

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
AND
THE HOUSE COMMITTEE ON FINANCE

January 5, 2009

Chairs Kim and Oshiro and Members of the Committees:

Thank you for this opportunity to present to you an overview of the State's financial condition.

The year 2008 will be remembered as a time of great economic challenge for Hawaii as well as for many parts of the world. At the national level, problems that arose last year in the housing sector and sub-prime mortgage market have been neither resolved nor contained. They weakened the foundation of the credit and financial markets to such an extent that real economic operations became seriously constrained by the lack of financing. The spreading adverse impact can be seen in business bankruptcies and closures, in lower consumer confidence and spending, and in job losses and rising unemployment. For state and local governments, the financial crisis and economic downturn have caused great hardship by reducing tax revenues at a time when operating costs continued to rise. As reported by the National Association of State Budget Officers, the majority of state governments in the United States currently face a significant shortfall in their budgets.

THE ECONOMY

Hawaii experienced exceptional economic growth in 2004, 2005 and 2006. When the economy leveled off in 2007, we had anticipated the slowdown and had developed cautionary, preemptive fiscal measures to keep State spending in check. What no one could reasonably

foresee was the unprecedented size and rapidity of the economic contraction that would occur at the national and global levels.

The negative impact of these external events on Hawaii has been felt in many sectors. In the first nine months of 2008, visitor arrivals declined 9.1% and visitor expenditures were down 7.4%. The construction industry had a slowdown from the peak of previous years with a reduction in building permits and job losses. The housing market has also shown weakness, although at a milder level than on the mainland. Contraction in these main industry sectors is affecting retail businesses and the services sector as well. Hawaii's unemployment rate rose above 3% for the first time in 2008 after three straight years of being in the 2% range and among the lowest in the nation. It is now at 4.9%.

The consensus among business, academic and government economists is that Hawaii's economy will experience no growth in 2009 and may go through a further, deeper contraction before improvements can be expected. However, there are a number of encouraging factors. Important federal and military expenditures in Hawaii continue to provide a measure of stability for the local economy. Inflation is moderating. Oil prices have declined significantly, resulting in lower energy costs. And the commitment of the new federal administration to provide substantial financial assistance to the states in the coming months is welcome news. Also on the positive side is the Administration's plan for a major capital improvement initiative to aggressively implement between January 2009 and June 2010 \$1.8 billion of currently authorized projects.

REVENUE PROJECTIONS

Actual general fund tax collections in the first five months of FY 09 (July to November) declined by -2.6% over the same period in the previous year.

At its most recent meeting on October 29, 2008, the Council on Revenues projected that general fund revenues would decrease by -0.5% in FY 09 and increase by 3.5% in FY 10 and by 4.5% in FY 11. Revenue growth for the four out-years is currently projected to be in the range from 5.3% to 6.5%. To put these numbers in perspective, it is helpful to look at past revenue increases. General fund tax revenues increased by 8.3% in FY 04, 16.0% in FY 05, 10.9% in FY 06, 3.4% in FY 07, and 1.2% in FY 08. Clearly, lower revenue growth has resulted from the economic moderation in recent years, and negative growth rates are the fiscal reality we face in the current year.

In addition to a smaller revenue base, we have had to respond to successive reductions in revenue forecasts by the Council throughout 2008. For the current FY 09, the estimates were revised from an increase of +4.1% (as projected in January 2008) to a decrease of -0.5% (as of October 2008). This translates to a reduction of \$411.7 million in projected tax revenues over a 10-month period. The cumulative effect of these successive reductions in revenue estimates for FYs 09, 10 and 11 is a substantial decrease in the amount of money that the State can expect in the immediate and near future. Given the level of spending that had been authorized by the 2008 Legislature and the anticipated rising cost of government operations, it was clear that our revenues and expenditures were out of balance. Without immediate corrective action, the projected cumulative budget shortfall from general funds would amount to \$1.1 billion by the end of FY 11.

Further, we are concerned that revenue projections may be reduced again due to continuing economic weaknesses in Hawaii as well as on the mainland U.S. and around the world. The Council will meet later this week on January 9, 2009. Certainly, we will need to address any new revision to the revenue numbers, and we stand ready to work with you in this

session to develop the necessary and appropriate actions to bring the budget into balance, as required by the State Constitution.

ACTIONS TO RESTORE FISCAL BALANCE

Six months ago, we approached FY 09 with caution. While the economic environment at that time did not seem as troubling as it does now, we saw the need for immediate steps to control spending, reduce expenses, and economize general funds. Actions to bridge the budget gap in FY 09 included the following:

- Implement a 4% restriction on discretionary general fund expenses (\$34.6 million).
- Establish a general hiring freeze except in areas that impact public health and safety. (The savings are part of the restrictions.)
- Restrict allotment for most off-budget, specific appropriations (\$19.1 million).
- Restructure debt on general obligation (G.O.) bonds (\$95.0 million).
- Adjust the bond issuance plan (\$9.8 million).
- Restrict and convert cash CIP to bond financing for the Department of Education (DOE) (\$50.0 million).
- Restrict and convert cash CIP to bond financing for the University of Hawaii (UH) (\$12.5 million).

In total, these actions produced \$221 million in general fund savings. However, with continuing reductions to FY 09 revenue projections, we anticipate the need for a transfer of \$40 million from the Emergency and Budget Reserve Fund, Hawaii's rainy day fund. The combination of these measures will enable us to maintain a positive balance in the General Fund at the end of FY 09.

The restrictive budget execution policies for FY 09 were the first phase of a coordinated plan to reshape the State Budget and redirect the commitment of public resources. We believe that the current fiscal environment can be an opportunity for State government to become more focused and efficient. This is the foundation upon which the Executive Budget for FB 2009-11 was developed.

As an integral part of budget preparation, departments and agencies were directed to conduct a critical review and assessment of their core functions and essential services. Budget ceilings were established and funding requirements were adjusted to meet revenue constraints. Departments were instructed to develop and submit their budget requests at three levels corresponding to mandatory reductions of 10%, 15% and 20% of their current discretionary expenses. These contingency plans were designed to prepare for further adjustments, as necessary, if revenue conditions worsened.

The result is a biennium budget that reduces operating costs by a net general fund total of \$395 million (\$209 million in FY 10 and \$186 million in FY 11). While special funded programs were not subjected to mandatory reductions, they, too, are required to operate under a ceiling.

Executive Budget proposals for FB 2009-11 were developed to meet the following objectives:

1. **Align program requirements with appropriate means of financing.** We identified programs and activities that should be funded with revenue sources other than general funds. As a result, 64 existing positions and related program expenses are proposed to be funded from federal, special, revolving, or trust funds. General fund savings amount to \$20 million each year.

2. **Continue to restructure and refinance G.O. bond debt.** Debt restructuring has been an important tool of fiscal management as we seek to find market opportunities for reducing the debt service costs of the State's borrowing program. We plan to aggressively pursue debt restructuring in the coming months as uncertainty in the credit markets abates. Total reduction in debt service costs that will result from refinancing and restructuring current G.O. debt is estimated to be \$205.2 million in the biennium.
3. **Reduce operating costs to meet mandatory budget cuts and preserve essential services of State government.** The need to understand what government can and should do is heightened at a time when resources are severely limited. The necessity of having to set priorities in the budget gives clarity to our collective goals. For the fiscal biennium, substantial cuts were made across the board as well as in targeted areas. The overall reduction from general funds amounted to 14% of discretionary costs and was achieved through consolidating operations, eliminating non-essential or newly added services, eliminating programs of low priority, and modifying levels of benefits and services. In the coming weeks, the individual departments will have an opportunity to discuss the specific adjustments in their programs when they come before you to present their biennium budget requests.
4. **Minimize cuts in areas of strategic importance to Hawaii.** While budget reductions were unavoidable in this severe economic downturn, we maintained strong support for the critical investments that must be made to build a stronger foundation for Hawaii's future. Public education and clean energy initiatives are two of the highest priority areas. Budget recommendations for the DOE reflect the reductions that were proposed by the Superintendent and approved by the Board of Education. Total general fund reductions amount to \$40 million each year and a decrease of 240 positions (148 permanent,

92 temporary). The proposed cuts are mainly from the State and district levels, support services, and categorical programs and do not affect any of the classroom teaching positions. A conscious effort was made to minimize impacts at the school level.

The same concern was extended to the UH. General fund reductions of \$13.5 million each year, as approved by the Board of Regents, are recommended for the biennium. At this level, the cuts are not expected to affect core instructional activities.

5. **Minimize negative impact on our employees.** In making the necessary program cuts, we were aware of and sensitive to the impact that these budget reductions would have on the welfare of our State employees. At a time when businesses are cutting payroll and laying off workers, government should not be adding to the unemployment rolls. We are committed to the goal of no layoffs for State employees and are able to meet this goal for the fiscal biennium.

In light of the State's current economic and fiscal condition, we will not propose pay increases for our employees in the current collective bargaining negotiations.

Additionally, as indicated by the Governor, legislation will be introduced to recommend the deferral of authorized pay raises for officers of State government, including the Executive Branch, the Judiciary and the Legislature.

For FB 2009-11, the capital improvement plan is focused on an expanded Major Repair and Maintenance Program to implement projects quickly to address the current backlog and stimulate Hawaii's economy. We again seek a major infusion of G.O. bond funds to build more rental and for-sale affordable housing. Priority was given to projects currently in progress or nearing completion. Projects that improve energy efficiency or contribute to the development of clean energy alternatives for Hawaii also received support. We will continue to move forward with the modernization of the State's airports and harbors.

ADDITIONAL PROPOSALS TO RESTORE FISCAL BALANCE

Under the prevailing economic and financial conditions, our revenue gap of \$1.1 billion cannot be closed by budget reductions alone. Further cuts to programs may prove unproductive and destabilizing at this time when public spending and employment are a necessary stabilizing force for the economy. Therefore, to supplement reductions in the budget, we propose the following actions to provide the State with additional resources at this critical time:

1. Transfer from the Emergency and Budget Reserve Fund (EBRF). The rainy day fund was established to address the exact kind of economic difficulties we are facing in this downturn, a condition that may continue through 2010. The current balance in this fund is \$74 million. As stated earlier, a transfer of \$40 million to the General Fund for FY 09 will be proposed through an emergency appropriation bill to be submitted in the 2009 Legislative Session. To help close the revenue gap in FB 2009-11, an additional transfer of \$35 million for FY 10 is recommended. With annual deposits coming from the Tobacco Settlement Fund, the EBRF will continue to accumulate additional reserves and the fund balance is projected to be \$15.7 million at the end of FY 11.
2. Transfer of excess balances from special funds. As a short-term, one-time remedy, we propose to transfer excess balances from two special funds into the General Fund. The amounts will be \$36 million from the Deposit Beverage Container Special Fund and \$9 million from the Wireless Enhanced 911 Special Fund. We are cognizant of the recent decision by the Hawaii Supreme Court on the issue of special fund transfers to the General Fund and assure you that our proposal will proceed based on current law and with advice of the Attorney General.

3. Tax proposals. To support the Administration's goal of making Hawaii's tax system efficient and equitable, a number of proposals will be submitted to tighten up tax laws, improve tax collection and administration, and reduce excessive tax credits. We propose to conform to the federal Internal Revenue Code for accuracy-related penalties, establish a special enforcement section to monitor the cash economy, and tighten Act 221 investment tax credits to conform to the federal tax code. These efforts are expected to add \$122 million to our tax collections in the biennium.

THE GENERAL FUND FINANCIAL PLAN

The Multi-Year General Fund Financial Plan is presented in Attachment 1. The General Fund balance was \$331.2 million on June 30, 2008 and is estimated to be \$42.5 million on June 30, 2009.

The General Fund Six-Year Financial Plan encompassing FB 2009-11 and the four subsequent years shows a positive balance in each fiscal year. Under the constraint of declining revenues, as projected by the Council on October 29, 2008, these positive balances were achieved from the following combination of actions:

- Executive Branch budget reductions and adjustments as proposed;
- Assumed comparable budget reductions from other branches of State government, including the Judiciary, the Legislature and the Office of Hawaiian Affairs; and
- Legislative approval and authorization for Administration proposals with revenue and expenditure impact.

We recognize that further adjustments to the General Fund Financial Plan may be required by new revenue projections and/or by other critical developments in the economy. I look forward to our collaboration as we work together in the coming months to meet this challenge.

I would like to add that the State's disciplined approach in managing its budget has been favorably recognized by all three major credit rating agencies, even in these difficult times. In their latest November 2008 reports, they affirmed the State's G.O. bond ratings of Aa2, AA and AA, respectively. These strong ratings reflect their assessment that Hawaii State government has consistently displayed prudence and discipline in its fiscal management and governance.

THE EXECUTIVE BUDGET RECOMMENDATIONS

THE OPERATING BUDGET

For FB 2009-11, total operating budget requests from all means of financing amount to \$11.1 billion in FY 10 and \$11.3 billion in FY 11.

<u>Means of Financing</u>	<u>FY 09 Allocation</u> (\$million)	<u>FY 10 Request</u> (\$million)	<u>FY 11 Request</u> (\$million)	<u>FB 2009-11 Request</u> (\$million)
General Funds	5,484.9	5,361.3	5,464.0	10,825.3
Special Funds	2,145.8	2,431.9	2,482.3	4,914.2
Federal Funds	1,730.5	1,746.5	1,750.5	3,497.0
Private Contributions	0.4	0.4	0.4	0.8
County Funds	0.7	0.7	0.7	1.4
Trust Funds	76.9	89.6	92.7	182.3
Interdept. Transfers	1,161.2	1,085.1	1,125.1	2,210.2
Revolving Funds	376.0	381.9	380.9	762.8
Other Funds	<u>15.9</u>	<u>12.9</u>	<u>12.9</u>	<u>25.8</u>
Total	10,992.3	11,110.3	11,309.5	22,419.8
Change from FY 09 allocation		\$118.0 m	\$317.2 m	
Percentage change		1.1%	2.9%	

The "Budget in Brief" (Attachment 2) provides summary details of the Executive Budget. Distribution of the Operating Budget by funding sources and by departments is presented on pages 4 through 9. Highlights of the Operating Budget by departments are presented in the sections that follow, starting on page 17.

General Fund

Total requests from the General Fund amount to \$5.36 billion in FY 10 and \$5.46 billion in FY 11. These amounts represent a decrease of \$123.6 million (-2.3%) in the first year and \$20.9 million (-0.4%) in the second year over the current FY 09 allocation level.

It should be noted that the general fund budget bases for FY 10 and FY 11 were projected (as of June 30, 2008) to be at higher levels (\$5.57 billion and \$5.65 billion, respectively) due to anticipated increases in operating expenses. Therefore, when compared to these base levels, the proposed budget recommendations represent a reduction of \$209.3 million (-3.8%) in FY 10 and \$186.1 million (-3.3%) in FY 11.

Change in Positions

The Executive Budget requests a significant change in the number of permanent and temporary positions from all means of financing.

	<u>Total FY 10</u>	<u>Permanent</u>	<u>Temporary</u>
Total net change in positions	(479.42)	(185.92)	(293.50)
By means of financing:			
General Funds	(578.72)	(282.97)	(295.75)
Special Funds	86.30	76.30	10.00
Federal Funds	(0.50)	8.75	(9.25)
Trust Funds	.....	3.00	(3.00)
Interdept. Transfers	(1.00)	0.50	(1.50)
Revolving Funds	14.50	8.50	6.00
Other Funds	.....	.....	.....

The request for FY 11 changes with an additional 16 permanent positions from special funds.

The biennium budget proposes a reduction of 579 general funded positions; among these, 283 positions are permanent and 296 are temporary. The reductions are mainly from

vacant positions, except for 240 positions in the DOE. According to the DOE, no classroom teaching position is affected and the incumbents are expected to be assigned to other programs within the Department.

Changes in positions funded from non-general fund sources reflect a net increase of 99 positions (97 permanent and 2 temporary), including the 64 positions previously paid for from general funds.

THE CAPITAL IMPROVEMENT (CIP) BUDGET

For FB 2009-11, total requests for capital improvements amount to \$1.4 billion in FY 10 and \$1.6 billion in FY 11, to be funded from the following sources:

<u>Means of Financing</u>	<u>FY 10 Request (\$million)</u>	<u>FY 11 Request (\$million)</u>	<u>FB 2009-11 Total (\$million)</u>
General Funds	.....	.....	.....
Special Funds	112.6	87.4	200.0
G.O. Bonds	443.0	444.3	887.3
G.O. Reimbursable	22.1	45.8	67.9
Revenue Bonds	488.5	785.8	1,274.3
Federal Funds	323.3	138.2	461.5
Private Contributions	4.7	.....	4.7
County Funds	.....	.....	.....
Interdept. Transfers	2.0	.....	2.0
Other Funds	<u>5.6</u>	<u>49.6</u>	<u>55.2</u>
Total	1,401.8	1,551.1	2,952.9

Of these amounts, the request for G.O. bonds, including reimbursable issues, is \$465.1 million in FY 10 and \$490.0 million in FY 11. Distribution of the CIP Budget by funding sources and by departments is presented on pages 10 through 15 of the "Budget in Brief." Highlights of the CIP program by departments are presented in the sections that follow, starting on page 17.

THE MANDATORY TAX REFUND/CREDIT

Section 6 of Article VII of the Hawaii State Constitution provides for a mandatory tax refund or tax credit if the general fund balance exceeds 5% of general fund revenues at the end of two succeeding fiscal years. For FYs 07 and 08, the ratios were 9.6% and 6.3%, respectively, and thus met the constitutional criteria. The Legislature will need to consider the enactment of legislation in this 2009 Session to comply with the mandatory tax refund/credit as stipulated by the State Constitution.

THE GENERAL FUND EXPENDITURE CEILING

By law, general fund appropriations must comply with the expenditure ceiling requirements that are set forth in Section 9, Article VII of the Hawaii State Constitution and Section 37-92 of the Hawaii Revised Statutes.

At the aggregate level, including all branches of government, total proposed appropriations from the General Fund are within the expenditure ceilings for both FY 10 and FY 11.

For the Executive Branch, total proposed appropriations from the General Fund (which include the Executive Budget for FB 2009-11 and other specific appropriation measures to be submitted) are also within the Executive Branch's appropriation ceilings for both FY 10 and FY 11.

A summary statement on the General Fund Expenditure Ceiling and Executive Branch Appropriation Ceiling is included in Attachment 3.

THE DEBT LIMIT

Section 13, Article VII of the Hawaii State Constitution places a debt limit on G.O. bonds that may be issued by the State. The limit requires total debt service (principal and interest payments) not to exceed 18.5% of average general fund revenues. It has been

determined that the total amount of principal and interest calculated on: a) all bonds issued and outstanding; b) all bonds authorized and unissued; and c) all bonds proposed in the Executive Budget, including State guaranties, will not cause the debt limit to be exceeded at the time of each bond issuance.

The Declaration of Findings with respect to the G.O. bond debt limit is included in Attachment 4.

In closing, I want to thank you again for the opportunity to make this presentation. As always, we will work with you on an ongoing basis during the 2009 Session to address issues related to the Executive Budget and the General Fund Financial Plan.

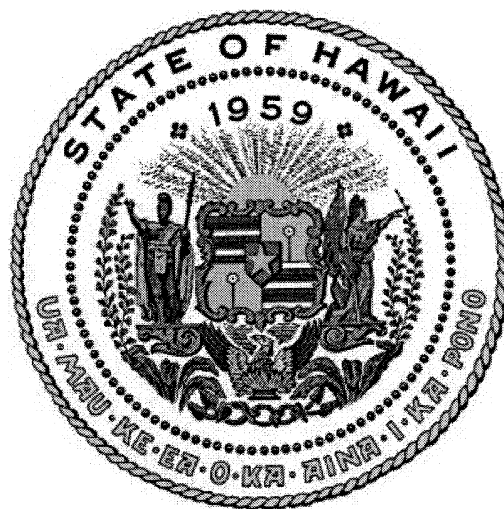
Attachments

MULTI-YEAR FINANCIAL SUMMARY
GENERAL FUND
FISCAL YEARS 08 - 15
(in millions of dollars)

	Actual* <u>FY 08</u>	Estimated <u>FY 09</u>	Estimated <u>FY 10</u>	Estimated <u>FY 11</u>	Estimated <u>FY 12</u>	Estimated <u>FY 13</u>	Estimated <u>FY 14</u>	Estimated <u>FY 15</u>
REVENUES:								
Executive Branch:								
Tax revenues	4,640.8	4,618.7	4,780.3	4,995.4	5,260.2	5,575.8	5,938.2	6,324.2
Nontax revenues	569.8	509.4	504.8	517.4	520.4	529.1	532.0	532.0
Judicial Branch revenues	34.2	32.7	33.2	33.7	34.2	34.8	34.8	34.8
Other		46.4	137.4	76.5	74.7	58.7	49.7	49.7
TOTAL REVENUES	5,244.8	5,207.2	5,455.7	5,623.0	5,889.6	6,198.4	6,554.7	6,940.6
EXPENDITURES								
Executive Branch:								
Operating	5,185.8	5,132.6	5,361.3	5,464.0	5,741.2	5,875.3	5,964.2	6,065.0
CIP	50.0	-						
Specific appropriations	206.3	237.2	9.5	9.2	9.3	9.3	9.3	9.3
Sub-total	5,442.1	5,369.8	5,370.8	5,473.3	5,750.5	5,884.7	5,973.6	6,074.3
Legislative Branch	37.5	37.5	30.5	30.5	30.5	30.5	30.5	30.5
Judicial Branch	143.8	150.4	120.3	120.3	120.3	120.3	120.3	120.3
OHA	3.1	3.1	2.5	2.5	2.5	2.5	2.5	2.5
Counties								
Lapses	(219.6)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)
TOTAL EXPENDITURES	5,406.9	5,495.9	5,459.1	5,561.6	5,838.9	5,973.0	6,061.9	6,162.6
REVENUES OVER EXPEND.	(162.2)	(288.8)	(3.4)	61.4	50.7	225.4	492.8	777.9
CARRY-OVER BALANCE (DEFICIT)								
Beginning	493.4	331.2	42.5	39.0	100.5	151.2	376.6	869.4
Ending	331.2	42.5	39.0	100.5	151.2	376.6	869.4	1,647.4
<i>Emergency & Budget Reserve Fund</i>	74.0	26.2	3.5	15.7	28.0	40.3	52.5	64.8

* unaudited

State of Hawaii



The FB 2009-11 Executive Biennium Budget

Budget in Brief

Prepared by the Department of Budget and Finance
December 2008

BUDGET IN BRIEF
The FB 2009 - 2011 Executive Biennium Budget

Table of Contents

	Page
Governor's Overview	i - x
The Operating and Capital Investment Budget - Statewide Summaries	1 - 16
The Operating and Capital Budget - Department Summaries and Highlights	
Plan of Organization	19
Department of Accounting and General Services	20 - 23
Department of Agriculture	24 - 27
Department of the Attorney General	28 - 31
Department of Budget and Finance	32 - 35
Department of Business, Economic Development, and Tourism	36 - 39
Department of Commerce and Consumer Affairs	40 - 43
Department of Defense	44 - 47
Department of Education	48 - 57
Office of the Governor	58 - 61
Department of Hawaiian Home Lands	62 - 65
Department of Health	66 - 75
Department of Human Resources Development	76 - 79
Department of Human Services	80 - 85
Department of Labor and Industrial Relations	86 - 89
Department of Land and Natural Resources	90 - 93
Office of the Lieutenant Governor	94 - 97
Department of Public Safety	98 - 103
Department of Taxation	104 - 107
Department of Transportation	108 - 113
University of Hawaii	114 - 118
Historical Information	119 - 130

EXECUTIVE CHAMBERS
State Capitol
Honolulu, Hawaii 96813

**GOVERNOR'S MESSAGE TO THE 25TH STATE
LEGISLATURE OF HAWAII MEETING IN THE REGULAR
SESSION OF 2009**

In compliance with Article VII, Section 8 of the Hawaii Constitution, I hereby submit to the State Legislature the Executive Budget for Fiscal Biennium 2009-11 and the Program and Financial Plan for the Period 2009-15.

We currently face a challenging period when many unprecedented events have converged to create an economic, financial, and fiscal environment that threatens the very foundation of our national economy.

Problems that arose in the national housing sector and sub-prime mortgage market last year have been neither resolved nor contained. They have so affected credit markets that it has become difficult to obtain the funding necessary to continue building projects and business operations worldwide. The actions of Wall Street are now being felt on Main Street. The adverse impact shows up in business bankruptcies and closures, in lower consumer confidence and spending, and in job losses and rising unemployment. For state and local governments, the financial crisis and economic downturn have adversely impacted tax revenues and budgets. Most states rely on income and sales taxes as their main sources of revenue. The slowdown in employment and consumer spending has reduced state revenues nationwide at a time when operating costs continue to rise. Except for a few energy rich states, the majority of state governments in the United States are facing significant budget shortfalls, from New York to California, from the Northern region to the Southern border.

Hawaii has experienced a contraction in its visitor industry, retail, and construction sectors. As a consequence, the Council on Revenues has revised its revenue projections downward five times during 2008. For FY 09 alone, these downward projections mean we no longer have \$411.7 million in general fund revenues we thought would be available for current public programs.

In this environment, we cannot operate in a business-as-usual fashion. As early as June 2008, my Administration took steps to limit the State's exposure to the unfolding economic and financial uncertainties. For FY 09, a hiring freeze went into effect for all programs except in those areas affecting public health and safety. A general fund restriction of 4% on discretionary operating costs was applied to all departments in the Executive Branch. Restrictions on specific appropriations were also implemented. These were the beginning steps of a cautious and prudent fiscal policy to control State spending and bring expenditures in line with lower revenue expectations.

These restrictions were expanded as my Administration developed the budget for FB 2009-11. In anticipation of a further weakening of the national and global economies, we implemented additional budget reductions. The objective was to cut costs, and preserve both essential services and the well-being of our residents, while focusing available resources on areas of long-term strategic importance to Hawaii.

At the end of this process, difficult but necessary decisions have been made to reduce overall spending so that the State can live within its means. I am satisfied that this biennium budget being proposed to you reflects the kind of fiscal prudence and discipline the people of Hawaii expect during these challenging times.

THE ECONOMY

Hawaii experienced exceptional economic growth in 2004, 2005 and 2006. We knew that such rates of expansion would moderate. When the economy leveled off in 2007, we had anticipated the slowdown and had developed cautionary, preemptive fiscal measures to keep State spending in check. What no one could reasonably foresee was the unprecedented size and rapidity of the economic contraction that would occur at the national and global levels.

The adverse impact of these external events on Hawaii has been immediate and felt in many sectors. In the first nine months of 2008, visitor arrivals declined 9.1% and visitor expenditures were down 7.4%. The construction industry saw a slowdown from the peak of previous years with a reduction in building permits and layoffs in the building trades. The housing market has also shown weakness, although at a milder level than on the mainland. Contraction in these main industry sectors is impacting retail businesses and the services sector as well. Hawaii's unemployment rate rose above 3% for the first time in 2008 after three straight years of being in the 2% range and among the lowest in the nation. It now stands at 4.5%.

The consensus among business, academic and government economists is that Hawaii's economy will experience no growth in 2009 and may experience a contraction in real terms. However, there are a variety of factors that are encouraging. Important federal and military expenditures in Hawaii continue to provide a measure of stability for the local economy. Inflation is moderating. Oil prices have declined significantly, resulting in lower gasoline and electricity prices. And the commitment of the new federal

administration to provide substantial financial assistance to the states in the coming months is welcome news.

To counteract the impact of international and national events on the local economy, my Administration has developed a five-point action plan to stimulate and revitalize the economy. The plan includes increasing tourism marketing to attract additional visitors; investing in improvements to infrastructure and public facilities; lowering business fees and taxes; attracting and retaining private investments, especially in energy projects; and maximizing federal dollars and partnerships. We will pursue these objectives through a variety of approaches and concrete actions that focus on cultivating business and employment opportunities for Hawaii. These include a major initiative to inject \$1.8 billion into the economy between January 2009 and June 2010 to aggressively implement already approved capital improvement projects.

REVENUE PROJECTIONS

As of December 2008, the preliminary numbers indicate that general fund tax collections in the first five months of FY 09 (July to November) declined by -2.6% over the same period in the previous year.

At its most recent meeting on October 29, 2008, the Council on Revenues projected that general fund revenues would decrease by -0.5% in FY 09 and increase by 3.5% in FY 10 and by 4.5% in FY 11. Revenue growth for the four out-years is currently projected to be in the range from 5.3% to 6.5%. To put these numbers in perspective, it is helpful to look at past revenue increases. General fund tax revenues increased by 8.3% in FY 04, 16.0% in FY 05, 10.9% in FY 06, 3.4% in FY 07, and 1.2% in FY 08. Lower revenue growth has resulted from moderation in the State economy in recent years, and negative growth rates are the fiscal reality we acknowledge in the current year.

In addition to a smaller revenue base, we have had to respond to successive reductions in revenue forecasts by the Council

throughout 2008. For the current FY 09, the estimates were revised from 4.1% (as projected in January 2008) to a decrease of -0.5% (as of October 2008). This translates to a reduction of \$411.7 million in projected tax revenues over a 10-month period. The cumulative effect of these successive reductions in revenue estimates for FYs 09, 10 and 11 is a substantial decrease in the amount of money that the State can expect in the immediate and near future. Given the level of spending that had been authorized by the 2008 Legislature and the anticipated rising cost of government operations, it was clear that our revenues and expenditures were out of balance. Without immediate corrective action, the projected cumulative budget shortfall from general funds would amount to \$1.1 billion by the end of FY 11.

Further, we are concerned that revenue projections may be reduced again due to continuing weakness in the economy. It is, therefore, imperative for the State to have contingency plans for meeting this challenge and we will look forward to discussing various options with you in the weeks ahead.

ACTIONS TO RESTORE FISCAL BALANCE

Six months ago, we approached FY 09 with caution. While the economic environment at that time did not seem as troubling as it does now, we saw the need for prudent fiscal discipline and took immediate steps to control spending, reduce expenses, and economize general funds. Actions to bridge the budget gap in FY 09 included the following:

- Implemented a 4% restriction on discretionary general fund expenses (\$34.6 million).
- Established a general hiring freeze except in areas that impact public health and safety. (The savings are part of the restrictions.)
- Restricted allotment for most off-budget, specific appropriations (\$19.1 million).

- Restructured debt on general obligation (G.O.) bonds (\$95.0 million).
- Adjusted the bond issuance plan (\$9.8 million).
- Restricted and converted cash CIP to bond financing for the Department of Education (DOE) (\$50.0 million).
- Restricted and converted cash CIP to bond financing for the University of Hawaii (UH) (\$12.5 million).

In total, these actions produced \$221 million in general fund savings. However, with the recent further reductions to FY 09 revenue projections, we anticipate the need for a transfer of \$40 million from the Emergency and Budget Reserve Fund, Hawaii's rainy day fund. The combination of these measures will enable us to achieve our statutory requirement of maintaining a positive balance in the General Fund at the end of FY 09.

FB 2009-11 Executive Budget Requests

The restrictive budget execution policies for FY 09 were the first phase of a coordinated plan to reshape the State Budget and redirect the commitment of public resources. The current constrained economic and fiscal environment requires firm decisions, clear priorities, and efficient delivery of public services. The current fiscal environment is an opportunity for State government to become more focused and efficient. This is the foundation upon which the Executive Budget for FB 2009-11 was developed.

As an integral part of budget preparation, departments and agencies were directed to conduct a critical review and assessment of their core functions and essential services. Budget ceilings were established and funding requirements were adjusted to meet revenue constraints. Departments were instructed to develop and submit their budget requests at three levels corresponding to mandatory reductions of 10%, 15% and 20% of their current

discretionary expenses. These contingency plans were designed to prepare for further adjustments, as necessary, if revenue conditions worsened.

The result is a biennium budget that reduces operating costs by a net general fund total of \$395 million (\$209 million in FY 10 and \$186 million in FY 11). The major reductions are discussed below. While special funded programs were not subjected to mandatory reductions, they, too, are required to operate under a ceiling. Requests for capital improvements concentrate on repairs and maintenance, completion of current projects, renewable energy development, affordable housing, continuation of the airport and harbor modernization initiatives, and major upgrades to the State's recreational facilities.

Executive Budget requests for FB 2009-11 are summarized below.

	<u>FY 10</u> (\$million)	<u>FY 11</u> (\$million)	<u>FB 2009-11</u> (\$million)
Total Operating Budget request, all means of financing (MOF)	\$11,110	\$11,309	\$22,419
General Fund request	5,361	5,464	10,825
Total CIP request, all MOF	1,402	1,551	2,953
G.O. Bond request	465	490	955

The Operating Budget

Executive Budget proposals for FB 2009-11 were developed to meet the following objectives:

- 1. Align program requirements with appropriate means of financing.** We identified programs and activities that should be funded with revenue sources other than general funds. As a result, 64 existing positions and related program expenses are proposed to be funded from federal, special, revolving, or trust funds. General fund savings total \$20 million each year.

