



STATE OF HAWAII
DEPARTMENT OF EDUCATION
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OFFICE OF THE SUPERINTENDENT

May 20, 2021

TO: The Honorable Bruce Voss
Chairperson, Finance and Infrastructure Committee

FROM: Dr. Christina M. Kishimoto 
Superintendent

SUBJECT: **Update on the Department of Education's Operating Biennium Budget Request for Fiscal Years 2021-2023: Legislative Conference Committee Decisions and Next Steps**

1. EXECUTIVE SUMMARY

The 2021 Legislative session began with unease as the State and the Department of Education (Department) contended with uncertain general fund revenue projections and with less clarity than desired regarding additional federal aid that would be forthcoming. By the end of the session, the Legislature passed two major fiscal bills and the federal government provided substantial aid to the State with congressional delegation support. The challenges coming out of session include:

- The passage of HB 200 CD1 and HB 613 CD2 leaves the Department with a \$123.9 million projected shortfall for Fiscal Biennium (FB) 2021-23. These bills fall short of fully supporting predictable, reliable funding for schools over the next two years.
- Both bills specifically prescribe how the Department should expend federal education stabilization funds. However, the Department is required to undertake a public engagement process to develop a comprehensive plan for the use of these federal funds to reopen schools safely.
- The Department, though direction from the Board of Education (Board), will need to integrate federal requirements with legislative intent while addressing existing shortfall areas in a dynamic, ever-changing economic and social environment.

2. BACKGROUND

Dynamic and Fluid 2021 Legislative Session

The 2021 Legislature began with heightened uncertainty due to the ongoing COVID-19 pandemic.

When the 2021 session opened, the budget took on added importance as State leaders sought solutions to deal with the general fund revenue shortfall.

In preparing its FB 2021-23 budget, the Department focused its advocacy around three areas:

- To restore its base budget;
- To request that we retain and maximize federal education stabilization funds to stabilize public schools, particularly on the instructional side; and
- To ask for changes to State law to provide fiscal predictability, stability, and reliability for public education.

Changes to the budget occurred quickly and frequently as the session progressed. Developments such as an improving revenue forecast and the availability of federal education stabilization funding caused Legislators and the Governor to reconsider cuts made earlier in the budget development process.

The Department's initial budget submitted by the Governor to the Legislature incorporated a 10% reduction totaling \$164.3 million in general funds. With these proposed cuts, school leaders needed to reassess their programs and students' needs to determine what must be funded and what could be reduced or eliminated without impacting the much-needed services being provided to students. The Department's work in demonstrating the impact of a 10% budget cut in the stability and retention of capacity was an important data point for this reconsideration.

In January, the Governor revised his budget request to restore about \$123.2 million of the 10% reduction bringing the reduction to 2.5% or a total of about \$41.1 million for the Department due to an improving revenue outlook. The Department also received notification from the U.S. Department of Education that the coronavirus relief allocation for Hawaii is \$183.6 million.

In early March, the State's general fund revenue forecast improved from the January forecast and the U.S. Congress passed a third relief package, the American Rescue Plan, which was signed by President Joe Biden. These federal funds are intended to "continue to safely reopen schools, sustain their safe operations, and support students—especially those most impacted by the pandemic." ([4/21/21 Communication from US DOE](#)).

As the session continued through April, the Governor requested full restoration of the Department's budget cuts and additional funding to meet federal maintenance of effort requirements. During the final two weeks of the session, the Legislature's fiscal committees began their internal conference discussions to not only amend the state's fiscal support for education, but also to develop a detailed plan on how the Department should expend its share of federal education stabilization funds. The Legislature adjourned its shortened 55-day session on Thursday, April 29, 2021

Legislative Discourse

Discussion surrounding the Department's budget during the final days of the legislative session included use of federal education stabilization funds and federal maintenance of effort requirements tied to acceptance of those federal funds.

Legislative discourse also included changes to the Department's organization and lines of reporting. At one point, the budget bill proposed the transfer of the Office of Information Technology Services (OITS) to the Office of Enterprise Technology Services in the Department

of Accounting and General Services, and at another point, reorganizing OITS by decentralizing technology services throughout the tri-level.

Ultimately, the Legislature passed two major fiscal bills affecting the Department:

- [HB 200 HD1 SD1 CD1](#) (HB 200) - Appropriation bill for the Operating and Capital Improvement Projects budget of Executive branch agencies for FY 2021-23.
- [HB 613 HD2 SD2 CD2](#) (HB 613) - Appropriates federal relief funds for the Department and prescribes how the Department should expend those monies.

