



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

OFFICE OF THE SUPERINTENDENT

September 20, 2016

TO: The Honorable Brian De Lima  
Chairperson, Human Resources Committee

FROM:   
Kathryn S. Matayoshi  
Superintendent

SUBJECT: **Presentation on Staff Success Centered Items in the Department of Education's Proposed Biennium Budget for the 2017-2019 Fiscal Biennium**

1. DESCRIPTION

Each assistant superintendent proposes requests based on a review of operational requirements and programmatic goals. Budgetary instructions received from the Hawaii State Department of Budget and Finance will guide the Department of Education's Annual process of comprehensively identifying priority budget items.

2. PRESENTATION

The Office of Human Resources will present the proposed Department of Education's 2017-2019 Fiscal Biennium Staff Success items.

KSM:BAK:je  
Attachments

c: Office of Human Resources

# *Presentation on Staff Success Centered Items in the Department of Education's Proposed Biennium Budget for the 2017- 2019 Fiscal Biennium*

AMY KUNZ | Senior Assistant Superintendent & CFO, Office of Fiscal Services

BARBARA KRIEG | Assistant Superintendent, Office of Human Resources

HAWAII STATE DEPARTMENT OF EDUCATION

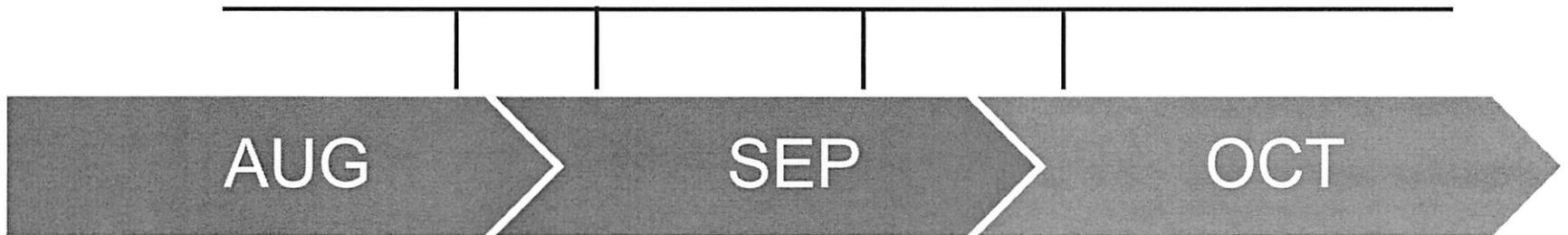
[HawaiiPublicSchools.org](http://HawaiiPublicSchools.org)



# PURPOSE & TIMELINE

- ✓ Support fiscal transparency — sharing a partial and preliminary list of FB2017-19 requests.
- ✓ Support collaborative budget development — seeking Committee feedback.

8/26 – B&F Memo 16-12 issued    9/6 – SAC (sharing & feedback)    9/20 – HR & FIC (sharing & feedback)    10/4 – Action Item: Budget Proposal, FB 2017-19 (FIC, GBM)



# INSTRUCTIONS FROM STATE

*Finance Memorandum 16-12: Fiscal Biennium 2017-19 Executive Budget Request – Instructions, released afternoon of Friday, August 26:*

- ✓ The Administration is “optimistic about Hawaii’s economy.”
- ✓ “Will take a cautious approach in developing the FB2017-19 Executive Budget.
- ✓ Requests “must be sustainable and reasonable.”
- ✓ Education listed as first of five Administration priorities for upcoming biennium. “Education, which is fundamental to our children and our future. Our schools must be able to provide suitable learning environments.”



# INSTRUCTIONS FROM STATE

HIDOE "Budget Ceiling" for General Fund calculated as:

## Appropriation – Nonrecurring + Collective Bargaining

**\$1,567,678,982**

(FY17)

**- \$6,671,424**

(FY17 & FY18)

**+ \$33,829,720**

FY18 & FY19

-\$3,600,000\* for Hard to Staff teacher Incentive

-\$1,080,184\* of the Office of Strategy, Innovation, and Performance

-\$670,000 for Alternative Teacher Certification

-\$500,000 for Declining Balance Debit Card pilot

-\$400,000 for Student Travel

-\$400,000 for Grants-in-Aid

-\$21,240 for EOEL computer equipment

*\*NOT identified by Legislature as "non-recurring"*



# INSTRUCTIONS FROM STATE

*Finance Memorandum 16-12: Fiscal Biennium 2017-19 Executive Budget Request – Instructions:*

- ✓ The non-general fund employees' fringe benefit rate for FB2017-19 planning purposes is 60% (FY16 rate is 49.54%, FY15 rate was 42.49%)
- ✓ Deadline: Friday, September 23, 2016
  - HIDOE has been granted an extension until October 4, 2016.
  - All budget submissions will be subject to the review and evaluation of B&F and the Governor.



