

Fiscal Year 2014-15 Supplemental Operating Budget - General Fund Ceiling
 Department of Education

EDN	DESCRIPTION	ACT 134, SLH 2013 Budget Act	GOVERNOR'S DECISION		HOUSE DRAFT (HB1700 HD1)		DIFFERENCE (HOUSE - GOV)
			FY 2014-15 Supplemental Budget Request	FY 2014-15 Supplemental Budget Total	FY 2014-15 Supplemental Budget Request	FY 2014-15 Supplemental Budget Total	FY 2014-15 Supplemental Budget Request
EDN 100	School Based Budgeting	794,398,920	14,999,924	809,398,844	15,280,538	809,679,458	280,614
EDN 150	Special Education and Student Support Services	321,843,969	3,664,694	325,508,663	-	321,843,969	(3,664,694)
EDN 200	Instructional Support	44,132,348	4,926,786	49,059,134	4,035,172	48,167,520	(891,614)
EDN 300	State Administration	42,276,161	2,793,108	45,069,269	5,217,108	47,493,269	2,424,000
EDN 400	School Support	162,218,522	9,000,000	171,218,522	9,000,000	171,218,522	-
EDN 500	School Community Services	2,500,000	-	2,500,000	-	2,500,000	-
Fiscal Year 2014-15 Supplemental Budget General Fund Total		1,367,369,920	35,384,512	1,402,754,432	33,532,818	1,400,902,738	(1,851,694)



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

March 14, 2014

The Honorable David Ige, Chairperson
Senate Committee on Ways and Means
The Twenty-Seventh Legislature
State Capitol, Room 208
Honolulu, HI 96813

Dear Senator Ige:

Per your request in your memorandum dated March 6, 2014, the Department of Education (Department) has reviewed the budget changes in H.B. 1700, H.D. 1 for fiscal year (FY) 2014-2015. The Department made a concerted effort to align the budget request with only those needs that are essential for supporting schools and remaining in compliance with state and federal laws/policies (including the Strategic Plan). The Department is very appreciative for the inclusion additional funding for many of our requests in the House draft of the FY 2014-2015 supplemental budget.

Most notably, the Department is pleased to see funding of our requests to: 1) support teachers and administrators with increased Weighted Student Formula, implementation of the Educator Effectiveness System, and support for alternative pathways to teacher certification; 2) provide students with supports via the High Core Learning Center and the Advanced Placement program; and 3) support our schools with additional resources as part of the Strive HI Performance System and support for increased utilities costs.

The Department does have a few areas of concern that are elaborated in the attached impact statement.

If you have any questions, please contact Amy S. Kunz, Assistant Superintendent and Chief Financial Officer, at 586-3737.

Very truly yours,

A handwritten signature in blue ink, appearing to read "K. Matayoshi".

Kathryn S. Matayoshi
Superintendent

KSM:ks

Attachment

c: Mr. Bruce Coppa, Chief of Staff, Office of the Governor
Ms. Yvonne Lau, Policy Analyst, Office of the Governor
Mr. Ronn Nozoe, Deputy Superintendent
Ms. Jessica Horiuchi, Executive Assistant to the Superintendent
Assistant Superintendents
Budget Branch

OPERATING BUDGET

The Governor's total general fund operating budget request for the Department is \$35,384,512. This includes the Governor's original operating budget request of \$31,719,818 and the February 24, 2014 Governor's Message for an additional \$3,664,694. The House draft of the supplemental operating budget provides an additional \$33,532,818. The House draft funds \$30,469,290 for requests included in the Governor's budget and also added \$3,063,528 for two additional items (prekindergarten classes and two dorm attendants) not requested in the Governor's budget for the Department. Details of the adjustments made in the House draft of the budget are shown in the table to follow.

While many of the budget requests for new funding above appropriation were approved in the House draft of the budget, there were a few reductions made. Given that the projects for which funding was reduced or eliminated would have provided money directly to schools or offered a direct service to schools, the Department has concerns about diminishing these supports.

In particular the Department has concerns regarding the reductions to the requests related to additional funding for: special education services to special needs students to age 22; WASC Accreditation; alternative certification for teachers; temporary instead of permanent positions for information technology (IT) support; and, continued support for the access learning pilot project.

CONCERNS

Special Education Services

The Department has significant concerns regarding the request to provide special education services to students up to age 22 that was submitted to the Legislature on February 24, 2014. The omission of this line item from the budget worksheets may have been due to the timing, rather than the merits, of the request. The Department requested \$3.665 million in response to the United States Court of Appeals for the Ninth Circuit decision in E.R.K. v. State of Hawaii Department of Education, 728 F .3d 982 (2013), that reversed a Hawaii Federal Court decision in favor of the Department. Specifically, the Ninth Circuit ruled that section 302A-1134(c), Hawaii Revised Statutes, violated the Federal Individuals with Disabilities Act (IDEA) by denying public education to special-needs students aged 20-21. The decision to not fund this request places a significant financial burden on the Department to provide previously unplanned for, and now mandated, IDEA services to approximately 157 students in school year 2014-2015.

Weighted Student Formula (WSF) and Western Association of Schools and Colleges (WASC) Accreditation

The Department is very grateful for the House's recognition of the need for increased WSF funds. This increase is in line with feedback and recommendations from the Committee on Weights. The Department has concerns regarding the placement of WASC funds into the WSF. Schools in the initial and renewal stages of the accreditation process will need to disproportionately use funds for accreditation fees,

training, and team visits. These schools will need to assign staff to training, reporting, and logistics, reducing those staffs' time working with students or on other school projects. The Committee on Weights has recommended that WSF funds only be used for programs that lend themselves to formula funding. The Department is concerned that the irregular nature of WASC costs year to year does not lend itself to distribution via formula.