High-Level Summary of the 2021 Legislature's Actions on the Department's Budget

- HB 200
 - Although the bill appropriates additional funding to the Department, it still leaves shortfalls. The most notable shortfall is the \$100.2 million general fund reduction from Fiscal Year (FY) 2020-21 that is being carried over to the Department's base budget for FY 2021-22 and FY 2022-23.
 - HB 200 does not address the Department's unfunded needs, such as \$10 million for worker's compensation, \$5 million for schools' converged network, \$1.5 million for Aukahi Financial Management System and \$32.5 million for teacher differentials, for FY 2021-22 and FY 2022-23 that must be funded from within the existing budget.
 - The bill also imposes cuts to operations and to payroll funding by either cutting positions and related salaries or by converting general funded positions to federal funds, which essentially reduces the general fund base budget.
- HB 613
 - The bill prescribes the use of the Department's federal education stabilization funds. The measure mandates that the Department expend the funding in specific ways and any reallocation of funds must be pre-approved by the Legislature.

Three other fiscal bills impacting the Department are:

- [HB 1298 CD1](#)
 - Transfer funds from non-general funds to the general fund.
 - Hawaii Teachers Standards Board Special Fund: \$1,098.41
 - This fund was abolished in 2019, so there is no impact.
 - Private Trade, Vocational & Technical (PTVT) School Licensure: \$23,801.19
 - This fund is being abolished by HB 1299 CD1, leaving no source of funding to sustain this licensure program.
 - Driver Education Program: \$2,000,000
 - The program has a fund balance of approximately \$5 million, and annual operating expenses of approximately \$3 million. Thus, even with this transfer to the general funds, the program will have sufficient funding to maintain normal operations.
- [HB 1299 CD1](#)
 - Part V abolished the PTVT School Licensure special fund.
 - There will be no funding source to sustain the PTVT licensure program position or operating expenses.
- [HB 546 CD1](#)
 - Seeks to re-organize the reporting structure of the Department by mandating that the Complex Area Superintendents report to the Superintendent.
 - Includes reporting requirements for both the Office of Strategy, Innovation, and Performance and the Office of Information Technology Services for the 2022 Legislative Session.

3. PRESENTATION

The attached presentation outlines the Department's initial analysis of HB 200 and HB 613 and focuses on these areas: budget shortfalls by EDN and the use of federal education stabilization funding. It is meant to support next level discussions and decisions between the Department and the Board regarding education funding for the upcoming fiscal biennium focused on student needs and system integrity.

The fiscal impact of both HB 200 and HB 613 is tremendous. Financial adequacy to provide high-quality educational opportunities is vital to enabling students to fulfill their learning goals, responsibilities, and aspirations. Equally important is the financial adequacy to provide a safe and innovative learning environment with quality systems of support for all students. A reduction to the Department's operating budget reduces the educational opportunities and support provided to our students.

This was a challenging session in a time like no other. The Department will keep moving forward and do its utmost to meet its core mission of teaching and learning.

CMK:bh
Attachment

c: Budget Branch



OFFICE OF
Fiscal Services

**IV. A. Update on the Department of
Education's biennium budget
request for fiscal years 2021-2023:
Legislative conference committee
decisions and next steps**

**Board of Education
Finance and Infrastructure Committee
May 20, 2021**

Brian Hallett

Assistant Superintendent, Chief Financial Officer



Overview

1

Considerable improvement of biennium budget fiscal context

- Coronavirus Response and Relief Supplemental Appropriations (**CRRSA**) Elementary and Secondary School Emergency Relief Fund (**ESSER**) II award: \$183.6 million
- American Rescue Plan (**ARP**) ESSER III award: \$412.3 million
- Council on Revenues Sept. 2020 to March 2021 projections
- Cumulative: +\$1.1 billion through 2021-23 fiscal biennium

2

HB 200 CD1: Biennium budget appropriations

- FY 2020-21 \$100.2 million/year cuts maintained
- Changes in funding from general to federal funds and vacancy funds

HB 613 CD2

3

- Includes nearly \$557 million in appropriations of federal ESSER II and III funds

\$123.9 million funding gap for fiscal biennium 2021-23

4

- Considering all appropriations, the Department is still facing a large funding gap





Major Fiscal Bills Affecting the Department

House Bill 200

Operating and capital improvement budget for state departments for fiscal years (FY) 2021-22 and 2022-23

- Appropriates \$1,674,745,046 for FY21-22 and \$1,684,301,307 for FY22-23 in general funds for operating budget.
- Federal maintenance of effort requirements mandate the state to provide proportional funding in fiscal years 2022 and 2023 to K-12 education relative to overall state funding over fiscal years 2017, 2018 and 2019.

