

**HOUSE COMMITTEE ON FINANCE
SUPPLEMENTAL BUDGET REQUESTS FOR FISCAL YEAR 2008-2009
JANUARY 2008**

TESTIMONY OF THE DEPARTMENT OF BUDGET AND FINANCE

The Department of Budget and Finance (DB&F) has the following nine programs:

- BUF 101, which is the Departmental Administration and Budget Division program;
- BUF 115, our Financial Administration program;
- *BUF 141, the Employees' Retirement System;
- *BUF 143, the Hawaii Employer-Union Trust Fund;
- *BUF 151, the Office of the Public Defender;
- *BUF 901, the Public Utilities Commission;
- BUF 915, Debt Service Payments;
- *BUF 941, Retirement Benefits Payments; and
- BUF 943, Health Premium Payments.

* Administratively Attached agencies/programs

The first two programs are the Department's direct programs, the Director's Office, the Administrative and Research Office, the Budget, Program Planning and Management Division, and the Financial Administration Division. The next four programs annotated with asterisks are agencies administratively attached to the Department. The last three programs cover payments for non-discretionary cost items placed under separate program designations during the 2007 legislative session.

In keeping with Executive policy and guidelines, the Department's supplemental operating budget request for FY 2009 adjusts fixed costs, incorporates position counts and reflects increases for other necessary requirements. In prioritizing the Department's operating budget requests, highest priority was given to adjustments related to fixed and entitlement related costs. Other requests to address mandated or priority program activities were

ranked next in importance. Requests for additional staff positions were closely reviewed and only those determined to meet critical needs based on program input and legislative intent and within realistic timeframes were included. Attachment 6, FY 2009 Request Decisions, details our Department's requests and the Executive level funding decisions.

In the current fiscal year, the Department's appropriation totals \$1.56 billion and the following table summarizes the Department's FY 2008 appropriations, transfers, restrictions and allocations.

	Appropriation FY 08	Collective Bargaining	Transfers In Transfers Out	Restriction	Net Allocation and Estimated Total Expenditure
(Pos. Count)	(301.00)	-	-	-	(301.00)
PERS SERV	24,878,189	835,872	0	0	25,714,061
CURR EXP					
- Discretionary	25,810,278	0	0	0	25,810,278
- Non-Discretionary	1,503,093,686	17,172,290	(8,070,166)	0	1,512,195,810
EQUIPMENT	3,170,680	0	0	0	3,170,680
TOTAL	1,556,952,833	18,008,162	(8,070,166)	0	1,566,890,829
(Pos. Count)	(144.00)	0.00	0.00	0.00	(144.00)
GENERAL FUND	669,604,510	17,631,930	(8,070,166)	-	679,166,274
(Pos. Count)	(44.00)	0.00	0.00	0.00	(44.00)
SPECIAL FUND	8,695,562	103,402	-	-	8,798,964
(Pos. Count)	(30.00)	0.00	0.00	0.00	(30.00)
TRUST FUND	17,712,758	65,524	-	-	17,778,282
(Pos. Count)	-	-	-	-	-
INTERDEPT'L FUND	849,914,757	0	0	0	849,914,757
(Pos. Count)	(83.00)	0.00	0.00	0.00	(83.00)
OTHER FUND	11,025,246	207,306	-	-	11,232,552

For FY 2008, the DB&F has a general fund appropriation of \$669.6 million, of which \$653.2 million or 97.5% is for non-discretionary expenses (debt service, retirement system, health fund, witness fees, and court-appointed counsel), and \$16.4 million or 2.5% is for discretionary expenses.

No restrictions have been imposed in FY 2008 and the collective bargaining allocation of \$18,008,162 includes negotiated employer costs for pension accumulation and social security/medicare.

Attachment 1 provides a departmental summary of the FY 2008 allocations. Attachment 10 reflects transfers to other program IDs in FY 2008 and FY 2009.

The Department's Supplemental Budget request represents a net increase of \$62.314 million in FY 2009. General funds are decreased by \$27.9 million, Special funds increase by \$500K, Trust funds are increased by \$\$364K, Inter-departmental funds are increased by \$86.6 million and the authorization for Other funds is \$2.75 million higher in FY 2009 as is reflected in the following table:

	Appropriation FY 09	Adjustments FY 09	Supplemental Request FY 09
(Pos. Count)	(308.00)	(22.00)	(330.00)
PERS SERV	25,145,614	386,190	25,531,804
CURR EXP			
- Discretionary	21,884,249	3,301,102	25,185,351
- Non-Discretionary	1,570,176,766	58,574,641	1,628,751,407
EQUIPMENT	599,920	2,385	602,305
TOTAL	1,617,806,549	62,264,318	1,680,070,867
(Pos. Count)	(144.00)	0.00	(145.00)
GENERAL FUND	696,053,945	(27,929,980)	668,123,965
(Pos. Count)	(51.00)	(4.00)	(55.00)
SPECIAL FUND	9,929,994	500,000	10,429,994
(Pos. Count)	(30.00)	0.00	(31.00)
TRUST FUND	10,322,767	363,806	10,686,573
(Pos. Count)	890,549,627	86,580,492	977,130,119
INTERDEPT'L FUND			
(Pos. Count)	(83.00)	(16.00)	(99.00)
OTHER FUND	10,950,216	2,750,000	13,700,216

The Department's supplemental budget request includes the following:

1. The BUF 101, Departmental Administration and Budget Division Program has no supplemental operating budget request.
2. The BUF 115, Financial Administration program has no supplemental budget request.
3. The BUF 141, Retirement program, includes \$2M for conversion of service credits under the non-contributory plan to the hybrid plan; additional funding for computer system maintenance (\$500K) and overtime (\$250K); and the conversion of sixteen (16.00) temporary positions to permanent status. The requests address the needs of ERS' core operations given implementation of the Hybrid Retirement Plan, and near completion of the new Pension Management Information System.
4. The BUF 143, Hawaii Employer-Union Trust Fund program, requests increase of the FY 2009 trust fund authorization by \$363,806 and includes 1) a permanent Senior Health Benefits Analyst (\$63,806) to handle workload related to implementation of self-funded plans and certain Medicare related plans; and 2) continued funding for investment consultant services (\$300K).
5. The BUF 151, Office of the Public Defender's supplemental general fund budget request includes a Deputy Public Defender position for its Kona Office (\$75,871), due to upcoming reassignment of criminal cases in the South Kohala and Kau districts from the Hilo Court to Kona.

6. The BUF 901, Public Utilities Commission program requests conversion of four (4.00) temporary positions to permanent in accordance with Act 177, SLH 2007 and authorization of an additional \$500K in special funds to contract with the Hawaii Natural Energy Institute at the University of Hawaii for a study(ies) on Renewable Portfolio Standards as mandated by Section 296-95, HRS.
7. The BUF 915, Debt Service Payments includes a decrease in the FY 2009 debt service appropriation by \$7.5 million (all MOF) based on a revised issuance plan for GO Bond funds.
8. The BUF 941, Retirement Benefits Payments includes an increase of \$57.65 million in FY 2009 (all means of financing) for pension accumulation (PA). Requested funding supports statutory amendments contained in Act 256, SLH 2007 that increased employer contributions for PA. Social security/medicare requirements are increased by \$8.4 million (all means of financing) in FY 2009 and are based on actual payroll through June 30, 2007.
9. The BUF 943, Health Premium Payments has no supplemental budget request.

The Department's Capital Improvement Project (CIP) appropriation request is for an additional \$1 million in G.O. bond funds for repair and maintenance of facilities at the Bishop Museum.

(Attachment 5). Department-Wide Summary Information reflected in

Attachment 1, Totals for Proposed Departmental Budget Adjustments by MOF; Attachment 3, FY 09 Proposed Budget Adjustments; and Attachment 4, FY 09 Proposed Budget Adjustments, detail the FY 2009 Supplemental Budget requests at the Department and program ID levels and by means of financing. As reflected in Attachment 2, the Department has no emergency funding requests for FY 2008. The Department does not have expenditures exceeding federal funds ceiling in FY 2007 or FY 2008 (Attachment 9).

Attachment 7, Actions to Realize Savings, reflects adjustments to debt service in FY 2007 and FY 2008. The debt service cost savings in FY 2007 are due to lower actual interest rates on the Series DI issued in March 2006. FY 2008 debt service savings are the result of deferring the planned G.O. Bond issuance of \$275 million from the first half to the second half of FY 2008. Savings realized in health benefit premiums in FY 2007 and estimates for FY 2008 are attributed primarily to lower than anticipated premium rates and are also reflected in Attachment 7. Final plan rates for FY 2009 should be available in early 2008. The Department will continue to monitor program operations and implement efficiency measures.

Attachment 8, All Positions Vacant Since 12-1-07, to our testimony includes a listing of program vacancies since December of 2007 and operational impact statements. Programs have addressed the most critical activities, exercising fiscal prudence and redistributing workload among existing staff as necessary. Improved fiscal conditions have permitted us to fill vacancies deemed crucial to operations of the department. We continue to closely review filling of positions to ensure that we meet our goals and objectives

with the most effective use of available resources. We are working with our Administratively Attached agencies to identify key focus areas and action plans to best deploy resources.

Attachment 11 is not applicable as the Department has no deployed positions.

This concludes the department-wide budget summary. The following are in-depth descriptions of the nine programs in the DB&F. Each Administratively Attached Agency will present their program's testimony and will elaborate upon program plans. The three new programs covering fixed cost and entitlement payments (BUF 915-Debt Service Payments, BUF 941-Retirement Benefit Payments, BUF 943-Health Premium Payments) will be discussed in conjunction with related core programs. The program sequencing has been grouped as follows:

BUF 101, DEPARTMENTAL ADMINISTRATION AND BUDGET DIVISION PROGRAM

I. Introduction

- A. The objective of this program is to facilitate and improve the executive resource allocation process by undertaking planning, programming, and budgeting, through sound recommendations on all phases of program scope and funding, and by efforts to simplify and more directly tie program performance with resource allocation decisions.
- B. This program includes: 1) departmental administration; 2) the Budget, Program Planning and Management Division; and 3) Attorney/witness fees.

Some of the major activities undertaken by this program to meet program objectives include:

1. Conduct continuous review and advise the Director and Governor on the financial condition of the State and on State budget policies.
 2. Assist in the preparation, explanation, and administration of the State's proposed six-year program and financial plan and the State budget.
 3. Advise and monitor State agencies for compliance with budget execution policies and procedures.
 4. Perform analysis of State programs, operations, problems, and issues to provide management with a sound, rational basis for decision making.
 5. Provide staff services for the Governor as required.
 6. Provide administrative support activities to the Department.
- C. The objectives will be met by continuing the above activities and focusing on established performance measures.