Alternative Certification

The Department is concerned that the reduction of funds, by half, to support alternate routes to teacher certification will have a negative impact on teacher recruitment in hard to staff content areas and geographic regions of the state. Specifically, this refers to special education and geographic regions such as the Big Island and portions of the Leeward coast of Oahu. As was shared in the Department's budget documents, the alternative certification program has recruited and placed roughly 100 teachers into high-needs, hard to staff schools. One-third of these candidates are kama`aina, returning to Hawaii. In addition, internal analysis indicates that this program produces teachers with among the highest student survey and growth scores.

Information Technology Support

The Department is concerned with the shift from permanent IT positions to temporary. Information technology positions are difficult to fill given the Department's salary scale compared to market level compensation and designating the positions as temporary will further reduce the pool of candidates. In addition, the Department is concerned that the elimination of the 16th position – designated as a project manager – will continue reliance on higher cost external consultants to fill this area of need. Increased reliance on technology requires building internal capacity, as we update obsolete systems and infrastructure through complex project implementations.

Access Learning

Finally, the Department was disappointed that the funding to provide continued support to the schools in the Access Learning Pilot Project was eliminated. This request was based on direct feedback from the school principals and staff regarding their needs to sustain and improve implementation efforts. Specifically, this means that the Department will not likely be able to provide targeted professional development that the schools requested and the schools will have limited, if any, funds to purchase additional professional development and technology support. The direct feedback and recognition of the current level of support was echoed at the legislative site visit to Moanalua Middle School, in the principals' testimony during the joint education committee informational briefing, and in the baseline evaluation findings.

REQUESTS SUPPORTED IN THE HOUSE DRAFT

Despite the concerns previously mentioned, the Department is very grateful for the tremendous support for education as contained in the House draft of the budget. The Department is hopeful that it will continue to receive similar support for schools and student success in the following areas:

Student Supports: High Core Alternative Learning Center, Early Learning, and the Advanced Placement (AP) Program

The Department would like to commend the House for including the requests to fund the High Core Alternative Learning Center and the Advanced Placement Program. These two programs provide services, supports, and opportunities to students at either end of the academic spectrum.

As was shared in Department provided budget documents, the High Core Alternative Learning Center has a proven track record of success with serving the most at-risk students in Central District. In addition, the Advanced Placement Program funds will support expansion of access to test preparation and AP courses for students across the state. Many of these students may not have an opportunity to earn college credits while in high school without the AP program.

The Department is also appreciative of the recognition that early learning plays an important role in student achievement. The Department assumes the additional \$3 million provided in the House draft budget is to implement the proposed early learning pilot in Department schools.

Staff Support: Educator Effectiveness System, Induction and Mentoring, Sabbatical Leave, Formative Instruction, eHR, and Professional Development Management System.

The Department would like to commend the House for recognizing the key role that our educators play in supporting student success and the importance of the related budget requests. In particular, the Department is grateful for the House's recognition of the importance of the Educator Effectiveness System – developed with educators and agreed to in the Department/HSTA collective bargaining agreement - and the induction and mentoring program.

Successful Systems of Support: Strive HI Performance System, Civil Rights Compliance Office, OITS Positions, Utilities, Communications, and the Access Learning Pilot Project.

The Department would like to commend the House for its understanding of the Strive HI Performance System's value for schools. In particular, the Department is appreciative of the House's provision of funds to support struggling schools with the comprehensive and robust improvement measures incorporated in the Strive HI Performance System. The elimination of one of the requested positions will place an additional administrative burden associated with coordinating staff support to complex areas. However, the Department is extremely grateful to the House for maintaining the Strive HI Performance System positions that will provide direct support to struggling schools; specifically, those struggling schools that are not eligible for federal Title I funds and must rely solely on state general funds.

In addition, the Department is very grateful to the House for recognizing the requests to shore up key infrastructure and operating functions that will improve the State's efficiency and effectiveness regarding communications, technology support, utilities, and civil rights compliance.

CAPITAL IMPROVEMENTS BUDGET

The Department is appreciative of the support for the facilities priorities, linked to key performance indicators, in the Capital Improvements Budget request. The House draft will provide the Department with the means to complete critical activities such as the rebuilding of Solomon Elementary School (state matching funds for a federal grant).

However, the Department would like to request consideration for funding to support improving classroom conditions through the heat abatement program.

Fiscal Year 2014-15 Supplemental Operating Budget Request Details
 Department of Education
 House Draft (HB 1700 HD1)

