



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

March 15, 2016

TO: Finance and Infrastructure Committee

FROM: Lance A. Mizumoto  
Chairperson, Board of Education

AGENDA ITEM: Committee Action on the Department of Education's operating budget restriction for Fiscal Year 2015-2016: disposition of charter school true-up funds (EDN 200, 300, and 400)

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I. BACKGROUND

On August 24, 2015, the Department of Education ("Department") was informed of executive restrictions (totaling \$14,726,214) on the Department's 2015-2016 Fiscal Year budget.<sup>1</sup> The Department proposed meeting this restriction by restricting \$11,768,214 of its budget, restricting \$257,000 in Grants in Aid ("GIA") funds, and using \$1,425,000 in funds from the Charter School True-Up attributed to EDN 200, 300, and 400 ("Charter School True-Up Funds").<sup>2</sup>

On October 20, 2015 the Board of Education ("Board") took action to approve the Finance and Infrastructure Committee's ("FIC") recommendation to adopt the Department of Education's ("Department") budget restriction implementation and authorizing any adjustments as authorized by law.

In a memorandum dated February 5, 2016 to Budget and Finance ("B&F"), which is attached as **Exhibit A**, Superintendent Kathryn Matayoshi requested clarification from the Director of B&F regarding the distribution of the Charter School True-Up Funds because there had been a delay in the processing of the funds.<sup>3</sup>

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<sup>1</sup> See Attachment C, October 20, 2015 Memorandum from Superintendent Kathryn Matayoshi to Finance and Infrastructure Chairperson Grant Chun re Committee Action on Recommendation Concerning Department of Education's Operating Budget: Budget Restriction Implementation for Fiscal Year 2015-2016, available at: [http://www.hawaiiboed.net/Meetings/Notices/Documents/2015-10-20%20FIC/FIC\\_10202015\\_Committee%20Action%20on%20Recommendation%20Concerning%20Budget%20Restriction%20Implementation%20for%20FY%2016%20\(rev\).pdf](http://www.hawaiiboed.net/Meetings/Notices/Documents/2015-10-20%20FIC/FIC_10202015_Committee%20Action%20on%20Recommendation%20Concerning%20Budget%20Restriction%20Implementation%20for%20FY%2016%20(rev).pdf)

<sup>2</sup> The distribution of charter school true-up funds attributable to EDN 100 was held pending the outcome of the State financial picture. Those funds have been set-aside and will be distributed to schools once the distribution of the charter school true-up funds attributable to EDN 200, 300, and 400 is determined, so that there is a single distribution of funds, making it easier for schools.

<sup>3</sup> Note that at the October 20, 2015 meeting, the Department reported that the amount of Charter School True-Up Funds totaled \$5.7 million. The February 5, 2016 memorandum states that the Charter School True-Up Funds total approximately \$5.4 million. This difference is a result of the timing of the enrollment counts used to determine the amount of True-Up Funds. The October 20, 2015 numbers relied on

On February 16, 2016, the Department updated FIC on the status of the restriction on the Department's budget.<sup>4</sup> Specifically, a five percent (5%) contingency restriction (totaling \$4,823,015) was released by B&F and the Department provided a plan to restore the funds. The memorandum from the Department also stated that the Charter School True-Up Funds (\$1,425,000) was set aside pending a response from the Director of B&F to the February 5<sup>th</sup> memorandum from Superintendent Matayoshi.

## II. ANALYSIS

The budget restriction plan that was proposed by the Department and approved by the Board at its October 20, 2015 meeting did not include any mention of the Charter School True-Up Funds attributed to EDN 100, although the understanding was that these funds would be distributed to Department schools as a part of schools' Weighted Student Formula ("WSF") funds. The Charter School True-Up Funds relating to EDN 200, 300 and 400 were factored into the budget restriction plan to offset the impact of the budget restriction imposed, but there was no specific direction regarding what would happen to the funds in the event the budget restriction was released. I do not believe that the Charter School True-Up Funds relating to EDN 200, 300, and 400 should be distributed to programs in EDN 200, 300, or 400. As such, I am proposing that a small percentage (1.79% of the total amount of Charter True-Up Funds (\$5.7 million)) of the Charter School True-Up Funds relating to EDN 200, 300 and 400 be used for expenses relating to the review and extension of the Department and Board's Joint Strategic Plan and Board office equipment, as explained below. The remainder of these funds will be returned to Department schools as a part of WSF funds in EDN 100 together with the Charter School True-Up Funds attributed to EDN 100.

