



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

OFFICE OF THE SUPERINTENDENT

August 16, 2016

TO: The Honorable Grant Chun
Chairperson, Finance and Infrastructure Committee

FROM: 
Kathryn S. Matayoshi
Superintendent

SUBJECT: **Update on the Department of Education's Budget Background and Process for the 2017-2019 Fiscal Biennium**

1. DESCRIPTION

Update on the Department of Education's budget background and process for the 2017-2019 fiscal biennium.

2. PRESENTATION

See attachment.

KSM:las

Attachment

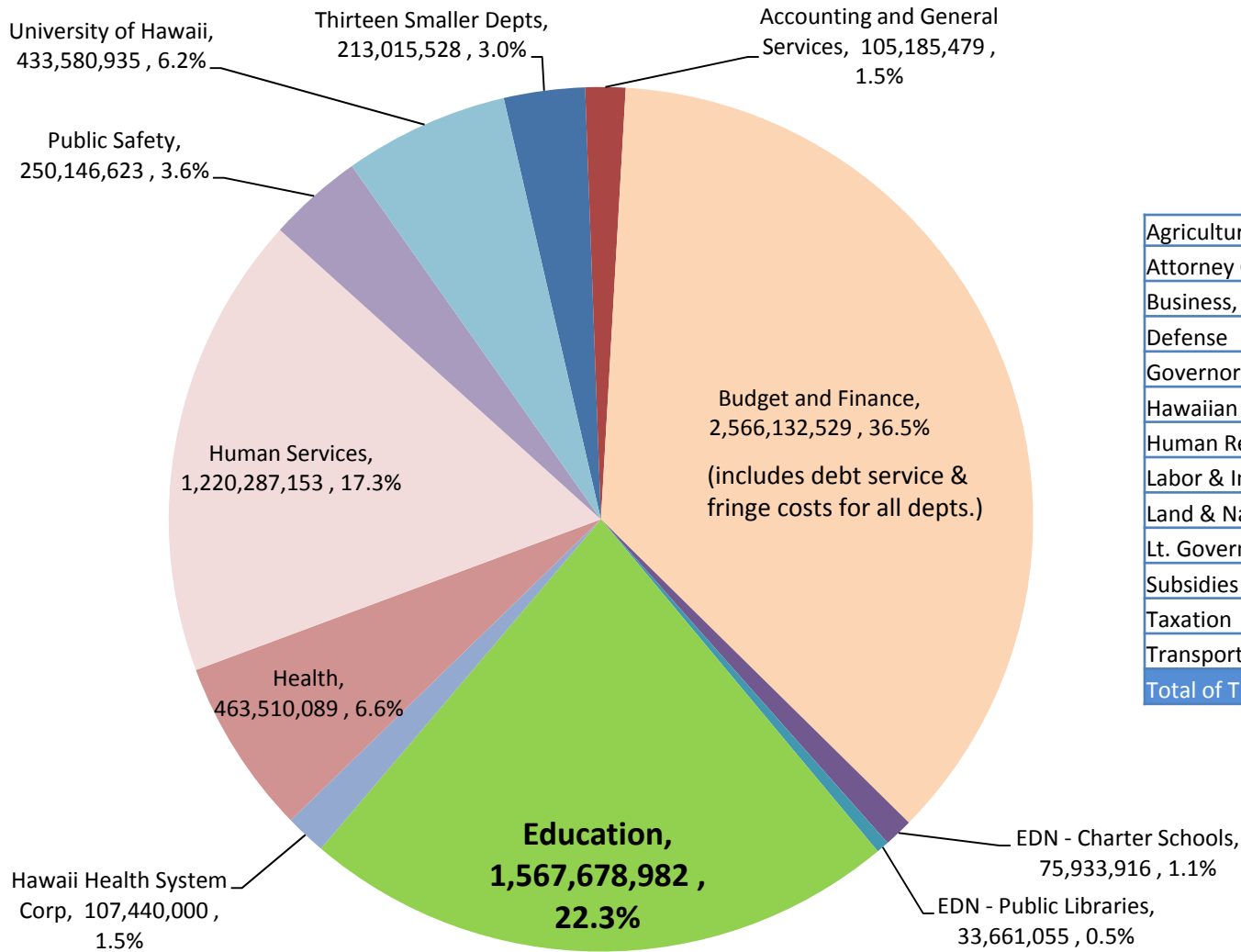
c: Amy S. Kunz, Senior Assistant Superintendent and CFO
Stephen Schatz, Deputy Superintendent
Assistant Superintendents
Budget Branch

Update on the Department of Education's budget background and process for the 2017-2019 Fiscal Biennium

Education breeds confidence. Confidence breeds hope. Hope breeds peace.
-Confucius

