



**GOV. MSG. NO. 7**

EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

February 5, 2018

✓ The Honorable Ronald D. Kouchi,  
President and Members of the Senate  
Twenty-Ninth State Legislature  
State Capitol, Room 409  
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,  
Speaker and Members of the House  
of Representatives  
Twenty-Ninth State Legislature  
State Capitol, Room 431  
Honolulu, Hawai'i 96813

Dear Senate President Kouchi, Speaker Saiki and Members of the Legislature:

Transmitted herewith are proposed changes to the FY 19 Executive Supplemental Budget for the Departments of Accounting and General Services, Agriculture, the Attorney General, Budget and Finance, Health, Public Safety, and Transportation.

Your favorable consideration is requested for the following budget requests to amend the Supplemental Budget as follows:

### **OPERATING BUDGET**

#### **1. Updates to Operating Budget Requests**

The following budget requests are proposed to update amounts requested in the operating budget:

#### **Department of Accounting and General Services (AGS)**

##### **Enterprise Technology Services – Governance in Innovation (AGS 130/EG)**

Reduces \$22,000,000 in interdepartmental transfer funds for FY 19 from the current \$25,000,000 ceiling to align with anticipated revenues.

#### **Department of Budget and Finance (BUF)**

##### **Retirement Benefits Payments – State (BUF 741/ST)**

Reduces general funds by \$9,569,549 for FY 19 to correct the pension accumulation (PA) amounts for Corrections Officers. The PA amounts were calculated using the higher rate reserved for the police and firefighters tier; however, most active Corrections Officers fall under the general employee tier.

Health Premium Payments – State (BUF 761/ST)

Increases general funds by \$48,978,602 to meet 100% of the Annual Required Contribution (ARC) for FY 19 based on the 2017 actuarial valuation. The previous Other Post-Employment Benefits budget amount for FY 19 was based on the 2015 actuarial valuation and the previous retiree benefit payments amount was based on projections generated by BUF based on annualized actual monthly premium amounts; however, pursuant to Section 87A-42, HRS, the State is required to cover the entire ARC amount as determined by an actuary retained by the Hawai'i Employer-Union Health Benefits Trust Fund beginning FY 19.

**Department of Public Safety (PSD)**

Non-State Facilities (PSD 808/EM)

Adds \$1,740,404 in general funds for FY 19 for other current expenses to cover the housing expenses for the period from October 1, 2018 through December 31, 2018 for 248 inmates sent to Arizona. The additional funds are needed due to delays in renovations on the housing module at Halawa Correctional Facility.

**Department of Transportation (TRN)**

Highways Administration (TRN 595/DB)

Adds \$1,980,600 in special funds in FY 19 for the development and implementation of a new Highways Financial Management System, Phase III, including implementation consultant services for the general ledger and budget modules, software license fees, hosting services and various computer equipment.

2. Corrections to Operating Budget Requests

The following budget requests are being proposed to correct errors in the operating budget:

**Department of the Attorney General (ATG)**

Legal Services (ATG 100/AI)

Corrects 0.50 position (deletes 0.50 temporary general fund position and adds 0.50 temporary federal fund position, Position No. 121972) in FY 19, due to an inadvertent error in converting the temporary federal-funded positions to permanent general-funded positions for the Internet Crimes Against Children Program.

**Department of Health (HTH)**

Behavioral Health Administration (HTH 495/HB)

Corrects one general fund position (deletes 1.00 permanent general fund position and adds 1.00 temporary general fund position, Position No. 91251H) in FY 19 in the Behavioral Health Administration Program. This request will correct a negative position count in the Adult Mental Health Administration budget.

**CAPITAL IMPROVEMENT PROGRAM BUDGET**

Adjustment to the Capital Improvement Program (CIP) Budget

The following budget request is proposed for the CIP budget:

**Department of Agriculture (AGR)**

General Administration for Agriculture (AGR 192)

Amend the appropriation language for Item No. A-21.00, Slaughterhouse Facility, Hawai'i, to include the following public purpose statement: "The Legislature finds and declares that the appropriation is in the public interest and for the public's health, safety and general welfare of the State." A public purpose statement is necessary as the State will be funding the plans and design for a slaughterhouse facility that will be constructed and utilized by private entities.

Your staff may contact the appropriate agency for additional information. Your understanding and assistance is appreciated.

Sincerely,



DAVID Y. IGE  
Governor, State of Hawai'i

**Attachment**

c: Honorable Donovan M. Dela Cruz  
Honorable Sylvia Luke

OPERATING1. Updates to Operating Budget Requests

The following budget requests are proposed to update amounts requested in the operating budget:

**Department of Accounting and General Services (AGS)**Enterprise Technology Services – Governance and Innovation (AGS 130/EG)

Reduces \$22,000,000 in interdepartmental transfer funds for FY 19 from the current \$25,000,000 ceiling to align with anticipated revenues.

