy Board.
- b. All departments and agencies shall be in compliance with Chapter 103F, HRS, and its applicable rules in Chapters 3-140 to 3-149, HAR, as issued by the Procurement Policy Board, for the purchase of health and human services.
 - b.1 Department heads are delegated the authority to approve **budgeted** Health and Human Services (HHS) contracts.
 - b.2 The Governor's approval through the B&F is required for **unbudgeted** HHS contracts.
- c. Price and Vendor List Contracts issued by SPO. All departments and agencies, except HHSC, UH and DOE, are required to purchase their requirements for goods and services from SPO issued price and vendor list contracts, unless otherwise noted (e.g., Western States Contracting Alliance price and vendor lists are permissive contracts). Chief Procurement Officers for HHSC, UH and DOE may enter into a cooperative agreement with the SPO to utilize SPO price and vendor list contracts.
- d. "Parceling" as defined by Section 103D-305, HRS, is strictly prohibited. Section 103D-305, HRS, *Small purchases; prohibition against parceling*, states in part "... *procurement requirements shall not be artificially divided or parceled so as to constitute a small purchase under this section.*"
- e. Except as otherwise provided, all purchases shall be governed by DAGS guidelines and procedures.
- f. Equipment. "*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 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 ICSD; then 2) submit such request to the Governor for approval through B&F, as applicable.

Exceptions: Hardware and software purchases which meet all the following criteria do not need approval from DAGS ICSD.

1. Does not exceed \$10,000 per unit cost.
2. Does not require nor impact the central services or resources (e.g., State's data center) of the ICSD.
3. Does not require connectivity, installation upon, or use of resources of the State's telecommunications backbone, such as the Hawaiian Wide-Area Integrated Information Access Network, Next Generation Network, or statewide microwave network.
4. Are not mainframe computers, minicomputers, and related hardware and software resources.

An ICSD-205 form does not need to be submitted to DAGS ICSD for the above exceptions and is not required for requests submitted to the Governor through B&F.

- f.2 Department heads are delegated the authority to approve the purchase of equipment items which are:

- 100% federally funded (including ARRA funds), or
- **budgeted** (all other means of financing), or
- **unbudgeted** (all other means of financing) single purchase orders totaling less than \$100,000.

- f.3 The Governor's approval through B&F is required for **unbudgeted** single purchase orders of equipment totaling \$100,000 or more.

- g. Motor Vehicles. 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 Department heads are delegated the authority to approve the purchase of motor vehicles which are:

- 100% federally funded (including ARRA funds), or
 - **budgeted** (all other means of financing), or
 - **unbudgeted** (all other means of financing) single purchase orders totaling less than \$100,000.
- g.2 The Governor's approval is required for **unbudgeted** single purchase orders of motor vehicles totaling \$100,000 or more.
- g.3. Motor vehicle purchases are subject to Chapter 103D, HRS, and the following:
- 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 DBEDT *Departmental Guidelines for Acquisition of New Vehicles*; and Section 103D-412, HRS, *Light Duty Motor Vehicle Requirements*.
- h. Agencies shall ensure applicable contracts are reported, in compliance with:

- h.1 Executive Memorandum No. 06-01, *Transparency in Procurement*, dated January 20, 2006; and
- h.2 Procurement Circular 2010-01, *Procurement Posting Awards, Notices, and Solicitations*, dated June 15, 2010, and any subsequent amendments.

