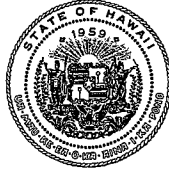


NEIL ABERCROMBIE
GOVERNOR



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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF ECONOMIC RECOVERY
AND REINVESTMENT (ARRA)

June 29, 2011

FINANCE MEMORANDUM

MEMO NO. 11-11

TO: All Department Heads

FROM: Kalbert K. Young
Director of Finance

SUBJECT: 2011 Program Review – Costing Assumptions

Executive Memorandum (E.M.) No. 11-06, dated June 16, 2011, initiated the 2011 Program Review. The program review is the first step towards identifying specific reductions to be taken to address the \$50 million general fund, statewide "fiscal constraints" reduction which was taken by the Legislature in Act 164, SLH 2011, Relating to the State Budget.

In order to ensure that similar costing assumptions are used when determining FY 12 savings to be generated by proposed eliminations and reductions, please use the following guidelines (FY 13 savings should be for the full year):

1. Programs, services or activities to be eliminated or reduced which do not require statutory changes.
 - a. Programs, services or activities to be eliminated or reduced which involve positions.
 - Assume termination of program, service or activity by January 31, 2012.
 - Positions - Assume 4 ½ months of salary savings less vacation payouts (for up to 90 days vacation, as applicable).
 - Other operating costs – Assume 5 months of savings or more, if appropriate. Discontinuation of operations (including contracts) should coincide with position elimination dates or may be scheduled sooner, as practical.

- b. Programs, services or activities to be eliminated or reduced which do not involve positions.
 - Assume termination of program, service or activity as soon as practical but no later than January 31, 2012.
 - All operating costs – Discontinuation of operations (including contracts) should be scheduled as soon as practical. Savings should be determined based on applicable dates.
2. Programs, services or activities to be eliminated or reduced which require statutory changes.
 - a. Programs, services or activities to be eliminated or reduced which involve positions.
 - Assume termination of program, service or activity by mid-May 2012.
 - Positions - Assume 1 month of salary savings less vacation payouts (up to number of vacation days which may be taken in 1 month, as applicable). Net savings may not be less than \$0.
 - Other operating costs – Assume 1 ½ months of savings or more, if appropriate. Discontinuation of operations (including contracts) should coincide with position elimination dates or sooner, as practical.
 - b. Programs, services or activities to be eliminated or reduced which do not involve positions.
 - Assume termination of program, service or activity by mid-May 2012.
 - All operating costs – Assume 1 ½ months of estimated savings or more, if appropriate. Discontinuation of operations (including contracts) should be by mid-May 2012 or sooner, as practical.
3. Programs, services or activities to be converted from general funds to special funds (or other means of financing) – Assume no savings in FY 12 and full-year savings in FY 13.

Any questions regarding these guidelines may be directed to the Department of Budget and Finance (B&F) analyst assigned to your department. All departments should submit their program review worksheet and proposed budget reductions to B&F by July 8, 2011.