

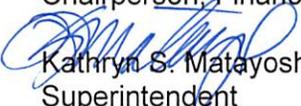


STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

November 17, 2015

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

FROM:   
Kathryn S. Matayoshi  
Superintendent

SUBJECT: **Committee Action on Department of Education Recommendation to Increase the Monthly Fee for the After-School Plus ("A+") Program Over Three Years (2016-2017, 2017-2018, and 2018-2019 School Years)**

1. RECOMMENDATION

It is recommended that the Board of Education (BOE) Finance and Infrastructure Committee approve an increase in monthly A+ fees beginning next school year. The current monthly fee is \$85 per month per child. The Department of Education (DOE) is recommending an initial rate increase to \$100 per month per child effective July 1, 2016, and subsequent increases to \$110 per month per child effective July 1, 2017, and \$120 per month per child effective July 1, 2018.

The recommendation takes into account rising operational program costs as well as the fiscal impact of the upcoming minimum wage increases slated for upward adjustments annually each January 1 over the next three years per state law.

2. RECOMMENDED EFFECTIVE DATE

July 1, 2016 to \$100 per month.  
July 1, 2017 to \$110 per month.  
July 1, 2018 to \$120 per month.

3. RECOMMENDED COMPLIANCE DATE (if different from the effective date)

Not applicable.

4. DISCUSSION

a. Conditions leading to the recommendation

The self-sustaining A+ program has not received general fund appropriations to support its operations since Fiscal Year 2010.<sup>1</sup> Its budget is comprised of fees paid by parents/guardians per student and subsidies provided by the Department of Human Services (DHS). The A+ program was established in 1990 and services an average of 20,000 elementary children per year.

Chapter 387, Hawaii Revised Statutes, *Wage and Hour Law*, Section 2, *Minimum Wages* and Chapter 12-20, Hawaii Administrative Rules, *Wage and Hour* requires every employer to pay each employee wages at a rate of not less than the effective minimum wage. Further, Act 82, Session Laws of Hawaii (SLH) 2014 substantially raises the minimum wage rate by an overall 39.33 percent in Hawaii over a four-year period, as outlined in the chart below.

<b>Minimum Wage</b>	<b>Increase in minimum wage from previous year</b>
As of January 1, 2007, the Hawaii minimum wage is <b>\$7.25</b> per hour.	0
Effective January 1, 2015, the minimum wage will be <b>\$7.75</b> per hour.	\$.50
Effective January 1, 2016, the minimum wage will be <b>\$8.50</b> per hour.	\$.75
Effective January 1, 2017, the minimum wage will be <b>\$9.25</b> per hour.	\$.75
Effective January 1, 2018, the minimum wage will be <b>\$10.10</b> per hour.	\$.85

Based on the current \$85 monthly fee, the DOE recommends a fee increase over a three-year period as outlined in the chart below.

<b>Current Fee = \$85 per month per child</b>			
<b>Effective Date</b>	<b>Amount of the Increase</b>	<b>New Monthly Fee</b>	<b>Annual Fee (Monthly Fee x 9 months)</b>
July 1, 2016	\$15	\$100	\$900
July 1, 2017	\$10	\$110	\$990
July 1, 2018	\$10	\$120	\$1080

<sup>1</sup> General Fund Appropriations received FY 2008 to FY 2010: \$4,699,422 (FY 2008), \$1,789,472 (FY 2009), \$1,729,357 (FY 2010)

- b. Previous action of the Board and Committee(s) on the same or similar matter.

On June 7, 2011, the BOE Committee on Finance and Infrastructure approved a recommendation to set the fee for the A+ Program at an amount per child that reflects the actual cost to run a self-sustaining A+ Program.

On June 21, 2011, at its General Business Meeting, the BOE approved a flat monthly fee of \$85 per child, effective July 1, 2011.

- c. Other policies affected

None.

- d. Arguments in support of the recommendation

Act 82, SLH 2014 increased the minimum wage rate from \$7.25 to \$7.75, effective July 1, 2015. By 2018, the minimum wage rate will increase to \$10.10. The DOE anticipates an operating deficit beginning in Fiscal Year 2018 of \$376,994, while private providers have reported negative operating budgets are occurring with Fiscal Year 2015. The chart below outlines the estimated DOE deficit in Fiscal Years 2018 - 2020, if the monthly fee remains at \$85.

