



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

OFFICE OF THE SUPERINTENDENT

May 17, 2018

TO: The Honorable Kenneth Uemura
Chairperson, Finance and Infrastructure Committee

FROM: Dr. Christina M. Kishimoto
Superintendent

A handwritten signature in blue ink, appearing to read "CK", is placed to the right of the name "Dr. Christina M. Kishimoto".

SUBJECT: **Presentation on General Funds Carryover Funds Report Fiscal Year
2017-2019**

1. DESCRIPTION

The Department of Education has prepared a report to present to the Board of Education's Finance and Infrastructure Committee on the general funds carryover funds for fiscal year (FY) 2017-2019.

2. PRESENTATION

The attached report provides information on the sources, uses and anticipated priorities of the FY 2017-2019 carryover funds.

CMK:kk
Attachment

c: Budget Branch



General Funds Carryover Report FY2017-2019

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Introduction

As a compact between the Hawaii State Board of Education (BOE), Hawaii State Department of Education (HIDEO) and the community, the State Strategic Plan outlines the state's goals for public education and the support and investment necessary to achieve those goals. The State Strategic Plan provides guidance for budget requests and initiatives. Additionally, the goals and objectives outlined in the plan further guides planning and informs the reporting of schools' progress, supporting priorities and funding for HIDEO to all stakeholders.

The three primary goals of the State Strategic Plan continue to serve as the organizing framework. Goal 1: Student Success, Goal 2: Staff Success, and Goal 3: Successful Systems of Support. These goals are further strengthened by the three high impact strategies of School Design, Student Voice and Teacher Collaboration.



Throughout HIDEO, funds and resources are provided to accomplish the goals of the State Strategic Plan. Through the accurate and timely reporting of the allocations and expenditures, HIDEO can track and maximize the resources to provide equitable access to high quality education for all students.

Purpose of this Report

The purpose of this report is to explicitly share the General Funds Carryover Report, which outlines the context and background of the 2016-17 carryover general funds, the actual amounts of carryover and expenditures, and details future priorities.

What are carryover funds?

The General Fund Carryover represents the unused funds that HIDOE is allowed to use during the fiscal year. Through statute, HIDOE is allowed to carryover up to five percent of its appropriation, which would equate to an approximate total of \$79.4M for FY 2017.

HRS 37-41.5 states in part: (a) The department of education may retain up to five percent of any appropriation . . . (b) Appropriations allocated to the schools shall remain within the budget of the school to which they were originally allocated, provided that the retention of an appropriation shall not be used by the department as a basis for reducing a school's future budget requirements.

Why do we have carryover funds?

The Hawaii State Legislature recognized the variances in spending a \$1.9 billion budget. In order to maximize general funds and strategically invest in student achievement, HRS 37-41.5 allows the HIDOE to carryover no more than five percent of its total general fund appropriation.

Carryover funds allow HIDOE schools to leverage year end balances for the following new school year. Further, state and complex area offices are allowed to offset deficits that arise from previous fiscal year expenses.

What are the sources of carryover funds?

CARRYOVER FROM FY 2017

As in previous years, HIDOE's total unexpended funds at the end of FY 2017 is below the allowable carryover amount as specified in HRS 37-41.5. At the end of FY 2017, the total carryover for general funds was 4.5 percent or \$70M, which is below the allowable five percent carryover limit. HIDOE continues to abide by its best practice of reducing carryover amounts and establish fiscally prudent priorities and initiatives.

Carryover balances as of June 30, 2017

EDN	EDN Description	Carryover used for	FY2016-17			Total	% of Apprn Carried Over
			Appropriation	Salaries (A)	Non Salaries		
100	School Based Budgeting	Schools	919,739,606	6,040,768.31	39,019,987.88	45,060,756.19	4.90%
150	Special Education & Student Supp Services	Schools / Used to leverage shortfalls	357,369,736	8,522,076.01	6,749,126.52	15,271,202.53	4.27%
200	Instructional Support	Used to leverage shortfalls	52,202,121	2,345,421.69	86,075.23	2,431,496.92	4.66%
300	State Administration	Used to leverage shortfalls	48,599,682	55,594.68	2,239,883.06	2,295,477.74	4.72%
400	School Support	Used to leverage shortfalls	183,909,690	1,292,510.98	3,608,246.41	4,900,757.39	2.66%
500	School Community Services	Community Schools	2,862,275	54,934.74	98,740.16	153,674.90	5.37%
700	Early Learning	Schools / EOEL	2,995,872	34,844.26	85,966.60	120,810.86	4.03%
Grand Total:			<u>1,567,678,982</u>	<u>18,346,150.67</u>	<u>51,888,025.86</u>	<u>70,234,176.53</u>	<u>4.48%</u>