22. **Request for Allotment of Funds (Operating).**

- a. Within departmental fund allocations, department heads will be allowed to implement legislatively authorized new programs or to improve existing services authorized under Part II of Act 164, SLH 2011, or in other specific appropriation acts, or which are consistent with program budgeting guidelines and objectives pursuant to Section 37-74, HRS.
- b. Appropriations used for the initiation of **authorized** new programs or for the improvement of existing services or which are consistent with Section 37-74, HRS, will be reflected in the operational expenditure plan, where these items shall be separately identified in the narrative portion of the expenditure plan. All authorized new programs, or improvements to existing programs, that are planned for implementation by the agency must be within allocation ceilings and supported by appropriate evaluations or justifications.
- c. Program appropriations authorized under Part II of Act 164, SLH 2011, or in other specific appropriation measures, that are not planned for implementation in the fiscal years will be reflected in the "Estimated Balance" column on the Request for Allotment (Form A-19). (See **Attachment B** for guidelines and procedures.)
- d. Full-year program operational expenditure plans and A-19s should show accounts by "10" (payroll) and "20" (others), and must be consistent with updated BJ details of Act 164, SLH 2011, or with provisions of the authorizing specific appropriation, as applicable.
- e. Proposed labor savings adjustments and program review adjustments should be shown in full-year program expenditure plans and A-19s and must be consistent with the amounts indicated on Exhibit 1, FY 12 Allocations. Labor savings adjustments shall be shown in "10" Personal Services and program review adjustments shall be shown in "10" Personal Services and/or "20" Other Current Expenses, as appropriate.

23. **Allotment Balances/Transfer of Funds.** Requests for Allotment (Form A-19) and Requests for Transfer of Funds (Form A-21) will be used, as appropriate, for adjustments of program allotment accounts. As applicable, agency requests for the transfer of funds shall be submitted to the Governor for approval through B&F. All such requests must be accompanied by a written justification stating the nature and reasons for the transfer, including its legal

basis. Unless otherwise provided by other specific provisos in Act 164, SLH 2011, **Section 95** of Act 164, SLH 2011, limits such transfers to operating funds between appropriations within the same fund within an expending agency.

- a. Anticipated A-21 transfers shall be identified in the full-year expenditure plans.
- b. Provisions of this section shall apply to transfers made under **Section 95** cited above and to any transfer of funding between any agency or program authorized in Act 164, SLH 2011, including all MOF, except for: UH, DOE, Charter Schools, and special fund appropriation transfers in HHSC, as authorized by general law.
- c. Pursuant to **Section 85** of Act 164, SLH 2011, expenditures for programs to cope with natural disasters or other unforeseen emergencies shall be made only with a formal declaration of a natural disaster or emergency by the Governor.

24. **Transfer of Vacation Credits.** Pursuant to Section 78-23(b), HRS, transfer of funds representing accumulated vacation credits shall be made only when an employee is transferred between government jurisdictions as defined by Sections 78-1.5 and 76-11, HRS, or between positions within the same jurisdiction which are financed by different funds (MOF). Transfer of vacation funds shall not be made when the employee transfers between positions within the same jurisdiction, and if the transferred employee's salary is to be paid from the same fund. The transfer of vacation funds can be reversed if the employee returns to his or her original position, within the same fiscal year. Vacation transfer funds are considered to be realizations to the general fund or the respective non-general fund.
25. **CIP Expenditures.** In general, departments are directed to consult guidelines and instructions in E.M. No. 97-07, "*Procedures for Requesting the Implementation of Capital Improvement Projects,*" dated June 19, 1997. The following updated and/or amended guidelines shall also apply:
 - a. Except as specifically authorized by legislative proviso, MOF authorized for CIP described in **Section 36** of Act 164, SLH 2011, may not be changed or substituted by other MOF or by funding appropriated for other cost categories without legislative amendment or as otherwise provided by law.
 - b. General Obligation (G.O.) bond CIPs described in **Section 36** of Act 164, SLH 2011, except those for UH, and requiring supplemental funding shall utilize funds transferred pursuant to the provisions of **Section 73** of Act 164, SLH 2011, before requesting supplemental allotments from available project adjustment funds as provided by **Sections 74 and 75** of Act 164, SLH 2011.

