FINANCE MEMORANDUM

TO:       All Department Heads

FROM:     Georgina K. Kawamura
          Director of Finance

SUBJECT:  Preliminary Instructions for Fiscal Biennium 2009-11 Executive Budget Preparation

Hawaii is currently going through a period of economic slowdown and the State’s general fund revenues have continued to fall short of projections. Updated revenue estimates by the Council on Revenues for the period covering the current FB 2007-09 through the next FB 2009-11 show that total resources will be insufficient to meet the level of expenditures authorized in the 2008 Legislative Session (including the FY 09 Supplemental Budget and other specific appropriations). The general funds gap is projected to be over $900 million. Under these extraordinary financial circumstances, immediate and substantial actions are needed to balance the General Fund.

The restriction on discretionary spending in FY 09 is among the first steps toward this goal. Additional measures will be necessary. Full instructions and policy guidelines for the preparation of the FB 2009-11 Executive Budget Request and the Program and Financial Plan for the period 2009-15 will be issued in the coming weeks. At this time, the following instructions are provided to alert you to the various initial steps that are required for budget preparation this year.

1. Critical review and assessment of your department’s FY 09 budget base. The focus should be determining the level of essential services and the core functions of your department. Programs with lower priority should be identified for possible reduction or elimination. Many programs have received substantial funding increases since FB 2005-07 during a period when revenue growth was robust. Critical review of these new or expanded programs is now necessary.

Form OB (Review of FY 09 Operating Budget Base) is attached for your use; it should be completed and submitted with your department’s FB 2009-11 Budget Request later.
2. **Identification of issues having a significant fiscal impact.** The objective is to have a clear understanding of the expected obligations, proposed actions for cost control, and good estimates for funding requirements in the biennium. Please use the attached list (if included) as a starting point for your department.

3. **Identification of potential areas where general funds can be replaced with other funds.** Where appropriate, departments should maximize efforts to use non-general funds to support their programs. Please use the attached list (if included) as a starting point for your department.

At this time, I urge you and your staff to concentrate on the tasks outlined above. They are an integral part of budget preparation this year and the information they provide will help speed up the budget review and recommendation process later.

Please contact the analyst(s) assigned to your department if there are questions. Your understanding and cooperation are greatly appreciated.

Attachments