House Bill 613

Makes appropriations from federal relief funds for the Department of Education

- Appropriates certain federal moneys received by the Department of Education to fund certain education-related items.
- Any funding amounts that the Department wants to reallocate for the purposes of meeting the requirements set forth by the U.S. Department of Education shall receive prior approval of the legislature.





HB200 CD1: Executive Budget

Summary of Adjustments for the Department of Education from [Budget Worksheets](#)

Biennium Year 1: Fiscal Year 2021-22

As of May 10, 2021

	BOE-approved Budget Request - Base Only	\$100.2 million Non-Recurring Cut Maintained	Change in MOF General Funds to Federal	Cut to Payroll Funding	Intra-Departme ntal Transfer	Additions	TOTAL
EDN 100 School-based Budgeting	\$1,062,761,370	-\$35,707,233	-\$313,455	-\$243,059	\$0	\$300,000	\$1,026,797,623
EDN 150 Special Education	\$406,086,573	-\$4,431,663	-\$295,106	-\$353,437	\$0	\$0	\$401,006,367
EDN 200 Instructional Support	\$61,707,326	-\$1,731,083	-\$11,985,523	-\$499,354	\$0	\$3,468,424	\$50,959,787
EDN 300 State Administration	\$55,737,378	-\$2,337,306	-\$4,176,199	-\$609,086	-\$11,638,427	\$30,564	\$37,006,924
EDN 400 School Support	\$201,886,583	-\$55,877,341	-\$812,004	-\$2,092,410	\$11,638,427	0	\$154,743,255
EDN450 School Facility Agency	\$0	\$0	\$0	\$0	\$0	\$1	\$1
EDN 500 School Community Services	\$4,346,464	-\$115,374	\$0	\$0	\$0	\$0	\$4,231,090
TOTAL	\$1,792,525,694	-\$100,200,000	-\$17,582,287	-\$3,797,346	\$0	\$3,798,989	\$1,674,745,047



HB200 CD1: Executive Budget

Summary of Adjustments for the Department of Education from [Budget Worksheets](#)

Biennium Year 2: Fiscal Year 2022-23

As of May 10, 2021

	BOE-approved Budget Request - Base Only	\$100.2 million Non-Recurring Cut Maintained	Change in MOF General Funds to Federal	Cut to Payroll Funding	Intra-Departm ental Transfer	Additions	TOTAL
EDN 100 School-based Budgeting	\$1,062,761,370	-\$35,707,233	-\$313,455	-\$243,059	\$0	\$50,000	\$1,026,547,623
EDN 150 Special Education	\$406,086,573	-\$4,431,663	-\$488,846	-\$353,437	\$0	\$0	\$400,812,627
EDN 200 Instructional Support	\$61,707,326	-\$1,731,083	-\$4,985,523	-\$499,354	\$0	\$6,468,424	\$60,959,787
EDN 300 State Administration	\$55,737,378	-\$2,337,306	-\$4,176,199	-\$609,086	-\$11,638,427	\$30,564	\$37,006,924
EDN 400 School Support	\$201,886,583	-\$55,877,341	-\$812,004	-\$2,092,410	\$11,638,427	0	\$154,743,255
EDN450 School Facility Agency	\$0	\$0	\$0	\$0	\$0	\$1	\$1
EDN 500 School Community Services	\$4,346,464	-\$115,374	\$0	\$0	\$0	\$0	\$4,231,090
TOTAL	\$1,792,525,694	-\$100,200,000	-\$10,776,027	-\$3,797,346	\$0	\$6,548,989	\$1,684,301,307



Impact by EDN Funding Categories

EDN 100: School-Based Budgeting

To ensure all students receive instruction consistent with the standards so they may achieve those standards and develop to their fullest potential in alignment with the General Learner Outcomes.



	FY 2021-22		FY 2022-23	
	HB200 Reductions	Federal ESSER Appropriation	HB200 Reductions	Federal ESSER Appropriation
Portion of the \$100.2M cut for WSF	-\$23,405,158	\$35,740,846	-\$23,405,158	\$0
Portion of the \$100.2M cut for non-WSF programs	-\$12,302,075*		-\$12,302,075	
Shortfalls: Workers Comp (\$10M), Teacher Differentials (\$32.5M)	-\$42,500,000*		-\$10,000,000	
EDN 100 Remaining Shortfall	-\$54,802,075*		-\$45,707,233	

-\$243,059 a year in vacancy/payroll cuts that will further increase the required turnover savings adjustment



Impact by EDN Funding Categories

EDN 150: Special Education & Student Support Services

To ensure that student learning takes place within an educational, social and emotional context that supports each student's success in achieving the standards.



