



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

OFFICE OF THE SUPERINTENDENT

October 20, 2015

TO: The Honorable Grant Chun
Chairperson, Committee on Finance and Infrastructure

FROM:  Kathryn S. Matayoshi
Superintendent

SUBJECT: **Committee Action on Recommendation Concerning the
Department of Education's Supplemental Operating Budget and
Capital Improvement Program Request for Fiscal Year 2016-2017**

1. RECOMMENDATION

It is recommended that the Board of Education (Board) approve the recommendation for the Department of Education's (Department) supplemental operating budget requests for FY 2016-17 as reflected in Attachment A, and CIP budget requests for FY 2016-17 as requested in Attachment B.

2. RECOMMENDED EFFECTIVE DATE

Effective upon approval. Approval will allow the submission of the FY 2016-17 supplemental budget requests to the Governor through the Department of Budget and Finance (B&F).

3. RECOMMENDED COMPLIANCE DATE

Upon approval.

4. DISCUSSION

a. Conditions leading to the recommendation

Operating Budget

On July 21, 2015, the Board established an Investigative Committee (Committee) to investigate the Department's FY 2016-2017 supplemental budget.

On September 1, 2015, the Committee met to review anticipated supplemental budget instructions from B&F, utilizing the lenses the Department used in the review of the biennium request the previous year, and to also review an initial list of items identified by the Department as needs.

On September 15, 2015, the Committee met and reviewed the list of possible request items from the Department, which was a reduction from the total list provided on September 1, 2015. The Committee provided feedback on priorities and direction.

On September 24, 2015, Finance Memorandum (FM) 15-11 was issued from B&F to all departments. FM 15-11 outlined the policies and guidelines for the preparation of the Executive Supplemental Budget for FY 2016-17. The Administration will focus on high priority needs, which most significantly impact the residents of the state. One example cited in FM 15-11 was the Administration's support of additional funds for the Weighted Student Formula (WSF). A copy of FM 15-11 is provided as Attachment C.

On September 29, 2015, the Committee met to review the formal instructions from B&F, review a scaled back list of possible request items from the Department reflecting the understanding of the direction provided by the Committee during the September 15 meeting, and amend the list to include hard cost items, move programs providing direct support at schools into EDN100, and increase the Board's funding in part to meet the expense of increased community meetings.

On October 6, 2015, the Committee presented its report at the general business meeting, which included instructions that the Department continue to look to move programs providing direct support to schools into EDN100 and identify "hard costs" that the Department will have to pay whether or not additional funds are received in the supplemental budget.

B&F's Supplemental Operating Budget Guidelines:

- "1. Requests for additional general funds may be proposed to meet the following requirements:
 - a. Administrative initiatives.
 - b. Second year funding for FB 2015-17 Executive Budget Requests.
 - c. Increases in fixed costs and entitlements such as debt service, fringe benefits, Medicaid and financial assistance programs.
 - d. Public health and safety or immediate requirements of court orders or federal mandates.
 - e. Continuation of programs currently funded by specific appropriations.
2. Requests for conversion of unbudgeted positions, and other trade-offs

and transfers within and among programs may be submitted to authorize unbudgeted positions, address changes in program needs or to improve operational efficiency or budgeted transparency. These requests must be cost neutral; however, requests for conversion of unbudgeted positions may include new temporary or permanent positions.

3. Non-general funded programs. Increases to non-general fund appropriation ceilings may also be requested if there is sufficient basis for the department's revised estimates and if such increases will not require additional general fund appropriations. A financial plan for the fund supporting the request must also be submitted. (Note: Changes in receipts must be reflected in the Quarterly Update of Revenue Estimates.)"

The Department's Supplemental Operating Budget Request for FY 2016-17:

In July of this year, assistant superintendents were asked to work with their programs to determine if additional general funds were required for FY 2016-17. As a starting point, assistant superintendents were asked to review what was not funded by the 2015 Legislature for FY 2016-17. Through this review, as well as through discussions with the superintendent and the Committee, the Department is requesting additional general fund support. This need is reflected in the Supplemental Budget requests. These requests total \$57,125,321 for FY 2016-17, with the majority of the requests directly benefiting the schools. Below are summaries of the general fund requests through various lenses:

Direct Beneficiary	FY 2016-17
School	\$53,989,415
All Levels	2,968,438
EOEL	167,468
GRAND TOTAL	\$57,125,321

Type of Request	FY 2016-17
Basic Operations	\$54,197,415
Strategic Investment	2,760,438
EOEL	167,468
GRAND TOTAL	\$57,125,321

Strategic Plan Goal	FY 2016-17
Goal 1	\$31,158,216
Goal 2	4,553,185
Goal 3	21,143,920
GRAND TOTAL	\$57,125,321

EDN	FY 2016-17
EDN 100	\$34,579,512
EDN 150	3,500,000
EDN 200	0
EDN 300	60,438
EDN 400	18,817,903
EDN 500	0
EDN 700	167,468
GRAND TOTAL	\$57,125,321

The FY 2016-17 Supplemental Operating Budget general fund requests, listed on Attachment A, include:

- \$10,000,000 for Weighted Student Formula to increase the weighting factor for English Language Learning (ELL) students;
- \$16,537,791 to increase the value of a 1.0 student to help maintain and/or improve capacity for all schools receiving WSF funds;
- \$500,000 to adequately fund the HSTA contract provision which requires all licensed teachers in the identified Hard to Staff locations receive an additional \$3,000 differential;
- \$400,000 to fund the HSTA contract provision requiring the DOE to pay the Hawaii Teacher Standards Board license renewal fees for all tenured
- \$908,000 for the Teacher Sabbatical Program, which is mandated in the HSTA contract;
- \$1,533,721 for equipment for new facilities;
- \$2,000,000 for workers' compensation benefits;
- \$2,700,000 in EDN 100 to assist schools with their implementation needs regarding the six priority strategies defined in the strategic plan;
- \$3,500,000 for skilled nursing services for students with individualized education plans requiring nursing support;
- \$60,438 for additional support to the BOE support office;
- \$1,000,000 to repair air conditioning equipment;
- \$10,833,214 for utility costs;
- \$6,984,689 to maintain home to school to home student transportation services;
- 2.0 positions and \$167,468 to support the Executive Office on Early Learning. (NOTE: EOEL is administratively attached to the Department and the Department is submitting these requests on behalf of the EOEL).

The Department is also requesting to increase the federal fund appropriation ceiling for the Food Services program as the program's federal fund reimbursements were higher than anticipated.

In addition, the Department is proposing to transfer funding for Teacher Sabbatical Leave and the National Board Certification programs from EDN 200 to EDN 100 as these funds directly support teachers.

CIP Budget

In every supplemental budget year, the Department submits a proposed CIP supplemental budget request to the Governor of the State of Hawaii for consideration. The Governor will use the submittal to develop and present an executive budget proposal to the State Legislature.

1. The major funding categories for the 2016-17 CIP supplemental budget are aligned with established Facilities Planning Categories, which are Condition (CON), Program Support (PS), Capacity (CAP), and Equity (EQ).
 - Condition includes: R&M, minor renovations and improvements, electrical upgrades, hazardous material removal, health and safety projects, structural improvements, and "Whole School Classroom Renovations." The total supplemental budget request in this category is \$64 million.
 - Program Support includes: improvements which directly support teacher, staff, and administrator efforts to manage and effect student education, such as, support facilities for administration space, cafeterias, libraries, faculty centers, new restrooms, etc. In addition, PS includes projects which are required for compliance with State and Federal regulations, such as, ADA and Gender Equity. The total supplemental budget request in this category is \$57.5 million.
 - Capacity includes: new schools, the addition of new classroom facilities and/or the repurposing of existing facilities to create additional capacity. The total supplemental budget request in this category is \$234 million.
 - Equity includes: improvements which directly support student use of facilities, such as, high school science facilities upgrades, Special Education classrooms, specialty classrooms, noise and heat abatement projects, and projects which enhance the quality of learning environments (i.e. right sizing of classrooms, providing technology, fixed equipment, lighting, ventilation, etc.), as well as, student centered extra-curricular support (i.e. athletic/PE facilities, band facilities, playground equipment, etc.). The total budget request for the biennium in this category is \$92.1 million.

2. In addition to the above four major funding categories the CIP biennium budget also includes a category for funding Project Positions (EDN 400) for \$6.5 million per year and a category for lump sum Project Adjustment funding for \$2 million per year.

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

On October 21, 2014, the Finance and Infrastructure Committee and Board approved the Department's "Recommendation on the Fiscal Biennium (FB) Operating and CIP Budget for 2015-17."

On June 2, 2015, the Finance and Infrastructure Committee and Board approved the Department's "Recommendation Concerning Department of Education's Operating Budget: Implementation of Fiscal Year 2016."

c. Other policies affected

1200-1.12 Department of Education Budget: Any Department proposal to make adjustments in the operating budget and Capital Improvements Program budget shall require prior approval of the Board...

d. Arguments in support of the recommendation

Operating Budget

There was a comprehensive process of identifying priority budget items proposed. From each of the assistant superintendent's came proposed requests based on feedback they received from the field, a review of operational requirements of their programs, and Strategic Plan Goals. Based on an awareness of fiscal limitations and feedback from the Board's Investigative Committee on the Supplemental Budget, the list of requests was then revised to what is being presented today.

The majority of the requests will directly benefit schools, with the largest request being additional funds for WSF, as presented by the Committee on Weights (COW) and highlighted by the Administration as a priority. WSF funds provide resources for basic operations at the schools. Additional funding will increase capacity at schools to support student achievement. The additional funds for the ELL program will provide additional support to schools with ELL students to ensure all students will benefit from educational opportunities.

