

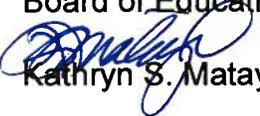


STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

October 16, 2012

TO: The Honorable Wesley Lo, Chairperson  
Board of Education Finance and Infrastructure Committee

FROM:  Kathryn S. Matayoshi, Superintendent

SUBJECT: DISCUSSION/RECOMMENDATION FOR BOARD ACTION  
ON THE DEPARTMENT OF EDUCATION OPERATING  
BUDGET FOR FISCAL BIENNIUM (FB) 2013-15

1. **RECOMMENDATION**

It is recommended that the Board of Education Committee on Finance and Infrastructure approve the budget recommendation for the Department of Education as shown in Attachments A, B, and C.

2. **RECOMMENDED EFFECTIVE DATE**

July 1, 2013.

3. **RECOMMENDED COMPLIANCE DATE**

Upon approval.

4. **DISCUSSION**

a. **Conditions leading to the recommendation**

On September 14, 2012, the Department received Finance Memorandum 12-12 from the Department of Budget and Finance (B&F), which outlined the budget preparation policies and guidelines for preparation of the FB 2013-15 budget for all Executive Branch agencies. Subsequently, B&F issued Finance Memorandum 12-14 which made corrections to Finance Memorandum 12-12. All departments' appropriation ceilings were adjusted to reflect:

- Restoration of the 5% labor savings adjustments for all means of finance (MOF); and
- Deletion of any non-recurring amounts.

A copy of the DOE's operating budget appropriation ceilings set by B&F is shown in Attachment D.

In the budget preparation policies, B&F acknowledges that the economy is improving, but is cautious moving forward. As a result, B&F has notified departments that general funds are limited and only high priority requests can be accommodated. New requests may be proposed based on the following criteria:

- New Day Objectives;
- Immediate needs with public or intradepartmental impact related to:
  - Health and safety
  - Statutory requirements or court mandates
  - Direct public service
  - Department-wide impact
- Immediate needs with statewide interdepartmental impact related to:
  - Direct support services to other state agencies
  - Revenue collection and processing

In addition, departments are encouraged to reallocate current resources to address any program needs and should submit trade-off and transfer requests to accommodate these needs.

In preparation of the budget for FB 2013-15, the DOE focused on the Strategic Plan Goals and aligning the general fund budget around those goals. Programs were also given the opportunity to request additional funds for high priority initiatives or for recurring activities that were previously unbudgeted. After reviewing the items requested, the DOE is proposing to fund most of these items through trade-offs and transfers within the current budget, rather than request additional funds.

However, the DOE was not able to accommodate all the requested increases within the current budget, so the DOE is requesting \$40,529,219 and \$35,671,301 for FY 2013-14 and FY 2014-15, respectively:

- An additional \$12,857,918 in FY 2013-14 for the Weighted Student Formula (WSF) to accommodate the increase in enrollment but no additional request in FY 2014-15;
- An additional \$921,301 for the Athletics programs to restore amounts reduced since FY 2007-08;

- An additional \$2,000,000 to translate the assessments into Hawaiian for the Hawaiian Language Immersion Program;
- An additional \$8,000,000 for the Student Transportation Program;
- An additional \$14,250,000 and \$22,250,000 in FY 2013-14 and FY 2014-15, respectively, for costs relating to the lease or purchase of Common Core instructional materials and 1:1 devices;
- An additional \$2,500,000 for the Hard to Fill teacher bonuses;
- An additional 139.75 permanent and 57 temporary full-time equivalent (FTE) position counts in fiscal year (FY) 2013-14, and 153.75 permanent and 63 temporary FTE counts in FY 2014-15. These new positions were funded through trade-offs and transfers from within the DOE's existing budget and include positions that are currently funded through the Race to the Top grant; and
- Various adjustments to federal and other non-general fund appropriation ceilings.

