




**STATE OF HAWAII**  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
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OFFICE OF THE SUPERINTENDENT

January 16, 2020

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

**FROM:** Dr. Christina M. Kishimoto  
Superintendent 

**SUBJECT:** **Update on Extra Compensation for Classroom Teachers in Special Education, Hard-to-Staff Geographical Locations, and Hawaiian Language Immersion Programs: Extra Compensation Funding Sources**

EXECUTIVE SUMMARY

The memorandum provides an update on the funding sources for the Board of Education (Board) approved extra compensation for classroom teachers in special education, hard-to-staff geographical locations, and Hawaiian language immersion program.

1. HISTORY:

On December 5, 2019, the Board approved the provision of shortage differentials to qualified and licensed teachers to fill vacancies in the areas of special education, hard-to-staff geographical locations, and the Hawaiian language immersion program. The effective date of these differentials was January 7, 2020.

- Recommendation Memorandum for Board Action on Extra Compensation for Classroom Teachers in Special Education, Hard-to-Staff Geographical Locations, and Hawaiian Language Immersion Programs (December 5, 2019):  
[http://boe.hawaii.gov/Meetings/Notices/Meeting%20Material%20Library/Special\\_12\\_052019\\_Action%20on%20Extra%20Compensation%20for%20Classroom%20Teachers.pdf](http://boe.hawaii.gov/Meetings/Notices/Meeting%20Material%20Library/Special_12_052019_Action%20on%20Extra%20Compensation%20for%20Classroom%20Teachers.pdf)
- Audio Recording of Special Meeting of the Board of Education, December 5, 2019 (minutes unavailable at the time of preparing this update):  
<https://hidoe.webex.com/recordingservice/sites/hidoe/recording/playback/de7a1feae5c9478fb1dc3bc87a179de1>

2. **PURPOSE:** To update the Finance and Infrastructure Committee on the previously approved action by the Board on December 5, 2019, on sources needed to fund the extra compensation for Fiscal Year (FY) 2019-20, FY 2020-21, and FY 2021-22 and beyond.
3. **COMMITTEE ACTION:** No Committee Action is required at this time.
4. **UPDATE:**
  - a. Following the December 5, 2019 Board approval, the Superintendent immediately submitted a request to the Governor for additional funding for the new teacher differentials in both FY 2019-20 and FY 2020-21. The amounts requested were:
    - FY 2019-20: \$14,498,250
    - FY 2020-21: \$26,769,500

Note: Per standard state budget practice, any amounts included in the budget for the second year of the biennium are assumed to be part of the base budget for the following biennium, unless explicitly identified by the Legislature as a “non-recurring” cost item.

- b. On December 10, 2019, the Department of Budget and Finance issued a memorandum, “Revised Governor’s Decisions on FY 21 Supplemental Budget Requests,” that reflected the inclusion in the Governor’s Executive Supplemental Budget request additional general funds for the differentials (page 20 of 65).
  - <https://budget.hawaii.gov/wp-content/uploads/2019/12/Revised-FY-21-Gov-Bdg-Decis-to-ATG-BUF-DEF-EDN-EDN-CS-LNR-PSD-TRN-UOH-1.pdf>The aforementioned requested amounts were included for FY 2019-20 and FY 2020-21.
- c. On December 16, 2019, the Governor submitted the Executive Supplemental Budget (Budget Period 2019-2021) to the Legislature, which included the additional general funds for the differentials.
  - <https://budget.hawaii.gov/budget/executive-supplemental-budget-fiscal-year-2021/>
- d. Due to anticipated timing of related payroll payments and number of qualified teachers, the estimated budgetary requirements have been revised downward for both years of the current biennium, as follows:
  - FY 2019-20: \$10.5 million
  - FY 2020-21: \$26.5 million
- e. If the request in the Governor’s Budget is approved by the Legislature, this source of funds will be expended by the Department for the differentials for both years of the current biennium, i.e. FY 2019-20 and FY 2020-21.

The Governor’s Budget incorporated the FY 2020-21 request as a recurring cost item, therefore, unless the Legislature in funding the request identifies the amount as a “non-recurring cost,” any additional funds appropriated for differentials would be presumed to be available in future years to pay for differentials. For the following fiscal year, FY 2021-22, and beyond, the adequacy of the base budget amount would be reevaluated. Based on this information, the Department may propose a future budgetary request to the Board.

- f. FY 2019-20 (current year) contingency planning. If the request for funding is not approved by the Legislature in the current fiscal year, the Department would look to a number of potential one-time measures to pay for the differentials and balance its budget, while ensuring school level funding would remain intact. These measures would include:
1. seeking relief from the Governor's 5% "hard" restriction of \$5.4 million;
  2. applying a portion of the FY 19 to FY 20 centralized general fund carryover from EDN100 and EDN700;
  3. applying a portion of the funds transferred to the Department from Charter Schools budget (EDN600) as part of the annual per pupil funding "true-up" required by HRS §302D-28; and
  4. reassessing budget requirements for other Recruitment and Retention program funds.