Some of these requests were denied funding in FY 2016-17 during the 2015 Legislative session. Approval of additional funding for these items will mitigate any shortfalls projected.

Some of these requests are to fund items in the current collective bargaining agreements and items identified as "hard costs."

CIP Budget

The recommended budget is structured with four categories to meet the needs of schools. The budget will allow the Department to seek funding for much needed classrooms, support facilities, compliance projects, and repair and maintenance.

e. Arguments against the recommendation

Competing priorities with other state departments for resources may make it difficult for the Administration to accommodate this entire request within the Executive FY 2016-17 Supplemental Budget Request to the Legislature.

Individual schools, communities, legislators, and/or members of the public may request that particular projects be considered a higher priority.

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

Preparation of the Governor's Budget submittal:

- Department of Budget and Finance
- Office of the Governor

Governor's Budget submittal:

- Hawaii State House of Representatives
- Hawaii State Senate

Budget approval and restrictions:

- Department of Budget and Finance
- Office of the Governor

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

The overall reaction to the supplemental budget requests will be positive as most of the additional funds will directly impact schools.

The reaction by the HSTA will also be positive as some requests address funding for provisions within the current collective bargaining agreements for HSTA.

Other organizations are expected to support the request for additional school facilities and upgrades to existing facilities.

h. Educational implications

Various. See items 4.a. & 4.d.

All facility improvements, expansions, upgrades, and major renovations enhance the school environment and the delivery of educational services to benefit student achievement.

i. Personnel implications

Additional funds for WSF may result in schools choosing to fund additional positions in their Annual Financial Plans. Principals have the autonomy to program these additional funds as they see appropriate for the needs of their school.

j. Facilities implications

Facilities will improve in direct relation to the amount of funding provided CIP projects.

k. Financial implications

The approval of this recommendation will allow the Department to request additional funds within the policies and guidelines set forth in FM 15-11.

As CIP funds are provided, there are corresponding operating budget requirements such as the need for more custodial staff, electricity usage, and equipment for rooms.

5. OTHER SUPPLEMENTARY RECOMMENDATIONS

None.

KSM:BH:EN:sjk
Attachments

c: Amy S. Kunz, Senior Assistant Superintendent and CFO
Dann Carlson, Assistant Superintendent, OSFSS
Facilities Development Branch
Budget Branch

Department of Education
FY 2016-17 Supplemental Budget Requests

Attachment A

Requests for Additional General Funds

EDN	Prog ID	Program Description	Request Title	FY 17 Perm	FY 17 Temp	FY 17 \$ Amount	MOF
EDN100	42100	WEIGHTED STUDENT FORMULA ¹	WSF Increase - ELL	-	-	10,000,000	A
EDN100	42100	WEIGHTED STUDENT FORMULA ¹	WSF Increase	-	-	16,537,791	A
EDN100	25222	TEACHER RECRUITMENT AND RETENTION	Hard to Staff Bonuses	-	-	500,000	A
EDN100	25222	TEACHER RECRUITMENT AND RETENTION	Teacher Licensing Fees	-	-	400,000	A
EDN100	25115	SABBATICAL LEAVE - TEACHERS	Teacher Sabbatical	-	-	908,000	A
EDN100	12642	RESOURCES FOR NEW FACILITIES ²	Equipment for New Facilities	-	-	1,533,721	A
EDN100	23001	WORKERS COMPENSATION ²	Workers Comp	-	-	2,000,000	A
EDN100	tbd	SCHOOL SUPPORT TEAMS ²	Support for Schools (CAST)	-	-	2,700,000	A
EDN150	15623	SKILLED NURSING SERVICES ²	Skilled Nursing	-	-	3,500,000	A
EDN300	33005	BOARD OF EDUCATION SUPPORT OFFICE	BOE Operations	-	-	60,438	A
EDN400	37711	FACILITIES MAINTENANCE BRANCH ²	AC Repair	-	-	1,000,000	A
EDN400	37720	UTILITIES ²	Utilities	-	-	10,833,214	A
EDN400	19097	STUDENT TRANSPORTATION ²	School Bus Contracts	-	-	6,984,689	A
EDN700	10301	PRESCHOOL ²	Preschool Expansion	-	-	41,000	A
EDN700	10304	EOEL - GENERAL FUNDS ²	EOEL Additional Funds	-	2,000	126,468	A
TOTAL				-	2,000	57,125,321	

¹ Denotes items from the 2015 COW recommendation

² Denotes items requested as part of the FB 2015-17 budget, but not approved by the 2015 Legislature

Request for Non-general Fund Ceiling Increase

EDN	Prog ID	Program Description	Request Title	FY 17 Perm	FY 17 Temp	FY 17 \$ Amount	MOF
EDN400	35913	FOOD SERVICES - FEDERAL FUNDS	Increase federal fund ceiling	-	-	7,000,000	N

Trade-off/Transfer Requests

EDN	Prog ID	Program Description	Request Title	FY 17 Perm	FY 17 Temp	FY 17 \$ Amount	MOF
EDN200	25115	SABBATICAL LEAVE - TEACHERS	Transfer to EDN100 from EDN200	-	-	(592,000)	A
EDN100	25115	SABBATICAL LEAVE - TEACHERS	Transfer to EDN100 from EDN200	-	-	592,000	A
EDN200	25758	NATIONALLY BOARD CERTIFIED TEACHERS	Transfer to EDN100 from EDN200	-	-	(2,319,525)	A
EDN100	25758	NATIONALLY BOARD CERTIFIED TEACHERS	Transfer to EDN100 from EDN200	-	-	2,319,525	A

DOE's Supplemental CIP Budget Request for FY2017

9/28/2015

DOE Lump Sum Budget Priorities
 priority projects within the 4 KPIs
 DOE Priority Items funded as individual line items

EDN 100 Unless Otherwise Noted; MOF C Unless Otherwise Noted

Priority	KPI	School	Project	Act 119/15 FY2016	Act 119/15 FY2017	New Budget Request	
						Supplement FY2017	TOTAL FY2017
1	-	Lump Sum - Project Positions (EDN 400)		6,500	6,500		6,500
2	-	Lump Sum - Project Adjustment		1	1	1,999	2,000
3	CON	Statewide	Lump Sum CIP - Condition	134,000	66,000	64,000	130,000
		Various, Statewide	CONDITION (see separate list)			60,000	
		Various, Statewide	Electrical/Infrastructure Improvements			5,000	
		Various, Statewide	Hazardous Materials Removal			1,000	
		Various, Statewide	Converged Network Infrastructure			30,000	
		Various, Statewide	Structural Improvements			2,500	
		Various, Statewide	Playground Equip Replace/Upgrade			500	
		Various, Statewide	Whole School CR Renovation			30,000	
		Various, Statewide	CM Services			1,000	
4	CAP	Statewide	Lump Sum CIP - Capacity	10,000	0	234,000	234,000
		Various, Statewide	Relocate/Construct Temporary Facilities			5,800	
		Various, Statewide	Master Planning/Land Acquisition			1,000	
		Campbell High	Classroom Building			35,000	
		Waikoloa Elementary & Mi	Classroom Building			12,000	
		Kealakehe Elementary	Classroom Building			12,000	
		Kihei High	New School			75,000	
		East Kapolei Middle	New School			50,000	
		Lahainaluna High	Classroom Building			2,000	
		Kapolei High	Classroom Building			1,200	
		Pohukaina Elementary	New School			34,000	
		Nahienaena Elementary	Classroom Building			4,000	
		Lahaina Intermediate	Classroom Building			1,000	
		Various, Statewide	CM Services			1,000	
5	EQ	Statewide	Lump Sum CIP - Equity	15,313	2,955	92,100	95,055
		Various, Statewide	HS Science Facilities Upgrades			17,000	
		Various, Statewide	SpEd Classroom Renovations, Temp Facilities			2,100	
		Various, Statewide	Preschool Program Renovations			1,000	
		Various, Statewide	Noise/Heat Abatement			30,000	
		Various, Statewide	Energy Improvements			1,000	
		Various, Statewide	Facilities Master Plan Initiatives / Land Acquisition			1,000	
		Farrington High	Campus Modernization			1,000	
		Kaunakakai Elementary	Replacement Classroom Building			1,000	
		Leilehua High	New Science / Classroom Building			12,000	
		Hilo Intermediate	Building A Renovation Phase I			23,000	
		Mokapu Elementary	Campus Improvements			2,000	
		Various, Statewide	CM Services			1,000	
6	PS	Statewide	Lump Sum CIP-Program Support	16,500	1,000	57,500	58,500
		Various, Statewide	ADA Compliance			8,000	
		Various, Statewide	Gender Equity - Softball Field/Girls Athletic Locker Room Improvements			7,000	
		Various, Statewide	Master Plan/Land Acquisition			3,000	
		Various, Statewide	Playground Equipment /Accessibility			500	
		Various, Statewide	Temporary Facilities			2,000	
		Various, Statewide	Athletic/PE/Playfield Facilities			3,000	
		Various, Statewide	Support Facilities (Admins., Libraries, Cafes, mixed use)			10,000	
		Various, Statewide	HS Athletic Facilities per Athletic Master Plan			20,000	
		Holualoa Elementary	Administration/Classroom Building / Master Plan			2,000	
		Various, Statewide	CM Services			2,000	
7		Solomon Elementary	Campus -Wide Improvements (DOD Grant (MOF C/N))			5,900	5,900
Priority Project line items in Act 119/2015							
G-17	EQ	Farrington High	Campus Modernization	1,000	0		0
G-18	EQ	Hilo Intermediate	Bldg A Renovation Phase 1	2,000	0		0
G-37	CAP	Lahainaluna High	New 8 Classroom Building	10,000	0		0
G-39	EQ	Leilehua High	New Science / Classroom Building (Design)	1,000	0		0
G-53	CAP	Mililani Middle	15 Classroom Buildings (*needs correcting to New Classroom Building*)		1,500		1,500
G-72	CAP	Waikoloa Elementary & Mi	New Classroom Building (Plans & Design)	1,580	0		0
Total of non-priority Legislative Add-On Line Items in Act 119/2015				90,014	-		
				Totals	287,908	77,956	455,499
				Act 119/2015 Funding Totals	287,908	77,956	

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

September 24, 2015

FINANCE MEMORANDUM

MEMO NO. 15-11

TO: All Department Heads

FROM: Wesley K. Machida
Director of Finance

SUBJECT: Supplemental Budget Policies and Guidelines for Fiscal Biennium 2015-17

The policies and guidelines included herein shall apply to the preparation of the Executive Supplemental Budget for FY 17 (FB 2015-17).