Prog ID / Org	Description of Request	Justification	MOF	GOVERNOR'S DECISION			HOUSE DRAFT (HB1700 HD1)			DIFFERENCE (HOUSE - GOV)			Impact Statement
				FY 15 Perm	FY 15 Temp	FY 15 Amount	FY 15 Perm	FY 15 Temp	FY 15 Amount	FY 15 Perm	FY 15 Temp	FY 15 Amount	
EDN100/CB	WASC Accreditation - to transfer 2.0 permanent FTEs from EDN 100/CB to EDN 200/GD to provide administrative support to facilitate school improvement efforts through the WASC accreditation process.		A	(2.00)	-	-	(2.00)	-	-	-	-	-	The Committee on Weights has recommended that WSF funds only be used for programs that lend themselves to formula funding. The DOE is concerned that the irregular nature of WASC costs year to year does not lend itself to distribution via formula (WSF). Schools in the initial and renewal stages of the accreditation process will need to disproportionately use funds for accreditation fees, training, and team visits. These schools will need to assign staff to training, reporting, and logistics; reducing those staffs' time working with students or on other school projects.
EDN100/AA	Weighted Student Formula - increase in base funding at each school to help address: funding adequacy at all schools and the additional demands being placed on school staff around implementation of educator effectiveness, student data assessment, induction and mentoring, Elementary and Secondary Education Act (ESEA) Flex, information technology support, and Hawaii Common Core standards.	Schools have indicated that WSF is transparent, predictable and equitable but NOT adequate, as outlined in a study done by 3rd party to help inform the Committee on Weights. This request will provide the approximate "value" of a teacher position while maintaining a principal's autonomy to add resources where they will positively impact student achievement the most. These resources could be added to bolster resources in the 6 Priority Strategies.	A	-	-	14,000,000	-	-	14,482,086	-	-	482,086	The DOE is very grateful for the House's inclusion of funds for WSF funds for schools. The Committee on Weights has recommended that WSF funds only be used for programs that lend themselves to formula funding. The DOE is concerned that the irregular nature of WASC costs year to year does not lend itself to distribution via formula (WSF). Schools in the initial and renewal stages of the accreditation process will need to disproportionately use funds for accreditation fees, training, and team visits.
EDN100/BJ	High Core / Storefront - operating expenses, instructional materials, and funding for (8) part-time teachers and a counselor to allow for an extended day and night school program.	Pursuant to Section 18 of Act 134, Session Laws of Hawaii 2013, \$535,423 shall be expended in both FY 2013-14 and FY 2014-15 for the operation of the high core (storefront) alternative learning center. As the program has set aside only \$414,878 in FY 2013-14 and FY 2014-15 for operation of the high core ALC, an additional \$120,545 is needed to meet the requirements of the budget proviso in Act 134. The additional funds will provide for eight Part Time Teachers (PTTs) and a counselor for the extended day and night school component of their services.	A	-	-	120,545	-	-	120,545	-	-	-	The DOE is very grateful for the House's inclusion of funding to support the High Core Alternative Learning Center. The High Core Alternative Learning Center has a proven track record of success with serving the most at-risk students in Central District.
EDN100/BX	Advanced Placement - operating expenses and funding for 1.0 permanent state level resource teacher position to help administer student support programs.	The requested operating funds will provide services to increase student achievement in AP courses through AP Saturday prep sessions, Brain Camp, AP mock exams, training for administrators and counselors, and other professional development activities.	A	-	-	554,379	-	-	554,379	-	-	-	The DOE is appreciative of the House's decision to fund the Advanced Placement Incentive Program. Advanced Placement Program funds will support expansion of access to test preparation and AP courses for students across the state. Many of these students may not have an opportunity to earn college credits, while in high school, without the AP program.

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				FY 15 Perm	FY 15 Temp	FY 15 Amount	FY 15 Perm	FY 15 Temp	FY 15 Amount	FY 15 Perm	FY 15 Temp	FY 15 Amount	
EDN100/CB	WASC Accreditation - operating expenses including substitute teachers, membership fees, and visitation expenses to facilitate school improvement efforts through the accreditation process.	The requested operating funds will facilitate school improvement efforts through the accreditation process and the implementation of the State Strategic Plan, Academic and Financial Plans, and to prepare schools for the on-site accreditation visit by providing appropriate technical assistance and training activities for school leaders and school staff.	A	-	-	265,000	-	-	-	-	-	(265,000)	The Committee on Weights has recommended that WSF funds only be used for programs that lend themselves to formula funding. The DOE is concerned that the irregular nature of WASC costs year to year does not lend itself to distribution via formula (WSF). Schools in the initial and renewal stages of the accreditation process will need to disproportionately use funds for accreditation fees, training, and team visits. These schools will need to assign staff to training, reporting, and logistics; reducing those staffs' time working with students or on other school projects.
EDN100/CQ	Strive HI accountability system - to expand existing services to support data validation work and yearly processing and modifying ESEA accountability analyses and reports.	The new Strive HI Performance System takes into account multiple measures of a school's performance, as opposed to just the test results from that year. This means an increase in the quantity and complexity of data collection and analysis.	A	-	-	60,000	-	-	60,000	-	-	-	The DOE would like to commend the House for its understanding of the Strive HI Performance System's value for schools.
EDN100/BX	Dorm Attendants - Add (2) positions and funds to EDN 100/BX for Lahainaluna High School		A	-	-	-	2.00	-	63,528	2.00	-	63,528	The DOE is appreciative of the House's inclusion of positions for Lahainaluna High, as an addition to the Governor's budget request.
EDN100 Total				(2.00)	-	14,999,924	-	-	15,280,538	2.00	-	280,614	
EDN150/FA	Special Education Services - Resources to address additional requirement for special education services in response to US Court or Appeals for the Ninth Circuit decision.	Special Education Services - On August 28, 2013, the 9th Circuit ruled that the Individuals with Disabilities Education Act (IDEA) restricts the State of Hawaii's ability to establish age limits on special education eligibility to age 20 because "typical" non-disabled peers above the age of 20 were allowed to access a "high school" education via the community schools for adults. As a result, the Department will provide a free appropriate public education to students who qualify for special education services up to age 22. A total of 157 existing special education students will be eligible to continue to attend school. The cost estimate is based on the average per pupil expenditure for special education services for the last completed fiscal year (FY2012-13) of \$23,342 multiplied by the 157 students.	A	-	-	3,664,694	-	-	-	-	-	(3,664,694)	The DOE has significant need for this funding request as submitted through Governor's Message #4 to provide special education services to students up to age 22. Not funding this request places a significant financial burden on the DOE to provide previously unplanned for, and now mandated, IDEA services to approximately 157 students in school year 2014-2015.
EDN150 Total				-	-	3,664,694	-	-	-	-	-	(3,664,694)	
EDN200/GD	WASC Accreditation - to transfer 2.0 permanent FTEs from EDN 100/CB to EDN 200/GD to provide administrative support to facilitate school improvement efforts through the WASC accreditation process.		A	2.00	-	-	-	-	-	(2.00)	-	-	The Committee on Weights has recommended that WSF funds only be used for programs that lend themselves to formula funding. The DOE is concerned that the irregular nature of WASC costs year to year does not lend itself to distribution via formula (WSF). Schools in the initial and renewal stages of the accreditation process will need to disproportionately use funds for accreditation fees, training, and team visits. These schools will need to assign staff to training, reporting, and logistics; reducing those staffs' time working with students or on other school projects.

