




STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
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OFFICE OF THE DEPUTY SUPERINTENDENT OF OPERATIONS

March 7, 2024

TO: The Honorable Ken Kuraya
Chairperson, Finance and Infrastructure Committee

FROM: Curt T. Otaguro 
Deputy Superintendent of Operations

SUBJECT: Review of Status of Department Capital Improvement Projects

1. EXECUTIVE SUMMARY

- The Hawaii State Department of Education (Department) continues to work internally within the Office of Facilities and Operations (OFO) as well as with legislators. Project challenges and risks have been identified for each specific project. These individual project assessments have enabled the Department to determine if funds can be encumbered and contracted by the June 30, 2024 lapse date. Depending on the risk category for each Capital Improvement Program (CIP) project, recommendations were made to cancel, partial lapse, lapse and re-appropriate, or lapse the entire appropriation.
- The Department is focused on encumbering the CIP funds with a lapse date of June 30, 2024, which represents 44% of the total amount appropriated in the Session Laws of Hawaii (SLH)21 and SLH22 biennium.
- The Department acknowledges there is a lot of room for improvement and is committed to implementing change for improved efficiencies in our process.

2. DESCRIPTION

Status updates on the Department's CIP projects, Bright-Line Rules, staffing updates, and process improvements.

3. UPDATE

CIP Status

Summarized below are the CIP and Maintenance of Effort (MOE) funds from Act 88/SLH21 and Act 248/SLH22 with a lapse date of June 30, 2024 (financial information as of March 1, 2024):

CIP and MOE Funds Encumbered	\$ 203,980,237	17%
CIP and MOE Funds Expended	\$ 209,628,508	17%
Early Lapse Amount	\$ 261,925,544	21%
CIP and MOE Funds Available Balance	\$ 542,804,711	44%
MOE Lahaina Wildfire Transfer	\$ 17,375,000	1%
Total Appropriation Amount	\$ 1,235,714,000	100%

- The above dollar amounts reflects 377 CIP add-on projects and 530 deferred maintenance projects.
- The Federal Grant projects for Shafter Elementary, Lehua Elementary, and Nimitz Elementary Schools are included in the above table in the amount of \$77,600,000 which were appropriated in Act 248/SLH22 but have a different lapse date of June 30, 2028.
- The early lapse amount in the above table does not include the blanketed funds from SLH19 and SLH20. The early lapse reported amount with blanketed funds is \$297,698,415.
- The Department is working diligently towards the encumbrance deadline of June 30, 2024, for the \$542,804,711 in available balance of projects which is 44% of the total amount appropriated for the biennium.
- As construction represents a majority of the project funds, the larger expenditure amount is anticipated in 2025 and 2026.

Summarized below are the CIP funds from Act 164/SLH23 with a lapse date of June 30, 2026 (financial information as of March 1, 2024):

CIP Funds Encumbered	\$ 15,932,437	3%
CIP Funds Expended	\$ 5,890,142	1%
CIP Funds Available Balance	\$ 460,348,421	96%
Total Appropriation Amount	\$ 482,171,000	100%

- The above dollar amounts reflect 114 CIP add-on projects. The projected amount for deferred maintenance projects through the Job Order Contract and Prequalified Small Contractor programs is 55 projects, which is subject to change with lump sum funding.

- The CIP funds were released to the Department via Allotment Advice in the amount of \$190,861,745. This amount includes the lump sum CIP for deferred maintenance of \$71,760,000 and the lump sum CIP for Federal Grants of \$25,600,000.
- The CIP funds that have been requested, but are pending release to the Department amounts to \$43,158,150.
- The CIP funds that are in the process of being requested for release by the Department amounts to \$143,180,105.
- The procurement process has started for professional services for the projects for which funds have been released.

Construction Projects Completed

For the period of August 2023 to January 2024, the Department has completed 73 construction projects totaling \$42,840,994.

Bright-Line Rules

The Bright-Line Rules are a set of metrics intended to define objective factors that can be used to verify that a project has the right balance of time, funds, and permit approvals necessary to successfully deliver the defined project scope. These rules will inform fact-based and consistent decisions about allowing projects to move forward. The Bright-Line Rules were drafted in August 2023 and shared with the Facilities Development Branch (FDB) management in September 2023. Full implementation of the Bright-Line Rules will be done in phases.