General Background

The State's fiscal situation has fluctuated rapidly in recent years. Since FY 14, the monthly tax collection growth rates of the State's general fund revenues have been quite inconsistent, ranging from highs of 8.1% and 20.7% and lows of -11.9% and -15.8% in FY 14 and FY 15, respectively, on a year-over-year basis. Because general fund revenue growth trends have not been clearly reflective of economic activity, this uncertainty has been a factor in the Administration's cautious approach to the State's budget.

While our approach has positively impacted the general fund balance, which was a healthy \$828.1 million at the end of FY 15, fiscal year end balances are still expected to decrease through FY 17 due to annual spending in excess of annual revenues. Thus, as we move further into FY 16, which has exhibited positive revenue growth in its first two months, we are optimistic about the State's financial and economic condition but mindful of our obligations and the changes which can happen all too swiftly.

The State has commitments that must be addressed while we are in the position to do so. We will propose to pay Post-Employment Benefits (OPEB) annual required contribution (ARC) at the 100% level in FY 17. The ARC amortizes the OPEB \$8.52 billion unfunded liability over a 30-year period. We will also propose to provide funding in FY 17 for the Emergency and Budget Reserve Fund, which will help to ensure the State's fiscal stability in future downturns.

The State's economy has continued to show strength, with the current economic expansion expected to last a few years. Much of this expansion is a result of the strong performance of the visitor industry, the single largest driver of the State's economy. The industry has continued to experience high levels of visitor arrivals and expenditures, with year-to-date growth in visitor arrivals increasing by 4.2% and visitor spending increasing by 3.6% through July 2015.

The increase in construction jobs and the value of private building permits reflect the growth of Hawaii's construction industry. Through the first half of 2015, the number of construction jobs grew by 3.1%, the second highest level of growth across all industries. Compared to the same period last year, the value of private building permits issued through the first half of 2015 increased by over 36%. Commercial, industrial and residential construction are leading this industry's growth.

The continually decreasing unemployment rate is also a favorable indicator, with unemployment declining from 3.7% in July 2015 to 3.5% in August 2015 (seasonally adjusted). The current rate of 3.5% is the lowest since 3.4% in March 2008, which is due, in large part, to the expansions of the visitor and construction industries.

On the national level, there are again concerns about potential economic and fiscal impact due to the absence of a federal budget for the upcoming federal fiscal year. Without a federal spending plan in place, the State could be significantly impacted by a federal government shutdown. Even if a federal budget is passed, there may be reductions to programs which will adversely impact Hawaii. The U.S. and the State's economic health also remain vulnerable to the potential impact of the unrest in the Middle East and economic volatility in China and Europe.

The State's Fiscal Condition

For FY 15, preliminary actual general fund tax revenues were less than the Council on Revenues' (COR) projection, primarily due to faster than anticipated processing of tax refunds by the Department of Taxation. Tax revenues came in at 6.8% higher than FY 14 instead of the 7.5% projected by the COR.

In its September 10, 2015 report to the Governor, the COR revised its May 2015 general fund revenue forecast significantly. The FY 16 projection was increased from 2.7% to 6.0%, the FY 17 projection was decreased from 6.4% to 5.5%, the projections of 5.5% for FY 18 and 5.0% for FY 19 were left unchanged, the projections for FY 20 and FY 21 were lowered from 5.0% to 4.5% and 4.5% growth was forecast for FY 22. The estimated impact of the COR's revisions to general fund tax revenues for the current and two upcoming biennium total \$255.6 million for FB 2015-17, \$227.6 million for FB 2017-19, and \$141.0 million for FB 2019-21.

The COR's rationale for the adjustments for FY 16 were the strong performance of economic indicators (labor, tourism, construction) and decreased impact of the slower processing of tax refunds in FY 15. The out-year projections were reduced slightly to reflect the eventual cyclical slowing of the economy.

Additionally, non-tax revenues are projected to increase significantly primarily due to correction of underreporting of non-general fund reimbursements for Hawaii Employer-Union Health Benefits Trust Fund (EUTF) premiums. For FB 2015-17, the increased non-tax revenues total \$108.3 million; for FB 2017-19, the increased non-tax revenues total \$160.3 million; and for FB 2019-21, the increased non-tax revenues total \$224.1 million.

Strengthening Our Foundation

Going into this supplemental budget, we recognize that while we must strengthen the foundation of our State government, we must balance these efforts with maintaining the State's fiscal sustainability. We must always strive to make the most efficient use of our resources and ensure that public funds are judiciously spent.

Again, we must remain mindful that the State is projected to spend more than it is taking in on an annual basis and is facing significant increases in funding pension and OPEB liabilities. Thus, while there are many needs to be met, this supplemental budget process should be viewed as a means to provide critical enhancements to State programs, after thoughtful consideration of the resources which are already available to your department.

Our efforts must be focused on high priority needs, those which most significantly impact our State programs and the residents of our State. For example, the Administration supports additional funds for the Department of Education's (DOE) Weighted Student Formula so that more funding can be made available at the school level. We must also ensure that suitable learning environments are provided for Hawaii's students.

The Administration also recognizes the need to address housing and homelessness. This growing concern is far reaching in its impact to all of our communities. This initiative will consider both the operational and capital improvement program (CIP) resource requirements so we can work towards short- and long-term solutions.

We will be requesting funding to continue ongoing State services for which second year funding for FB 2015-17 Executive Budget requests was not approved by the Legislature. Additionally, specific appropriations which were funded in FY 16 but require funding for program continuation into FY 17 will be considered.

We will strive to provide the most appropriate funding for State programs. As such, we will be proposing to convert general obligation (G.O.) bond funded CIP staff costs to general funded.

We must lead the way to support our renewable energy goals for the State of Hawaii. As such, energy efficiency projects to decrease the State's reliance on fossil fuels will be considered for the Administration's CIP package.

The Administration will be requesting funding for other critical program needs which have been long passed over. The improvement or replacement of our correctional facilities in the State of Hawaii is necessary to alleviate current overcrowded conditions.

Such improvements could generate program savings. We must also provide for a forensics facility at the Hawaii State Hospital to reduce overcrowding and to address the safety concerns of the public and the hospital's staff.

Budget Transparency

Departments should review their FB 2015-17 operating budget details for items which do not align with anticipated expenditures and can be addressed immediately. Each department's review should include, but should not be limited to, the following, as applicable:

- Negative adjustments
- Underfunded, unfunded or unbudgeted positions
- Specific budget line items which do not align with anticipated expenditures

Be aware that Section 128 of Act 119, SLH 2015, prohibits the expenditure of funds to fill any position not authorized by the Legislature, with specific exceptions. For the purpose of complying with Section 128, positions authorized by a General or Supplemental Appropriations Act item or proviso are generally positions reflected in the budget details as:

- Permanent or temporary positions (also positions vicing into authorized positions).
- Lump-sum funding authorizations for hourly or casual employees.
- Lump-sum CIP funding for project-funded positions.

This prohibition does not apply to positions established by specific legislation or pursuant to the HRS. All other positions currently funded by departments are considered unbudgeted.

Additionally, Act 160, SLH 2015, provides that, effective July 1, 2017, no funds shall be expended to fill a permanent or temporary position if the filling of that position causes the position ceiling to be exceeded, with specified exceptions. "Position ceiling" is defined as the maximum number of permanent and temporary positions that an expending agency is authorized for a particular program.

Thus, it is imperative that all departments review their unbudgeted positions. All unbudgeted positions that are critical and on-going must be identified and incorporated into the budget. Additional funding will not be provided for these positions because they are currently funded within existing budgets; as such, only requests for "Conversion of Unbudgeted Positions" which are cost neutral but may increase temporary or permanent position counts may be submitted.

In order to reflect necessary changes, departments should submit the following:

1. "Conversion of Unbudgeted Positions" requests to authorize unbudgeted positions;
or
2. Trade-off and transfer adjustment requests necessary to correct negative amounts, fully fund underfunded or unfunded positions, or realign the budget to expenditures;
or
3. Base adjustment requests to delete underfunded or unfunded positions.

Please note that Act 160 also requires that permanent and temporary position ceilings for each program be provided in the budget documents. In anticipation of these requirements, departments must provide permanent and temporary position counts in their BJ Summary tables for the FY 17 Supplemental Budget.