These increases are listed on Attachment B. The federal and other non-general fund amounts are shown on Attachment C. The total general fund request, including current service and increases, is shown on Attachment E.

b. Previous action of the Board on the same or similar manner

On October 4, 2011, the BOE approved the DOE's Supplemental Budget Request for FY 2012-13. This request included the reductions due to the 5% labor savings adjustments, and the reductions from the 2011 Program Review done by B&F.

c. Other policies affected

Board Policy No. 1200-1.12, Department of Education Budgets, states that any Department proposal to make adjustments in the operating budget and Capital Improvements Program budget shall require prior Board approval.

d. Arguments in support of the recommendation.

In July 2012, each general fund program within the state offices was asked to examine their budgets and determine how their expenditures relate to the DOE's Strategic Plan Goals. In addition, they were given the opportunity to request additional positions and funds, but had to justify the additional amounts. This has resulted in a budget which focuses on high priority areas and is more in line with actual expenditures. In addition, the DOE was able to fund most of these items through trade-offs, transfers and leveraging federal funds, which means additional general funds are not being requested for these items.

The additional funds requested for WSF will mean schools will maintain funding levels per student. These additional funds are needed to accommodate the anticipated increases in enrollment in the coming years. Without additional funds, schools will be given less funds as the WSF amount will be distributed among a greater number of students. There is no increase requested for FY 2014-15 due to the one time impact of the change in age for children entering kindergarten.

The additional funds for student transportation will ensure services being provided currently will continue. OSFSS continues to look for ways to provide student transportation services more efficiently.

The additional funds requested for Instructional Materials will be a multiyear request to provide a 1:1 device (e.g., laptop, tablet) and electronic licenses for ebooks, which are tied to the Common Core.

e. Arguments against the recommendation

The fiscal condition of the state may not be improved enough to allow for the increase in funding for the above requests.

f. Findings and conclusions of the Board Committee

Not applicable.

g. Other agencies or departments of the State of Hawaii involved in the action

None.

h. Possible reaction of the public, professional organizations, unions, DOE staff and/or others to the recommendations

Overall, the reaction to the general fund budget will be positive as many increases were funded through trade-offs and transfers within the current budget. This budget is also a clearer representation of the actual expenditures, and it aligns general fund programs to the Strategic Plan.

The reaction to additional funds for WSF will be positive as it will maintain current levels of funds allocated to schools, even with enrollment projection increases.

The additional funds for the student transportation program will have a positive reaction as this will ensure transportation services will be maintained at current levels for students statewide.

The additional funds for the instructional materials will have a positive reaction as an electronic solution will enable DOE students to have a device with the latest ebook versions of Common Core instructional materials.

i. Educational implications

The addition to WSF will result in schools maintaining funding levels, even with enrollment projection increases.

The additional funds for instructional materials will facilitate the transition to 1:1 device solution with the latest versions of Common Core materials.

j. Personnel implications

As stated earlier, additional funds for WSF will allow schools to maintain current funding levels and may result in schools choosing to have additional positions.

k. Facilities implications

None.

l. Financial implications.

The recommendation will allow the Department to meet the appropriation ceiling amounts set forth in Finance Memorandum 12-14, and request additional funds for high priority areas.

**5. OTHER SUPPLEMENTARY RECOMMENDATIONS**

None.

KSM:EN:ch

Attachments

- c: Members of the Board of Education  
Mr. Ronn Nozoe, Deputy Superintendent  
Mr. Presley Pang, Executive Assistant  
Assistant Superintendents  
Complex Area Superintendents  
Directors in the Superintendent's Office  
OFS Branch Directors  
Budget Branch