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EDN200/GD	WASC Accreditation - Request for operating funds and funding for 2.0 appropriated but unfunded permanent positions to provide administrative services to facilitate school improvement efforts through the accreditation process.	These funds will facilitate school improvement efforts through the accreditation process and the implementation of the State Strategic Plan, Academic and Financial Plans, and to prepare schools for the on-site accreditation visit by providing appropriate technical assistance and training activities for school leaders and school staff. In addition, the Department will alleviate the school level cost burden of WASC accreditation by centralizing the purchase of the WASC subscription. This also allows for the state to realize savings by creating economies of scale.	A	-	-	217,086	-	-	-	-	-	(217,086)	The Committee on Weights has recommended that WSF funds only be used for programs that lend themselves to formula funding. The DOE is concerned that the irregular nature of WASC costs year to year does not lend itself to distribution via formula (WSF). Schools in the initial and renewal stages of the accreditation process will need to disproportionately use funds for accreditation fees, training, and team visits. These schools will need to assign staff to training, reporting, and logistics; reducing those staffs' time working with students or on other school projects.
EDN200/GC	Formative Instruction - operating funds to support school level professional development costs related to transportation, supplies, and state membership to a multi-state working group on formative instruction.	Formative Instruction - is a powerful and effective teaching strategy. Through formative instruction, teachers in all content areas can collect near real-time information on where students are at in their learning and then use that information to better target delivery of instruction and classroom activities to meet all students needs.	A	-	-	250,000	-	-	-	-	-	-	The DOE is appreciative of the funds to support school level professional development.
EDN200/GD	Strive HI - for 22.0 temporary positions and funds to serve necessary support functions for Focus and Priority schools and contracts for support services for implementation of the Strive HI Performance System.	These funds will allow personnel to serve necessary support functions (\$1,586,000) for Focus and Priority schools and contracts for support services (\$288,000). It also includes travel (\$126,000) for 15 Complex Area Support Teams to support implementation of the six priority strategies tied to the State Strategic Plan.	A	-	22.00	2,000,000	-	21.00	1,925,472	-	(1.00)	(74,528)	The DOE is appreciative of the House's provision of funds to support struggling schools with the comprehensive and robust improvement measures incorporated in the Strive HI Performance System. The elimination of one of the requested positions will place an additional administrative burden associated with coordinating staff support to complex areas. However, the DOE is extremely grateful to the House for maintaining the Strive HI Performance System positions that will provide direct support to struggling schools; specifically, those struggling schools that are not eligible for federal Title I funds and must rely solely on state general funds.
EDN200/GD	Education Effectiveness System (EES) - for the student perception survey, train and certify administrators on the classroom observation framework, maintain and modify the PDE3 system, and travel expenses.	The EES is comprised of five components: 1) classroom observations/working portfolios; 2) core professionalism; 3) student perception survey; 4) Hawaii growth model; and 5) student learning objective.	A	-	-	1,267,700	-	-	1,267,700	-	-	-	The DOE would like to commend the House for recognizing the key role that our educators play in supporting student success and the importance of the related budget requests. In particular, the DOE is grateful for the House's recognition of the importance of the Educator Effectiveness System - developed with educators and agreed to in the DOE/HSTA collective bargaining agreement.
EDN200/GH	Sabbatical Leave - to meet the Department's obligation to provide sabbatical leaves per the HSTA contract.	The State of Hawaii and Hawaii State Teachers Association (HSTA) have reached a four year contractual agreement beginning with SY 2013-2014 through SY 2016-2017, in which the Department is obligated to provide sabbatical leave for teachers.	A	-	-	592,000	-	-	592,000	-	-	-	The DOE appreciates the provision of funds necessary to meet the sabbatical obligations and understands the related proviso.