II. Program Performance Results

- A. By monitoring revenue and expenditure projections, and developing policies to control expenditures, we have managed to maintain a reasonable fund balance at the end of each fiscal year.
- B. Measures taken to maintain a balanced budget are in full support of the Department's mission to enhance long-term productivity and efficiency in government operations by providing quality budget and financial services that

prudently allocates and effectively manages available resources.

- C. Overall program effectiveness is measured by our continuing ability to maintain a balanced budget. Performance achieved during the past year compares favorably with this objective.
- D. To increase efficiency and effectiveness of the program, we have developed a new web-based system for this year's Variance Report data collection. This system is in addition to other web-based systems that are being used for operating budget and CIP data collection that streamline the updating of budget details, revenue projections and performance measure reporting. The budget presentation formats continue to be adapted for better alignment with departmental responsibilities, clearer performance standards, and to make it easier to read and understand.

At the department level, tracking systems have been established to ensure prompt vendor payments and effective response times for IT and other administrative support activities.

- E. Program performance measures reflect a focus on accountability. Included are measures requiring timely action on department requests for approval, prompt payment to vendors and effective response times for IT and other administrative services provided to divisions and attached agencies of the Department of Budget and Finance.

III. Problems and Issues

- A. Ever increasing demands for general funds, especially for priority areas such as school instruction, mental health, corrections, and human service programs, continue to challenge the task of balancing the State's budget. We must continue to work with State agencies to review program priorities and needs.
- B. There are no program change requests at this time.

IV. Expenditures for Fiscal Year 2007-2008

	Appropriation FY 08	Collective Bargaining	Transfers In Transfers Out	Restriction	Net Allocation and Estimated Total Expenditure
(Pos. Count)	(49.00)				(49.00)
PERS SERV	3,239,102	128,269	0	0	3,367,371
CURR EXP	1,768,016	0	0	0	1,768,016
ATTORNEY/WITNESS	7,871,262	0	0	0	7,871,262
EQUIP	4,250	0	0	0	4,250
TOTAL	12,882,630	128,269	0	0	13,010,899
(Pos. Count)	(49.00)				(49.00)
General Fund	12,882,630	128,269	0	0	13,010,899

- A. There were no transfers made within this program.
- B. There were no transfers made between this program and other programs.
- C. No restrictions are imposed on the program in FY 2008.

V. Supplemental Budget Requests for Fiscal Year 2008-2009

	Appropriation FY 09	Adjustments FY 09	Supplemental Request FY 09
(Pos. Count)	(49.00)		(49.00)
PERS SERV	3,239,385	0	3,239,385
CURR EXP	1,770,873	0	1,770,873
ATTORNEY/WITNESS	7,871,262	0	7,871,262
EQUIP	1,500	0	1,500
TOTAL	12,883,020	0	12,883,020
(Pos. Count)	(49.00)		(49.00)
General Fund	12,883,020	0	12,883,020

A. The program has no supplemental operating budget request for FY 2009.

B. Position Count Reductions
None.

VI. There are no general fund restrictions/reductions imposed on this program.

VII. Capital Improvement Requests for Fiscal Year 2008-2009:

A. Program ID: BUF 101

Project Title and Description: Bishop Museum, Oahu
Plan, design, and construction of repair and maintenance and other related improvements at the Bishop Museum.

Financial Requirements (in thousands of dollars):

<u>Cost Element</u>	<u>MOF</u>	<u>FY 09 Request</u>	<u>Future Apprn</u>
Construction	C	\$1,000	\$0

Explanation and Scope of Project:

To provide general obligation bond funds for repair and maintenance of facilities at the Bernice Pauahi Bishop Museum. These improvements will address various deferred maintenance issues including repairs to the driveways, parking areas, walkways, entrance way improvements, security upgrades and disabled access improvements.

Justification for the Project:

Act 398, Session Laws of Hawaii 1988 designated the Bishop Museum as the State Museum of Natural and Cultural History and recognized this status through annual appropriations. Funds are required for various long deferred repair and maintenance projects and work required to address issues of accessibility by the disabled. Included are driveway, parking area, and walkway repairs, expansion of the Museum's main street entrance, disabled access improvements and security upgrades.

Lump Sum Requests:

Not applicable.

Senate and House District for the Project:

Senate District 14 and House District 29.

None.

VIII. Proposed Lapses of Capital Improvements Program Projects:

None.

The next program is the **BUF 943, HEALTH PREMIUM PAYMENTS program.**

I. Introduction

- A. This program was established by the 2007 Legislature to separately identify funds available for the payment of employer contributions for State government employee health benefits. These amounts were previously reflected as part of the BUF 101, Departmental Administration and Budget Division program.
- B. This program includes employer contributions for health and life insurance benefits provided by the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) and the Hawaii State Teachers Association (HSTA) Voluntary Employees' Beneficiary Association (VEBA) Trust as authorized by Act 245, SLH 2005. General fund appropriations for the Department of Education and the University of Hawaii are transferred at the beginning of each fiscal year and included in this program as interdepartmental transfer funds.
- C. Administrative controls and procedures will continue to be refined in order to meet objectives for timely and accurate payment of employer contributions for health benefit premiums.

II. Program Performance Results

Discussion of program performance results is included in the BUF 101 program.

III. Problems and Issues

- A. The Government Accounting and Standards Board (GASB) published Statements 43 (for Plan reporting) and 45 (for Employer reporting) for state and local governments to establish uniform financial reporting standards for post employment benefits other than pensions (OPEB). OPEB obligations primarily consist of post employment health care benefits. While OPEB is only a financial reporting requirement and not a funding requirement, we acknowledge that the amount of the State's unfunded liability is daunting and continued discussions with peer groups are necessary to develop a reasonable course of action in the next few years. Alternative approaches to managing and funding the OPEB are complex policy issues that will ultimately need to be discussed and addressed by the various stakeholders including the Administration.
- B/C. An actuarial valuation as of June 30, 2006 identified a statewide unfunded liability ranging from \$7.048 billion to \$11.08 billion with current payments on a pay-as-you-go basis of \$249.9 million. The ability to pre-fund OPEB obligations and/or to sustain pay-go contributions will differ by employer group. If pre-funding is pursued, longer-term strategies will likely include a means to contain growth of the unfunded liability coupled with a phased funding approach. The United States Government Accountability Office (GAO) recently reported that while State and local entities typically set aside funds to meet

most of their future pension costs, most have not developed plans for dealing with future health care costs for retirees. The Government Finance Officers Association (GFOA) issued recommended practices for ensuring sustainability of OPEB and cautioned that there be sufficient time for a public-policy dialogue regarding appropriate funded ratios for OPEB. "Failure to do so could produce solutions that ultimately fail to reflect the desires and considered judgment of constituents." We will continue to work with the Legislature, the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), the Department of Accounting and General Services (DAGS), the Counties, and other stakeholders and entities with expertise on these issues to address possible future courses of action.

IV. Expenditures for Fiscal Year 2007-2008

	Appropriation FY 08	Collective Bargaining	Transfers In Transfers Out	Restriction	Net Allocation and Estimated Total Expenditure
CURR EXP					
Health Benefit Premiums	388,412,050	0	(8,070,166)	0	380,341,884
TOTAL	388,412,050	0	(8,070,166)	0	380,341,884
General Fund	160,087,751	0	(8,070,166)	0	152,017,585
Interdepart'l Funds	228,324,299	0	0	0	228,324,299

- A. There were no transfers made within this program.
- B. Transfers made between this program and other programs totaled \$8.07 million. In accordance with Sections 162 and 190 of Act 213, SLH 2007, funds were transferred to 1) the Department of Accounting and General Services (DAGS) for temporary, transitional housing for the homeless on Kauai (\$800K) and emergency shelters on the Leeward Coast (\$2M); 2) the Department of Land & Natural Resources (DLNR) for the firefighter's contingency fund in support of prevention and control of wildland fires in forest and other natural reserves and sanctuaries (\$500K); and 3) the Department of Defense (DOD) for earthquake disaster reimbursements (\$4,770,166).
- C. No restrictions are imposed on the program in FY 2008.

V. Supplemental Budget Requests for Fiscal Year 2008-2009

	Appropriation FY 09	Adjustments FY 09	Supplemental Request FY 09
CURR EXP			
Health Benefit Premiums	411,496,054	0	411,496,054
TOTAL	411,496,054	0	411,496,054
General Fund	168,989,440	0	168,989,440
Interdepart'l Funds	242,506,614	0	242,506,614

A. The program has no supplemental budget request for FY 2009.

B. Position Count Reductions

None.

VI. There are no general fund restrictions/reductions imposed on this program.

VII. Capital Improvement Requests for Fiscal Year 2008-2009:

None.

VIII. Proposed Lapses of Capital Improvements Program Projects:

None.

The next program is the **BUF 115, FINANCIAL ADMINISTRATION PROGRAM.**

I. Introduction

- A. The objective of this program is to maximize the value, investment, and use of State funds through proactive planning, and the development of prudent statewide financial policies, the timely scheduling of state bond financing, and the establishment of appropriate cash management controls and procedures. In addition, the objective of the unclaimed property program is to maximize the receipt of unclaimed property or funds from holders and to return the property or funds to their rightful owners.
- B. The major activities of this program are to receive, safeguard, and disburse funds to meet State funding obligations in the State Treasury, to maximize the investment of funds, and to plan, direct, and coordinate the issuance and marketing of bonds. The program also receives unclaimed property or funds from holders and holds them in trust until they are returned to their rightful owner.
- C. The Program intends to meet its objectives by safeguarding State funds and requiring full collateralization of State deposits (safety), by ensuring the availability of funds to meet State expenditures by the timely forecasting of cash requirements (liquidity), and by maximizing interest earnings on State investments by investing idle funds to

the maximum extent possible (yield). Through timely scheduling, the program issues bonds for the State as necessary to meet CIP funding requirements.

II. Program Performance Results

- A. The Program closely monitors State Treasury receipts, disbursements, and investments to ensure sufficient cash flow to meet payment of State obligations. Further, the Program monitors the municipal bond market to ensure that bonds are sold under suitable conditions and at such times to meet the funding requirements of the State.

In FY 2007, 6,093 unclaimed property claims were paid totaling \$4.2 million. Through November 30, 2007, 2,423 unclaimed property claims were paid totaling \$1.9 million.

In FY 2007, the Department issued \$350 million of new money general obligation bonds Series DJ on March 28, 2007.

- B. Maximizing the use of State funds is directly related to the Department's mission to enhance long-term productivity and efficiency in government operations by providing quality budget and financial services that prudently allocate and effectively manage available resources.
- C. Performance measures include analyzing the percentage of unreconciled treasury transactions after 30 days, reviewing the percentage increase in new unclaimed property holder reports filed, the percentage increase in unclaimed property amounts reported and the percentage increase in returns of unclaimed property to rightful

owners. Performance measures also include monitoring the rate of interest paid on State General Obligation bonds relative to the prevailing Bond Buyer Index, and monitoring the average rate of return on State Treasury investments.