Federal Fund Budgeting

Beginning in FY 14, the State changed the way federal awards were budgeted and expended, with the intent of increasing transparency and improving the State's ability to meet anticipated federal reporting requirements. The Federal Fund Information for States list of major, recurring federal awards was used to determine which federal awards were appropriated in FB 2015-17 as means of financing (MOF) "N" (federal funds). All other federal awards which were anticipated to be received in FY 16 or FY 17 were appropriated as MOF "P" (other federal funds).

Each operating federal grant award anticipated to be received in FY 16 received a unique appropriation symbol and an extended lapse date (operating federal funds lapse after three fiscal years, instead of one fiscal year) to accommodate the difference between the State and the federal fiscal years and performance periods which extend beyond one year. Also, CIP federal fund appropriations which have been deemed necessary to qualify for federal aid financing and reimbursement will lapse five fiscal years after the fiscal biennium to encourage the timely implementation of federally-funded projects and expenditure of federal grant awards.

During this supplemental budget process, departments may submit requests to adjust FY 17 federal fund ceilings to more accurately reflect anticipated federal award amounts or to correct the MOF, if necessary. For planning purposes, it should not be assumed that State funding will automatically replace federal funding in situations where federal funding is disrupted or discontinued.

I. General Policies

The general policies for the development of the FY 17 Executive Supplemental Budget are as follows:

1. Program goals and objectives are generally expected to be accomplished within existing funding levels for general and non-general funds. There will be limited operating budget increases from current appropriations for FY 17, as authorized in Act 119, SLH 2015 (the General Appropriations Act), as discussed below.
2. Before requesting additional funds, departments should first consider trade-offs and transfers within and among their programs to address departmental needs or to bring about greater efficiency.
3. Departments should continue their efforts to consider the use of non-general funds, as appropriate, to support their programs. Changes in MOF may be proposed as appropriate. Departments should not assume, however, that State funds will be available to support program costs if federal funds are no longer available.
4. Except as otherwise provided by law, special or other funds authorized to receive general revenue receipts, or general fund appropriations, should consider the feasibility of discontinuing such general fund support as funds of this type should generally be self-sustaining. As necessary, draft legislative proposals should be prepared to discontinue such general fund support.
5. Pursuant to Section 37-68(1), HRS, any proposal for new programs, regardless of funding sources, must demonstrate that such programs are appropriate functions of State government and can be implemented by government as cost-effectively as by the private sector.
6. Departments should be prepared to initiate necessary enabling legislation, or appropriate rule changes, to coincide with budget requests, as applicable. However, bear in mind that only legislative proposals that have been coordinated with the Governor's Policy Office should be proposed at this time. The Department of Budget and Finance (B&F) analyst assigned to your department should be informed of the applicable proposals as part of the budget review. (Form A, Request for Operating Budget Adjustment, should be used to provide the necessary information to justify the request.)

II. Supplemental Budget Guidelines

A. Operating Budget

The following guidelines apply to all MOF, unless otherwise specified.

1. Requests for general funds may be proposed to meet the requirements of the following:
 - a. Administrative Initiatives.
 - b. Second year funding for FB 2015-17 Executive Budget Requests.

- c. Increases in fixed costs and entitlements such as debt service, fringe benefits, Medicaid and financial assistance programs.
 - d. Public health and safety or immediate requirements of court orders or federal mandates.
 - e. Continuation of programs currently funded by specific appropriations.
2. Requests for conversion of unbudgeted positions and other trade-offs and transfers within and among programs may be submitted to authorize unbudgeted positions, address changes in program needs or to improve operational efficiency or budget transparency. These requests must be cost neutral; however, requests for conversion of unbudgeted positions may include new temporary or permanent position counts.
 3. Non-general funded programs. Increases to non-general fund appropriation ceilings may be requested if there is sufficient basis for the department's revised estimates and if such increases will not require additional general fund appropriations. A financial plan for the fund supporting the request must also be submitted. (Note: Changes in receipts must be reflected in the Quarterly Update of Revenue Estimates.)
 4. Federally funded programs. To continue our efforts to improve transparency in the budgeting and expenditure of federal awards, the attached listing of "Major, Recurring Federal Awards for FB 2015-17" shall be used to determine the appropriate MOF for all federal awards anticipated to be received and appropriated in FY 17. (Note: There is no new list for FY 17.)
 - a. Form FF, Federal Awards for FY 17, shall include the following:
 - All awards on the list of "Major, Recurring Federal Awards for FB 2015-17" included under MOF "N" (federal funds).
 - All other recurring, including currently non-appropriated, or anticipated awards under MOF "P" (other federal funds). Anticipated awards under MOF "P" may be included if you reasonably expect to apply for and receive a federal award that has not been designated as MOF "N."
 - The total amount of each federal award anticipated to be received in FY 17, regardless of the performance period. Departments should make reasonable estimates of anticipated grant award amounts based on the previous year's grant award and/or by discussion with the awarding federal agencies.
 - Note: Due to the extended lapse date for federal fund appropriations, anticipated carryover amounts from FY 16 should not be included on Form FF or included in the budget.

- b. FY 17 federal fund (MOF "N" or "P") budget requests shall be submitted:
- For appropriation ceiling increases required because the total amount of awards anticipated to be received in FY 17 exceeds the Act 119, SLH 2015, appropriation ceiling for the respective MOF, as indicated on Form FF.

All departments, however, should consider that future reductions to federal-aid moneys are always a possibility and should exercise caution when requesting an increase to their federal fund ceiling. Departments should not assume that State funds will be available to support program costs if federal funds are no longer available.

- For appropriation ceiling decreases required because the total amount of awards anticipated to be received in FY 17 is less than the Act 119, SLH 2015, appropriation ceiling for the respective MOF, as indicated on Form FF.
 - To correct the MOF for awards already appropriated in Act 119, SLH 2015, if necessary.
 - Note: Changes in receipts must be reflected in the Quarterly Update of Revenue Estimates.
5. Existing positions must be funded for the full year; new positions shall be funded for a maximum of six months for the first year, then for the full year thereafter. Vacant positions must be funded for the full year; partially funded or unfunded positions should be eliminated.
6. Section 128 of Act 119, SLH 2015, prohibits the expenditure of funds to fill any position not authorized by the Legislature, with specific exceptions. For the purpose of complying with Section 128, positions authorized by a General or Supplemental Appropriations Act item or proviso are generally positions reflected in the budget details as:
- a. Permanent or temporary positions (also positions vicing into authorized positions).
 - b. Lump-sum funding authorizations for hourly or casual employees.
 - c. Lump-sum CIP funding for project-funded positions.

This prohibition does not apply to positions established by specific legislation or pursuant to the HRS. All other positions currently funded by departments are considered unbudgeted.

Additionally, Act 160, SLH 2015, provides that, effective July 1, 2017, no funds shall be expended to fill a permanent or temporary position if the filling of that position causes the position ceiling to be exceeded, with specified exceptions. "Position ceiling" is defined as the maximum number of permanent and temporary positions that an expending agency is authorized for a particular program.

All unbudgeted positions that are critical and on-going must be identified and incorporated into the budget. Additional funding will not be provided for these positions because they are currently funded within existing budgets; as such, only requests for "Conversion of Unbudgeted Positions" (trade-off and transfer) may be submitted.

7. Legislative proposals containing specific appropriations or impacting revenues must be coordinated with the Governor's Policy Office. The B&F analyst(s) assigned to your department must also be informed accordingly.

B. Capital Improvement Budget

Departments should focus on completing the CIP projects already authorized in previous and current budget acts. As such, consideration of new CIP requests will be limited.

1. CIP project requests may be submitted for the following:
 - a. Administrative Initiatives.
 - b. To improve energy efficiency or conservation.
 - c. To address public health and safety, court orders/consent decrees or federal mandates.
 - d. To provide major repair and maintenance (R&M) for a public or educational facility.
 - e. To convert G.O. bond funded CIP staff costs to general funded.
 - f. Trade-offs that result in no net increase in authorization levels.
2. Departments are encouraged to review their current appropriations for trade-offs or to propose lapsing existing projects before considering requests for new funding.
3. Major R&M includes projects that extend the useful life of a facility or provide for greater functional/operational efficiency through a significant improvement or upgrade. The life expectancy of the project should be generally over 15 years. Examples include: reroofing, air conditioning equipment, refurbishing of building space or building infrastructure, major improvements to sports facilities, and resurfacing.

4. CIP financed by special funds, revolving funds, or revenue bond funds must be self-supporting. Departments must ensure that the responsible program will be able to generate sufficient revenues to cover the cost of the undertaking, including principal and interest, that a dedicated fund has been authorized to ensure the availability of funds for such purpose and that these revenues are reflected in the Quarterly Update of Revenue Estimates.
5. CIP requests financed by federal funds or other federal funds which require extended lapse dates (biennium plus five years) to meet the requirements of their federal awards must include the following language in their project description: "This project is deemed necessary to qualify for federal aid financing and/or reimbursement."
6. All requests will be reviewed for their impact on debt service and operating costs. Additional operating costs incurred as a result of CIP requests must be accommodated within your department's operating budget ceiling.

Pursuant to Act 135, SLH 2014, and Act 150, SLH 2015, departments submitting CIP requests must provide estimates of operational costs for each proposed CIP project and furnish all documents that support each operational cost estimate. **Form CIP Op (Estimated Operating Costs Related to CIP Requests)** and **Form CIP Op B (Department Summary of Estimated Operating Costs Related to CIP Requests)** have been developed to standardize reporting of CIP operational costs in conformance with these Acts.