For example, the Department of Hawaiian Home Lands will be funded from the trust and special funds established for their mission. Federal Temporary Assistance to Needy Families (TANF) funds will support the Preschool Open Door Program in the Department of Human Services (DHS). At the Department of Health (DOH), tobacco settlement special funds will be used for the Chronic Disease Management and Control program. Federal and special funds will support primary care and comprehensive medical services at federally qualified health centers. The Department of Agriculture will fund 17 positions from the Pest Inspection Quarantine and Eradication Special Fund and the Animal Quarantine Special Fund.

- 2. Continue to restructure and refinance G.O. bond debt.** Debt restructuring has been an important tool of fiscal management as we seek to find market opportunities for reducing the debt service costs of the State's borrowing program. We plan to aggressively pursue debt restructuring in the coming months as uncertainty in the credit markets abates. Total reduction in debt service costs that will result from refinancing and restructuring current G.O. debt is estimated to be \$205.2 million in the biennium.
- 3. Reduce operating costs to meet mandatory budget cuts and preserve essential services of State government.** Substantial cuts were made across the board as well as in targeted areas. The overall reduction from general funds amounted to 14% of discretionary costs and was achieved through consolidating operations, eliminating non-essential or newly added services, eliminating programs of low priority, and modifying levels of benefits and services.

The need to understand and articulate to the public what government can and should do is heightened at a time when resources are severely limited. The budget is a statement of our collective priorities and funding capacities for the multitude of government programs currently in place and those we seek

to implement. The necessity of having to set priorities in the budget gives clarity to our goals.

Two programs are being proposed for abolishment or major reduction:

- Healthy Start at DOH (\$23.2 million in FY 09-11). This is a voluntary program in which participants may choose not to participate. The Enhanced Healthy Start program will continue to service families at risk for child abuse and neglect.
- Adult Dental Services in the Medicaid program at DHS (\$6.4 million from general funds in FY 09-11). These benefits were discontinued in the past when budget conditions were tight and were recently reinstated in December 2006. Emergency dental services will continue to be provided to adults.

Budget reductions will also impact the following areas:

- Recalibrate payment programs for recipients of Temporary Assistance to Other Needy Families (\$17.8 million in FY 09-11). The proposal reduces payments from the current 50% of the federal poverty level to 48% and then to 37% by September 2009.
- Recalibrate payment programs for Aged, Blind and Disabled Individuals (\$4.2 million in FY 09-11). Reduction in payments from the current 50% of the federal poverty level to 48% is proposed effective July 1, 2009.
- Limit the time period an individual may claim General Assistance benefits (\$1.2 million in FY 09-11). The proposal is to set a lifetime limit of 12 months for general assistance as clients with long-term disabilities will be transferred to the Social Security program.

- Reduce purchase of services in the Child-Protective Services program (\$2.6 million in FY 09-11).

We should note that for Medicaid payments, the proposed appropriation levels for the biennium were established using the best assumptions available regarding enrollment growth and cost containment based on current economic conditions. Proposed funding from general funds for the Hawaii Health Systems Corporation (HHSC) is at the same level authorized for FY 09. With the movement to managed care in the Quest Expanded Access program, there may be opportunities for additional reimbursements to the HHSC hospitals.

In addition to these adjustments in health and human services, programs in other departments also had to reduce operations substantially to meet their mandatory reductions. Individual departments will discuss the specific adjustments in their programs when they come before the Legislature to present their biennium budget requests.

4. **Minimize cuts in areas of strategic importance to Hawaii.**

While budget reductions were unavoidable in such a severe economic downturn, we should not lose sight of the critical investments that must be maintained and pursued to build a stronger foundation for Hawaii's future. Public education and clean energy initiatives continue to receive the highest priority.

Budget recommendations for DOE reflect the reductions that were proposed by the Superintendent and approved by the Board of Education. Total general fund reductions amount to \$40 million each year and a decrease of 240 positions (148 permanent, 92 temporary). This does not include any classroom teacher position. The proposed cuts are mainly from the State and district levels, support services, and categorical programs. A conscious effort was made to minimize impacts at the school level.

The same concern was extended to UH. General fund reductions of \$13.5 million each year, as approved by the Board of Regents, are recommended for the biennium. At this level, the cuts are not expected to affect core instructional activities.

My Administration is proposing funds for the University to further develop and implement the Science, Technology, Engineering and Math (STEM) program to promote innovation and analytical skills in education. The requested funds will continue STEM efforts originally approved by the Legislature in Act 111, SLH 2007, including the FIRST Pre-Academy program, the PISCES program, Project EAST and the Creative Academies at UH community colleges.

To advance our goal of energy independence from fossil fuels, we are proposing an investment in the development of clean, renewable energy sources. Support for the Hawaii Clean Energy Initiative at the Department of Business, Economic Development and Tourism includes an internal reallocation of resources for 30 positions and \$3.3 million each year (\$1.1 million in general funds). This initiative has created promising opportunities for Hawaii and positioned our State as a leader in renewable energy development. Our partnerships with the U.S. Department of Energy and Hawaiian Electric Company, and support for Project Better Place, Phoenix Motorcars, and other clean energy projects, are actions that will pay significant dividends in the years ahead.

5. **Minimize negative impact on our employees.** In making necessary program cuts, we were aware of and sensitive to the impact that these budget reductions would have on the welfare of our State employees. At a time when businesses are cutting payroll and laying off workers, government should not be adding to the unemployment rolls. We are committed to the goal of no layoffs for State employees, and I am gratified that we were able to meet this goal in the biennium budget.

The biennium budget proposes a reduction of 579 general funded positions; among these, 283 positions are permanent and 296 are temporary. Changes in positions funded from non-general fund sources reflect a net increase of 99 positions (97 permanent and 2 temporary), including the 64 positions previously paid for from general funds.

In light of the State's current economic and fiscal condition, we will not propose pay increases for our employees in the current collective bargaining negotiations. Additionally, we will introduce legislation to recommend the deferral of authorized pay raises in the upcoming fiscal biennium for officers of State government, including the Executive Branch, the Judiciary and the Legislature.

The Capital Improvement (CIP) Budget

For FB 2009-11, the capital improvement plan is focused on an expanded Major Repair and Maintenance Program to implement projects quickly to address the current backlog and stimulate Hawaii's economy. We again seek a major infusion of G.O. bond funds to build more rental and for-sale affordable housing. Priority was given to projects currently in progress or nearing completion. Projects that improve energy efficiency or contribute to the development of clean energy alternatives for Hawaii also received support. Additionally, we will continue to move forward with the modernization of the State's airports and harbors.

We are recommending a total of \$2.953 billion in the biennium for the capital improvement program, of which \$955 million will be financed from G.O. bonds.

The major requests include:

- \$200 million for school projects to be established and prioritized by the DOE.

- \$243 million (\$150 million in G.O. bonds) for modernization and construction of UH facilities.
- \$71 million for health and safety repairs at Aloha Stadium.
- \$45 million for energy conservation and design improvements at State facilities.
- \$100 million for the Dwelling Unit Revolving Fund and the Rental Housing Trust Fund to construct affordable housing and rental units.
- \$60 million for the biennium settlement payment to the Hawaiian Home Lands Trust Fund.
- \$108 million (\$68 million from reimbursable G.O. bonds) for modernization projects at State parks, small boat harbors and other public recreational facilities.
- \$696 million in airport revenue bonds to continue modernization plans for airports, statewide.
- \$329 million in harbor revenue bonds to continue modernization plans for harbors, statewide.
- \$463 million (\$111 million from highway revenue bonds) for statewide highway improvements, including H-1 (Oahu), Kaunualii Highway (Kauai), Honoapiilani Highway (Maui), and Kawaihae Road Bypass (Hawaii).

ADDITIONAL PROPOSALS TO RESTORE FISCAL BALANCE

The revenue gap cannot be closed by budget reductions alone. Further cuts to programs may prove unproductive and destabilizing at a time when public spending and employment are a necessary stabilizing force for the economy. Therefore, to supplement reductions in the budget, I am proposing the following actions to provide the State with additional resources at this critical time:

1. Transfer from the Emergency and Budget Reserve Fund (EBRF). The rainy day fund was established to address the exact kind of economic difficulties we are facing in this downturn that may endure through 2010. The current balance in this fund is \$74 million. As stated earlier, I am recommending a transfer of \$40 million to the General Fund for FY 09, which will be proposed through an emergency appropriation bill to be submitted in the 2009 Legislative Session. To help close the revenue gap in FY 2009-11, I will recommend an additional transfer of \$35 million for FY 10. With annual deposits coming from the Tobacco Settlement Fund, the EBRF will continue to accumulate additional reserves and the fund balance is projected to be \$15.7 million at the end of FY 11.
2. Transfer of excess balances from special funds. As a short-term, one-time remedy, we will propose to transfer excess balances from two special funds into the General Fund. The amounts will be \$36 million from the Deposit Beverage Container Special Fund and \$9 million from the Wireless Enhanced 911 Special Fund.
3. Tax proposals. To support our Administration's goal of making Hawaii's tax system efficient and equitable, a number of proposals will be submitted to tighten up tax laws, improve tax collection and administration, and reduce excessive tax credits. We propose to conform to the federal Internal Revenue Code for accuracy-related penalties, establish a special enforcement section to monitor the cash economy, and tighten Act 221 investment tax credits to conform to the federal tax code. The dividend from these efforts is expected to add \$122 million to our tax collections in the biennium.

We will closely monitor developments in our economy and tax collections in the coming months. Should conditions decline materially, we will work with our legislative colleagues to identify additional actions that can be taken to maintain fiscal balance in the State's budget and six-year financial plan.

THE GENERAL FUND FINANCIAL PLAN

The General Fund balance was \$331.2 million on June 30, 2008. This is a decrease of \$162.2 million from the previous year, mostly due to the revenue shortfall that developed as Hawaii's economy contracted in calendar year 2008.

The General Fund Six-Year Financial Plan encompassing FY 2009-11 and the four subsequent years shows a positive balance in each fiscal year. Under the constraint of declining revenues, as most recently projected by the Council on October 29, 2008, positive balances were achieved from the following combination of actions:

- Executive Branch budget reductions and adjustments as proposed;
- Assumed comparable budget reductions from other branches of State government, including the Judiciary, the Legislature and the Office of Hawaiian Affairs; and
- Legislative approval and authorization for Administration proposals with revenue and expenditure impact.

These are the essential steps we must take to manage the fiscal reality that we face and produce a balanced budget as required by the State constitution. I ask for your support as we work toward this goal.

In these challenging times, I am encouraged by the positive credit ratings that Hawaii continues to receive from all three major nationally-recognized rating agencies, Moody's Investors Service, Standard and Poor's Ratings Service and Fitch Ratings. In their latest November 2008 reports, they affirmed the State's G.O. bond ratings of Aa2, AA and AA, respectively. These strong ratings reflect their assessment that Hawaii State government has consistently displayed prudence and discipline in its fiscal management and governance. I know that together, we can

maintain this vote of confidence and emerge a stronger and fiscally healthier state in the years ahead.

Sincerely,



LINDA LINGLE
Governor of Hawaii

APPENDIX TO THE GOVERNOR'S MESSAGE

A. THE EXECUTIVE BUDGET RECOMMENDATIONS

THE OPERATING BUDGET

All Funds

For FY 2009-11, total operating budget requests from all sources of funding amount to \$11.1 billion in FY 10 and \$11.3 billion in FY 11.

Means of Financing	FY 09 Allocation (\$million)	FY 10 Request (\$million)	FY 11 Request (\$million)	FB 2009-11 Request (\$million)
General Funds	5,484.9	5,361.3	5,464.0	10,825.3
Special Funds	2,145.8	2,431.9	2,482.3	4,914.2
Federal Funds	1,730.5	1,746.5	1,750.5	3,497.0
Private Contributions	0.4	0.4	0.4	0.8
County Funds	0.7	0.7	0.7	1.4
Trust Funds	76.9	89.6	92.7	182.3
Interdept. Transfers	1,161.2	1,085.1	1,125.1	2,210.2
Revolving Funds	376.0	381.9	380.9	762.8
Other Funds	15.9	12.9	12.9	25.8
Total	10,992.3	11,110.3	11,309.5	22,419.8
Change from FY 09 allocation		\$118.0 m	\$317.2 m	
Percentage change		1.1%	2.9%	

Distribution by departments and highlights of the Operating Budget by departments are presented in the sections that follow.

General Fund

Total requests from the General Fund amount to \$5.36 billion in FY 10 and \$5.46 billion in FY 11. These amounts represent a

decrease of \$123.6 million (-2.3%) in the first year and \$20.9 million (-0.4%) in the second year over the current FY 09 allocation level.

It should be noted that the general fund budget bases for FY 10 and FY 11 were projected to be at higher levels (\$5.57 billion and \$5.65 billion, respectively) due to anticipated increases in operating expenses. Therefore, when compared to these base levels, the proposed budget recommendations represent a reduction of \$209.3 million (-3.8%) in FY 10 and \$186.1 million (-3.3%) in FY 11.

Change in Positions

The Executive Budget requests a significant change in the number of permanent and temporary positions from all means of financing.

	Total FY 10	Permanent	Temporary
Total net change in positions	(479.42)	(185.92)	(293.50)
By means of financing:			
General Funds	(578.72)	(282.97)	(295.75)
Special Funds	86.30	76.30	10.00
Federal Funds	(0.50)	8.75	(9.25)
Trust Funds	.....	3.00	(3.00)
Interdept. Transfers	(1.00)	0.50	(1.50)
Revolving Funds	14.50	8.50	6.00
Other Funds	.....	.....	.....

The request for FY 11 includes an additional 16 permanent positions from special funds.

THE CAPITAL IMPROVEMENT (CIP) BUDGET

For FB 2009-11, total requests for capital improvements amount to \$1.4 billion in FY 10 and \$1.6 billion in FY 11, to be funded from the following sources:

<u>Means of Financing</u>	<u>FY 10 Request</u> (\$million)	<u>FY 11 Request</u> (\$million)	<u>FB 2009-11 Total</u> (\$million)
General Funds	.....	.....	.....
Special Funds	112.6	87.4	200.0
G.O. Bonds	443.0	444.3	887.3
G.O. Reimbursable	22.1	45.8	67.9
Revenue Bonds	488.5	785.8	1,274.3
Federal Funds	323.3	138.2	461.5
Private Contributions	4.7	.....	4.7
County Funds	.....	.....	.....
Interdept. Transfers	2.0	.....	2.0
Other Funds	<u>5.6</u>	<u>49.6</u>	<u>55.2</u>
Total	1,401.8	1,551.1	2,952.9

Distribution by departments and highlights of the CIP program by departments are presented in the sections that follow.

B. THE MANDATORY TAX REFUND/CREDIT

Section 6 of Article VII of the Hawaii State Constitution provides for a mandatory tax refund or tax credit if the general fund balance exceeds 5% of general fund revenues at the end of two succeeding fiscal years. For FYs 07 and 08, the ratios were 9.6% and 6.3%, respectively, and thus met the constitutional criteria. The Legislature will need to consider the enactment of legislation in this 2009 Session to comply with the mandatory tax refund/credit as stipulated by the State Constitution.

C. THE GENERAL FUND EXPENDITURE CEILING

By law, general fund appropriations must comply with the expenditure ceiling requirements that are set forth in Section 9, Article VII of the Hawaii State Constitution and Section 37-92 of the Hawaii Revised Statutes.

At the aggregate level, including all branches of government, total proposed appropriations from the General Fund are within the expenditure ceilings for both FY 10 and FY 11.

For the Executive Branch, total proposed appropriations from the General Fund (which include the Executive Budget for FB 2009-11 and other specific appropriation measures to be submitted) are also within the Executive Branch's appropriation ceiling for both FY 10 and FY 11.

D. THE DEBT LIMIT

Section 13, Article VII of the Hawaii State Constitution places a debt limit on G.O. bonds that may be issued by the State. It has been determined that the total amount of principal and interest calculated on: a) all bonds issued and outstanding; b) all bonds authorized and unissued; and c) all bonds proposed in the Executive Budget, including State guaranties, will not cause the debt limit to be exceeded at the time of each bond issuance.



**The Operating and Capital Budget -
Statewide Summaries**

MULTI-YEAR FINANCIAL SUMMARY
GENERAL FUND
FISCAL YEARS 08 - 15
(in millions of dollars)

	Actual* <u>FY 08</u>	Estimated <u>FY 09</u>	Estimated <u>FY 10</u>	Estimated <u>FY 11</u>	Estimated <u>FY 12</u>	Estimated <u>FY 13</u>	Estimated <u>FY 14</u>	Estimated <u>FY 15</u>
REVENUES:								
Executive Branch:								
Tax revenues	4,640.8	4,618.7	4,780.3	4,995.4	5,260.2	5,575.8	5,938.2	6,324.2
Nontax revenues	569.8	509.4	504.8	517.4	520.4	529.1	532.0	532.0
Judicial Branch revenues	34.2	32.7	33.2	33.7	34.2	34.8	34.8	34.8
Other		46.4	137.4	76.5	74.7	58.7	49.7	49.7
TOTAL REVENUES	5,244.8	5,207.2	5,455.7	5,623.0	5,889.6	6,198.4	6,554.7	6,940.6
EXPENDITURES								
Executive Branch:								
Operating	5,185.8	5,132.6	5,361.3	5,464.0	5,741.2	5,875.3	5,964.2	6,065.0
CIP	50.0	-						
Specific appropriations	206.3	237.2	9.5	9.2	9.3	9.3	9.3	9.3
Sub-total	5,442.1	5,369.8	5,370.8	5,473.3	5,750.5	5,884.7	5,973.6	6,074.3
Legislative Branch	37.5	37.5	30.5	30.5	30.5	30.5	30.5	30.5
Judicial Branch	143.8	150.4	120.3	120.3	120.3	120.3	120.3	120.3
OHA	3.1	3.1	2.5	2.5	2.5	2.5	2.5	2.5
Counties								
Lapses	(219.6)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)
TOTAL EXPENDITURES	5,406.9	5,495.9	5,459.1	5,561.6	5,838.9	5,973.0	6,061.9	6,162.6
REVENUES OVER EXPEND.	(162.2)	(288.8)	(3.4)	61.4	50.7	225.4	492.8	777.9
CARRY-OVER BALANCE (DEFICIT)								
Beginning	493.4	331.2	42.5	39.0	100.5	151.2	376.6	869.4
Ending	331.2	42.5	39.0	100.5	151.2	376.6	869.4	1,647.4
<i>Emergency & Budget Reserve Fund</i>	74.0	26.2	3.5	15.7	28.0	40.3	52.5	64.8

* unaudited

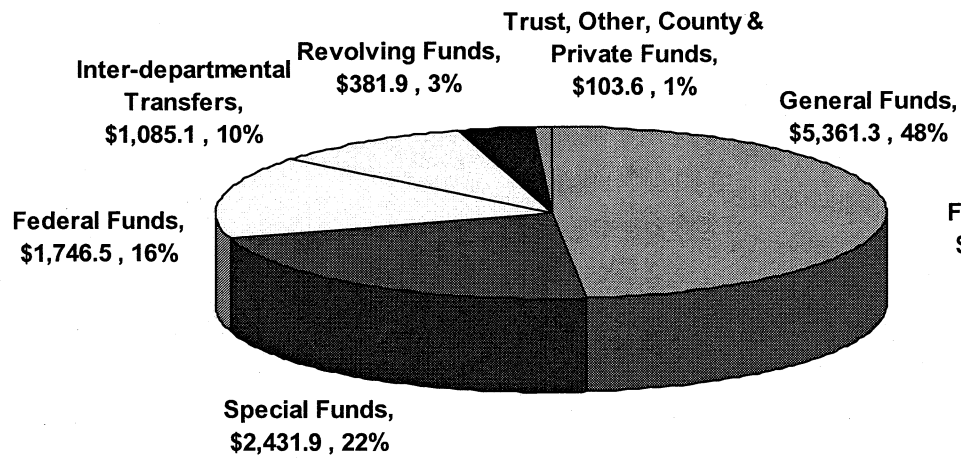
**FB 09-11 Operating Budget
Statewide Totals by Means of Financing**

MOF	Allocation 2009	FY % of Total	FY 2010	FY 2010 % of Total	FY 2011	FY 2011 % of Total
	36,060.52		35,777.55		35,777.55	
General Funds	5,484,924,801	49.9%	5,361,314,152	48.3%	5,464,016,701	48.3%
	7,319.50		7,395.80		7,411.80	
Special Funds	2,145,791,218	19.5%	2,431,887,683	21.9%	2,482,323,092	21.9%
	2,371.60		2,380.35		2,380.35	
Federal Funds	1,730,508,621	15.7%	1,746,475,544	15.7%	1,750,497,298	15.5%
	0.00		0.00		0.00	
Private Contributions	400,969	0.0%	406,437	0.0%	433,067	0.0%
	0.00		0.00		0.00	
County Funds	674,179	0.0%	674,179	0.0%	674,179	0.0%
	118.00		121.00		121.00	
Trust Funds	76,867,686	0.7%	89,619,158	0.8%	92,635,746	0.8%
	172.35		172.85		172.85	
Interdepartmental Transfers	1,161,221,769	10.6%	1,085,052,977	9.8%	1,125,080,421	9.9%
	394.45		402.95		402.95	
Revolving Funds	375,972,853	3.4%	381,946,358	3.4%	380,926,412	3.4%
	99.00		99.00		99.00	
Other Funds	15,983,244	0.1%	12,892,462	0.1%	12,892,462	0.1%
	46,535.42		46,349.50		46,365.50	
TOTAL REQUIREMENTS	10,992,345,340	100.0%	11,110,268,950	100.0%	11,309,479,378	100.0%

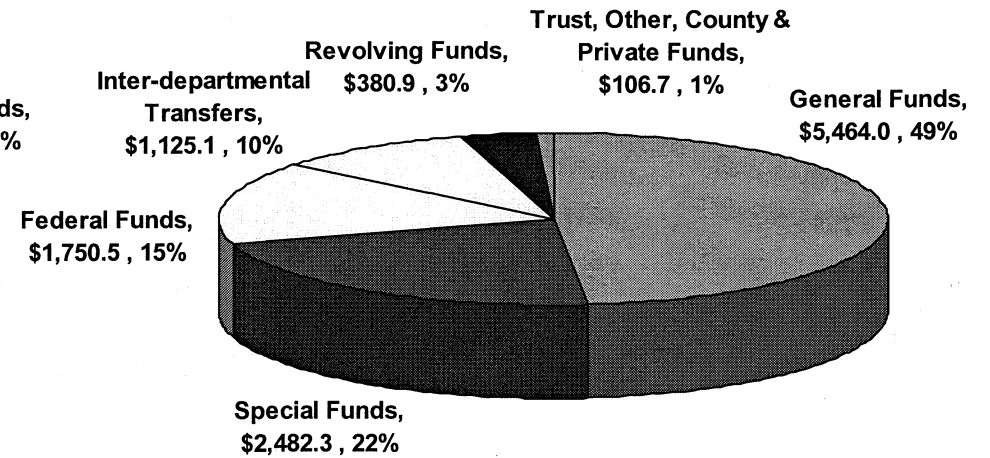
FB 09-11 Operating Budget Statewide Totals by Means of Financing

FY 2010

FY 2011



Total \$11.11 B



Total \$11.31 B

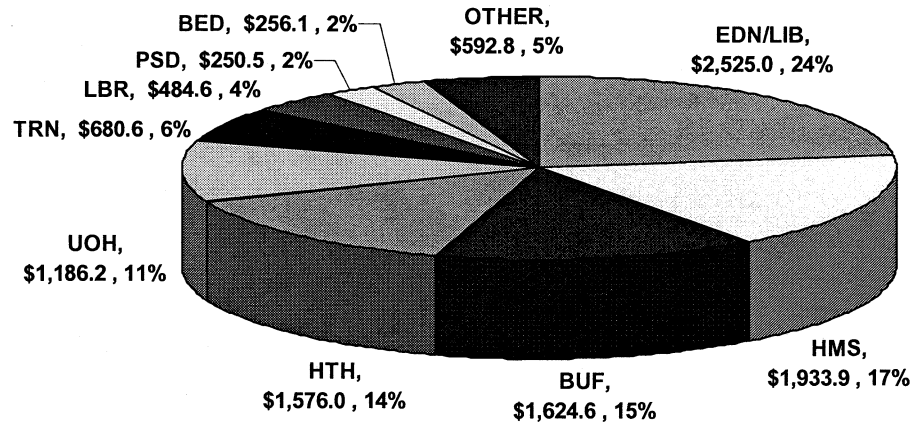
FB 09-11 Operating Budget
Statewide Totals By Department - All Funds

	Allocation FY 2009	% of Total	FY 2010	% of Total	FY 2011	% of Total
	830.50		794.50		794.50	
Accounting & General Svcs	149,885,938	1.4%	141,061,640	1.3%	145,169,884	1.3%
	355.00		325.00		325.00	
Agriculture	38,828,670	0.4%	36,214,901	0.3%	36,214,901	0.3%
	647.28		637.28		637.28	
Attorney General	77,433,581	0.7%	74,484,548	0.7%	73,481,048	0.6%
	187.00		180.00		180.00	
Business, Econ. Dev. & Tourism	246,784,582	2.2%	256,133,386	2.3%	260,480,690	2.3%
	330.00		333.00		333.00	
Budget and Finance	1,706,962,052	15.5%	1,624,631,559	14.6%	1,691,350,264	15.0%
	401.00		406.00		406.00	
Commerce & Consumer Affairs	48,624,591	0.4%	49,236,356	0.4%	49,216,356	0.4%
	230.50		236.50		236.50	
Defense	104,739,614	1.0%	104,960,683	0.9%	104,960,683	0.9%
	20,295.60		20,290.60		20,290.60	
Education	2,523,780,901	23.0%	2,431,612,005	21.9%	2,459,831,513	21.8%
	0.00		0		0	
Charter Schools	59,670,891	0.5%	60,046,281	0.5%	60,046,281	0.5%
	555.55		555.55		555.55	
Public Libraries	34,976,810	0.3%	33,337,407	0.3%	33,337,407	0.3%
	37.00		37.00		37.00	
Governor	4,508,826	0.0%	3,384,162	0.0%	3,384,162	0.0%
	195.00		195.00		195.00	
Hawaiian Home Lands	27,938,237	0.3%	29,372,340	0.3%	29,372,340	0.3%
	2,993.05		2,987.05		2,987.05	
Health	1,024,700,252	9.3%	1,021,377,748	9.2%	1,022,476,753	9.0%
	2,836.25		2,836.25		2,836.25	
HHSC	481,501,280	4.4%	554,572,000	5.0%	571,586,000	5.1%
	112.00		112.00		112.00	
Human Resources Development	22,366,424	0.2%	21,244,892	0.2%	21,244,892	0.2%
	2,560.50		2,544.50		2,544.50	
Human Services	1,884,772,705	17.1%	1,933,884,664	17.4%	1,965,051,664	17.4%
	707.74		668.32		668.32	
Labor and Industrial Relations	301,706,990	2.7%	484,569,986	4.4%	484,569,986	4.3%
	803.50		775.00		775.00	
Land and Natural Resources	111,678,717	1.0%	109,471,014	1.0%	108,965,014	1.0%
	8.00		8.00		8.00	
Lieutenant Governor	1,260,572	0.0%	1,251,974	0.0%	1,251,974	0.0%
	2,697.20		2,687.20		2,687.20	
Public Safety	251,860,680	2.3%	250,527,729	2.3%	250,527,729	2.2%
	0.00		0.00		0.00	
Subsidies	0	0.0%	0	0.0%	0	0.0%
	407.50		381.00		381.00	
Taxation	25,380,912	0.2%	22,104,781	0.2%	22,104,781	0.2%
	2,170.00		2,170.00		2,170.00	
Transportation	690,429,646	6.3%	680,611,894	6.1%	705,703,157	6.2%
	7,175.25		7,189.75		7,205.75	
University of Hawaii	1,172,552,469	10.7%	1,186,177,000	10.7%	1,209,151,899	10.7%
	46,535.42		46,349.50		46,365.50	
TOTAL REQUIREMENTS	10,992,345,340	100.0%	11,110,268,950	100.0%	11,309,479,378	100.0%

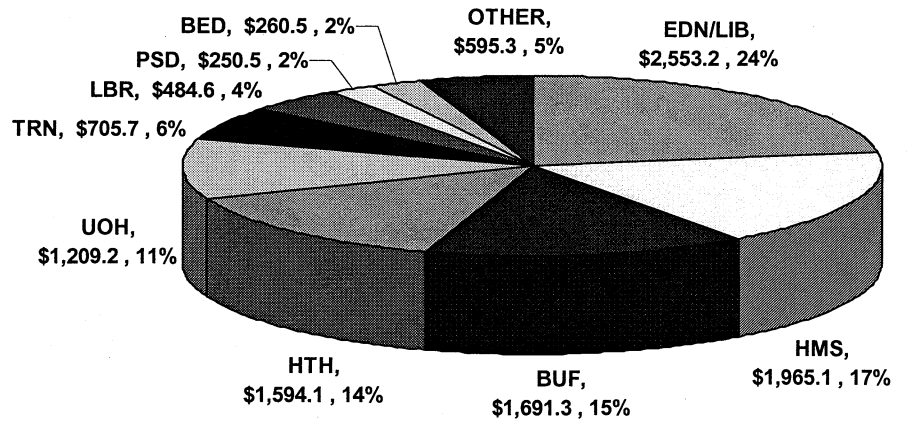
FB 09-11 Operating Budget Statewide Totals by Department - All Funds

FY 2010

FY 2011



Total \$11.11 B



Total \$11.31 B

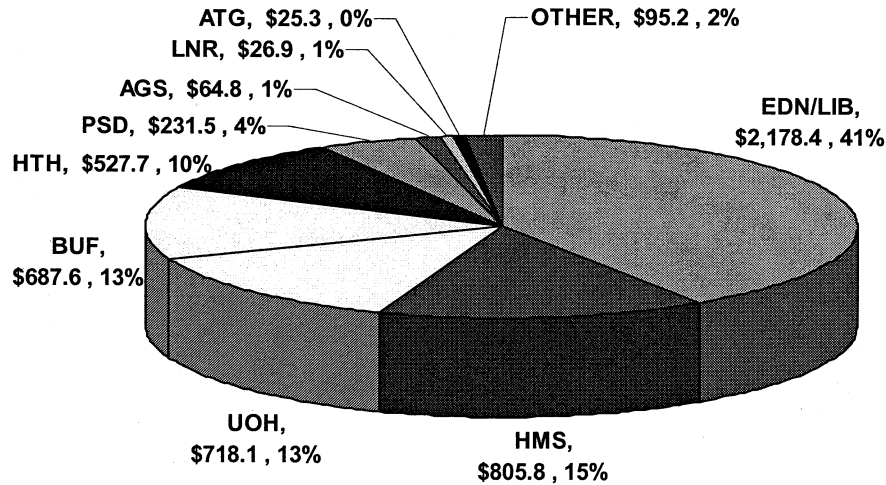
FB 09-11 Operating Budget
Statewide Totals By Department - General Funds

	Allocation FY 2009	% of Total	FY 2010	% of Total	FY 2011	% of Total
	688.50		646.00		646.00	
Accounting & General Svcs	70,401,722	1.3%	64,845,376	1.2%	64,999,932	1.2%
	276.00		224.70		224.70	
Agriculture	16,790,342	0.3%	13,609,612	0.3%	13,609,612	0.2%
	362.43		348.43		348.43	
Attorney General	28,420,414	0.5%	25,263,159	0.5%	25,263,159	0.5%
	124.50		114.00		114.00	
Business, Econ. Dev. & Tourism	11,414,477	0.2%	10,641,632	0.2%	10,641,632	0.2%
	145.00		141.00		141.00	
Budget and Finance	698,632,566	12.7%	687,624,985	12.8%	718,238,534	13.1%
	0.00		0.00		0.00	
Commerce & Consumer Affairs	0	0.0%	-	0.0%	-	0.0%
	153.80		154.80		154.80	
Defense	16,062,508	0.3%	16,169,962	0.3%	16,169,962	0.3%
	19,554.10		19,545.10		19,545.10	
Education	2,175,114,636	39.7%	2,089,474,528	39.0%	2,118,335,990	38.8%
Charter Schools	59,670,891	1.1%	60,046,281	1.1%	60,046,281	1.1%
	555.55		555.55		555.55	
Public Libraries	30,486,566	0.6%	28,847,163	0.5%	28,847,163	0.5%
	37.00		37.00		37.00	
Governor	3,758,826	0.1%	3,384,162	0.1%	3,384,162	0.1%
	18.00		0.00		0.00	
Hawaiian Home Lands	928,778	0.0%	0	0.0%	0	0.0%
	2,437.04		2,420.04		2,420.04	
Health	461,407,085	8.4%	443,752,901	8.3%	444,402,901	8.1%
HHSC	78,041,280	1.4%	83,960,894	1.6%	83,960,894	1.5%
	112.00		112.00		112.00	
Human Resources Development	16,780,143	0.3%	15,658,611	0.3%	15,658,611	0.3%
	1,341.42		1,329.17		1,329.17	
Human Services	773,596,615	14.1%	805,790,685	15.0%	836,957,685	15.3%
	265.64		228.22		228.22	
Labor and Industrial Relations	17,548,068	0.3%	12,915,278	0.2%	12,915,278	0.2%
	491.25		458.25		458.25	
Land and Natural Resources	33,043,999	0.6%	26,869,038	0.5%	26,869,038	0.5%
	8.00		8.00		8.00	
Lieutenant Governor	1,260,572	0.0%	1,251,974	0.0%	1,251,974	0.0%
	2,610.20		2,600.20		2,600.20	
Public Safety	232,798,323	4.2%	231,471,344	4.3%	231,471,344	4.2%
	0.00		0.00		0.00	
Subsidies	0	0.0%	0	0.0%	0	0.0%
	406.50		381.00		381.00	
Taxation	24,511,912	0.4%	21,652,781	0.4%	21,652,781	0.4%
	0.00		0.00		0.00	
Transportation	0	0.0%	0	0.0%	0	0.0%
	6,473.59		6,474.09		6,474.09	
University of Hawaii	734,255,078	13.4%	718,083,786	13.4%	729,339,768	13.3%
	36,060.52		35,777.55		35,777.55	
TOTAL REQUIREMENTS	5,484,924,801	100.0%	5,361,314,152	100.0%	5,464,016,701	100.0%

