



EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGUE  
COUNCILLOR

August 26, 2008

EXECUTIVE MEMORANDUM

MEMO NO. 08-05

TO: All Department Heads

SUBJECT: Amendments to EM No. 08-03, *FY 09 Budget Execution Policies and Instructions*

Budget Execution policies and instructions issued in June 2008 cautioned all departments about the need for sound management and fiscal prudence in implementing their FY 09 budgets, particularly in light of the anticipated slower growth in State revenues. A 4% restriction on general fund discretionary operating expenses was imposed on all departments as a first step in managing the reduction in revenue projections.

At the close of the fiscal year on June 30, 2008, general fund tax revenues for FY 08 grew by an actual 1.2% over the previous year, as opposed to the 3.3% projected earlier in May 2008 by the Council on Revenues. At the most recent meeting of the Council on July 31, 2008, projections of general fund revenues were further revised downward for FYs 09 and 10 as well as for subsequent years. The cumulative result is a substantial reduction of total revenues for the period covering the current Fiscal Biennium 2007-09 and the next FB 2009-11. Given the magnitude of this level of revenue reduction, immediate action must be taken to control and reduce government expenditures, starting with FY 09.

All departments need to critically review their planned expenditures and find innovative ways to deliver the essential services and trim the costs to stay within the limit of revenue availability. As stated before, no new programs should be contemplated because they are not sustainable in the future. Purchases of new equipment, software, computers and vehicles are strongly discouraged. Travel is limited to essential purposes where teleconferences are not practical. To further control labor costs, I have authorized a general freeze on position vacancies.

Effective immediately, the following amendments to EM No. 08-03, *FY 09 Budget Execution Policies and Instructions*, shall apply:

14. Workforce Control (amended).

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

**Effective immediately, all current and future position vacancies are frozen until further notice.**

- Actions to fill vacancies that are already in the recruitment process as of the date of this Executive Memorandum No. 08-05 shall be allowed to continue through their final stages.
  - Exception to this general freeze may be granted for exceptional cases where there is an urgent and critical need involving public health and/or safety. The procedure for requesting the Governor's approval to fill a vacancy is covered in Items b.1 and b.2 below.
- b.1 The Governor's prior approval through B&F is required for the establishment of positions and the filling of current and future vacancies. This requirement shall apply to:
- All positions, including: permanent, temporary, exempt, or CIP-funded.
  - All positions included in the budget (Act 213, SLH 2007, as amended by Act 158, SLH 2008).
  - All positions created by general law or specific legislation which are not included in the budget.
  - Unauthorized positions that are allowed pursuant to Section 191 of Act 213, SLH 2007, as amended by Act 158, SLH 2008. See Item b.6 below.
- b.2 Exceptions (amended). The Governor's approval is not required for the cases listed below.
- Filling and extension of positions that are 100% federally funded, or 100% funded by non-appropriated trust funds.
  - Filling of authorized direct instructional (teaching) positions in the University of Hawaii (UH), DOE, and the Charter Schools (amended).
  - Filling of authorized positions in the Hawaii Health Systems Corporation (HHSC).
  - 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 mandated by the *Feltz* Consent Decree.
- 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.
- Reassigned: Filling and/or extensions of *blanket* authorizations previously approved by the Governor.

16. Contracts (amended).

d. Staffing by Contracts - all MOF (amended)

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 (amended). 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 \$10,000 (amended).
- d.2 Amendment to an existing contract where the original cost of which is less than \$10,000 (amended). 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.

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

a. Out-of-State (amended)

The Governor's approval is required for out-of-state travel. Submit travel requests directly to the Office of the Governor (amended).

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

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 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.

f.2 The Governor's approval is required for budgeted and unbudgeted single purchase orders of equipment totaling over \$10,000 (amended).

f.3 Rescinded: Department heads are delegated the authority to approve the purchase of budgeted equipment items that are reflected on the BJ tables.

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 is required for budgeted and unbudgeted motor vehicle items (amended).

g.2 Amended: 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*.

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