From FY17 to FY18, the HIDOE had unexpended funds of \$70,234,176:

- Within this amount of unexpended funds, \$18.3M were from salary savings and \$51.8M from non-payroll programmatic allocations.
- The two largest amounts of unexpended programmatic allocations are from the following programs:

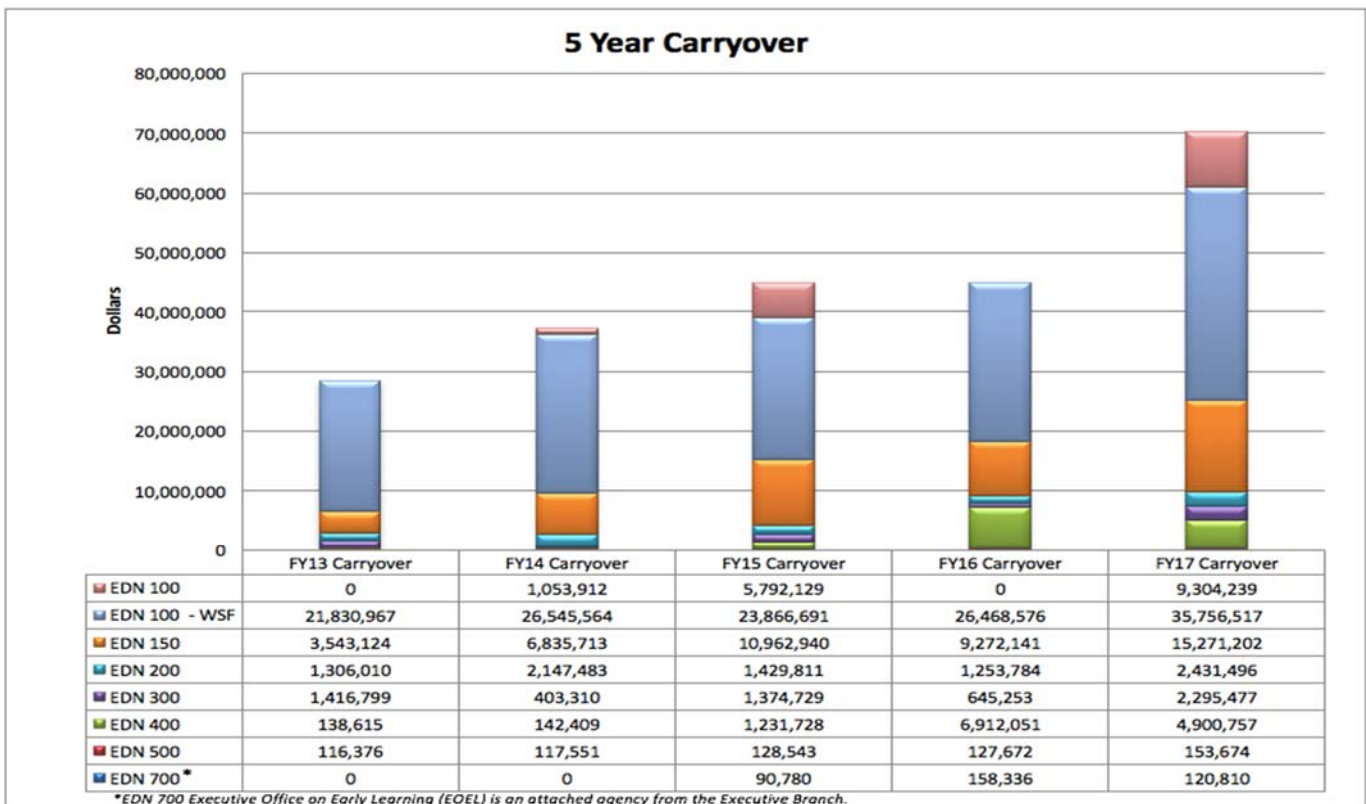
Salary savings is primarily a result of position vacancies.