FB 09-11 Operating Budget

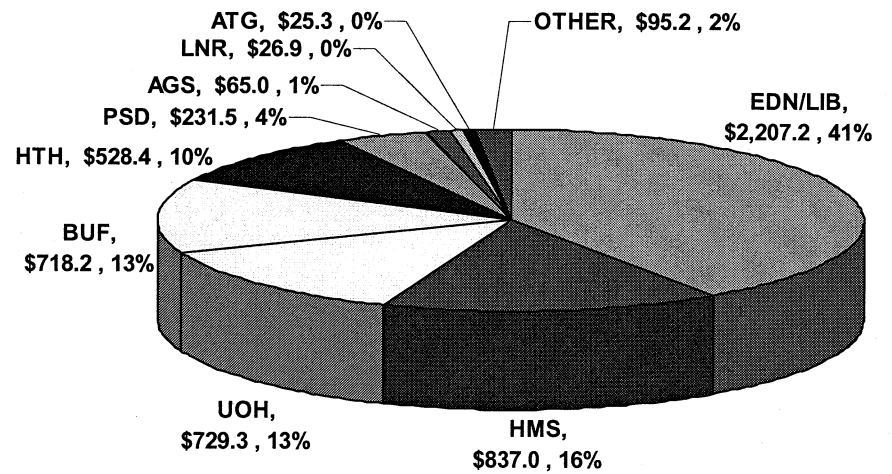
Statewide Totals by Department - General Fund

FY 2010



Total \$5.36 B

FY 2011



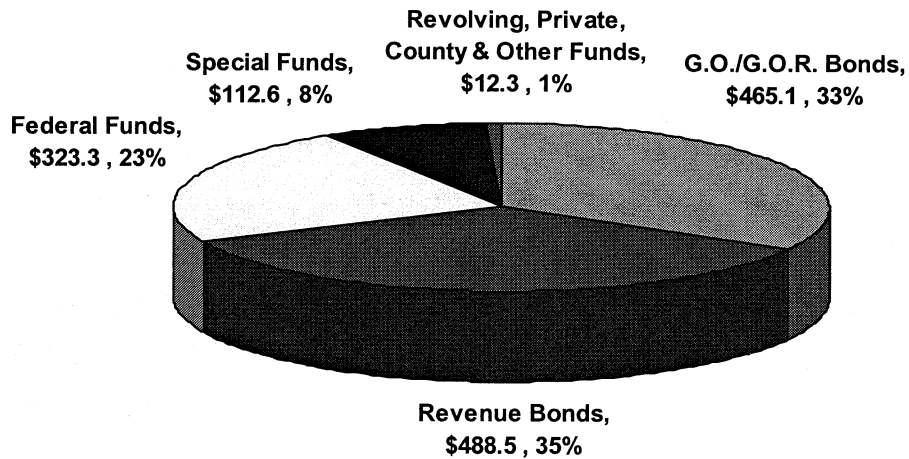
Total \$5.46 B

FB 09-11 CIP Budget
Statewide Totals by Means of Financing

	FY 2010	% of Total	FY 2011	% of Total
General Funds	-	0.0%	-	0.0%
Special Funds	112,590,000	8.0%	87,400,000	5.6%
General Obligation Bonds	443,064,000	31.6%	444,261,000	28.6%
Reimbursable				
Bonds	22,070,000	1.6%	45,760,000	3.0%
Revenue Bonds	488,455,000	34.8%	785,795,000	50.7%
Federal Funds	323,316,000	23.1%	138,246,000	8.9%
Private Contributions	4,715,000	0.3%	-	0.0%
County Funds	-	0.0%	-	0.0%
Interdepartmental Transfers	2,000,000	0.1%	-	0.0%
Revolving Funds	-	0.0%	-	0.0%
Other Funds	5,590,000	0.4%	49,600,000	3.2%
TOTAL REQUIREMENTS	1,401,800,000	100.0%	1,551,062,000	100.0%

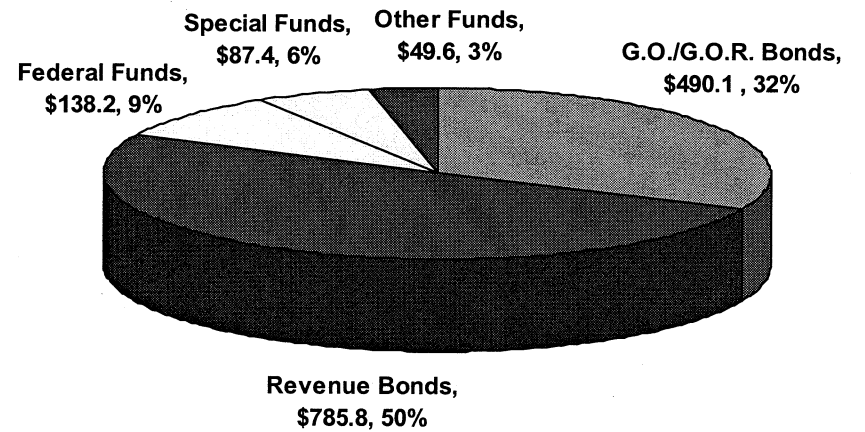
FB 09-11 CIP Budget Statewide Totals by Means of Financing

FY 2010



Total \$1,401.8 M

FY 2011



Total \$1,551.1 M

FB 09-11 CIP Budget
Statewide Totals By Department - All Funds

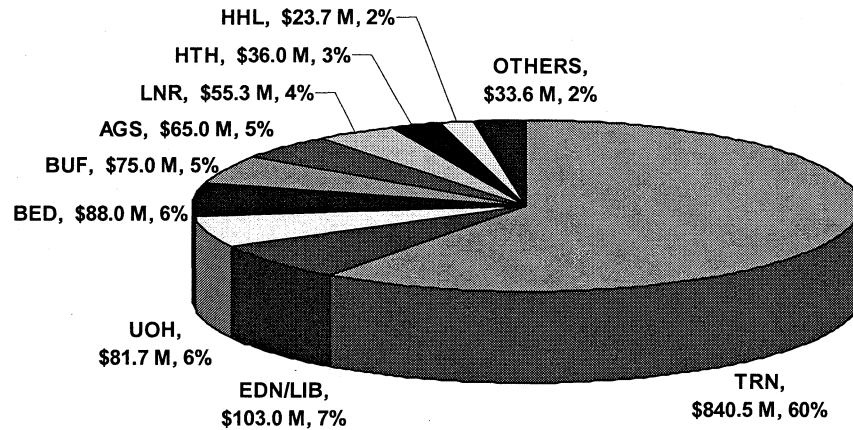
	FY 2010	% of Total	FY 2011	% of Total
Accounting and General Services	65,000,000	4.6%	105,597,000	6.8%
Agriculture	5,350,000	0.4%	9,595,000	0.6%
Attorney General	-	0.0%	-	0.0%
Business, Econ. Dev. & Tourism	88,000,000	6.3%	55,000,000	3.5%
* Budget and Finance	75,000,000	5.4%	75,000,000	4.8%
Commerce and Consumer Affairs	-	0.0%	-	0.0%
Defense	18,225,000	1.3%	12,940,000	0.8%
** Education	100,000,000	7.1%	100,000,000	6.4%
Public Libraries	3,000,000	0.2%	3,000,000	0.2%
Governor	1,000	0.0%	1,000	0.0%
* Hawaiian Home Lands	23,700,000	1.7%	17,300,000	1.1%
Health	26,045,000	1.9%	26,045,000	1.7%
HHSC	10,000,000	0.7%	10,000,000	0.6%
Human Resources Development	-	0.0%	-	0.0%
Human Services	10,000,000	0.7%	10,000,000	0.6%
Labor and Industrial Relations	-	0.0%	-	0.0%
Land and Natural Resources	55,258,000	3.9%	71,448,000	4.6%
Lieutenant Governor	-	0.0%	-	0.0%
Public Safety	-	0.0%	-	0.0%
Subsidies	-	0.0%	-	0.0%
Taxation	-	0.0%	-	0.0%
Transportation	840,521,000	60.0%	894,336,000	57.7%
University of Hawaii	81,700,000	5.8%	160,800,000	10.4%
TOTAL REQUIREMENTS	1,401,800,000	100.0%	1,551,062,000	100.0%

* Of the \$75,000,000 appropriated in each year of FB 2009 - 2011 in the Department of Budget and Finance, \$45,000,000 in each year will be transferred to the State Educational Facilities Improvement Special Fund and spent by the Department of Education, pursuant to Sections 36-32 and 237-31, HRS. The remaining \$30,000,000 in each year of FYs 2010 and 2011 in general obligation bonds is appropriated pursuant to Act 14, Section 6, SpSLH 1995 and will be transferred to the Hawaiian Home Lands Trust Fund and spent by the Department of Hawaiian Home Lands.

** Of the \$100,000,000 appropriated in each year of FYs 2010 and 2011 in the Department of Education, \$45,000,000 in FY 2010 and \$45,000,000 in FY 2011 will be transferred from the Department of Budget and Finance to the State Educational Facilities Improvement Special Fund.

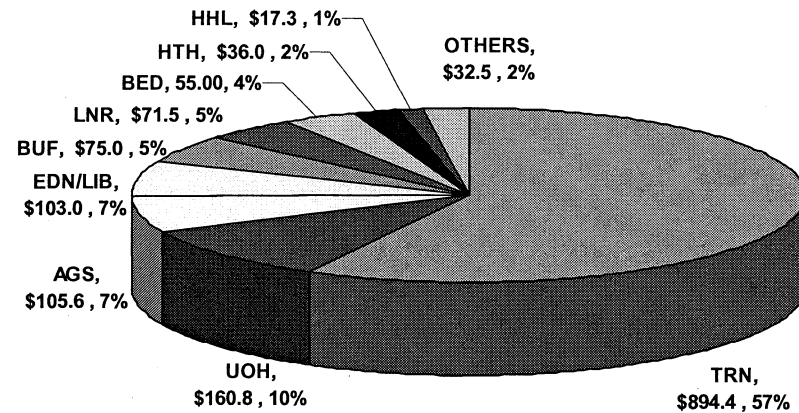
FB 09-11 CIP Budget Statewide Totals by Departments - All Funds

FY 2010



Total \$1,401.8 M

FY 2011



Total \$1,551.1 M

* Of the \$75,000,000 appropriated in each year of FB 2009 - 2011 in the Department of Budget and Finance, \$45,000,000 in each year will be transferred to the State Educational Facilities Improvement Special Fund and spent by the Department of Education, pursuant to Sections 36-32 and 237-31, HRS. The remaining \$30,000,000 in each year of FYs 2010 and 2011 in general obligation bonds is appropriated pursuant to Act 14, Section 6, SpSLH 1995 and will be transferred to the Hawaiian Home Lands Trust Fund and spent by the Department of Hawaiian Home Lands.

** Of the \$100,000,000 appropriated in each year of FYs 2010 and 2011 in the Department of Education, \$45,000,000 in FY 2010 and \$45,000,000 in FY 2011 will be transferred from the Department of Budget and Finance to the State Educational Facilities Improvement Special Fund.

FB 09-11 CIP Budget
Statewide Totals By Department - General Obligation (GO) and GO Reimbursable Bonds

	FY 2010	% of Total	FY 2011	% of Total
Accounting and General Services	65,000,000	14.0%	105,597,000	21.5%
Agriculture	5,000,000	1.1%	5,000,000	1.0%
* Budget and Finance	75,000,000	16.1%	75,000,000	15.3%
Business, Econ. Dev. & Tourism	88,000,000	18.9%	55,000,000	11.2%
Defense	10,000,000	2.1%	10,000,000	2.0%
** Education	55,000,000	11.8%	55,000,000	11.2%
Public Libraries	3,000,000	0.6%	3,000,000	0.6%
Governor	1,000	0.0%	1,000	0.0%
* Hawaiian Home Lands	8,700,000	1.9%	2,300,000	0.5%
Health	12,675,000	2.7%	12,675,000	2.6%
HHSC	10,000,000	2.1%	10,000,000	2.0%
Human Services	10,000,000	2.1%	10,000,000	2.0%
Labor and Industrial Relations		0.0%		0.0%
Land and Natural Resources	47,758,000	10.3%	71,448,000	14.6%
Public Safety		0.0%		0.0%
Subsidies		0.0%		0.0%
Transportation		0.0%		0.0%
University of Hawaii	75,000,000	16.1%	75,000,000	15.3%
TOTAL REQUIREMENTS	465,134,000	100.0%	490,021,000	100.0%
General Obligation Bonds	443,064,000	95.3%	444,261,000	90.7%
Reimbursable G.O. Bonds	22,070,000	4.7%	45,760,000	9.3%
TOTAL REQUIREMENTS	465,134,000	100.0%	490,021,000	100.0%

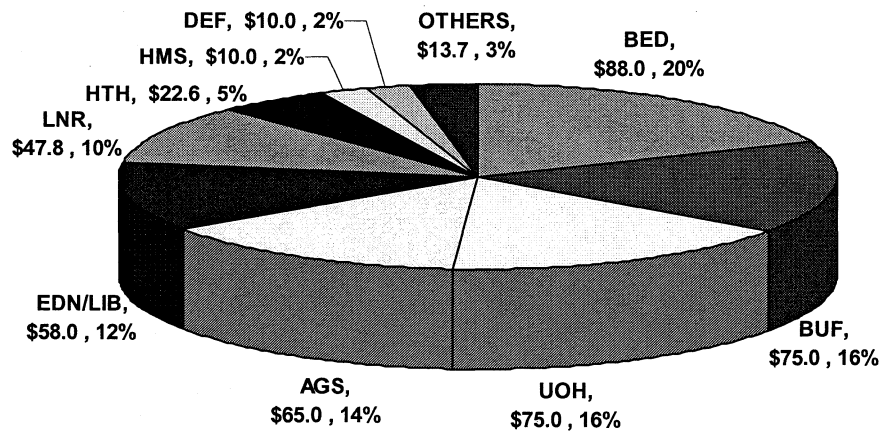
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** The \$55,000,000 in FY 2010 and \$55,000,000 in FY 2011 represent the GO portion for the Department of Education; including the SEFI amounts from B&F (noted above), the DOE total is \$100,000,000 in each year of FB 09-11.

FB 09-11 CIP Budget

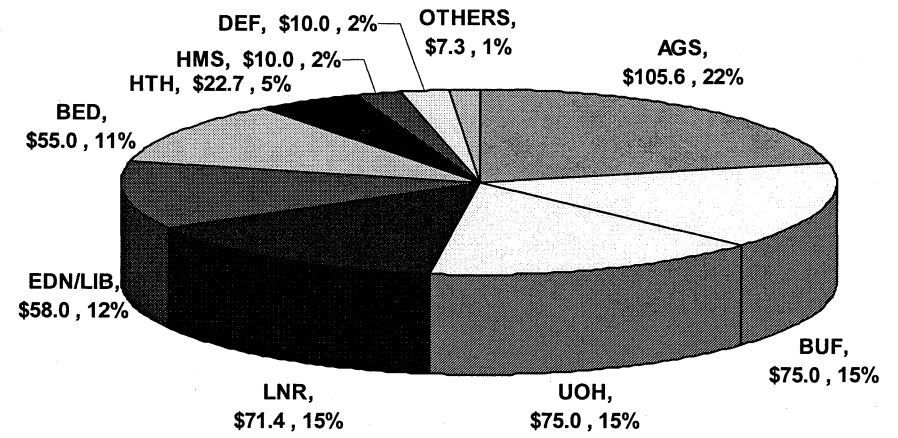
Statewide Totals by Departments - G.O./G.O.R. Bonds

FY 2010



Total \$465.1 M

FY 2011



Total \$490.0 M

* Of the \$75,000,000 appropriated in each year of FB 2009 - 2011 in the Department of Budget and Finance, \$45,000,000 in each year will be transferred to the State Educational Facilities Improvement Special Fund and spent by the Department of Education, pursuant to Sections 36-32 and 237-31, HRS. The remaining \$30,000,000 in each year of FYs 2010 and 2011 in general obligation bonds is appropriated pursuant to Act 14, Section 6, SpSLH 1995 and will be transferred to the Hawaiian Home Lands Trust Fund and spent by the Department of Hawaiian Home Lands.

** The \$55,000,000 in FY 2010 and \$55,000,000 in FY 2011 represent the GO portion for the Department of Education; including the SEFI amounts from B&F above, the DOE total is \$100,000,000 in each year of FB 09-11.

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DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Department Summary

Mission Statement

To provide the physical, financial, and technical infrastructure to support state departments and agencies in accomplishing their missions.

Department Goals

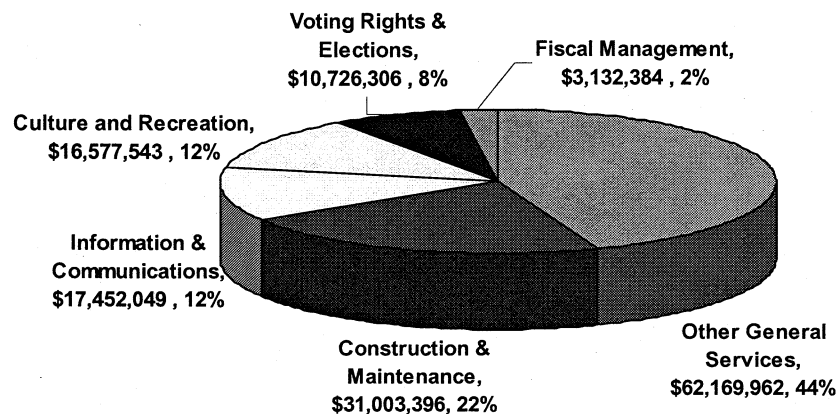
To strive for quality and consistency in the delivery of essential support services to other state departments and agencies. The department's activities reflect a continuing commitment towards cost efficiency, productivity, relevancy and timeliness of services.

Significant Measures of Effectiveness

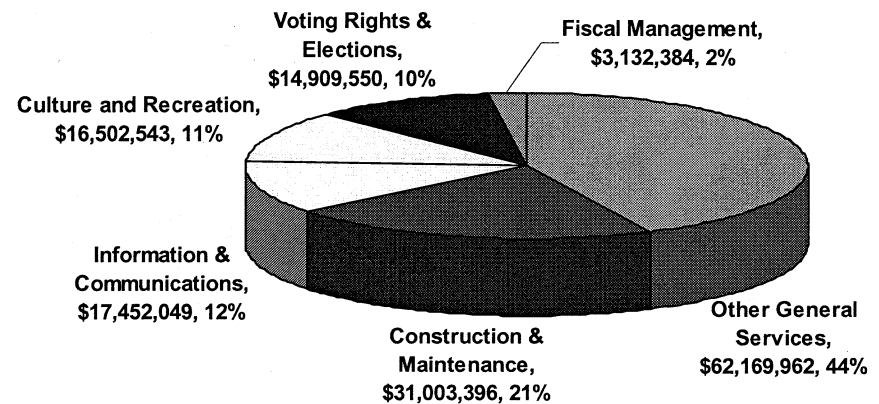
	<u>FY 2010</u>	<u>FY 2011</u>
1. Average in-house time to process payments to vendors (days)	5	5
2. Percentage of production jobs run on schedule	99	99
3. The average cost of change orders as a percentage of average actual construction cost	3	3

FB 2009-2011 Operating Budget by Major Program Area

FY 2010



FY 2011



DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

MAJOR FUNCTIONS

- Maintains the State's accounting systems; records the State's financial transactions; verifies expenditures before payments; audits fiscal records of State agencies.
- Coordinates and directs engineering, architectural, office leasing, and centralized services that include public building and school repair and maintenance, custodial services, and grounds maintenance.
- Administers the statewide information processing and telecommunication services and programs.
- Performs land survey work for government agencies.
- Preserves government records and historical material.
- Administers the State's risk management activities.
- Manages the State's motor pool and parking activities.
- Coordinates procurement activities under Chapter 103D and 103F, HRS.
- Manages and operates Aloha Stadium; guides and promotes culture, the arts, history and humanities.
- Directs the statewide elections systems; ensures full disclosure of campaign contributions and expenditures.

MAJOR PROGRAM AREAS

The Department of Accounting and General Services has programs in the following major program areas:

Formal Education

AGS 807 School Repair & Maintenance,
Neighbor Island Districts

Culture and Recreation

AGS 818 King Kamehameha Celebration
Commission
AGS 881 State Foundation on Culture &
the Arts
AGS 889 Spectator Events and Shows –
Aloha Stadium

Government-Wide Support

AGS 101 Statewide Accounting Services

AGS 102 Expenditure Examination
AGS 103 Recording and Reporting
AGS 104 Internal Post Audit
AGS 111 Archives - Records Management
AGS 131 Information Processing &
Communications Services
AGS 203 State Risk Management and
Insurance Administration
AGS 211 Land Survey
AGS 221 Public Works – Planning, Design,
& Construction
AGS 223 Office Leasing
AGS 231 Central Services – Custodial
AGS 232 Central Services – Grounds
Maintenance

AGS 233 Central Services - Building
Repairs and Alterations
AGS 240 State Procurement
AGS 244 Surplus Property Management
AGS 251 Automotive Management - Motor
Pool
AGS 252 Automotive Management –
Parking Control
AGS 871 Campaign Spending Commission
AGS 879 Office of Elections
AGS 891 Wireless Enhanced 911 Board
AGS 901 General Administrative Services

**Department of Accounting and General Services
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	688.50	646.00	646.00
General Funds	\$	70,401,722	64,845,376	64,999,932
		56.50	58.00	58.00
Special Funds		22,282,593	22,561,269	22,486,269
		2.50	2.50	2.50
Federal Funds		8,260,245	8,261,457	8,261,457
		5.00	5.00	5.00
Trust Funds		4,670,814	665,331	4,694,019
		34.00	35.00	35.00
Interdepartmental Transfers		10,605,689	11,261,875	11,261,875
		44.00	48.00	48.00
Revolving Funds		33,438,185	33,466,332	33,466,332
		0.00	0.00	0.00
Other Funds		226,690	0	0
		830.50	794.50	794.50
Total Requirements		149,885,938	141,061,640	145,169,884

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes 42.50 vacant permanent and 4.50 vacant temporary positions and \$1,735,303 in personal services.
2. Deletes \$2,500,000 for risk management insurance premiums and claims.
3. Changes the means of financing of \$500,000 from general to interdepartmental transfer funds for the Information Communication and Services Program.
4. Deletes \$300,943 from grants and community projects for the State Foundation on Culture and the Arts.
5. Changes the means of financing for 4.00 positions and \$335,247 from general funds to the State Risk Management Revolving Fund.
6. Increases the Aloha Stadium Special Fund ceiling by \$173,194 for fringe benefit and pay increases for part-time intermittent workers.
7. Deletes 6.00 vacant positions and \$784,424 from the Custodial Services Program.
8. Deletes 5.00 vacant positions and \$824,135 from the neighbor island schools repair and maintenance program.
9. Deletes \$1,037,279 from the Office Leasing Program.

**Department of Accounting and General Services
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	65,000,000	105,597,000
Total Requirements	65,000,000	105,597,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$3,365,000 in both FY 10 and FY 11 for Capital Improvements Program Staff Costs to fund cost related to wages and fringes for permanent, projected-funded staff positions.
2. Provides \$19,049,000 in FY 10 and \$26,007,000 in FY 11 for Energy Conservation and Sustainable Design Improvement projects for energy savings performance contracting.
3. Provides \$14,661,000 in FY 10 and \$11,228,000 in FY 11 for improvement and maintenance of public facilities and sites.
4. Provides \$15,000,000 in FY 10 and \$55,597,000 in FY 11 for health and safety projects at the Aloha Stadium.
5. Provides \$8,925,000 in FY 10 and \$5,400,000 in FY 11 for critical telecommunications systems for the Information Communications Systems Division.

DEPARTMENT OF AGRICULTURE

Department Summary

Mission Statement

To develop and promote agriculture as a significant and respected driver of Hawaii's economy.

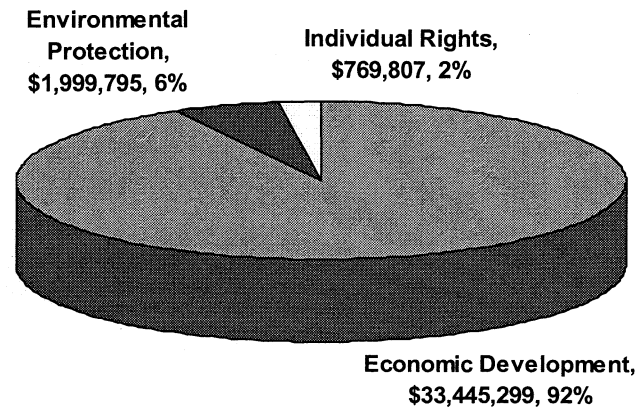
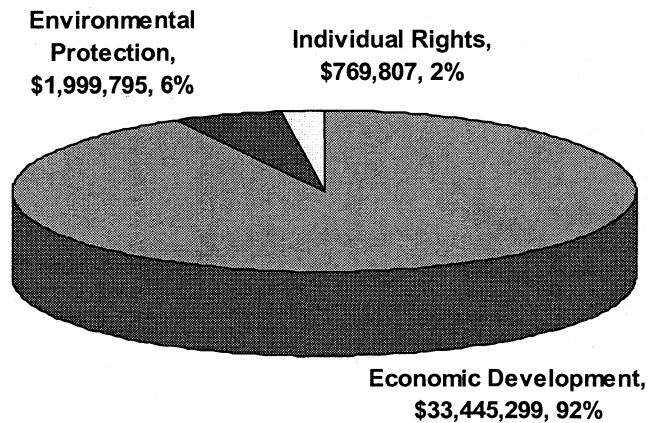
Department Goals

To conserve and develop essential agricultural resources and infrastructure; to gain access and develop local, domestic, and international markets for Hawaii's agricultural products; to raise awareness of the importance of agriculture to the State's economy, environment, and as a profession; to implement programs to safeguard Hawaii's farmers, consumers, and natural resources; and to prevent the introduction and establishment of plants, animals and disease that are detrimental to Hawaii's agriculture and environment.

Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. Number of intercepted insect species not occurring in Hawaii.	431	440
2. % agricultural park and non-agricultural park lands developed and in productive use.	88	88

FB 2009-2011 Operating Budget by Major Program Area
FY 2010 FY 2011



DEPARTMENT OF AGRICULTURE MAJOR FUNCTIONS

- Carries out programs to conserve, develop, and utilize the agricultural resources and infrastructure of the State and facilitates the transition of plantation agriculture to diversified farming.
- Enforces laws, and formulates and enforces rules and regulations to further control the management of these resources.
- Reviews and develops agricultural goals and objectives compatible with statewide expansion and diversification of Hawaii's agricultural base.
- Prevents the introduction of plant pests and diseases, provides certification services to facilitate the export of certain plant materials, and controls and eradicates insects and noxious weeds and controls the distribution and usage of pesticides.
- Administers the aquaculture development, state animal health, and agricultural and aquacultural loan programs.
- Maintains official State primary measurement standards; ensures accuracy of commercial measuring devices.
- Establishes and enforces grade standards for agricultural commodities producers in the State in cooperation with the industry, and achieves stability within the State milk industry by ensuring the availability of an adequate supply of wholesale milk for the consuming public.
- Collects and disseminates statistical data on agricultural production and supports the marketing of various agricultural commodities.

MAJOR PROGRAM AREAS

The Department of Agriculture has programs in the following major program areas:

Economic Development

AGR 101	Financial Assistance for Agriculture
AGR 122	Plant Pest and Disease Control
AGR 131	Rabies Quarantine
AGR 132	Animal Disease Control
AGR 141	Agricultural Resource Management
AGR 151	Quality and Price Assurance
AGR 153	Aquaculture Development
AGR 161	Agribusiness Development and Research

AGR 171	Agricultural Development and Marketing
AGR 192	General Administration for Agriculture

Environmental Protection

AGR 846	Pesticides
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Individual Rights

AGR 812	Measurement Standards
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**Department of Agriculture
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	276.00	224.70	224.70
General Funds	\$	16,790,342	13,609,612	13,609,612
		52.00	69.30	69.30
Special Funds		6,047,058	6,948,501	6,948,501
		1.00	2.00	2.00
Federal Funds		2,033,610	2,010,549	2,010,549
Trust Funds		812,962	812,962	812,962
		9.00	9.00	9.00
Interdepartmental Transfers		1,845,674	1,430,203	1,430,203
		17.00	20.00	20.00
Revolving Funds		11,103,701	11,403,074	11,403,074
Other Funds		195,323	0	0
		355.00	325.00	325.00
Total Requirements		38,828,670	36,214,901	36,214,901

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes 22.00 vacant permanent positions and \$1,839,271 in the Plant Industry Division.
2. Deletes 3.00 vacant permanent positions and \$258,764 in Quality Assurance Division, Commodities Branch.
3. Deletes 1.00 vacant permanent position and \$139,597 in Agricultural Development and Marketing.
4. Deletes 3.00 vacant permanent positions and \$112,284 in the Measurement Standards Branch.
5. Deletes \$492,962 for agricultural commodities research from Agricultural Development and Marketing.
6. Changes the means of financing from general to special funds for 13.00 permanent positions and 1.00 temporary position and adds \$565,000 in special funds in the Plant Industry Division.
7. Changes the means of financing from general to special funds for 3.30 permanent positions and adds \$225,444 in special funds in the Animal Industry Division.

**Department of Agriculture
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	5,000,000	5,000,000
Federal Funds	350,000	4,595,000
	5,350,000	9,595,000
Total Requirements	5,350,000	9,595,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$350,000 in FY 10 and \$1,000,000 in FY 11 for the Molokai and Waimea Hydropower Plant.
2. Provides \$3,500,000 in FY 10 for Molokai Irrigation System Improvements.
3. Provides \$200,000 in FY 10 and \$2,000,000 in FY 11 for Waimea Transfer Ditch
4. Provides \$500,000 in FY 10 and \$500,000 in FY 11 for health, safety, code and other requirements.
5. Provides \$50,000 and \$150,000 in matching federal funds in FY 10 and \$1,500,000 and \$4,595,000 in matching federal funds in FY 11 for Waiahole Ditch Irrigation System Reservoir Improvements.
6. Provides \$200,000 and \$200,000 in matching federal funds in FY 10 for the State Agricultural Water Use and Development Plan.
7. Provides \$200,000 in FY 10 for Kahuku Agricultural Park Subdivision Improvements.

DEPARTMENT OF THE ATTORNEY GENERAL

Department Summary

Mission Statement

To provide legal and other services to the State, including the agencies, officers, and employees of the executive, legislative, and judicial branches of the Hawaii government.

Department Goals

To safeguard the rights and interests of the people of the State of Hawaii by being the defender of and advocate for the people and undertaking appropriate legal and other actions on their behalf; to protect the State's interest in legal matters by providing excellent and timely legal advice and representation to the executive, legislative, and judicial branches; to preserve, protect, and defend the constitution and laws of the State of Hawaii and the United States, to enforce the State's constitution and laws, and to facilitate the enforcement of federal law; and to assist and coordinate statewide programs and activities that improve the criminal justice system and law enforcement.