The percentage of unreconciled treasury transactions after 30 days has remained at approximately 8% of the total State Treasury transactions for FY 2006 and FY 2007.

General obligation bonds were issued to finance various capital improvement projects such as schools, libraries, and health centers. The new money general obligation bonds are issued at such times to meet the funding obligations of CIP projects. In addition, the refunding general obligation bonds are issued from time to time to refund certain outstanding general obligation bonds in order to reduce debt service payable on the State's general obligation bonds in certain years.

In January, 2007, Standard and Poor's Ratings Service upgraded the State's general obligation bond debt rating from AA- to AA citing the State's strong financial performance and enduring economic strength.

Investment yields in the short-term investment market increased in FY 2007 over FY 2006 with the average rate of return on State Treasury investments in FY 2007 at 4.39% compared to the FY 2006 average rate of return of 3.69%.

D. The Unclaimed Property program implemented a new Outreach Program in June 2005. The purpose of the Outreach Program

is to provide the public with increased awareness of the Unclaimed Property Program to increase the amount of funds returned to their rightful owners. The Outreach Program established a fully mobile team that participates in various events such as the State Farm Fair, Hawaii Seniors Fair, the Hawaii, Maui and Kauai County fairs, etc. At each of these public events, the Outreach staff is able to 1) provide education about the Program; 2) search for unclaimed property for participants and print claim forms for participants having unclaimed property; and 3) accept completed claim forms. In FY 2007, the Outreach Program participated in 17 events and conducted approximately 18,000 searches for unclaimed property at these events. The searches resulted in 2,324 potential claims totaling \$340,687 and an additional 1,974 shares of stock that can be returned to their rightful owners.

E. The performance measures remain unchanged in FY 2009.

III. Problems and Issues

A. In 2006, the Department was informed by Delaware Investments, the third party program administrator for the Hawaii College Savings Program that they elected not to extend their contract to administer the Program. The Department went through an RFP process and on November 16, 2007, Upromise Investments Inc. became the third party program administrator for the HI 529 Hawaii College Savings Program. We believe that the limited growth in program

assets was a factor in Delaware electing not to extend their contract. In the 2007 Legislative Session, the Administration submitted legislation to provide a tax incentive to Hawaii residents to invest in the State's College Savings Program. Approximately 32 states have some type of tax or other incentive to provide additional benefits to their residents to invest in their home state's college savings program. Unfortunately, the measure was not enacted. We strongly believe that such an incentive is essential to encourage Hawaii residents to save for future college expenses in the HI 529 Hawaii College Savings Program and legislation is being resubmitted for consideration.

IV. Expenditures for Fiscal Year 2007-2008

	Appropriation FY 08	Collective Bargaining	Transfers In Transfers Out	Restriction	Net Allocation and Estimated Total Expenditure
(Pos. Count)	(18.00)				(18.00)
PERS SERV	1,230,934	45,864			1,276,798
CURR EXP	6,952,430				6,952,430
TOTAL	8,183,364	45,864	0	0	8,229,228
(Pos. Count)	(14.00)				(14.00)
General Fund	2,146,480	39,375			2,185,855
Interdepart'l Funds	5,525				5,525
(Pos. Count)	(4.00)				(4.00)
Trust Funds	6,031,359	6,489			6,037,848

- A. There were no transfers made within this program.
- B. There were no transfers between this program and any other program.
- C. No restrictions are imposed on the program in FY 2008.

V. Supplemental Budget Request for FY 2008-2009

	Appropriation FY 09	Adjustments FY 09	Supplemental Request FY 09
(Pos. Count)	(18.00)		(18.00)
PERS SERV	1,230,995	0	1,230,995
CURR EXP	6,952,430		6,952,430
TOTAL	8,183,425	0	8,183,425
(Pos. Count)	(14.00)		(14.00)
General Fund	2,146,541	0	2,146,541
Interdepart'l Funds	5,525		5,525
(Pos. Count)	(4.00)		(4.00)
Trust Funds	6,031,359	0	6,031,359

A. The program has no supplemental budget request for FY 2009.

B. Position Count Reductions

None.

VI. There are no general fund restrictions/reductions imposed on this program..

VII. Capital Improvement Requests for Fiscal Year 2008-2009:

None.

VIII. Proposed Lapses of Capital Improvements Program Projects:

None.

The next program is the **BUF 915, DEBT SERVICE PAYMENTS** program and it is also administered by the Financial Administration Division.

I. Introduction

- A. This program was established by the 2007 Legislature to separately identify funds available for the State's debt service payments. These amounts were previously reflected as part of the BUF 115, Financial Administration Division program.
- B. This program includes principal and interest payments associated with General Obligation and General Obligation Reimbursable Bonds issued by the State. Appropriation and expenditures for the Department of Education and the University of Hawaii are included as interdepartmental transfer funds with debt service paid centrally by the Financial Administration Division.
- C. Administrative and fiscal controls are exercised to fulfill the constitutional requirement that the State's full faith and credit are pledged for the payment of principal and interest on all general obligation bonds.

II. Program Performance Results

III. Problems and Issues

Discussion of program performance results and problems and issues are addressed in the BUF 115 program.

IV. Expenditures for Fiscal Year 2007-2008

	Appropriation FY 08	Collective Bargaining	Transfers In Transfers Out	Restriction	Net Allocation and Estimated Total Expenditure
CURR EXP					
Debt Service	573,267,045		0		573,267,045
TOTAL	573,267,045	0	0	0	573,267,045
General Fund	262,785,613				262,785,613
Interdepart'l Funds	310,481,432				310,481,432

A. There were no transfers made within this program.

B. There were no transfers made between this program and other programs.

C. No restrictions are imposed on the program in FY 2008

V. Supplemental Budget Requests for Fiscal Year 2008-2009

	Appropriation FY 09	Adjustments FY 09	Supplemental Request FY 09
CURR EXP			
Debt Service	606,782,851	(7,500,000)	599,282,851
TOTAL	606,782,851	(7,500,000)	599,282,851
General Fund	278,149,259	(3,438,000)	274,711,259
Interdepart'l Funds	328,633,592	(4,062,000)	324,571,592

A. Workload or Program Request.

Item	Org Code	Cost Element	MOF	Amount of Request
				FY 09
Debt Service	DS			
		Current Expenses	A	(3,438,000)
		Current Expenses	U	<u>(4,062,000)</u>
		Total		(7,500,000)

The proposed FY 2009 debt service requirement of \$599,282,851 (all MOF) is based on a revised GO bond issuance plan. The revised bond issuance plan is increased by a net \$515 million in support of new GO CIP projects requested in the FY 2009 Supplemental Budget. Associated debt service payments decrease through fiscal year 2009 due to deferral of a \$275 million issuance in the 1st half of FY 2008. Debt service requirements then increase in the out years.

B. Position Count Reductions

None.

- VI. There are no general fund restrictions/reductions imposed on this program.
- VII. Capital Improvement Requests for Fiscal Year 2008-2009:
None.
- VIII. Proposed Lapses of Capital Improvements Program Projects:
None.

The next program is the **BUF 141, Employees' Retirement System (ERS)**.

I. Introduction

- A. The Employees' Retirement System's program objectives are to provide retirement and survivor benefits for over 106,000 State and county employees, retirees, and inactive vested members and to prudently maximize the return on its \$11.4 billion investment portfolio.
- B. The major activities include: pre-retirement counseling services; computation of retirement, disability and death benefits; enrollment of new State and county employees into the appropriate retirement plan; conducting disability hearings and appeals; processing semi-monthly and monthly retirement benefit payments to 35,324 retirees and beneficiaries; calculating and reporting the taxable portion on benefit payments; and safeguarding and accounting for investments in stocks, bonds, foreign securities, mortgage loans, real estate, alternative investments, short-term instruments, etc.
- C. The ERS intends to meet its objectives by continuously seeking ways to improve service delivery to its membership and by developing long-term asset allocation strategies to secure consistent, positive investment returns while preserving capital.

II. Program Performance Results

- A. During the fiscal year ending June 30, 2007, we successfully implemented the new Hybrid Plan; continued to design and install various components of a new pension management information system; continued to review and correct historical membership service credit records; and secured legislation to help reduce the ERS' \$5.1 billion unfunded liability.

The implementation of the Hybrid Plan in FY 2007 was our top priority and it was the biggest retirement program change in the last 22 years. In addition to enrolling new employees in the Hybrid Plan, we worked with State and county staff to electronically update their payroll and personnel computer systems for the 27,000 members who elected to switch to the Hybrid Plan on July 1, 2006. We also received and began to account for approximately \$90 million in employee contributions from Hybrid Plan members during FY 2007.

The second priority is the replacement of ERS' legacy computer systems that have been in use since the late 1980s. A consulting firm was retained in April 2005 to design and install a new pension management information system (PMIS) which includes the pension administration

of the Contributory, Noncontributory, and Hybrid retirement plans; imaging; accounting; workflow; etc. During FY 2007, we implemented the Hybrid Plan pension administration system and an integrated financial accounting package.

The third major priority was to continue to research and correct membership service credit data which will be loaded into our new computer systems. The accuracy of members' years of service credit is especially important for those who plan to convert their Noncontributory service credits to the Hybrid Plan.

Even with these major projects and many challenges, ERS was still able to provide the following services in FY 2007:

- 3,344 retirement estimates prepared for members contemplating retirement
- 1,820 initial pension benefit payments for new retirees
- 1,189 interim pension payments for retirees' unused sick leave credits
- 511 final pension adjustments
- 162 disability claims completed

- 885 death claims completed
- 1,067 membership service credit claims certified
- 2,243 members counseled
- 23,041 telephone inquiries and correspondence
- 4,899 membership enrollment transactions.

Although the preceding services were performed, the ERS attempted to, but wasn't able to, keep up with all the member, retiree, and beneficiary demands and needs.

In FY 2007, the ERS had its best investment performance in the past 10 years with an investment return of 17.7%. The ERS invests for the long term and each year's return must be viewed in relation to longer periods. The ERS' investment returns for the past ten years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Net Investment Income</u>	<u>Investment Return</u>
1998	\$ 1,251,839,166	16.04 %
1999	904,809,348	10.41
2000	695,151,054	7.38
2001	(679,605,059)	(6.68)
2002	(503,995,090)	(5.52)
2003	146,140,751	2.97
2004	1,236,414,927	15.81
2005	931,710,183	11.30
2006	988,347,837	11.12
2007	1,701,085,664	17.71

- B. Measures taken to streamline operations and maximize investment returns are consistent with the Department's

mission to provide quality services effectively and within available resources.

C. Performance measurements used to monitor program efficiency/success are primarily based on the program, planning and budgeting system and include the average time to issue refund checks to terminating employees; percentage of initial pension checks issued within one month of retirement; and annualized return on investments over the five past years. While reassignment of experienced staff to the critical projects increasing workload demands, legislative changes, and collective bargaining retroactive pay adjustments have proved challenging, the ERS was able to meet most of its performance measures.