Programmatic allocations are used for contracts, and anticipated spending for ongoing programs (e.g., extended school year, workers compensation).

- EDN 100-WSF - Schools are able to carryover any unspent funds from one fiscal year to the next. A majority of the HIDOE general fund budget is allocated to schools via Weighted Student Formula (WSF), which is where the largest carryover balances occur. According to HRS 37-41.5, school carryover funds remain at the school that generated the carryover balance.
- EDN 150 (includes, but is not limited to, Program 17131-SpEd) - For Special Education, HIDOE receives teacher and support positions. However, contracted services are necessary to provide the mandated services when staffing shortfalls exist. These contracted services include autism, occupational therapy, physical therapy, speech therapy and skilled nursing.
 - Specifically for FY17, carryover funds were prioritized for services related to the ERK v. DOE, State of Hawaii lawsuit settlement, which focused on Act 163 (2010) and its harm to older special education students. The parties settled the class action lawsuit in December 2017.

LONGITUDINAL COMPARISON OF CARRYOVER FUNDS

The chart below illustrates carryover by EDN in each of the five previous fiscal years. These figures represent the amount of *unspent* funds at the end of each fiscal year. HIDOE schools must expend their carryover funds by December 31st of the same year. **All carryover funds have been expended as of today, except for remaining balances in FY17.**



How does HIDOE use carryover funds?

PRIORITIES FOR FY 2018

HIDOE prioritized FY2018 carryover funds totaling approximately \$28.4M, or less than 1.5 percent, of its total general fund budget. Superintendent approvals for 103 critical positions (82 state office, 19 complex area, and 2 school level) unfunded by the 2017 Legislature were deemed necessary to the core work of the HIDOE. Existing program resources were approved for use to fund 25 positions; the remaining 78 essential support positions:

- a) Provided support critical to the creation and implementation of the Strategic Plan (including support for complex area delivery of initiatives tied to student achievement, professional development, induction and mentoring focused on closing the achievement gap) and implementation of Board Policies (e.g., E-3: Na Hopena A'o (HĀ), school health, multilingualism, community engagement)
- b) Initiated and completed the HIDOE's federal Every Student Succeeds Act application
- c) Established supports due to approved state office reorganizations (e.g., community engagement office (CEO), monitoring and compliance (MAC), Office of Hawaiian Education (OHE), Office of Strategy, Innovation and Performance (OSIP), etc.)
- d) Addressed critical infrastructure needs (e.g., data systems, reporting, and analysis)
- e) Ensured completion of federal mandate deliverables (e.g., Workforce Innovation and Opportunity Act, civil rights)
- f) Provided school-level needs (e.g., Lahainaluna Boarding program)
- g) Supported teacher-related development (e.g., induction and mentoring, Leadership Institute)

In addition, carryover funds were also used to support HIDOE programmatic goals including but not limited to skilled nursing, occupational therapy, physical therapy, speech therapy, and special education-related professional development.

Anticipated Priorities For FY 2019

As HIDOE moves forward and decreases the amount of funds available through carryover savings, we anticipate needing additional funding to continue to cover staffing and programmatic obligations for implementation. HIDOE seeks to continue to leverage resources in order to maximize student education outcomes. Through strategic planning and targeted spending, HIDOE is focused on ensuring the continued support of the Strategic Plan goals.

- Looking at FY17-18, there was approximately \$28.4M (approximately 1.5 percent of the total general funds budget) of needs where savings in other areas were prioritized to cover. We monitored the legislative budget approval of HIDOE's Supplemental Budget FY19 request, which was finalized at the end of April.
- Looking ahead to FY19, specific programmatic obligations and staffing needs will continue to be prioritized in order to accomplish and implement the State Strategic Plan goals. The planning and prioritizing of funds are dependent upon the following factors:
 - Unfunded Legislative requests for ongoing core Department needs,
 - Unanticipated staffing and programmatic obligations (e.g., due to federal or state laws, unanticipated health and safety issues).