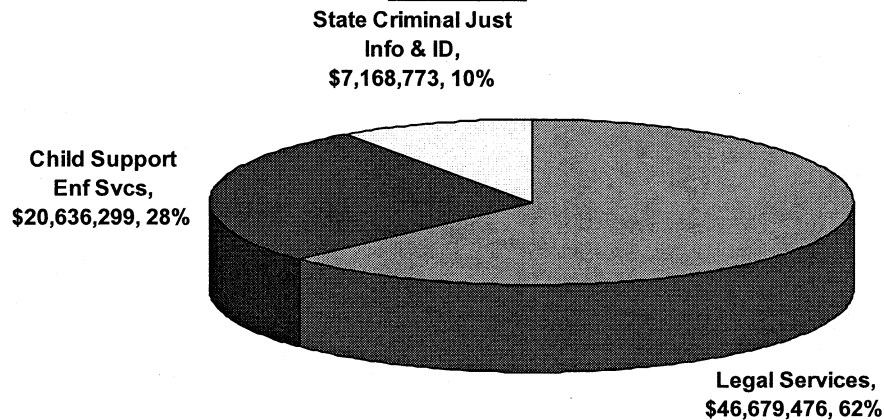
Significant Measures of Effectiveness

1. Number of cases settled, tried, or decided
2. Percentage of complete dispositions on CJIS-Hawaii
3. Efficiency rating: Dollars collected per dollar expended

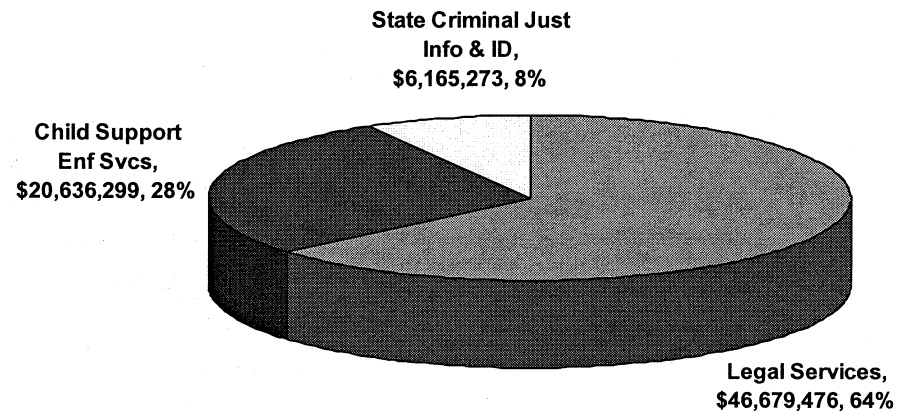
<u>FY 2010</u>	<u>FY 2011</u>
25,800	25,800
93.0%	93.0%
5	5

FB 2009-2011 Operating Budget by Major Program Area

FY 2010



FY 2011



**DEPARTMENT OF THE ATTORNEY GENERAL
MAJOR FUNCTIONS**

- Provides legal services to the state agencies and employees; represents the State in all civil litigations in which the State is a party; conducts civil and criminal investigations; drafts and approves as to form the legality of various documents.
- Prosecutes criminal offenses, such as Medicaid fraud, welfare fraud, tax fraud, unemployment fraud, organized crime, and other crime against the public order; and initiates, develops and performs or coordinates programs, projects and activities on the subject of crime.
- Oversees the actions of the trustees of charitable trusts and to bring any abuse or deviation by the trustees to the attention of the probate court for possible correction.
- Seeks to enforce the federal and state antitrust laws to benefit businesses and consumers in the State of Hawaii and the overall welfare of the State of Hawaii.
- Responsible for the enforcement of the Master Settlement Agreement pursuant to the Hawaii Revised Statutes Chapter 675 (HRS Chapter 675, State's Tobacco Liability Act); and the Cigarette Tax Stamp requirements and prohibition against the sale of Gray Market cigarettes.
- Maintains the automated statewide information system that collects, maintains, and disseminates individual criminal history record information for those arrested and fingerprinted.
- Administers the Child Support Enforcement Program, which involves initiating legal or administrative actions required to secure financial support for children.
- Provides a fair and impartial administrative forum for the expeditious resolution of child support disputes through the Office of Child Support hearings.

MAJOR PROGRAM AREAS

The Department of the Attorney General has programs in the following major program areas:

Social Services

ATG 500 Child Support Enforcement Services

Public Safety

ATG 231 State Criminal Justice Information and Identification

Government-Wide Support

ATG 100 Legal Services

**Department of the Attorney General
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	362.43	348.43	348.43
General Funds	\$	28,420,414	25,263,159	25,263,159
		18.00	22.00	22.00
Special Funds		1,958,662	2,346,782	2,346,782
		178.00	178.00	178.00
Federal Funds		26,391,051	25,117,352	25,117,352
		0.00	0.00	0.00
Trust Funds		6,193,203	6,067,383	6,067,383
		55.35	55.35	55.35
Interdepartmental Transfers		8,406,976	7,976,110	7,976,110
		33.50	33.50	33.50
Revolving Funds		6,063,275	6,882,176	5,878,676
		0.00	0.00	0.00
Other Funds		0	831,586	831,586
		647.28	637.28	637.28
Total Requirements		77,433,581	74,484,548	73,481,048

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes 8.50 vacant positions and \$3,364,475 each year in Legal Services that includes anticipated vacancies, Career Criminal Prosecution and Victim Assistance, Sex Assault contract, and miscellaneous costs. Deletes 1.50 vacant positions and \$42,876 in federal funds in each year.
2. Deletes 1.00 vacant Criminal ID Supervisor position and \$199,521 in each year which includes R&M of data processing equipment for the Automated Fingerprint ID System.
3. Deletes 5.00 vacant positions and \$155,036 in each year for the Hawaii Criminal Justice Data Center.
4. Deletes \$417,782 in general funds and \$810,989 in federal funds each year in other current expenses in the Child Support Enforcement Agency.

**Department of Attorney General
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	0	0
Federal Funds	0	0
	<hr/>	
Total Requirements	<u>0</u>	<u>0</u>

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. None.

DEPARTMENT OF BUDGET AND FINANCE

Department Summary

Mission Statement

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.

Department Goals

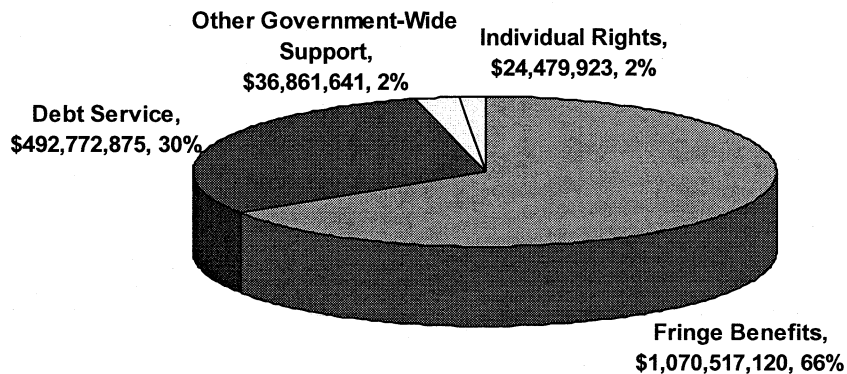
Improve the executive resource allocation process through planning, analysis and recommendation on all phases of program scope and funding; maximize the value, investment, and use of State funds through planning, policy development, timely scheduling of State bond financing and establishment of appropriate cash management controls and procedures; administer retirement and survivor benefits for State and County members and prudently manage the return on investments; administer health and life insurance benefits for eligible active and retired State and County public employees and their dependents by providing quality services and complying with federal and State legal requirements; ensure regulated companies provide adequate and reliable services at just and reasonable rates with a fair opportunity to earn a reasonable rate of return; and to safeguard the rights of indigent individuals in need of assistance in criminal and related cases by providing statutorily entitled and effective legal representation.

Significant Measures of Effectiveness

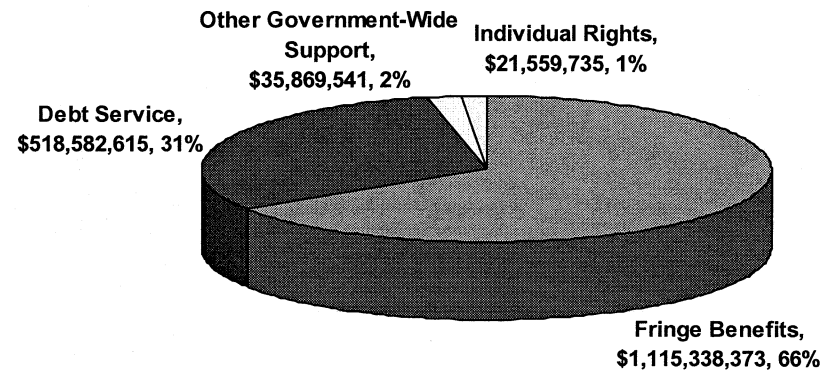
	<u>FY 2010</u>	<u>FY 2011</u>
1. Percentage of recommendations on departments' requests completed by due date	90	90
2. Average annual rate of return on State treasury investments	3	3
3. Rate of interest paid on State bonds relative to the Bond Buyer Index for bonds of comparable term and credit	90	90

FB 2009-2011 Operating Budget by Major Program Area

FY 2010



FY 2011



DEPARTMENT OF BUDGET AND FINANCE MAJOR FUNCTIONS

- Administers the multi-year program and financial plan and executive budget, management improvement, and financial management programs of the state under the general direction of the Governor.
- Coordinates state budget services and prepares the Governor's budget for submission to the legislature; administers the financial affairs of the State.
- Plans, directs and coordinates the State's investments and financing programs.
- Directs and coordinates a statewide retirement benefits program for state and county government employees.
- Administers health and life insurance benefits for eligible state and county active and retired public employees and dependents.
- Provides comprehensive legal and related services to persons who are financially unable to obtain legal and related services.
- Regulates all chartered, franchised, or certificated public service companies operating in the State.

MAJOR PROGRAM AREAS

The Department of Budget and Finance has programs in the following major program areas:

Individual Rights

BUF 151 Office of the Public Defender
BUF 901 Public Utilities Commission

Government-Wide Support

BUF 101 Departmental Administration and Budget
 Division
BUF 115 Financial Administration
BUF 141 Employees Retirement System
BUF 143 Employer Union Trust Fund
BUF 915 Debt Service Payments
BUF 941 Retirement Benefits Payments
BUF 943 Health Premium Payments

Department of Budget and Finance
(Operating Budget)

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	145.00	141.00	141.00
General Funds	\$	698,632,566	687,624,985	718,238,534
		55.00	62.00	62.00
Special Funds		10,628,380	14,557,057	11,636,869
		31.00	31.00	31.00
Trust Funds		10,686,573	12,431,726	11,439,626
Interdepartmental Transfers		972,786,344	898,699,895	938,717,339
		99.00	99.00	99.00
Other Funds		14,228,189	11,317,896	11,317,896
		330.00	333.00	333.00
Total Requirements		1,706,962,052	1,624,631,559	1,691,350,264

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes 4.00 permanent and 2.00 temporary position counts and \$1,324,644 in personal services and other current expenses.
2. Debt Service: adds \$21,331,051 in FY 10 and \$28,160,786 in FY 11; reduces the inter-departmental transfer fund by \$57,685,802 in FY 10 and \$43,707,247 in FY 11.
3. Pension Accumulation: deletes \$27,766,190 in FY 10 and \$27,304,834 in FY 11; adds \$2,464,310 in FY 10 and \$3,130,915 in FY 11 in inter-departmental transfer funds for employer contribution requirements.
4. Social Security/Medicare: deletes \$14,794,737 in FY 10 and \$14,567,126 in FY 11; adds \$1,996,777 in FY 10 and \$2,337,915 in FY 11 in inter-departmental transfer funds for employer contribution requirements.
5. Increases the FY 10 and FY 11 trust fund ceiling for unclaimed property by \$1,000,000.
6. Adds \$1,037,000 in FY 10 trust funds for an eligibility audit of the EUTF's health plans.
7. Adds 7.00 permanent special fund position counts and special funds of \$535,893 in FY 10 and \$524,693 in FY 11 for PUC's restructuring to implement Act 177, SLH 2007.
8. Adds \$3,822,108 in FY 10 and \$1,272,071 in FY 11 in special funds for PUC Office relocation to support PUC's restructuring per Act 177, SLH 2007.

Department of Budget and Finance
(Capital Improvements Budget)

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	75,000,000	75,000,000
Total Requirements	<u>75,000,000</u>	<u>75,000,000</u>

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$30,000,000 in general obligation bond funds in FY 10 and 11 for the Hawaiian Home Lands Trust Fund, Statewide.
2. Provides \$45,000,000 in general obligation bond funds in FY 10 and 11 for the State Educational Facilities Improvement Special Fund, Statewide.

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

Department Summary

Mission Statement

To achieve a Hawaii economy that embraces innovation and is globally competitive, dynamic and productive, providing opportunities for all Hawaii's citizens to prosper.

Department Goals

Lead efforts to facilitate structural economic adjustments to improve the competitiveness of Hawaii businesses and create the conditions to reward productivity and entrepreneurship.

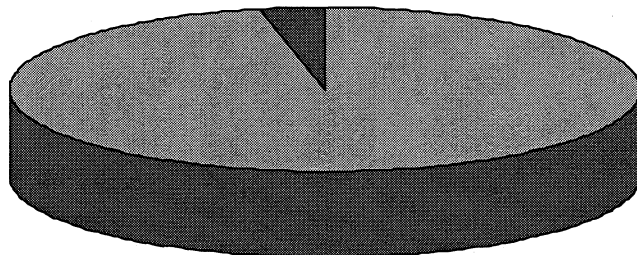
Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. Annual percentage increase in Gross State Product	5	5
2. Number of new jobs created per annum	6,272	5,668
3. Investment generated by business development and promotional activities (\$M)	13	13

FB 2009-2011 Operating Budget by Major Program Area

FY 2010

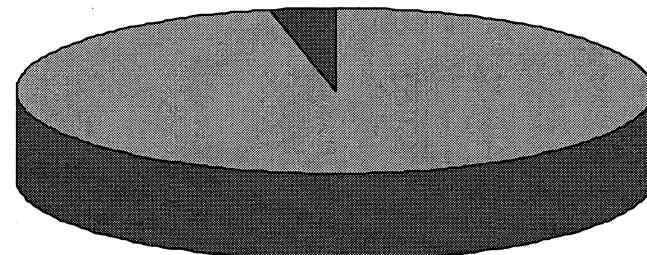
Government-Wide
Support,
\$8,585,406, 3%



Economic Development,
\$247,547,980, 97%

FY 2011

Government-Wide
Support,
\$8,585,406, 3%



Economic Development,
\$251,895,284, 97%

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM MAJOR FUNCTIONS

- **Workforce Housing** – Create workforce housing units in high-quality living environments to support a skilled labor force in Hawaii.
- **Human Capital Development** – Educate, develop, retain and attract a workforce with the skills required for an innovation-driven and globally-competitive economy.
- **“Energy for Tomorrow”** – Fundamentally change how Hawaii consumes energy, by accelerating the production of renewable and alternative energy, increasing energy efficiency, developing and adopting new technologies, ensuring energy security and long-term environmental quality, and returning benefits to the consumer.
- **Global Links** – Increase the flow of people, products, services and ideas between Hawaii and its export markets.
- **Creation of an Innovation Infrastructure** – Create the infrastructure that enables Hawaii’s creative and entrepreneurial talent to turn ideas into products and services.
- **Improving Hawaii’s Business Environment** – Lead public sector efforts to bring about a business environment that is market-driven, and rewards productivity and entrepreneurship.

MAJOR PROGRAM AREAS

The Department of Business, Economic Development and Tourism has programs in the following major program areas:

Economic Development

BED 100	Strategic Marketing and Support
BED 105	Creative Industries
BED 107	Foreign Trade Zone
BED 113	Tourism
BED 120	Strategic Industries
BED 142	General Support for Economic Development
BED 143	High Technology Development Corporation
BED 145	Hawaii Strategic Development Corporation
BED 146	Natural Energy Laboratory of Hawaii Authority
BED 150	Hawaii Community Development Authority
BED 151	Aloha Tower Development Corporation
BED 160	Hawaii Housing Finance and Development Corporation

Government-Wide Support

BED 103	Statewide Land Use Management
BED 130	Economic Planning and Research
BED 144	Statewide Planning and Coordination

Department of Business, Economic Development and Tourism
(Operating Budget)

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	124.50	114.00	114.00
General Funds	\$	11,414,477	10,641,632	10,641,632
		22.50	22.50	22.50
Special Funds		161,921,880	154,835,956	159,271,706
		4.00	4.00	4.00
Federal Funds		22,541,223	23,797,901	23,697,901
Trust Funds		31,923,698	46,923,698	46,923,698
		5.00	5.00	5.00
Interdepartmental Transfers		3,175,737	2,387,868	2,397,868
		31.00	34.50	34.50
Revolving Funds		15,615,798	17,546,331	17,547,885
Other Funds		191,769	0	0
		187.00	180.00	180.00
Total Requirements		246,784,582	256,133,386	260,480,690

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Transfers 6.00 vacant permanent and 1.00 vacant temporary positions and \$393,518 from various BED programs to the Strategic Industries Division to support the Hawaii Clean Energy Initiative.
2. Transfers 4.00 permanent and 1.00 temporary positions and \$599,296 from the Strategic Industries Division to the Strategic Marketing & Support Division.
3. Adds 1.00 permanent position and \$51,312 for an Economist position established by Act 148, SLH 2007.
4. Adds 1.00 temporary position and \$119,280 in interdepartmental transfer funds for a Renewable Energy Facilitator established through Act 208, SLH 2008.
5. Increases the Natural Energy Laboratory of Hawaii Authority special fund ceiling by \$2,346,849 due to anticipated increases in electricity, freshwater, ceded land payments, and central services fees.
6. Decreases the tourism special fund ceiling by \$3,000,000 in FY 10 due to lower than anticipated Transient Accommodations Tax revenues.

**Department of Business, Economic Development and Tourism
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	88,000,000	55,000,000
Total Requirements	88,000,000	55,000,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$5,000,000 lump sum appropriation in general obligation bond funds in FY 10 and FY 11.
2. Provides \$33,000,000 in general obligation bond funds in FY 10 for HHFDC - Senior Residence at Iwilei, Oahu.
3. Provides \$25,000,000 in general obligation bond funds in FY 10 and FY 11 for HHFDC - Rental Housing Trust Fund infusion.
4. Provides \$25,000,000 in general obligation bond funds in FY 10 and FY 11 for HHFDC - Dwelling Unit Revolving Fund infusion.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

Department Summary

Mission Statement

To fairly regulate business, while ensuring consumer protection in commercial transactions in Hawaii.

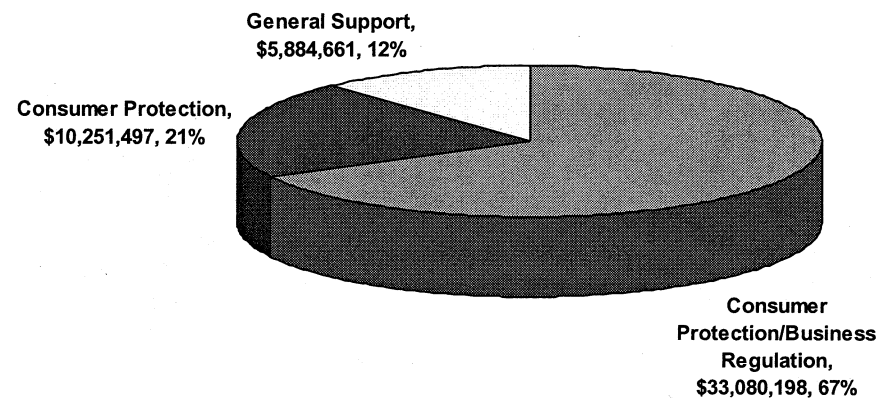
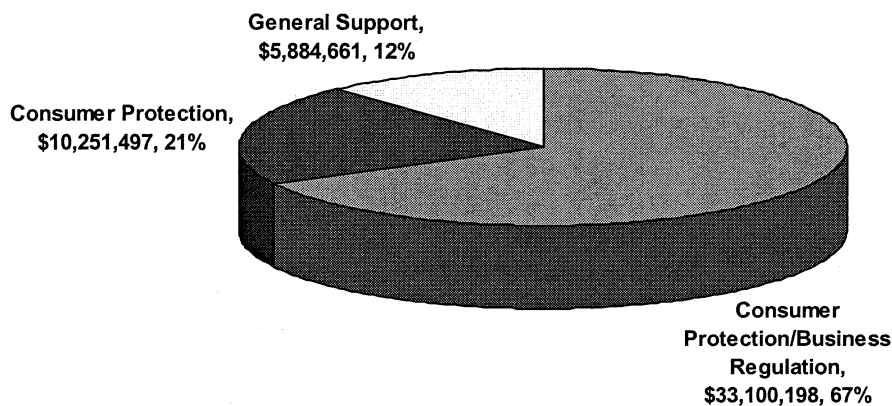
Department Goals

To develop, promote, and implement rational business regulation; to consider the public interest and increase the opportunity for public involvement in the regulatory process; and to ensure fairness in the conduct of administrative hearings that address decisions made by department regulators.

Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. Percentage of complaints resolved within 90 days	95	95
2. Percentage of new licenses issued within 10-12 business days	95	95
3. Number of businesses directly affected by investigations	2000	2000

FB 2009-2011 Operating Budget by Major Program Area



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS MAJOR FUNCTIONS

- Develops standards relating to the licensing of and general supervision over the conduct of the financial services industry, professions, businesses, trades, and insurance companies.
- Grants or denies the issuance of professional, business and trade licenses; directs investigations, holds hearings, and suspends, revokes or reinstates licenses; makes, amends or repeals such rules and regulations deemed necessary to fully effectuate the provisions of the laws within the Department's scope and jurisdiction.
- Represents, protects, and advances the interest of consumers of utility services; conducts investigations; assists and cooperates with Federal, State, and local agencies to protect the consumer's interests in the public utilities fields.
- Coordinates consumer protection activities in the State; conducts investigations, research, and enforces laws, rules, and regulations in the area of consumer protection; provides consumer education services and programs.
- Administers the laws of the State relating to corporations; partnerships; sales of securities; registration of trademarks, tradenames, prints and labels; miscellaneous business registrations; financial services industry; the insurance industry; and provides advice on business formation.
- Ensures that subscribers are provided with cable communication services which meet acceptable standards of quality, dependability, and fair rates; establishes technical standards of performances; maintains surveillance over filed rates, charges, terms, and conditions of services; and monitors the operations and management of cable television operators.

MAJOR PROGRAM AREAS

The Department of Commerce and Consumer Affairs has programs in the following major program areas:

Individual Rights

Consumer Protection/Business Regulation

CCA 102	Cable Television
CCA 104	Financial Institution Services
CCA 105	Professional and Vocational Licensing
CCA 106	Insurance Regulatory Services
CCA 111	Business Registration and Securities Regulation

Consumer Protection

CCA 103	Consumer Advocate for Communication, Utilities, and Transportation Services
CCA 110	Office of Consumer Protection
CCA 112	Regulated Industries Complaints Office

General Support

CCA 191	General Support
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**Department of Commerce and Consumer Affairs
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	396.00	398.00	398.00
Special Funds	\$	46,293,716	46,844,520	46,844,520
		5.00	8.00	8.00
Trust Funds		2,330,875	2,391,836	2,371,836
		401.00	406.00	406.00
Total Requirements		48,624,591	49,236,356	49,216,356

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Adds \$527,898 in special funds and \$36,205 in trust funds for various divisions' fringe benefits increases.
2. Transfers 1.00 temporary special fund position and 1.00 permanent special fund position from the Business Registration Division to Regulated Industries Complaints Office and increases the special fund ceiling by \$76,012 for personal services costs.
3. Converts 5.00 temporary special fund positions to 5.00 permanent special fund positions in the Professional and Vocational Licensing Division.

Department of Commerce and Consumer Affairs
(Capital Improvements Budget)

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	0	0
Federal Funds	0	0
	<hr/>	
Total Requirements	0	0
	<hr/> <hr/>	

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. None.

DEPARTMENT OF DEFENSE

Department Summary

Mission Statement

To assist authorities in providing for the safety, welfare, and defense of the people of Hawaii.

Department Goals

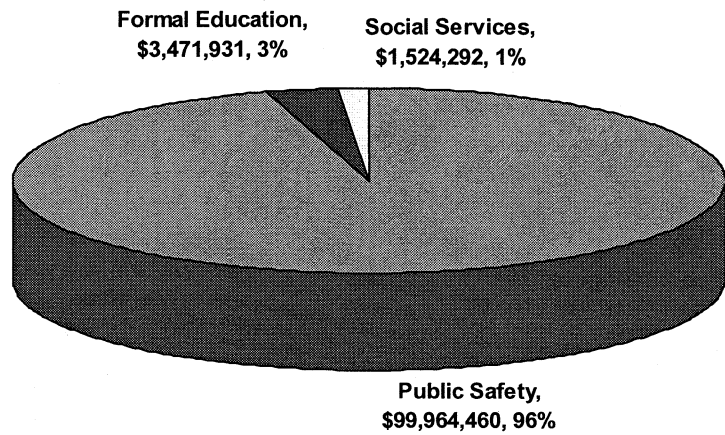
To maintain readiness to respond to the needs of the people in the event of disasters, either natural or human-caused; to administer policies and programs related to veterans and their families; to provide at-risk youth with opportunities to obtain their high school diplomas and become productive citizens.

Significant Measures of Effectiveness

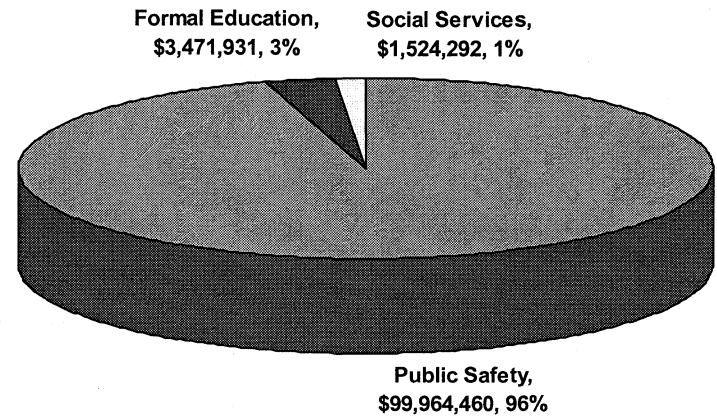
	<u>FY 2010</u>	<u>FY 2011</u>
1. Percent of veterans' services plan achieved	95	95
2. Percent of corps members finding employment within one year of graduation	65	65

FB 2009-2011 Operating Budget by Major Program Area

FY 2010



FY 2011



DEPARTMENT OF DEFENSE MAJOR FUNCTIONS

- Provides for the defense, safety and welfare of the people of Hawaii.
- Maintains its readiness to respond to the needs of the people in the event of war or devastation originating from either natural or human-caused disasters.
- To meet its federal mission as part of the military reserve component, the Hawaii National Guard, consisting of the Army and Air National Guard divisions, is manned, trained, equipped and ready for call to active duty by the President in times of national emergency. To meet its State mission, the Hawaii National Guard responds when necessary to protect life and property, preserve peace, order and public safety as directed by competent State authority.
- Coordinates the civil defense planning of all public and private organizations within the islands, minimizes the loss of life and property damage, restores essential public services, and expedites the recovery of individuals in the event of natural or human-caused mass casualty situations.
- Administers the Youth Challenge Academy, which serves youth at risk by providing life-transforming experience through training under military-like conditions.
- Office of Veterans Services – Responsible for the statewide administration, conduct, and coordination of all functions and activities prescribed under Chapter 363, Veterans Rights and Benefits, HRS, for veterans and their dependents.

MAJOR PROGRAM AREAS

The Department of Defense has programs in the following major program areas:

Social Services

DEF 112 Services to Veterans

Formal Education

DEF 114 Hawaii National Guard Youth Challenge
Academy

Public Safety

DEF 110 Amelioration of Physical Disasters

**Department of Defense
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	153.80	154.80	154.80
General Funds	\$	16,062,508	16,169,962	16,169,962
		76.70	81.70	81.70
Federal Funds		76,194,940	76,306,668	76,306,668
County Funds		464,458	464,458	464,458
Interdepartmental Transfers		12,017,708	12,019,595	12,019,595
		230.50	236.50	236.50
Total Requirements		104,739,614	104,960,683	104,960,683

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes 3.00 permanent and 4.50 temporary positions, and \$313,783 in general funds; and 4.50 temporary positions and \$293,473 in matching federal funds in each year.
2. Deletes \$244,559 in general funds in each year for salaries and for uniform allowance.

**Department of Defense
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	10,000,000	10,000,000
Federal Funds	8,225,000	2,940,000
	18,225,000	12,940,000
Total Requirements	18,225,000	12,940,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$710,000 in general obligation bond funds and \$2,350,000 in federal funds for FY 10, and \$715,000 in general obligation bond funds and \$1,565,000 in federal funds for FY 11 for energy savings improvements and renewable energy projects.
2. Provides \$365,000 in FY 10, and \$2,935,000 in FY 11 for improvements to state veteran cemeteries.
3. Provides \$2,400,000 in general obligation bond funds and \$100,000 in federal funds in both years for disaster warning and communication devices, statewide.
4. Provides \$2,525,000 in general obligation bond funds and \$5,775,000 in federal funds for FY 10, and \$950,000 in general obligation bond funds and \$1,275,000 in federal funds for FY 11 for improvements to Hawaii National Guard facilities.
5. Provides \$3,500,000 in FY 10, and \$2,425,000 in FY 11 to retrofit public buildings with hurricane protective measures.

DEPARTMENT OF EDUCATION

Department Summary

Mission Statement

To ensure that all public school graduates will realize their goals and aspirations; have attitudes, knowledge and skills to contribute positively to a compete in a global society; exercise rights and responsibilities of citizenship; and pursue post-secondary education or careers without need for remediation. Hawaii State Public Library System will provide Hawaii's residents, in all walks of life, and at each stage of their lives, with access to education, information, programs and services, and to teach and nurture love of reading and life-long learning.

Department Goals

Public School Goals: to improve student achievement through standards-based education; provide comprehensive support for all students; and continuously improve performance and quality.

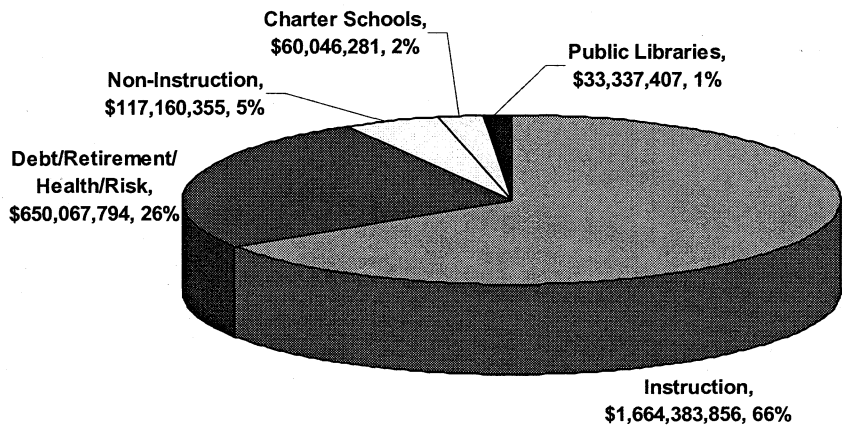
Hawaii State Library System Goals: Increase access to public library services and collections through innovative and effective methods and technologies; seek additional revenue sources and partnerships and make the best use of existing resources.

Significant Measures of Effectiveness

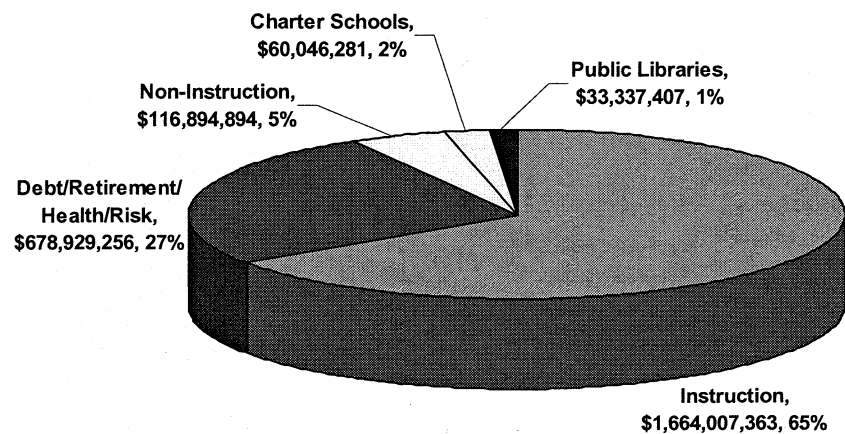
	<u>FY 2010</u>	<u>FY 2011</u>
1. Percentage of freshmen graduating in four years	80	82
2. Percentage of students scoring proficient or exceeding proficiency in reading	66	68
3. Percentage of students scoring proficient or exceeding proficiency in math	50	54

FB 2009-2011 Operating Budget by Major Program Area

FY 2010



FY 2011



DEPARTMENT OF EDUCATION MAJOR FUNCTIONS

- Under the direction of the Board of Education, the Department of Education manages the statewide system of public schools.
- The scope of educational programs and services of the public schools regularly encompasses grades kindergarten through twelve, and such pre-school programs and community/adult education programs as may be established by law.
- In addition to regular programs of instruction and support services, public schools offer special programs and services for qualified students with disabilities, gifted and talented students, students with limited English language proficiency, and students who are economically and culturally disadvantaged, school-alienated, or institutionally confined.
- The Board of Education also oversees the Hawaii State Public Library System. The Hawaii State Public Library System operates the Hawaii State Library, the Library for the Blind and Physically Handicapped, public libraries, community public and school libraries, and bookmobile services.
- The Charter School Review Panel oversees the public charter schools and appoints the Executive Director of the Charter Schools Administrative Office.

