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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION

August 16, 2001

FINANCE MEMORANDUM

MEMO NO. 01-13

TO: All Department Heads

FROM: Neal Miyahira
Director of Finance

SUBJECT: Policies and Guidelines for Fiscal Biennium 2002-03 Supplemental Budget Requests

These policies and guidelines are to be used to prepare the Executive Supplemental Budget for Fiscal Biennium 2002-03.

Background of FY 03 Supplemental Budget Preparation

Our improving economy, and ongoing statewide efforts to reprioritize funding and improve government efficiency have resulted in a respectable general fund balance at the end of Fiscal Year 2001. These balances, however, have already been committed to collective bargaining costs and for ongoing program needs. There will be little, if any, funding available for additional FY 03 program requests.

Accordingly, allowable supplemental program budget requests will be extremely limited, and consideration will be given *only* to those requests which meet the policies and guidelines identified herein. **Otherwise, any requests for additional funding must be accompanied by corresponding trade-offs, or by proposals for funding reductions to be made in other areas of government.**

As in the past, we must intensify efforts toward improving efficiency and reducing costs in order to afford funding of high priority programs, legal mandates, and health and safety emergencies.

General Policies

- A. Program goals and objectives are expected to be accomplished within existing funding levels as authorized by Act 259/01, the General Appropriations Act, for *both* the operating and capital improvement budgets.
- B. Adjustments to FY 02 will **not** be considered for supplemental requests.
- C. Requests for general funding, General Obligation (G.O). Bond funding, and General Obligation Reimbursable (G.O.R.) Bond funding, shall be limited by the *FY 03 Supplemental Budget Guidelines* below.
- D. Departments making requests should propose **corresponding trade-offs or transfers** commensurate with requested amounts.
- E. Changes in means of funding (MOF) may be proposed as long as such changes do not result in additional direct or indirect general funding (G.F.), or additional requirements for G.O. Bond funding, or G.O.R. Bond funding in excess of Act 259/01.
- F. Programs receiving any general/G.O./G.O.R. funding shall not propose changes to the program means of financing (MOF) to increase the size and/or scope of such programs, unless required general/G.O./G.O.R fund support can be offset or assumed by other MOFs.
- G. Any requests for new programs, including proposals to be funded by other than general funds, must demonstrate that such programs are appropriate functions of State government and can be implemented by government more cost effectively than the private sector.
- H. Departments should be prepared to initiate necessary enabling legislation, or appropriate rule changes, to coincide with budget requests, as applicable.

FY 03 Supplemental Budget Guidelines

A. Operating Budget

- 1. General Fund Requests. General-funded requests (add-ons) may be proposed only for the following critical program requirements:
 - 1.a Critical unanticipated public health and safety emergencies.
 - 1.b Unforeseen, immediate requirements of court orders, consent decrees, or federal mandates.

1.c High priority administration programs, functions, or activities which were intentionally deferred by the Legislature for supplemental budget consideration; e.g., pending the outcome of studies or additional information.

2. Non-General Fund Requests

2.a FY 03 appropriation ceiling for non-general funds may be increased as long as such increases will not result in additional direct or indirect general fund support to the department; or shall be used to offset (reduce) general fund appropriation levels.

2.b Departments supported by non-general funds may submit supplemental budget requests to the extent that projected non-general fund revenues are sufficient to support the increased requirements.

Requests shall be fully justified and documented to show that non-general fund increases are warranted at this time, and updated financial plans shall accompany budget requests of each non-general fund.

2.c Where a general fund match is required for additional non-general funding, departments shall accommodate such matching requirements with (general fund) trade-offs from within their FY 03 departmental general fund appropriations.

2.d Except as otherwise provided by law, special or other funds authorized to receive general revenue receipts or general fund appropriations, should also consider the discontinuation (deletion) of such general fund support. Separate legislation should be proposed to discontinue such support and to transfer remaining general fund balances.

3. Departments should use implementation plans required by E.M. No. 01-06 (Item 2e, Attachment A) for funding of position vacancies, out-of-state travel, and major purchases, as possible areas of reduction or trade-off.

