



GOV. MSG. NO. 1

EXECUTIVE CHAMBERS

HONOLULU

DAVID Y. IGE
GOVERNOR

February 19, 2021

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

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

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

Transmitted herewith are proposed changes to the FB 2021-23 Executive Budget for the Departments of Budget and Finance, Education, Health, Human Services, and Labor and Industrial Relations (DLIR).

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

1. Adjustments to the Operating Budget Request:

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

Department of Budget and Finance

Departmental Administration and Budget Division (BUF 101/AA)

Reduces \$16,950,645 in general funds in FY 22 and \$19,377,143 in general funds in FY 23 to delete the budgeted unemployment insurance loan interest payments which will be added to DLIR with updated projection amounts.

Health Premium Payments – ARC (BUF 762/RC)

Reduces \$31,393,000 in general funds in FY 22 and \$32,301,000 in general funds in FY 23 to update the budgeted payment amounts for retirees to reflect the Employer-Union Health Benefits Trust Fund Retiree Health Care Plan – Annual Valuation Report as of July 1, 2020.

Department of Education

School Based Budgeting (EDN 100/RR)

Adds \$88,739,458 in general funds in FY 22 and FY 23 to adjust the Program Review from a 10% reduction to a 2.5% reduction. Additional federal stimulus funds and a more optimistic revenue projection by the Council on Revenues (COR) enabled a reset of the department's target reduction to 2.5%.

Special Education and Student Support Services (EDN 150/RR)

Adds 2.00 permanent full-time equivalent (FTE) and 1.00 temporary FTE and \$31,939,398 in general funds in FY 22 and FY 23 to adjust the Program Review from a 10% reduction to a 2.5% reduction. Additional federal stimulus funds and a more optimistic revenue projection by the COR enabled a reset of the department's target reduction to 2.5%.

Instructional Support (EDN 200/RR)

Adds \$38,000 in general funds in FY 22 and FY 23 to adjust the Program Review from a 10% reduction to a 2.5% reduction. Additional federal stimulus funds and a more optimistic revenue projection by the COR enabled a reset of the department's target reduction to 2.5%.

School Support (EDN 400/RR)

Adds 32.00 permanent FTE and \$2,473,356 in general funds in FY 22 and FY 23 to adjust the Program Review from a 10% reduction to a 2.5% reduction. Additional federal stimulus funds and a more optimistic revenue projection by the COR enabled a reset of the department's target reduction to 2.5%.

Early Learning (EDN 700/PK)

Reduces \$3,224,161 in general funds in FY 22 and FY 23 in the Executive Office of Early Learning to reflect the transfer of the 18 Pre-Kindergarten classrooms to the Charter School Commission and Administration pursuant to Act 46, SLH 2020.

Department of Education – Charter Schools

Charter Schools (EDN 612/JR)

Adds \$9,167,926 in general funds in FY 22 and FY 23 to adjust the Program Review from a 12% reduction to a 2.5% reduction. Additional federal stimulus funds and a more optimistic revenue projection by the COR enabled a reset of the department's target reduction to 2.5%.

Charter Schools (EDN 612/JR)

Reduces \$2,138,956 in general funds in FY 22 and FY 23 to reflect the per pupil adjustment based on revised Executive Budget requests.

Department of Human Services

Health Care Payments (HMS 401/PE)

Decreases general funds by \$22,310,563 and increases federal funds by \$59,289,373 in FY 22 and decreases general funds by \$20,894,936 and increases federal funds by \$169,859,707 in FY 23 to reflect updated projections for Medicaid capitation costs.

Department of Health

Emergency Medical Services (HTH 730/MQ)

Adds \$15,776,780 in general funds in FY 22 and FY 23 to meet collective bargaining requirements and recurring personnel cost for service providers contracted to provide pre-hospital emergency medical service. Increased funding will maintain the current level of pre-hospital emergency medical services.

Emergency Medical Services (HTH 730/MQ)

Adds \$3,997,494 in general funds in FY 22 and FY 23 for other current expenses cost increases for service providers contracted to provide pre-hospital emergency medical service. Increased funding is to meet cost increases resulting from increases in call volume and cost of goods, supplies, and services and to maintain current level of pre-hospital emergency medical services.

Hawai'i State Hospital (HTH 430/HQ)

Reduces 1.00 permanent FTE count and adds 1.00 temporary FTE count in FY 22 and FY 23 to correct a technical error on the Form B and Form PRA. Position No. 43894 and related funds were reduced, but the FTE count was inadvertently marked as temporary instead of permanent. This request is to correct the FTE count to reflect the FTE reduction as a permanent position rather than a temporary position.