BUDGET FOCUS: STAFF SUCCESS

# Three areas of budget request

- 1 Additional supports for students, teachers & schools
- 2 Required by Federal/State law, contracts, labor agreements
- 3 Support for Board policies, HIDOE Priority Strategies, Strategic Plan themes



# Permanent vs. Temporary Positions

## Permanent

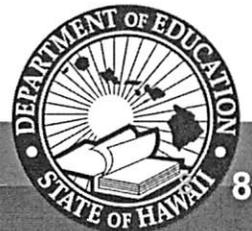
- Authorized by Legislature (with or without appropriation)
- Normal recruitment for “permanent” status



# Permanent vs. Temporary Positions

## Temporary

- May be authorized by Legislature or Superintendent
- Various funding sources
  - Federal
  - General
  - Grants
  - Special
- Recruitment limitations, internal and external



## BUDGET FOCUS: STAFF SUCCESS

1

Additional supports for students, teachers & schools

**\$1,018,058:** Systemic Leadership Development (Leadership Institute)

- 5 FTEs for sustained leadership support for teachers and Educational Officers (work currently sustained via temporary positions via federal and general funds)



## BUDGET FOCUS: STAFF SUCCESS

1

### Additional supports for students, teachers & schools

**Teacher Mentoring:** Total 9 FTE's to support Induction and Mentoring for all beginning teachers and others in all Complex Areas (to replace current temp positions)

- 3 FTEs/\$0 to replace temp general funded positions; to be funded from current allocation of general funds
- 1 FTE/\$91,909 to replace temp grant funded position (grant ends 6/30/17)
- 5 FTEs/\$249,304 to replace temp federal funded positions



## BUDGET FOCUS: STAFF SUCCESS

2

Required by Federal/State law, contracts, labor agreements

### **\$4 million:** Workers Compensation

- Mandated benefits for eligible work-injured HIDOE employees, students and volunteers under state's self-insured program

### **\$3.6 million:** Hard-to-Staff Bonus

- HSTA contract requirement, Appendix XI; marked as non-recurring by B&F

### **\$1,468,365:** Title IX

- 15 Complex Area Equity Specialists (new positions) to uphold tenets of the Title IX Educational Amendment Act of 1972, as well as other state/federal laws

### **\$1,408,000:** Sabbatical Leave

- HSTA contract requirement for no less than 50 teachers/year



## BUDGET FOCUS: STAFF SUCCESS

2

Required by Federal/State law, contracts, labor agreements

**\$500,000:** Teacher Licensing Fees

- HSTA contract requirement, Appendix XVI

**\$270,432:** Employee Support Services

- 6 FTEs to meet Workers Compensation Program operational deadlines, HRS/HAR requirements (4 FTEs currently temp positions with temp general funding)

**\$183,818:** Civil Rights Compliance

- 2 FTEs to respond to discrimination complaints under the US EOC and OER, Hawaii Civil Rights Commission (currently temp positions with temp general funding)



## BUDGET FOCUS: STAFF SUCCESS

3

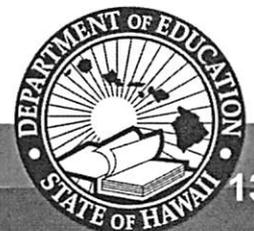
Support for Board policies, HIDOE Priority Strategies, Strategic Plan themes

### **\$287,727:** Employee Misconduct Investigations

- 3 FTEs to conduct high-level investigations as well as support/train school and district level employees in best practices (currently temp positions via temp general funds)

### **\$46,932:** Employee Benefits

- 1 FTE to support employee retention by servicing employees and administering voluntary benefits (currently temp positions via temp general funds)

