

FIC Meeting
June 2, 2022
Testimony
Susan A. Pcola-Davis

My Credentials:

- Retired Healthcare and Facilities Maintenance Quality Program Analyst, Green Belt Lean Six Sigma, Facilitator, Root Cause Analyst, Process Improvement Coordinator/Trainer Statistical Process Control (SPC), Healthcare and Facilities Maintenance Quality Data Systems Management (18 years)

IV. Recommendation for Action

A. Committee Action on the use of federal funds in the second round of the Education Stabilization Fund's Elementary and Secondary School Emergency Relief ("ESSER II") and in the third round of ESSER Funds authorized under the American Rescue Plan Act of 2021 ("ESSER ARP") for Department of Education ("Department") budget shortfalls in accordance with Board ESSER II and ESSER ARP Fund Guidance, Section 3.a, adopted on October 21, 2021.

MY PROPOSAL AND WHY:

Defer action on this item until the new member of the Board, "Ken Kuraya" is onboard.

I think you all would agree that his credentials are very important to supporting Board decisions on Departmental Spending:

Work History for the Hawaii Department of Education:

Budget Execution Administrator, 09/2013 – 11/2017 and 06/2018 – 12/2021

- * Planned and implemented processes and procedures to allocate and monitor over \$1.8 billion dollars to schools, complexes, districts and offices within the Hawaii Department of Education.

Budget Director, 11/2017 – 06/2018

- * Established and enforced controls on revenue and expenses.
- * Assessed costs to forecast trends and recommend changes.
- * Set clear branch objectives and developed effective strategies to achieve targeted goals.
- * Verified compliance of financial policies and procedures against federal regulations.

Budget Specialist, 05/2000 - 09/2013

- * Participated in annual close-out process by preparing required documents and performing transaction research.
- * Managed, coordinated and prioritized multiple tasks and complex reporting assignments to meet state and federal deadlines.
- * Forecasted expenditures and revenues to establish the department's financial position by examining and analyzing financial reports and discussing financial data and future requirements.
- * Assisted budget director and section administrator in performance of required duties to facilitate maximum contributions by providing instruction, guidance and expertise.

I SUPPORT THIS ACTION WITH THE FOLLOWING "I TOLD YOU SO'S"

I object to the continued use in this memo of the guise of ONLY "restricting the school's general fund balances for a 5% Carryover for school use in FY2022-2023. This request also includes other general fund shortages!

My List of "I told you so's"

RE: Not providing the Board with their Requests and how they want these requests presented

Use of \$76 million funds to cover budget shortfalls for Fiscal Year (FY) 2021-2022.

This budget shortfall is the result of a lump sum general fund budget cut and the decision made earlier this fiscal year to not impose corresponding reductions to Department program allocations.

- Deferred action on using ESSER funds to off-set \$76 million in lump sum budget cuts in FY 2021-2022 until the Department had gathered more information on **ACTUAL SPENDING**.
- To avoid year-end deficit balances in the Department’s centrally managed portion of the **general fund budget** that, if not addressed, would prevent the Department from being able
 - to allocate to schools a significant portion of the general fund carryover next fiscal year. Schools plan for and rely on the allowable carryover of funds from one year to the next, pursuant to Hawaii Revised Statutes, Chapter 37-41.5, to support school operations.

NOTE ON PAGE 2 of MEMO

II. RECOMMENDATION

The Department recommends that the FIC approve the use of up to \$76 million of ESSER II and III funds in the following amounts for the forecasted shortfall for FY 2021-2022:

Proposed Uses of ESSER Funds	FY 2021-2022		
	ESSER II	ESSER III (ARP)	TOTAL
To offset the unaddressed remaining shortfall due to \$100.2 million lump sum budget cut for FY 2021-2022	\$54,069,420	\$21,930,580	\$76,000,000

NOTE ON PAGE 3 of MEMO. The breakdown from PAGE 2.

Forecasted Central Salary Balances	
	FY 2021-2022
AVAILABLE FUNDS	1,882,862,054
Operational Allocations *	569,624,218
Centrally managed General Funds (Total Available Funds - Operational Allocations*)	1,313,237,836
Year-To-Date Salary Expenditures (July 2021-April 2022)	1,140,407,652
Forecasted Salary Expenditures for the remainder of the fiscal year (May-June 2022)	246,985,424
TOTAL FY 2021-2022 SALARY EXPENDITURES (Year- To- Date + Forecasted)	1,387,393,076
FORECASTED BALANCE (DEFICIT) (Centrally Managed General Funds - Total Salary Expenditure)	(74,155,240)

* Operational Allocations include any non-payroll allocations sent to schools and offices.