FB 13-15 General Fund Current Service Budget by EDN

ATTACHMENT A

Summary of Current Service Budget (General Funds)									
EDN	FTE P	FTE T	Sum of FY 13 TOTAL	Sum of FY 14 TOTAL	Sum of FY 15 TOTAL	FY 14 DIFFERENCE	FY 15 DIFFERENCE		
EDN 100	12,552.600	678.300	772,510,601	832,372,228	839,066,535	59,861,627	66,555,934		
EDN 150	5,116.625	1,233.750	313,456,272	325,571,050	325,571,050	12,114,778	12,114,778		
EDN 200	379.000	49.000	43,767,584	47,891,773	49,317,127	4,124,189	5,549,543		
EDN 300	449.000	7.000	41,945,114	44,991,146	45,233,268	3,046,032	3,288,154		
EDN 400	640.000	3.000	173,929,086	131,800,422	123,438,639	(42,128,664)	(50,490,447)		
EDN 500	31.500	17.500	2,500,000	3,202,000	3,202,000	702,000	702,000		
<b>TOTAL</b>	<b>19,168.725</b>	<b>1,988.550</b>	<b>1,348,108,657</b>	<b>1,385,828,619</b>	<b>1,385,828,619</b>	<b>37,719,962</b>	<b>37,719,962</b>		
<p>Note: The difference in FYs 14 and 15 is the general fund restoration of the 5% Labor Savings</p>									

FB 13-15 Requests For Additional General Funds

ATTACHMENT B

EDN	Prog ID	Prog Title	FY 2013-14			FY 2014-15		
			Perm FTEs	Temp FTEs	Additional Funds Requested	Perm FTEs	Temp FTEs	Additional Funds Requested
EDN 100	12666	HGPS-School Accountability	4.00	-	-	4.00	-	-
EDN 100	18205	Olomana Hale Hoomalu	2.00	-	-	2.00	-	-
EDN 100	18206	Olomana School	0.75	-	-	0.75	-	-
EDN 100	18869	Olomana Youth Center	1.00	-	-	1.00	-	-
EDN 100	27000	Athletics (Transp. Intersch.)	-	-	54,797	-	-	54,797
EDN 100	27100	Athletics ( Salary, Supp & Equip )	-	-	808,448	-	-	808,448
EDN 100	27400	Athletics (Supplies & Equipment)	-	-	52,193	-	-	52,193
EDN 100	27900	Athletics (Transp. Spec. Maui)	-	-	5,863	-	-	5,863
EDN 100	42100	Weighted Student Formula	-	-	12,857,918	-	-	-
EDN 100	A9001	Advance Placement Incentive Program	1.00	-	-	1.00	-	-
EDN 100	A9004	Instructional Materials	-	-	14,250,000	-	-	22,250,000
EDN 150	15179	Services For Children With Autism (Po'okela Centers of Excellence)	88.00	-	-	88.00	-	-
EDN 200	15654	Haw Content/Perform Stand-Assessment	-	-	2,000,000	-	-	2,000,000
EDN 200	25020	Employee Performance Management	-	-	-	2.00	-	-
EDN 200	25024	Instructional Services Branch	3.00	-	-	3.00	-	-
EDN 200	25048	Hawaii Virtual Learning Network	-	-	-	6.00	-	-
EDN 200	25233	Sch Improvement/Comm Leadership Grp-Adm	-	38.00	-	-	38.00	-
EDN 200	25759	Homeless Concerns	1.00	-	-	1.00	-	-
EDN 200	28177	CSSS Support System	-	1.00	-	-	1.00	-
EDN 200	A9002	Strategic Planning	-	-	-	-	6.00	-
EDN 300	15689	Recruitment And Retention Incentive	-	-	2,500,000	-	-	2,500,000
EDN 300	33006	Budget	-	1.00	-	-	1.00	-
EDN 300	33010	Accounting Services	1.00	8.00	-	1.00	8.00	-
EDN 300	33013	Civil Rights Compliance	-	2.00	-	-	2.00	-
EDN 300	33021	Information Systems Services	5.00	-	-	5.00	-	-
EDN 300	33025	Federal Compliance & Mgt Office	-	4.00	-	-	4.00	-
EDN 300	33027	Communications	7.00	-	-	7.00	-	-
EDN 300	33084	Office Of Info & Tech-General Direction	15.00	1.00	-	15.00	1.00	-
EDN 300	33722	Personnel Management Branch	1.00	-	-	1.00	-	-
EDN 300	33880	Electronic Comprehensive Student Sup Sys	6.00	-	-	6.00	-	-
EDN 300	33926	Office of Human Resources	4.00	-	-	4.00	-	-
EDN 300	47213	Fiscal Services	-	2.00	-	-	2.00	-
EDN 300	A9005	Data Governance	-	-	-	6.00	-	-
EDN 400	19097	Student Transportation	-	-	8,000,000	-	-	8,000,000
		<b>TOTAL</b>	<b>139.75</b>	<b>57.00</b>	<b>40,529,219</b>	<b>153.75</b>	<b>63.00</b>	<b>35,671,301</b>