MAJOR PROGRAM AREAS

The Department of Education has programs in the following major program areas:

Formal Education

EDN 100	School Based Budgeting
EDN 150	Comprehensive Student Support Services
EDN 200	Instructional Support
EDN 300	State and Complex Area Administration
EDN 400	School Support

EDN 500	School Community Services
EDN 600	Charter Schools
EDN 915	Debt Service Payments - DOE
EDN 941	Retirement Benefits Payments - DOE
EDN 943	Health Premium Payments - DOE
EDN 973	Risk Management - DOE

Department of Education
(Operating Budget)

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	19,554.10	19,545.10	19,545.10
General Funds	\$	2,175,114,636	2,089,474,528	2,118,335,990
		732.50	732.50	732.50
Special Funds		33,850,806	34,181,798	33,590,340
		5.00	5.00	5.00
Federal Funds		266,771,068	257,190,054	257,139,558
Trust Funds		13,750,000	13,750,000	13,750,000
Interdepartmental Transfers		13,800,000	14,300,000	14,300,000
		4.00	8.00	8.00
Revolving Funds		20,450,625	22,715,625	22,715,625
Other Funds		43,766	0	0
		20,295.60	20,290.60	20,290.60
Total Requirements		2,523,780,901	2,431,612,005	2,459,831,513

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes 1.00 permanent and 26.00 temporary positions and \$21,823,449 each year in EDN 100 - School Based Budgeting for vocational-technical education, at-risk programs, athletics, peer education program, learning centers, Hawaiian language immersion program, other instructional services, school administration, curriculum improvement and development, Hawaii Content and Performance Standards, system-wide support, Superintendent's Fund, and purchases of service.
2. Deletes 195.00 temporary positions and \$11,658,985 and adds 72.00 permanent positions each year in EDN 150 - Comprehensive Student Support Services for special schools, other special education services, primary prevention/intervention, student services coordinators, educational assessment and prescriptive services, training and retention, comprehensive system of professional development, student support services, school behavioral health services, targeted technical support, services for children with autism, and other related services.

3. Deletes 33.00 permanent and 9.00 temporary positions and \$5,772,831 each year in EDN 200 - Instructional Support for instructional development, instructional services, school community leadership, advanced technical research, teacher improvement services, leadership development, technology education, school complex resource services, and systems accountability.
4. Deletes 46.00 permanent and 12.50 temporary positions and \$4,911,673 each year in EDN 300 - State and Complex Area Administration for Board of Education, Office of the Superintendent, fiscal services, personnel services, complex area administration, and information and telecommunications services.
5. Reduces 1.00 permanent and 2.00 temporary positions and \$1,056,871 each year in EDN 400 - School Support for food services, business services, facilities services, school custodial services, school inspection, disposal of hazardous materials, and student transportation.
6. Deletes \$506,904 each year in EDN 500 - Adult Education for part-time teachers.
7. Deletes \$500 in FY 11 in EDN 941 - Pension and Social Security to correct a technical error in the base budget.
8. Transfers \$5,598,603 each year from EDN 100 to a new program, EDN 973 -Risk Management.
9. Adds \$1,811,446 in FY 10 and \$2,273,321 in FY 11 for pension accumulation.
10. Adds \$1,626,243 in FY 10 and \$1,866,390 in FY 11 for Social Security/Medicare.
11. Deletes \$42,103,393 in FY 10 and \$31,900,803 in FY 11 for Debt Service.

**Department of Education
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
Special Funds	45,000,000	45,000,000
General Obligation Bonds	55,000,000	55,000,000
Total Requirements	100,000,000	100,000,000
	100,000,000	100,000,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$55,000,000 for lump sum funding - projects/priorities to be determined by DOE.
2. Provides \$45,000,000 in State Educational Facilities Improvement special funds for lump sum funding - projects/priorities to be determined by DOE.

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**Department of Education - Charter Schools
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	0.00	0.00	0.00
General Funds	\$	59,670,891	60,046,281	60,046,281
Total Requirements		59,670,891	60,046,281	60,046,281

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. None.

Department of Education - Charter Schools
(Capital Improvements Budget)

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	0	0
Federal Funds	0	0
Total Requirements	<u>0</u>	<u>0</u>

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. None.

Department of Education - Public Libraries
(Operating Budget)

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	555.55	555.55	555.55
General Funds	\$	30,486,566	28,847,163	28,847,163
Special Funds		3,125,000	3,125,000	3,125,000
Federal Funds		1,365,244	1,365,244	1,365,244
		555.55	555.55	555.55
Total Requirements		34,976,810	33,337,407	33,337,407

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes \$1,156,298 in payroll costs by freezing 57.00 vacant positions and limiting substitutes and student hires.
2. Deletes \$1,825,448 for book and material purchases.

Department of Education - Public Libraries
(Capital Improvements Budget)

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	3,000,000	3,000,000
Total Requirements	<u>3,000,000</u>	<u>3,000,000</u>

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$3,000,000 for lump sum health and safety and ADA projects, statewide.

OFFICE OF THE GOVERNOR

Department Summary

Mission Statement

To enhance the effectiveness and efficiency of state programs by providing Executive direction, policy development, program coordination, and planning and budgeting.

Department Goals

Improving the economic and social well-being of the citizens of Hawaii as measured by standard benchmarks; lead Departments in working cooperatively across departmental divisions to deliver public services at the lowest possible costs; and lead the Executive Branch to successfully shepherd bills through the Legislature that reflect priorities of the Governor's administration.

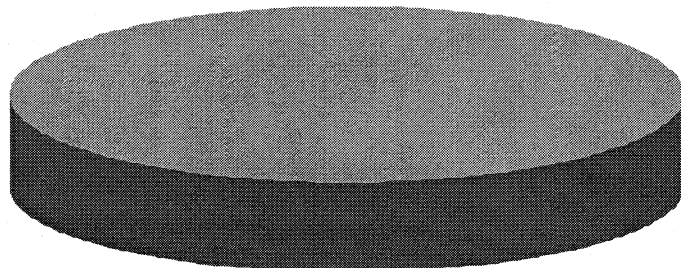
Significant Measures of Effectiveness

No applicable data.

FY 2010 FY 2011

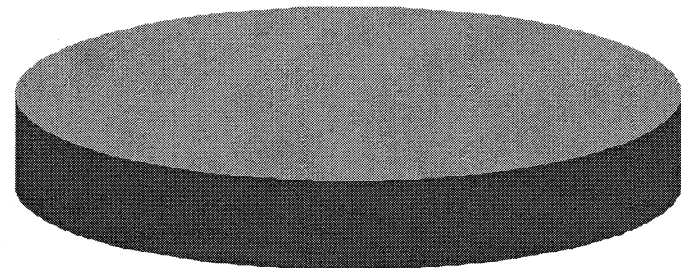
FB 2009-2011 Operating Budget by Major Program Area

FY 2010



Office of the Governor,
\$3,384,162, 100%

FY 2011



Office of the Governor,
\$3,384,162, 100%

OFFICE OF THE GOVERNOR MAJOR FUNCTIONS

- Ensuring the economic well-being of the citizens as measured by standard benchmarks including gross state product, unemployment, economic growth, new business creation, immigration, per capita income, and capital formation.
- Ensuring the social well-being of the citizens as measured by standard benchmarks such as infant mortality, longevity, educational achievement, family formation, homeownership, environmental cleanliness, leisure time, charitable giving, crime statistics, and overcrowding.
- Ensuring Departments work cooperatively across departmental divisions to deliver public services at the lowest possible cost.
- Successfully shepherding Executive Branch bills through the Legislature that reflect the priorities of the Governor and her administration.
- Ensuring media stories accurately reflect the policies, goals, and priorities of the Administration.
- Minimizing turnover, improving retention, and expediting recruitment of the public workforce.
- Settlement of collective bargaining issues that result in multi-year contracts ensuring that disruptions in the delivery of public programs are minimized. Ensuring the ability of the state to adequately fund these settlements without adverse impact on the taxpayers of the State of Hawaii.
- Ensuring the responsible management of the State's six-year financial plan to maintain the State's financial health.

MAJOR PROGRAM AREAS

The Office of the Governor has a program in the following major program area:

Government-Wide Support

GOV 100 Office of the Governor

**Office of the Governor
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	37.00	37.00	37.00
General Funds	\$	3,758,826	3,384,162	3,384,162
Private Funds		250,000	0	0
Interdepartmental Transfers		500,000	0	0
		37.00	37.00	37.00
Total Requirements		4,508,826	3,384,162	3,384,162

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes \$534,660 in each year.

Office of the Governor
(Capital Improvements Budget)

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	1,000	1,000
Total Requirements	<u>1,000</u>	<u>1,000</u>

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$1,000 in general obligation bond funds in FY 10 and FY 11 for the Project Adjustment Fund.

DEPARTMENT OF HAWAIIAN HOME LANDS

Department Summary

Mission Statement

To manage the Hawaiian Home Lands Trust effectively and to develop and deliver Hawaiian home lands to native Hawaiians.

Department Goals

To effectively manage the Hawaiian Home Lands Trust (HHLT) lands, water, and related resources; to develop and deliver lands for award to beneficiaries on an on-going basis; to develop and deliver program services that meet the housing needs of native Hawaiians; to effectively manage the HHLT financial resources; to effectively manage the department's human resources and to establish better relationships with the native Hawaiian community, governmental agencies, homestead communities, and the community at large.

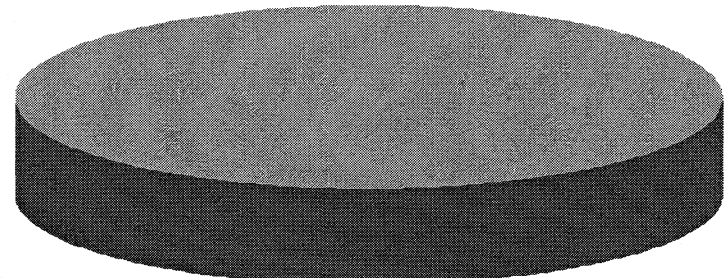
Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. # new residential homesteads awarded as % of planned homesteads	100%	100%
2. # direct residential loans granted as % of loans planned	100%	100%
3. # of homes constructed as % planned for construction	100%	100%

FB 2009-2011 Operating Budget by Major Program Area



**Social Services,
\$29,372,340, 100%**



**Social Services,
\$29,372,340, 100%**

DEPARTMENT OF HAWAIIAN HOME LANDS MAJOR FUNCTIONS

- Identifying and assessing the needs of beneficiaries of the Hawaiian Homes Commission Act (HCCA) through research and planning; compiling data needed for the development and utilization of Hawaiian home lands and other physical resources of the Hawaiian Homes Trust; identifying Hawaiian home lands by physical characteristics, lands use, and planned use of the lands; and developing and updating regional master plans for designated areas.
- Developing, marketing, disposing of, and managing Hawaiian home lands not immediately needed or not suitable for homestead purposes by issuing general leases, revocable permits, licenses, and rights-of-entry to generate income to finance homestead lot development activities.
- Developing Hawaiian home lands for homesteading and income-producing purposes by designing and constructing off-site and on-site improvements.
- Developing waiting lists of applicants for homestead leases; awarding homestead leases; providing loans for home building, repair, and replacement and for development of farms and ranches; managing homestead areas on the islands of Oahu, Hawaii, Maui, Molokai, Kauai and Lanai; and providing for the maintenance, repair, and operation of water systems, roads, and facilities.

MAJOR PROGRAM AREAS

The Department of Hawaiian Home Lands has a program in the following major program area:

Social Services

- HHL 602 Planning and Development for Hawaiian Homesteads

- HHL 625 Management and General Support for Hawaiian Homesteads

**Department of Hawaiian Home Lands
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	18.00	0.00	0.00
General Funds	\$	928,778	0	0
		100.00	118.00	118.00
Special Funds		10,983,572	13,269,792	13,269,792
Federal Funds		9,601,391	9,601,391	9,601,391
		77.00	77.00	77.00
Trust Funds		6,424,496	6,501,157	6,501,157
		195.00	195.00	195.00
Total Requirements		27,938,237	29,372,340	29,372,340

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes 18.00 permanent position counts and \$972,177 to reflect a change in the means of financing from general to special funds; increases the special fund by 18.00 permanent position counts and \$1,307,862.
2. Adds \$620,000 in special funds for debt service principal payments.

**Department of Hawaiian Home Lands
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	8,700,000	2,300,000
Federal Funds	15,000,000	15,000,000
Total Requirements	23,700,000	17,300,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides a federal fund ceiling of \$15,000,000 in FY 10 and 11 for the Native American Housing Assistance and Self-Determination Act (NAHASDA), Development Projects, Statewide.
2. Provides \$2,500,000 in general obligation bond funds in FY 10 and \$2,300,000 in FY 11 for Water Source Development for State Housing Projects in the Villages of Leialii, Maui.
3. Provides \$6,200,000 in general obligation bond funds in FY 10 for Water System Improvements, Lalamilo, Waimea, Hawaii.

DEPARTMENT OF HEALTH

Department Summary

Mission Statement

To administer programs designed to protect, preserve, care for, and improve the physical and mental health of the people of the State.

Department Goals

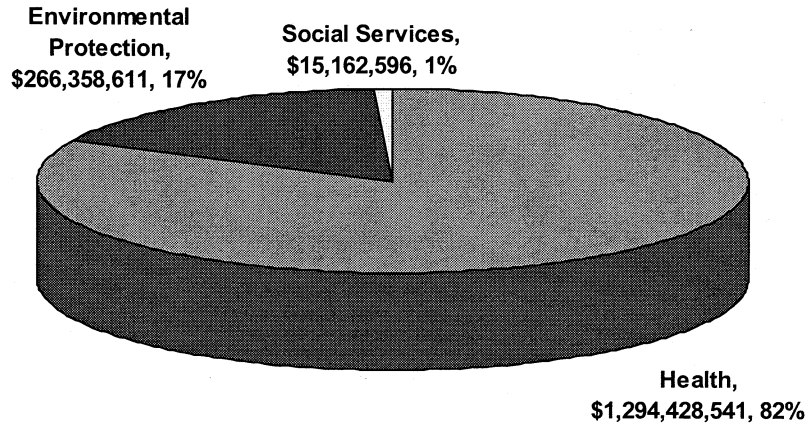
To monitor, protect and enhance the health of all people in Hawaii by providing leadership in assessment, policy development, and assurance to promote health and well-being, to preserve a clean, healthy and natural environment, and to assure basic health care for all.

Significant Measures of Effectiveness

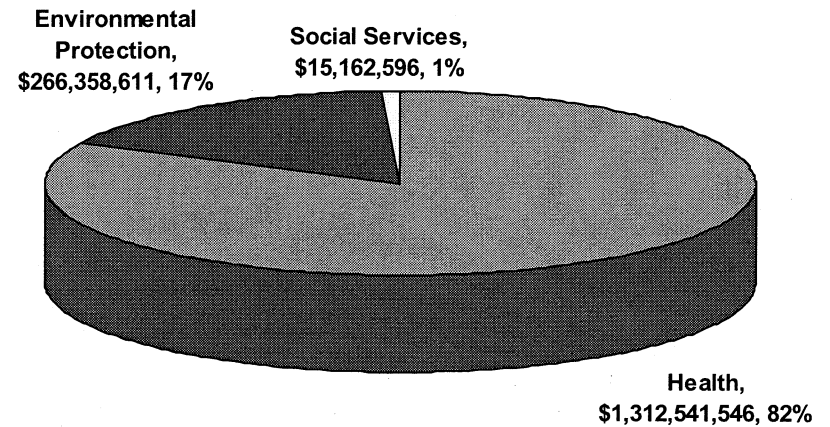
	<u>FY 2010</u>	<u>FY 2011</u>
1. Mortality rate (per thousands)	6	6
2. Average life span of residents (years)	80	80
3. Percentage of reported vaccine preventable diseases investigated	100%	100%

FB 2009-2011 Operating Budget by Major Program Area

FY 2010



FY 2011



DEPARTMENT OF HEALTH MAJOR FUNCTIONS

- Plans, directs and administers statewide programs to protect, preserve and improve the physical, mental and environmental health of Hawaii's residents.
- Administers programs for the prevention, control and treatment of infectious and communicable diseases; coordinates bioterrorism preparedness planning activities and integrating these activities with surveillance and response mechanisms.
- Administers community based programs that provide and coordinate health intervention services and support for at-risk families, populations and communities who are most likely to experience unhealthy outcomes.
- Provides public health nursing intervention services in the areas of communicable disease, disaster outbreaks care coordination, follow-up and monitoring for at-risk populations and nursing supervision, oversight and intervention in the public schools.
- Plans, coordinates and provides statewide mental health services which include treatment, consultative and preventive components for individuals; also plans, coordinates and implements statewide services relative to alcohol and drug abuse.
- Provides services and supports to individuals with developmental disabilities or mental retardation and their families to attain quality of life.
- Plans, provides and promotes health services to mothers, children and youth and family planning services. Also promotes optimal oral health; develops and implements methods of prevention and early detection of oral diseases and abnormalities and for the control of such conditions when they are not prevented.
- Implements and maintains the statewide programs for air, water, noise, radiation and indoor air pollution control; noise, safe drinking water, solid waste and wastewater management, and programs which protect consumers from unsafe foods, drugs, cosmetics, and medical devices.
- Administers the statewide emergency medical services system.
- Administers a statewide laboratories program which conducts analysis in support of environmental health and communicable disease monitoring and control activities.

MAJOR PROGRAM AREAS

The Department of Health has programs in the following major program areas:

Environmental Protection

HTH 840 Environmental Management
HTH 849 Environmental Health Administration
HTH 850 Office of Environmental Quality Control

Social Services

HTH 520 Disability and Communication Access Board
HTH 904 Executive Office on Aging

Health

HTH 100 Communicable Disease Services
HTH 131 Disease Outbreak Control
HTH 141 Dental Diseases
HTH 210 Hawaii Health Systems Corporation
HTH 420 Adult Mental Health – Outpatient
HTH 430 Adult Mental Health – Inpatient
HTH 440 Alcohol and Drug Abuse
HTH 460 Child and Adolescent Mental Health
HTH 495 Behavioral Health Administration
HTH 501 Developmental Disabilities
HTH 560 Family Health Services
HTH 580 Community Health Services
HTH 590 Tobacco Settlement
HTH 595 Health Resources Administration
HTH 610 Environmental Health Services
HTH 710 State Laboratory Services
HTH 720 Health Care Assurance
HTH 730 Emergency Medical Services and Injury
Prevention System
HTH 760 Health Status Monitoring
HTH 905 Developmental Disabilities Council
HTH 906 State Health Planning and Development Agency
HTH 907 General Administration

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**Department of Health
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	2,437.04	2,420.04	2,420.04
General Funds	\$	461,407,085	443,752,901	444,402,901
		123.50	135.00	135.00
Special Funds		201,719,596	213,618,159	214,068,089
		359.31	358.31	358.31
Federal Funds		116,193,624	118,307,740	118,306,815
		5.00	4.50	4.50
Interdepartmental Transfers		77,077,300	77,136,718	77,136,718
		68.20	69.20	69.20
Revolving Funds		167,948,120	168,562,230	168,562,230
Other Funds		354,527	0	0
		2,993.05	2,987.05	2,987.05
Total Requirements		1,024,700,252	1,021,377,748	1,022,476,753

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes \$1,463,982 in the Partnership In Community Living.
2. Deletes 2.00 permanent positions and \$11,621,158 in the Healthy Start Program.
3. Deletes \$5,691,526 and adds \$5,691,526 in special funds in Family Health Services.
4. Deletes \$315,528 in Adult Mental Health - Outpatient.
5. Deletes \$105,067 in Adult Mental Health - Inpatient.
6. Deletes \$130,000 in Family Health Services - purchase of service contracts.
7. Deletes \$500,000 for purchase of service contracts in the Child and Adolescent Mental Health Division.

8. Transfers the Chronic Disease Management and Control Branch's Community Resources and Development Section to the Tobacco Settlement Program by reducing 9.00 positions and \$555,204 in general funds and \$100,000 in federal funds in each year in the Chronic Disease Management and Control Branch and increasing 9.00 positions and \$761,550 in special funds and \$100,000 in federal funds in each year in the Tobacco Settlement Program.
9. Transfers the Chronic Disease Management and Control Branch's Diabetes and Chronic Disabling Diseases Section to the Tobacco Settlement Program by reducing 1.00 position and \$107,705 in general funds and 4.00 positions and \$1,166,242 in federal funds in the Chronic Disease Management and Control Branch and adding 1.00 position and \$148,654 in special funds and 4.00 positions and \$1,166,242 in federal funds in the Tobacco Settlement Program.
10. Transfers the Chronic Disease Management and Control Branch's Cancer Prevention and Control Section to the Tobacco Settlement Program by reducing \$1,338,281 in federal funds and \$150,000 in inter-agency transfer funds in the Chronic Disease Management and Control Branch and adding \$1,338,281 in federal funds and \$150,000 in inter-agency transfer funds in the Tobacco Settlement Program.
11. Transfers the Chronic Disease Management and Control Branch's Tobacco Prevention and Control Section to the Tobacco Settlement Program by reducing 1.00 position and \$79,352 in general funds, 7.00 positions and \$1,217,300 in federal funds and \$136,811 in inter-agency transfer funds in the Chronic Disease Management and Control Branch and adding 1.00 position and \$112,609 in special funds, 7.00 positions and \$1,217,300 in federal funds, and \$136,811 in inter-agency transfer funds in the Tobacco Settlement Program.
12. Deletes \$1,100,000 in FY 10 and \$450,000 in FY 11 and adds \$1,100,000 in FY10 and \$450,000 in FY 11 in special funds for purchase of service contracts in the Alcohol and Drug Abuse Division.
13. Deletes \$412,024 for respite services in the Health Resources Administration.

**Department of Health
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	12,675,000	12,675,000
Federal Funds	13,370,000	13,370,000
	26,045,000	26,045,000
Total Requirements	26,045,000	26,045,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$1,045,000 and \$5,224,000 in federal funds in both years for wastewater project capitalization loans.
2. Provides \$1,630,000 and \$8,146,000 in federal funds in both years for drinking water project capitalization loans.
3. Provides \$3,271,000 in FY 10 and \$2,766,000 in FY 11 for improvements to Department of Health facilities, statewide.
4. Provides \$2,071,000 in FY 10 and \$3,962,000 in FY 11 for repairs and improvements to various buildings at Hawaii State Hospital.
5. Provides \$1,570,000 in FY 10 and \$3,272,000 in FY 11 for Waimano Ridge building improvements.
6. Provides \$3,088,000 in FY 10 for energy efficiency improvements to Department of Health facilities, statewide.

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Department of Health - Hawaii Health Systems Corporation
(Operating Budget)

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	0.00	0.00	0.00
General Funds	\$	78,041,280	83,960,894	83,960,894
		2,836.25	2,836.25	2,836.25
Special Funds		403,460,000	470,611,106	487,625,106
		2,836.25	2,836.25	2,836.25
Total Requirements		481,501,280	554,572,000	571,586,000

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Adds \$67,151,106 in FY 10 and \$84,165,106 in FY 11 in special funds to reflect increased revenues and expenses.

**Department of Health - Hawaii Health Systems Corporation
(Capital Improvements Budget)**

	FY 2010	FY 2011
Funding Sources:		
General Obligation Bonds	10,000,000	10,000,000
Total Requirements	10,000,000	10,000,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$10 million in both FY 10 and FY 11 for Lump sum CIP - repair and renovations to address health and safety issues.

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

Department Summary

Mission Statement

To provide timely and responsive leadership, resources, and services to fully support the State in the recruitment, management, and retention of a high-performing workforce.

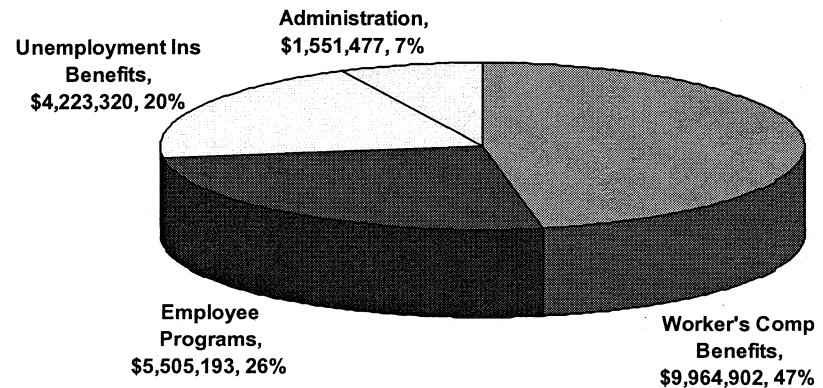
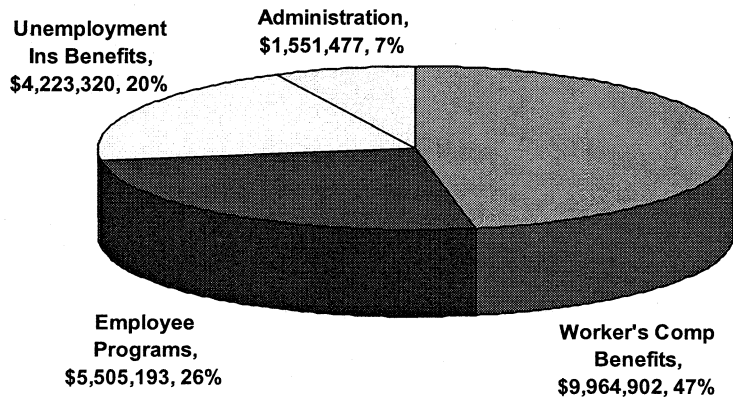
Department Goals

To maximize employee productivity and performance toward excellence in HRD; increase the effectiveness and efficiency of the State's Human Resources system to maximize productivity and performance toward excellence; and promote proactive State Workforce Planning.

Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. % of certificates issued within 5 calendar days where list of eligible's exist	75	75
2. % of certificates issued within 95 calendar days where list of eligible's does not exist	30	30
3. % contract grievances settled without third party assistance	90	90

FB 2009-2011 Operating Budget by Major Program Area
FY 2010 FY 2011



DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT MAJOR FUNCTIONS

- Administers the State personnel program, provides administrative support services to statutorily and executively assigned commissions and boards, and represents the State on other commissions and committees.
- Plans, organizes, directs and coordinates the various activities of the State personnel program in personnel development and training, recruitment, examination, position classification, pay administration, workers' compensation payments, and labor relations within the scope of laws, rules and established policies.
- Develops and administers Classification and Compensation System(s) for Civil Service positions including the establishment and maintenance of classes and their experience and training requirements; the pricing of classes; and the assignment of positions to classes, bargaining units and other administrative units.
- Establishes and maintains statewide policies, procedures, programs, and services that provide guidance and support to the line departments of the Executive Branch with regard to employee relations, employee benefits programs; reports on the workforce composition and employment trends; statewide employee training and development programs.
- Plans and administers statewide (except for DOE and UH) workers' compensation program, claims management, Return to Work Priority Program, and a safety and accident prevention program.
- Conducts statewide staffing and consultative advisory services, including Human Resources research and development projects to forecast, plan for and effectuate effective staffing strategies before staffing issues become acute or impact public services; implements strategies to attract and retain employees by competitively filling positions, and develops and administers a statewide recruitment program.

MAJOR PROGRAM AREAS

The Department of Human Resources Development has a program in the following major program area:

Government-Wide Support

HRD 102 Work Force Attraction, Selection,
 Classification, and Effectiveness

HRD191 Support Services-Human Resources
 Development

**Department of Human Resources Development
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	112.00	112.00	112.00
General Funds	\$	16,780,143	15,658,611	15,658,611
Special Funds		700,000	700,000	700,000
Interdepartmental Transfers		4,886,281	4,886,281	4,886,281
		112.00	112.00	112.00
Total Requirements		22,366,424	21,244,892	21,244,892

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes \$1,307,162 for Workers' Compensation claims.
2. Deletes 1.00 vacant temporary Personnel Management Specialist V position and \$47,448.

**Department of Human Resources Development
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	0	0
Federal Funds	0	0
	<hr/>	
Total Requirements	0	0
	<hr/> <hr/>	

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

- 1. None.

DEPARTMENT OF HUMAN SERVICES

Department Summary

Mission Statement

To provide timely, efficient and effective programs, services and benefits, through the day-in and day-out efforts of our committed staff, for the purpose of achieving the outcome of empowering those who are the most vulnerable in our State to expand their capacity for self-sufficiency, self-determination, independence, healthy choices, quality of life and personal dignity.

Department Goals

Customers First

Accountability for Outcomes

Provide Self-Sufficiency Options

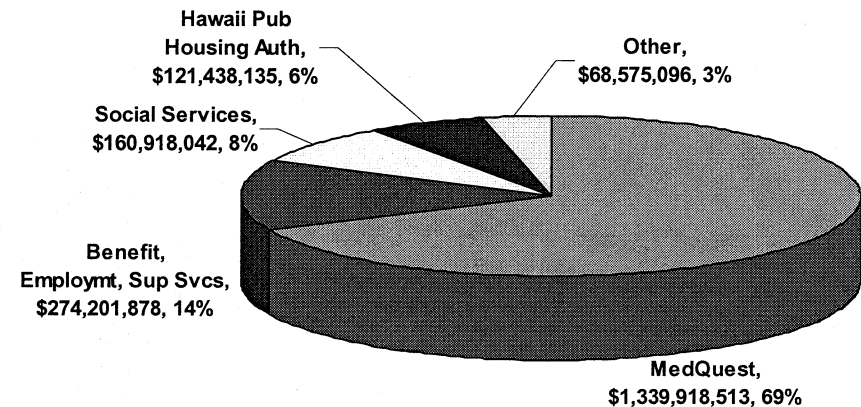
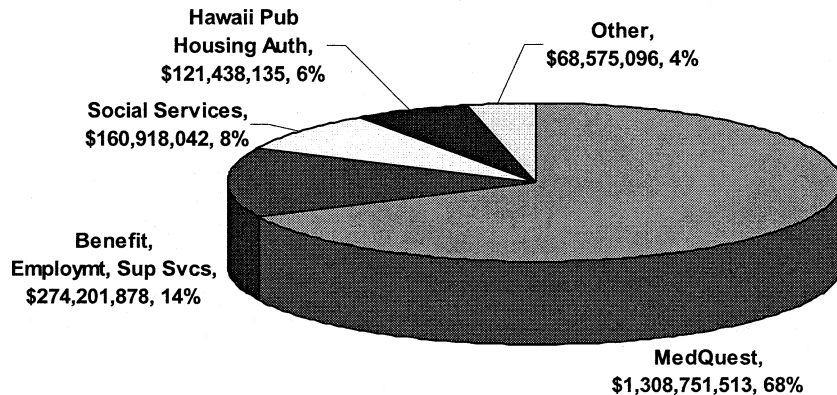
Personal Responsibility for Actions

Partnering to Create Opportunities

Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. % Temporary Assistance to Needy Families recipients in work program exiting due to earnings	20	15
2. % QUEST members satisfied with the managed care health program	88	88
3. % dependent adults with Adult Protective Services not reabused or neglected	95	95

FB 2009-2011 Operating Budget by Major Program Area



DEPARTMENT OF HUMAN SERVICES MAJOR FUNCTIONS

- Provides employment related services, childcare services, and economic assistance to eligible families and individuals.
- Provides medical assistance programs to eligible families and individuals.
- Provides child welfare and adult and community care services to eligible families and individuals.
- Provides a continuum of prevention, rehabilitation and treatment services and programs for at risk youth.
- Serves as a catalyst to provide Hawaii residents with affordable housing and shelter.
- Administers programs of vocational rehabilitation, independent living rehabilitation, services for the blind, and disability determination.

MAJOR PROGRAM AREAS

The Department of Human Services has programs in the following major program areas:

Employment		HMS 301	Child Protective Services	HMS 902	General Support for Health Care Payments
HMS 802	Vocational Rehabilitation	HMS 302	General Support for Child Care	HMS 903	General Support for Self-Sufficiency Services
Social Services		HMS 303	Child Protective Services Payments	HMS 904	General Administration
HMS 206	Federal Assistance Payments	HMS 305	Cash Support for Child Care		
HMS 211	Cash Support for Families Pursuing Self-Sufficiency	HMS 501	In-Community Youth Programs	Individual Rights	
HMS 212	Cash Support for Aged, Blind and Disabled Individuals	HMS 503	Hawaii Youth Correctional Facility (HYCF)	HMS 888	Commission on the Status of Women
HMS 220	Rental Housing Services	HMS 601	Adult and Community Care Services		
HMS 222	Rental Assistance Services	HMS 605	Community-Based Residential Support		
HMS 224	Homeless Services	HMS 803	Office of Community Services		
HMS 229	HPHA Administration	HMS 901	General Support for Social Services		
HMS 236	Case Management for Self-Sufficiency				
HMS 237	Employment and Training				
HMS 238	Disability Determination				
HMS 401	Health Care Payments				

**Department of Human Services
(Operating Budget)**

Funding Sources:	Positions	Allocation		
		FY 2009	FY 2010	FY 2011
		1,341.42	1,329.17	1,329.17
General Funds	\$	773,596,615	805,790,685	836,957,685
Special Funds		616,850	617,587	617,587
		1182.08	1185.33	1185.33
Federal Funds		1,053,176,131	1,075,001,577	1,075,001,577
Private Contributions		10,000	10,000	10,000
		0.00	0.00	0.00
Interdepartmental Transfers		44,689,901	44,689,901	44,689,901
		37.00	30.00	30.00
Revolving Funds		12,683,208	7,774,914	7,774,914
		2,560.50	2,544.50	2,544.50
Total Requirements		1,884,772,705	1,933,884,664	1,965,051,664

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes \$8,923,385 in benefit payments for Cash Support for Families - Self-Sufficiency; this will decrease payments from 50% to 37% of the 2006 Federal Poverty Level.
2. Deletes \$2,121,648 in benefits payments for Cash Support for Aged, Blind, and Disabled Individuals; this will decrease payments from 50% to 48% of the 2006 Federal Poverty Level.
3. Deletes \$615,120 for benefit payments for Cash Support for Aged, Blind, and Disabled Individuals; this will limit General Assistance payments to 12 months.
4. Deletes \$3,200,000 in Cash Support for Child Care; this will eliminate the general funds for the Preschool Open Doors Program and shift funding to the federally funded Temporary Assistance for Needy Families (TANF) block grant.
5. Deletes 1.00 vacant permanent position and \$641,064 in the Office of Community Services.
6. Adds 4.00 permanent and 4.00 temporary positions, and \$3,636,579 in general funds; 2.00 permanent and 7.00 temporary positions, and \$5,894,307 in federal funds; and \$1,200,000 in interdepartmental transfer funds to reflect the transfer of the Office of Community Services from the Department of Labor.