	<u>FY 2018</u>	<u>FY 2019</u>	
Personal Services	.....	-\$ 2,500,000	U
Other Current Expenses	.....	-\$13,250,000	U
Equipment	.....	-\$ 6,250,000	U

**Department of Budget and Finance (BUF)**Retirement Benefits Payments – State (BUF 741/ST)

Reduces general funds by \$9,569,549 to correct the pension accumulation (PA) amounts for Corrections Officers. The PA amounts were calculated using the higher rate reserved for the police and firefighters tier; however, most active Corrections Officers fall under the general employee tier.

	<u>FY 2018</u>	<u>FY 2019</u>	
Other Current Expenses	.....	-\$9,569,549	A

Health Premium Payments – State (BUF 761/ST)

Increases general funds by \$48,978,602 to meet 100% of the Annual Required Contribution (ARC) for FY 19 based on the 2017 actuarial valuation. The previous Other Post-Employment Benefits budget amount for FY 19 was based on the 2015 actuarial valuation and the previous retiree benefit payments amount was based on projections generated by BUF based on annualized actual monthly premium amounts; however, pursuant to Section 87A-42, HRS, the State is required to cover the entire ARC amount as determined by an actuary retained by the Hawai'i Employer-Union Health Benefits Trust Fund beginning FY 19.

	<u>FY 2018</u>	<u>FY 2019</u>	
Other Current Expenses	.....	\$48,978,602	A

**Department of Public Safety (PSD)**

Non-State Facilities (PSD 808/EM)

Adds \$1,740,404 in general funds for FY 19 for other current expenses to cover the housing expenses for the period from October 1, 2018 through December 31, 2018 for 248 inmates sent to Arizona. The additional funds are needed due to delays in renovations on the housing module at Halawa Correctional Facility.

	<u>FY 2018</u>	<u>FY 2019</u>
Other Current Expenses	.....	\$1,740,404 A

**Department of Transportation (TRN)**

Highways Administration (TRN 595/DB)

Adds \$1,980,600 in special funds in FY 19 for the development and implementation of a new Highways Financial Management System, Phase III, including implementation consultant services for the general ledger and budget modules, software license fees, hosting services and various computer equipment.

	<u>FY 2018</u>	<u>FY 2019</u>
Other Current Expenses	.....	\$1,966,000 B
Equipment	.....	\$ 14,600 B

2. Corrections to Operating Budget Requests

The following budget requests are proposed to correct errors in the operating budget:

**Department of the Attorney General (ATG)**

Legal Services (ATG 100/AI)

Corrects 0.50 position (deletes 0.50 temporary general fund position and adds 0.50 temporary federal fund position, Position No. 121972) in FY 19, due to an inadvertent error in converting the temporary federal-funded positions to permanent general-funded positions for the Internet Crimes Against Children Program.

	<u>FY 2018</u>	<u>FY 2019</u>
	.....	-(0.50) A Temp
	.....	(0.50) N Temp
Personal Services	.....	\$0 A
Personal Services	.....	\$0 N

**Department of Health (HTH)**

Behavioral Health Administration (HTH 495/HB)

Corrects one general fund position (deletes 1.00 permanent general fund position and adds 1.00 temporary general fund position) in FY 19 in the Behavioral Health Administration Program. This request will correct a negative position count in the Adult Mental Health Administration budget.

	<u>FY 2018</u>	<u>FY 2019</u>
	.....	-(1.00) A Perm
	.....	(1.00) A Temp
Personal Services	.....	\$0 A

CAPITAL IMPROVEMENT PROGRAM

Capital Improvement Program Budget Adjustments:

House Bill No. 1900, Section 6, is amended:

**Department of Agriculture (AGR)**

AGR 192 GENERAL ADMINISTRATION FOR AGRICULTURE

By amending Item No. A-21.00:

"21.00 P18011 SLAUGHTERHOUSE FACILITY, HAWAII

PLANS AND DESIGN FOR A SCALABLE AND REPLICABLE  
SLAUGHTERHOUSE TO MEET THE GROWING DEMAND FOR LOCAL  
GROWN MEAT. THE LEGISLATURE FINDS AND DECLARES THAT THE  
APPROPRIATION IS IN THE PUBLIC INTEREST AND FOR THE PUBLIC'S  
HEALTH, SAFETY AND GENERAL WELFARE OF THE STATE.

	<u>FY 2018</u>	<u>FY 2019</u>
PLANS	1	
DESIGN	1,499	
TOTAL FUNDING AGR	1,500 C	C"