Operating cost information must be included in **Table R (Capital Project Information and Justification Sheet)**, **Form CIP Op (Estimated Operating Costs Related to CIP Requests)** and **Form CIP Op B (Department Summary of Estimated Operating Costs Related to CIP Requests)** for all CIP budget requests.

7. Works of Art. Departments are reminded that CIP budget requests should include 1% for Works of Art in accordance with Section 103-8.5, HRS, as amended, and criteria set forth by the State Comptroller.
8. User and expending agencies with CIP requests to be funded by G.O. or G.O. Reimbursable bonds are reminded of compliance requirements of the Tax Reform Act of 1986, including amendments thereto. **Form PAB (Questionnaire - G.O. Bond Fund Appropriations)** (revised September 2013) must be completed and submitted for every G.O. or G.O. Reimbursable bond fund CIP request. If assistance with this form is required, please contact B&F's Financial Administration Division.

III. Submission Requirements and Format

Departments must use the following formats in submitting their Supplemental Budget requests and should use the attached instructions as applicable. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details. Financial plans for funds supporting non-general fund requests are also required.

A. Requirements for Operating Budget Requests:

1. Use **Form A** (*Operating Budget Adjustment Request*) to:
 - a. Request FY 17 budget adjustments as allowed under II.A (Supplemental Budget Guidelines, Operating Budget).
 - b. Identify details of plus or minus funding in requests for trade-offs/transfers. **Form A-Attachment** may be used to list multiple conversion of unbudgeted positions or trade-off/transfer proposals.
2. Use **Form B** (*Department Summary of Operating Budget Adjustment Requests*) to summarize all supplemental budget adjustment requests at the program ID/organization code level. All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding trade-off/transfer requests or for requests with multiple MOF.
3. Use **Form FF** (*Federal Awards for FY 17*) to summarize all federal awards anticipated to be received and budgeted in FY 17.
4. For each special/revolving fund appropriated in Act 119, SLH 2015, an updated six-year financial plan must be submitted.
5. Update of **BJ Summary Tables**. Please note that all departments will now be required to provide temporary position counts (in addition to the permanent position counts which are already provided) on their BJ Summary tables pursuant to Act 160, SLH 2015, which requires that permanent and temporary position ceilings be included in the budget documents. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details.
6. **Budget Narratives**. Refer to the attached Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests for details.

B. Requirements for CIP Budget Requests:

1. All departments are required to use eCIP, B&F's web-based CIP system, to update the CIP tables and prepare their supplemental CIP budget request (Form S-Supplemental should be downloaded in Excel format from eCIP):

- a. Use **Table P** (*Capital Project Details*) to request supplemental budget adjustments as allowed under II.B (Supplemental Budget Guidelines, Capital Improvement Budget).
 - b. Use **Table Q** (*Capital Project Details*) to provide project schedule, expenditures, and other information for each respective CIP request.
 - c. Use **Table R** (*Capital Project Information and Justification Sheet*) to provide narrative project information and justification for each respective CIP request.
 - d. Use **Form S-Supplemental** (*Summary of Proposed CIP Lapses and New CIP Requests*) to identify projects which can be lapsed (including trade-offs) and summarize all FY 17 Supplemental Budget CIP Requests. "Part A: Proposed Lapses" and request category of Form S-Supplemental must be completed manually after downloading the Form S-Supplemental file from eCIP. All requests shall be listed sequentially using unique priority numbers; duplicate priority numbers may only be used for corresponding requests with multiple MOF.
2. **Form PAB** (*Questionnaire - General Obligation Bond Fund Appropriations*) (revised September 2013) must be completed for all G.O. and G.O. Reimbursable bond funded CIP requests to indicate anticipated private activity use of State facilities.
 3. **Form CIP Op** (*Estimated Operating Costs Related to CIP Requests*) and **Form CIP Op B** (*Department Summary of Estimated Operating Costs Related to CIP Requests*) must be completed for all CIP requests to indicate the anticipated operating costs related to each CIP project requested.
- C. Additional Requirement:

Act 150, SLH 2015, also requires that each agency responsible for operating or maintaining a State-owned building, facility or other improvement furnish B&F with an estimate of the deferred maintenance costs for the building, facility or other improvement. Deferred maintenance cost refers to the cost of R&M of the State-owned building, facility or other improvement which has been delayed past the ordinary R&M cycle.

A summary of the deferred maintenance costs must be provided in the Supplemental Budget document. As such, all departments responsible for operating or maintaining a State-owned building, facility or other improvement must complete and submit **Form DMC** (*Department Summary of Estimated Deferred Maintenance Costs*). Detailed worksheets and other supporting details should be available upon request.

D. Availability of Electronic Forms:

Forms will be e-mailed to your Administrative Services/Budget Officers. In addition, these forms will also be available on the B&F website.

Form S-Supplemental should be downloaded from eCIP, in blank form or prefilled with FY 17 Supplemental Budget requests which have been input in eCIP. A prefilled Form FF file, with FY 17 information from your FB 2015-17 Form FF, will also be e-mailed to your department.

IV. Due Dates/Other Requirements

A. The following must be provided to this office:

1. By Friday, October 16, 2015: Two copies of each submission, including Forms A, A-Attachment, B, and FF (for the operating budget) and Tables P, Q, and R, and Forms S-Supplemental, PAB, CIP Op and CIP Op B (for the CIP budget). Financial plans to support non-general fund requests are required, as appropriate. Electronic files of Forms A, A-Attachment, B, FF, S-Supplemental, CIP Op, and CIP Op B must be transmitted to your B&F analyst.
2. By Friday, December 4, 2015: The following submittals reflecting the Governor's final supplemental budget decisions:
 - a. For all departments except DOE, University of Hawaii (UH), and the Department of Transportation (DOT): All BJ Summary tables in eBUDDI.
 - b. For DOE, UH, and DOT: Hard copies, Excel files, or other electronic files of the BJ Summary tables.
 - c. All departments: Two copies of the Budget Narratives; Forms PAB, CIP Op and CIP Op B.
 - d. All departments: All Tables P, Q, and R updated in eCIP.
3. By Friday, December 4, 2015: Two copies of Form DMC (additional requirement for deferred maintenance costs). The electronic file of Form DMC must be transmitted to your B&F analyst.
4. By Friday, January 8, 2016: The BJ details updated in eBUDDI reflecting the Governor's final supplemental budget decisions, for all departments except DOE, UH, and DOT for which Excel or other electronic files are required.

- B. Requests will be reviewed by B&F and the Governor's Office; as such, worksheets and other supporting details should be made available upon request.

Attachments:

Attachment 1 - FY 17 Supplemental Budget Ceiling

Form A, A-Attachment and instructions

Form B and instructions

Form CIP Op and instructions

Form CIP Op B and instructions

Form DMC and instructions

Form FF and instructions

Form PAB and instructions

Form S-Supplemental and instructions

Instructions for BJ Summary Tables Update, Budget Narratives, and CIP Requests

List of "Major, Recurring Federal Awards for FB 15-17"

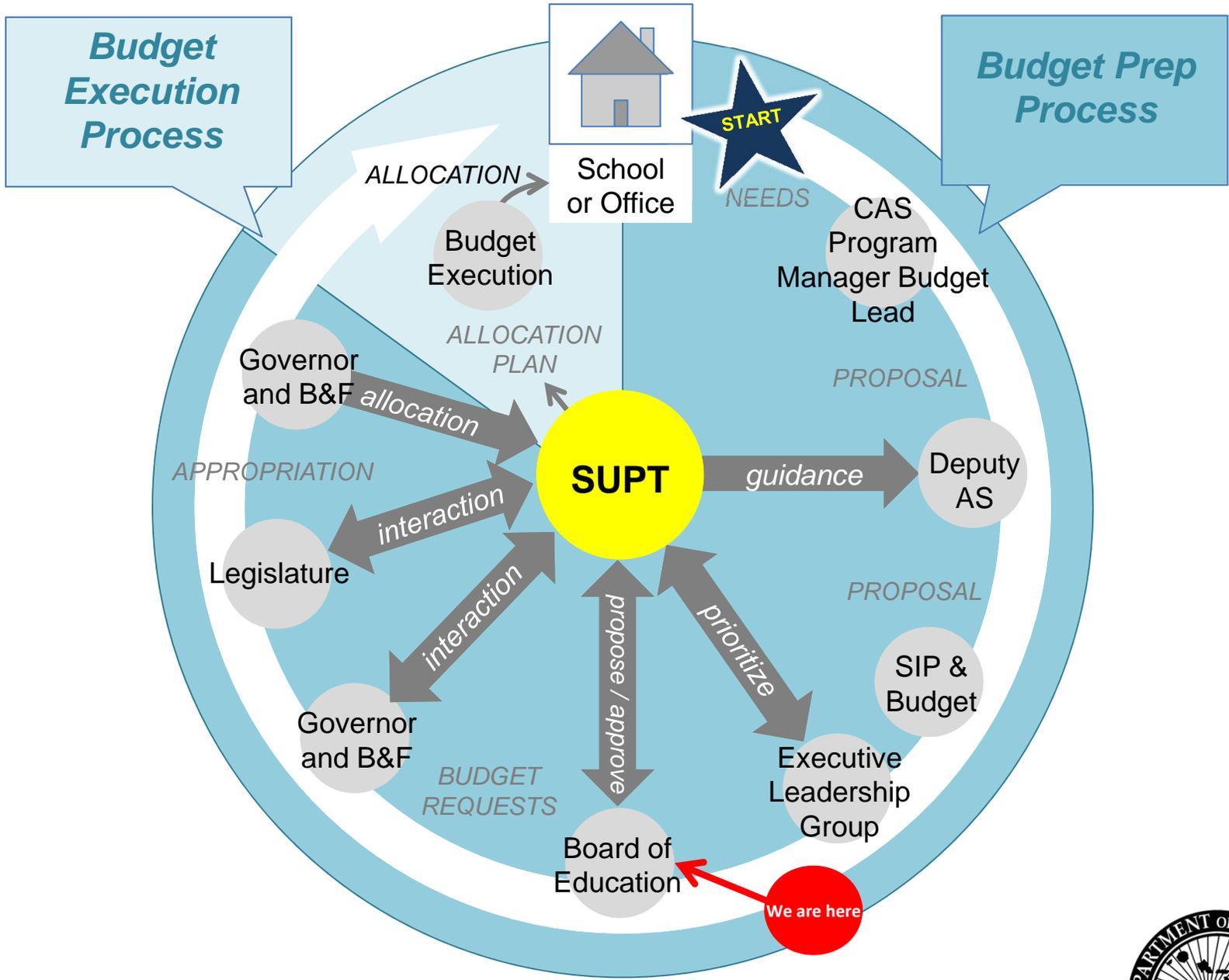
Presentation/Discussion/Committee action
on the Department of Education's
**Supplemental Operating Budget
2016-17**