<b>Projected A+ Operating Budget at \$85/month</b>				
	FY 2017	FY 2018	FY 2019	FY 2020
Appropriation Ceiling	11,000,000	11,000,000	11,000,000	11,000,000
Beginning Cash Balance	3,056,286	1,549,646	(376,994)	(2,303,634)
Revenues	7,143,360	7,143,360	7,143,360	7,143,360
Expenditures	8,650,000	9,070,000	9,070,000	9,070,000
Ending Cash Balance	1,549,646	(376,994)	(2,303,634)	(4,230,274)

The chart below outlines the estimated cash balance with the proposed fee increases. In Fiscal Year 2018, the actual revenues, expenditures, and operational costs should be revisited and the projected A+ operating budget adjusted to determine whether an additional fee increase is necessary.

<b>Projected A+ Operating Budget with Proposed Increase</b>				
	FY 2017	FY 2018	FY 2019	FY 2020
Appropriation Ceiling	11,000,000	11,000,000	11,000,000	11,000,000
Beginning Cash Balance	3,056,286	2,069,646	923,006	(93,634)
Revenues	7,663,360	7,923,360	8,053,360	8,053,360
Expenditures	8,650,000	9,070,000	9,070,000	9,070,000
Ending Cash Balance	2,069,646	923,006	(93,634)	(1,110,274)

*Note: Of the 180 A+ sites, 50 (28%) are run by the DOE and 130 (72%) by private providers. Monthly A+ fees are paid directly by parents/guardians to DOE A+ sites or private providers. Overall, the DOE only collects 28 percent of the A+ monthly fees for enrollments as revenue. The remaining 72 percent goes directly to the private providers.*

*In addition, the subsidies received from DHS are reported as revenue. However, the number of families qualifying for subsidies fluctuates resulting in an unspent balance. Any unused balance is returned to DHS in the first semester of the following school year.*

*Further, a portion of the DOE revenue also funds additional amounts for requested student accommodations for DOE and private provider sites. The costs of student accommodations continue to rise. The following chart outlines the accommodations costs.*

<b>Fiscal Year</b>	<b>DOE</b>	<b>Private Provider</b>	<b>Total</b>
2014-15	\$71,048	\$347,560	\$418,608
2015-16	\$93,160	\$434,024	\$527,184
<i>Total</i>	<i>\$164,208</i>	<i>\$781,584</i>	<i>\$945,792</i>

In Hawaii, private schools charge more than DOE schools for childcare costs per child (see chart below).

Private School	Annual Rate	Monthly Rate <i>(Annual Rate divided by 9)</i>
Iolani School	\$1850 <sup>2</sup>	\$206
Mid Pacific Institute	\$2400 <sup>3</sup>	\$267
Punahou School	\$1295 <sup>4</sup>	\$144

As a comparison, the annual rate has been divided by nine months to align with the DOE monthly rate calculation. Since the A+ program launched in 1990, the program has used a nine-month payment schedule to align with the 180-day school year. This equates to a 20-day/month-service calendar.

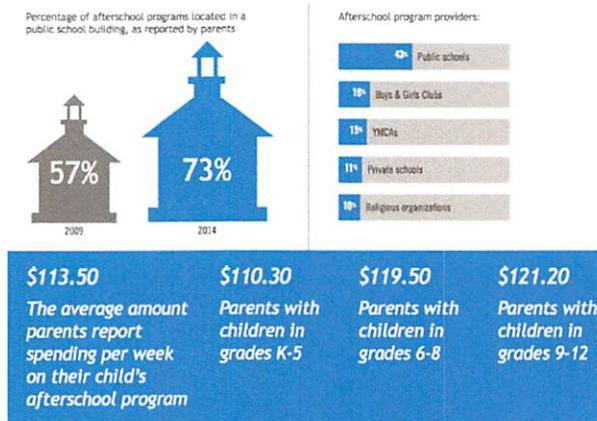
Across the nation, school districts charge as low as \$48/week or \$192/month or as high as \$120/week or \$480/month for after-school care. A 2014 report from the Afterschool Alliance Organization<sup>5</sup> noted “the average weekly cost of \$113.50, an increase from \$74.41 in 2009,” spent on afterschool programs as reported by parents. The report surveyed 13,709 households and at least 200 interviews in each state including random supplemental telephone interviews.