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EDN200/GG	Digital Curriculum Pilot - to contract technology support services and provide professional development for the digital pilot schools.	As of December 2013, all pilot schools were on track to complete their professional development and roll out student devices in January 2014. Three of eight pilot schools deployed student devices in the first semester – ahead of schedule. Servicing roughly 6,106 students (as of 12/24 LDS data) and 448 teachers. An overwhelming majority of teachers surveyed reported that the devices will be extremely effective and save them time on day to day tasks such as creating assignments (94%) and planning for instruction (93%).	A	-	3.00	600,000	-	-	-	-	(3.00)	(600,000)	The DOE was disappointed that the funding to provide continued support to the schools in the Access Learning Pilot Project was eliminated. The DOE will not likely be able to provide targeted professional development that the schools requested and the schools will have limited – if any – funds to purchase additional professional development and technology support.
EDN200 Total				2.00	25.00	4,926,786	-	21.00	4,035,172	(2.00)	(4.00)	(891,614)	
EDN300/KD	Council of Chief State School Officers (CCSSO) - to cover the cost of annual membership in the national educational organization for the nation's chief state school officers leading state educational agencies.	CCSSO convenes members for professional development and peer networking throughout the year. In the past year, Hawaii has participated in at least seven state collaboration sessions, sponsored by CCSSO. Participation has impacted implementation of Hawaii's Common Core, development of the Smarter Balanced assessment system, supports for math educators, and policies and procedures for education information management.	A	-	-	36,000	-	-	-	-	-	(36,000)	The DOE is disappointed about the lack of funds provided to cover the dues for membership in the Council of Chief State School Officers. The department utilizes the work group to ensure HDOE is moving forward at a rapid pace and is in line with work other State's are doing.
EDN300/KD	Communications and Community Affairs Office - to fund personnel (5.0 permanent positions) and operating expenses for the strategic needs of the Department's communication arm.	Funds for other current expenses are for contractual services to meet the needs of technological advances in communications, neighbor island travel to continue the path of sharing success stories, office equipment, and other operating expenses. This is a funding request only for permanent positions in the Communications and Community Affairs office, which supports the executive function of the Superintendent by developing the internal and external communication aspects of the public school system, with an emphasis on promoting the mission, goals and objectives set forth in the Strategic Plan.	A	-	-	431,037	-	-	396,037	-	-	(35,000)	The DOE is very grateful for the inclusion of funds to support the operating expenses of the Communications and Community Affairs Office.
EDN300/KH	Civil Rights Compliance Office - for (2.0) temporary FTEs to assist in meeting the most immediate needs of the Department with respect to compliance in the area of Title VI of the Civil Rights Act and federal audits.	The Civil Rights Compliance Office (CRCO) intakes approximately 275 cases for investigation, enforcement response, and ADA compliance per year. Currently, the caseload is being handled by only one (1) permanent, full-time specialist (Title IX specialist) dedicating part of the time to investigations and the other part of the time to compliance.	A	-	2.00	130,360	-	2.00	130,360	-	-	-	The DOE is very grateful for the inclusion of positions to support the Civil Rights Compliance Office.
EDN300/KO	HR Executive Assistant - to fund position to improve HR support to the field through streamlined recruitment, onboarding and alignment initiatives.	Funding for the Human Resources (HR) Executive Assistant salary and equipment is needed to assist the Department's Office of Human Resources (OHR) Assistant Superintendent (AS) with critical support, to include day-to-day administration, direction, leadership and management of OHR; conducting research and executive analysis of data to respond to the Board of Education requests and concerns; serving as a coordinator and liaison with the Department's Office of Fiscal Services and Office of Information Technology Services; keeping abreast of programs, policy changes and administrative directives and ensuring that OHR activities are conducted as required.	A	(1.00)	-	100,503	-	-	100,503	1.00	-	-	The DOE is very grateful for the inclusion of funds to support the OHR executive assistant position.