In order to determine the legislatively unfunded needs of HIDOE, the Superintendent requested that all offices and programs submit their FY19 Unfunded Budgeted Needs (UBN) requests in March 2018. Based on the budget approved by the legislature, the Office of Fiscal Services completed its review of all UBN requests and has transmitted its recommendations to the Superintendent. The requested total of all unfunded requests is approximately \$7.9M. **Refer to the summary chart below.*

In addition, the Superintendent will be meeting with the Assistant Superintendents individually during the month of May to review each office's priorities, its continued unfunded needs, highest priority areas, and current year spend downs of FY 18 allocated funds.

**Summary of Superintendent's Approvals and Requests for Approvals, by EDN
FY2018-2019
As of: May 8, 2018**

NON-RECURRING or RECURRING	EDN / Funds	TEMP FTE	APPROVALS to date			REQUESTS NOT YET APPROVED				TOTAL REQUESTED		
			A Funds	Non-A Funds	TOTAL AMOUNT	TEMP FTE	A Funds	Non-A Funds	TOTAL AMOUNT	A Funds	Non-A Funds	TOTAL AMOUNT
Non-Recurring	300	1.00	28,728	0	28,728				0	28,728	0	28,728
	400				0	0.00	0	500,000	500,000	0	500,000	500,000
	DoD	0.00	0	300,000	300,000				0	0	300,000	300,000
TOTAL NON-RECURRING		1.00	28,728	300,000	328,728	0.00	0	500,000	500,000	28,728	800,000	828,728
Recurring	100	7.00	326,693	0	326,693				0	326,693	0	326,693
	150	3.00	252,909	0	252,909	0.00	0	1,082,999	1,082,999	252,909	1,082,999	1,335,908
	200	5.00	430,449	0	430,449	0.00	0	389,424	389,424	430,449	389,424	819,873
	300	33.00	2,538,508	387,872	2,926,380	12.00	609,637	0	609,637	3,148,145	387,872	3,536,017
	400	2.00	59,616	0	59,616				0	59,616	0	59,616
	500	6.00	416,956	83,044	500,000				0	416,956	83,044	500,000
	700	1.00	70,000	0	70,000				0	70,000	0	70,000
	DoD	0.00	0	285,600	285,600				0	0	285,600	285,600
	IDC	3.00	126,588	0	126,588				0	126,588	0	126,588
TOTAL RECURRING		60.00	4,221,719	756,516	4,978,235	12.00	609,637	1,472,423	2,082,060	4,831,356	2,228,939	7,060,295
GRAND TOTAL		61.00	4,250,447	1,056,516	5,306,963	12.00	609,637	1,972,423	2,582,060	4,860,084	3,028,939	7,889,023

Explanation of any lapsed general funds: Funds are lapsed only if HIDOE exceeds the five percent allowable carryover levels. HIDOE leverages any excess funds to address unanticipated program shortfalls while ensuring identified staff and programmatic needs are met.

UNFUNDED PRIORITIES FOR FY 2019

Currently, HIDOE's FY19 supplemental budget has just gone through Legislative conference. HIDOE's unfunded budgetary needs are being identified and prepared for Board discussion.

Priority areas focused on BOE-approved budgetary items	
Non-negotiable priorities	
• HRS - Workers Compensation, Unemployment Insurance	\$4.3M
• Health and Safety – HAZMAT Removal	\$263,000
• <i>Requirements</i> as prescribed by federal and state law (e.g., Title IX)	TBD
Significant leadership priorities	
• OSIP – Data Governance & Analysis staffing	\$1.2M
• OHE positions	\$527,000
• Teacher Induction & Mentoring stipends	TBD
• Board of Education needs (e.g. laptops, community engagement funds, travel expenses)	\$71,000
New priorities	
• Early College - Equity in Access	\$500,000
• Technology upgrades including finance system upgrades – IEP system upgrades	TBD
• Continuation of Innovation Grants	\$1M
• Recommendations from the Special Education and English Learner Program Review Task Force	TBD
• Computer Science and World Languages Taskforce	TBD
Repurposed full-time employees based on changing priorities	
• Middle Years Administrator	
• Risk Manager	
• Superintendent Cabinet Structure	