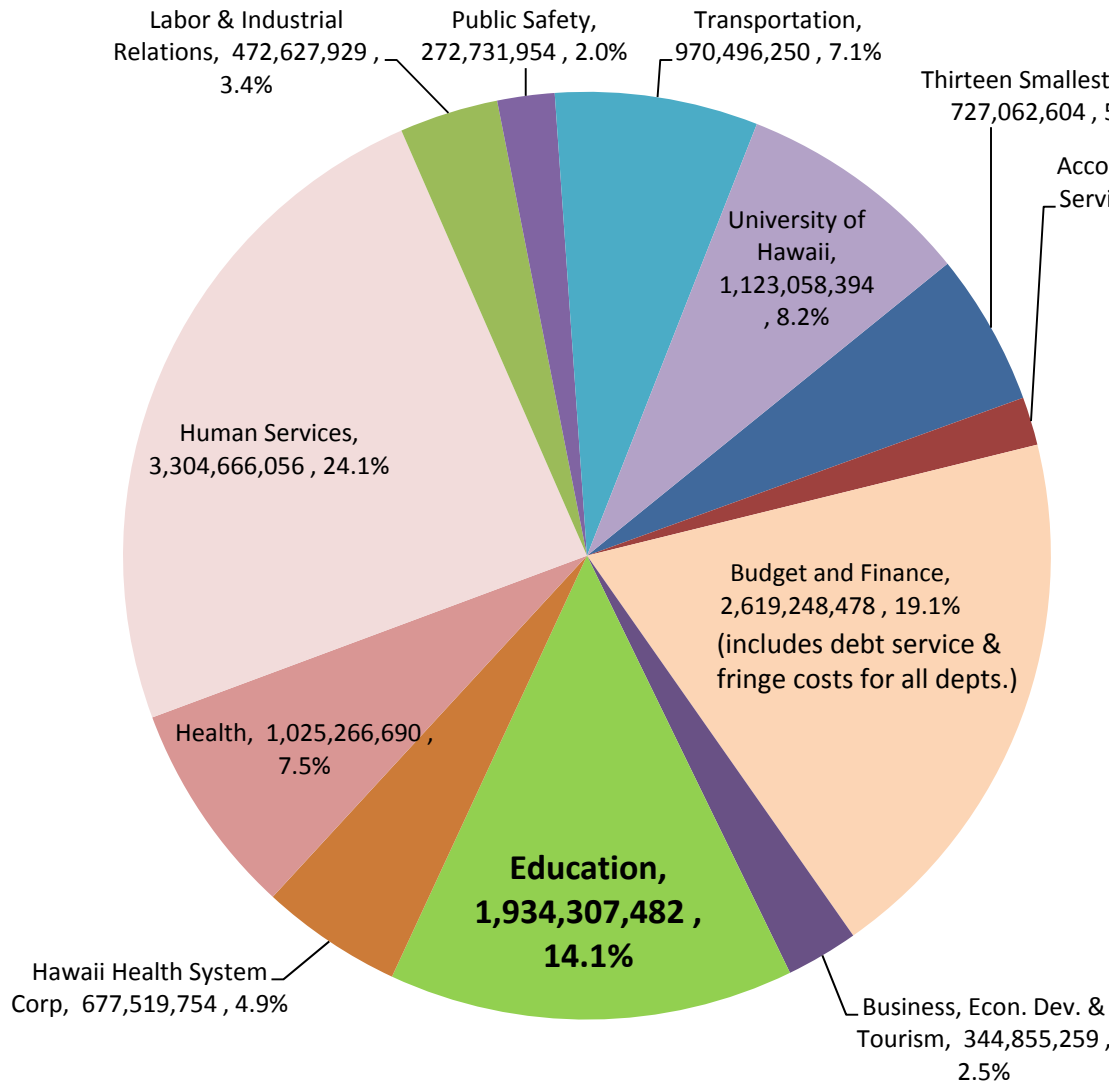
BOE – Finance and Infrastructure Committee
August 16, 2016

Executive Branch FY17 General Fund Appropriations (\$7.0 billion)



| | |
|--|--------------------|
| Agriculture | 15,316,858 |
| Attorney General | 31,716,325 |
| Business, Econ. Dev. & Tourism | 13,543,802 |
| Defense | 21,139,755 |
| Governor | 3,816,705 |
| Hawaiian Home Lands | 23,925,340 |
| Human Resources Development | 17,476,205 |
| Labor & Industrial Relations | 18,745,118 |
| Land & Natural Resources | 34,566,698 |
| Lt. Governor | 1,081,703 |
| Subsidies to Counties | 2,500,000 |
| Taxation | 27,687,019 |
| Transportation | 1,500,000 |
| Total of Thirteen Smaller Depts | 213,015,528 |

Executive Branch FY17 All Means of Finance Appropriations (\$13.7 billion)



| | |
|--|--------------------|
| Agriculture | 51,593,696 |
| Attorney General | 95,922,803 |
| Commerce & Consumer Affairs | 78,584,094 |
| Defense | 134,396,901 |
| EDN - Charter Schools | 77,938,466 |
| EDN - Public Libraries | 39,026,299 |
| Governor | 3,816,705 |
| Hawaiian Home Lands | 61,552,735 |
| Human Resources Development | 23,237,486 |
| Land & Natural Resources | 128,655,600 |
| Lt. Governor | 1,081,703 |
| Subsidies to Counties | 2,500,000 |
| Taxation | 28,756,116 |
| Total of Thirteen Smaller Depts | 727,062,604 |