BOE - Finance and Infrastructure Committee
October 20, 2015

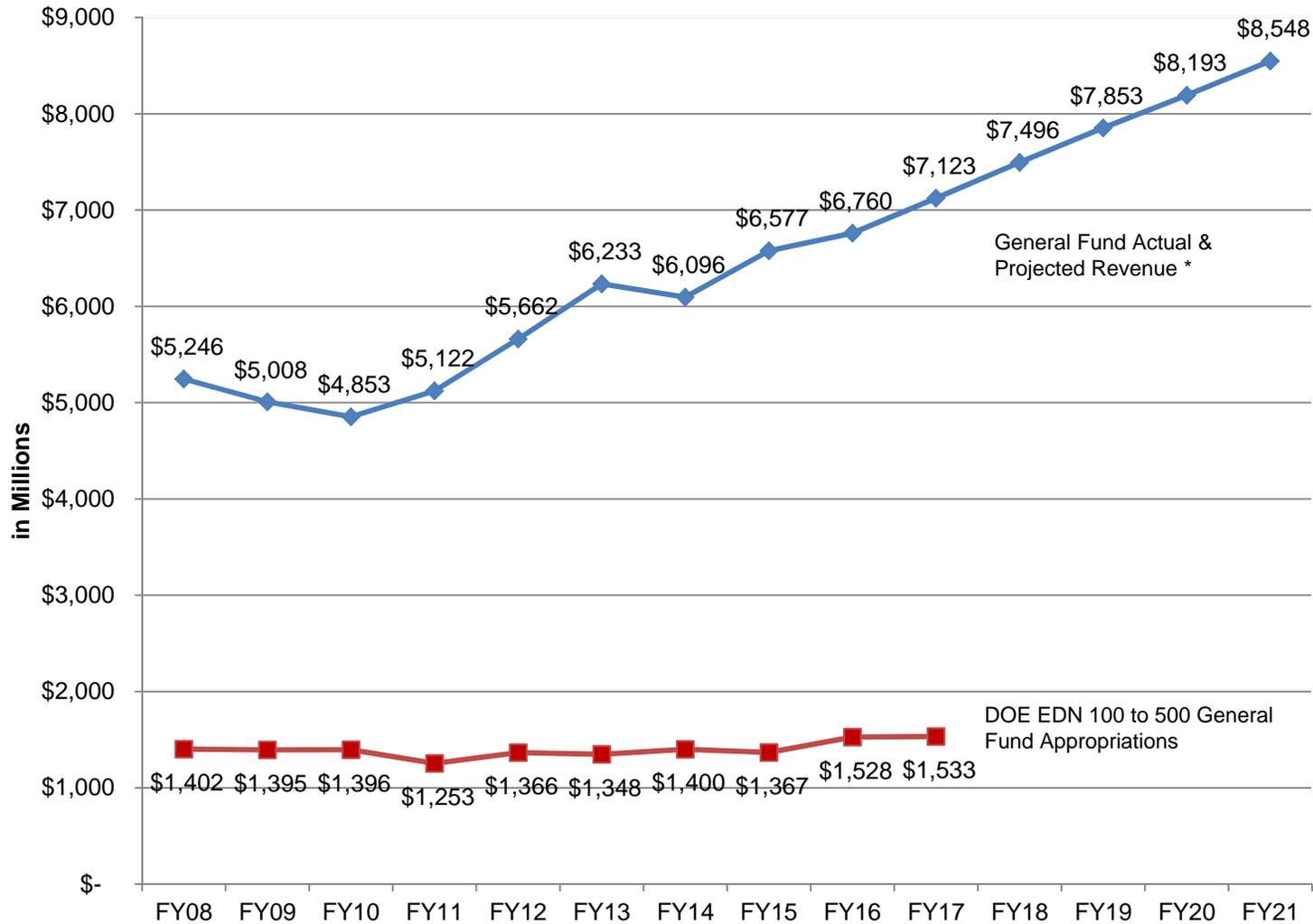
OFFICE OF FISCAL SERVICES
HawaiiPublicSchools.org

OFS





General Fund Appropriation History: Change in (\$) since FY08 for State General Fund Revenues & EDN100 to 500 Appropriations



* SOURCE: September 3, 2015 Council on Revenues Report for Tax and Non-Tax Revenues

Council on Revenues

Council on Revenues Sept 2015:

- General Fund revenues projection has been on the rise for the last four meetings. For the period from FY15 to FY17, the cumulative increase from the September 2014 to September 2015 has been \$916.6 million.

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
9/14/14 Report	6,201,227,000	6,503,030,000	6,839,546,000
1/16/15 Report	6,342,271,000	6,558,019,000	6,890,775,000
3/12/15 Report	6,395,142,000	6,613,028,000	6,948,891,000
5/21/15 Report	6,517,170,000	6,566,100,000	6,953,021,000
9/3/15 Report	6,577,385,000	6,759,900,000	7,123,157,000
Δ 9/14 to 9/15	376,158,000	256,871,000	283,611,000

From 2008-2017:

- HIDOE operating budget increased 9.6%
(almost entirely through bargained salary increases)
- State revenues increased 35.8%

Hawaii is...

- **5th in the nation** for personal median income: \$69,592
(National median income: \$53,657)
- **39th in the nation** for revenue spent on public schools per \$1,000 of personal income (\$36.74)
- **17th in the nation** for per-pupil spending
- **51st in the nation** for general administration (behind states & D.C.)

SOURCES: U.S. Census Bureau: 2014 data; Public Education Finances report, June 2015

Shaping the budget

- Governor's Education Plan: Increase amount given to Weighted Student Formula to 75% (now about 55%)
- Drive basic operational efficiencies while endeavoring to grow capacity to increase public school support for families, taxpayers, business community, etc.
- Discussions with and feedback from the Permitted Interaction Group
- Alignment of current level resources to drive school support and Strategic Plan initiatives

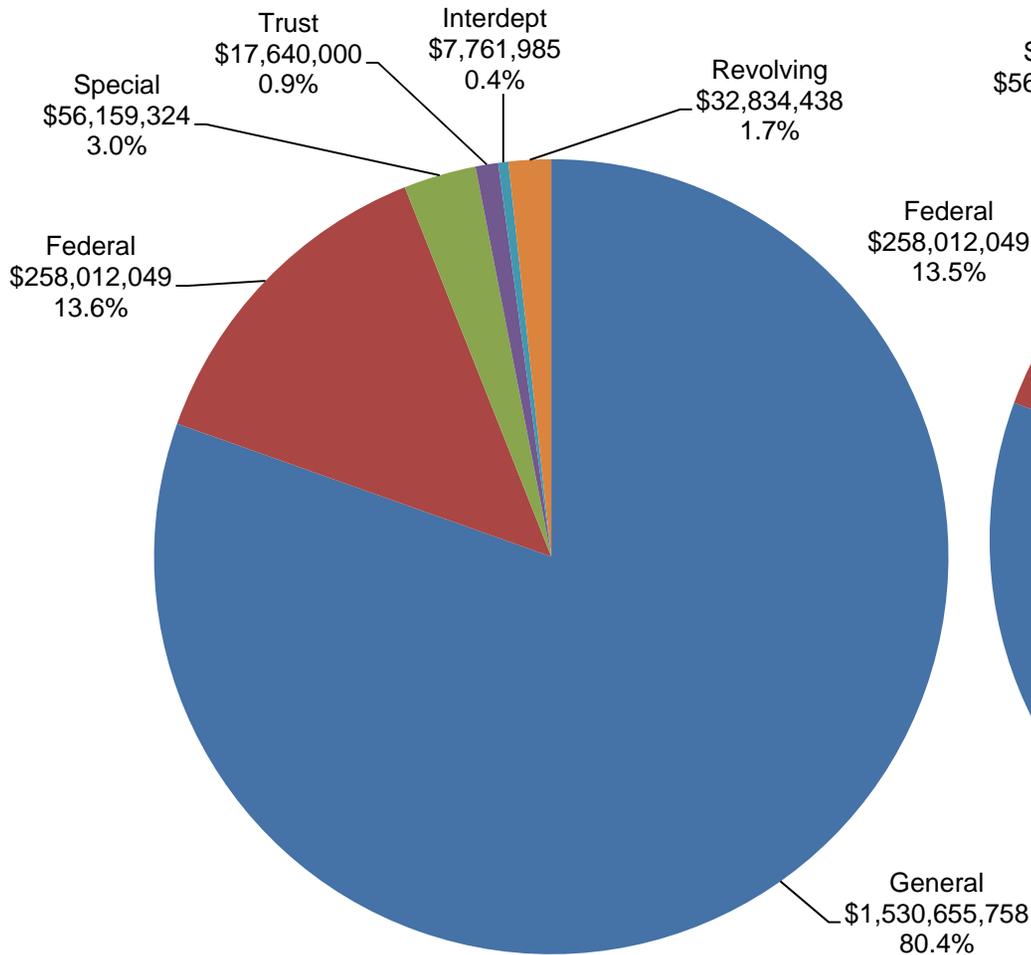
B&F's Supplemental Operating Budget Guidelines