Review and Extension of Strategic Plan. The Department and Board have embarked on a review and extension of their Joint Strategic Plan. This review is driven in part by the recent passage of the Every Student Succeeds Act ("ESSA"), which will allow things like changes to the accountability and performance system. Since ESSA was passed recently, well after the development of the biennium budget, there are no funds explicitly budgeted to run a process to review and extend the Joint Strategic Plan. The Department and Board have been working on getting support from educational stakeholders and stretching existing resources to run the process. I am proposing that \$90,000 of the Charter School True-Up Funds are used for community outreach and other work and expenses relating to the review and extension of the Department and Board of Education's Joint Strategic Plan. A

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preliminary enrollment count numbers because the final count date is October 15<sup>th</sup>. There was a difference of approximately 50 students between the preliminary count and the final count numbers, which resulted in the different total Charter School True-Up Fund amounts. For the purposes of this memorandum I will be using the \$5.7 million amount, which is broken down as follows:

EDN 100	75%	\$4,273,251
EDN 200	4%	\$245,507
EDN 300	4%	\$229,157
EDN 400	17%	\$952,085
TOTAL		\$5,700,000.00

<sup>4</sup> February 16, 2016 Memorandum from Superintendent Kathryn Matayoshi to Finance and Infrastructure Chairperson Grant Chun re Update on the Department of Education's Operating Budget Restriction for Fiscal Year 2015-2016, available at: [http://www.hawaiiboe.net/Meetings/Notices/Documents/2016-02-16%20FIC/FIC\\_02162016\\_Update%20on%20the%20Department%20of%20Education%27s%20Operatin%20Budget%20Restriction%20for%20Fiscal%20Year%202015-2016.pdf](http://www.hawaiiboe.net/Meetings/Notices/Documents/2016-02-16%20FIC/FIC_02162016_Update%20on%20the%20Department%20of%20Education%27s%20Operatin%20Budget%20Restriction%20for%20Fiscal%20Year%202015-2016.pdf)

presentation with more details regarding the budget for this process is scheduled to be presented to the Board at its March 15<sup>th</sup> general business meeting.

Board Office Equipment. The Board Office is currently using computer and printer equipment which is approximately 8-10 years old and approaching the end of its useful life. Over the last 4-5 years, the Board Office budget has been kept minimal to cover Board Member travel and expenses necessary to hold Board meetings and has not included funds for equipment. I am proposing that \$11,800 of the Charter School True-Up Funds is used to purchase Board Office equipment. A breakdown is provided in Table 1 below.

Table 1: Board Office equipment

Item	Est. Cost
3 Computers	\$4,800.00
Printer	\$7,000.00
<b>TOTAL</b>	<b>\$11,800.00</b>

### III. RECOMMENDATION

I recommend the adoption of instructions for the disposition of the Charter School True-Up Funds through the following motion:

**“Moved to recommend that the Board instruct the Department of Education to distribute the Charter School True-Up Funds as described in the memorandum dated March 15, 2016, which is as follows: for funds attributed to EDN 200, 300, 400: \$90,000 to the Joint Strategic Plan review and extension process, \$11,800 to the Board Office for equipment, and the remainder (\$1,324,949) to be distributed to Department schools as Weighted Student Formula Funds together with funds attributed to EDN 100 (\$4,273,251).”**

**Exhibit A**

**February 5, 2016 Memorandum from Superintendent Matayoshi to Director  
Machida regarding clarification on the distribution of  
Public Charter School True Up Funds**



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

OFFICE OF THE SUPERINTENDENT

February 5, 2016

TO: The Honorable Wesley K. Machida  
Director, Department of Budget and Finance

FROM:   
Kathryn S. Matayoshi  
Superintendent

SUBJECT: **Clarification on the Distribution of the Public Charter School (PCS)  
True Up Funds Provided to the Department of Education's  
(Department) EDN 200, EDN 300 and EDN 400 for Fiscal Year  
(FY) 2015-2016**

On October 15, 2015, the enrollment count for School Year 2016 was finalized. The total enrollment for the State was 180,375 students, of which the Department enrollment was 169,882 and the PCS enrollment was 10,493. For the PCS this meant that their appropriation under Act 119, SLH 2015 of \$77,924,862 was in excess by \$5,406,114. The \$5,406,114 was the "True Up" amount that needed to be transferred to the Department for the funding level for both the Department and PCS to be in line with §302D-28, HRS.

It is unclear as to why the A-19s for EDN 100, EDN 200, EDN 300 and EDN 400 are being held by Budget & Finance (B&F) at this time since the calculation below shows the transfer of funding to the appropriate EDNs.

**FY 16 Public Charter School True Up Amount Total = \$5,406,114  
Breakout by EDN of Appropriated Amount**

EDN	Percentage	Amount
100	73.60%	\$3,981,114
200	4.60%	247,000
300	4.20%	228,000
400	17.60%	950,000
<b>Total</b>	<b>100.00%</b>	<b>\$5,406,114</b>

The Honorable Wesley K. Machida  
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Since the PCS appropriation amount was derived from the total appropriation in EDN 100, EDN 200, EDN 300 and EDN 400 of the Department, a percentage for each EDN was determined and approved by the Board of Education. The Department is requesting that the A-19s that are being held by B&F for the above mentioned EDNs be processed and seeks an explanation as to the reason why this delay in processing the A19s has occurred.

If you have any additional questions concerning this situation, please contact Ken Kuraya, Budget Execution Administrator, at 784-6031.

KSM:lgf

c: Chairperson, Board of Education  
Board of Education Members  
Executive Director, Board of Education  
Deputy Superintendent  
Senior Assistant Superintendent and Chief Financial Officer  
Assistant Superintendents  
Budget Branch