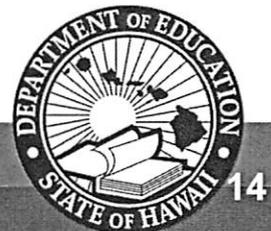


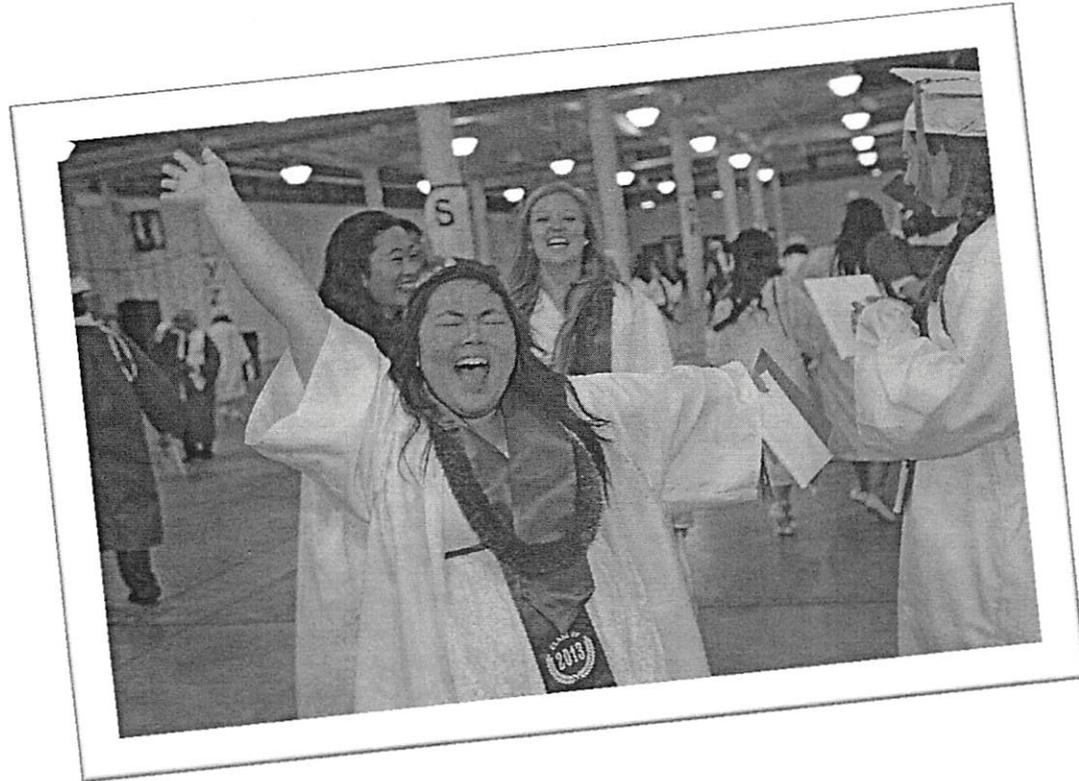
BUDGET FOCUS: STAFF SUCCESS

# Questions?

## *FRIENDLY REMINDERS*

- ✓ These are not official requests.
- ✓ These are being shared for the purposes of transparency and dialogue.
- ✓ Will incorporate feedback and return on Oct. 4 for BOE approval.





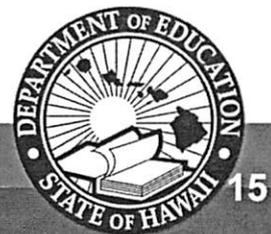
# *CONNECT WITH US*

HawaiiPublicSchools.org



HAWAII STATE DEPARTMENT OF EDUCATION

HawaiiPublicSchools.org



Row Labels	Title for Budget Presentations	Request Summary	PERM FY2018	Total FY2018	Total FY2019
1. ADDITIONAL SUPPORTS FOR STUDENTS, TEACHERS AND SCHOOLS	SYSTEMATIC LEADERSHIP DEVELOPMENT AND SUPPORT	FOR 1.0 PERM 12-MONTH HIGH SCHOOL PRINCIPAL, 2.0 PERM EDUCATIONAL SPECIALISTS, 1.0 PERM PROGRAM SPECIALIST, AND 1.0 PERM SECRETARY TO SUPPORT LEADERSHIP DEVELOPMENT DESIGNED TO SYSTEMATICALLY SUPPORT CURRENT AND FUTURE LEADERS AT ALL LEVELS OF THE ORGANIZATION, RATHER THAN RELYING ON SPORADIC TRAINING EFFORTS BY DIFFERENT OFFICES.	5.00	1,018,058	1,018,058
	TEACHER MENTORING	FOR 2.0 PERM 12-MONTH TEACHER POSITIONS, 2.0 PERM 10-MONTH TEACHER POSITIONS, AND 1.0 PERM PERSONNEL MANAGEMENT SPECIALIST TO MAINTAIN THE LEVEL OF PROFESSIONAL DEVELOPMENT SUPPORT FOR ALL 15 COMPLEX AREAS AND EXPAND THE REACH OF HIGH QUALITY MENTORING THROUGH ENHANCED PROGRAM DESIGN SUPPORT TO THE COMPLEX AREAS. WORK CURRENTLY PERFORMED BY TEMPORARY POSITIONS FUNDED WITH TEMPORARY FEDERAL FUNDS.	5.00	249,304	249,304
	TEACHER MENTORING	FOR 1.0 PERM EDUCATION SPECIALIST POSITIONS TO MAINTAIN THE LEVEL OF PROFESSIONAL DEVELOPMENT SUPPORT FOR ALL 15 COMPLEX AREAS AND EXPAND THE REACH OF HIGH QUALITY MENTORING THROUGH ENHANCED PROGRAM DESIGN SUPPORT TO THE COMPLEX AREAS. POSITION FUNDED WITH PRIVATE GRANT THROUGH 6/30/17.	1.00	91,909	91,909
	TEACHER MENTORING	FOR 3.0 PERM POSITIONS (1.0 12 MONTH STATE OFFICE TEACHER AND 2.0 STATE OFFICE TEACHERS) FROM WITHIN EXISTING PROGRAM FUNDS TO MAINTAIN THE LEVEL OF PROFESSIONAL DEVELOPMENT SUPPORT FOR ALL 15 COMPLEX AREAS AND EXPAND THE REACH OF HIGH QUALITY MENTORING THROUGH ENHANCED PROGRAM DESIGN SUPPORT TO THE COMPLEX AREAS.	3.00	-	-
1. ADDITIONAL SUPPORTS FOR STUDENTS, TEACHERS AND SCHOOLS Total			14.00	1,359,271	1,359,271
2. REQUIRED BY FEDERAL/STATE LAW, CONTRACT OR LABOR AGREEMENT	WORKERS COMPENSATION EMPLOYEE BENEFITS	TO PAY STATUTORILY MANDATED WC BENEFITS FOR ELIGIBLE WORK INJURED DOE EMPLOYEES, STUDENTS, AND VOLUNTEERS.		4,000,000	4,000,000
	HARD TO STAFF BONUS	TO PAY THE HARD-TO-STAFF BONUS THAT IS PART OF THE CURRENT HAWAII STATE TEACHERS (HSTA) ASSOCIATION CONTRACT, APPENDIX XI.		3,600,000	3,600,000
	TITLE IX COMPLIANCE CAPACITY	FOR 15.0 PERM COMPLEX EQUITY SPECIALISTS TO ASSIST IN UPHOLDING THE DEPARTMENT'S COMMITMENT THE TENETS OF TITLE IX OF THE EDUCATION AMENDMENT ACT OF 1972, AS WELL AS OTHER STATE AND FEDERAL LAWS, WITH 15 PERMANENT COMPLIANCE SPECIALISTS TO BE PLACED IN THE COMPLEX AREAS STATEWIDE.	15.00	1,468,635	1,468,635