EDN	Program ID Title	Requested FY 2013-14 Appropriation Ceiling	Requested FY 2014-15 Appropriation Ceiling	B&F MOF
EDN100	NCLB TITLE I LEA GRANT-SCHOOLS	45,700,000	45,700,000	N
EDN100	NCLB MIGRANT EDUCATION	1,300,000	1,300,000	N
EDN100	NCLB NEG & DELIN-STATE IMPROVEMENT	500,000	500,000	N
EDN100	NCLB STATE GRANTS TITLE IIA	15,000,000	15,000,000	N
EDN100	NCLB MATH & SCIENCE PARTNERSHIP	1,500,000	1,500,000	N
EDN100	NCLB ESL ACQUISITION	3,498,907	3,093,714	N
EDN100	NCLB 21ST CCLC FORMULA	7,000,000	7,000,000	N
EDN100	NCLB ASSESSMENT	4,000,000	4,000,000	N
EDN150	TITLE VIB SPECIAL EDUCATION PROJECT I	39,851,841	39,851,841	N
EDN150	TITLE VIB SPECIAL EDUCATION PROJECT II	1,903,350	1,903,350	N
EDN150	TITLE VIB SPECIAL EDUCATION PROJECT III	125,476	125,476	N
EDN150	TITLE VIB SPECIAL EDUCATION PROJECT IV	610,492	610,492	N
EDN150	TITLE VIB SPECIAL EDUCATION PROJECT VI	683,207	683,207	N
EDN150	SPECIAL ED PRE-SCHOOL GRANT	973,364	973,364	N
EDN200	ED FOR HOMELESS CHILD&YTH-SCH LEVEL	500,000	500,000	N
EDN500	ADULT ED-ADMINISTRATION	239,596	239,596	N
EDN500	ADULT ED-BASIC	319,944	319,944	N
EDN500	ADULT ED-STATE LEADERSHIP	2,707,000	2,707,000	N
EDN100	IMPACT AID - REGULAR INSTRUCTION	40,440,343	40,440,343	N
EDN150	IMPACT AID - SPECIAL EDUCATION	4,998,245	4,998,245	N
EDN400	USDA STATE ADMINISTRATION EXPENSES FY10	1,659,032	1,247,689	N
EDN400	FOOD SERVICES-FEDERAL FUNDS	51,000,000	53,000,000	N
		<b>224,510,797</b>	<b>225,694,261</b>	<b>N Total</b>
EDN100	VOC ED-PROGRAM IMPROVEMENT	3,000,000	3,000,000	P
EDN100	ADVANCED PLACEMENT FEE PAYMENT PROG FY10	92,655	95,000	P
EDN100	ADVANCED PLACEMENT INCENTIVE PROG	647,034	-	P
EDN150	EDUCATION OF THE DISABLED - ADMIN	92,500	92,500	P
EDN100	DOD-HOLDING	10,000,000	10,000,000	P
EDN100	EDUCATION OF NATIVE HAWAIIANS	439,000	439,000	P
EDN100	WORKERS COMPENSATION-NON GENERAL FUND	1,000,000	1,000,000	P
EDN100	UNEMPLOYMENT INSURANCE-NON GENERAL FUND	2,500,000	2,500,000	P
EDN300	COMMON CORE OF DATA SURVEY	30,000	30,000	P
EDN200	NAEP STATE COORDINATOR	215,000	220,000	P