<sup>2</sup> [http://www.iolani.org/files/pdfs/2015-16\\_after\\_school\\_programs\\_8315.pdf](http://www.iolani.org/files/pdfs/2015-16_after_school_programs_8315.pdf)

<sup>3</sup> <http://www.midpac.edu/extendedlearning/downloads/MPI-XLP-Catalog-Spring-2015-updated-12-09-2014.pdf>

<sup>4</sup> <http://www3.punahou.edu/ccapplication/catalog/catalog.aspx>

<sup>5</sup> "Afterschool Programs in Demand - Afterschool Alliance." 2014. 23 Oct. 2015 < [http://www.afterschoolalliance.org/documents/AA3PM-2014/AA3PM\\_National\\_Report.pdf](http://www.afterschoolalliance.org/documents/AA3PM-2014/AA3PM_National_Report.pdf) > Pages 22 and 24



The Wallace Foundation<sup>6</sup> Out-of-School Time Calculator allows for calculation of how much it will cost to provide after-school care for 40 students, 3.5 hours/day for a 4-week period in Hawaii. The weekly low is \$55, median is \$146, and high is \$185 equating to a monthly rate of \$220, \$584, and \$740 respectively. For a program with just one (1) student, the weekly low is \$74, median is \$112, and high is \$134 equating to a monthly rate of \$320, \$484, and \$580.

e. Arguments against the recommendation

Families may not be able to afford the price increase. Enrollment may decrease. The chart below shows a trend of declining A+ enrollment over the last seven years.

Fiscal Year	Enrollment	% Change
2008 - 2009	28,306	n/a
2009 - 2010 <sup>7</sup>	25,477	-11%
2010 - 2011 <sup>8</sup>	22,078	-15%
2011 - 2012 <sup>9</sup>	20,728	-7%
2012 - 2013 <sup>10</sup>	20,685	-0.2%
2013 - 2014	20,436	-1%
2014 - 2015 <sup>11</sup>	19,646	-4%
2015 - 2016 <sup>12</sup>	19,448	-1%

<sup>6</sup> <http://www.wallacefoundation.org/cost-of-quality/cost-calculator/Pages/cost-calculator.aspx>

<sup>7</sup> Decrease in enrollment due to 2009-2010 furlough days

<sup>8</sup> Continued after effects of the budgetary crisis

<sup>9</sup> The effect of \$85 flat fee per child, effective July 1, 2011, was partially offset by DOE statewide enrollment increases. The substantial enrollment increase for this school year may be attributed to the large number of births in 2006. The birth increase correlates to the school year 2011-12 kindergarten enrollment which resulted in approximately 1000 more students as compared to previous years.

<sup>10</sup> Decrease in enrollment due to changes in qualifications for subsidies

<sup>11</sup> Decrease in enrollment due to new Kindergarten cutoff age

<sup>12</sup> Projected 2015-16 enrollment based on first quarter enrollment

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

The state Department of Human Services (DHS) provides A+ monthly fee subsidies for eligible families that meet income requirements.

Targeting a three-year fee increase beginning on July 1, 2016, will allow DHS the necessary time to plan, project its budgetary needs, and assess and submit any Legislative budgetary requests, if needed.

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

The public and professional organizations may opine negatively as fee increases create a financial hardship for families. However, should a fee increase effective July 1, 2016 receive approval by the BOE, families will be given time to plan ahead and make financial adjustments, as needed.

A+ private providers will support a fee increase due to the rising minimum wage. During the 2015 Legislative session, private providers lobbied for the reinstatement of general fund appropriations to address projected budgetary shortfalls. They have also communicated their concerns and proposed solutions for the DOE to consider in writing to and during meetings with the DOE.

h. Educational implication

The A+ program provides childcare for latchkey students and may have educational implications if not provided.

i. Personnel implications

Prior A+ program fee increases have negatively impacted enrollment. The program anticipates a drop in enrollment should a fee increase be approved. When the A+ fee was increased in 2011, the average monthly enrollment decreased 7 percent from 22,078 to 20,728.