Row Labels	Title for Budget Presentations	Request Summary	PERM FY2018	Total FY2018	Total FY2019
	SABBATICAL LEAVE-TEACHERS	TO FUND THE HSTA CONTRACT REQUIREMENT THAT THE EMPLOYER GRANT SABBATICAL LEAVES FOR NO LESS THAN FIFTY TEACHERS A YEAR.		1,408,000	1,408,000
	TEACHER LICENSING FEES	TO PAY THE LICENSING FEE THAT IS REQUIRED BY THE CURRENT HSTA CONTRACT, APPENDIX XVI.		500,000	500,000
	EMPLOYEE SUPPORT SERVICES	FOR 3.0 PERSONNEL CLERK AND 3.0 PERSONNEL MANAGEMENT SPECIALISTS TO ASSIST IN MEETING THE WORKERS COMPENATION PROGRAM'S OPERATIONAL DEADLINES AND HRS AND HAR REQUIREMENTS.	6.00	270,432	270,432
	CIVIL RIGHTS COMPLIANCE CAPACITY	FOR 2.0 PERM COMPLIANCE SPECIALISTS TO ASSIST THE CIVIL RIGHT COMPLIANCE OFFICE OVERSEE ITS COMPLIANCE RESPONSIBILITIES AND RESPONDING TO DISCRIMINATION COMPLAINTS FILED WITH THE US EQUAL OPPORTUNITY COMMISSION, THE HAWAII CIVIL RIGHTS COMMISSION, AND THE OFFICE OF CIVIL RIGHTS.	2.00	183,818	183,818
	CIVIL RIGHTS COMPLIANCE CAPACITY	TO CONVERT 1.0 COMPLIANCE SPECIALIST II FROM TEMP TO PERM TO RETAIN TRAINED AND KNOWLEDGEABLE STAFF TO CONTINUE TO BUILD UPON THE OFFICES CAPACITY TO SUPPORT SCHOOLS.	1.00	-	-
<b>2. REQUIRED BY FEDERAL/STATE LAW, CONTRACT OR LABOR AGREEMENT Total</b>			<b>24.00</b>	<b>11,430,885</b>	<b>11,430,885</b>
<b>3. SUPPORT FOR BOE POLICIES, HIDEO PRIORITY STRATEGIES AND STRATEGIC PLAN THEMES</b>	EMPLOYEE MISCONDUCT INVESTIGATIONS	FOR 3.0 PERMANENT INVESTIGATOR POSITIONS TO CONDUCT HIGH LEVEL MISCONDUCT INVESTIGATIONS, AS WELL AS CONTINUE TO SUPPORT AND TRAIN SCHOOL AND DISTRICT LEVEL EMPLOYEES WITH BEST PRACTICES.	3.00	287,727	287,727
	DEVELOPMENT AND MAINTENANCE OF STANDARD PRACTICES	FOR 1.0 PERM INSTITUTIONAL ANALYST POSITION TO SERVE AS THE LEAD RESOURCE IN MANAGING THE MIGRATION OF NUMEROUS DOE REGULATIONS, PROCEDURES, AND MEMORANDA TO STANDARD PRACTICES AVAILABLE ONLINE. RESPONSIBILITY INCLUDES RESEARCHING ADMIN RULES, POLICIES, PROCEDURES, AND LEGAL REQUIREMENTS TO ENSURE ACCURACY AND ALIGNMENT.	1.00	91,909	91,909
	EMPLOYEE BENEFITS	FOR 1.0 PERSONNEL MANAGEMENT SPECIALIST TO SUPPORT EMPLOYEE RETENTION BY PROVIDING BENEFIT INFORMATION AND EMPLOYEE COUNSELING (E.G. EUTF HEALTH INSURANCE, TAX SHELTERED ANNUITY, TEMPORARY DISABILITY INSURANCE, AFFORDABLE CARE ACT REPORTS) FOR ALL DEPARTMENT EMPLOYEES. POSITION WOULD AUGMENT THE FOUR PERMANENT POSITIONS IN THE EMPLOYEE BENEFITS UNIT, WHICH PRIOR TO THE GREAT RECESSION HAD SEVEN POSITIONS.	1.00	46,932	46,932