Rules	Phase 1 (Applies to projects with a funding lapse date of June 30, 2024, and June 30, 2026.)	Phase 2 (Applies to projects with a lapse date of June 30, 2028, and beyond.)
Rule 1: No notice to proceed (NTP) shall be issued for a construction contract without a detailed risk assessment and comprehensive completion budget review.	As of September 2023, the Construction Management Section (CMS) performs a risk assessment that is reviewed by leadership before a formal NTP is issued. As of October 2023, before a project is posted for bid the project coordinator is required to conduct a project review meeting to evaluate risk with the CMS. This review looks at the status of all project approvals, projected construction schedule, fiscal review, and options for descoping should the project run over budget.	Items from the first phase will continue to be implemented.

	<p>The contingency budget has been adjusted from 5% to 10%, which resulted in a reduced budget for the construction bid. As the Department collects more data, the budgeted percentages will be more refined based on project location, size, and complexity of the project, etc.</p> <p>For Oahu projects, the Department will allow for the Special Assignment Inspection (SAI) process to issue a NTP.</p>	
<p>Rule 2: No job shall be posted for bid solicitation until all county, state, and federal permits are secured and the appropriation is sufficiently funded.</p>	<p>A project is deemed bid ready when the final design has been submitted to the Department, and all required permit reviews have been <u>initiated</u>. As the outer island counties do not have a SAI process, the permit review process would need to reflect progress in the review process in order for the project to proceed for bid posting.</p> <p>The total project budget has been adjusted to reduce the construction bid budget by 15% to accommodate an increase of 5% towards contingency (for a total of 10% contingency), and a budget of 10% for construction management services. As the Department collects more data, the budgeted percentages will be more refined based on project location, size, and complexity of the project, etc.</p>	<p>A project is deemed bid ready when the final design has been submitted to the Department, and all required permit reviews have been <u>completed</u>.</p> <p>When the project is initiated, the total project budget will accommodate the appropriate amounts towards contingency and construction management services.</p>
<p>Rule 3: Construction contracts funded by bond proceeds cannot be used to pay settlement fees for canceled construction.</p>	<p>Rule 3 will not be a problem if the project is funded with taxable bonds.</p>	

Staffing Update

The FDB is currently operating with 63% staffing. As of March 1, 2024, there are 22 positions vacant out of 60 total positions.

- The Office of Talent Management rolled out a new online recruitment system called NEOED which allowed the Department to announce the vacancies of classified civil service positions since December 16, 2023. The FDB is in the process of transitioning the vacant positions into this new system.
- To help with the challenge of recruiting architects and engineers, a new class of work called Facilities Project Manager was created in February 2023. This new position class will allow architect and engineer applicants to use relevant work experience as a substitute for the professional license requirement.
- The FDB has engaged with the University of Hawaii to develop an internship program with the School of Architecture, College of Engineering, and Department of Urban Regional Planning to help with the recruitment process for entry-level positions.

Process Improvements

- Starting with projects funded from Act 164/SLH23, the Allotment Request process is in transition to automate certain steps of the process.
- The Department has an information technology consultant on board to begin the development of an updated version 2.0 public dashboard to improve our transparency and communication with all stakeholders. The objective is to create an easier to access and understandable reference for all CIP projects.
- The OFO is working closely with the Office of Fiscal Services and the Office of Information Technology Services to improve financial reporting.
- The OFO is developing an overall project tracking list similar to the fire alarms report.
- In anticipation of not having project completion funds, the construction managers have been directed to aggressively manage costs and hold projects to the essential project scope of work in order to minimize the draw on remaining lump sum project completion funds. The FDB will no longer rely on additional project completion funds moving forward.
- The Department is currently initiating a new CIP process to engage Principals and Complex Area Superintendents (CAS) to identify school CIP project priorities. Principals will be asked to submit their school-based priorities to their respective CAS for further review and prioritization by complex area. The fifteen (15) complex areas will submit their list to OFO for feedback and for support to provide total project cost estimates.