B. Capital Improvement Budget

1. Additional operating costs incurred as a result of capital improvement adjustments requested herein shall be accommodated within the appropriate department's Act 259/01 operating allocation (for FY 02) or adjusted appropriation (for FY 03).

2. General fund requests for capital improvement projects (cash CIP) will NOT be considered.

3. G.O. and G.O.R. Bond-funded Requests

- 3.a Prior and current G.O. bond authorizations for capital improvement projects have resulted in a **negligible available debt margin**. As such, **NO NEW** G.O. and G.O.R. bond-funded requests for CIP will be considered unless:
- The debt margin can be increased sufficiently with program proposals to lapse currently-authorized projects; **AND**
 - The new requests are for **critical** projects addressing public health and safety emergencies, or unforeseen requirements mandated by court order or consent decrees.
- 3.b Other new requests for G.O./G.O.R. funded CIP which have not been identified as **critical** in 3.a above, **MUST** include corresponding proposals to either trade-off or lapse currently-authorized projects.
- 3.c Where possible, departments should identify and lapse lower priority G.O./G.O.R. projects to ensure the availability of a larger margin for other priority statewide capital needs.
- 3.d Departments should review and identify existing and/or long-standing G.O. and G.O.R. encumbrances which can be lapsed. A mechanism will be developed to accommodate funding requirements which may arise for project liquidation costs.

4. Special and Revolving Fund, or Revenue Bond-Funded Requests

Departments requesting CIP financed by special funds, revolving funds, or revenue bond funds, must ensure that the public undertaking funded will be self-supporting, that the responsible program will be able to generate sufficient revenues to cover the cost of the undertaking, including principal and interest, and that a dedicated fund has been authorized to ensure the availability of funds for such purpose.

Submission Requirements and Format

Supplemental budget requests are to be submitted according to formats described in **Attachment A** (Form A - Budget Adjustment Details), **Attachment B** (Form B - Departmental Summary of Adjustments), **Form C** (Summary of Reductions for FY 03), and **Attachment D** (Supplemental CIP Submissions). For departments that do not have automated budget systems *Excel* spreadsheets will be provided reflecting Act 259/01. These spreadsheets must be amended to incorporate your supplemental budget requests and

returned or *e-mailed* to the Department of Budget and Finance (B&F). Budget detail reports (BJ tables) will be provided for reference, but shall not be used for submitting your supplemental budget requests.

A. Mandatory Submissions for all Operating Requests:

1. Use Form A to: a) request essential health/safety, or court order/consent decree emergency funding, above Act 259/01 FY 03 appropriations amounts; b) identify specific appropriation requests which will not be included in the supplemental budget; and c) identify details of plus or minus funding shown as trade-offs or transfers on Form B.
2. Form B should be used to summarize all Form A operating requests. A separate Form B should be used for each MOF to show new requests, trade-offs or transfers between cost elements within a program or transfers between programs.
3. Use Form C to summarize all reductions, including trade-off reductions (Summary of Reductions).

B. CIP Submission Requirements:

Procedures for capital improvement supplemental budget requests and/or adjustments shall be as follows:

1. Computer turnaround forms reflecting the projects which were authorized by Act 259/01 will be provided. The turnaround forms are to be used to:
 - a. Request funds for FB 2002-03 for existing or new projects. The capital project justification form (Table R) should accompany each request. Total requests for additional funds **shall not exceed the total trade-offs** reflected in Form S (Item no. 3 below).
 - b. Request the reappropriation of funds which are anticipated to lapse as of June 30, 2002. The project scope in Column 30, Line 00 of Table P must be designated by an "X" which identifies requests for reappropriation.

Projects and unencumbered balances that are expected to lapse on June 30, 2002, should be identified to allow for new appropriations in FB 2002-03. To distinguish these projects for lapsing, the code "Y" should be used as the project scope in Column 30, Line 00 of Table P.

All prior State appropriations should be listed on Table Q.

2. Table R (loose form) is to be used to request new projects or additional funding of existing authorized projects.
3. Form S (loose form) is to be used to summarize projected CIP requests and to identify appropriations for trade-off or lapsing.
4. For capital authorizations for projects with federal aid financing that are expected to lapse on June 30, 2002, the lapsing of all MOF (except for general funds and School Education Facilities Improvement Special Funds), may be prevented by including the following statement within each applicable project description:

“This project is deemed necessary to qualify for federal aid financing and/or reimbursement.”