Row Labels	Title for Budget Presentations	Request Summary	PERM FY2018	Total FY2018	Total FY2019
	EMPLOYEE APPRECIATION	FUNDING FOR THE INCENTIVES AND SERVICE AWARD PROGRAM WERE ELIMINATED DURING THE GREAT RECESSION. FUND TO RESTORE A MODEST LEVEL OF SUPPORT FOR TOKENS OF APPRECIATION FOR EMPLOYEES AND RETIREES FOR THEIR CONTRIBUTIONS BASED ON 10 YEAR INCREMENTS OF SERVICE.		17,805	17,805
	TEACHERS OF THE YEAR	TO FUND TRAVEL, CONFERENCE FEES, AND RELATED COSTS FOR THE NATIONAL TEACHER OF THE YEAR PROGRAMS THAT ANNUALLY RECOGNIZES A TEACHER FROM EACH OF THE 7 DISTRICTS, FROM WHICH THE HAWAII STATE TEACHER OF THE YEAR IS SELECTED.		5,550	5,550
<b>3. SUPPORT FOR BOE POLICIES, HIDEO PRIORITY STRATEGIES AND STRATEGIC PLAN THEMES Total</b>			<b>5.00</b>	<b>449,923</b>	<b>449,923</b>

DAVID Y. IGE  
GOVERNOR



WESLEY K. MACHIDA  
DIRECTOR

RODERICK K. BECKER  
DEPUTY DIRECTOR

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

STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

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

August 26, 2016

FINANCE MEMORANDUM

MEMO NO. 16-12

TO: All Department Heads

FROM: Wesley K. Machida *Roderick Becker*  
for Director of Finance

SUBJECT: Fiscal Biennium 2017-19 Executive Budget Request and the Program and Financial Plan for the Period 2017-23

The following policies and guidelines shall be used in preparing the Executive Budget Request for FB 2017-19 and the Program and Financial Plan for the period 2017-23.

General Background

Due to the fiscal uncertainty which has overshadowed many of the past fiscal years, the Administration has been cautious in its approach to the State's budget. Although Hawaii's economy has been growing, general fund tax revenue growth has not always been a clear indicator of economic activity, especially when measured against prior year fluctuations.

Preliminary general fund tax revenue growth for FY 16 showed the strength of Hawaii's economy, which rallied to 8% by the end of the year. However, in the month since then, general fund tax revenue growth dropped to -2.2% (preliminary July 2016). Despite lower than projected revenues for FY 17 thus far, however, the State's economy has continued to show strength.

Hawaii's visitor industry – a significant component of the State's economy – has been leading the way with four straight record setting years of visitor arrivals and visitor expenditures. The trend continues in 2016, with year-to-date visitor arrivals up by 4.2% and visitor expenditures up by 4.3% for the first half of the year.

In February 2016, the State's unemployment rate dipped to 3.1%, the lowest since November 2007. Although there has been a slight uptick to 3.3% (seasonally adjusted preliminary June 2016), the State has experienced its lowest rates of unemployment since beginning of the Great Recession this calendar year, due in large part to the

expansions of the visitor and construction industries. In comparison, the State's unemployment rate is much better than the national rate of 4.9% (seasonally adjusted June 2016).

While we are optimistic about Hawaii's economy, the Department of Business, Economic Development and Tourism has cautioned that there are many potential challenges:

- The economies of most countries worldwide are experiencing slowdowns;
- Many Hawaii industries are still recovering;
- The Counties of Hawaii and Kauai have just recovered;
- Air seat growth is slowing down significantly, which will lead to a slowing down of visitor industry growth; and
- Construction industry momentum is weakening.

Economic downturns are part of every economic cycle. Whether they are dramatic and swift or happen gradually, we must be prepared. Thus, we are continuing our efforts to build up our State budget reserves and maintain them at adequate levels to ensure the State's fiscal stability when the economy turns.

To implement the build up of resources, the Governor issued Administrative Directive (A.D.) No. 16-03, State Reserve Policy. The A.D. establishes that the State should maintain an amount equal to at least 10% of general fund revenue in the emergency budget and reserve fund and an amount equal to at least 5% of general fund revenue as a general fund balance.