An enrollment decrease may result in personnel cutbacks. Since the last fee increase in 2011, the A+ program has experienced a downward trend in enrollment.

j. Facilities implications

Use of facilities is provided at no charge to private providers.

k. Financial implications

A fee increase will allow the DOE and private providers to provide afterschool options for families with latchkey children without general fund appropriations.

Implementing a fee increase on July 1, 2016, will allow the DOE adequate time to properly initiate the procurement process to notice vendors including but not limited to current vendors of a new Request for Proposal (RFP) for the A+ program. With a fee increase, the issuance of a new RFP is needed to allow for open competition between all interested parties seeking to provide services for the A+ program.

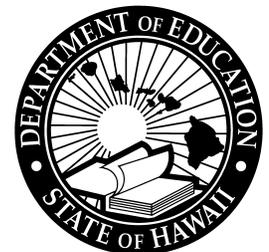
The DOE has evaluated the feasibility of a sliding fee scale pursuant to Act 119, Section 129 (2015). Prior to the A+ program implementation of a flat fee per child in 2011, the program was offered to families of public elementary school students for a \$55 monthly fee for the first child in each family with a sliding scale for siblings. At that time, the state subsidy accounted for two-thirds of the program cost, or \$9.3 million in school year 1995-96. The current pricing proposal assumes a rate paid by parents/guardians and a subsidy paid by DHS for qualifying families. The paid flat rate per child per month is set assuming no tiered pricing and would need to be substantially increased beyond the current proposal if a sliding scale were to be developed. Further, the burdensome administration of a tiered pricing/sliding scale is problematic to manage for DOE, DHS, and private providers.

KSM:CSM:itk

c: Office of Curriculum, Instruction and Student Support

**Committee Action on  
Department of Education Recommendation  
to  
Increase the Monthly Fee for  
the After-School Plus (“A+”) Program  
Over Three Years  
(2016-2017, 2017-2018, and 2018-2019 School Years)**

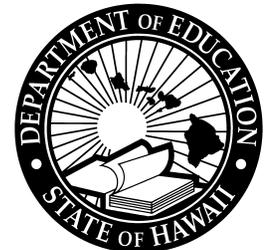
**Hawaii State Board of Education  
Committee on Finance and Infrastructure  
November 17, 2015**



# Recommendation:

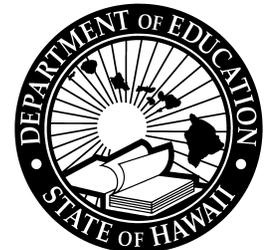
Fee increases over a three-year period

<b>Current Fee = \$85 per month per child</b>			
<b>Effective Date</b>	<b>Amount of the Increase</b>	<b>New Monthly Fee</b>	<b>Annual Fee (Monthly Fee x 9 months)</b>
July 1, 2016	\$15	\$100	\$900
July 1, 2017	\$10	\$110	\$990
July 1, 2018	\$10	\$120	\$1080



# Conditions Leading to Recommendation

- Rising operational program costs
- Fiscal impact of minimum wage increases per state law
- Self-sustaining program
- No general fund appropriations since Fiscal Year 2010
- Minimum wage rates required by law
  - Chapter 387, Hawaii Revised Statutes, Wage and Hour Law, Section 2, Minimum Wages
  - Chapter 12-20, Hawaii Administrative Rules, Wage and Hour
  - 39.33 percent minimum wage increase over a four-year period



# Summary of Minimum Wage Increase

Minimum Wage	Increase in minimum wage
As of January 1, 2007, Hawaii minimum wage = <b>\$7.25</b> per hour	0
Effective January 1, 2015, Hawaii minimum wage = <b>\$7.75</b> per hour	\$.50
Effective January 1, 2016, Hawaii minimum wage = <b>\$8.50</b> per hour	\$.75
Effective January 1, 2017, Hawaii minimum wage = <b>\$9.25</b> per hour	\$.75
Effective January 1, 2018, Hawaii minimum wage = <b>\$10.10</b> per hour	\$.85

## If the fee remains at \$85. . .

- DOE A+ operating deficit beginning in Fiscal Year 2018 of **(\$376,994)**
- A+ Private Providers report negative budgets in Fiscal Year 2015