		<b>18,016,189</b>	<b>17,376,500</b>	<b>P Total</b>
EDN200	HAWAII TEACHER STANDARDS BOARD	2321746	2321746	B
EDN100	SUMMER SCHOOL	6000000	6000000	B
EDN500	CSA - SPEC INTRST CLASSES HOME, CIVIC, CULT.	3,631,000	3,631,000	B
EDN100	LAHAINALUNA BOARDING DEPT	30,000	30,000	B
EDN100	SCHOOL SPECIAL FEE REVOLVING	1,200,000	1,200,000	B
EDN400	COMMUNITY USE OF SCHOOL FACILITIES	1,800,000	1,800,000	B
EDN150	HUMAN RESOURCES STIPEND PROG(ACT 276/07)	100,000	100,000	B
EDN400	FOOD SERVICES ADMINISTRATIVE SERVICES-SPECIAL FUND	1,161,526	1,161,526	B
EDN400	SCHOOL FOOD SVCS SPEC FUNDS CAFETERIA	45,000,000	45,000,000	B
EDN400	ACT 311/01 SCHOOL LEVEL MINOR R&M	200,000	200,000	B
EDN500	AFTER SCHOOL PLUS PROG REVOLVING FUND	10,200,000	10,200,000	B
EDN400	SCHOOL BUS FARE REVOLVING FUND	3,000,000	3,000,000	B
		<b>74,644,272</b>	<b>74,644,272</b>	<b>B Total</b>
EDN100	AP SUMMER INSTITUTE	60,000	60,000	T
EDN100	OLELO EDUCATIONAL TV	1,200,000	1,200,000	T
EDN500	ADULT EDUCATION ENROLLMENT/TESTING FUND	4,000,000	4,000,000	T
EDN100	ALU LIKE TRUST FUND	230,000	230,000	T
EDN100	DONATIONS & GIFTS TRUST FUND	7,200,000	7,200,000	T
EDN100	ATHLETICS TRUST FUND	1,000,000	1,000,000	T
EDN100	FOUNDATION & OTHER GRANTS	10,000,000	10,000,000	T
EDN100	OFFICE OF HAWAIIAN AFFAIRS	600,000	600,000	T
		<b>24,290,000</b>	<b>24,290,000</b>	<b>T Total</b>
EDN100	DRIVERS EDUCATION	3,995,605	3,995,605	U
EDN200	ARTS IN PUBLIC PLACES	254,203	266,913	U
EDN500	A+ SUBSIDY - DHS	6,300,000	6,300,000	U
		<b>10,549,808</b>	<b>10,562,518</b>	<b>U Total</b>
EDN500	ADULT EDUCATION REVOLVING FUND	795,000	795,000	W
EDN100	EDUCATION RESEARCH & DEVELOPMENT	-	-	W
EDN150	FEDERAL REVENUE MAXIMIZATION PROGRAM	5,000,000	5,000,000	W
EDN400	FOOD DISTRIBUTION PROG REV FUND(A194/07)	4,500,000	4,500,000	W
EDN400	FACILITIES DEVLPMNT ASSESMT OPERATNG ACCT	3,000,000	3,000,000	W
EDN400	TEACHER HOUSING REVOLVING FUND	450,000	450,000	W
EDN100	RESOURCE DEVELOPMENT-GRANTS/APP	2,379,491	2,379,491	W
		<b>16,124,491</b>	<b>16,124,491</b>	<b>W Total</b>
		<b>368,135,557</b>	<b>368,692,042</b>	<b>Grand Total</b>