Consequently, we plan to maintain at least a 5% general fund balance at the end of each fiscal year and will propose to provide funding in FY 18 for the Emergency and Budget Reserve Fund. We must also keep in mind that the State's expenditures are anticipated to outpace revenues substantially in FY 17.

The State must also meet significant financial commitments to address our unfunded liabilities in the Employees' Retirement System and Employer-Union Health Benefits Trust Fund in the coming years. It is fiscally responsible to aggressively address these commitments while we are in the position to do so.

We will propose to pay the Other Post-Employment Benefits (OPEB) annual required contribution (ARC) at the 100% level in FY 18 which should result in significant savings for the State. The ARC amortizes the OPEB \$9.06 billion unfunded liability over a 30-year period.

Collective bargaining (CB) negotiations for all of the bargaining units (BU) for FB 2017-19 are also underway. Taken together, these factors all reinforce the need to continue to be fiscally prudent and responsible with our expenditures to ensure the State's fiscal stability in FY 17 and beyond.

Therefore, we will continue a cautious approach in developing the FB 2017-19 Executive Budget. All budget requests must be sustainable and reasonable.

### **The State's Fiscal Condition**

In its most recent report of June 1, 2016, the Council on Revenues (COR) lowered its projected FY 16 general fund tax revenue growth rate from 6.7% to 6.1%. The decrease in the growth rate was based primarily on the COR's concern with the declining rate of growth of overall general fund tax collections in earlier months, despite strong economic data. The COR retained its previously forecasted growth rates of 5% for FY 17 through FY 19 and 4.5% for FY 20 through FY 22.

Preliminary actual general fund tax collections for FY 16 increased by 8.0% compared to FY 15, 1.9% more than the COR's forecast. For the first month of FY 17, however, preliminary general fund tax collections are -2.2%, which demands a cautious outlook to start the fiscal year.

### **Fostering Sustainability**

The Administration is focused on the long-term picture, looking at what we can do today to improve State government and the lives of Hawaii's people and what can be sustained going forward. We recognize that there is a lot that needs to be done but our resources are limited.

It is our responsibility to make the best use of our resources and to ensure that public funds are spent wisely. Strengthening the foundation and improving the efficiency of State government to enable our programs to best serve the public should start from within. We encourage departments to realign their budgets to accommodate the current needs of their programs.

Where realignment cannot address those needs, departments may consider requests which are reasonable and sustainable. Again, bear in mind that the State is projected to spend more than it is taking in this fiscal year and is facing significant increases in funding pension and OPEB liabilities, in addition to other demands on our limited resources. Departments must consider the long-term impact to the State's resources when building their budget requests.

There are many priority needs that are compelling and we will be forced to make hard choices. We cannot possibly address them all at the levels that are desired. These priorities include:

Education, which is fundamental to our children and our future. Our schools must be able to provide suitable learning environments.

Affordable housing, which is in great need for Hawaii's families to rent or buy.

Homelessness, which continues to significantly impact our communities. We need to provide shelters and social services.

Our 100% clean energy future, which will reduce the State's reliance on fossil fuels.

Correctional facilities, where we must alleviate overcrowding.

The Administration will also continue to look at other critical program needs which have been long passed over, in addition to improvements to generate program savings and enhance the transparency and efficiency of our operations. We must all be committed to improving our operations and how we serve the public because we are all responsible to ensure that the State's budget is sustainable.

### ***Budget Transparency***

Departments should review their FY 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

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.

Consequently, it is highly recommended that all departments review their unbudgeted positions to determine which positions are not exempt under Act 160. Such positions which are critical and on-going should be incorporated into the budget.

Additional funding will not be provided for these requests because they are currently funded within existing budgets; as such, 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.

Act 160 also requires that permanent and temporary position ceilings for each program be provided in the budget documents. As such, departments must provide permanent and temporary position counts in their BJ Summary tables for the FB 2017-19 Executive Budget.

### ***Federal Fund Budgeting***

In 2013, the State began a process to change 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. Since then, the Federal Fund Information for States list of major, recurring federal awards was used to determine which federal awards were appropriated 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 was provided 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.

Each department will begin the FB 2017-19 budget process with federal fund and other federal fund ceiling amounts, which must be appropriately allocated by program ID. Departments should submit requests to adjust the FY 18 and FY 19 ceiling amounts to more accurately reflect anticipated federal award amounts or to correct the MOF of recurring awards, if necessary, as reflected on each program's corresponding list of "Federal Awards for FB 2017-19" (**Form FF**). 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.

This department's Office of Federal Awards Management (OFAM) will be introducing an online electronic workflow process, which should be used to complete your department's Form FF for the FB 2017-19 budget process. OFAM will provide information and training on the new process shortly (departments will be notified under separate cover).