<b>Projected A+ Operating Budget at \$85/month</b>				
	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Appropriation Ceiling	11,000,000	11,000,000	11,000,000	11,000,000
Beginning Cash Balance	3,056,286	1,549,646	<b>(376,994)</b>	<b>(2,303,634)</b>
Revenues	7,143,360	7,143,360	7,143,360	7,143,360
Expenditures	8,650,000	9,070,000	9,070,000	9,070,000
Ending Cash Balance	<b>1,549,646</b>	<b>(376,994)</b>	<b>(2,303,634)</b>	<b>(4,230,274)</b>

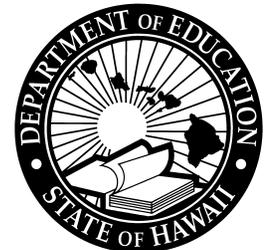
# Proposed Increase

- DOE A+ operating deficit begins in Fiscal Year 2019 versus 2018
- In FY 2018, actual operational costs will be revisited to determine whether an additional fee increase is necessary

<b>Projected A+ Operating Budget with Proposed Increase</b>				
	FY 2017	FY 2018	FY 2019	FY 2020
Appropriation Ceiling	11,000,000	11,000,000	11,000,000	11,000,000
Beginning Cash Balance	3,056,286	2,069,646	923,006	(93,634)
Revenues	7,663,360	7,923,360	8,053,360	8,053,360
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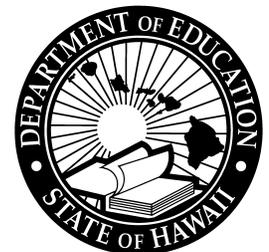
# A+ Revenue

- 180 A+ sites:
  - 50 (28%) are DOE
  - 130 (72%) Private Providers
- DOE collects 28 percent of the A+ monthly fees for enrollments as revenue
- Private Providers collect 72 percent



# DHS Subsidies

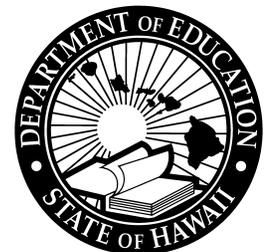
- Managed by Hawaii Department of Human Services (DHS)
- Reported as revenue for the DOE
- DOE allocates subsidies to Private Providers
- Currently, subsidy is based on \$85 per month per child
- Number of families qualifying fluctuates resulting in an unspent balance
- Unspent balance is returned to DHS



# Accommodations

- DOE A+ budget covers amounts requested for student accommodations for both DOE and Private Providers
- Student accommodation costs continue to rise

<b>Fiscal Year</b>	<b>DOE</b>	<b>Private Provider</b>	<b>Total</b>
2014-15	\$71,048	\$347,560	\$418,608
2015-16	\$93,160	\$434,024	\$527,184
Total	<b>\$164,208</b>	<b>\$781,584</b>	<b>\$945,792</b>



# Childcare Costs in Hawaii

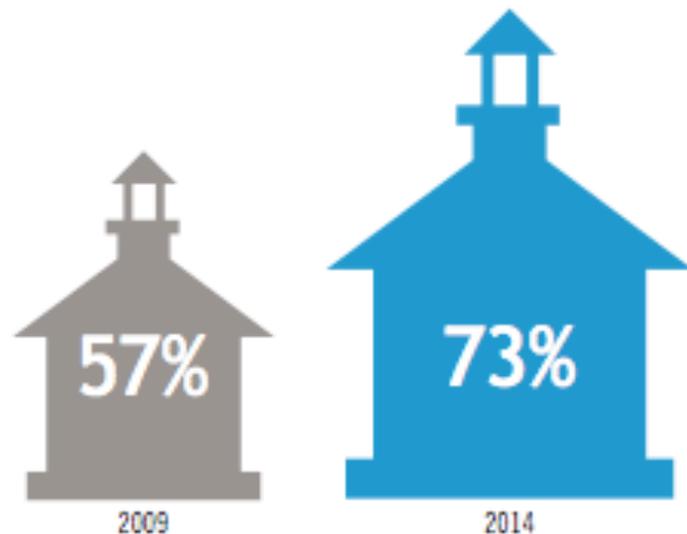
- Private schools charge more than the DOE
- Annual rate divided by nine months to align with DOE monthly rate calculation
- A+ nine-month payment schedule aligns with the 180-day school year equating to a 20-day/month-service calendar