QUESTION: Why did you not show the deficit in both “Centrally Managed Funds” and “TOTAL FY2021-2022 SALARY EXPENDITURES” separately?

QUESTION: Why the combined total Forecast, subtracting one from the other to create the request of \$74M (not including the margin of error)? **\$76M - \$74M = \$2M margin of error – REALLY?**

BEGIN “I TOLD YOU SO!”

During the October 21, 2021 joint Student Achievement Committee (SAC)-FIC meeting, the two committees, together, **ADVANCED ESSER II AND ESSER ARP FUND GUIDANCE** to the GBM that included the following and again was not provided the way the Board requested.

#1: List of “I told you so’s”: The Department presents **the projected not the actuals** as the Board requested!

Page 3:

on page 17: “3.a. Budget Shortfalls.

The Board directs the Department to **BRING REQUESTS TO FUND ACTUAL, NOT PROJECTED**, budget shortfalls to the Board; the Department cannot expend funds on budget shortfalls without Board approval.” The Department recognizes that any funds not used to address shortfalls would otherwise be available to fund activities outlined in the ESSER Educational Plan¹ and, as such, **has waited to provide as precise a figure as possible.**

In addition, the Department recognizes that with any forecasted shortfall, there is a margin of error and, as such, the Department is seeking the authority to use up to \$76 million of ESSER funds.

#2: List of “I told you so’s”: The Department presents **the actuals not the projected** to the public and not as the Board requested!

Page 4: The Department would note that the **ACTUAL AMOUNT REQUIRED TO OFFSET THE LUMP SUM CUTS** will be provided to the public via the monthly ESSER expenditure reporting that may be found on the Department’s website and to the Board as ESSER updates are periodically agendized.

#3: List of “I told you so’s”: Why the dichotomy from May 5 and June 2 regarding Central Salary Budget for all general -funded employees accounted for vice not accounted for? Also as I stated in my Page 5 written and oral testimonies for that meeting “regarding the use of General Funds if they are available.”

MAY 5 HUMAN RESOURCES AGENDA ITEMS. Both of these memos stated that the cost for these salary adjustments **HAS BEEN ACCOUNTED FOR IN THE DEPARTMENT’S central salary budget for all general-funded employees.**

May 5, 2022 Page 4 of Memo

SUBJECT: Committee Action on Compensation Adjustments for Department Leadership Employees (Deputy Superintendent and Assistant Superintendents), Effective July 1, 2020, Using Performance Evaluation Ratings for School Year 2019-2020

- No more than \$35,000 is anticipated to be needed to implement this pay adjustment. The Department has **accounted for this cost in its central salary budget for all general-funded employees.**

May 5, 2022 Page 4 of Memo

SUBJECT: Committee Action on Compensation Adjustments for Department Leadership Employees (Deputy Superintendent, Assistant Superintendents, and Complex Area Superintendents), Effective July 1, 2021, Using Performance Evaluation Ratings for School Year 2020-2021

- No more than \$125,000 is anticipated to be needed to implement this pay adjustment. The Department has **accounted for this cost in its central salary budget for all general-funded employees**

LASTLY:

Page 5, paragraph E: A reference to Winston Churchill is unnecessary and suggests the peril the Department is in is a “good crisis.” Bad choice, Brian!!

Page 6, Paragraph G I think the description of Public reactions should be separate from other entities. The public is more aware than you think.

Page 6, Paragraph H contradicts the previous pages of this memo by stating,

The anticipated use of \$76 million of ESSER fund over the course of FY 2021-2022 to ensure a balanced general fund budget has provided the Department with the financial assurance that it could afford to implement strategies and interventions to re-engage students in their education, address learning loss, and provide the necessary academic, social, emotional, and mental health supports to facilitate student success.

Page 6, Paragraph I contradicts the previous pages of this memo by stating,

Existing personnel were maintained by the earlier decision to not impose the \$76 million of lump sum cuts at the program level. Approval for the funding to support this decision is now needed.