	FY 2021-22		FY 2022-23	
	HB200 Reductions	Federal ESSER Appropriation	HB200 Reductions	Federal ESSER Appropriation
Portion of the \$100.2M cut	-\$4,431,663	\$4,431,663	-\$4,431,663	\$4,431,663
EDN 150 Remaining Shortfall	\$0		\$0	

-\$353,437 a year in vacancy/payroll cuts that will further increase the required turnover savings adjustment



Impact by EDN Funding Categories

EDN 200: Instructional Support

To support the instructional program by providing assistance to schools and complexes in implementing standards; developing, training, monitoring new and existing curricula and instructional strategies that support student attainment of the standards; testing; and reporting on student, school and system accountability in a responsive and expedient manner.



	FY 2021-22		FY 2022-23	
	HB200 Reductions	Federal ESSER Appropriation	HB200 Reductions	Federal ESSER Appropriation
Portion of the \$100.2M cut	-\$1,731,083	\$0	-\$1,731,083	\$0
EDN 200 Remaining Shortfall	-\$1,731,083		-\$1,731,083	

-\$499,354 a year in vacancy/payroll cuts that will further increase the required turnover savings adjustment



Impact by EDN Funding Categories

EDN 300: State Administration

To facilitate the operations of the public school system by providing leadership, management, planning, fiscal, logistical, technological, personnel, and other supporting services.



	FY 2021-22		FY 2022-23	
	HB200 Reductions	Federal ESSER Appropriation	HB200 Reductions	Federal ESSER Appropriation
Portion of the \$100.2M cut	-\$2,337,306	\$0	-\$2,337,306	\$0
Cut of (1.0) Assistant Superintendent for OSIP	-\$156,324	\$0	-\$156,324	\$0
EDN 300 Remaining Shortfall	-\$2,493,630		-\$2,493,630	

-\$609,086 a year in vacancy/payroll cuts that will further increase the required turnover savings adjustment



Impact by EDN Funding Categories

EDN 400: School Support

To facilitate the operations of the Department by providing school food services; services and supplies related to construction, operation and maintenance of grounds and facilities; and student transportation services.



	FY 2021-22		FY 2022-23	
	HB200 Reductions	Federal ESSER Appropriation	HB200 Reductions	Federal ESSER Appropriation
Portion of the \$100.2M cut	-\$55,877,341	\$110,000,000	-\$55,877,341	\$0
Shortfalls: Schools Converged Networks Licensing and Maintenance (\$5M), FMS Modernization Licensing and Maintenance (\$1.5M)	\$6,500,00	\$0	\$6,500,00	\$0
EDN 400 Remaining Shortfall	-\$7,377,341		-\$7,377,341	

-\$2,092,410 a year in vacancy/payroll cuts that will further increase the required turnover savings adjustment



Impact by EDN Funding Categories

EDN 500: School Community Services

To provide lifelong learning opportunities for adults and to meet other community needs of the general public.



	FY 2021-22		FY 2022-23	
	HB200 Reductions	Federal ESSER Appropriation	HB200 Reductions	Federal ESSER Appropriation
Portion of the \$100.2M cut	-\$115,374	\$0	-\$115,374	\$0
EDN 500 Remaining Shortfall	-\$115,374		-\$115,374	

\$0 a year in vacancy/payroll cuts that will further increase the required turnover savings adjustment



Impact by EDN Funding Categories

HB200 + HB613 = Total two-year general fund shortfall \$123.9M

	FY 2021-22 Remaining Shortfall	FY 2022-23 Remaining Shortfall
EDN 100	-\$54,802,075	-\$45,707,233
EDN 150	\$0	\$0
EDN 200	-\$1,731,083	-\$1,731,083
EDN 300	-\$2,493,630	-\$2,493,630
EDN 400	-\$7,377,341	-\$7,377,341
EDN 500	-\$115,374	-\$115,374
	-\$66,519,503	-\$57,424,661



HB200 CD1: ESSER II Appropriations

EDN	Description	FY22	FY23
100	Leilehua High School Cyber Security Academy - Equipment & Furniture	\$304,400	\$0
100	Challenger Space Center (Previously funded via the state Department of Business, Economic Development and Tourism)	\$325,241	\$325,241
100	Change in Means of Finance* (Hawaiian Immersion & E-School positions): (1) Permanent Educational Specialist II, (1) Permanent 12-month State Office Teacher	\$191,315	\$191,315
100	Change in Means of Finance* (Alternative Learning Program Position): (1) Permanent Educational Specialist II	\$103,163	\$103,163
150	RESTORE Portion of \$100.2 million General Fund cut: Other Personal Services	\$4,431,663	\$4,431,663
150	Change in Means of Finance* (Various special education programs): (3) Permanent Educational Specialist II	\$295,106	\$295,106
150	Change in Means of Finance* (Various special education programs): (2) Temporary Program Specialist IV, (1) Temporary Program Specialist V	\$0	\$193,740

* Change to the Means of Finance (funding source) from general funds to federal funds.