D. Changes made to increase efficiency and effectiveness of the program during the last two years includes:

1. New Computer System

The implementation of various components of its new pension management information computer system will make the ERS more efficient and effective. Oracle Financials, an integrated financial accounting system, was installed in FY 2007 to increase financial reporting capabilities and flexibility. In addition, the new PMIS system is able to process Hybrid Plan member contributions and other transactions in a timelier manner.

2. Reengineering Efforts

The ERS implemented many changes to save money, streamline its operations, and reduce paperwork.

3. Certificate of Achievement Award

The Government Finance Officers' Association of the United States and Canada (GFOA) recently awarded a Certificate of Achievement for Excellence in Financial Reporting to the ERS. The Certificate is the highest form of recognition for excellence in state and local government financial reporting. This marked the 16th year that the ERS has received this prestigious award.

III. Problems and Issues

1. There are several workload issues that affect the ERS program. One is the undertaking of major projects that requires the dedicated efforts of ERS employees for successful completion. This includes the migration of 19 million payroll, personnel and other member transactions from 1957 through 2007 to the PMIS system; implementation of the pension administration systems for the Contributory and Noncontributory Plans; and implementation of the member and employer self-service modules. Over 8 million personnel, payroll, correspondence and other membership documents need to be imaged and indexed to allow for faster retrieval for research or response to member inquiries.

The upcoming Hybrid Conversion Project and support of the PMIS project will require continued assignment of ERS staff through 2008 and 2009.

The reassignment of ERS permanent employees to the projects reduced staffing available for core operations. Although the ERS has 17 temporary positions, it has been extremely difficult to recruit and retain temporary employees to support core operations. As a result, backlogs have accumulated at a faster pace than could be processed.

There has also been an increased need for member and retiree services. Over the past four years, major services provided by the ERS increased from 25,000 in 2003 to over 40,000 actions in 2007, an increase of 38%. ERS' workload analysis determined that the increases in benefit related services will continue and grow as more "baby boomers" retire. Over 24,000 members (37% of active members) will be eligible to retire within the next 5 years and the ERS Actuary estimates 11,000 members will actually retire during the next 5 years. The number of retirees will increase by 29% to 43,000 in 2012. The ERS has also identified additional services to members and retirees that are sorely needed. These services include counseling and limited financial

planning for new hires and existing hires; issuing annual member statements which include estimated ERS retirement and Social Security benefits; continual employer training; and call center capabilities to provide immediate responses to all benefit inquiries. These increases require a stable and permanent workforce. Without the conversion of the temporary positions to permanent status, the ERS will fall further behind in meeting current member demands resulting in significant backlogs.

2. Another issue is the ERS' unfunded liability which was impacted by the 2000 - 2001 bear market and use of ERS' excess investment earnings to pay for other State and county government programs. The unfunded accrued liability amounted to \$5.107 billion on June 30, 2007. However, passage of Act 256, 2007 Session Laws of Hawaii increased employer contributions to the ERS effective July 1, 2008, authorized the Board to adjust salary assumptions, and placed a three-year moratorium on benefit enhancements. These actions have improved ERS' funded status from 65% in 2006 to 67.5% in 2007 and more positively positioned the ERS.
3. While the increase in workload continues to create difficulties for the ERS, conversion of temporary staffing included in the FB 2008-2009 supplemental budget

request will help to minimize the increase in the backlogs caused by the redeployment of staff to various projects.

Further, long-term asset allocation strategies will be utilized to secure consistent and positive investment return while preserving capital. These actions and recent statutory changes are intended to improve the ERS' funding status.

IV. Expenditures for Fiscal Year 2007-2008

	Appropriation FY 08	Collective Bargaining	Transfers In Transfers Out	Restriction	Net Allocation and Estimated Total Expenditure
(Pos. Count)	(83.00)				(83.00)
PERS SERV	6,285,996	207,306			6,493,302
CURR EXP	4,319,000				4,319,000
EQUIP	420,250				420,250
TOTAL	11,025,246	207,306	0	0	11,232,552
(Pos. Count)	(83.00)				(83.00)
Other Funds	11,025,246	207,306	0	0	11,232,552

- A. There were no transfers made within this program.
- B. There were no transfers made between this program and other programs.
- C. There were no restrictions imposed on this program.

V. Supplemental Budget Requests for Fiscal Year 2008-2009

	Appropriation FY 09	Adjustments FY 09	Supplemental Request FY 09
(Pos. Count)	(83.00)	(16.00)	(99.00)
PERS SERV	6,185,996	250,000	6,435,996
CURR EXP	4,177,000	2,500,000	6,677,000
EQUIP	587,220		587,220
TOTAL	10,950,216	2,750,000	13,700,216
(Pos. Count)	(83.00)	(16.00)	(99.00)
Other Funds	10,950,216	2,750,000	13,700,216

A. Workload or Program Request

<u>Item</u>	<u>Org Code</u>	<u>Cost Element</u>	<u>MOF</u>	<u>Amount of Request</u> <u>FY 09</u>
Conversion of Staffing to Permanent & Overtime	FA	(Pos. Count) Personal Services	X	(16.00) <u>250,000</u>
			X	(16.00)
		Total		250,000

This request is for the conversion of sixteen (16.00) temporary positions--six (6.00) Retirement Claims Examiners, one (1.00) Accountant, one (1.00) Clerk; two (2.00) Info Tech Specialists, five (5.00) Clerk Typists; and one (1.00) Account Clerk--to permanent status and \$250,000 for overtime in FY 2009. Funding for the positions is currently included in the ERS budget.

The requested position conversions and overtime funding will help address ERS' short and long-term workload issues and assist the ERS in retaining experienced staff and improve customer service.

<u>Item</u>	<u>Org Code</u>	<u>Cost Element</u>	<u>MOF</u>	<u>Amount of Request</u>
				FY 09
Computer Maintenance	FA	Current Expense	X	500,000
		Total	X	500,000

This request for additional computer system maintenance includes: maintenance support and software licensing costs for the documents imaging and management system; security enhancements and software/hardware maintenance for the new self-service modules that are expected to be implemented by the end of FY 2008; and support requirements for the Oracle database, Oracle accounting software, user licenses, internet hardware and software and other security and maintenance related products. These cost items are not included in the ERS' current budget.

<u>Item</u>	<u>Org Code</u>	<u>Cost Element</u>	<u>MOF</u>	<u>Amount of Request</u>
				FY 09
Hybrid Plan Option	FA	Current Expense	X	2,000,000
		Total	X	2,000,000

We worked with several national public pension plan organizations and the Hawaii congressional delegation to secure support for federal legislation to allow for the conversion of members' Noncontributory Plan service credits from the current 1.25% benefit formula to the 2% Hybrid Plan benefit formula. Our efforts were successful as a special amendment was included in the federal Pension Protection Act of 2006 which now enables Hybrid Plan members to transfer funds from their deferred compensation and tax-sheltered annuity accounts to pay for the Hybrid conversion.

The requested funds will be utilized to conduct an extensive communication effort through a consulting firm that will assist members in making the best decision possible. The firm will be required to develop new computer programs to calculate individualized cost estimates to purchase service

upgrades and the impact on each member's future retirement benefit. Individual counseling services will be provided for over 26,000 members who switched to the Hybrid Plan. Training of department payroll and personnel staff will be required along with call center/phone support, website calculators and development and distribution of other informational materials.

B. Position Count Reductions

None.

VI. There are no general fund restrictions/reductions imposed on this program.

VII. Capital Improvement Requests for Fiscal Year 2006-2007:
None.

VIII. Proposed Lapses of Capital Improvements Program
Projects:
None.

The next program is BUF 941, RETIREMENT BENEFIT PAYMENTS.

I. Introduction

- A. This program was established by the 2007 Legislature to separately identify funds available for the payment of employer contributions for State government employee retirement benefits. These amounts were previously reflected as part of the BUF 141, Employees' Retirement System program.
- B. This program includes employer contributions for pension accumulation and social security/medicare. General fund appropriations for the Department of Education (DOE) and the University of Hawaii (UOH) are transferred at the beginning of each fiscal year and included in this program as interdepartmental transfer funds. Pension accumulation contributions are based on a percentage of payroll as stipulated in Chapter 88, Hawaii Revised Statutes. Social Security/Medicare contributions are federally mandated and based on assessment rates of 6.2% for social security and 1.45% for medicare.
- C. Administrative controls and procedures will be adhered to in order to meet objectives for timely payment and accurate financial reporting.

II. Program Performance Results

III. Problems and Issues

Discussion of program performance results and problems and issues are addressed in the BUF 141 program.

IV. Expenditures for Fiscal Year 2007-2008

	Appropriation FY 08	Collective Bargaining	Transfers In Transfers Out	Restriction	Net Allocation and Estimated Total Expenditure
CURR EXP					
Pension Accumulation	348,126,676	11,164,588	0	0	359,291,264
Social Security/Medicare	185,416,653	6,007,702	0	0	191,424,355
TOTAL	533,543,329	17,172,290	0	0	550,715,619
General Fund	222,439,828	17,172,290	0	0	239,612,118
Interdepart'l Funds	311,103,501	-	-	-	311,103,501

A. There were no transfers made within this program.

B. There were no transfers made between this program and other programs.

C. No restrictions are imposed on the program in FY 2008.

V. Supplemental Budget Requests for Fiscal Year 2008-2009

	Appropriation FY 09	Adjustments FY 09	Supplemental Request FY 09
CURR EXP			
Pension Accumulation	354,674,936	57,652,918	412,327,854
Social Security/Medicare	189,351,663	8,421,723	197,773,386
TOTAL	544,026,599	66,074,641	610,101,240
General Fund	224,622,703	(24,567,851)	200,054,852
Interdepart'l Funds	319,403,896	90,642,492	410,046,388

A. Workload or Program Request.

<u>Item</u>	<u>Org Code</u>	<u>Cost Element</u>	<u>MOF</u>	<u>Amount of Request</u>
				FY 09
Pension Accumulation	RB			
		Current Expenses	A	(21,189,213)
		Current Expenses	U	<u>78,842,131</u>
		Total		57,652,918

Additional funding is required for pension accumulation due primarily to increases in the percentage of payroll contribution rate, effective July 1, 2008 as authorized by Act 256, SLH 2007. The Employees' Retirement System's June 30, 2006 actuarial valuation reported a poorer funded ratio of 65% (\$5.1 billion actuarial unfunded liability) as compared with 68.6% (\$4.07 billion actuarial unfunded liability) reported in the June 30, 2005 valuation. The reported funding period of 35.2 years also exceeded Governmental Accounting Standards Board (GASB) requirements. In recognition, the Legislature increased the percentage of payroll contribution rate from 13.75% to 15% for general employees and from 15% to 19.7% for police and fire based on a period of 29 years to amortize the unfunded liability. Pension accumulation requirements for FY 2009 total \$434 million (all means of financing). Inter-departmental authorizations reflect transfers from UOH and DOE

whose general fund appropriations include pension accumulation costs.