NOTE: Given the one-time nature of these sources of funding (except for #4), it would be unreasonable to assume that these same sources will be available on a recurring (future year) basis.

Anticipated impacts of meeting the Governor's 5% restriction. The Department would need to impose restrictions at a program level to fund the differentials. This may affect:

- Assessment and Accountability Branch's budget for test development. This will impact the program's ability to respond to Complex Area and school requests for the Kindergarten assessment and development and implementation of the innovative assessment;
- Office of Information Technology Services' budget. This will increase risks by further constricting the Department's capacity to respond to potential incidents, such as system failures, and other unanticipated costs;
- Office of Fiscal Services' already modest budget for investment in leadership and professional development required to implement new information technology systems, support succession planning, and support for the Committee on Weights and Special Education Fiscal Allocation Work Group;
- Office of the Superintendent's and Office of the Deputy Superintendent's budgets for leadership and professional development, visiting and monitoring complex area and school programs, and the replacement of outdated technology for the principals' roundtable meetings; and
- Office of Facilities and Operations' Student Transportation budget, which would limit the program's ability to respond to increases in demand for service and the duration until the program seeks additional general fund appropriations to meet future inflation driven increases in contracted costs.

- g. FY 2020-21 (next fiscal year) contingency planning. If the request for funding is not approved by the Legislature in the second fiscal year of the biennium budget, the Department would again need to look to a number of one-time measures to pay for the differential and balance its budget. The programs funded with the \$115 million general funds appropriated for EDN200 Instructional Support and EDN300 State Administration budget would be unable to absorb the \$26.5 million costs of the differentials and sustain program deliverables, thus avoiding an impact to schools' budgets would be unrealistic. As such, these strategies to fund the differentials may include:
1. applying a portion of the FY 2019-20 to FY 2020-21 centralized general fund carryover, if any;

2. applying a portion of the funds transferred to the Department from the Charter Schools (EDN600) as part of the annual per pupil funding “true-up” required by HRS §302D-28, if any;
3. reassessing the budget requirements for other Recruitment and Retention program funds;
4. restricting funds allocated to State Offices, which would hinder the Department’s ability to follow through on the high leverage change strategies identified through the extensive community input into the 2030 Promise Plan;
5. looking to the Weighted Student Formula (WSF) and Special Education Per Pupil Allocation (SPPA) programs that fund the vast majority of teacher positions and make up nearly 70% of the Department’s general fund budget, to either:
  - increase the average salary charged for teacher positions programmed into each school’s annual financial plan; or
  - impose a restriction on a portion of these programs that will have the impact of reducing the amount allocated per student.

Note: To obtain \$1 million using these school level strategies would require an increase of approximately \$82 in the average cost of a 10-month teacher (5.a.), a reduction to the SPPA program’s per pupil allocation by approximately \$50 (5.b.), and a reduction to the WSF program’s per pupil allocation by approximately \$6 (5.b.). Any of these options would have significant differentiated and negative impact on school operations by changing their purchasing power.

- h. FY 2021-22 and beyond (next biennium and beyond) contingency planning. If the request for funding is not approved by the Legislature in the second fiscal year of the biennium budget on a recurring basis, the Department will submit another budget request for inclusion in the Governor’s Fiscal Biennium 2021-23 Executive Budget. If that request was denied, the Department would again need to look to a number of one-time measures similar to those identified for FY 2020-21.

It should be noted that several factors will likely significantly constrict not only the Department’s future year level of centralized carryover funds, but also the adequacy of the general fund salary budget:

- the reprogramming of \$18 million in FY 2019-20 and \$21 million in FY 2020-21 from the base salary budget in the biennium budget;
  - the implementation of new teacher differentials starting in FY 2019-20 that are anticipated to positively impact both recruitment and retention rates while addressing equitable access to education; and
  - the Special Education Per Pupil Allocation starting in FY 2020-21 that will allow greater flexibility at the school level in determining the programming of special education positions and funds.
- i. The Department is collecting data to monitor and evaluate the effectiveness of these differentials. This data will include:
    - vacancies as a percent of positions filled with licensed teachers;
    - the number and type of transfers to positions in the three differential areas;
    - the number of new hires;
    - retention rates at each school/complex; and

The Honorable Kenneth Uemura

January 16, 2019

Page 5

- the number of differentials paid.
- j. The Department plans to provide an update to the Board following the Teacher Transfer Period this Spring 2020. Teacher incentives will play a key role in addressing equitable access to quality education for all students statewide. The dialogue on teacher differentials has begun with law makers, key stakeholders, and Department personnel, and will continue over the course of the upcoming 2020 Legislative Session. Updates on the Legislature's consideration and actions on this critical funding request will be provided to the Committee over the months ahead.

CMK:bh

c: Office of Fiscal Services