<b>Private School</b>	<b>Annual Rate</b>	<b>Monthly Rate (Annual Rate ÷ 9)</b>
Iolani School	\$1850	\$206
Mid Pacific Institute	\$2400	\$267
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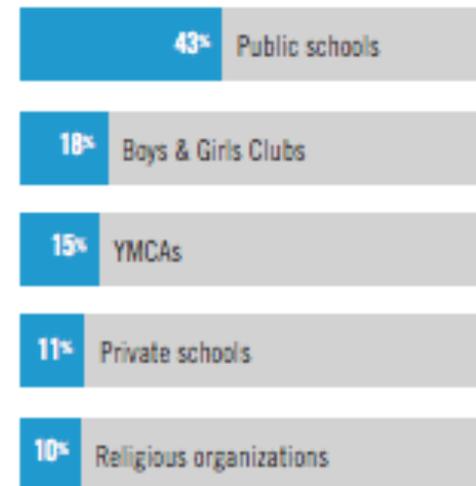
# Childcare Costs Across the Nation

**Low:** \$48/week = \$192/month **High:** \$120/week = \$480/month

Percentage of afterschool programs located in a public school building, as reported by parents



Afterschool program providers:



**\$113.50**

*The average amount parents report spending per week on their child's afterschool program*

**\$110.30**

*Parents with children in grades K-5*

**\$119.50**

*Parents with children in grades 6-8*

**\$121.20**

*Parents with children in grades 9-12*

# Sliding Fee Scale versus Flat Fee

- The current proposal assumes a rate paid by parents/guardians and a subsidy paid by DHS for qualifying families.
  - The paid flat rate per child per month is set assuming no tiered pricing and would need to be substantially increased beyond the current proposal if a sliding scale were to be developed.
- A tiered pricing/sliding scale is burdensome and problematic to manage for DOE, DHS, and private providers.

## **Feasibility of a sliding fee scale - Act 119, Section 129 (2015)**

Prior to 2011, the A+ program was offered to families of public elementary school students for a \$55 monthly fee for the first child in each family with a sliding scale for siblings. The state subsidy (general fund appropriation) accounted for two-thirds of the program cost, or \$9.3 million in school year 1995-96.

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# Concerns Regarding Recommendation

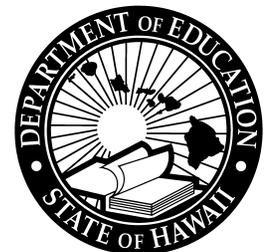
- Families may not be able to afford the fee increase
- Enrollment may decrease

<b>Fiscal Year</b>	<b>Enrollment</b>	<b>% Change</b>
2008 - 2009	28,306	n/a
2009 - 2010	25,477	-11%
2010 - 2011	22,078	-15%
2011 - 2012	20,728	-7%
2012 - 2013	20,685	-0.2%
2013 - 2014	20,436	-1%
2014 - 2015	19,646	-4%
2015 - 2016*	19,448	-1%

\*based on first quarter enrollment

# Concerns by Families and Others

- **Fee increases create a financial hardship for families.** However, should a fee increase be effective July 1, 2016, families will be given time to plan ahead and make financial adjustments, as needed.
- **A+ Private Providers will support a fee increase due to the rising minimum wage.** During the 2015 Legislative session, private providers lobbied for the reinstatement of general fund appropriations to address projected budgetary shortfalls.
- **Targeting a three-year fee increase to begin on July 1 will allow DHS the necessary time to plan,** project its budgetary needs, and assess and submit any Legislative budgetary requests, if needed.



# A Fee Increase effective July 1, 2016...

- Allows the DOE and private providers to continue to provide the A+ program without general fund appropriations
- Provides the DOE with adequate time to properly initiate the procurement process to notice vendors including but not limited to current vendors of a new Request for Proposal (RFP) for the A+ program
  - The issuance of a new RFP is needed to allow for open competition between all interested parties seeking to provide services for the A+ program
- Most importantly gives families definitive fee information about the A+ Program for financial planning purposes for the next three school years