#### **A. General Policies**

The general policies for the development of the FB 2017-19 Executive Biennium Budget are as follows:

1. For operations, the Executive Budget will be based on FY 17 appropriations from Act 119, SLH 2015, as amended by Act 124, SLH 2016, minus non-recurring costs and plus CB, as applicable. Individual departmental budget ceilings are established for all departments by the Department of Budget and Finance (B&F).
2. Under their respective budget ceilings, departments are authorized and encouraged to recommend trade-offs and transfers within and among programs under their purview to reflect the department's current priorities, changing conditions and to improve efficiency.

3. Non-general fund programs should plan for the fringe benefit assessment rate increasing to 60% for FY 18 and FY 19. This increase is primarily due to the projected costs for the prefunding of OPEB. The rate is expected to remain at around 60% for FY 20 and beyond.
4. According to the Congressional Budget Office (CBO), under current federal law, total federal discretionary spending for non-defense programs would decline by 0.6% in federal fiscal year (FFY) 2018, and then increase 2.7% in FFY 2019. This category includes most of the discretionary grant programs states receive. A newly elected Congress could amend these spending caps. The table below summarizes the CBO data.

**Estimates of Revised Caps Under the Budget Control Act and Subsequent Legislation**  
(\$ in billions)

	2017	2018	2019	2020	2021
<b>Nondefense</b>	\$519	\$515	\$529	\$542	\$555
Percent change from prior year		-0.6%	2.7%	2.5%	2.3%
<b>Defense</b>	\$551	\$549	\$562	\$576	\$590
Percent change from prior year		-0.4%	2.4%	2.5%	2.4%
<b>Total</b>	\$1,070	\$1,064	\$1,091	\$1,118	\$1,145
Percent change from prior year		-0.5%	2.5%	2.5%	2.3%

Source: Congressional Budget Office August 2016

CBO estimates that federal spending for Medicaid will increase 5.6% in FFY 2018 and 5.3% in FFY 2019. Medicaid spending will be affected by changes in a state's Medicaid matching rate and the state contribution for the Affordable Care Act expansion.

Under current law, mandatory programs subject to sequestration under the Budget Control Act (including the Social Services Block Grant, Promoting Safe and Stable Families, and Vocational Rehabilitation State Grants) will be reduced by 6.9% on October 1, 2016. Reductions for future years have not been calculated, but should be similar to the FFY 2017 amount.

Given the uncertain nature of future federal funding levels and the likelihood that an increase in federal funds, besides for Medicaid, will be limited, programs should not assume that State funds will be available to support program costs if federal funds are reduced or no longer available.

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. Legislative proposals shall be coordinated with the Governor's Office. Additionally, the 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 related request and indicate the required legislation.)

**B. Submission Requirements and Formats**

1. Biennium Budget requests shall be submitted according to the requirements and formats as specified in the attachments.
2. All budget submissions will be subject to review and evaluation by B&F and the Governor. Worksheets and other supporting details may be requested and should be made available upon request.

**C. Due Dates/Other Requirements**

The following must be provided to this office:

1. By Friday, September 23, 2016, the following must be submitted, reflecting your budget submission:
  - a. Two hard copies of Forms A, A-Attachment, B, C, and FF (relating to the operating budget); and Tables P, Q, and R, and Forms CIPOp, CIPOpB, PAB and S (relating to CIP budget).
  - b. All Excel files which reflect your department's budget submission of Forms A, A-Attachment, B, and C (relating to the operating budget); and Forms CIPOp, CIPOpB, PAB and S (relating to CIP budget) should be transmitted to your B&F analyst.
2. By Wednesday, November 30, 2016, the following must be submitted, reflecting the Governor's final budget decisions:
  - a. For all departments except DOE, UH, and the Department of Transportation (DOT): Updated BJ Summary Tables in eBUDDI. Totals (by cost element and MOF) must match the grand totals on the Form B for the Governor's decision.
  - b. For DOE, UH, and DOT: Hard copies, Excel files, or other electronic files of the updated BJ Summary tables. Totals (by cost element and MOF) must match the grand totals on the Form B for the Governor's decision.
  - c. All departments: Two copies of the updated Budget Narratives; Forms PAB, CIPOp and CIPOpB.
  - d. All departments: Updated Tables P, Q, and R in eCIP and Tables A, B and C (Performance Measures) in eAnalytical.

- e. All departments: All Excel files which reflect the Governor's final budget decisions of Forms A, and A-Attachment (relating to the operating budget); and Forms CIPOp, CIPOpB, and PAB (relating to CIP budget) should be transmitted to your B&F analyst.
3. By Wednesday, November 30, 2016: Two copies of Form DMC (additional requirement for deferred maintenance costs): The Excel file of Form DMC must be transmitted to your B&F analyst.
4. By Friday, December 30, 2016: The BJ details updated in eBUDDI reflecting the Governor's final budget decisions, for all departments except DOE, UH, and DOT for which Excel or other electronic files are required.