7. Adds \$2,964,194 in federal funds in Federal Assistance Payments to increase the ceiling for the Low Income Home Energy Assistance Program.
8. Adds \$3,000,000 in federal funds for Cash Support for Families - Self-Sufficiency.
9. Transfers \$3,730,414 from Cash Support for Families - Self-Sufficiency to general administration.
10. Transfers \$3,000,000 from Cash Support for Aged, Blind, and Disabled Individuals to General Support for Self-Sufficiency Services for contracts for medical evaluations, consultant fees and clerical support due to the transfer of responsibility from MedQuest to the Benefit, Employment, and Support Services Division (BESSD).
11. Transfers \$18,551,826 in federal funds from Rental Housing Services to Hawaii Public Housing Authority Administration to reflect the transfer of the Section 8 Administration ceiling.
12. Adds \$10,865,225 in federal funds in Rental Housing Services to reflect updated expenditures.
13. Adds \$523,372 in revolving funds in Rental Housing Services to reflect updated expenditures.
14. Transfers 9.00 permanent and 7.00 temporary positions, and \$1,520,365 in federal funds; 2.00 permanent and 6.00 temporary positions, and \$5,689,278 in revolving funds from Private Housing Development and Ownership to the Hawaii Public Housing Authority administration.
15. Transfers 34.00 permanent and 17.00 temporary positions, and \$3,683,194 in federal funds; 3.00 permanent positions and \$283,460 in revolving funds from Rental Housing Services to the Hawaii Public Housing Authority administration.
16. Adds \$5,900,000 in federal funds in Cash Support for Child Care to increase the federal TANF ceiling for the transfer of funds to the Child Care Development Fund for the Preschool Open Door Program and to increase the funding ceiling for child care.
17. Transfers \$1,000,000 from General Support for Health Care Payments to General Support for Self-Sufficiency Services for the cost of General Assistance evaluations because the responsibility for the evaluations is being transferred from MedQuest to BESSD.
18. Deletes 4.00 vacant permanent positions and \$182,790 in the Hawaii Public Housing Authority to eliminate long-term vacancies.
19. Deletes 2.74 permanent and 1.00 temporary positions and \$121,816 in general funds; 2.26 permanent positions and \$73,628 in federal funds from BESSD to eliminate long-term vacancies.
20. Deletes \$3,202,544 and \$4,506,975 in federal funds for adult dental benefits in the Health Care Payments program. This will eliminate the preventive adult dental program which had resumed in December 2006.
21. Deletes \$550,000 for the Immigrant Health Services contract in Health Care Payments.
22. Deletes \$830,000 and \$1,830,000 in federal funds for the fiscal agent/pharmacy benefits manager contract in Health Care Payments.

23. Deletes \$1,320,000 for purchase of services contracts in Child Protective Services.
24. Deletes \$1,112,589 for non-mandated services in Adult and Community Care Services.
25. Transfers 53.00 permanent and 1.00 temporary positions, and \$1,485,368 and \$1,252,817 in federal funds to General Support for Health Care Payments to reflect the consolidation of the Home and Community Based Medicaid waiver programs under the MedQUEST Division.
26. Transfers \$2,231,385 in chore services funds to Health Care Payments to reflect the consolidation of the Home and Community Based Medicaid waiver programs under the MedQUEST Division.
27. Deletes 8.01 vacant positions and \$302,538, and 2.99 vacant positions and \$125,178 in federal funds in Child Protective Services to eliminate long term vacancies.

**Department of Human Services
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	10,000,000	10,000,000
	10,000,000	10,000,000
Total Requirements	10,000,000	10,000,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$2,087,000 in FY 10 for Hawaii Youth Correctional Facility (HMS 503) for the replacement of the air conditioning in the secured facility in compliance with Dept. of Justice Memorandum of Agreement.
2. Provides \$7,913,000 in FY 10 and \$10,000,000 in FY 11 for Lump-Sum CIP for the Hawaii Public Housing Authority (HMS 220) for non-routine repair and maintenance, improvements, and renovations to housing projects statewide.

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

Department Summary

Mission Statement

To increase the economic security, physical and economic well being and productivity of workers and achieve industrial peace.

Department Goals

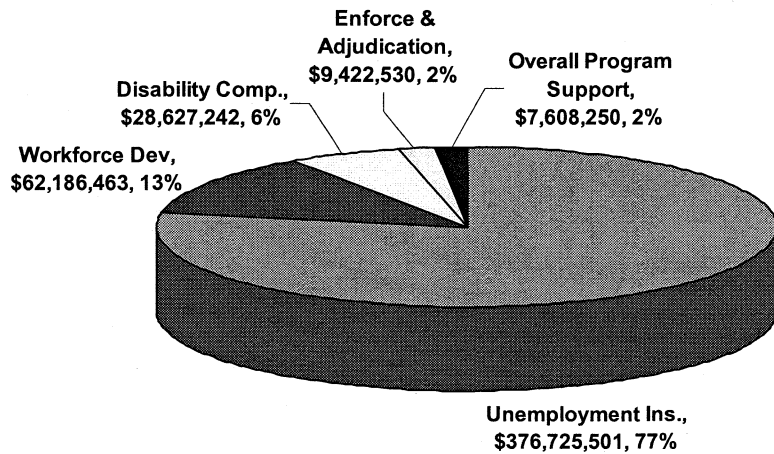
To promote access to employment and assess the needs and skills of the workforce; to alleviate the economic hardship of workers during periods of disability or temporary unemployment; to protect the employment rights of workers and to assure a safe and healthy workplace; to develop, deliver and coordinate information to meet labor market supply and demand; and to promote the harmonious working relationship between business, labor, educators, and government agencies.

Significant Measures of Effectiveness

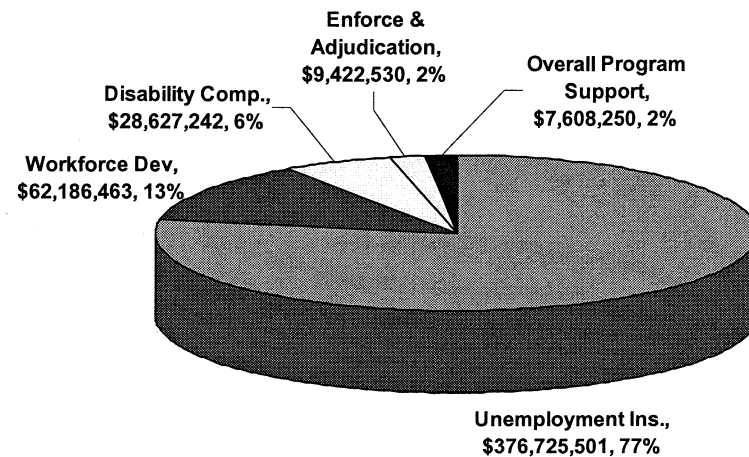
	<u>FY 2010</u>	<u>FY 2011</u>
1. Percentage of job applicants who found jobs	58	58
2. Accident, injury/illness rate per 100 employees	6	6
3. Percentage of subject employers in compliance with Workers' Compensation, Temporary Disability Insurance, and Prepaid Health Care laws	85	85

FB 2009-2011 Operating Budget by Major Program Area

FY 2010



FY 2011



DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS MAJOR FUNCTIONS

- Administers federal and state programs designed to improve the economic security, occupational safety and health, working conditions, and productivity of workers, and maintain favorable labor-management relationships throughout the State.
- Administers comprehensive employment and training services to both job seekers and employers through a system of employment offices located statewide.
- Administers the State Unemployment Insurance program. Ensures that fair hearings before impartial appeals referees are provided to employers and claimants with respect to determinations made by the department regarding unemployment insurance benefits, disaster unemployment insurance, and other security decisions.
- Administers and enforces the State's occupational safety and health laws.
- Administers all activities pertinent to the management of the Workers' Compensation, Temporary Disability Insurance, and Prepaid Health Care laws and programs.
- Administers and enforces State labor laws dealing with wages and other compensation, hours, child labor, family leave, and related rules and regulations.
- Conducts program, labor market, and economic research to augment and enhance management decisions and policy making capabilities.

MAJOR PROGRAM AREAS

The Department of Labor and Industrial Relations has programs in the following major program area:

Employment

LBR 111	Workforce Development Program	LBR 183	Disability Compensation Program
LBR 135	Workforce Development Council	LBR 316	Office of Language Access
LBR 143	Hawaii Occupational Safety and Health Program	LBR 812	Labor and Industrial Relations Appeals Board
LBR 152	Wage Standard Program	LBR 871	Employment Security Appeals Referees' Office
LBR 153	Hawaii Civil Rights Commission	LBR 901	Data Gathering, Research and Analysis
LBR 161	Hawaii Labor Relations Board	LBR 902	General Administration
LBR 171	Unemployment Compensation Program	LBR 905	Hawaii Career (Kokua) Information Delivery System

**Department of Labor and Industrial Relations
(Operating Budget)**

Funding Sources:	Positions	Allocation		
		FY 2009	FY 2010	FY 2011
		265.64	228.22	228.22
General Funds	\$	17,548,068	12,915,278	12,915,278
		8.00	8.00	8.00
Special Funds		197,134,736	391,536,386	391,536,386
		434.10	432.10	432.10
Federal Funds		82,118,842	76,409,217	76,409,217
Interdepartmental Transfers		4,855,344	3,659,105	3,659,105
Revolving Funds		50,000	50,000	50,000
		707.74	668.32	668.32
Total Requirements		301,706,990	484,569,986	484,569,986

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Transfers the Office of Community Services to the Department of Human Services which includes: 4.00 permanent and 4.00 temporary positions and \$3,636,579 in general funds; 2.00 permanent and 7.00 temporary positions and \$5,894,307 in federal funds; and \$1,200,000 in inter-departmental transfer funds.
2. Deletes 31.42 vacant permanent positions and \$1,403,958.
3. Increases the special fund ceiling for the Unemployment Insurance Trust Fund by \$194,400,000.

Department of Labor and Industrial Relations
(Capital Improvements Budget)

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	0	0
Federal Funds	0	0
	<hr/>	
Total Requirements	0	0
	<hr/> <hr/>	

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. None.

DEPARTMENT OF LAND AND NATURAL RESOURCES

Department Summary

Mission Statement

To conserve, protect, and manage Hawaii's natural and cultural resources for the benefit of present and future generations.

Department Goals

To seek, develop and implement cost-effective strategies for the long-term sustainable management, maintenance, protection and utilization of existing and potential, ocean, land, natural and cultural resources of the State of Hawaii in an integrated manner and in partnership with others from the public and private sectors. Additionally, prevent the establishment of invasive species detrimental to native habitats, while promoting responsible use, understanding, and respect for Hawaii's resources.

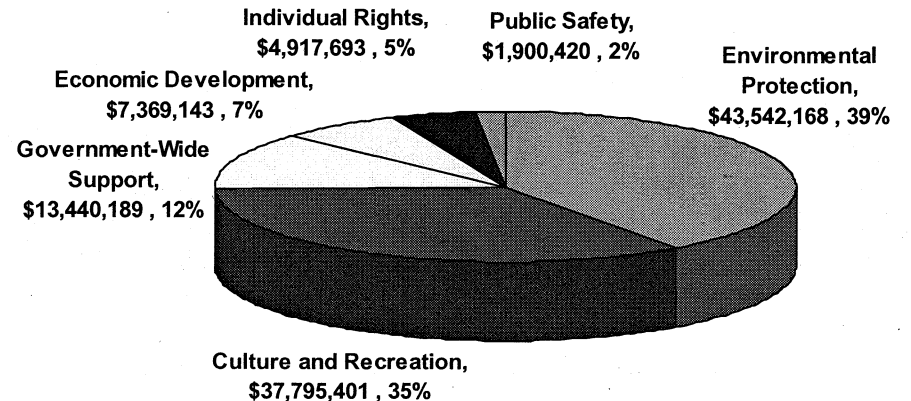
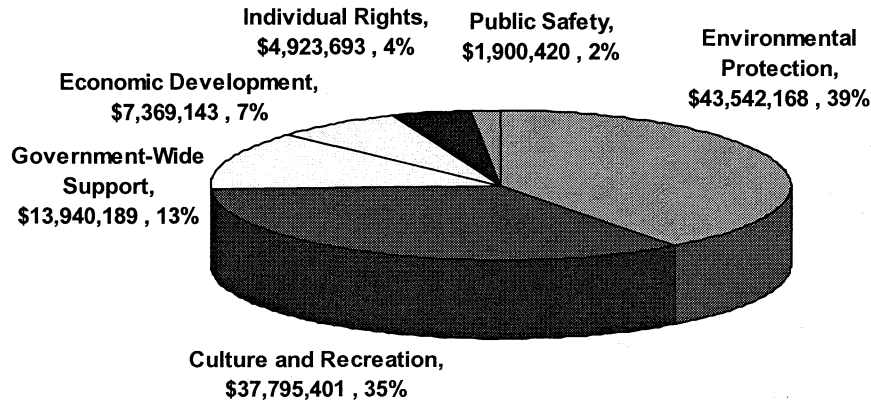
Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. Dollar amount of revenues transferred to OHA (\$000)	1,914	1,914
2. No. of permits (camping) issued statewide	12,000	12,000
3. Marine protected areas (acres)	598,000	598,000
4. No. of acres enrolled in watershed partnerships as % of plan	85	85

FB 2009-2011 Operating Budget by Major Program Area

FY 2010

FY 2011



DEPARTMENT OF LAND AND NATURAL RESOURCES MAJOR FUNCTIONS

- Implement programs to conserve, protect, develop and utilize the State's natural and cultural resources.
- Preserve and enhance native and indigenous fish and other aquatic species and their habitats for residents and visitors.
- Promote the safe and responsible use of Hawaii's natural resources through firm, fair and effective law enforcement.
- Provide accurate, timely and permanent system of registering and recording land title and related documents and maps.
- Manage the conservation, protection, planning, and utilization of the State's water resources for social, economic and environmental requirements.
- Provide safe and enjoyable recreation opportunities.
- Develop and maintain a comprehensive program of historic preservation to promote the use and conservation of historical and cultural sites.
- Collects and disseminates data relating to natural resources. Cooperates and partners with public and private agencies to maximize funding leverage.

MAJOR PROGRAM AREAS

The Department of Land and Natural Resources has programs in the following major program areas:

Economic Development

LNR 141 Water and Land Development
LNR 153 Commercial Fisheries
LNR 172 Forestry Resource Management and
Development

Environmental Protection

LNR 401 Aquatic Resources
LNR 402 Native Resources and Fire Protection
LNR 404 Water Resources
LNR 405 Conservation and Resources Enforcement
LNR 407 Natural Area Reserves and Watershed
Management
LNR 906 LNR-Natural Physical Environment

Culture and Recreation

LNR 801 Ocean-Based Recreation
LNR 802 Historic Preservation
LNR 804 Forest and Outdoor Recreation
LNR 805 Recreational Fisheries
LNR 806 Parks Administration and Operation

Public Safety

LNR 810 Prevention of Natural Disasters

Individual Rights

LNR 111 Conveyances and Recordings

Government Wide Support

LNR 101 Public Lands Management

**Department of Land and Natural Resources
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	491.25	458.25	458.25
General Funds	\$	33,043,999	26,869,038	26,869,038
		296.00	298.00	298.00
Special Funds		61,438,681	63,423,796	62,917,796
		15.25	17.75	17.75
Federal Funds		15,269,866	17,235,315	17,235,315
Interdepartmental Transfers		1,000,000	1,000,000	1,000,000
		1.00	1.00	1.00
Revolving Funds		926,171	942,865	942,865
		803.50	775.00	775.00
Total Requirements		111,678,717	109,471,014	108,965,014

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes 30.50 vacant permanent positions department-wide due to the reduction in funding; an additional 4.50 permanent positions will be converted from general to federal or special funds.
2. Deletes \$288,030 from the Division of Forestry and Wildlife programs.
3. Deletes 3.50 vacant permanent positions and \$1,478,478 from the Native Resources and Fire Protection program by reducing operating expenditures from the fire contingency fund, invasive species, Kawai Nui Marsh, and various administrative operating expenses.
4. Deletes 18.00 vacant permanent positions and \$1,394,793 from the Division of Conservation and Resources
5. Deletes \$1,176,696 from the State Parks program by reducing repair and maintenance projects, equipment and motor vehicle purchases, and lifeguard services on Oahu.

**Department of Land and Natural Resources
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
Special Funds	1,500,000	0
General Obligation Bonds	25,688,000	25,688,000
Reimbursable G.O. Bonds	22,070,000	45,760,000
Private Contributions	4,000,000	0
Interdepartmental Transfers	2,000,000	0
	55,258,000	71,448,000
Total Requirements	55,258,000	71,448,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$20,000,000 and \$22,070,000 in general obligation reimbursable bonds (GOR) in FY 10 and \$20,000,000 and \$45,760,000 GOR in FY 11 for various projects for land and water-based facilities, statewide.
2. Provides \$2,000,000 each year for rockfall and flood mitigation, statewide.
3. Provides \$1,000,000 each year for energy efficiency and retrofit improvements, statewide.
4. Provides \$1,500,000 in special, \$2,000,000 in interdepartmental transfer funds and \$4,000,000 in private contributions for FY 10 for beach improvements, statewide.

OFFICE OF THE LIEUTENANT GOVERNOR

Department Summary

Mission Statement

To enhance the efficiency and effectiveness of state programs by providing leadership and executive management.

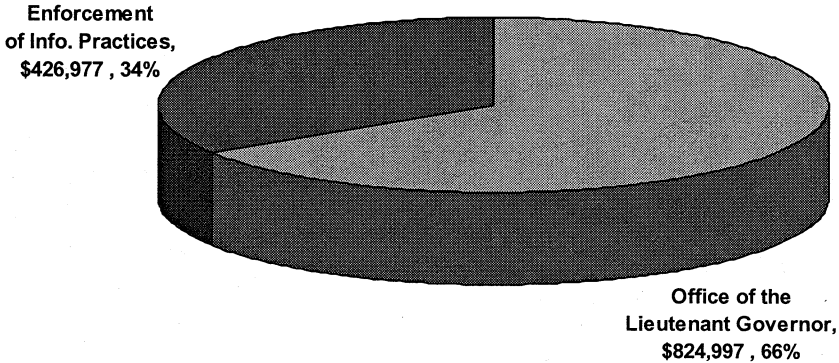
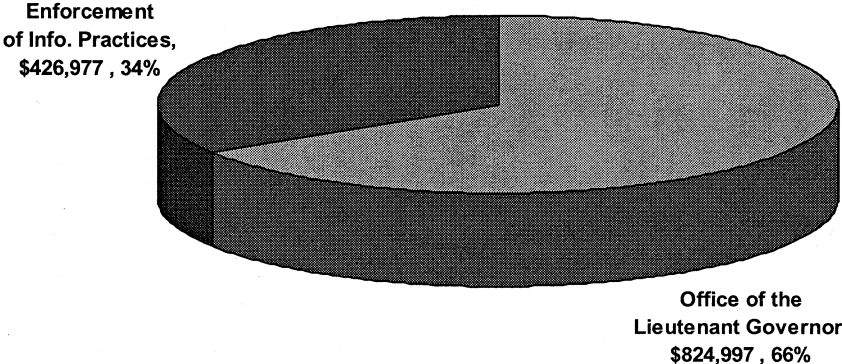
Department Goals

To provide effective leadership and executive management, and protect the public's interest by ensuring that government processes are open.

Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. Total revenue from sales as a percentage of cost of publication	80	80
2. Number of requests for general guidance (attorney of the day)	800	800

FB 2009-2011 Operating Budget by Major Program Area
FY 2010 FY 2011



OFFICE OF THE LIEUTENANT GOVERNOR MAJOR FUNCTIONS

- Exercise the executive powers whenever the Governor is absent from the State or unable to exercise and discharge the powers and duties of the office; serve as the Secretary of State for intergovernmental relations; perform duties and undertake projects assigned by the Governor; and provide administrative support to the Office of Information Practices.
- Provide general advice and guidance to agencies and the public on the UIPA and the Sunshine Law; assist the public in obtaining records and responses to record requests; conduct inquiries into an agency's compliance with the UIPA and the Sunshine Law; and investigate alleged violations of these laws.

MAJOR PROGRAM AREAS

The Office of the Lieutenant Governor has programs in the following major program areas:

Individual Rights

LTG 105 Enforcement of Information Practices

Government-Wide Support

LTG 100 Office of the Lieutenant Governor

**Office of the Lieutenant Governor
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	8.00	8.00	8.00
General Funds	\$	1,260,572	1,251,974	1,251,974
		8.00	8.00	8.00
Total Requirements		1,260,572	1,251,974	1,251,974

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes one vacant temporary exempt position and \$66,843.

**Office of the Lieutenant Governor
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	0	0
Federal Funds	0	0
	<hr/>	
Total Requirements	<u>0</u>	<u>0</u>

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. None.

DEPARTMENT OF PUBLIC SAFETY

Department Summary

Mission Statement

To provide for the safety of the public and State facilities through law enforcement and correctional management.

Department Goals

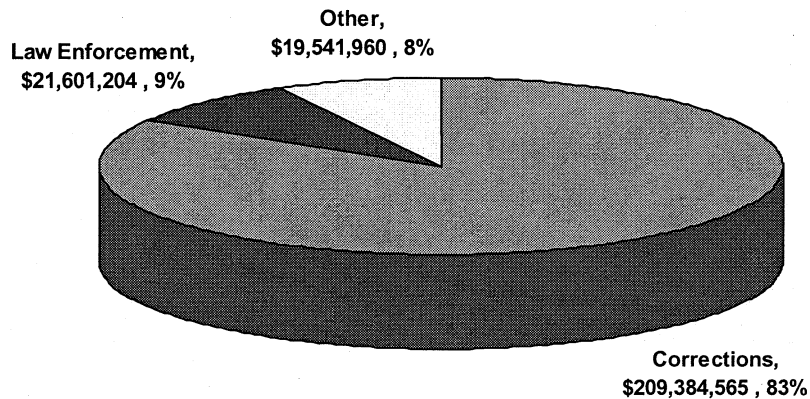
To protect the individual and property from injury and loss caused by criminal actions by providing and coordinating services, facilities, security, and legislation to preserve the peace; to prevent and deter crimes; to detect, apprehend, detain, and rehabilitate criminals; and, where appropriate, to compensate victims of crime.

Significant Measures of Effectiveness

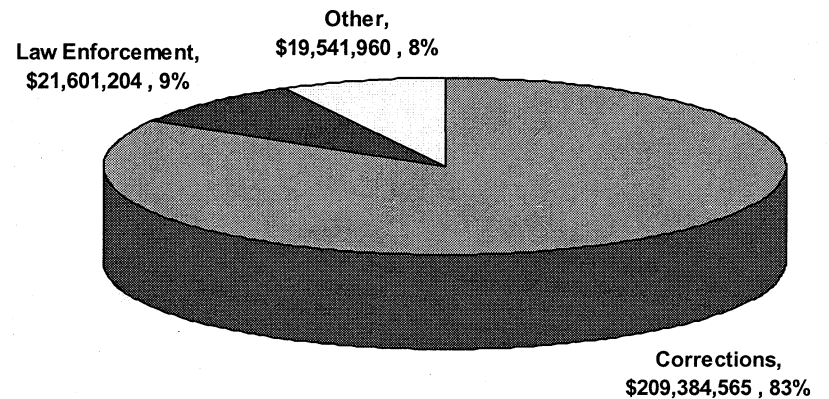
	<u>FY 2010</u>	<u>FY 2011</u>
1. Number of arrests made by departmental law enforcement officers	3000	3000
2. Number of escapes from confinement facilities	0	0
3. Number of parole violators returned to prison	375	375

FB 2009-2011 Operating Budget by Major Program Area

FY 2010



FY 2011



DEPARTMENT OF PUBLIC SAFETY MAJOR FUNCTIONS

- Administers various public safety programs that are designed to prevent and deter criminal acts, and to incarcerate and rehabilitate criminal offenders.
- Administers the operations of the eight correctional institutions throughout the State for the custody and care of offenders detained or committed by the courts to the department in safe, clean, and humane conditions of confinement.
- Provides a continuum of treatment programs and services to facilitate the reintegration of offenders back into the community.
- Administers a correctional industries program that employs inmates in work programs that produce goods and services for government agencies and nonprofit organizations, and affords inmates job training and work experience to enhance their employment prospects when they return to the community.
- Determines minimum terms of imprisonment for convicted felons; grants conditional release of felons from institutions under conditions of parole; and reports on petitions for pardon referred by the Governor.
- Administers diversionary programs as well as alternatives to incarceration; conducts pretrial investigations and bail evaluations; and supervises offenders conditionally released by the courts.
- Administers statewide law enforcement programs that protect the public as well as safeguard State property and facilities; enforces laws, rules, and regulations to prevent and control crime; and provides law enforcement services at the Honolulu International Airport.
- Regulates the manufacture, distribution, sale, prescription, and dispensing of controlled substances in the State by issuing applications and permits to conduct transactions; and investigates and enforces laws, rules and regulations relative to controlled substances.
- Mitigates the suffering and losses of victims and survivors of certain crimes by providing them with compensation for crime related losses; and, compensates private citizens (Good Samaritans) who suffer personal injury or property damage in the course of preventing a crime or apprehending a criminal.

MAJOR PROGRAM AREAS

The Department of Public Safety has programs in the following major program area:

Public Safety

Corrections

PSD 402	Halawa Correctional Facility
PSD 403	Kulani Correctional Facility
PSD 404	Waiawa Correctional Facility
PSD 405	Hawaii Community Correctional Center
PSD 406	Maui Community Correctional Center
PSD 407	Oahu Community Correctional Center
PSD 408	Kauai Community Correctional Center
PSD 409	Women's Community Correctional Center
PSD 410	Intake Service Centers
PSD 420	Corrections Program Services
PSD 421	Health Care
PSD 422	Hawaii Correctional Industries
PSD 808	Non-State Facilities

Law Enforcement

PSD 502	Narcotics Enforcement
PSD 503	Sheriff

Other

PSD 611	Adult Parole Determinations
PSD 612	Adult Parole Supervision and Counseling
PSD 613	Crime Victim Compensation Commission
PSD 900	General Administration

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**Department of Public Safety
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	2610.20	2600.20	2600.20
General Funds	\$	232,798,323	231,471,344	231,471,344
		8.00	8.00	8.00
Special Funds		2,580,880	2,586,006	2,586,006
		7.00	7.00	7.00
Federal Funds		1,706,182	1,642,924	1,642,924
County Funds		209,721	209,721	209,721
Trust Funds		75,065	75,065	75,065
		64.00	64.00	64.00
Interdepartmental Transfers		5,574,815	5,605,426	5,605,426
		8.00	8.00	8.00
Revolving Funds		8,172,714	8,194,263	8,194,263
Other Funds		742,980	742,980	742,980
		2,697.20	2,687.20	2,687.20
Total Requirements		251,860,680	250,527,729	250,527,729

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes 10.00 permanent and 1.00 temporary positions and \$349,101.
2. Deletes \$1,468,912 for various inmate programs (e.g., substance abuse, urinalysis testing, vocational training, etc.) which were started or expanded in FY 08.

Department of Public Safety
(Capital Improvements Budget)

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	0	0
Federal Funds	0	0
	<hr/>	<hr/>
Total Requirements	0	0
	<hr/> <hr/>	<hr/> <hr/>

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. None.

DEPARTMENT OF TAXATION

Department Summary

Mission Statement

To administer the tax laws of the State of Hawaii in a consistent, uniform and fair manner by educating taxpayers on tax laws, by developing a professional staff and by using technology to increase efficiency and effectiveness.

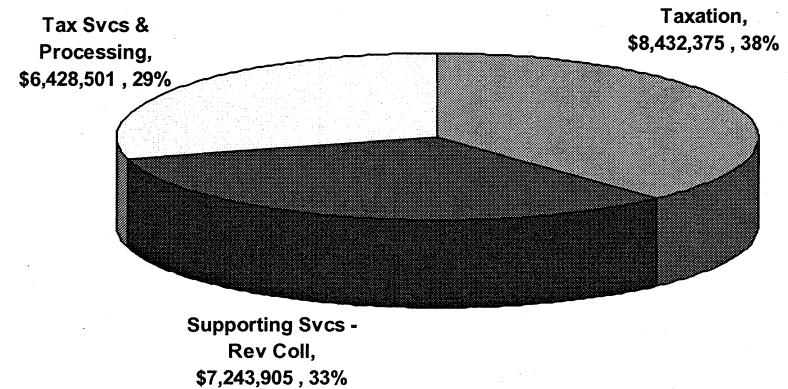
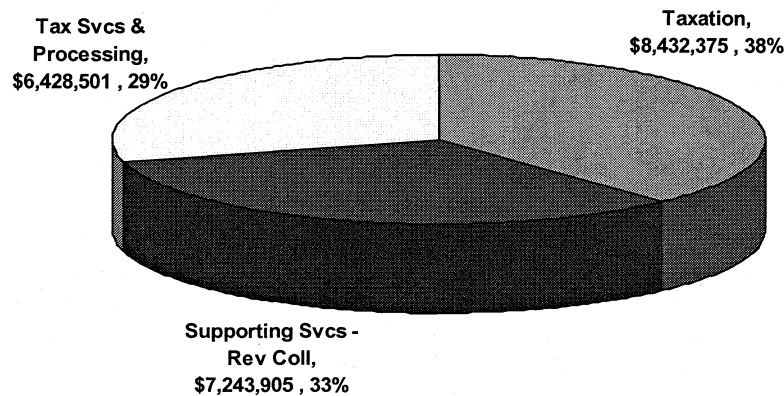
Department Goals

To provide one-stop customer service; to increase collection capabilities through efficient allocation of resources; to simplify taxpayer filings, provide a more user-friendly interface with the public, speed up refunds and expedite delinquent referrals; to automate tax filings, billings and collections; to expand capacity for research and revenue analysis; to permit more flexibility in accommodating tax law changes and initiatives to improve tax administration.

Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. Average call answer rate	61	61
2. Percent of tax returns audited resulting in adjustments	85	85
3. Average business days to deposit checks received from taxpayers	55	55

FB 2009-2011 Operating Budget by Major Program Area



DEPARTMENT OF TAXATION MAJOR FUNCTIONS

- Administers and enforces the tax laws of Hawaii and the collection of taxes and other payments.
- Coordinates a centralized system for receiving and processing of all tax returns, payments and documents.
- Provides one-stop customer service, assistance and information on all taxes administered by the department to customers who walk in, call-in, correspond or e-mail.
- Administers a comprehensive and uniform compliance program based on self-assessment and voluntary compliance.
- Conducts audits and investigations of all types of tax returns.
- Conducts and enforces collection of delinquent taxes by appropriate collection procedures.
- Plans, organizes and coordinates a tax research and tax planning program.
- Provides administrative and research support to the Council on Revenues which prepares revenue estimates for the State on a quarterly basis.

MAJOR PROGRAM AREAS

The Department of Taxation has a program in the following major program area:

Government-Wide Support

TAX 100	Revenue Collections
TAX 105	Tax Services and Processing
TAX 107	Supporting Services – Revenue Collections

**Department of Taxation
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	406.50	381.00	381.00
General Funds	\$	24,511,912	21,652,781	21,652,781
		1.00	0.00	0.00
Special Funds		869,000	452,000	452,000
		407.50	381.00	381.00
Total Requirements		25,380,912	22,104,781	22,104,781

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes 18.50 vacant permanent positions and \$752,178 in Revenue Collections.
2. Deletes \$275,000 for subject matter experts in Revenue Collections.
3. Deletes 13.5 vacant temporary positions and \$354,930 in Tax Services and Processing.
4. Deletes \$670,270 for seasonal tax hires from Tax Services and Processing.
5. Deletes 7.0 vacant permanent and 5.0 vacant temporary positions and \$527,208 from Supporting Services – Revenue Collections.
6. Deletes \$300,000 for overtime support for the computer system in Supporting Services – Revenue Collections.
7. Deletes \$417,000 from the ITIMS special fund ceiling and 1.0 vacant permanent special fund Economist VI position from Supporting Services – Revenue Collections.