This amendment should **only** be included for projects slated to lapse on June 30, 2002. In addition, documentation of the source of federal funds must be included in Table R. Information shall include the source of grant, type of grant, federal contract agency, amount being sought, amount received in past, total funding cap on specific grant, and anticipated date for receipt of funds.

5. For compliance with the Federal Tax Reform Act of 1986 and any amendments thereto, departments requiring general obligation bonds for CIP are reminded to consult Grant Thornton’s “Policies and Procedures Manual.”

Other Requirements/Due Dates

Two copies of each submission and the related forms must be provided to this office by Monday, September 17, 2001. Operating budget turnaround forms reflecting Act 259/01 shall be submitted with appropriate amendments to the BJ Summary and Tables BJ-1 through BJ-4, as appropriate, by September 17, 2001. Worksheets and other supporting details may be requested by the Department of Budget and Finance and should be made available upon request.

Attachments

INSTRUCTIONS TO COMPLETE FORM A BUDGET ADJUSTMENT DETAILS

Form A is to be completed for proposed amendment (+ or -) to FY 03 appropriations in Act 259/01, or to be requested by other specific appropriations acts which propose to amend statutes.

Sufficient supporting details must be provided. Narrative information (Parts III – IX) should be as precise as possible with quantitative workload and/or other supporting data.

Item Description and Preparation Instructions

1 Amends

Indicate if request amends or proposes an appropriation other than per Act 259/01.

2 Add/Minus/Trade-Off

Circle applicable action.

Add applies to requests in excess of FY 03 Act 259/01 appropriations which are not part of a trade-off/transfer.

Minus applies to reductions of FY 03 Act 259/01 appropriations which are not part of a trade-off/transfer.

Trade-off applies to an add which has a corresponding minus adjustment.

3 Program ID/Org. Code

Submit request at the org. code level.

4 Departmental Approval

Signature of department head or authorized designee.

5 Sequence No.

Sequential number of the request in the departmental total (for reference purposes).

6 Title of Request

Brief description of the request.

7 Description

Full description only. Justification is in Part III.

8 Operating Cost Summary

Indicate the requested adjustment (+ or -) to existing appropriations. Provide breakdown of request by means of financing of each cost element and total request by means of financing.

Give specific description of cost elements.

Include position counts for permanent positions only.

Reminder: Chapter 37D, HRS, requires a separate cost element for financing agreements. See Executive Memo No. 96-17 for distinguishing criteria of this cost element.

III Justification of Request

Provide narrative to describe the problem and alternative considered; include workload or other supporting data. If the request is a reduction, discuss its impact on affected programs.

IV Relationship of the Request to State Plan or Functional Plan

Discuss the objective, policy, and implementing action being addressed by the request.

V Impact of Request on Program's MOEs

Discuss request's impact on program's measures of effectiveness, target group size, and activity measures.

VI Electronic Data Processing

Discuss the personnel, equipment, software, consultant or other services being requested and future cost requirements. Also, discuss the relationship of the request to the department's DIPIRM Plan as applicable.

VII Impact to Budget of Other Agencies

Discuss the relationship of the request to the budgets of other departments or agencies. Coordination of such requests is the responsibility of the department and should be completed prior to budget submittal.

VIII Impact on Facilities

Discuss whether this request will require appropriations or expenditures for rental of facilities, renovation of facilities, or capital improvements now or in the future.

IX External Conformance Requirement

Discuss the request's relationship to other pertinent requirements such as legislative proposals, federal/State mandates, compliance with health and safety requirements, etc. Discuss whether this request is mandated by recent legislation, whether future legislation must be submitted, and the legal requirements, if any, for this request.