#### Attachments

Attachment 1: FB 2017-19 Operating Budget Ceilings

Attachment 2: Guidelines for the Operating and Capital Improvement Program Budgets for FB 2017-19 and the Planning Period

Attachment 3: Additional Operating Budget Detail Guidelines FB 2017-19 and the Planning Period

Attachment 4: Operating Budget Submission Forms (Forms A, A-Attachment, B, C, FF)

Attachment 5: CIP Submission Tables and Forms (Tables P, Q, R; Forms CIPOp, CIPOpB, PAB, S, DMC)

Attachment 6: General Budget Information and Instructions for Completing Program Budget Request Forms (August 2016)

Attachment 7: Major, Recurring Federal Funds for State FB 2017-19

FB 17-19 BUDGET  
CURRENT SERVICES OPERATING BUDGET CEILINGS  
DEPARTMENT OF EDUCATION  
08/26/16

Means of Financing	MOF	Item	Act 124/2016 FY 17 Apprn	Add:				Less:		Current Svcs Budget Ceilings	
				FY 18 CB	FY 19 CB	FY 18 Adjustments	FY 19 Adjustments	FY 18 Non-recurring	FY 19 Non-recurring	FY 18	FY 19
General Fund	A	Perm	19,315.25							19,315.25	19,315.25
		Temp	2,011.55							2,011.55	2,011.55
		\$	1,567,678,982	33,829,720	33,829,720			(6,671,424)	(6,671,424)	1,594,837,278	1,594,837,278
Special Funds	B	Perm	737.50							737.50	737.50
		Temp	6.00							6.00	6.00
		\$	52,159,324	141,779	141,779					52,301,103	52,301,103
Federal Funds	N	Perm	5.00							5.00	5.00
		Temp	150.50							150.50	150.50
		\$	257,220,049	2,653,646	2,653,646					259,873,695	259,873,695
Other Fed Funds	P	Perm	0.00							0.00	0.00
		Temp	1.00							1.00	1.00
		\$	7,814,000	147	147			(22,000)	(22,000)	7,792,147	7,792,147
Trust Funds	T	Perm	0.00							0.00	0.00
		Temp	0.00							0.00	0.00
		\$	17,640,000	0	0					17,640,000	17,640,000
Interdept'l Trsf	U	Perm	0.00							0.00	0.00
		Temp	0.00							0.00	0.00
		\$	7,765,636	0	0					7,765,636	7,765,636
Revolving Funds	W	Perm	8.00							8.00	8.00
		Temp	2.00							2.00	2.00
		\$	24,029,491	54,189	54,189					24,083,680	24,083,680
TOTAL		Perm	20,065.75	0.00	0.00	0.00	0.00	0.00	0.00	20,065.75	20,065.75
		Temp	2,171.05	0.00	0.00	0.00	0.00	0.00	0.00	2,171.05	2,171.05
		\$	1,934,307,482	36,679,481	36,679,481	0	0	(6,693,424)	(6,693,424)	1,964,293,539	1,964,293,539

FB 17-19 OPERATING BUDGET CEILINGS  
DEPARTMENT OF EDUCATION  
ADJUSTMENTS

<u>Prog ID</u>	<u>Org</u>	<u>Description</u>	<u>FY 18</u>	<u>FY 19</u>	<u>MOF</u>
<b>LESS NON-RECURRING:</b>					
EDN 100	BL	STUDENT TRAVEL	400,000	400,000	A
EDN 100	CT	GRANT - AFTER-SCHOOL ALL STARS	200,000	200,000	A
EDN 100		TEACHER RECRUITMENT AND RETENTION FOR HARD TO FILL INCENTIVE	3,600,000	3,600,000	A
EDN 200	GP	NAT'L ASSESSMENT OF EDUCATION PROGRESS STATE COORDINATOR PROGRAM	22,000	22,000	P
EDN 200	GD	DECLINING BALANCE DEBIT CARD	500,000	500,000	A
EDN 200	CT	GRANT - READ ALOUD AMERICA	100,000	100,000	A
EDN 200	CT	GRANT - READ TO ME INTERNATIONAL	100,000	100,000	A
EDN 300		OFFICE OF STRATEGY, INNOVATION, AND PLANNING	1,080,184	1,080,184	A
EDN 300	KO	ALTERNATIVE TEACH ROUTE PROGRAM	670,000	670,000	A
EDN 700	PK	COMPUTER EQUIPMENT	21,240	21,240	A
Sub-total			6,693,424	6,693,424	
By MOF			6,671,424	6,671,424	A
			22,000	22,000	P

<u>Prog ID</u>	<u>Org</u>	<u>Description</u>	<u>FY 18</u>	<u>FY 19</u>	<u>MOF</u>
<b>ADD: CB</b>					
		COLLECTIVE BARGAINING	33,829,720	33,829,720	A
		COLLECTIVE BARGAINING	141,779	141,779	B
		COLLECTIVE BARGAINING	2,653,646	2,653,646	N
		COLLECTIVE BARGAINING	147	147	P
		COLLECTIVE BARGAINING	-	-	T
		COLLECTIVE BARGAINING	-	-	U
		COLLECTIVE BARGAINING	54,189	54,189	W
Sub-total			36,679,481	36,679,481	