Department of Labor and Industrial Relations

Unemployment Insurance (UI) (LBR 171/LA)

Adds \$13,153,920 in general funds in FY 22 and \$31,527,615 in general funds in FY 23 for interest payable to the U.S. Department of Labor for the UI Trust Fund

Title XII advances used to pay unemployment benefits. Due to the COVID-19 pandemic, Hawai'i's unemployment increased quickly and substantially, which resulted in depleting the State's Benefit Fund.

2. Adjustment to the Capital Improvement Program (CIP) Request:

The following budget request is being proposed to update amounts requested in the CIP budget:

Department of Education

School Based Budgeting (EDN 100)

Adds \$18,000,000 in general obligation bonds in FY 22 to provide additional funding for the new gymnasium at Roosevelt High School. This funding is in addition to the \$19,475,000 appropriated in FY 20 and \$2,500,000 appropriated in FY 18 and is necessary to complete the design, construction, and equipment work for the new multi-story gymnasium.

With warmest regards,



David Y. Ige
Governor, State of Hawai'i

Attachment

c: Honorable Donovan M. Dela Cruz
Honorable Sylvia Luke

OPERATINGAdjustments to Update Operating Budget Requests

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

Department of Budget and FinanceDepartmental Administration and Budget Division (BUF 101/AA)

Reduces \$16,950,645 in general funds in FY 22 and \$19,377,143 in general funds in FY 23 to delete the budgeted unemployment insurance loan interest payments which will be added to the Department of Labor and Industrial Relations with updated projection amounts.

	<u>FY 22</u>	<u>FY 23</u>
Other Current Expenses	-\$16,950,645 A	-\$19,377,143 A

Health Premium Payments – ARC (BUF 762/RC)

Reduces \$31,393,000 in general funds in FY 22 and \$32,301,000 in general funds in FY 23 to update the budgeted payment amounts for retirees to reflect the Employer-Union Health Benefits Trust Fund Retiree Health Care Plan – Annual Valuation Report as of July 1, 2020.

	<u>FY 22</u>	<u>FY 23</u>
Other Current Expenses	-\$31,393,000 A	-\$32,301,000 A

Department of EducationSchool Based Budgeting (EDN 100/RR)

Adds \$88,739,458 in general funds in FY 22 and FY 23 to adjust the Program Review from a 10% reduction to a 2.5% reduction. Additional federal stimulus funds and a more optimistic revenue projection by the Council on Revenues (COR) enabled a reset of the department's target reduction to 2.5%.

	<u>FY 22</u>	<u>FY 23</u>
Personal Services	\$81,028,185 A	\$81,028,185 A
Other Current Expenses	\$ 7,711,273 A	\$ 7,711,273 A

Special Education and Student Support Services (EDN 150/RR)

Adds 2.00 permanent full-time equivalent (FTE) and 1.00 temporary FTE and \$31,939,398 in general funds in FY 22 and FY 23 to adjust the Program Review

from a 10% reduction to a 2.5% reduction. Additional federal stimulus funds and a more optimistic revenue projection by the COR enabled a reset of the department's target reduction to 2.5%.

	<u>FY 22</u>	<u>FY 23</u>
Personal Services	2.00 A Perm 1.00 A Temp \$ 1,192,820 A	2.00 A Perm 1.00 A Temp \$ 1,192,820 A
Other Current Expenses	\$30,746,578 A	\$30,746,578 A

Instructional Support (EDN 200/RR)

Adds \$38,000 in general funds in FY 22 and FY 23 to adjust the Program Review from a 10% reduction to a 2.5% reduction. Additional federal stimulus funds and a more optimistic revenue projection by the COR enabled a reset of the department's target reduction to 2.5%.

	<u>FY 22</u>	<u>FY 23</u>
Other Current Expenses	\$38,000 A	\$38,000 A

School Support (EDN 400/RR)

Adds 32.00 permanent FTE and \$2,473,356 in general funds in FY 22 and FY 23 to adjust the Program Review from a 10% reduction to a 2.5% reduction. Additional federal stimulus funds and a more optimistic revenue projection by the COR enabled a reset of the department's target reduction to 2.5%.

	<u>FY 22</u>	<u>FY 23</u>
Personal Services	32.00 A Perm \$1,320,890 A	32.00 A Perm \$1,320,890 A
Other Current Expenses	\$1,152,466 A	\$1,152,466 A

Early Learning (EDN 700/PK)

Reduces \$3,224,161 in general funds in FY 22 and FY 23 in the Executive Office of Early Learning to reflect the transfer of the 18 Pre-Kindergarten classrooms in the Charter School Commission and Administration pursuant to Act 46, SLH 2020.