- c. **Implementation Plans. Departments must accelerate implementation of their New Day Work Projects to meet the State's urgent infrastructure needs. All procedures and processes relating to CIP implementation should be reviewed and improved to bring about better coordination, greater efficiency, and faster implementation.**

c.1 **Form C: CIP Requiring Allotments in FY 12 and FY 13**

Departments with CIP appropriations should refer to E.M. No. 11-05, "FB 2012-2013 CIP Budget Implementation," dated June 1, 2011. All such departments should have submitted their CIP implementation plans to DAGS by June 30, 2011. Departments which have not done so should do so immediately. A copy of all CIP implementation plans shall be submitted to B&F for their review.

- c.2 The implementation plans will serve as guidance for reviewing requests for allotments, CIP-related contracts, etc., and shall be submitted to B&F no later than **September 23, 2011**.

- Requests for the allotment of critical projects may be submitted before the due date for implementation plans.
- Grants may be added to the implementation plans after this date, if necessary. All updated plans shall be submitted to DAGS and B&F.
- Departments with CIP projects funded by special funds, G.O. with debt service costs to be paid from special funds, revenue bond funds, or revolving funds shall submit projected six-year financial plans for the respective fund responsible for cash or debt payments to B&F with their CIP implementation plans.

- d. **CIP Allotment Procedures**. The following shall be observed for requests to allot funds.

- d.1 All allotment requests must be consistent with the departmental CIP implementation and appropriate financial plans.
- d.2 Allotment requests may include more than one phase if supported with adequate justification.
- d.3 As the need to implement arises, projects shall be individually submitted for the Governor's approval through B&F. This procedure also applies to requests to use the Governor's Project Adjustment Fund (PAF) pursuant to **Section 75** of Act 164, SLH 2011.
- d.4 Allotment requests for projects which require the use of budget provisos should include appropriate references to the proviso sections

to be used in the "Subject" line of the request (e.g., "... as authorized by Act 164, SLH 2011, Item X.01 and Section XXX," where "Section XXX" refers to the proviso section) and should indicate the intended use of the provisos in the body of the request.

- d.5 New appropriation symbols for new cost elements, delegation, or PAF requests shall be requested from DAGS Uniform Accounting and Reporting Branch in writing. The appropriation symbols shall be typed on the Allotment Advice (AA) prior to submitting the request.
- d.6 AA numbers will be assigned by B&F upon receipt of request. Do not fill the anticipated date of the Governor's approval.
- d.7 Authorized grants must contain all appropriate supporting documents, including the grant application and indication of compliance with Chapter 42F, HRS, requirements. Departments should consult with the AG on the legal requirements to be fulfilled by grant recipients. Use **Form F** to request the allotment of CIP grants.
- d.8 Requests for advance draw-downs of CIP funds by third-party project managers shall be prohibited. Disbursement of funds shall be made only upon actual completion of work.
- e. CIP Staff Services Cost. All agencies with an authorized project-funded staff ceiling shall be funded via a separate appropriation in the budget identified for staff services only. The separate appropriation will be used only for staff salary related costs (e.g., overtime) and fringe benefits. Approved project funded staff ceilings are as follows:

DOT Highways Division	366 positions
DOT Harbors Division, HMP	18 positions
DOT Airports Division	23 positions
DAGS	76 positions
DLNR	27 positions
DBEDT	19 positions
DOE – EDN 100	58 positions

Requests for allotment of CIP staff services costs shall reflect the proposed 5% labor savings reduction indicated in Exhibit 1, FY 12 Allocation.

- f. Grants. Upon the Governor's approval, the following procedures shall apply to all CIP appropriations to private organizations:
 - f.1 The expending agency shall enter into a contract with the private organization as required by Chapter 42F, HRS. The contract shall provide that the State be reimbursed a pro rata share of the facility

costs (monetary or pro rata share of the facility) should the private organization cease to satisfy the specified public purpose.