On September 24, 2015, B&F issued Finance Memorandum (FM) 15-11, Supplemental Budget Policies and Guidelines for Fiscal Biennium 2015-17, which states any requests for additional general funds may be proposed for the following:

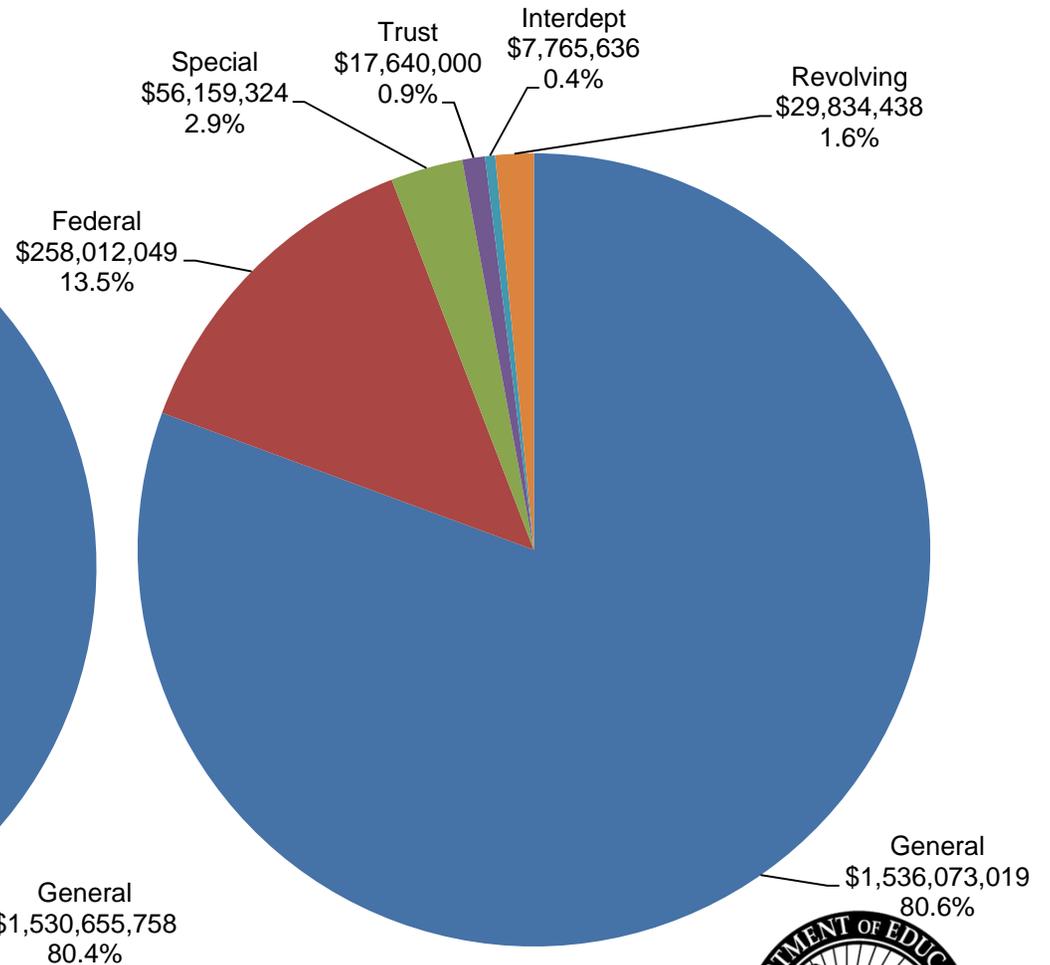
- a) Administration initiatives.
- b) Second year funding for fiscal biennium (FB) 2015-17 requests denied by the 2015 Legislature.
- c) Increases in fixed costs and entitlements such as debt service, fringe benefits, Medicaid, and financial assistance programs.
- d) Public health and safety or immediate requirements of court orders or federal mandates.
- e) Continuation of programs currently funded by specific appropriations.

Act 119, Sessions Laws of Hawaii (2015)

**FY2015-16 APPROPRIATION
(EDN100-700 \$1,903,063,554)**



**FY2016-17 APPROPRIATION
(EDN100-700 \$1,905,484,466)**

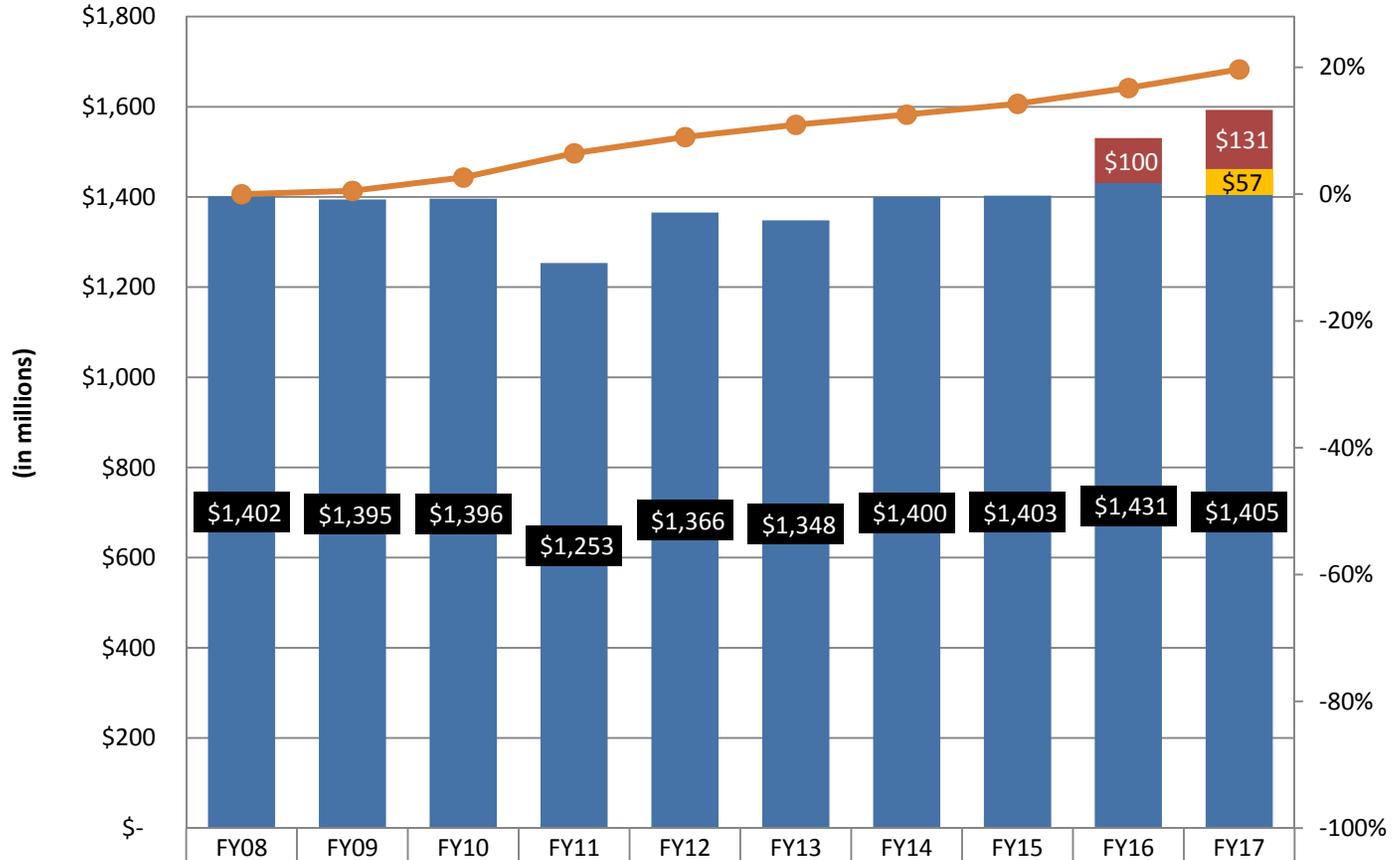


Major Second Year Funding Shortfalls

Three Department basic operations priorities were not funded at the level requested for FY 2017 in Act 119, SLH 2015:

	FB15-17 Department Request		Act 119/15 Appropriation	
	FY 2016	FY 2017	FY 2016	FY 2017
Student Transportation	\$ 7,403,261	\$10,676,641	\$ 7,403,261	\$ 0
Utilities	\$12,770,406	\$12,900,047	\$13,000,000	\$ 0
Skilled Nursing	\$ 3,400,000	\$ 3,400,000	\$ 2,000,000	\$ 0

General Fund Appropriation History + CB and FY 2016-17 Supplemental Requests



FB15-17 CB (pay increases)									\$100	\$131
FY 2016-17 Supplemental Requests										\$57
Appropriation	\$1,402	\$1,395	\$1,396	\$1,253	\$1,366	\$1,348	\$1,400	\$1,403	\$1,431	\$1,405
Consumer Price Index*	0%	1%	3%	6%	9%	11%	13%	14%	17%	20%
DOE Enrollment	171,712	170,498	170,830	169,987	172,104	173,658	175,476	170,482	169,987	170,068

* The CPI is projected to increase by 8% from FY 15-18
 Source: US Bureau of Labor Statistics and Hawaii State Department of Business, Economic Development, and Tourism



Different lenses through which to view budget

How do allocations support public education in Hawaii?