	<u>FY 22</u>	<u>FY 23</u>
Other Current Expenses	-\$3,224,161 A	-\$3,224,161 A

Department of Education – Charter Schools

Charter Schools (EDN 612/JR)

Adds \$9,167,926 in general funds in FY 22 and FY 23 to adjust the Program Review from a 12% reduction to a 2.5% reduction. Additional federal stimulus funds and a more optimistic revenue projection by the COR enabled a reset of the department's target reduction to 2.5%.

	<u>FY 22</u>	<u>FY 23</u>
Other Current Expenses	\$9,167,926 A	\$9,167,926 A

Charter Schools (EDN 612/JR)

Reduces \$2,138,956 in general funds in FY 22 and FY 23 to reflect the per pupil adjustment based on revised Executive Budget requests.

	<u>FY 22</u>	<u>FY 23</u>
Other Current Expenses	-\$2,138,956 A	-\$2,138,956 A

Department of Human Services

Health Care Payments (HMS 401/PE)

Decreases general funds by \$22,310,563 and increases federal funds by \$59,289,373 in FY 22 and decreases general funds by \$20,894,936 and increases federal funds by \$169,859,707 in FY 23 to reflect updated projections for Medicaid capitation costs.

	<u>FY 2022</u>	<u>FY 2023</u>
Other Current Expenses	-\$22,310,563 A \$59,289,373 N	-\$ 20,894,936 A \$169,859,707 N

Department of Health

Emergency Medical Services (HTH 730/MQ)

Adds \$15,776,780 in general funds in FY 22 and FY 23 to meet collective bargaining requirements and recurring personnel cost for service providers contracted to provide pre-hospital emergency medical service. Increased funding will maintain the current level of pre-hospital emergency medical services.

	<u>FY 22</u>	<u>FY 23</u>
Other Current Expenses	\$15,776,780 A	\$15,776,780 A

Emergency Medical Services (HTH 730/MQ)

Adds \$3,997,494 in general funds in FY 22 and FY 23 for other current expenses cost increases for service providers contracted to provide pre-hospital emergency medical service. Increased funding is to meet cost increases resulting from increases in call volume and cost of goods, supplies, and services and to maintain the current level of pre-hospital emergency medical services.

	<u>FY 22</u>	<u>FY 23</u>
Other Current Expenses	\$3,997,494 A	\$3,997,494 A

Hawai'i State Hospital (HTH 430/HQ)

Reduces 1.00 permanent FTE count and adds 1.00 temporary FTE count in FY 22 and FY 23 to correct a technical error on the Form B and Form PRA. Position No. 43894 and related funds were reduced, but the FTE count was inadvertently marked as temporary instead of permanent. This request is to correct the FTE count to reflect the FTE reduction as a permanent position rather than a temporary position.

	<u>FY 22</u>	<u>FY 23</u>
	(1.00) A Perm	(1.00) A Perm
	1.00 A Temp	1.00 A Temp

Department of Labor and Industrial Relations

Unemployment Insurance (UI) (LBR 171/LA)

Adds \$13,153,920 in general funds in FY 22 and \$31,527,615 in general funds in FY 23 for interest payable to the U.S. Department of Labor for the UI Trust Fund Title XII advances used to pay unemployment benefits. Due to the COVID-19 pandemic, Hawai'i's unemployment increased quickly and substantially, which resulted in depleting the State's Benefit Fund.

	<u>FY 22</u>	<u>FY 23</u>
Other Current Expenses	\$13,153,920 A	\$31,527,615 A

CAPITAL IMPROVEMENT PROGRAM

Adjustment to the Capital Improvement Program Request

Department of Education

EDN 100 SCHOOL BASED BUDGETING

By adding a new item:

"ROOSEVELT HIGH SCHOOL, OAHU

DESIGN, CONSTRUCTION AND EQUIPMENT FOR A NEW GYMNASIUM WITH
LOCKER ROOMS, CLASSROOMS, AND OTHER RELATED FACILITIES;
PARKING BELOW AND AROUND THE GYMNASIUM; BUS AND VEHICLE
ACCESS IMPROVEMENTS TO ACCOMMODATE GROUP DROP-OFF AND
PICK-UP; GROUND AND SITE IMPROVEMENTS; AND EQUIPMENT AND
APPURTENANCES.

	<u>FY 2022</u>	<u>FY 2023</u>
<u>DESIGN</u>	<u>100</u>	<u>0</u>
<u>CONSTRUCTION</u>	<u>17,750</u>	<u>0</u>
<u>EQUIPMENT</u>	<u>150</u>	<u>0</u>
<u>TOTAL FUNDING</u> EDN	<u>18,000 C</u>	<u>0 C"</u>