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EDN300/KO	Alternative Teacher Route - to extend the current alternative route teaching contract to recruit and place teacher candidates.	Since 2011, the Department has partnered with Teach for America (TFA) to recruit and place teachers in high-needs schools and areas. This includes teachers for students with disabilities. Over the past two years, TFA has recruited and placed approximately 100 teachers into high-needs schools. One third are kama'aina returning back to Hawaii. Recent internal analysis shows that TFA teachers have among the highest student survey and growth scores of all in-state teacher prep programs.	A	-	-	870,000			435,000	-	-	(435,000)	The DOE is concerned that the reduction of funds, by half, to support alternate routes to teacher certification will have a negative impact on teacher recruitment in hard to staff content areas and geographic regions of the state. Specifically, this refers to special education and geographic regions such as the Big Island and portions of the Leeward coast of Oahu.
EDN300/KO	Electronic Human Resources (eHR) - to maintain technical production support for the existing system that is business critical to the Department.	The eHR system is used for the intake of applications, the hiring of employees, payroll processing, and an employee's eventual separation transaction, as well as many other functions unique to the Department.	A	-	-	300,000			300,000	-	-	-	The DOE is grateful for funds to maintain the eHR system.
EDN300/KO	Professional Development Management System (PDMS) - to maintain the subscription for the PDE3 technology platform, a secure, on-line, portal that connects educators with professional development opportunities tied to their education effectiveness data.	Funding is necessary to maintain the subscription for the PDE3 technology platform, a secure, on-line, professional development management system (PDMS) that provides personnel information and reporting tools to continuously improve workforce competencies necessary to impact student achievement.	A	-	-	599,208			599,208	-	-	-	The DOE is grateful for funds to support the PDMS - a key system for providing educators access to professional development opportunities.
EDN300/KO	Teacher Mentor Program - to provide research-based mentor training; beginning teacher, mentor, and induction leadership professional development; cross state professional development opportunities; consultation and support complex areas; training materials; office supplies; and travel.	Federal Title IIa dollars substantially support the induction and mentoring effort. This is the general fund contribution to ensure support for successful teachers. There is a shortage of trained and effective instructional mentors across the state; urgent need to build capacity and increase number of full-release mentors to support approximately 1,600 beginning teachers each year (over 2,500 veteran teachers are eligible for retirement over next 5 years).	A	-	-	256,000			256,000	-	-	-	The DOE is appreciative of the funds to continue and improve upon the Induction and Mentoring Program and appreciates the House's recognition of the importance of such a program.
EDN300/UA	OITS positions - for 16.0 Permanent FTEs for the Office of Information Technology Services: 1.0 DPSA V for the Network Design Section; 3.0 DPSA IV positions to support school level technology integration; 7.0 IT Specialist III to improve the quality and responsiveness of information technology services and support to the schools, complex areas, and state administrative; 1.0 DPSA IV to fulfill the role of the Information Systems Training Unit (ISTU) Head; 1.0 DPSA VI for to Data Management Section to lead database development, administration, and maintenance; 2.0 DPSA IV to provide programming/integration for educational technology systems and the development maintenance, administration, and management of all School systems; and 1.0 Data Processing Specialist II to serve as IT Project Manager.	Through the State Strategic Plan, the Department and Board of Education have committed to providing students with 21st century learning environments. The Department has identified IT strategies to replace aging school and state office systems (student information system, statewide enterprise resource planning). School level demand for technology, in addition to the IT strategies identified by the state, require project management support for successful deployment; however, the Department has a shortage of internal IT staff. The request for 16.0 FTE permanent positions for the Office of Information Technology Services is to support OITS transformation, reorganization, and 21st Century learning at schools.	A	16.00	-	-	-	15.00	-	(16.00)	15.00	-	While grateful for the inclusion of the IT positions to support complex areas and security/network services, the DOE is concerned with the provision of temporary as opposed to permanent positions. Information technology positions are difficult to fill given the DOE's salary scale compared to market level compensation. The DOE is concerned that designating the positions as temporary will further reduce the pool of candidates. In addition, the DOE is concerned that the elimination of the 16th position – designated as a project manager – will continue reliance on higher cost external consultants to fill this area of need.
EDN300/KD	Early Learning Coordinator - to fund position to support early childhood education policies, curriculum, and assessment relating to kindergarten and other pre-kindergarten programs.	Establishing a strong foundation of learning in early elementary grades is critical to build to students graduating prepared for success in life after high school.	A	1.00	-	70,000	-	-	-	(1.00)	-	(70,000)	The DOE is concerned about the elimination of this position because it will be necessary to coordinate early learning across departments during a critical implementation pilot year.

Fiscal Year 2014-15 Supplemental Operating Budget Request Details
 Department of Education
 House Draft (HB 1700 HD1)

Prog ID / Org	Description of Request	Justification	MOF	GOVERNOR'S DECISION			HOUSE DRAFT (HB1700 HD1)			DIFFERENCE (HOUSE - GOV)			Impact Statement
				FY 15 Perm	FY 15 Temp	FY 15 Amount	FY 15 Perm	FY 15 Temp	FY 15 Amount	FY 15 Perm	FY 15 Temp	FY 15 Amount	
EDN300	Prekindergarten Program - Add funds for Department of Education pre-kindergarten classes/school readiness program	To launch a prekindergarten program at DOE schools to prepare the State's four year olds to enter kindergarten	A	-	-	-	-	-	3,000,000	-	-	3,000,000	The DOE is appreciative of the recognition that early learning plays an important role in student achievement. The DOE assumes the additional \$3 million provided in the House draft budget is to implement the proposed early learning pilot in DOE schools.
EDN300 Total				16.00	2.00	2,793,108	-	17.00	5,217,108	(16.00)	15.00	2,424,000	
EDN400/OE	Utilities - to account for the projected shortfall in the utility budget, which covers the cost of electricity, gas, water and sewer expenses.		A	-	-	9,000,000	-	-	9,000,000	-	-	-	The DOE is grateful for the funds to account for the projected shortfall in the utility budget.
EDN400 Total				-	-	9,000,000	-	-	9,000,000	-	-	-	
Grand Total				16.00	27.00	35,384,512	-	38.00	33,532,818	(16.00)	11.00	(1,851,694)	

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STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

February 21, 2014

TO: The Honorable Neil Abercrombie
Governor of Hawaii

THRU: The Honorable Kalbert K. Young, Director
Department of Budget and Finance

FROM: 
Kathryn S. Matayoshi, Superintendent
Hawaii Department of Education

SUBJECT: **Request for Fiscal Year 2014-15 Governor's Message for
Special Education**

This memorandum is to request consideration for inclusion in the Executive Fiscal Year (FY) 2014-15 Supplemental Budget additional general funds in the amount of \$3,664,694 in EDN150/FA Special Education in Regular Schools. This request is to address additional requirements for special education services in response to the United States Court of Appeals for the Ninth Circuit decision in *E.R.K. v. State of Hawaii Department of Education (Department)*, 728 F.3d 982 (2013), that section 302A-1134(c), Hawaii Revised Statutes, violated the federal Individuals with Disabilities Education Act by denying public education to special-needs students aged twenty to twenty-one. The Department had anticipated a need for funding during the supplemental budget submission and has been working on gathering the necessary data to calculate the shortfall for continuation of services.

For school year 2014-15, the Department estimates that there will potentially be 157 students enrolled who otherwise would not have been eligible under the 302A-1134(c) requirement that, "No person who is twenty years of age or over on the first instructional day of the school year shall be eligible to attend a public school." The amount requested is based on the average per pupil expenditures for special education services for the last completed fiscal year (FY2012-13) of \$23,342 (i.e., $157 \times \$23,342 = \$3,664,694$).