HB613 CD2: ESSER II Appropriations

Section	Description	FY21	FY22	FY23	Total
2 (1)	Teacher Differential	\$32,500,000			\$32,500,000
2 (2)	School Food Services shortfall	\$21,000,000			\$21,000,000
2 (3)	Charter School fair share	\$8,991,457			\$8,991,457
2 (4)	Summer Learning Hubs	\$9,650,000			\$9,650,000
2 (5)	Summer Kindergarten Transition	\$1,790,000			\$1,790,000
2 (6)	Summer Ohana Help Desk	\$333,334			\$333,334
2 (7)	Connectivity	\$1,360,000			\$1,360,000
2 (8)	Transportation Support Services	\$6,000,000			\$6,000,000
2 (9)	School Food Support Services	\$6,000,000			\$6,000,000
2 (10)	Student Computer Devices	\$8,401,000			\$8,401,000
2 (11)	Summer School Fees	\$1,000,000			\$1,000,000
2 (12)	School Facilities Agency		\$1,000,000	\$1,500,000	\$2,500,000
2 (13)	Weighted Student Formula		\$35,740,846		\$35,740,846
2 (14)	Repair and Maintenance		\$4,695,000	\$4,695,000	\$9,390,000
	HB613 CD2 TOTAL	\$97,025,791	\$41,435,846	\$6,195,000	\$144,656,637
	HB200 CD1 & HB 613 CD2	\$97,025,791	\$64,460,463	\$22,108,957	\$183,595,211



HB613 CD2: ESSER III Appropriations

Section	Description	FY22	ARP Requirement
3 (1)	Learning Loss (<i>ARP requires minimum of 90% * 20% of award</i>)	\$76,280,821	\$74,219,178
NA	Learning Loss (<i>ARP requires minimum of 5% of award</i>)		\$20,616,438
3 (8)	Learning Loss Summer Programs (<i>ARP requires 1% of award</i>)	\$24,205,024	\$4,123,288
3 (9)	Learning Loss After-school Programs (<i>ARP requires 1% of award</i>)	\$412,329	\$4,123,288
	Learning Loss Subtotal	\$100,898,174	\$103,082,192
3 (6)	Administrative costs & emergency needs (<i>ARP max of 0.5%</i>)	\$2,061,645	
3 (2)	Public charter schools (proportionate share)	\$20,204,110	
3 (7)	Virtual learning software & licensing for Complex Areas via OCID	\$19,000,000	
3 (11)	Underserved student groups disproportionately impacted	\$20,000,000	
3 (4)	Discretionary Complex Area funds	\$100,300,000	
3 (3)	Discretionary Office of Facilities and Operations funds to reopen	\$110,000,000	
3 (12)	Alternative teacher licensure program	\$1,000,000	
3 (13)	Teacher retention bonus payment of \$2,200	\$29,700,000	
3 (5)	Honouliuli Middle School new classrooms - furniture and equipment	\$1,800,000	
3 (14)	Greenhouse Pilot Program (4 Complex Areas)	\$6,360,000	
3 (10)	EOEL - to support and stabilize educator workforce	\$1,000,000	
	HB613 CD2 TOTAL	\$412,323,929	



HB613 CD2: ESSER II & III Appropriations

Concerns and Challenges

- **American Rescue Plan State Plan requirements**
 - Data on student needs to drive decision-making
 - Purpose is to help schools reopen safely for in-person learning
 - Stakeholder engagement and public input required
- **Possible issues with allowable uses of ESSER funds**
 - Teacher bonuses (bonuses are prohibited)
 - School Facilities Agency funding (not a current operating expense for the Department)
 - Executive Office on Early Learning “stabilize educator workforce” funding
 - Greenhouse construction without regard to consideration of student needs
- **Possible issues with state requirements**
 - Board of Education administers federal funds awarded to the Department of Education ([HRS 302A-1401](#))
 - Teacher bonuses require collective bargaining engagement



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References

For additional information and resources, please see:

<https://www.hawaiipublicschools.org/DOE%20Forms/budget/2021-05-20-BOE-FIC-References.pdf>