1. Aligned to the goals of the **Strategic Plan**

2. Funding **basic operations** (maintain minimal standards) or **strategic investments** (enhance capacity)



Basic operations

Expenditures relating to health and safety, compliance, facilities, staffing, or employee benefits. *Some examples:*

- Skilled nursing services
- Weighted Student Formula
- Workers Compensation benefits
- Air Conditioning Repair
- School Bus, Food, and Utilities

Strategic Investments

Expenditures intended to grow student and staff success, and expand successful systems of support. *Some examples:*

- Complex Area Support Teams
- BOE Support Office Operating Funds

Different lenses through which to view budget

How do allocations support public education in Hawaii?

3. Most direct beneficiary of request: **Schools** or **All Levels**?

Schools

Vast majority of expenses directly targeted towards direct support of school operations. *Some examples:*

- Weighted Student Formula funds
- Hard To Staff Bonuses for Teachers
- Teacher Licensing Fees
- Skilled Nursing Services
- Complex Area Support Teams
- Air Conditioning Repair
- Utilities
- Student Transportation Services
- Equipment for New Facilities

All Levels

Some requests benefit all levels of the Department — Schools, Complex Areas, and State. *Some examples:*

- Workers Compensation Benefits
- Teacher Sabbaticals
- BOE Support Office Operating Funds

Budget buckets

EDN 100: School-Based Budgeting	To assure all students receive instruction consistent with the standards so they may achieve those standards and develop to their fullest potential in alignment with the General Learner Outcomes.
EDN 150: Special Education and Student Support Services	To ensure that student learning takes place within an educational, social, and emotional context that supports each student's success in achieving the standards.
EDN 200: Instructional Support	To support the instructional program by providing assistance to schools and complexes in implementing standards; developing, training, monitoring new and existing curricula and instructional strategies that support student attainment of the standards; testing; and reporting on student, school and system accountability in a responsive and expedient manner.
EDN 300: State Administration	To facilitate the operations of the public school system by providing leadership, management, planning, fiscal, logistical, technological, personnel, and other supporting services.
EDN 400: School Support	To facilitate the operations of the Department by providing school food services, services and supplies related to construction, operation, and maintenance of grounds and facilities, and student transportation services.
EDN 500: School Community Services	To provide lifelong learning opportunities for adults and to meet other community needs of the general public.
EDN 700: Early Education	NEW — building up the state's pre-K program

Lenses of Supplemental Budget Requests*

	PROGRAM REQUEST	RECOMMENDATION
EDN	FY 2016-17	FY 2016-17
EDN 100	30,971,512	34,579,512
EDN 150	3,609,530	3,500,000
EDN 200	17,233,991	0
EDN 300	3,952,393	60,438
EDN 400	22,035,222	18,817,903
EDN 500	0	0
EDN 700	155,468	167,468
GRAND TOTAL	77,958,116	57,125,321

	PROGRAM REQUEST	RECOMMENDATION
Type of Request		FY 2016-17
Basic Operations	58,659,760	54,197,415
Strategic Investment	19,142,888	2,760,438
EOEL	155,468	167,468
GRAND TOTAL	77,958,116	57,125,321

	PROGRAM REQUEST	RECOMMENDATION
Direct Beneficiary		FY 2016-17
School	69,439,936	53,989,415
All Levels	8,362,712	2,968,438
EOEL	155,468	167,468
GRAND TOTAL	77,958,116	57,125,321

	PROGRAM REQUEST	RECOMMENDATION
Strategic Plan Goal		FY 2016-17
Goal 1	43,912,538	31,158,216
Goal 2	6,154,012	4,553,185
Goal 3	27,891,567	21,413,920
GRAND TOTAL	77,958,116	57,125,321

* See Attachment A in the Recommendation Memo for details

CIP Facilities Planning Categories

Condition

- Repair & Maintenance
- Electrical/Technology Infrastructure
- Hazardous Material Removal
- Health & Safety
- Structural Improvements

Program Support

- Gender Equity
- New Restrooms
- ADA Compliance
- Support Program Spaces
- Playground Equipment



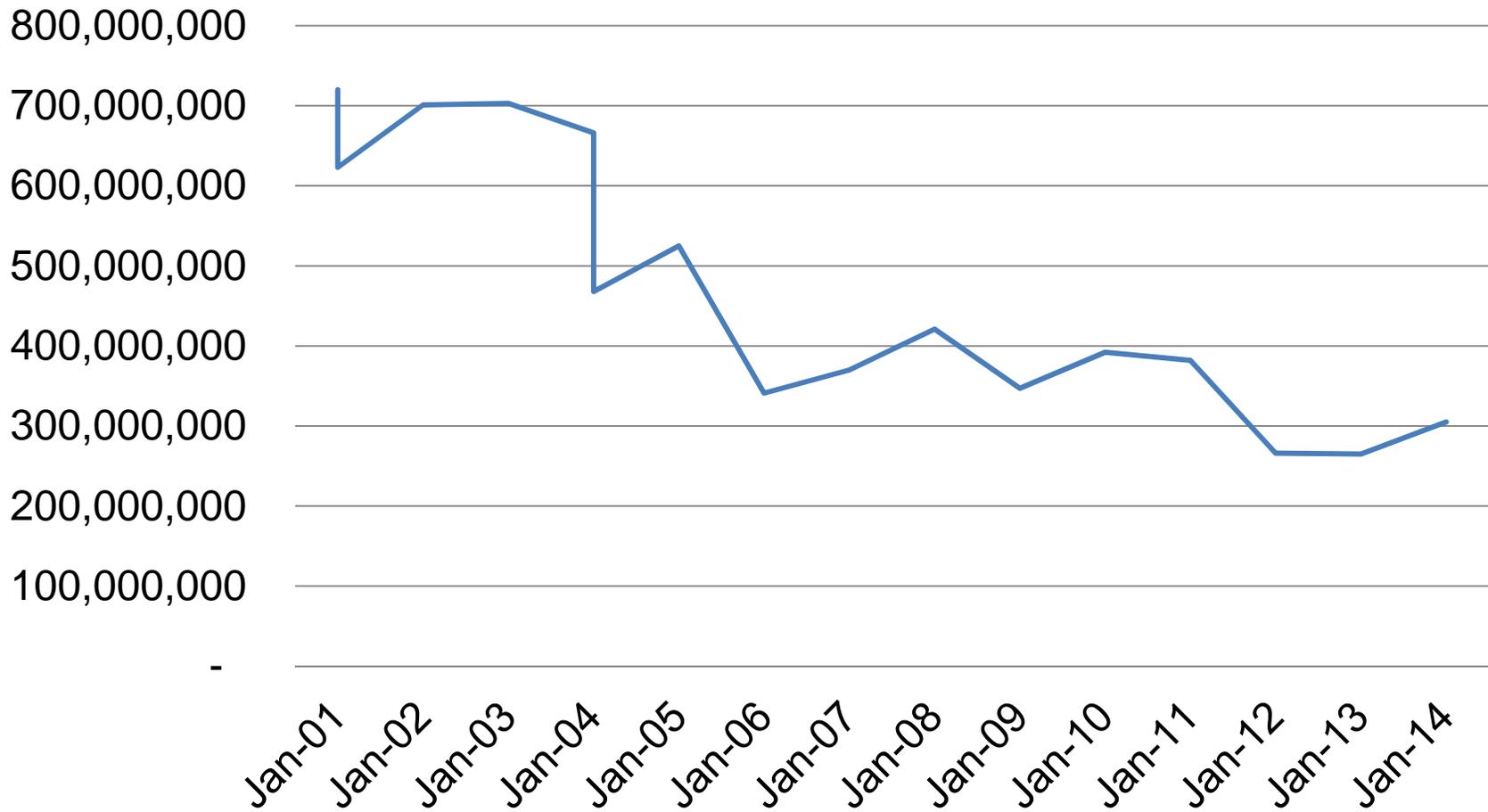
Capacity

- New Schools
- Classroom Additions
- Temporary Facilities
- Repurposing existing to create capacity

Equity

- Science Facilities
- Special Education
- Energy Improvement
- Right-sizing of spaces
- Physical Education
- Noise/Heat Abatement

R&M Backlog Since 2001



Supplemental CIP Requests Summary

	(1) FY 13-14 Act 134/13	(2) FY 14-15 Act 122/14	(3) FY 15-16 Act 119/15	(4) FY 16-17 Act 119/15	(5) FY 16-17 Supplemental Request
Condition	78,826,000	70,500,000	134,000,000	66,000,000	64,000,000
Program Support	22,624,000	14,000,000	16,500,000	1,000,000	57,500,000
Capacity	16,750,000	20,000,000	10,000,000	0	234,000,000
Equity	22,400,000	14,000,000	15,313,000	2,955,000	92,100,000
Other	104,872,000	316,994,000	90,014,000	8,001,000	7,899,000
Total	238,672,000	435,494,000	287,908,000	77,956,000	455,499,000

Mahalo and Questions