Item	Org Code	Cost Element	MOF	Amount of Request
				FY 09
Social Security/Medicare	RB			
		Current Expenses	A	(3,378,638)
		Current Expenses	U	<u>11,800,361</u>
		Total		8,421,723

Social Security/medicare (SS/Med) requirements (all means of financing) total \$209.6 million in FY 2009 an increase of \$8.4 million over funds appropriated in Act 213, SLH 2007. SS/Med requirements are based on actual payroll data as of June 30, 2007.

Assessment rates are 6.2% for Social Security and 1.45% for Medicare. Like pension accumulation, interdepartmental transfers are from the UH and DOE whose general fund appropriation include SS/Med costs.

B. Position Count Reductions

None.

VI. There are no general fund restrictions/reductions imposed on this program.

VII. Capital Improvement Requests for Fiscal Year 2008-2009:

None.

VIII. Proposed Lapses of Capital Improvements Program

Projects:

None.

The last Government-Wide support program is the **BUF 143, the Hawaii Employer-Union Trust Fund (Trust Fund)**.

I. Introduction

- A. The objective of this program is to administer health and life insurance benefits for eligible active and retired State and county public employees and their eligible dependents by providing quality service levels to employee-beneficiaries and dependent-beneficiaries and complying with federal and State legal requirements.
- B. The Board of Trustees determines the nature and scope of the benefit plans offered, negotiates and enters into contracts with insurance carriers, administers self-funded plans, establishes eligibility and management policies for the Trust Fund, and oversees all Trust Fund activities. The staff trains State and county personnel and fiscal officers on enrollment procedures, collects employer and employee contributions, remits premiums to insurance carriers, provides enrollment services to State and county retirees, administers the federal COBRA Law, assists the Department of Human Resources Development in administration of the State of Hawaii's Premium Conversion Plan and complies with HIPAA privacy and security regulations and policies related to enrollment information.

- C. The program intends to meet its objective by securing necessary staff, computer systems and consultants to support recently implemented self-funded plans and to fully develop the trust's investment program.

II. Program Performance Results

- A. The Trust Fund has met its statutory mandate to provide the best possible benefits to public employees and retirees at a cost that is reasonable both for employee-beneficiaries and employers. The Trust Fund has implemented new benefit plans and made continued efforts to improve customer services and administrative processing.
- B. The progress made by the Trust Fund is in support of both the Department's mission and the Trust Fund's objective of providing quality services effectively and within available resources.
- C. The Trust Fund's performance is measured by the timeliness and accuracy of enrollment processing and accounting transactions; responsiveness to employee-beneficiary and other stakeholder inquiries in a timely manner, availability of the computer system, and compliance with other federal programs and requirements.
- D. Since its inception, the Trust Fund has implemented several measures to improve responsiveness to employee-beneficiary inquiries and accuracy of

enrollment processing. The Trust Fund has employed Business Solution Technologies (BST) to assist the Trust Fund with on-going support and maintenance of the PeopleSoft Health Fund Information Management System. BST assisted the Trust Fund staff with the configuration of the new benefit plans offered to employee-beneficiaries effective July 1, 2007. Significant changes were implemented and the Trust Fund was able to process 91% of all documents by July 2007. The Trust Fund is in the process of upgrading its telephone system so that it can handle the increase in telephone inquires.

- E. Performance measures for the supplemental budget year are focused on benefit administration consistent with the purpose of the program's appropriation.

III. Problems and Issues

- A.1. The Trust Fund provides health and other benefit plans for approximately 54,000 active employees and 37,000 retirees. Effective January 1, 2007, the EUTF implemented a Medicare Part D prescription drug plan for Medicare-eligible retirees. Effective July 1, 2007, the Trust Fund began offering new benefit plans and more options for its employee-beneficiaries. The Trust Fund also

implemented self-funded PPO medical and prescription drug benefit plans. Both the self-funded plans and the Medicare Part D Prescription Drug Plan for retirees will require in-house expertise on complex inquiries and research of Medicare related issues and support of administration of self-funded plans. Maximizing the use of available technology and automation are key requirements for the EUTF to achieve its operational objectives.

- B.1 To address the difficulties associated with the increase in workload 1.00 FTE position is included in the supplemental budget request.
- A.2 The EUTF Board of Trustees has the ultimate responsibility to administer the plan prudently and in the interest of the plan's participants and beneficiaries. The EUTF currently has funds to invest due to the premiums that were returned by the insurance carriers.
- B.2 The EUTF currently has funding for an investment consultant in its FY 2008 budget and has included a supplemental budget request to continue these services in FY 2009. The EUTF Board of Trustees has approved issuance of a Request for Proposal for

an investment consultant in January 2008 with an anticipated contract start date of June 1, 2008.

A.3 The Government Accounting Standards Board (GASB) has issued statements No. 43, Financial Reporting for Post employment Benefit Plans Other Than Pension Plans, and 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). GASB 43 was implemented by EUTF for fiscal year ending June 30, 2007 and GASB 45 must be implemented by the employers for fiscal year ending June 30, 2008.

B.3 Implementation of GASB 43 will require additional workload for the Trust Fund accounting staff to ensure that valuations required to determine OPEB obligations are conducted and results are properly reported and accounted for.

IV. Expenditures for Fiscal Year 2007-2008

	Appropriation FY 08	Collective Bargaining	Transfers In Transfers Out	Restriction	Net Allocation and Estimated Total Expenditure
(Pos. Count)	(26.00)				(26.00)
PERS SERV	1,869,665	59,035			1,928,700
CURR EXP	7,065,554				7,065,554
EQUIP	2,746,180				2,746,180
TOTAL	11,681,399	59,035	-	-	11,740,434
(Pos. Count)	(26.00)				(26.00)
Trust Funds	11,681,399	59,035	0	0	11,740,434

- A. There were no transfers made within this program.
- B. There were no transfers made between this program and any other program.
- C. No restrictions are imposed on the program in FY 2008.

V. Supplemental Budget Requests for Fiscal Year 2008-2009

	Appropriation FY 09	Adjustments FY 09	Supplemental Request FY 09
(Pos. Count)	(26.00)	(1.00)	(27.00)
PERS SERV	1,766,765	63,806	1,830,571
CURR EXP	2,524,643	300,000	2,824,643
EQUIP			0
TOTAL	4,291,408	363,806	4,655,214
(Pos. Count)	(26.00)	(1.00)	(27.00)
Trust Funds	4,291,408	363,806	4,655,214

A. Workload or Program Request.

Item	Org Code	Cost Element	MOF	Amount of Request FY 09
Senior Health Benefits Analyst	EU	(Pos. Count) Personal Services	T	(1.00) 63,806
				(1.00)
		Total		63,806

Implementation of the Medicare Part D Prescription Drug Program and the self-funded benefit plans on July 1, 2007 have created new customer service and case work requirements and administrative and oversight functions previously handled by carriers. The requested Senior Health Benefit Analyst position will field complex inquiries and case work related to Medicare plans, assist

participants on the multitude of self-funded plan benefit issues, analyze and make recommendations to the Board on adjudication of benefit claims, and lead cost recovery efforts.

Item	Org Code	Cost Element	MOF	Amount of Request FY 09
Investment Consultant Services	EU	Current Expense	T	\$300,000

Under Chapter 87A-24(2) and 87A-24(3), the EUTF Board of Trustees is authorized to invest the funds of the Trust and maintains a fiduciary responsibility for prudent action. The EUTF currently has funds to invest due to the premiums that were returned by insurance carriers. In addition, the EUTF anticipates that in response to reporting of Other Post Employment Benefits (OPEB) obligations, the State and counties may "pre-fund" the cost of providing future retiree benefits. The EUTF needs to develop its investment plan and policies to be ready to invest funds. It takes time to get an investment program developed and to the point where funds are invested according to the plan. Also, if funds (for OPEB) are received from employers and the EUTF has no investment plan or program for long term investment, the actuary may use a lower discount rate resulting in higher liabilities than if a higher discount rate were used. The 2007 Legislature authorized

expenditure of FY 2008 funds to secure an investment consultant and this request is for the continuation of these services in FY 2009.

B. There are no position count reductions for this program.

VI. There are no general fund restrictions/reductions imposed on this program.

VII. Capital Improvement Requests for Fiscal Year 2008-2009:
None.

VIII. Proposed Lapses of Capital Improvements Program
Projects:
None.

The next two administratively attached programs are under the Individual Rights major program area.

The first program is **BUF 151, Office of the Public Defender program.**

I. Introduction

- A. The objective of this program is to safeguard the rights of individuals in need of assistance in criminal, mental commitment and family cases by providing constitutionally and statutorily entitled legal services.
- B. The major activities of this program are predicated on the need to provide comprehensive legal and other necessary services in criminal and related cases. The general scope of services, which must be provided, are directed by the federal and State constitutions, State statutes, judicial rules and decisions and opinions, and the canons of professional ethics.
- C. The program intends to meet its objectives during the upcoming fiscal year by fulfilling its constitutional and statutory mandate to provide legal assistance to indigent accused persons.

II. Program Performance Results

- A. In FY 2006 and FY 2007, the program provided effective legal representation to indigent accused persons.
- B. The performance measures and results are consistent with the goal of the Department to deliver services

within fiscal constraints without compromising the fundamental quality and effectiveness of the services.

- C. Planned levels of program effectiveness are measured in percentage of attorney caseloads that exceed national caseload standards for felony, misdemeanor, family court, and appeal cases. One goal of the program is to efficiently serve the program's clients while avoiding judicial or Disciplinary Counsel determinations of ineffective legal assistance that would reflect a major denial of federal or state constitutional rights. Sufficient legal and support staff are critical to achievement of this goal. While the Office has avoided judicial and Disciplinary Counsel determinations during each of the past three years, operations have been hindered by insufficient staffing levels.
- D. The program has maximized the efficiency and effectiveness of its limited personnel resources by maintaining a high level of internal training of its legal staff.
- E. Program performance measures continue to address appropriate attorney caseloads as a means of ensuring effective client representation.