Request for Fiscal Year 2014-15 Governor's Message for Special Education
Department of Education
February 21, 2014
Page 2

Please note that Department budget staff has already been in contact with the Department of Budget and Finance analyst regarding this matter.

We would appreciate your support and approval of this late request.

If you have any questions, please contact Brian Hallett, Budget Branch Director, at 586-3350.

RECOMMEND:

APPROVAL DISAPPROVAL

DIRECTOR OF FINANCE DATE

APPROVED DISAPPROVED

NEIL ABERCROMBIE DATE
Governor, State of Hawaii

KSM:ks

- c: The Honorable Donald G. Horner, Chairperson, Board of Education
- Members of the Board of Education
- Bruce Coppa, Governor's Chief of Staff
- Neal Miyahira, B&F BPPM Administrator
- Yvonne Lau, Governor's Policy Analyst
- Ronn Nozoe, Deputy Superintendent
- Amy S. Kunz, Assistant Superintendent and CFO
- Jessica Horiuchi, Executive Assistant to the Superintendent
- Budget Branch

HOUSE FINANCE COMMITTEE REPORT:

Here is the Introduction and our section of the Committee Report:

http://www.capitol.hawaii.gov/session2014/CommReports/HB1700_HD1_HSCR910-14_.htm

STRUCTURAL STABILITY - BUILDING A SOLID FOUNDATION

As stewards of the taxpayers' money, your Committee has an obligation to both spend wisely on today's needs and to ensure that we have enough to be prepared for the challenges of the future. FY 2012-2013 ended with a carryover balance of \$844,000,000. This was a cumulative result of four years of austere budgets, revenue changes, furloughs, and layoffs. Sacrifices were made by everyone—families, businesses, and government.

A year ago, the Legislature and Administration took advantage of the beginnings of a fiscal turnaround, and chose to address structural issues in the financial plan by:

- Tackling an enormous unfunded liability facing the State and dedicating enough money in the biennium and financial plan to ensure 100 percent funding of the actuarially required contribution for the State's Other Post-Employment Benefits obligation within 5 years; and
- Committing to budget reserves of at least \$200,000,000 by the end of FY 2013-2014, growing to over \$270,000,000 by the end of FY 2014-2015.

Your Committee recognizes that the collective effort of many created the current unprecedented surplus. As a result, the State finds itself in a unique position to:

- Continue the work done a year ago in the biennium budget to provide stability to the State's overall financial outlook;
- Strengthen core programs;
- Increase transparency in how taxpayer money is spent; and
- Plan strategically for the long term in the supplemental budget.

In 2007, the State enjoyed a \$780,000,000 surplus, which was used to provide tax relief, tax credits, and funding for various programs. Starting in October 2008, the economy went into a steep recession, now referred to as the Great Recession, and the Legislature needed to address a \$2,100,000,000 deficit over three years. Between 2009 and 2012, large deficits continued to develop in the financial plan as actual revenues failed to meet

revenue projections. During this time, the State relied on tax and fee increases, significant cuts in government programs, and furloughs to balance the budget.

Utilizing the experiences of the past, your Committee finds that signs of slow growth are appearing throughout the economy:

- The Department of Business, Economic Development and Tourism lowered their forecast for economic growth in Hawaii for this year and next due to smaller-than-expected gains in visitor arrivals;
- The Hawaii Tourism Authority recently noted that visitor expenditures in our economy are down by 4.7 percent compared to last year, with visitors to Hawaii spending on average, \$10 less per day;
- Seven months into FY 2013-2014, cumulative general fund tax collections are \$37,500,000 below the same period a year ago; and
- General excise taxes, responsible for more than 50 percent of the state's annual tax revenues, appear to be flat when compared to last year.

Your Committee finds that a significant contributing factor to the current \$844,000,000 surplus is the 9.9 percent rate of revenue growth actually realized by the state in FY 2012-2013. Such rates of growth are unsustainable and unlikely to continue. In fact, economists have consistently predicted much more moderate rates of growth in the coming years.

The University of Hawaii Economic Research Organization and the Department of Business, Economic Development and Tourism acknowledge that Hawaii's economy will continue to grow on a moderate path due to the following factors:

- Tourism growth is limited due to capacity issues;
- The construction industry will need to be a main driver, but uncertainty exists; and
- Employment gains will strengthen as Hawaii's unemployment rate will be better than the national average, and personal income will grow at the national rate.

Considering all these factors, your Committee is cognizant that the current 3.3 percent rate of growth projected by the Council on Revenues may be too high, and has constructed a conservative budget.

The Administration proposed adding approximately \$183,000,000 in general funds to the operating budget and \$287,000,000 in general funds to the capital improvements program (CIP) budget. The budget recommended by your Committee shaves approximately \$53,000,000 in general funds from the operating budget and \$127,000,000 in general funds from the CIP budget proposed by the Administration.

Your Committee tasked itself with assuring that government and the services on which people rely are consistent and sustainable for the long term, and can withstand the cyclical nature of the economy. A sound and far-sighted financial plan and budget will allow the State to operate confidently and plan strategically for the future.

TRANSPARENCY IN BUDGETING

Due to massive budget cuts and various cost-saving restrictions imposed in recent years, budgets have become disconnected from actual needs. Agencies have had to become "creative" in implementing their budgets.