V. Discussion Items

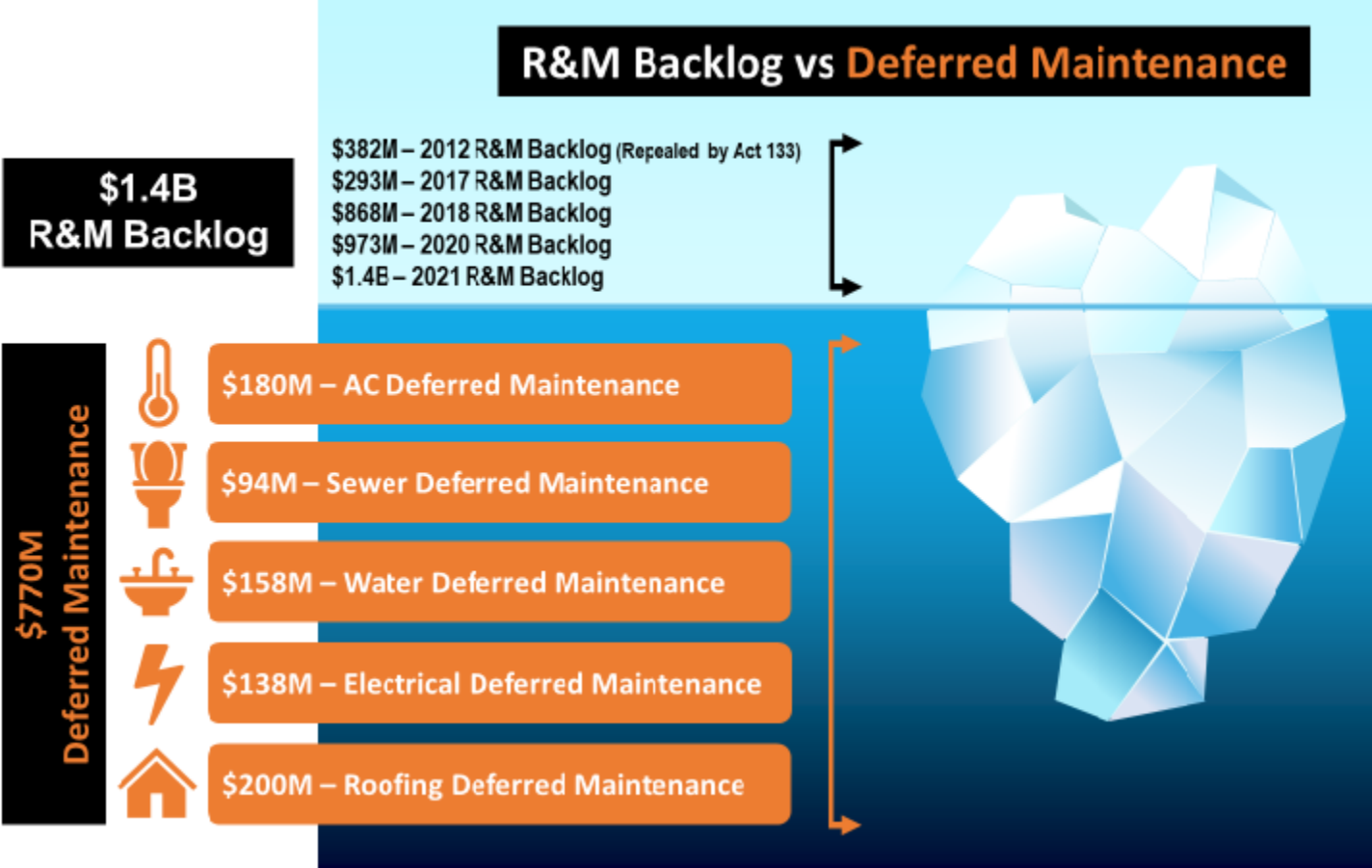
A. Presentation on how the Department uses Facility Asset Management (“FAM”) and the Hawaii Facilities Inspection Tool (“HI-FIT”) to implement Board Policy 301-10, Equitable Allocation of Facilities Resources

1. The data shows that Expedited Roof Repair is the largest category of R&M Backlog.
2. Systematic Reduction of Deferred Maintenance can **ONLY be ON TRACK** if the
 - **LEGISLATURE APPROPRIATES \$145 MIL PER YEAR FOR THE CAPITAL IMPROVEMENT PROGRAM LUMP SUM DEFERRED MAINTENANCE**
 - **What is your backup plan if that doesn’t happen? The system reduction will not be on track.**

3. **HI-FIT** uses external inspectors to assess both interior and exterior building conditions, systems and cleanliness.
 - How does this work? Are External inspectors contracted, third party?
4. **HI-FIT** allows school leaders to provide input on the R&M needs and priorities of their schools.
 - This still has a human element to determining the equitable allocation based on The socioeconomic and academic needs of each school's student population.
 - How will this work?
5. **HI-FIT and FAM**
 - How do these two tools combine the information to provide an unbiased document used to proceed?
6. **Safety and Accessibility Baseline:**
 - Is the Facility Condition Index (FCI) process industry standard? How are the scores determined? By whom? Is it a checklist?
7. **Supportive of Student Populations:**
 - How is the FIC scorecard and the "consideration" of Title 1 schools cross matched?
 - If school principals and staff provide feedback regarding the unique needs of their schools, how do you determine what to do if the feedback and scorecard do not match?
8. **Demonstration of the tools:**
 - Will there be a time when these tools are demonstrated in real time?