III. Problems and Issues

- A. Staffing requirements for the Office of the Public Defender are dependent not only upon the sheer volume of cases handled by the Office, but is also directly related to administrative changes implemented by the Judiciary. When the Judiciary expands by the addition of judges or the addition of court days or shifts court caseloads, workload for the Office increases. The Judiciary continues to make organizational changes in its effort to process a greater number of criminal prosecutions in a reduced time period which, in turn, has significantly impacted the Office. In order to address the increase in the Office's workload and caseload and to meet judicial expansion and reorganization, responsive measures are often required by this Office.
- B/C. Increasing caseloads and Judiciary changes in the Third Circuit (Big Island) has resulted in a need to increase legal personnel in the Kona office. The Judiciary has given notice that, in FY 2009, it will change the assignment of criminal cases occurring in the South Kohala and Kau districts from the Hilo Court to Kona. The reassignment is the result of excessive caseloads in the Hilo court and the long travel times for victims, witnesses, law enforcement, and attorneys from South Kohala and Kau. An additional public

defender is required to provide representation in lower level felony cases allowing the office to meet the challenge of the increased Kona caseload and also thereby permitting higher level public defenders to cover the expected increase in serious felony cases assigned to the Kona office.

Further, enhanced efficiency and effectiveness are achieved by the emphasis on attorney training and proposals to revise court rules to maximize the program's limited resources.

IV. Expenditures for Fiscal Year 2007-2008

	Appropriation FY 08	Collective Bargaining	Transfers In Transfers Out	Restriction	Net Allocation and Estimated Total Expenditure
(Pos. Count)	(81.00)				(81.00)
PERS SERV	8,573,122	291,996	0	0	8,865,118
CURR EXP	689,086	0	0	0	689,086
TOTAL	9,262,208	291,996	-	-	9,554,204
(Pos. Count)	(81.00)				(81.00)
GENERAL FUND	9,262,208	291,996	-	-	9,554,204

- A. There were no transfers made within this program.
- B. There were no transfers made between this program and any other program.
- C. There are no restrictions imposed on this program.

V. Supplemental Budget Requests for Fiscal Year 2007-2009

	Appropriation FY 09	Adjustments FY 09	Supplemental Request FY 09
(Pos. Count)	(81.00)	(1.00)	(82.00)
PERS SERV	8,573,896	72,384	8,646,280
CURR EXP	689,086	1,102	690,188
EQUIP		2,385	2,385
TOTAL	9,262,982	75,871	9,338,853
(Pos. Count)	(81.00)		(82.00)
GENERAL FUND	9,262,982	75,871	9,338,853

A. Workload or Program Request.

Item	Org Code	Cost Element	MOF	Amount of Request FY 09
Deputy Public Defender III - Kona Office	HA	(Position Count)		(1.00)
		Personal Services	A	72,384
		Current Expenses	A	1,102
		Equipment	A	2,385
				<hr/>
				(1.00)
		Total		75,871

The Kona Branch Office requires an additional Deputy Public Defender III due to organizational changes being implemented by the Judiciary in FY 2009. All criminal cases occurring in the South Kohala and Kau districts will be reassigned from the Hilo Court to the Circuit judges in Kona.

Current public defender caseloads are increasing for the Kona office as reflected below:

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
FELONY	298	358	413	456	437	537	465
MISDEMEANOR	1296	1569	2103	1949	1532	1461	1762
FAMILY COURT	594	586	546	589	473	470	493
INV COMMITMENT	1	8	13	25	21	23	26

To process the additional reassigned cases, the Office of the Public Defender requires additional staff. Transfer of existing positions from other branch offices is not a viable alternative as resources are strapped statewide.

B. Position Count Reductions.

None.

VI. There are no general fund restrictions/reductions imposed on this program.

VII. Capital Improvement Requests for Fiscal Year 2008-2009:

None.

VIII. Proposed Lapses of Capital Improvements Program

Projects:

None.

The last program is **BUF 901, Public Utilities Commission.**

I. Introduction

- A. The objective of this program is to ensure that regulated companies efficiently and safely provide their customers with adequate and reliable services at just and reasonable rates, while providing regulated companies with a fair opportunity to earn a reasonable rate of return.
- B. The regulatory programs of the Commission involve legislative, judicial, and administrative activities as follows:
1. Establishing rules and regulations pertaining to service standards;
 2. Rendering decisions on rates, fares, and charges;
 3. Processing applications, issuing certificates to regulated companies, and conducting investigations and audits of regulated companies;
 4. Conducting investigations of complaints filed against public utilities, other regulated entities, and companies utilizing services under the Commission's jurisdiction; and
 5. Maintaining the fiscal integrity of the Public Utilities Commission Special Fund.

The public utility services regulated by this Commission include 4 electric utilities, 1 gas utility, 179 telecommunication companies, 37 private

water and sewer utilities, 521 property carriers and 590 passenger carriers, and 4 inter-island water carriers.

C. The Commission intends to meet its objectives during the upcoming supplemental budget year as follows:

1. Ensure the public of adequate and efficient services at the lowest possible cost as well as providing a fair return to the regulated company;
2. Ensure that the public does not experience discriminatory and preferential services, and avoid and eliminate unfair competitive practices among regulated companies;
3. Promote the objectives of the State Plan to achieve dependable, efficient, and economical statewide energy; attain conservation of energy sources, to support research, development and promotion of renewable energy resources; encourage the development and use of alternate energy sources, and to preserve the environment while balancing the cost of energy to the consumer;
4. Maintain a level of safe, adequate, economical, and efficient motor and water carrier transportation services to insure and permit the flow of goods for commercial purposes between points within the State at just and reasonable rates and fair practices; and

5. Coordinate and support implementation of applicable regulatory initiatives to ensure safe, adequate, economical, and efficient services to the ratepayers and public, as well as, ensure regulated entity integrity and sustainability.

II. Program Performance Results

- A. During FY 2007, the Commission opened 510 new dockets relating to the regulated utilities and transportation companies and completed and disposed of 517 dockets from its total case load. Key proceedings in the electric utility area included the Commission's examination of issues related to distributed generation, including interconnection requirements, and standby rates. The Commission continued to review issues related to the Renewable Portfolio Standards Law and net energy metering, and approved tariffs for Solar Water Heating Pay As You Save pilot programs for all four of Hawaii's electric utilities. The Commission reviewed Hawaiian Electric Company's ("HECO") request for a general rate increase for the 2007 calendar test year, as well as rate cases for Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Ltd. ("MECO"). In its proceeding on energy efficiency and HECO's demand-side management programs, which was bifurcated from HECO's 2005 rate proceeding, the Commission established a non-utility market structure with energy efficiency

programs administered by a third party and funded through a Public Benefits Fund surcharge. The Commission also has an ongoing proceeding investigating the major power outages that occurred on October 15, 2006, on the HECO, HELCO, and MECO systems.

In the telecommunications area, the Commission continued to monitor the transition activities resulting from the sale of Verizon Hawaii Inc., now known as Hawaiian Telcom, Inc., to TC Group L.L.C., dba The Carlyle Group. It instituted a proceeding to examine Hawaiian Telcom, Inc.'s service quality and performance levels and standards in relation to its retail and wholesale customers. Also, the Commission modified the telecommunications relay services carrier contribution factor and fund size for the period July 1, 2007 to June 30, 2008.

The Commission continued implementation of the Petroleum Industry Monitoring and Reporting ("PIMAR") Program, pursuant to HRS Chapter 486J, by collecting data, and issuing new data collection forms to acquire the industry data required by chapter 486J, as amended in Act 182, Session Laws Hawaii ("SLH") 2007.

Other key proceedings during the Fiscal Year related to the sale of Mokuleia Water, LLC's water system assets to North Shore Water Company, LLC., and

the review of Young Brothers' request for a general rate increase.

During FY 2007, the Commission issued 936 decision and orders relating to rates and tariffs, certificates, declaratory rulings, sales of securities, acquisitions, mergers, and other public utility and transportation filings.

There were approximately 1,350 written informal and verbal complaints filed against utility and transportation companies during FY 2007. The majority of written informal and verbal complaints involved telecommunications providers. These complaints mainly involved service problems, mostly relating to billing, interruptions, repairs, and installations.

During FY 2007, total revenues deposited into the special fund amounted to \$16.1 million. These revenues are derived from public utility fees, motor carrier fees, penalties and interests, application and intervention filing fees, and duplication fees. Of the total fees collected, approximately \$7.3 million was paid for the Commission and the Consumer Advocate expenditure programs. In accordance with Act 226, SLH 1994, all moneys in excess of one million dollars remaining in the special fund on June 30 will lapse to the credit of the state general fund. For FY 2007, the excess amounted to \$8.7 million. It is estimated that \$16.9 million of revenues will be collected and

approximately \$8.1 million of excess funds will be deposited to the state general fund for FY 2008.

- B. The Commission's efforts to ensure that the public receive adequate and efficient services at the lowest possible cost while providing fair returns to regulated companies is consistent with the Department's overall objective to enhance productivity and operations within available resources.
- C. The effectiveness of the program is measured by the quality and dependability of services provided by regulated companies, the Commission's operational efficiency, and the services rendered to the public. These measurements are based on benchmarks that have been set in accordance with the prior years' experience as well as statutory and regulatory requirements.
- D. The Commission continued to implement initiatives that aim to meet our strategic plan's short and long-term goals. Recruitment initiatives resulted in the hiring of nine (9) new staff members for the Commission's clerical, documentation, research, engineering and legal sections. Commission staff and consultants continued to work on the development of a state of the art document and docket management system ("DMS") that will serve as the electronic backbone of the Commission's operations. Once fully functional, the DMS will enable the Commission to, among other things,

electronically consolidate and store historical information in a centralized database, share relevant information with the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy, increase the efficiency of internal document development and distribution, increase the efficiency of fees collections, and allow real time access to public documents on the Commission's website. The first phases of the DMS project are planned to be implemented in Fiscal Year 2007-08.

Major administrative points of focus for Fiscal Year 2007-08 will include personnel recruitment and training, technological and regulatory process improvements, public education and information transparency enhancements, and enforcement activities expansion. Additionally, pursuant to Act 177, Session Laws of Hawaii 2007, the Commission will begin to implement the first phase of a restructuring plan that will, among other things, expand the existing Research Section to include policy support positions and functions; create a Consumer Affairs and Compliance Section to be responsible for consumer relations and current investigative and enforcement activities; create an Administrative Support Section to centralize clerical services, case management services, fiscal services and information technology staff; update and redescribe fourteen (14) existing positions; convert

seven (7) temporary petroleum related positions to permanent status; and allow for leasing of additional space and office relocation. Future phases of the restructuring plan are intended to collectively add fourteen (14) new positions, bringing the Commission's total permanent position count to sixty-two (62) when completed.

- E. The Commission will continue to monitor performance in accordance with the following measures: 1) percent of rate cases completed within the applicable statutory time period; 2) percent of non-rate case matters completed within the applicable statutory or regulatory time period; 3) percent of informal complaint survey respondents who responded that the commission resolved their informal complaint in a reasonable amount of time; 4) number of reported accidents involving utility employees; 5) average number of electric service interruptions per customer serviced; 6) number of reported telecommunications service disruptions of longer than one hour that affects the lesser of 25 percent or 2,000 customers.