FORM A

1	Amends: Act _____ (if other than Act 259/01)
2	Request: Add Minus Trade-off _____

(circle one)

BUDGET ADJUSTMENT DETAILS

Program ID/Org. Code 3 Date: _____
 Title (ID/Org.) _____

Department Contact: _____ (Name/Title)

Phone: _____

Department Approval: 4

Sequence No. 5 of _____

I. Title of Request 6

Description: 7

II. Operating Cost Summary 8

Costs by Cost Element and Means of Financing

FY 2003

A. Personal Services (include position counts of permanent positions only)

	(1.00)	
Identify position title and SR level	30,000	A
	(1.00)	
	10,000	N

A.1. Other Personal Services
Specify

	5,000	A
	2,000	N

Subtotal: (2.00)
47,000

B. Other Current Expenses
Specify

	40,000	A
	15,000	N

Subtotal: 55,000

C. Equipment
Specify

	5,000	A
	2,000	N

Subtotal: 7,000

M. Motor Vehicles
Specify

	5,000	A
	5,000	N

Subtotal: 10,000

L. Financing Agreements

.....

Total Costs

(2.00)
119,000

By Means of Financing

	(1.00)	
	85,000	A
	(1.00)	
	34,000	N

- III. Justification of Request A Identify the Problem and Discuss How This Request Will Resolve the Problem. B Explain Why this Request is Critical and Must be Implemented Immediately.

- IV. Relationship of the Request to State Plan or Functional Plan (as applicable).

- V. Impact of Request on the Program's Measures of Effectiveness.

- VI. Compliance with Electronic Data Processing/Department DIPIRM Plan. (Note Date of Currently Approved DIPIRM Plan).

- VII. Impact of this Request to the Budgets of Other Agencies.

- VIII. Impact of this Request on Facility Requirements (R&M, CIP).

- IX. External Conformance Requirements (Legislative Proposals, Federal Mandates, OSHA Regulations, Etc.) (as applicable)

**INSTRUCTIONS FOR DEPARTMENTAL SUMMARY OF ADJUSTMENTS
(FORM B)**

Use Form B to summarize all operating budget adjustments by means of financing.

The departmental summary Form B must be submitted for each means of financing and should coincide with all adjustments for FY 03 as reported on Form A.

<u>Item</u>	<u>Description</u>	<u>Preparation Instruction</u>
1	Date	Self-explanatory.
2	Department	Self-explanatory.
3	MOF	Indicate the means of financing for the items in this summary.
4	FY 03 Appropriation	Indicate the appropriation for FY 03 under Act 259/01, by cost element (A, B, C, M, L).
5	Program ID/Org.	Indicate the program ID and Organization Code affected by the proposed change.
6	Cost Element	Indicate cost element (A, B, C, M, L) proposed for change.
7	Posn. and Amount	Indicate the position count or dollar amount proposed for change. Changes from Act 259/01 should be indicated by a (+) for increases and a (-) for reductions.
8	Description	Provide a brief explanation of the proposed adjustment.

DEPARTMENTAL SUMMARY OF ADJUSTMENTS

DEPARTMENT OF 2
 MOF: 3

Date: 1

<u>Cost Element</u>	<u>FY 03 Appropriation</u>
Personal Services (A)	Posn \$
Other Current Expenses (B)	- 4 -
Equipment (C)	- -
Motor Vehicles (M)	- -
Leases (L)	- -
	- -

"X" if New	Prog ID/ Org.	Cost Element	Posn. FTE	Amount \$	Description
	5	6	7	7	8
Total Proposed Adjustments By Cost Element			-	-	
	A		-	-	
	B		-	-	
	C		-	-	
	M		-	-	
	L		-	-	
Total Net Appropriation By Cost Element					
	A		-	-	
	B		-	-	
	C		-	-	
	M		-	-	
	L		-	-	

SUMMARY OF REDUCTIONS FOR FY 03
DEPARTMENT OF _____

Prog ID	Posn. FTE	Amount \$	Description

Total - -

INSTRUCTIONS FOR SUPPLEMENTAL CIP SUBMISSIONS

Submit Tables P, Q, R, and Form S for Capital Improvement funding requests.