Dashboard:

9. **Deferred Maintenance Projects:**
 - "Select variable for map pie charts and histogram" DOES NOT SHOW EITHER
10. **HI-FIT**
 - How many resources (personnel) do you have completing HI-FIT assessments?
 - Many schools still need to be scheduled to complete, what is your timeline for all schools to be completed?
11. **It would be great if the Board could HEAR A DISCUSSION ABOUT THE NEXT PAGE.**



R&M Backlog vs Deferred Maintenance

R&M Backlog - \$1.4B
 \$382M- 2012 R&M Backlog (Repealed by Act 133)
 \$293M- 2017 R&M Backlog
 \$868M- 2018 R&M Backlog
 \$973M- 2020 R&M Backlog
 \$1.48 - 2021 R&M Backlog

Deferred Maintenance - \$770M
 \$180M - AC Deferred Maintenance
 \$94M- Sewer Deferred Maintenance
 \$158M - Water Deferred Maintenance
 \$138M - Electrical Deferred Maintenance
 \$200M - Roofing Deferred Maintenance



June 2, 2022

Finance and Infrastructure Committee (FIC)

Dear Chair Voss and Members of the Committee,

We would like to comment on Action Item IV. A., and Discussion Item V. A.

Action Item IV. A.

As we stated in our September 16, 2021, testimony, because there is urgency in spending ESSER funds, we think that it is prudent to spend the funds on budget shortfalls. That said, from the memo, it is not clear what the current details are regarding the shortfalls. We ask the BOE to ask for more concrete specifics. Additionally, going forward, we believe that the BOE and DOE must think more strategically on how to optimally use its funds, as these federal funds are only temporary.

Discussion Item V. A.

We would like to reiterate points in our March 3, 2022, testimony.

Given our deep concerns about school facilities, we are pleased to see that the DOE has finally embarked on action to address BOE Policy 310-10 with its Facilities Asset Management (FAM) initiative. DOE has created a Hawaii Facility Inspection Tool (HI-FIT) that can standardize the evaluation of school conditions, is utilizing a Facility Condition Index (FCI) that can rank facility conditions and identify priorities, is implementing innovative processes such as Job Order Contracting (JOC) to get projects done more expediently, and is using an online project management platform to track project portfolios.

We encourage the DOE to continue the FAM initiative. However, there are still a lot of gaps in our understanding of the DOE facilities situation. We ask the following questions:

- 1. What resource and organizational changes has DOE made to support the FAM initiative?*
- 2. JOC has been successful in addressing smaller maintenance projects. How will the FAM initiative be scaled and expanded to larger projects?*
- 3. Have changes at DOE been implemented for all Capital Improvement Projects (CIP)?*
- 4. What is the current deferred maintenance backlog? How long will it take to reduce this? How will the FAM initiative expedite reducing the backlog?*

Thank you for this opportunity to testify.

Sincerely,

Cheri Nakamura
HE'E Coalition Director

HE'E Coalition Members and Participants

Academy 21

Alliance for Place Based Learning

American Civil Liberties Union

Atherton YMCA

*Castle Complex Community Council

*Castle-Kahuku Principal and CAS

*Education Institute of Hawai'i

*Faith Action for Community Equity

Fresh Leadership LLC

Girl Scouts Hawai'i

Harold K.L. Castle Foundation

*HawaiiKidsCAN

*Hawai'i Afterschool Alliance

*Hawai'i Appleseed Center for Law and
Economic Justice

*Hawai'i Association of School Psychologists

Hawai'i Athletic League of Scholars

*Hawai'i Children's Action Network

Hawai'i Education Association

Hawai'i Nutrition and Physical Activity
Coalition

* Hawai'i State PTSA

Hawai'i State Student Council

Hawai'i State Teachers Association

Hawai'i P-20

Hawai'i 3Rs

Head Start Collaboration Office

It's All About Kids

*INPEACE

Joint Venture Education Forum

Junior Achievement of Hawaii

Kamehameha Schools

Kanu Hawai'i

*Kaua'i Ho'okele Council

Keiki to Career Kaua'i

Kupu A'e

*Leaders for the Next Generation

Learning First

McREL's Pacific Center for Changing the
Odds

Native Hawaiian Education Council

Our Public School

*Pacific Resources for Education and
Learning

*Parents and Children Together

*Parents for Public Schools Hawai'i

Special Education Provider Alliance

*Teach for America

The Learning Coalition

US PACOM

University of Hawai'i College of Education

* Youth Service Hawai'i

Voting Members () Voting member organizations
vote on action items while individual and non-voting
participants may collaborate on all efforts within the
coalition.*