- f.2 The executed contract must be submitted to DAGS Pre-audit Branch and will be used to encumber allotted funds.
 - f.3 The private organization should request payment through the expending agency as work progresses on the project.
 - f.4 Request for allotment of grants funded with G.O. bonds shall be made only after the recipient organization has obtained commitments from all other funding sources for the project.
 - f.5 State funds will be disbursed to the private organization by DAGS warrant vouchers from expending agencies, with supporting documentation of work completed.
 - f.6 The expending agency shall monitor compliance with Chapter 42F, HRS, and the public purpose and legislative intent of the grant.
- g. Pursuant to **Section 161** of Act 164, SLH 2011, expenditures for CIPs to cope with natural disasters or other unforeseen emergencies shall be made only with a formal declaration of a natural disaster or emergency by the Governor.
- h. CIP Lapsing. All funding for CIP described in **Section 36** of Act 164, SLH 2011, that are unencumbered and/or unexpended as of June 30, 2014 shall lapse as of that date. However, pursuant to **Section 157** of Act 164, SLH 2011, this lapsing date does not apply to:
- Non-general fund authorizations which are denoted as necessary to qualify for federal aid financing and reimbursement, and which have been so designated by the Legislature; and
 - State Educational Facilities Improvement (SEFI) funded projects appropriated for more than three years for the construction and acquisition of public school facilities.
- i. Private Activity Uses of Bonds (PAB).

Projects funded by G.O. and/or G.O. Reimbursable (G.O.R.) bonds are required by the Internal Revenue Code (IRC) to be used for governmental purposes in order to preserve the tax-exempt status of interest on such bonds. In certain instances, private entities and/or activities may be funded by G.O. and/or G.O.R. bonds provided that they meet certain IRC requirements. Expending agencies responsible for such authorizations shall ensure that such requirements have been met.

Form PAB must be completed for every private entity and/or activity project funded by G.O. and G.O.R. bonds listed in the department's CIP expenditure plan and must be submitted with the CIP allotment request. Upon completion and acceptance of such projects, another Form PAB must be submitted to B&F for compliance with the Internal Revenue Service audit purposes.

26. **Operating Program and Expenditure Reports.**

- a. Quarterly staffing reports (**Form A**) shall be submitted to B&F **no later than 14 days** after the end of each quarter.
- b. Quarterly reports for DOE and UH shall be submitted as provided by general law or as provided herein.

27. **Other Administrative Reporting Requirements.**

- a. Programs that have changes in revenues shall report such changes in the quarterly updates of revenue estimates.
- b. Program and departmental responses to provisos in Act 164, SLH 2011, requiring the development, performance, completion, or reporting of studies, reports, findings, evaluations, updates, notifications, and plans to the Legislature or appropriate authority shall follow requirements of the proviso and procedures outlined in the "*Legislative Guidelines*," to be issued for the Executive Branch for the 2012 Session of the State Legislature.
- c. Act 100, SLH 1999, requires every department to develop and submit a report on the department's goals and objectives, policies, action plan, and timetable to meet those goals, including the process to measure achievement and performance. Section 7 of Act 100 provides detailed reporting requirements. Three copies of the report should be submitted to the Governor pursuant to the Governor's deadline for legislative reports.

28. **Submission Requirements and Due Dates.**

The following shall be submitted to B&F no later than **September 23, 2011**:

- a. Operational Expenditure Plan; Request for Transfer of Funds (A-21); Request for Allotment (A-19); journal vouchers, as applicable; and summaries of labor savings (Form LSA) and program review (Form PRA) adjustments.

- b. CIP Implementation Plan (Form C) and special fund, revenue bond fund or revolving fund financial plans, as applicable.

Attachments

Forms: A (Quarterly Staffing Report)
B-2 (Request to Establish and Fill (or Extend) Unauthorized or Exempt Position)
C (CIP Implementation Plan)
E-1, E-2, E-3 (Federal Funds)
F (Allotment Request for Grant/Subsidy)
LSA (Labor Savings Adjustments)
PAB (G.O. Bond Fund Appropriations)
PRA (Program Review Adjustments)