

**EXECUTIVE CHAMBERS**

HONOLULU

DAVID Y. IGE
GOVERNOR

April 3, 2020

EXECUTIVE MEMORANDUM

MEMO NO. 20-01

TO: All Department Heads

SUBJECT: Amendments to Executive Memorandum No. 19-02, *FY 20 Budget Execution Policies and Instructions*

On January 31, 2020, the United States Secretary of Health and Human Services declared the outbreak of the coronavirus, COVID-19, a public health emergency for the United States. On March 4, 2020, I issued an emergency proclamation to address COVID-19 in the State of Hawai'i.

The impact of the COVID-19 pandemic has hit Hawai'i and the world hard and fast. Difficult decisions have been made and will continue to be made to ensure the health and welfare of all, from keiki to kupuna.

To address the State's immediate funding needs during this crisis, the balance of FY 20 general fund restrictions which were imposed through budget execution will not be released. As such, your department's current (revised, as applicable) FY 20 allocation of operating program appropriations (Exhibit 1) is attached.

When the Council on Revenues (COR) met on March 11, 2020, it reduced its general fund tax revenue growth forecast for FY 20 from 4.1% to 3.8% and for FY 21 from 4.0% to 0% while increasing its projections for FY 22 from 3.0% to 5.0% and for FY 23 from 3.0% to 4.0%. In addition, the COR maintained its projections for FY 24 through FY 26 at 4.0% each year. While the actions taken by the COR were due to concerns regarding the impact of COVID-19 on Hawai'i's economy, the economic activity since then indicates that actual economic impact of COVID-19 will be much more substantial than what was projected.

The economic fallout has been brutal. Tourism, a major component of our economy, is at a standstill. Initial unemployment claims in March have surpassed 100,000 and the number of initial claims will increase as it becomes more difficult for businesses to continue to operate.

At this point, no one can predict how long this worldwide health crisis will last and it is premature to reconsider the economic impact to the State. We all know the impact will be significant and painful. The State will face reductions in both general and special fund revenues that could not have been imagined.

The Administration must take immediate action to minimize potential budget shortfalls. All departments should review their planned expenditures and find innovative ways to deliver essential services and trim costs. Departments should make only critical, high priority expenditures considering the potential long-term impact of this public health crisis, with the following guidance:

- Cancel or defer contracts and other expenditures of lower priority.
- No new programs should be contemplated because they may not be sustainable in the future. This does not apply to programs directly addressing the COVID-19 situation that are funded by coronavirus (COVID-19) federal funds.
- Purchases of vehicles are strongly discouraged.
- Purchases of new equipment, software, and computers are strongly discouraged unless necessary to address COVID-19 related work-from-home situations.
- Travel shall be limited to essential purposes where teleconferences are not practical.

In addition, I have authorized a general freeze on position vacancies to control labor costs. Effective immediately, the following amendments to Executive Memorandum (E.M.) No. 19-02, *FY 20 Budget Execution Policies and Instructions, Attachment A*, shall apply:

16. Workforce Control (amended).

b. **Establishment and Filling of Positions/Vacancies (amended).**

Effective immediately, all current and future position vacancies are frozen until further notice.

- Actions to fill vacancies that are already in the recruitment process and a job offer has been made as of the date of this E.M. shall be allowed to continue through their final stages.
- Exceptions to this general freeze may be granted for exceptional cases where there is an urgent and critical need involving public health and/or safety. The procedure for requesting the Governor's approval to fill a vacancy is covered in **Items b.1** and **b.2** below.

All departments should thoroughly assess and evaluate the need to establish and/or fill a position. All department heads are advised to seriously examine and weigh each request to establish and/or fill positions against their departmental budget, the overall fiscal condition of the State, and the value of the services that the position provides to the public along with the need to sustain government services in the long term.

b.1 The Governor's prior approval through the Department of Budget and Finance is required for the establishment of positions and the filling of current and future vacancies on an exception basis. This requirement shall apply to:

- All positions, including permanent, temporary, exempt, or CIP-funded.
- All positions included in the budget (Act 5, SLH 2019, including transfers).
- All positions created by general law or specific legislation which are not included in Act 5, SLH 2019, including transfers.
- Unauthorized positions that are allowed pursuant to Section 37-74(f), HRS, and **Section 42** of Act 5, SLH 2019. See **Item b.6** below.

b.2 Exceptions. The Governor's approval is not required for the cases listed below.

- Filling and extension of positions that are 100% federally-funded, or 100% funded by non-appropriated trust funds. This includes temporary positions established for programs directly addressing the COVID-19 situation that are funded by coronavirus (COVID-19) federal funds.
- Filling of authorized positions supporting the State's response to COVID-19 in the Departments of Defense, Health (DOH) and Labor and Industrial Relations.
- Filling of authorized **direct instructional** (teaching) positions in the University of Hawai'i, the Department of Education and the Charter Schools.
- Filling of authorized positions in the Hawai'i Health Systems Corporation.

- Filling of Public Safety correctional facilities and correctional programs staff positions.
- Filling of positions in Child Protective Services.
- Filling of Hawai'i State Hospital staff positions necessary to ensure the Department of Justice compliance.
- Filling of Hawai'i Youth Correctional Facility Staff positions.
- Establishment and/or filling of authorized exempt DOH positions previously mandated by the Felix or Makin Consent Decrees and are currently necessary to ensure compliance.
- Extension of exempt positions with incumbents, provided positions are authorized and funded in FY 21.
- Granting of temporary assignment to existing employees.
- Establishment and filling of positions pursuant to Section 76-16(b), subsections (5), (7), and (16), HRS.
- Filling of civil service positions identified for Reduction-in-Force placements, and/or for placements of disabled employees.
- **Rescinded**: Filling and/or extensions of **blanket** authorizations previously approved by the Governor.

Undoubtably, additional fiscal measures will be necessary, and I recognize that getting through this will not be easy. We are responsible for the State's fiscal health and we must act together and act prudently. Your prompt attention to this matter and adherence to these policies is critical and appreciated.

/s/

DAVID Y. IGE
Governor, State of Hawai'i

Exhibit 1