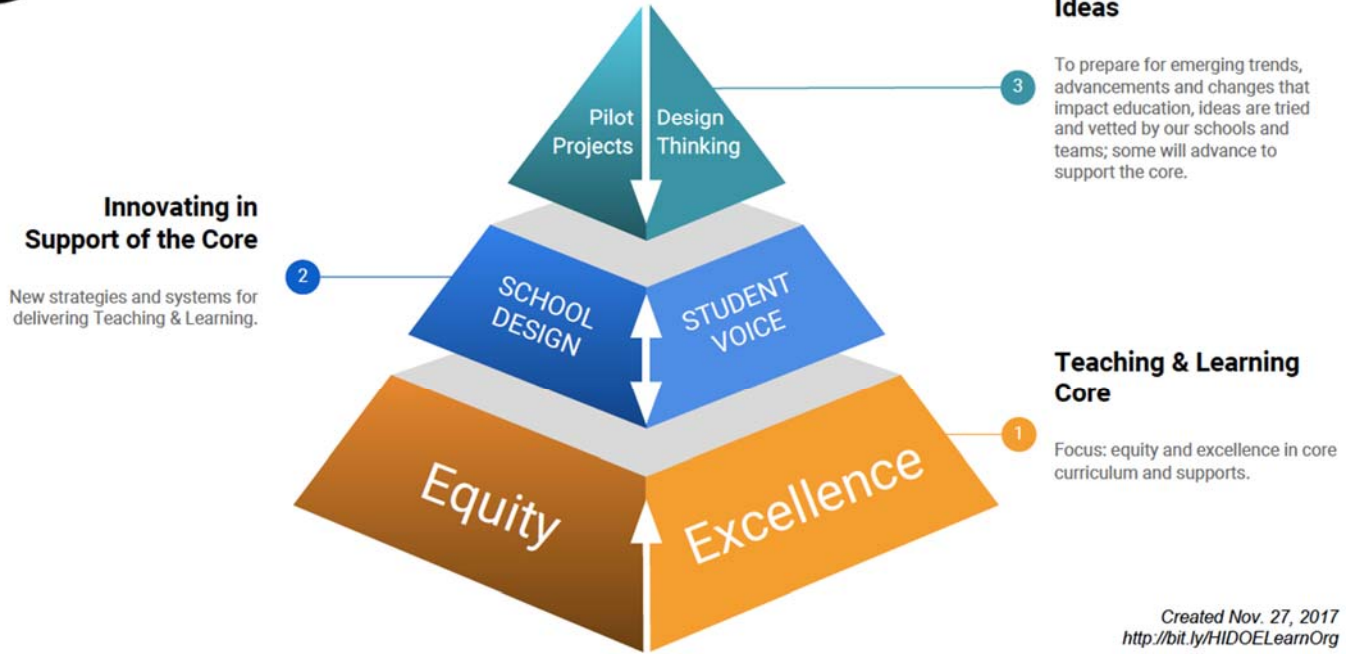
PRELIMINARY AREAS OF FOCUS FOR NEXT BIENNIUM REQUEST

The state Budget and Finance office will soon release its Fiscal Biennium (FB) instructions. HIDOE has projected its preliminary FB schedule and will finalize HIDOE instructions upon Superintendent approval.

In collaboration with the BOE, the Superintendent and her Leadership Team will focus its FB priorities on the BOE/DOE Strategic Plan, the HIDOE ESSA Plan, and the high impact strategies.



Learning Organization



ADVANCING THE HAWAII STATE DEPARTMENT OF EDUCATION

-Dr. Christina M. Kishimoto, Hawaii State Superintendent of Education

“Our Hawaii public schools are as diverse and rich in offerings as our people and communities. This is what makes the Hawaii DOE incredibly special, with a competitive edge for quality education. Our scope and scale enables us to provide a diverse portfolio of school offerings aligned with emerging areas of work, community-based opportunities, higher education offerings and global competitive markets.

In our core mission of teaching and learning, The Learning Organization, is a commitment as we work collectively within a context where our purposefully designed school models are brought to life with powerful student engagement. We provide opportunities for teachers, leaders and staff to try new approaches, test new ideas and engage students in solving real world challenges within that innovation space. We have a promise for EVERY child, in EVERY school, in EVERY community. This is quite a commitment!”