The OFO will summarize the CIP list and overlay Department level priorities that will prioritize health and safety (roof leaks, structural issues, emergencies, etc.), compliance (ADA, Title IX, etc.), and Superintendent priorities. A coordinated finalized list will be shared with the Board of Education's Finance and Infrastructure Committee as well as state legislators ahead of the next legislative session. Prioritizing Department CIP requests to state legislators has been well received and would be appreciated to assist them in setting their funding priorities.

- The Department is advocating with legislators that the design funds should be appropriated separately from the construction funds in a separate biennium. This would better align with the time needed to have funds released, procure design services, develop the design with a construction cost estimate that would inform the correct appropriation amount to seek for construction, and allow sufficient time for the permit review process.
- For the next legislative session, the Department plans to request for lump sum funding to initiate planning and design services, to allow for an earlier start on projects.

CTO:dg

Attachment: 1) August 2023 to January 2024 Construction Completion

c: Keith T. Hayashi, Superintendent
Audrey Hidano, Interim Assistant Superintendent, Office of Facilities and Operations
Facilities Development Branch

\$42,840,994.32

	School Name	Job No.	Job Name	Total Job Cost
1	Ahrens Elem	P86262-22	Building B Reroof	\$418,513.78
2	Aiea Inter	P71243-21	Building A Reroof	\$469,930.75
3	Aina Haina Elem	P26000-16	Miscellaneous Repair & Maintenance for FY16	\$219,253.45
4	Aina Haina Elem	P26267-21	Area 02 Resurface Driveway and Area 01 Parking Lot Repave	\$379,858.48
5	Baldwin High	P51213-22	Campus Repair Replace Irrigation System	\$48,534.22
6	Barbers Point Elem	P82258-21	Bldg B Reroof	\$529,708.93
7	Barbers Point Elem	P82000-13	Miscellaneous Repair & Maintenance for FY13	\$458,362.63
8	Campbell High	P81249-22	Building K Reroof	\$342,785.06
9	Dole Middle	P21207-23	Building A Reroof	\$426,877.51
10	Eleele Elem	P43001-11	Miscellaneous Repair & Maintenance for FY10-11	\$916,122.42
11	Farrington High	P21008-10	Building G Reroof & Replace Air Conditioning	\$798,251.34
12	Fern Elem	Q21222-19	Campus Drainage, Bldg B, C, G, J, & I	\$485,373.74
13	Hanalei Elem	P41229-22	Building A Replace Back Porches and Steps	\$269,393.70
14	Helemano Elem	P72204-23	Area 02 Seal Coat Parking Lot	\$63,527.37
15	Highlands Inter	P84243-22	Building D Reroof	\$544,782.06
16	Highlands Inter	P84242-22	Building B Reroof	\$502,448.33
17	Hilo Union Elem	P11004-17	Electrical Upgrade	\$2,089,265.95
18	Honokaa High & Inter	Q12227-21	Science Facilities Upgrade	\$994,204.00
19	Iao Inter	P51002-16	Miscellaneous Repair & Maintenance for FY16	\$447,943.20
20	Iao Inter	P51002-11	Miscellaneous Repair & Maintenance for FY08-11	\$556,100.36
21	Jarrett Middle	Q24210-18	Walkways and Miscellaneous Building Improvements	\$300,830.00
22	Kaaawa Elem	P92214-20	Portable P-2 Renovate Restrooms	\$39,548.80
23	Kailua High	P93208-22	Demolist Portable PT-041	\$108,779.05
24	Kaimuki High	P24299-23	Covered Walkway Reroof	\$363,247.17
25	Kainalu Elem	P94215-23	Building I Reroof	\$307,153.99
26	Kainalu Elem	P94214-23	Building A Reroof	\$148,960.50
27	Kaiser High	P26266-23	Room A301 Renovate Science Class & Prep Room	\$773,509.61
28	Kapalama Elem	P21000-18	Building I Demolish Custodian Cottage	\$384,390.19
29	Kapolei Elem	R82216-20	Air Conditioning Efficiency Replacement	\$335,829.02
30	Kapolei High	P82004-13	Miscellaneous Repair & Maintenance for FY13	\$390,913.19
31	Ke Kula O Ehunuikaimalino	P17002-13	Miscellaneous Repair & Maintenance for FY13	\$319,269.42
32	Kealakehe High	P15223-22	Building J Elevator Hydraulic Modernization	\$168,041.93
33	Keelikolani Middle	Q23278-20	Exterior Lightings	\$167,381.72
34	Kekaulike High	P53004-16	Campus Replace Fire Alarm	\$1,382,070.00
35	Keolu Elem	P93237-21	Building E Reroof	\$317,615.86
36	Koko Head Elem	P26327-23	Install Cattle Gates	\$46,003.44
37	Koloa Elem	P42218-22	Buildings H to G Reroof Covered Walkway	\$125,157.31
38	Kula Elem	P53243-21	Building D Reroof Walkway	\$341,374.71
39	Lahainaluna High	P54201-23	Upper Cottage Reroof and Repair & Maintenance	\$311,708.64
40	Leilehua High	P72202-22	Gymnasium Lighting Retrofit	\$110,391.63
41	Likelike Elem	P23009-16	Cottage CT-1 Demolish Custodian Cottage	\$361,729.73
42	Lunalilo Elem	P24230-22	Buildings D & E Termite Repairs	\$204,281.89
43	Makakilo Elem	P82004-16	Miscellaneous Repair & Maintenance for FY16	\$270,368.48
44	Makalapa Elem	P75007-16	Miscellaneous Repair & Maintenance for FY16	\$299,504.30
45	Maui Waena Inter	P55241-22	Portables P3 and P4 Reroof	\$167,604.05
46	Maui Waena Inter	P55249-22	Portables P7 and P8 Reroof	\$230,911.31
47	Maui Waena Inter	P55240-22	Portables P9, P10, P11 Reroof	\$311,693.52
48	McKinley High	P23303-21	Building V Shingle Reroof	\$338,632.76
49	Milliani Ike Elem	P73250-21	Building C Repair & Recoat Roof	\$289,377.29
50	Milliani Middle	Q73209-19	Sidewalks Improvements	\$376,193.29
51	Moanalua High	P74247-23	Performing Arts Center Repaint Concrete Masonry Unit Walls	\$62,352.38
52	Naalehu Elem	Q13000-19	Covered Walkways	\$2,009,570.00
53	OSFSS - School Food Services Branch	P24247-22	Replace Window Air Conditioning	\$15,078.88