For Table R, the following information should be provided to address and clarify:

1. The scope of the project, and whether the scope conforms to appropriation language.
2. Benefits to be derived and target group(s).
3. Relationship of the requested project to other planned developments within the area, if applicable.
4. Factors considered in the development of the project timetable.
5. Consequences of possible deferral of this project.
6. Basis for estimating capital improvement requirements (e.g., enrollment, staffing, nature of program activities, traffic patterns and volume, need for recreational facilities, etc.).
7. Standards or criteria used to translate space and facilities required by operating program into specific requirements (e.g., square feet of space/position level, miles of highway, acres of recreational area/000s population). Published standards currently in use for major categories of capital facilities, such as school buildings, highways, etc., should be provided to Department of Budget and Finance (B&F).
8. Analysis of the alternative ways of meeting capital requirements. These alternatives may include more efficient use of existing facilities; renovation and/or expansion of existing facilities; construction of new facilities; leasing facilities; construction of temporary facilities. They may also include alternative definitions of service areas in combination with alternative minimum/maximum criteria governing the size of the facility (e.g., school boundaries).
9. Plot plan, drawn to scale if possible, to illustrate the following:
 - a. Existing buildings, roads, and applicable infrastructure in the area of the proposed project.
 - b. Outline of improvements, including: 1) existing improvements; 2) improvements under construction; 3) improvements previously authorized by the Legislature but not yet under construction; and 4) other proposed improvements.

- c. Land use requirements in acres. Indicate setbacks, rights of way, easements, parking areas, landscaped areas, open areas, and building areas.
- d. Location description. Note: Requests for funds for projects with an undetermined location may be subject to further review.
- e. Other details including: 1) notation of the plot plan structures which would be replaced by the proposed project; and 2) if the facility is to be used by more than one department, the expending agency should prepare and submit one plot plan showing the floor areas being used by each department.

TABLE R (5/97)

CAPITAL PROJECT INFORMATION AND JUSTIFICATION SHEET

EXPENDING AGENCY:		
USER PROGRAM ID	CAPITAL PROJECT NUMBER	
DEPT	NUMBER	NUMBER

ISLAND

SEN DIST

REP DIST

PRIORITY NO.

PREV Prio No.

PROJ. SCOPE

SCOPE CODES
 N - NEW
 I - RENOVATION
 A - ADDITION
 R - REPLACEMENT
 O - ONGOING

DATE

PROJECT TITLE:

PROJECT DESCRIPTION:

TOTAL ESTIMATED PROJECT COST (In Thousands of Dollars)

COST ELEMENT	PRIOR APPROPRIATIONS (including MOF)												APPROPRIATIONS (including MOF)			TOTAL PROJECT COST			
	ACT	YR	ITEM	ACT	YR	ITEM	ACT	YR	ITEM	ACT	YR	ITEM	ACT	YR	ITEM		FY 2002	FY 2003	FUTURE YEARS
PLANS																			
LAND																			
DESIGN																			
CONSTRUCT																			
EQUIPMENT																			
TOTALS																			

PROJECT INFORMATION AND JUSTIFICATION (use back if necessary):

a. Total Scope of Project.

b. Identification of Need and Evaluation of Existing Situation.

c. Alternatives Considered and Impact if Project is Deferred.

d. Discuss What Improvements Will Take Place When Project Completed (including benefits to be derived and/or deficiencies this project intends to correct).

e. Impact Upon Future Operating Requirements (show initial and ongoing funding requirements by cost element, including position count, means of financing, fiscal year).

f. Additional Information:

**FORM S - SUMMARY OF CIP PROPOSED LAPSES AND NEW REQUESTS
DEPARTMENT**

PART A: PROPOSED LAPSES

Act/YR	Item No.	Project Title	Amount	MOF
--------	----------	---------------	--------	-----

TOTAL		-----	-
BY MOF		=====	
C	General Obligation Bond		-
D	Reimbursable GO Bond		-
E	Revenue Bond		-
N	Federal Funds		-
W	Revolving Funds		-

PART B: NEW REQUESTS

Priority	Prog ID	Project Title	FY 2003	MOF
----------	---------	---------------	---------	-----

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9

- 10
- 11
- 12

TOTAL		-----	-
BY MOF		=====	
C	General Obligation Bond		-
D	Reimbursable GO Bond		-
E	Revenue Bond		-
N	Federal Funds		-
W	Revolving Funds		-