FB 13-15 BUDGET  
CURRENT SERVICES OPERATING BUDGET CEILINGS  
DEPARTMENT OF EDUCATION  
09/17/12

Means of Financing	Act 106/2012 FY 13 Apprn	Add:		Less:		Current Svcs Budget Ceilings	
		Labor	Savings	Non-recurring	Stimulus Funds	FY 14	FY 15
General Fund	19,168.72		37,719,962			19,168.72	19,168.72
	1,348,108,657					1,385,828,619	1,385,828,619
Special Funds	737.50					737.50	737.50
	55,627,903		285,126			55,913,029	55,913,029
	5.00					5.00	5.00
Federal Funds	264,473,822		2,169,612			266,643,434	266,643,434
Trust Funds	32,919,060		70,940			32,990,000	32,990,000
Interdept'l Trsf	10,537,704		12,296			10,550,000	10,550,000
	8.00					8.00	8.00
Revolving Funds	30,370,337		36,426			30,406,763	30,406,763
Federal Stimulus Funds	20,073,434				(20,073,434)	0	0
	19,919.22		0.00	0.00	0.00	19,919.22	19,919.22
<b>TOTAL</b>	<b>1,762,110,917</b>		<b>40,294,362</b>	<b>0</b>	<b>(20,073,434)</b>	<b>1,782,331,845</b>	<b>1,782,331,845</b>

Summary of Budget Request (General Funds)													
FY 13 Budget													
	FY13 FTE P	FY 13 FTE T	Sum of FY 13 TOTAL	Sum of FY 14 CS	FY14 inc P	FY14 inc T	FY14 inc \$	FY14 P Total	FY14 T Total	FY 14 \$ Total	%\$ Inc		
EDN 100	12,552,600	678,300	772,510,601	832,372,228	8.75	-	28,029,219	12,561.35	678.30	860,401,447	3.37%		
EDN 150	5,116,625	1,233,750	313,456,272	325,571,050	88.00	-	-	5,204.63	1,233.75	325,571,050	0.00%		
EDN 200	379,000	49,000	43,767,584	47,891,773	4.00	39.00	2,000,000	383.00	88.00	49,891,773	4.18%		
EDN 300	449,000	7,000	41,945,114	44,991,146	39.00	18.00	2,500,000	488.00	25.00	47,491,146	5.56%		
EDN 400	640,000	3,000	173,929,086	131,800,422	-	-	8,000,000	640.00	3.00	139,800,422	6.07%		
EDN 500	31,500	17,500	2,500,000	3,202,000	-	-	-	31.50	17.50	3,202,000	0.00%		
<b>TOTAL</b>	<b>19,168,725</b>	<b>1,988,550</b>	<b>1,348,108,657</b>	<b>1,385,828,619</b>	<b>139.75</b>	<b>57.00</b>	<b>40,529,219</b>	<b>19,308.48</b>	<b>2,045.55</b>	<b>1,426,357,838</b>	<b>2.92%</b>		
FY 15 Budget													
	FY15 FTE P	FY 15 FTE T	Sum of FY 15 TOTAL	Sum of FY 15 CS	FY15 inc P	FY15 inc T	FY15 inc \$	FY15 P Total	FY15 T Total	FY 15 \$ Total	%\$ Inc		
EDN 100	12,552,600	678,300	772,510,601	839,066,535	8.75	-	23,171,301	12,561.35	678.30	862,237,836	2.76%		
EDN 150	5,116,625	1,233,750	313,456,272	325,571,050	88.00	-	-	5,204.63	1,233.75	325,571,050	0.00%		
EDN 200	379,000	49,000	43,767,584	49,317,127	12.00	45.00	2,000,000	391.00	94.00	51,317,127	4.06%		
EDN 300	449,000	7,000	41,945,114	45,233,268	45.00	18.00	2,500,000	494.00	25.00	47,733,268	5.53%		
EDN 400	640,000	3,000	173,929,086	123,438,639	-	-	8,000,000	640.00	3.00	131,438,639	6.48%		
EDN 500	31,500	17,500	2,500,000	3,202,000	-	-	-	31.50	17.50	3,202,000	0.00%		
<b>TOTAL</b>	<b>19,168,725</b>	<b>1,988,550</b>	<b>1,348,108,657</b>	<b>1,385,828,619</b>	<b>153.75</b>	<b>63.00</b>	<b>35,671,301</b>	<b>19,322.48</b>	<b>2,051.55</b>	<b>1,421,499,920</b>	<b>2.57%</b>		