54	Paauiilo Elem & Inter	P12233-22	Buildings A, B, C Paint Exterior	\$674,353.27
55	Pahoa High & Inter	Q18202-18	Cafeteria to Upper Portables, New Covered Walkway	\$1,200,085.00
56	Palisades Elem	P84202-22	Repair Covered Walkway Entry	\$182,503.04
57	Palisades Elem	P84260-22	Building D Replace Walk-in Freezer	\$122,415.16
58	Pearl City Highlands Elem	P84240-22	Buildings F to E Replace Covered Walkway	\$141,008.64
59	Pearl Ridge Elem	P71013-16	Miscellaneous Repair & Maintenance for FY16	\$252,512.67
60	Pomaikai Elem	P55006-16	Miscellaneous Repair & Maintenance for FY16	\$499,209.95
61	Various	P61253-23	Hickam ES, Mokulele ES, Various Rooms Replace Plumbing Fixtures	\$19,960.66
62	Wahiawa Middle	P72221-21	Building E Reroof	\$456,901.95
63	Wahiawa Middle	P72001-17	Buildng I Teachers Work Room Interior Renovations	\$170,667.43
64	Wahiawa Middle	P72216-23	Building H Reroof	\$286,355.76
65	Waiakea High	P19265-21	Tennis Court Resurface & Replace Fence	\$990,460.91
66	Waiakea Inter	P19259-21	Various Portables Reroof and Paint	\$790,801.94
67	Waianae Inter	P85202-23	Building G Reroof	\$479,472.99
68	Waianae Inter	P85000-15	Miscellaneous Repair & Maintenance for FY08-10	\$710,511.29
69	Waihee Elem	Q51000-16	Administration Building - New or Expand	\$12,308,442.71
70	Waikele Elem	P86210-22	Cafeteria Lighting Retrofit	\$64,061.92
71	Waimalu Elem	P71025-10	Miscellaneous Repair & Maintenance for FY08-10	\$784,086.40
72	Waipahu High	P86307-23	Building AA Reroof	\$310,253.97
73	Wilcox Elem	P42205-22	Building M Recondition Rafters and Fascia	\$56,217.32