III. Problems and Issues

- A. To date, key proceedings and activities of the Commission in FY 2008 include: (1) continuing implementation and improvement of the PIMAR program, including development of a PIMAR database to more efficiently and effectively store, retrieve, and

report on the data collected; (2) a proceeding to select a Public Benefits Fund Administrator and to implement the new market structure for energy efficiency demand-side management programs for the HECO, HELCO and MECO; (3) reviewing the integrated resource plans of HELCO and MECO filed with the Commission - HECO will be filing a new IRP before the end of fiscal year 2008; (4) issuing a Renewable Portfolio Standards Framework that governs electric utilities' compliance with the RPS law, and instituting a new proceeding to review a proposal to create a renewable energy infrastructure surcharge to encourage renewable energy development; and (5) overseeing the initial utility procurements of new generating resources under the new competitive bidding framework.

When the Commission's restructuring is complete, its resources should be adequate to operate effectively under its existing, newly established and foreseeable additional statutory duties and responsibilities.

- B. There are no program change requests at this time.
- C. Federal and State efforts to introduce and expand competition in energy markets and to further develop energy policy regulation will require the Commission to continue to establish policies in specific areas such as RPS, distributed generation, competitive

bidding for new power generation, intra-governmental wheeling of electricity, integrated resource planning, demand-side management programs, net energy metering, and other potential energy efficiency programs.

In the telecommunications industry, extensive research and analyses will be needed from the Commission staff to address and resolve critical issues relating to telecommunications competition, voice over the internet protocol, rural telecommunications services, and a possible restructuring of the Federal universal service fund.

New requirements, as enacted by the 2007 Legislature, include Act 234, which aims to reduce greenhouse gas emissions in the state of Hawaii to 1990 levels by 2020. Although not directly involved in the task force charged with developing a work plan and regulatory scheme to achieve the reductions in emissions, the Commission will play a large role in advising the task force and in the implementation of the regulatory scheme that results from their work. The Commission will maximize its resources so that adequate attention may be given to these critical issues and requirements.

IV. Expenditures for Fiscal Year 2007-2008

	Appropriation FY 08	Collective Bargaining	Transfers In Transfers Out	Restriction	Net Allocation and Estimated Total Expenditure
(Pos. Count)	(44.00)				(44.00)
PERS SERV	3,679,370	103,402			3,782,772
CURR EXP	5,016,192				5,016,192
TOTAL	8,695,562	103,402	-	-	8,798,964
(Pos. Count)	(44.00)				(44.00)
Special Funds	8,695,562	103,402	-	-	8,798,964

- A. There were no transfers made within this program.
- B. There were no transfers made between this program and any other program.
- C. No restrictions are imposed on the program in FY 2008.

V. Supplemental Budget Requests for Fiscal Year 2008-2009

	Appropriation FY 09	Adjustments FY 09	Supplemental Request FY 09
(Pos. Count)	(51.00)	(4.00)	(55.00)
PERS SERV	4,148,577	0	4,148,577
CURR EXP	5,770,217	500,000	6,270,217
EQUIP	11,200	0	11,200
TOTAL	9,929,994	500,000	10,429,994
(Pos. Count)	(51.00)	(4.00)	(55.00)
Special Funds	9,929,994	500,000	10,429,994

A. Workload or Program Request.

<u>Item</u>	<u>Org Code</u>	<u>Cost Element</u>	<u>MOF</u>	<u>Amount of Request</u>
				FY 09
		(Pos. Count)		(4.00)
Conversion of 4 Positions to Permanent status	MA			
		Total	B	(4.00)

Act 177, SLH 2007, authorized the conversion of four petroleum related temporary positions to permanent status. This request properly incorporates the following positions into the budget appropriation act: Research Assistant, PUC Attorney, Enforcement Officer and Clerk Typist positions. Funding for the positions is already a part of the appropriation act.

Item	Org Code	Cost Element	MOF	Amount of Request
				FY 09
Consulting Services	MA	Current Expense	B	\$500,000

Section 269-095, HRS, requires the PUC to engage the services of the University of Hawaii, Hawaii Natural Energy Institute to conduct studies on Renewable Portfolio Standards. The studies include findings and recommendations on the capability of Hawaii's electric utilities to achieve the renewable portfolio standards in a cost-effective manner and to determine the impact on consumer rates, utility system reliability and stability and to determine the cost and availability of appropriate renewable energy resources and technologies. A report of findings is due to the 2009 legislature and every five years thereafter. Special fund expenditure authorization for this purpose is therefore requested.

B. Position Count Reductions

None.

VI. There are no general fund restrictions/reductions imposed on this program.

VII. Capital Improvement Request for Fiscal Year 2007-2009:

None.

VIII. Proposed Lapses of Capital Improvement Projects:

None.

Attachment 1
Department-Wide Summary Information
Totals for Proposed Department Budget Adjustments (by Method of Funding)

FY08				
MOF	Act 213/07 Appropriation (a)	Restriction (b)	Emergency Request (c)	Total FY08 (a)+(b)+(c)
GF	669,604,510			669,604,510
SF	8,695,562			8,695,562
UF	849,914,757			849,914,757
TF	17,712,758			17,712,758
XF	11,025,246			11,025,246
				-
Dept. Totals	1,556,952,833	-	-	1,556,952,833

1,556,952,833

FY09				
MOF	Act 213/07 Appropriation (d)	Reduction (e)	Addition (f)	Total FY09 (d)+(e)+(f)
GF	696,053,945	(28,005,851)	75,871	668,123,965
SF	9,929,994		500,000	10,429,994
UF	890,549,627	(4,062,000)	90,642,492	977,130,119
TF	10,322,767		363,806	10,686,573
XF	10,950,216		2,750,000	13,700,216
				-
Dept. Totals	1,617,806,549	(32,067,851)	94,332,169	1,680,070,867

1,680,070,867

Please indicate restrictions and reductions as negative numbers, using brackets ()

Attachment 2
Department-Wide Summary Information
Fiscal Year 08 Proposed Emergency Requests

<u>Program ID</u>	<u>MOF</u>	<u>Title of Emergency Requests</u>	<u>FTE</u>	<u>\$ Amount</u>
		NONE		
Dept. Totals by MOF			-	-

Attachment 3
Department-Wide Summary Information
Fiscal Year 09 Proposed Budget Adjustments

<u>Program ID</u>	<u>MOF</u>	<u>Program ID Title</u>	<u>FTE</u>	<u>\$ Amount</u>
BUF 141	X	Employees Retirement System	16.00	2,750,000
BUF 143	T	Employer Union Trust Fund	1.00	363,806
BUF 151	A	Office of the Public Defender	1.00	75,871
BUF 901	B	Public Utilities Commission	4.00	500,000
BUF 915	A	Debt Service Payments		(3,438,000)
BUF 915	U	Debt Service Payments		(4,062,000)
BUF 941	A	Retirement Benefits Payments		(24,567,851)
BUF 941	U	Retirement Benefits Payments		90,642,492
Dept. Totals by MOF	A		1.00	(27,929,980)
	B		4.00	500,000
	T		1.00	363,806
	U		-	86,580,492
	X		16.00	2,750,000
Dept Total			22.00	62,264,318

Attachment 4
Fiscal Year 09 Proposed Budget Adjustments

<u>Program I.D.</u>	<u>Description of Adjustment</u>	<u>FTE</u>	<u>\$ Amount</u>	<u>MOF</u>
BUF 941	Additional Funds for Pension Accumulation	-	(21,189,213)	A
BUF 941	Additional Funds for Pension Accumulation	-	78,842,131	U
BUF 941	Additional Funds for Social Security/Medicare	-	(3,378,638)	A
BUF 941	Additional Funds for Social Security/Medicare	-	11,800,361	U
BUF 141	Funds for Computer System Maintenance	-	500,000	X
BUF 141	Funds to Implement Hybrid Plan options	-	2,000,000	X
BUF 141	Convert 6.00 FTE Temporary Retirement Claims Examiner III (RCE) positions to Permanent	6.00	0	X
BUF 141	Convert 1.00 FTE Temporary Accountant II to Permanent	1.00	0	X
BUF 141	Convert 1.00 FTE Temporary Clerk III to Permanent	1.00	0	X
BUF 141	Convert 2.00 FTE Temporary Info Tech Spclt IV to Permanent	2.00	0	X
BUF 141	Convert 4.00 FTE Temporary Clerk Typist II to Permanent	4.00	0	X
BUF 141	Convert 1.00 FTE Temp Clerk Typist II to Perm (Invstmnt Off)	1.00	0	X
BUF 141	Convert 1.00 FTE Temp Account Clerk III to Permanent	1.00	0	X
BUF 141	Additional Funds for Staff Overtime	-	250,000	X
BUF 143	Additional 1.00 FTE Senior Health Benefits Analyst	1.00	63,806	T
BUF 143	Funds for Investment Consultant Services	-	300,000	T
BUF 151	Additional 1.00 FTE DPD III for Kona Office	1.00	75,871	A
BUF 901	Convert 4.00 Temporary Petroleum Related Posns to Permanent (Act 177/07)	4.00	-	B
BUF 901	Funds to contract with the Hawaii Natural Energy Insitute at UOH to conduct a study on Renewable Portfolio Standards pursuant to Chapter 296-95,HRS	-	500,000	B
BUF 915	Debt Service Reductions	-	(3,438,000)	A
BUF 915	Debt Service Reductions	-	(4,062,000)	U

Attachment 5
FY09 Capital Improvements Program Summary

<u>Priority</u>	<u>Project Title</u>	<u>FY09 \$ Amount</u>	<u>MOF</u>
1	Bishop Museum, Oahu	1,000,000	C
2			
3			
4			