Department of Taxation
(Capital Improvements Budget)

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	0	0
Federal Funds	0	0
	<hr/>	
Total Requirements	<u>0</u>	<u>0</u>

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. None.

DEPARTMENT OF TRANSPORTATION

Department Summary

Mission Statement

To provide a safe, efficient, accessible, and inter-modal transportation system that ensures the mobility of people and goods, and enhances and/or preserves economic prosperity and the quality of life.

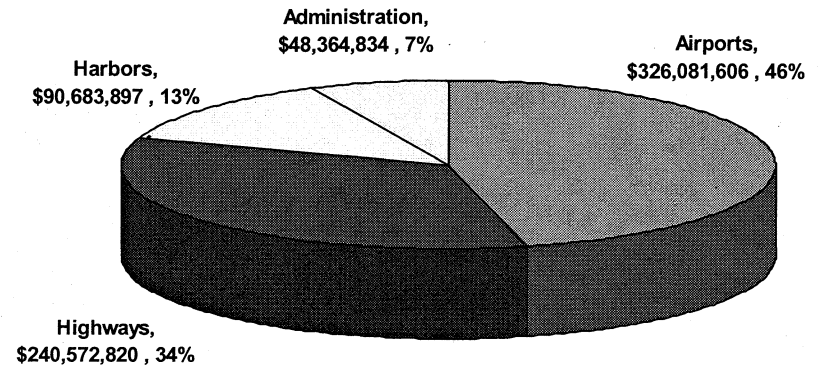
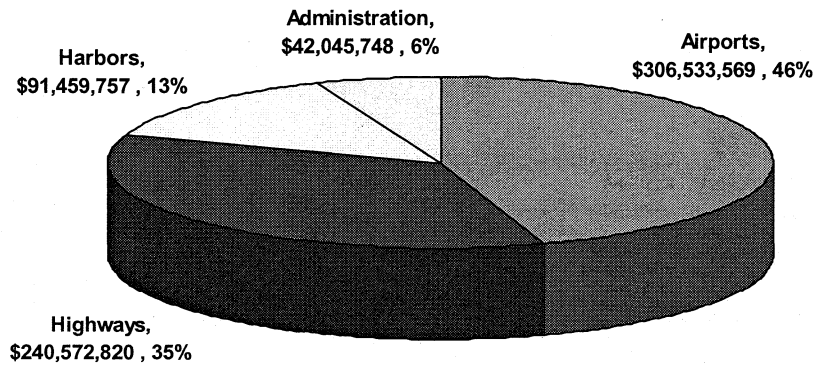
Department Goals

Achieve an integrated multi-modal transportation system through upgrades and expansions to assure mobility and accessibility to support and sustain cargo and passenger operations; ensure the safety and security of the air, land and water transportation systems; protect and enhance Hawaii's unique environment and improve the quality of life; support Hawaii's economic vitality; implement a statewide planning process that is comprehensive, cooperative and continuing; and improve the overall financial program through greater efficiency, development, management and oversight of revenue sources.

Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. Number of security related breaches due to the airports, tenants, and the airlines .	255	255
2. No. of incidences/accidents reported (Harbors Division)	0	0
3. No. of fines imposed for security violations (Harbors Division)	0	0
4. Maintenance costs per 10-lane mile	331,333	331,333

FB 2009-2011 Operating Budget by Major Program Area
FY 2010 FY 2011



DEPARTMENT OF TRANSPORTATION MAJOR FUNCTIONS

- Carries out programs to improve, maintain, and operate transportation facilities of the State.
- Administers the operations of the airports program of the State government by equipping, regulating and protecting the state system of public airports and related facilities. Plans, designs, develops, acquires, and constructs new and expanded airports and facilities as well as reconstructs existing airports and facilities.
- Plans, designs, and supervises the construction and maintenance of the State Highway System. Alters, modifies, or revises such highway system as may be required.
- Administers and maintains the operations of the harbors program of the State government by equipping, regulating, and protecting the State system of harbors and related facilities. Plans, develops, acquires, and constructs new and expanding harbors and facilities as well as maintaining and reconstructing existing harbors and facilities.
- Provides for the determination of statewide transportation needs, the continuous survey and inventory of planned resources, and the creation of statewide, inter and multi modal transportation systems network plans.
- Encourages, fosters and assists in the development of aeronautical, water, and land transportation in the State; and provides for the protection and promotion of safety in aeronautics and water transportation.
- Plans, reviews, and implements a comprehensive uniform state highway safety program to comply with applicable federal and state laws.
- Statutory and administrative oversight of the Commission on Transportation, Highway Safety Council and the Medical Advisory Board.

MAJOR PROGRAM AREAS

The Department of Transportation has programs in the following major program area:

Transportation Facilities and Services

Airports

TRN 102 Honolulu International Airport
TRN 104 General Aviation

TRN 111 Hilo International Airport
TRN 114 Kona International Airport at Ke'ahole
TRN 116 Waimea-Kohala Airport
TRN 118 Upolu Airport

Airports (cont.)

TRN 131 Kahului Airport
TRN 133 Hana Airport
TRN 135 Kapalua Airport
TRN 141 Molokai Airport
TRN 143 Kalaupapa Airport
TRN 151 Lanai Airport
TRN 161 Lihue Airport
TRN 163 Port Allen Airport
TRN 195 Airports Administration

Harbors

TRN 301 Honolulu Harbor
TRN 303 Kalaeloa Barbers Point Harbor
TRN 311 Hilo Harbor
TRN 313 Kawaihae Harbor
TRN 331 Kahului Harbor
TRN 333 Hana Harbor
TRN 341 Kaunakakai Harbor
TRN 351 Kaunapau Harbor
TRN 361 Nawiliwili Harbor
TRN 363 Port Allen Harbor
TRN 395 Harbors Administration

Highways

TRN 501 Oahu Highways
TRN 511 Hawaii Highways
TRN 531 Maui Highways
TRN 541 Molokai Highways
TRN 551 Lanai Highways
TRN 561 Kauai Highways
TRN 595 Highways Administration
TRN 597 Highways Safety

Administration

TRN 995 General Administration

**Department of Transportation
(Operating Budget)**

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	2161.00	2161.00	2161.00
Special Funds	\$	652,417,501	637,252,063	658,143,521
		9.00	9.00	9.00
Federal Funds		37,871,176	42,963,394	47,136,569
Private Contributions		140,969	396,437	423,067
Other Funds		0	0	0
		2,170.00	2,170.00	2,170.00
Total Requirements		690,429,646	680,611,894	705,703,157

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Adds \$3,970,000 in FY 10 and \$3,995,000 in FY 11 in special funds for the special maintenance of harbors, statewide.

**Department of Transportation
(Capital Improvements Budget)**

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
Special Funds	66,090,000	42,400,000
Revenue Bonds	481,755,000	699,995,000
Federal Funds	286,371,000	102,341,000
Private Contributions	715,000	0
Other Funds	5,590,000	49,600,000
	840,521,000	894,336,000
Total Requirements	840,521,000	894,336,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$16,000,000 in FY 10 in airport revenue bond funds for Honolulu International Airport, International Arrivals Building Ceiling Replacement, Oahu.
2. Provides \$71,365,000 in FY 10 and \$19,750,000 in FY 11 in airport revenue bond funds for Honolulu International Airport, Elliot Street Support Facilities, Oahu.
3. Provides \$30,074,000 in FY 10 and \$308,906,000 in FY 11 in airport revenue bond funds for Honolulu International Airport, Mauka Concourse Improvements, Oahu.
4. Provides \$33,585,000 in FY 10 in airport revenue bond funds for Kahului Airport, Access Road, Maui (Airport portion).
5. Provides \$60,000,000 in FY 10 and \$40,000,000 in FY 11 in airport revenue bond funds for Kona International Airport at Keahole, Terminal Expansion, Hawaii.
6. Provides \$22,000,000 in FY 11 in airport revenue bond funds for Honolulu International Airport, Isolation Units at Gates 33 and 34, Oahu.
7. Provides \$114,695,000 in FY 10 and \$214,520,000 in FY 11 in harbor revenue bond funds for Harbors Modernization Projects, Statewide.
8. Provides \$7,000,000 in highway revenue bond funds and \$48,000,000 in federal funds in FY 10 for Interstate Route H-1, Westbound Afternoon (PM) Contraflow, Oahu.
9. Provides \$7,300,000 in highway revenue bond funds and \$29,200,000 in federal funds in FY 10 for Kaunualii Highway Improvement, Lihue to West of Maluhia Road, Kauai.

10. Provides \$20,000,000 in highway revenue bond funds and \$80,000,000 in federal funds in FY 10 for Interstate Route H-1 and Moanalua Freeways Improvements, Puuloa Interchange to Kapiolani Interchange, Oahu.
11. Provides \$2,500,000 in highway revenue bond funds, \$10,000,000 in federal funds, and \$715,000 in private funds in FY 10 for Honoapiilani Highway Widening and/or Realignment, Honokowai to Launiupoko, Maui.
12. Provides \$1,000,000 in highway revenue bond funds and \$4,000,000 in federal funds in FY 10 for Kahului Airport Access Road, Maui (Highways portion).
13. Provides \$800,000 in highway revenue bond funds and \$3,200,000 in federal funds in FY 11 for Puunene Avenue Widening, Wakea Avenue to Kuihelani Highway, Maui.

UNIVERSITY OF HAWAII

Department Summary

Mission Statement

To serve the public by creating, preserving, and transmitting knowledge in a multi-cultural environment.

Department Goals

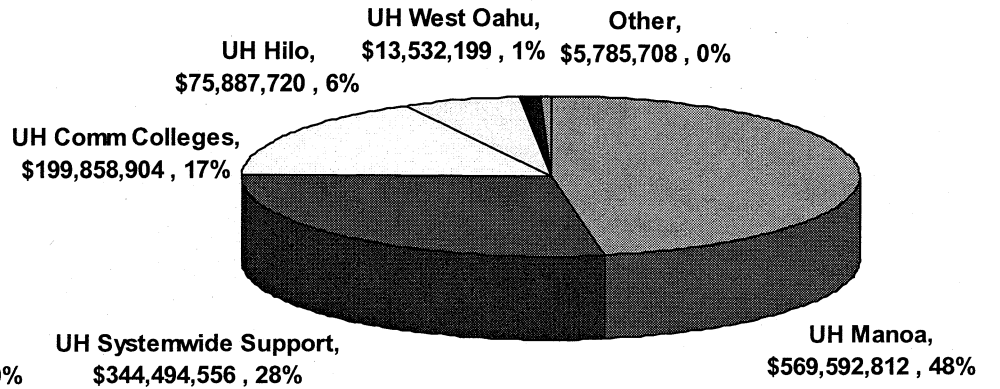
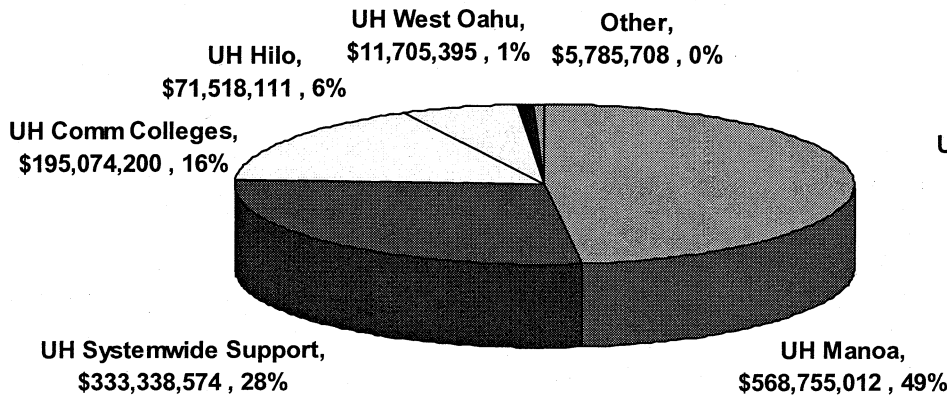
To achieve educational effectiveness and student success; provide a learning, research, and service network; be a model local, regional, and global university; maximize investment in faculty, staff, students, and their environment; and provide resources and stewardship.

Significant Measures of Effectiveness

	<u>FY 2010</u>	<u>FY 2011</u>
1. Percentage of degrees granted to freshman four years ago	70	70
2. Percentage of graduates entering UH graduate schools	14	14
3. Course completion ratio of undergraduates	96	96

FB 2009-2011 Operating Budget by Major Program Area

FY 2010
FY 2011



UNIVERSITY OF HAWAII MAJOR FUNCTIONS

- Provides instruction, research and public service in the fields of the liberal arts and sciences, agriculture, professional education, medicine, law, health sciences, business administration, engineering sciences and such other branches of the higher learning as the Board of Regents prescribes.
- Administers and operates a system of community colleges; coordinates academic programs which include college transfer, general education, vocational, technical, semi-professional, and continuing education programs; coordinates community service programs with the various campuses, community agencies and groups; and coordinates student-related programs and services.
- Operates a summer session which gives variety and flexibility to the instructional programs of the University; provides college-level instruction to students who wish to obtain it during the summer; accommodates teaching institutes, workshops, and special courses with schedules of varying lengths; sponsors lecture series and other cultural events during the summer and supervises overseas study tours offered for credit.
- Provides key personnel in the government policy-making process with timely research, analyses and data concerning governmental and related problems to enable them to make informed decisions among alternative courses of action.
- Participates in intercollegiate athletics programs for men and women; contributes toward the availability of non-academic cultural, social, recreational and intellectual programs made available to the students, faculty and community at large; and provides a limited intercollegiate program for a variety of minor sports.

MAJOR PROGRAM AREAS

The University of Hawaii has programs in the following major program areas:

Formal Education

UOH 100	University of Hawaii, Manoa
UOH 210	University of Hawaii, Hilo
UOH 220	Small Business Development
UOH 700	University of Hawaii, West Oahu
UOH 800	University of Hawaii, Community Colleges
UOH 900	University of Hawaii, Systemwide Support
UOH 915	Debt Service Payments - UH

UOH 941	Retirement Benefits Payments – UH
UOH 943	Health Premium Payments – UH
UOH 973	Risk Management Payments – UH

Culture and Recreation

UOH 881	Aquaria
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University of Hawaii
(Operating Budget)

	Positions	Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:		6473.59	6474.09	6474.09
General Funds	\$	734,255,078	718,083,786	729,339,768
		453.25	467.25	483.25
Special Funds		327,762,307	352,419,905	364,156,822
		97.66	97.66	97.66
Federal Funds		11,014,028	11,264,761	11,264,761
		150.75	150.75	150.75
Revolving Funds		99,521,056	104,408,548	104,390,548
		7,175.25	7,189.75	7,205.75
Total Requirements		1,172,552,469	1,186,177,000	1,209,151,899

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Deletes \$3,000,000 each year in electricity expenditures by implementing conservation measures, and \$2,253,523 each year by deferring filling of vacant positions at UH Manoa.
2. Deletes \$812,573 by deferring filling of vacant non-teaching regular positions, non-regular casual hires, and overloads; and reducing other current expenses at UH Hilo.
3. Deletes \$127,504 by deferring filling of vacant instructional positions at UH West Oahu.
4. Deletes \$854,446 for electricity by implementing conservation measures, and \$500,000 each year for enrollment growth at UH Community Colleges.
5. Deletes \$984,684 by deferring filling of vacant positions, and reducing casual/temporary personnel, lecturer replacements, SAT and COMPASS test-preparation courses, campus security services, and other current expenses at UH Community Colleges.
6. Deletes \$700,703 by deferring filling of vacant positions and reducing other current expenses for information technology, human resources, fiscal, student affairs, and academic support services for UH System-wide.

7. Deletes \$4,254,311 by transferring funding for general fund program expenditures to special, revolving, federal, or other available sources of funds at UH.
8. Deletes \$15,582,409 in FY 10, and \$11,806,444 in FY 11 for debt services payments.
9. Adds \$1,023,398 in FY 10, and \$1,329,119 in FY 11 for retirement benefits payments.
10. Adds \$5,391,000 in FY 10, and \$5,491,000 in FY 11 to support STEM and innovation initiatives at UH.

University of Hawaii
(Capital Improvements Budget)

	<u>FY 2010</u>	<u>FY 2011</u>
Funding Sources:		
General Obligation Bonds	75,000,000	75,000,000
Revenue Bonds	6,700,000	85,800,000
Total Requirements	81,700,000	160,800,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$75,000,000 each year to be allocated at UH's discretion for health and safety projects, capital renewal projects, and projects with appropriated construction funds that require equipment.
2. Provides revenue bond funds of \$1,700,000 in FY 10 and \$20,800,000 in FY 11 to develop an addition to the Biomedical Sciences Building at UH Manoa.
3. Provides revenue bond funds of \$5,000,000 in FY 10 and \$65,000,000 in FY 11 to develop and expand faculty housing at UH Manoa.



Historical Information

General Fund Revenues, Expenditures and Fund Balance
(in \$ millions)

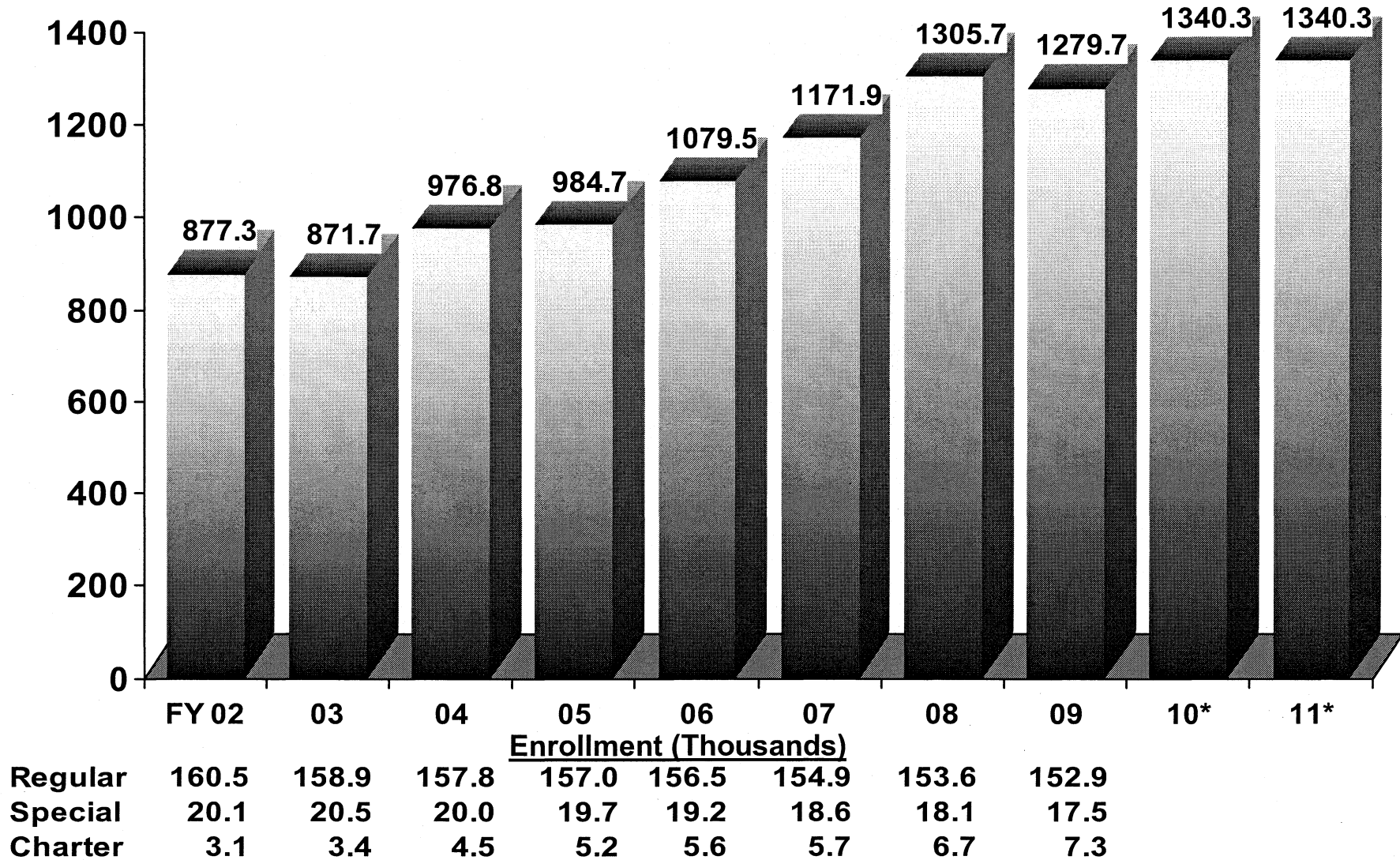
<u>Fiscal Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues Over Exp.</u>	<u>Fund Balance</u>
1999	3,286.3	3,251.1	35.2	189.0 *
2000	3,284.1	3,201.0	83.1	272.1 *
2001	3,441.6	3,364.6	77.0	349.1 *
2002	3,441.0	3,656.1	(215.1)	134.0
2003	3,788.9	3,805.7	(16.8)	117.2
2004	3,907.7	3,840.3	67.4	184.6
2005	4,486.4	4,184.6	301.8	486.4 *
2006	4,925.0	4,679.1	245.9	732.3 *
2007	5,142.1	5,381.0	(238.9)	493.4 *
2008	5,244.8	5,407.0	(162.2)	331.2 *

* Note: Fiscal Years in which Fund Balance exceeds 5% of Revenues

Department of Education Instruction General Fund Operating Appropriations

\$ millions

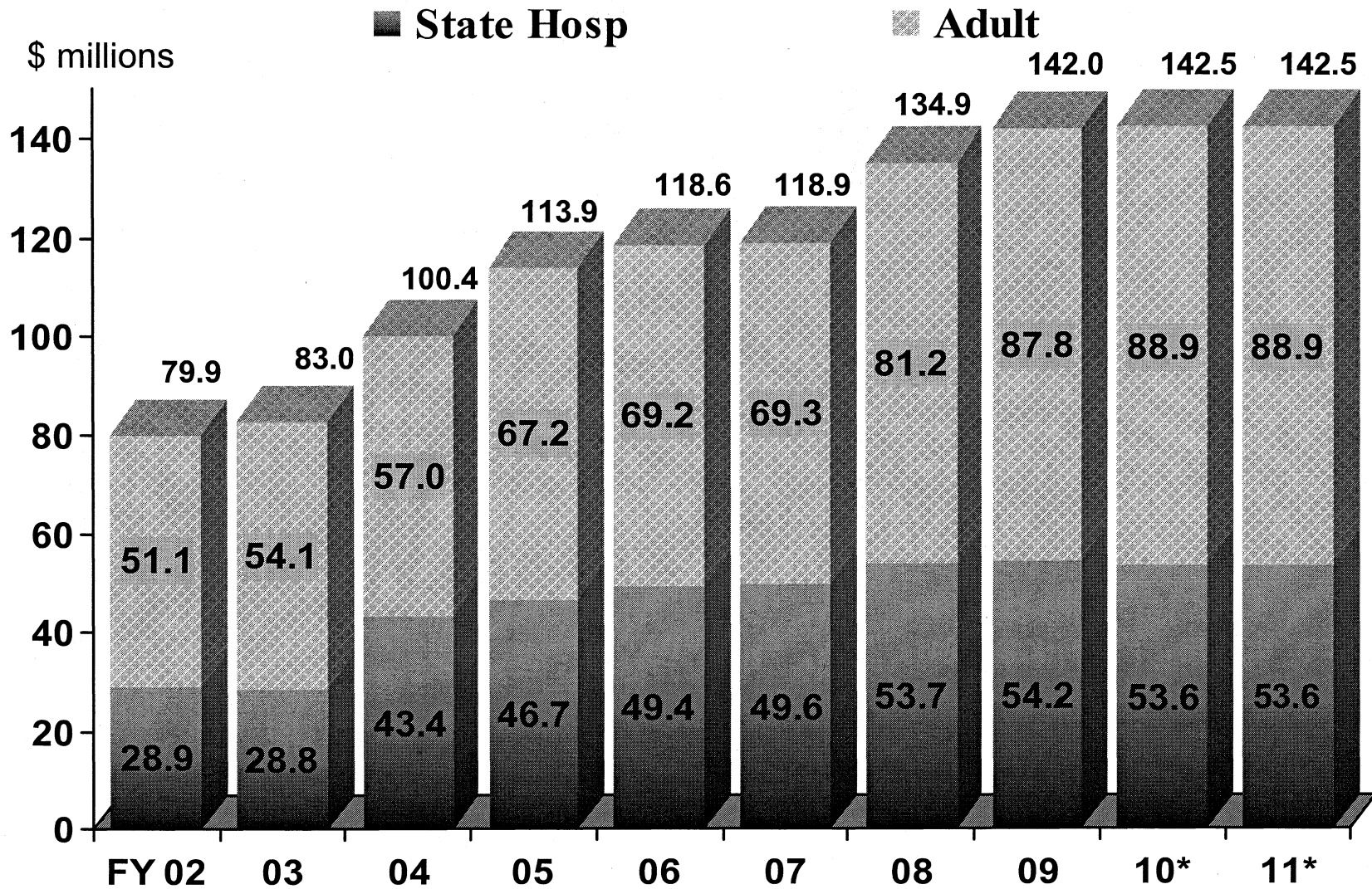
(DB&F 12/11/08)



*FYs 10 & 11 reflect the Executive request

Adult Mental Health General Fund Appropriations

(DB&F 12/13/08)

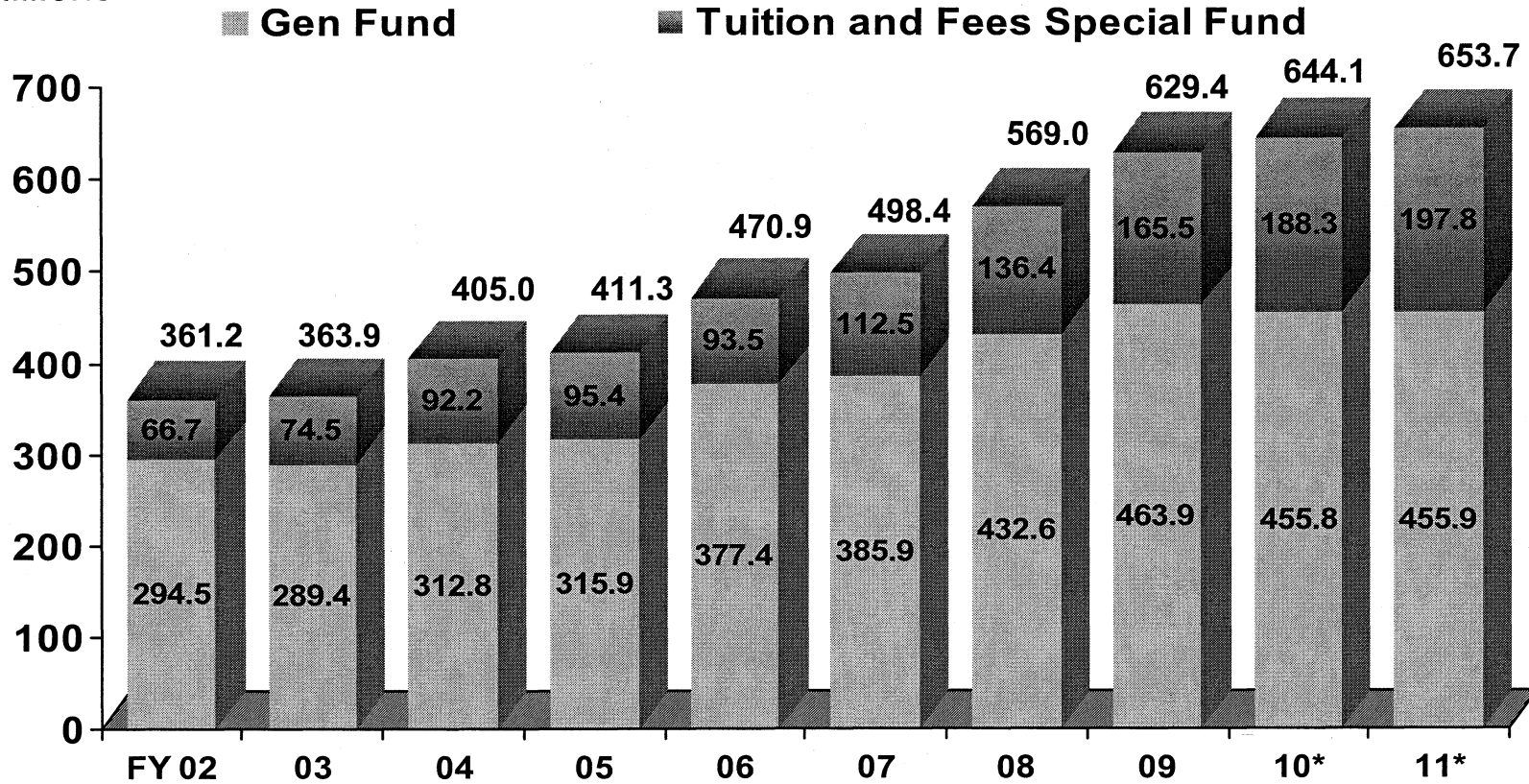


*FYs 10 & 11 reflect the Executive request

University of Hawaii Operating Appropriations Net of Fringe & Debt Svc

(DB&F 12/13/08)

\$ millions



Enrollment – Full Time Equivalent (Thousands)**

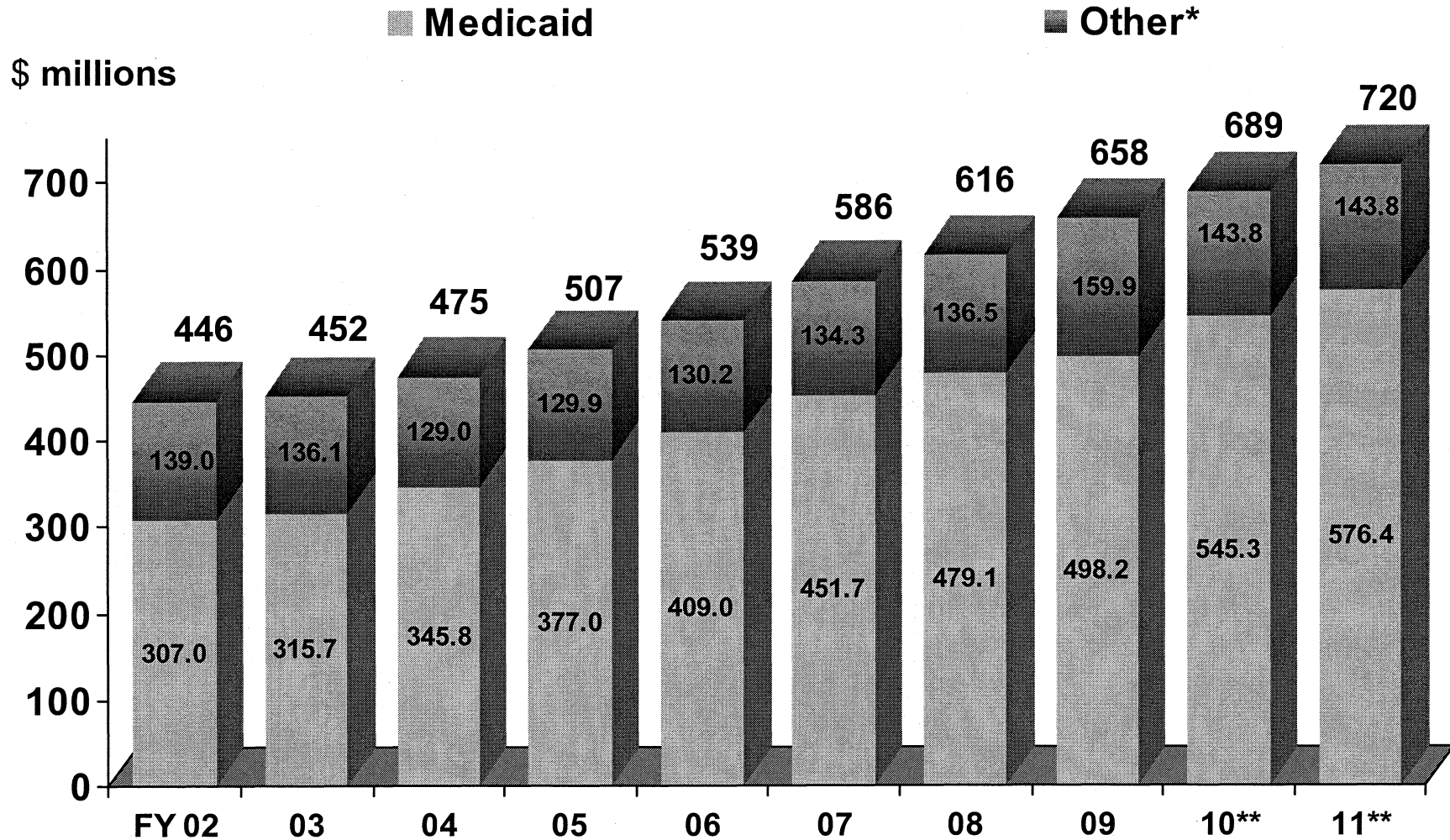
Manoa	13.8	14.9	15.9	16.4	16.6	16.1	16.0	15.8	15.7	15.7
Hilo	2.4	2.5	2.8	2.8	2.9	2.9	3.0	3.0	3.2	3.3
West Oahu	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.8
Comm Coll	14.8	15.3	15.3	15.0	14.6	14.6	14.9	15.1	15.2	15.3
Total	31.4	33.2	34.5	34.7	34.6	34.1	34.4	34.5	34.7	35.1