A significant cause of this disconnect is the way in which vacancies and vacation payouts are currently managed by agencies. Rather than solely examining the age of vacancies, agencies were challenged to identify the unbudgeted expenses that cause shortages. As a result, your Committee has begun to identify various discrepancies in funding needs, including:

- Positions which need to be re-described;
- Vacation payout and overtime liabilities;
- Vehicle and equipment turnover issues; and
- Other current expense (utility, repair and maintenance, supply, travel, etc.) shortages.

Vacation payout, the value of accrued vacation earned at the time of retirement, represents a large expense for the State. In FY 2012-2013, the State incurred in excess of \$17,800,000 from vacation payout by all means of financing. These funds are unbudgeted, forcing departments to "find" money from within their appropriation to absorb the costs. Traditionally, departments absorb these costs by holding positions vacant, delaying the hire of additional positions, or transferring funds from other current expenses to cover the vacation payout.

This is not a sound and transparent budgeting process. Instead, your Committee wants to stress that positions allotted

by the Legislature should be utilized for staffing. They should not be used for overtime, vacation payout, or equipment. This method misrepresents the true budget picture and may result in a loss of confidence in how government provides its services.

As the dialogue develops, your Committee hopes to shift focus from defending individual positions to identifying why positions are vacant and to assist agencies in developing solutions to fill mission-critical positions. Solutions may involve updating positions to more appropriately reflect current responsibilities, providing additional funding, or abolishing positions no longer deemed essential.

Your Committee acknowledges the Department of Labor and Industrial Relations, Department of Agriculture, Department of Defense, and the Department of the Attorney General for communicating openly and engaging in this process to bring greater predictability, stability, and transparency to their budgets. The changes proposed thus far are a first step, and each solution is unique to the relevant agency and its needs. Your Committee is encouraged by the lines of communication that have opened to accomplish these tasks, and intends to continue engaging in this dialogue with the rest of the state government.

Department of Education

To comply with federal standards regarding school and educator accountability for the 2013-2014 school year, the Department of Education leveraged Race to the Top funds to launch the Strive HI Initiative, which includes programs that provide professional development to teachers and evaluate educator effectiveness.

Your Committee has allocated \$4,658,380 in general funds to support this initiative, including:

- \$1,105,208 for teacher mentoring and professional development;
- \$1,925,472 to support the lowest performing 15 percent of schools;
- \$1,327,700 to evaluate teacher effectiveness and school performance; and
- \$300,000 to facilitate the assignment of salary increases based on teaching effectiveness.

Your Committee commends the Department for providing continuing support to educators, developing a comprehensive metric to evaluate educators and schools, and on using the scores it

produces to reward effective teachers. Your Committee looks forward to collaborating with the Department on further improving the metric in order to foster continued professional growth for teachers. However, the Department should show restraint in expending federal grants to launch new programs that require continuous funding because these programs will be at risk if additional federal funds are not leveraged.

Act 51, SLH 2004 decentralized decision-making power in the Department and assigned greater authority, responsibility, and support to principals, especially with regard to budgeting. The role of the Board of Education is to set standards for school and student achievement, while principals have the authority to design a strategy and spend Weighted Student Formula (WSF) funds to meet those standards. The Board does not have the authority to decide how WSF funds are to be spent in schools. Your Committee is concerned that the Board is employing a policy of mandating requirements of schools without providing adequate additional funds. This essentially forces principals to expend WSF funds on specific items. For example, the Board and the DOE recently mandated that all schools purchase a standard set of educational materials to comply with the Common Core Curriculum without allocating additional funding to schools for this purpose; rather, requiring schools to use WSF funds for the new textbooks.

Similarly, the Board and the DOE recently mandated that all elementary schools attain Western Association of Schools and Colleges (WASC) accreditation and the Department requested funds for some of the costs associated with statewide WASC accreditation. Your Committee has found that some principals already utilize WSF funds to attain WASC accreditation. We want to continue to encourage principals to determine what is required for student achievement. Therefore, your Committee has rejected the Department's request of \$482,000 for WASC funding, and instead added that same amount to the WSF funding to continue to direct more decision-making power to the individual schools. Adding the total of \$14,482,086 to the base funding of WSF will provide all principals—and those of small schools in particular—the flexibility to implement strategies to meet the requirements established by the Strive HI Initiative and the standards set by the Board.

The changing age requirement for kindergarten enrollment results in an estimated 5,100 four year olds who will not have access to an early learning program for the 2014-2015 school year. The Office of the Governor requested funding to provide early

learning programs through the Department of Education. Your Committee determined that the pre-kindergarten program is more appropriately managed by the Department and has allocated \$3,000,000 for this purpose.

PROVISOS:

Two EDN specific provisos.

(8) By adding a new section to read as follows:

"SECTION 19.1. Provided that of the general fund appropriation for instructional support (EDN200), the sum of \$592,000 or so much thereof as may be necessary for fiscal year 2014-2015 shall be expended for the purpose of sabbatical leave for teachers; and provided further that any funds not expended for this purpose shall lapse to the general fund at the end of the fiscal year for which the appropriation was made."

(9) By adding a new section to read as follows:

"SECTION 19.2. Provided that of the general fund appropriation for state administration (EDN300), the sum of \$435,000 or so much thereof as may be necessary for fiscal year 2014-2015 shall be expended for the purpose of an alternate teacher route contract; and provided further that any funds not expended for this purpose shall lapse to the general fund at the end of the fiscal year for which the appropriation was made."