**Attachment 6
FY09 Request Decisions**

Department Priority	Program ID	Description	MOF	Department			Budget and Finance			Governor's Final Decision		
				Perm. FTE	Temp. FTE	\$ Amount	Perm. FTE	Temp. FTE	\$ Amount	Perm. FTE	Temp. FTE	\$ Amount
1	BUF 941	Additional Funds for Pension Accumulation	A	-		(21,189,213)				-		(21,189,213)
1	BUF 941	Additional Funds for Pension Accumulation	U	-		78,842,131				-		78,842,131
1	BUF 941	Additional Funds for Social Security/Medicare	A	-		(3,378,638)				-		(3,378,638)
1	BUF 941	Additional Funds for Social Security/Medicare	U	-		11,800,361				-		11,800,361
7	BUF 141	Funds for Computer System Maintenance	X	-		500,000				-		500,000
8	BUF 141	Funds to Implement Hybrid Plan options	X	-		2,000,000				-		2,000,000
9	BUF 141	Convert 6.00 FTE Temporary Retirement Claims Examiner III (RCE) positions to Permanent	X	6.00	(6.00)	0				6.00	(6.00)	0
10	BUF 141	Convert 1.00 FTE Temporary Accountant II to Permanent	X	1.00	(1.00)	0	Not Applicable			1.00	(1.00)	0
11	BUF 141	Convert 1.00 FTE Temporary Clerk III to Permanent	X	1.00	(1.00)	0				1.00	(1.00)	0
12	BUF 141	Convert 2.00 FTE Temporary Info Tech Spclt IV to Permanent	X	2.00	(2.00)	0				2.00	(2.00)	0
15	BUF 141	Convert 4.00 FTE Temporary Clerk Typist II to Permanent	X	4.00	(4.00)	0				4.00	(4.00)	0
13	BUF 141	Convert 1.00 FTE Temp Clerk Typist II to Perm (Invstmnt Off	X	1.00	(1.00)	0				1.00	(1.00)	0
14	BUF 141	Convert 1.00 FTE Temp Clerk Typise II to Perm (PMS suppo	X	1.00	(1.00)	-						
16	BUF 141	Convert 1.00 FTE Temp Account Clerk III to Permanent	X	1.00	(1.00)	0				1.00	(1.00)	0
17	BUF 141	Additional Funds for Staff Overtime	X			250,000						250,000
5	BUF 143	Additional 1.00 FTE Senior Health Benefits Analyst	T	1.00		63,806				1.00		63,806
6	BUF 143	Funds for Investment Consultant Services	T			300,000						300,000
2	BUF 151	Additional 1.00 FTE DPD III for Kona Office	A	1.00		75,871				1.00		75,871
3	BUF 901	Convert 4.00 Temporary Petroleum Related Posns to Permanent (Act 177/07)	B	4.00	(4.00)	-				4.00	(4.00)	-
4	BUF 901	Funds to contract with the Hawaii Natural Energy Insitute at UOH to conduct a study on Renewable Portfolio Standards pursuant to Chapter 296-95,HRS	B	-		500,000				-		500,000
1	BUF 915	Debt Service Reductions	A							-		(3,438,000)
1	BUF 915	Debt Service Reductions	U							-		(4,062,000)

**Attachment 7
Actions to Realize Savings**

Program ID *	MOF	Description of Action to Realize Savings	\$ Amount of Actual FY07	\$ Amount of Projected
			Savings	FY08 Savings
BUF 101	A/U	Health Benefit premium savings due to lower than anticipated rates and enrollments. Savings accounted for in financial plan.	(52,228,859)	
BUF 943	A/U	Health Benefit premium savings due to lower than anticipated rates. Savings accounted for in financial plan.		(18,000,000)
BUF 115	A/U	Debt Service savings due to lower actual interest rate on FY 2006 2nd half issuance and deferral of issuance to 2nd half of FY 2007. Savings accounted for in financial plan.	(10,425,000)	
BUF 915	A/U	Debt Service savings due to deferral of planned issuance to the 2nd half of FY 2008. Savings accounted for in financial plan.		(8,250,000)

* Act 213/07 created separate program ids for health benefit premium payments (BUF 943) and debt service payments (BUF 915) effective 7-1-07.

**Attachment 8
All Positions Vacant As of 12/1/07**

Date of Vacancy	Position Title	Position Number	Exempt (Y/N)	Budgeted Amount	Actual Salary Last Employee Paid	MOF	Program I.D.	Authority to Hire (Y/N)
07/17/06	Account Clerk III	00028939	N	\$26,664.00	\$26,832.00	A	BUF101AA	Y
02/01/05	Secretary III	00031083	N	\$44,424.00	\$39,864.00	A	BUF101AA	Y
11/16/06	Departmental Pers Officer II	00043763	N	\$74,760.00	\$70,764.00	A	BUF101AA	Y
08/21/07	Personnel Mgmt Specialist IV	00047223	N	\$51,312.00	\$53,364.00	A	BUF101AA	Y
11/02/06	Accountant III	00118259	N	\$47,231.00	\$0.00	A	BUF101AA	Y
12/30/06	Prgm & Budget Analysis Mgr II	00011296	N	\$100,092.00	\$100,092.00	A	BUF101BA	Y
03/29/07	Program Budget Analyst V	00013116	N	\$62,400.00	\$62,400.00	A	BUF101BA	Y
07/01/07	Prgm & Budget Analysis Mgr I	00024422	N	\$90,780.00	\$90,780.00	A	BUF101BA	Y
08/01/07	Secretary IV	00042218	N	\$54,036.00	\$56,196.00	A	BUF115CA	Y
10/06/07	UP Mobile Services Agent	00117328	Y	\$23,736.00	\$24,684.00	T	BUF115CA	Y
11/01/07	Treasury Cashier	00000127	N	\$54,036.00	\$56,196.00	A	BUF115CA	Y
09/01/07	Retirement Claims Examiner IV	00036371	N	\$60,024.00	\$62,424.00	X	BUF141FA	Y
06/01/07	Retirement Claims Examiner III	00036372	N	\$51,312.00	\$51,312.00	X	BUF141FA	Y
11/01/07	Information Technol Spclt III	00116676	N	\$40,524.00	\$42,144.00	X	BUF141FA	Y
10/07/06	Investment Specialist	00116680	N	\$42,144.00	\$42,141.00	X	BUF141FA	Y
09/04/07	Retirement Claims Examiner I	00113316	N	\$38,952.00	\$34,644.00	X	BUF141FA	Y
03/31/07	Clerk Typist II	00116684	N	\$23,736.00	\$23,736.00	X	BUF141FA	Y
10/17/06	Account Clerk III	00118147	N	\$26,664.00	\$0.00	X	BUF141FA	Y
10/17/06	Information Technol Spclt IV	00118200	N	\$42,144.00	\$0.00	X	BUF141FA	Y
11/01/07	Information Technol Spclt II	00118201	N	\$36,048.00	\$37,488.00	X	BUF141FA	Y
11/19/05	Clerk Typist II	00117311	N	\$23,736.00	\$22,932.00	X	BUF141FA	Y
02/01/06	Clerk Typist II	00117312	N	\$23,736.00	\$22,932.00	X	BUF141FA	Y
09/13/06	Retirement Claims Examiner I	00118188	N	\$38,952.00	\$0.00	X	BUF141FA	Y
07/01/07	Retirement Claims Examiner I	00118189	N	\$36,048.00	\$36,048.00	X	BUF141FA	Y
07/01/07	Retirement Claims Examiner I	00118190	N	\$36,048.00	\$36,048.00	X	BUF141FA	Y
09/13/06	Retirement Claims Examiner I	00118191	N	\$38,952.00	\$0.00	X	BUF141FA	Y

**Attachment 8
All Positions Vacant As of 12/1/07**

Date of Vacancy	Position Title	Position Number	Exempt (Y/N)	Budgeted Amount	Actual Salary Last Employee Paid	MOF	Program I.D.	Authority to Hire (Y/N)
09/13/06	Retirement Claims Examiner I	00118192	N	\$38,952.00	\$0.00	X	BUF141FA	Y
07/01/06	Account Clerk IV	00007781	N	\$31,212.00	\$46,404.00	X	BUF141FA	Y
02/01/07	Chief Investment Officer	00106275	Y	\$88,045.00	\$88,044.00	X	BUF141FA	Y
04/01/06	Secretary III	00013050	N	\$32,424.00	\$48,252.00	T	BUF143EU	N
03/31/07	EUTF Clerk II	00017471	Y	\$27,768.00	\$27,768.00	T	BUF143EU	Y
05/10/07	EUTF Clerk	00031592	Y	\$23,736.00	\$23,736.00	T	BUF143EU	N
04/04/06	Health Benefits Program Mgr	00113103	Y	\$47,400.00	\$49,056.00	T	BUF143EU	N
08/24/07	Customer Service Representativ	00117592	Y	\$23,736.00	\$24,684.00	T	BUF143EU	Y
08/02/07	Clerk Typist II	00027878	N	\$23,736.00	\$24,684.00	B	BUF901MA	Y
03/08/07	Investigator IV	00042690	N	\$42,144.00	\$42,144.00	B	BUF901MA	Y
05/03/07	Information Technol Spclt IV	00117097	N	\$42,144.00	\$42,144.00	B	BUF901MA	Y
04/10/07	* Enforcement Officer	00118031	Y	\$49,332.00	\$0.00	B	BUF901MA	Y
07/01/06	** Energy Secretary	00117632	Y	\$27,768.00	\$0.00	B	BUF901MA	Y
11/22/05	Research Assistant (PUC)	00102524	Y	\$59,844.00	\$59,844.00	B	BUF901MA	Y
07/01/06	*** Research Assistant	00117631	Y	\$62,400.00	\$50,004.00	B	BUF901MA	Y
10/02/07	PUC Attorney (Gas Cap)	00117634	Y	\$59,448.00	\$61,524.00	B	BUF901MA	Y
10/26/07	PUC Attorney	00100540	Y	\$63,336.00	\$63,336.00	B	BUF901MA	Y
10/01/03	Legal Stenographer I	00102458	Y	\$32,424.00	\$41,040.00	B	BUF901MA	N

Notes:

- * Position no. 118031; position title and budgeted amount corrected to read ENFORCEMENT OFFICER (Psuedo No. 950050), budgeted amount \$49,332.00/Annually.
- ** Position transferred from DBEDT pursuant to Act 78, SLH 2006 & Act 160, SLH 2006 (Governor's approval for the FY07 transfers); Reconciling position numbers reflected in PUC's Act 213, SLH 2007 BJ/BT Table
- *** Position no. 118029 corrected to read Position no. 117631; original position number retained after position transferred from DBEDT to B&F.

Attachment 10
Listing of Transfers for FY07 and FY08

<u>Program ID</u>	<u>FY07 Ceiling a/</u>	<u>FY07 Amount Transferred</u>	<u>FY08 Ceiling a/</u>	<u>FY08 Amount Transferred</u>	<u>Reason for Transfer</u>	<u>Recurring (Y/N)</u>
BUF 101	394,815,727	(26,327,559)			Transfer of \$26.3 million in FY 2007 general funds is based on Sections 124 and 124.1 of Act 178/05, as amended by Act 160/06 which permits transfers for declared emergencies and funds to supplement the DLNR firefighter's contingency fund.	N
BUF 943			388,412,050	(8,070,166)	Transfer of \$8.07 million in FY 2008 general funds is based on Sections 162 and 190 of Act 213/07 which permits transfers for declared emergencies and funds to supplement the DLNR firefighter's contingency fund.	N
BUF 115	564,919,761	(10,425,000)			Transfer of \$10.425 million in FY 2007 general funds is based on Section 124 of Act 160/06 which permits transfers for declared emergencies.	N
BUF 143	4,466,274	(120,000)	11,681,399		Pursuant to Section 137 of Act 178/05, as amended by Act 160/16, funds transferred to DAGS for audit of fiscal year ending June 30, 2007.	Y

a/ reflects appropriation (all MOF)