*FYs 10 & 11 reflect the Executive request

**FYs 09, 10 & 11 reflect enrollment projection, July 2008

Medicaid and Welfare Payments General Fund Operating Appropriations***

(DB&F 12/13/08)



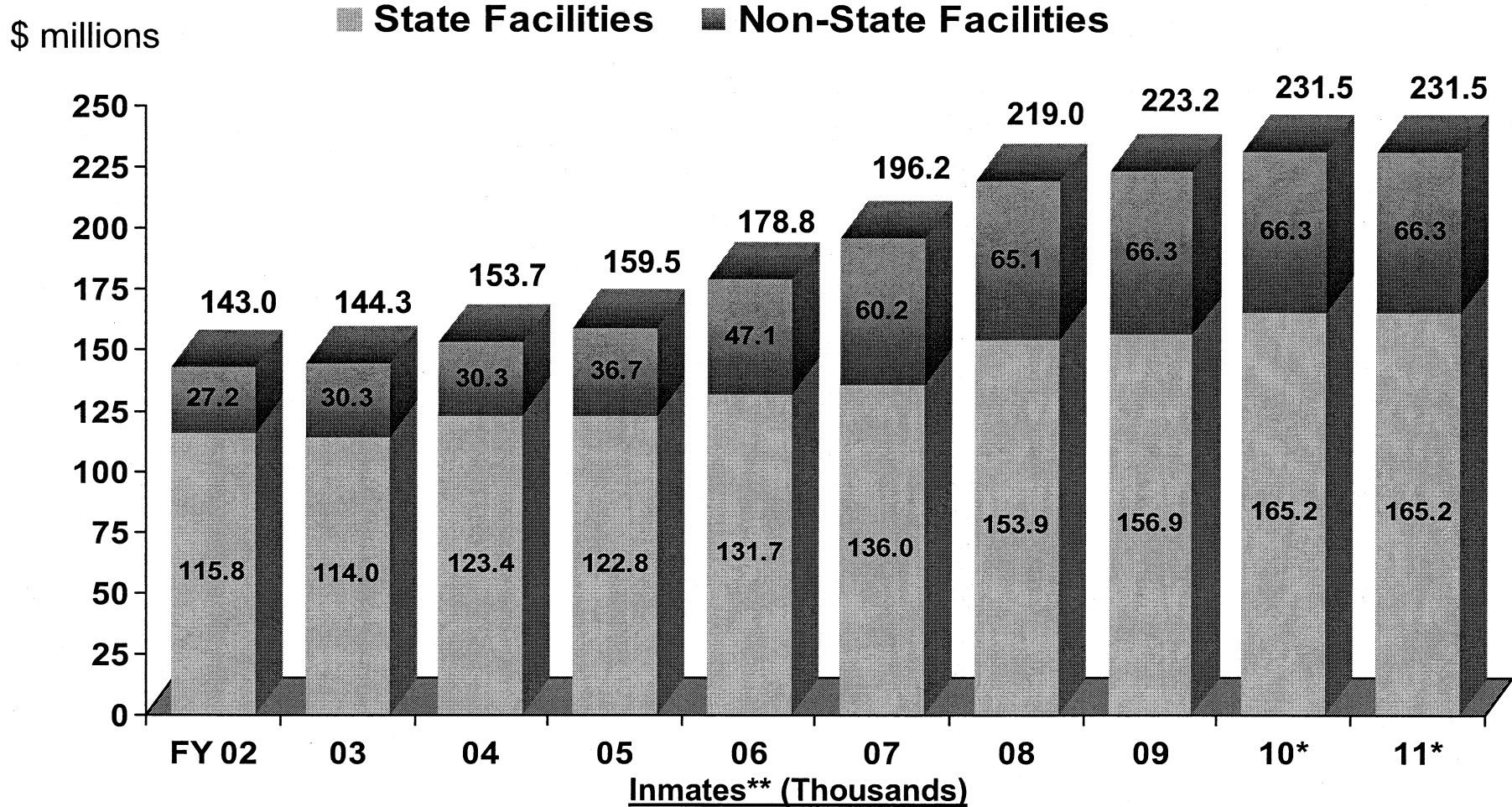
*Includes TANF; TAONF; Child Care; General Assistance; Aged, Blind, & Disabled; and Foster Care

**FYs 10 & 11 reflect the Executive request

***Excludes Housing

Public Safety General Fund Operating Appropriations

(DB&F 12/13/08)

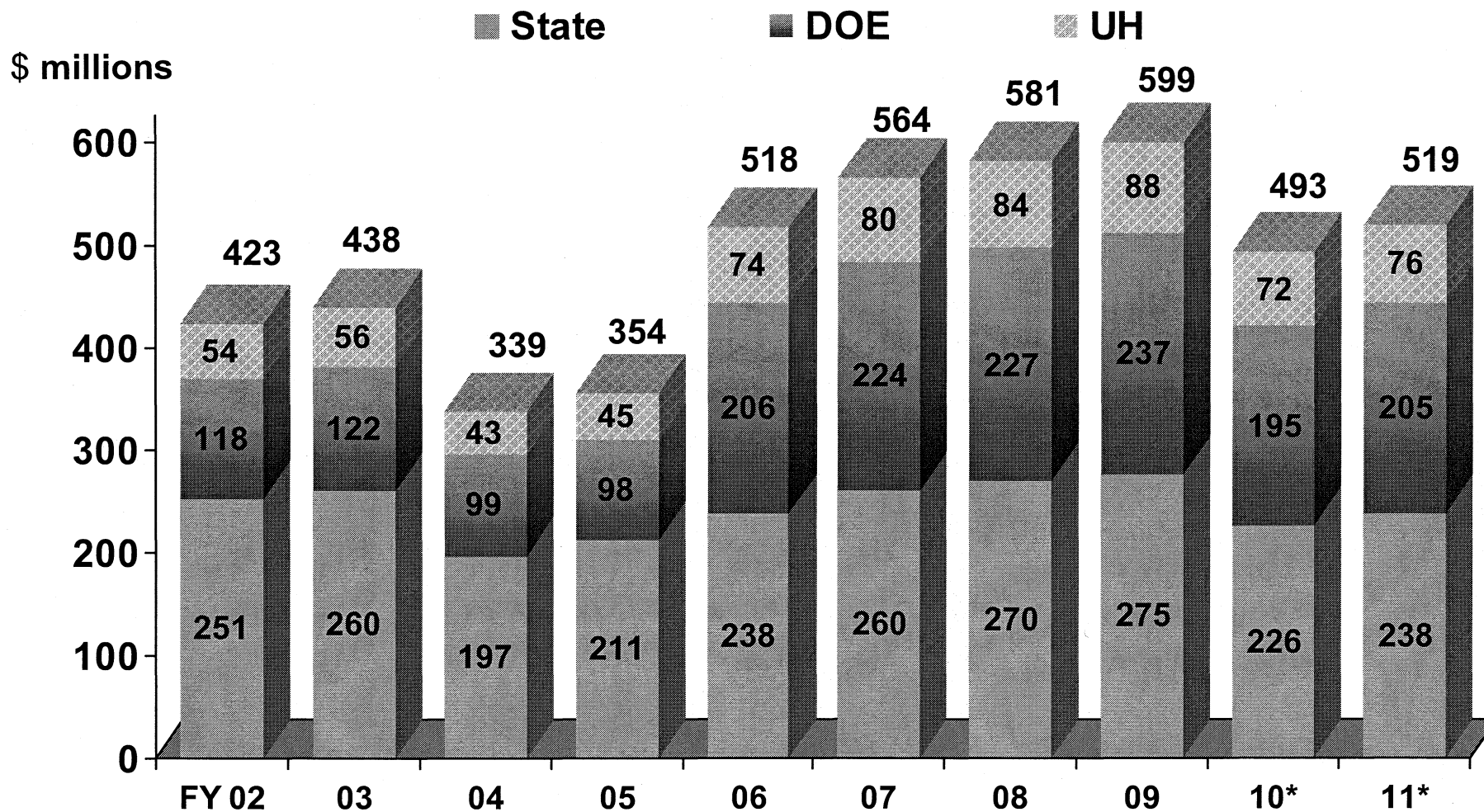


	<u>Inmates** (Thousands)</u>									
State	4.2	4.3	4.1	4.2	4.0	3.7	3.7	3.7	4.2	4.2
Non-State	1.3	1.3	1.7	1.8	2.0	2.2	2.3	2.3	2.3	2.3

*FYs 10 & 11 reflect the Executive request
 **Reflects assigned count

Debt Service and Certificates of Participation General Fund Operating Appropriations

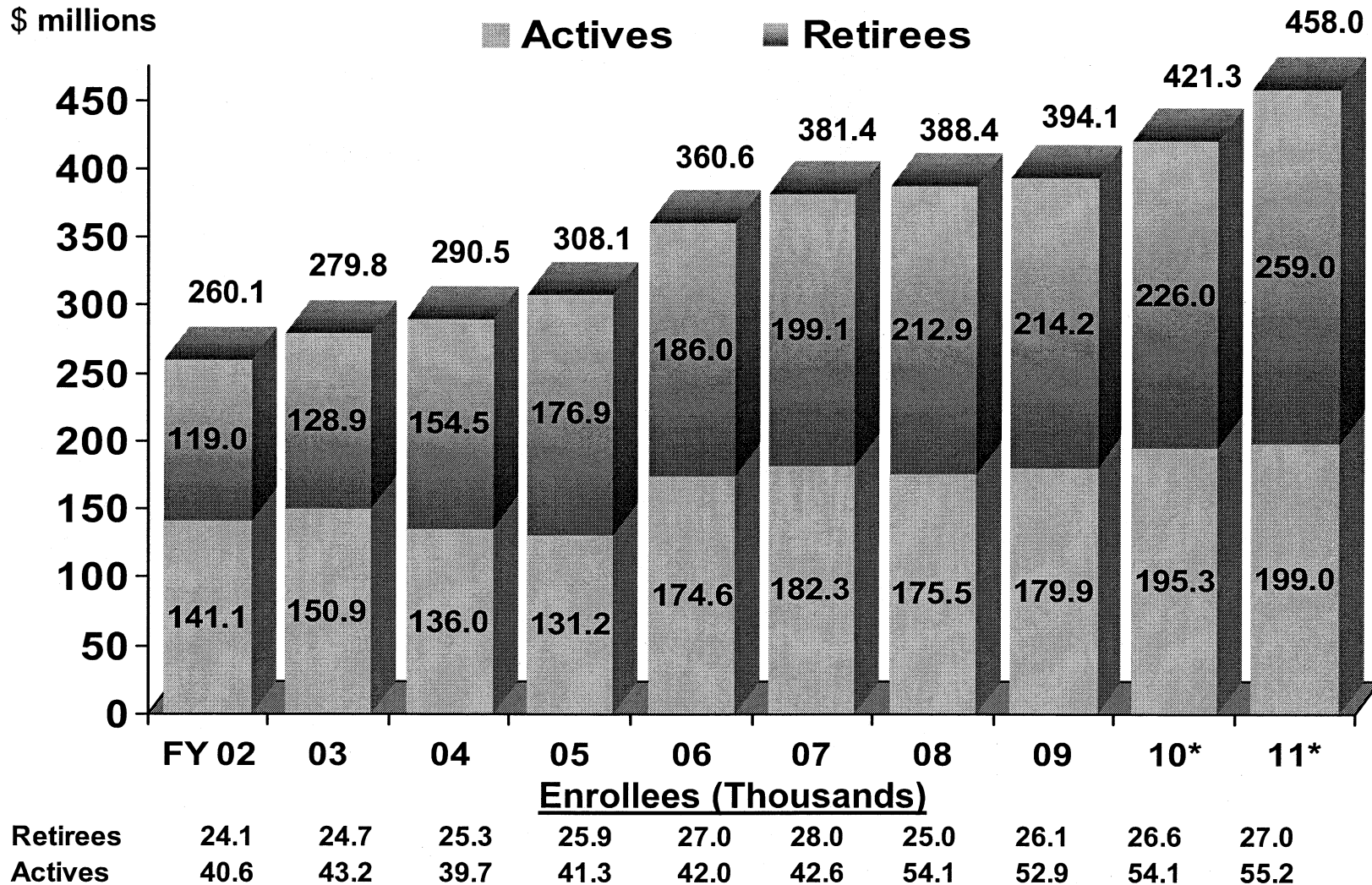
(DB&F 12/15/08)



*FYs 10 & 11 reflect the Executive request

State Employee and Retiree Health Benefits General Fund Appropriations

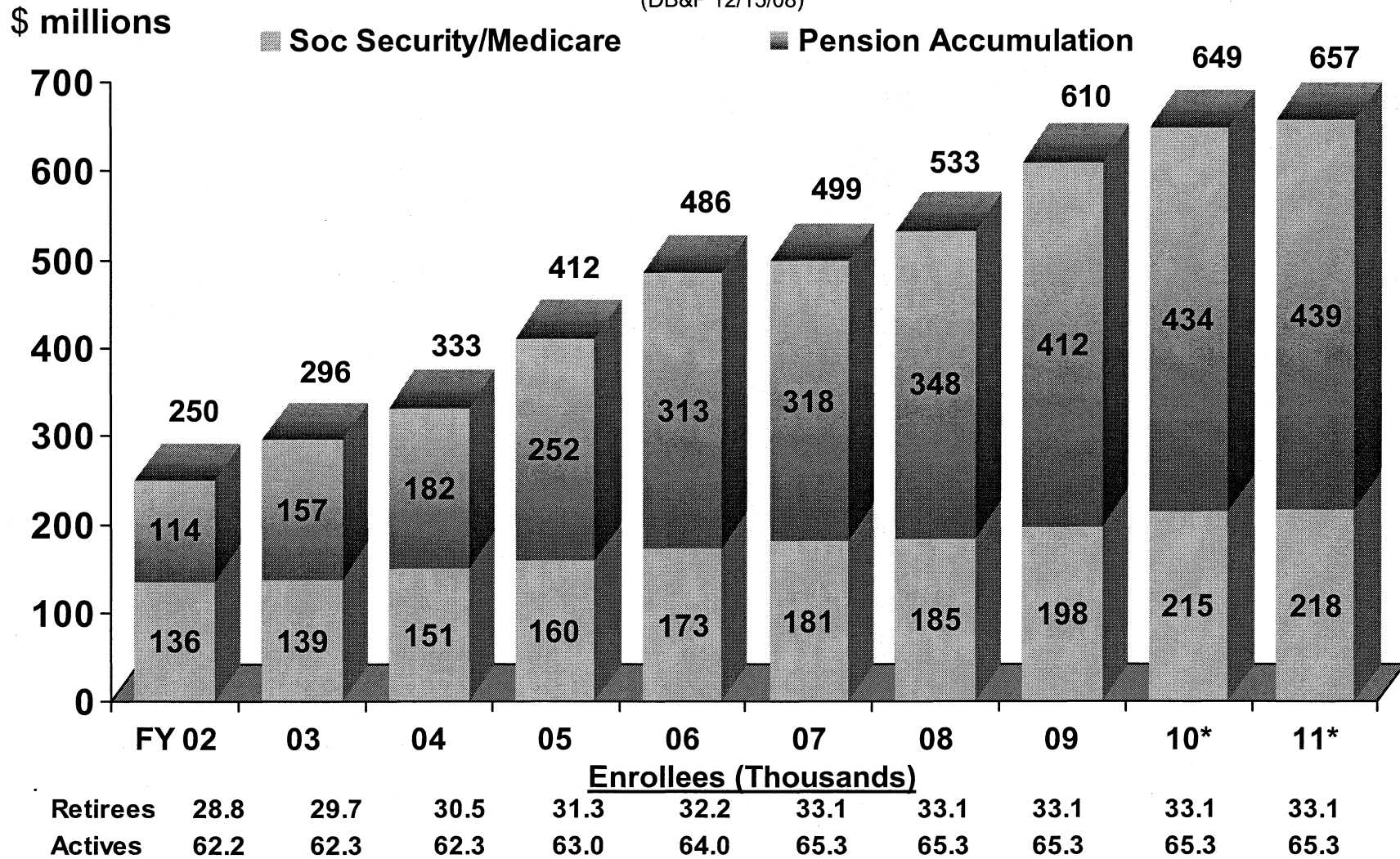
(DB&F 12/15/08)



*FYs 10 & 11 reflect the Executive request

Public Employees' Retirement System General Fund Appropriations

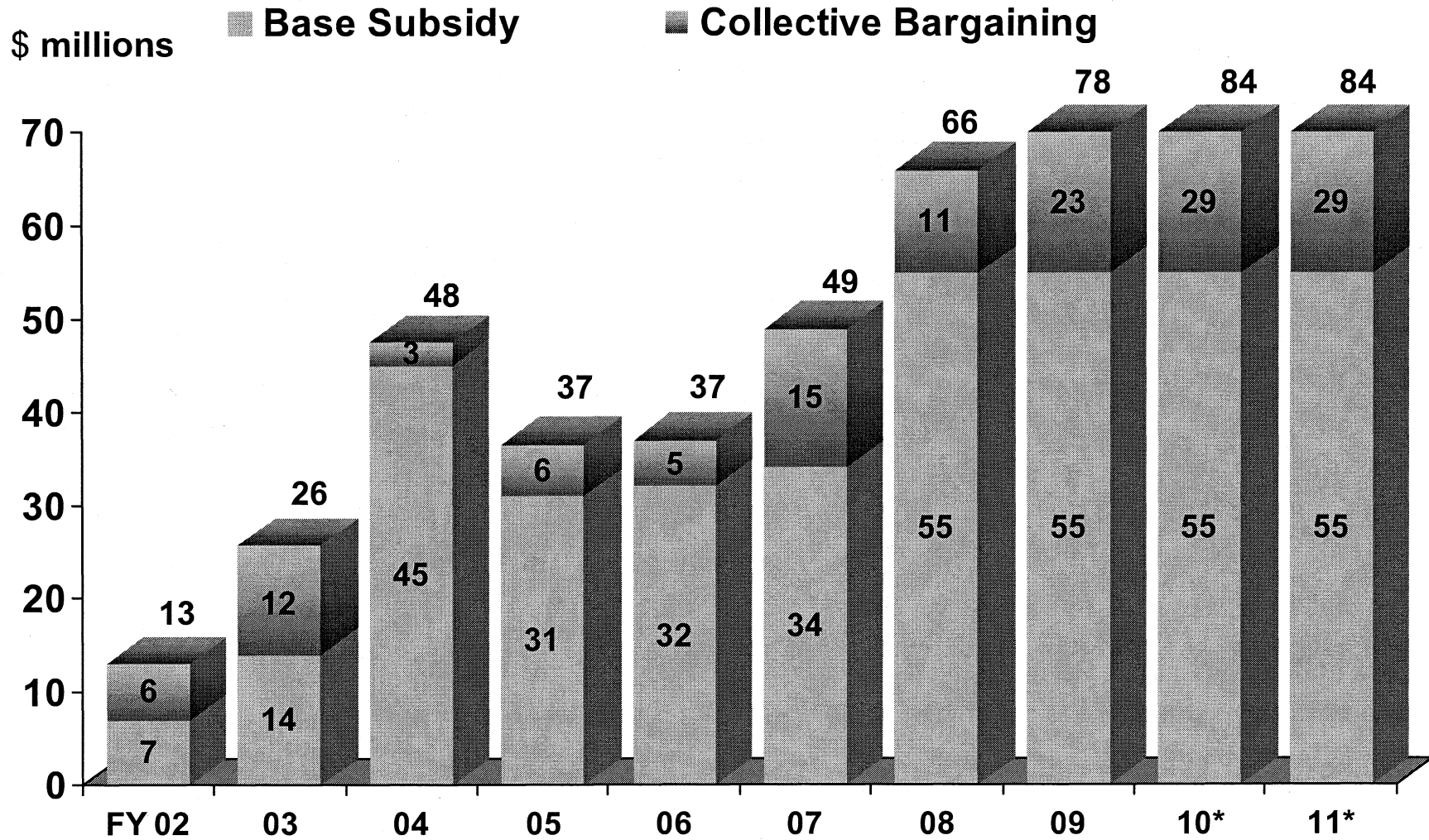
(DB&F 12/15/08)



*FYs 10 & 11 reflect the Executive request

Hawaii Health Systems Corporation General Fund Operating Appropriations*

(DB&F 12/13/08)



*Includes emergency appropriations

**FYs 10 & 11 reflect the Executive request

**SUMMARY STATEMENT OF GENERAL FUND
EXPENDITURE CEILING AND APPROPRIATIONS**

<u>Total State Personal Income (in \$ millions)</u>		<u>State Growth Rate</u>	
Calendar Year 2005	44,112	Fiscal Year 2009	6.91%
Calendar Year 2006	47,338	Fiscal Year 2010	5.84%
Calendar Year 2007	50,130	Fiscal Year 2011	4.40%
Calendar Year 2008*	52,286		
Calendar Year 2009*	53,854		

* As estimated by the Council on Revenues

All Branches of State Government

	<u>Expenditure Ceiling</u>	<u>General Fund Appropriations</u>	<u>Margin</u>
Fiscal Year 2008		5,626,547,859	
Fiscal Year 2009**	6,173,647,136	5,754,257,341	419,389,795
Fiscal Year 2010**	6,534,024,130	5,539,932,482	994,091,648
Fiscal Year 2011**	6,821,471,504	5,645,716,866	1,175,754,638

Executive Branch

	<u>Appropriation Ceiling</u>	<u>General Fund Appropriations</u>	<u>Margin</u>
Fiscal Year 2008		5,441,548,509	
Fiscal Year 2009		5,580,728,844	
Proposed additional apprnrs		5,000,000	
Total Fiscal Year 2009	5,817,571,323	5,585,728,844	231,842,479
Fiscal Year 2010**	5,911,787,027	5,378,314,152	533,472,875
Fiscal Year 2011**	5,614,919,075	5,481,016,701	133,902,374

** Includes proposed appropriations

DECLARATION OF FINDINGS

Pursuant to Section 37-71(d)(6) of the Hawaii Revised Statutes, the Director of Finance finds and declares that with respect to the proposed capital improvement appropriations for the budget period 2009-2011 for which the source of funding is general obligation bonds:

1. Limitation on general obligation debt. Article VII, Section 13 of the State Constitution, states in part: "General obligation bonds may be issued by the State; provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds to exceed . . . a sum equal to eighteen and one-half percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance." Article VII, Section 13, also provides that in determining the power of the State to issue general obligation bonds, certain bonds are excludable, including "reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the general fund are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the immediately preceding fiscal year."
2. Actual and estimated debt limits. The limit on principal and interest of general obligation bonds issued by the State, actual for fiscal year 2006-2007 and estimated for each fiscal year from fiscal year 2009-2010 to 2012-2013, is as follows:

<u>Fiscal Year</u>	<u>Net General Fund Revenues</u>	<u>Debt Limit</u>
2005-2006	4,904,019,330	
2006-2007	5,122,620,268	
2007-2008	5,222,739,619	
2008-2009	5,143,960,000	940,378,385
2009-2010	5,307,213,000	955,174,726
2010-2011	5,531,702,000	966,557,945
2011-2012	5,803,094,000	985,610,625
2012-2013	(not applicable)	1,026,257,222

For fiscal years 2008-2009, 2009-2010, 2010-2011, 2011-2012 and 2012-2013, respectively, the debt limit is derived by multiplying the average of the net general fund revenues for the three preceding fiscal years by 18 1/2 percent. The net general fund revenues for fiscal years 2005-2006, 2006-2007 and 2007-2008 are actual, as certified by the Director of Finance in the Statement of the Debt Limit of the State of Hawaii as of July 1, 2008, dated November 21, 2008. The net general fund revenues for fiscal years 2008-2009 to 2011-2012 are estimates, based on general fund revenue estimates made as of September 8, 2008 and October 31, 2008, by the Council on Revenues, the body assigned by Article VII, Section 7, of the State Constitution to make such estimates, and based on estimates made by the Department of Budget and Finance of those receipts which cannot be included as general fund revenues for the purpose of calculating the debt limit, all of which estimates the Director of Finance finds to be reasonable.

3. Principal and interest on outstanding bonds applicable to the debt limit. In determining the power of the State to issue general obligation bonds for the fiscal years 2008-2009 to 2027-2028, the total amount of principal and interest on outstanding general obligation bonds are as follows:

Additionally, the outstanding principal amount of bonds constituting instruments of indebtedness in which the State has incurred a contingent liability as a guarantor is \$191,000,000, all or a portion of which pursuant to Article VII, Section 13 of the State Constitution, is excludable in determining the power of the State to issue general obligation bonds.

4. Amount of authorized and unissued general obligation bonds and proposed bonds. As calculated from the State Comptroller's bond fund report as of October 31, 2008 is \$2,036,600,349. The amount of general obligation bonds proposed in the Multi-Year Program and Financial Plan and Executive Budget for the Period 2009-2015 (Budget Period 2009-2011) (referred to as the "Budget") is \$955,155,000 (but does not include capital improvement appropriations to be funded through the issuance of general obligation bonds proposed by the Judiciary). The total amount of general obligation bonds previously authorized and unissued and the general obligation bonds proposed in the Budget is \$2,980,814,191.
5. Proposed general obligation bond issuance.¹ As reported in the Budget, as it applies to the fiscal period 2008-2009 to 2012-2013, the State proposed to issue \$325,000,000 in general obligation bonds during the first half of fiscal year 2008-2009, \$225,000,000 in general obligation bonds during the second half of 2008-2009, \$275,000,000 in general obligation bonds semi annually during fiscal years 2009-2010 and 2010-2011, \$330,000,000 in general obligation bonds during the first half of fiscal year 2011-2012, \$340,000,000 in general obligation bonds during the second half of fiscal year 2011-2012, \$330,000,000 in general obligation bonds during the first half of fiscal year 2012-2013, and \$340,000,000 in general obligation bonds during the second half of fiscal

¹Bond issuance plan as of July 1, 2008 - In December 2008, the Department sold \$100,000,000 of new money Series DN bonds, \$101,825,000 of refunding Series DO bonds, and \$26,000,000 of new money Series DP bonds.

year 2012-2013. It is the practice of the State to issue 20-year serial bonds with principal repayments beginning the fourth year, payable in substantially equal annual installments of principal and interest payment with interest payments commencing six months from the date of issuance and being paid semi-annually thereafter. It is assumed that this practice will continue to be applied to the bonds, which are proposed to be issued except that principal repayments will begin in the fourth year.

6. Sufficiency of proposed general obligation bond issuance to meet the requirements of authorized and unissued bonds and the bonds proposed in the Budget. From the schedule reported in paragraph (5), the total amount of general obligation bonds, which the State proposes to issue during this fiscal year and in fiscal years 2009-2010, 2010-2011, 2011-2012, and 2012-2013, is \$2,990,000,000. The total amount of \$2,990,000,000 which is proposed to be issued through fiscal year 2012-2013 is sufficient to meet the requirements of the previously authorized and unissued bonds and the bonds proposed in the Budget, the total amount of which is \$2,980,814,191, as reported in paragraph (4). Thus, taking the Budget into account the amount of previously authorized and unissued bonds and bonds proposed versus the amount of bonds which is proposed to be issued by June 30, 2013, the Director of Finance finds that in the aggregate, the amount of bonds is sufficient to meet these requirements.
7. Bonds excludable in determining the power of the State to issue bonds. As noted in paragraph (1), certain bonds are excludable in determining the power of the State to issue general obligation bonds. (A) General obligation reimbursable bonds can be excluded under certain conditions. It is not possible to make a conclusive determination as to the amount of reimbursable bonds which are excludable from the amount of each proposed bond issuance because:

- (i) It is not known exactly when projects for which reimbursable bonds have been authorized in prior acts and in the Budget will be implemented and will require the application of proceeds from a particular bond issue; and
- (ii) Not all reimbursable general obligation bonds may qualify for exclusion.

However, the Director of Finance notes that with respect to the principal and interest on outstanding general obligation bonds, as reported in Section 3 herein, the average proportion of principal and interest which is excludable each year from calculation against the debt limit is 1.86 percent for the ten years from fiscal year 2009-2010 to fiscal year 2018-2019. For the purpose of this declaration, the assumption is made that one percent of each bond issue will be excludable from the debt limit, an assumption which the Director of Finance finds to be reasonable and conservative. (B) Bonds constituting instruments of indebtedness under which the State incurs a contingent liability as a guarantor can be excluded but only to the extent the principal amount of such guaranties does not exceed seven percent of the principal amount of outstanding general obligation bonds not otherwise excluded under subparagraph (A) of this paragraph (7) and provided that the State shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the State as provided by law. According to the Department of Budget and Finance and the assumptions presented herein, the total principal amount of outstanding general obligation bonds and general obligation bonds proposed to be issued, which are not otherwise excluded under Article VII, Section 13 of the State Constitution, for the fiscal years 2008-2009, 2009-2010, 2010-2011, 2011-2012 and 2012-2013 are as follows:

Fiscal Year	Total amount of G.O. Bonds not otherwise excluded by Article VII, Section 13 of the State Constitution
2008-2009	4,656,314,012
2009-2010	4,871,774,540
2010-2011	5,078,530,000
2011-2012	5,382,055,000
2012-2013	5,353,580,000

Based on the foregoing and based on the assumption that the full amount of a guaranty is immediately due and payable when such guaranty changes from a contingent liability to an actual liability, the aggregate principal amount of the portion of the outstanding guaranties and the guaranties proposed to be incurred, which does not exceed seven percent of the average amount set forth in the last column of the above table and for which reserve funds have been or will have been established as heretofore provided by, can be excluded in determining the power of the State to issue general obligation bonds. As it is not possible to predict with a reasonable degree of certainty when a guaranty will change from a contingent liability to an actual liability, it is assumed in conformity with fiscal conservatism and prudence, that all guaranties not otherwise excluded pursuant to Article VII, Section 13 of the State Constitution will become due and payable in the same fiscal year in which the greatest amount of principal and interest on general obligation bonds, after exclusions, occurs. Thus, based on such assumptions and on the determination in paragraph (8), the aggregate principal amount of the portion of the outstanding guaranties; which must be included in determining the power of the State to issue general obligation bonds, is \$0.

- 8. Determination whether the debt limit will be exceeded at the time of issuance. From the foregoing and on the assumption that the bonds identified in paragraph (5) will be issued at interest rate of 6 percent during the remainder of fiscal year 2008-2009 and 6.5 percent thereafter, as reported in the

Budget, it can be determined from the following schedule that the bonds which are proposed to be issued, which includes all bonds issued and outstanding, bonds previously authorized and unissued and the bonds proposed in the Budget, will not cause the debt limit to be exceeded at the time of each bond issuance:

<u>Time of Issue and Amount of Issue to be Counted Against Debt Limit</u>	<u>Debt Limit at Time of Issuance</u>	<u>Greatest Amount & Year of Principal & Interest</u>
1st half FY 2008-2009 \$321,750,000	940,378,385	562,602,502 (2010-2011)
2nd half FY 2008-2009 \$222,750,000	940,378,385	558,179,867 (2009-2010)
1st half FY 2009-2010 \$272,250,000	955,174,726	565,510,627 (2010-2011)
2nd half FY 2009-2010 \$272,250,000	955,174,726	574,358,752 (2010-2011)
1st half FY 2010-2011 \$272,250,000	966,557,945	574,358,752 (2010-2011)
2nd half FY 2010-2011 \$272,250,000	966,557,945	590,538,809 (2012-2013)
1st half FY 2011-2012 \$326,700,000	985,610,625	601,156,559 (2012-2013)
2nd half FY 2011-2012 \$336,600,000	985,610,625	612,096,059 (2012-2013)
1st half FY 2012-2013 \$326,700,000	1,026,257,222	625,953,228 (2014-2015)
2nd half FY 2012-2013 \$336,600,000	1,026,257,222	647,832,228 (2014-2015)

9. Overall and concluding finding. From the facts, estimates, and assumptions stated in this declaration of findings, the conclusion is reached that the total amount of principal and interest estimated for the general obligation bonds proposed in the Budget and for all bonds previously authorized and unissued and calculated for all bonds issued and outstanding

and guaranties, will not cause the debt limit to be exceeded at the time of issuance.

The Director of Finance hereby finds that the bases for the declaration of findings set forth herein are reasonable. The assumptions set forth in this declaration with respect to the principal amount of general obligation bonds which will be issued, the amount of principal and interest on reimbursable general obligation bonds which are assumed to be excludable and the assumed maturity structure shall not be deemed to be binding, it being the understanding that such matters must remain subject to substantial flexibility.



Director of Finance
State of Hawaii