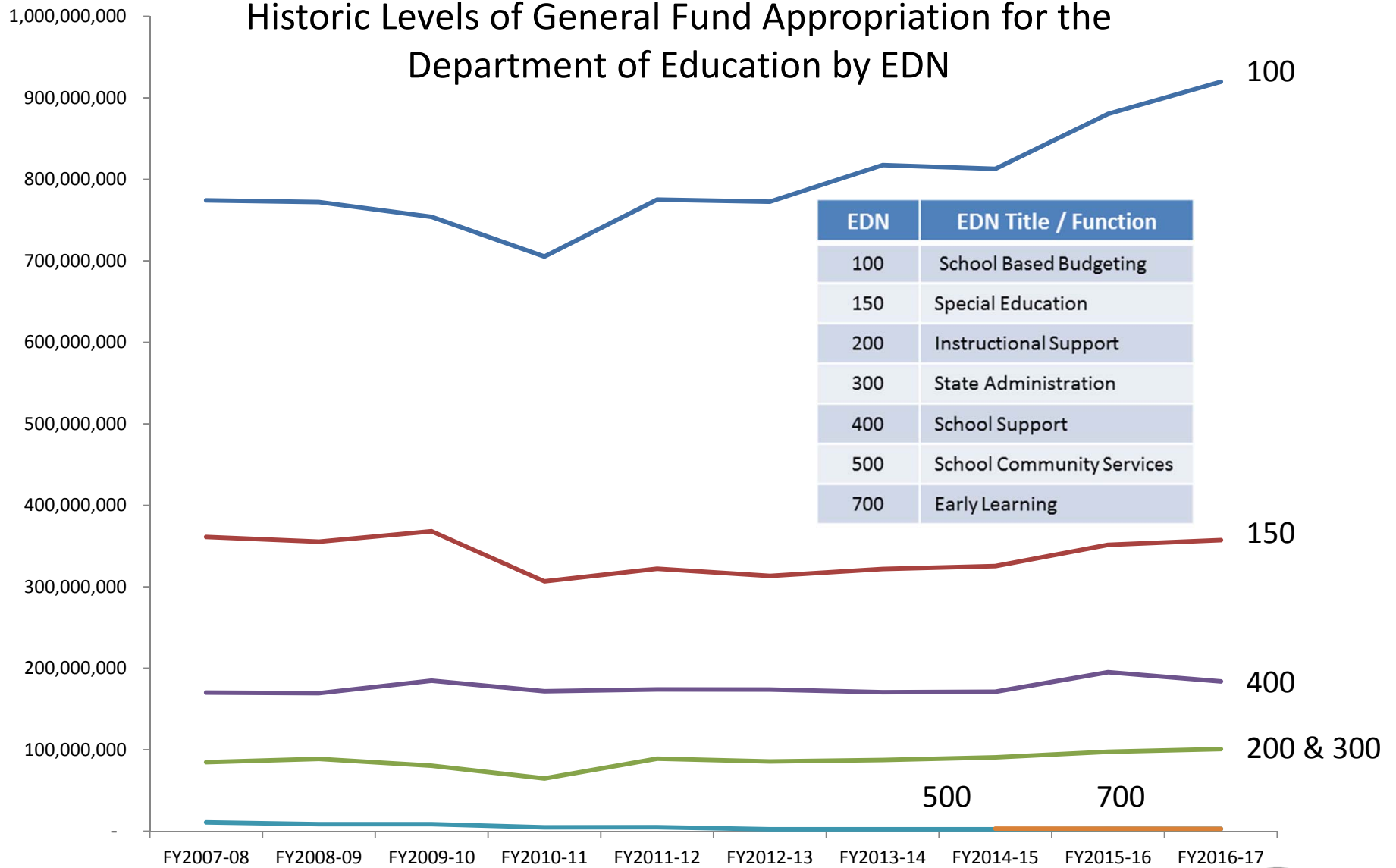
General Fund Appropriations by EDN

| EDN | EDN Title / Function |
|-----|---------------------------|
| 100 | School Based Budgeting |
| 150 | Special Education |
| 200 | Instructional Support |
| 300 | State Administration |
| 400 | School Support |
| 500 | School Community Services |
| 700 | Early Learning |

| EDN | FY2007-08 | FY2008-09 | FY2009-10 | FY2010-11 | FY2011-12 |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| 100 | 774,244,048 | 772,086,697 | 753,950,947 | 705,214,266 | 775,148,488 |
| 150 | 361,156,533 | 355,373,685 | 368,188,673 | 306,635,452 | 322,144,665 |
| 200 | 34,454,113 | 33,297,750 | 29,037,169 | 21,956,188 | 45,745,674 |
| 300 | 50,381,509 | 55,557,715 | 51,432,190 | 42,924,189 | 43,344,985 |
| 400 | 170,290,488 | 169,455,447 | 184,814,106 | 171,841,402 | 174,109,976 |
| 500 | 11,035,725 | 8,792,776 | 8,674,528 | 4,861,955 | 5,072,889 |
| 700 | | | | | |
| Total of ALL EDNs | 1,401,562,416 | 1,394,564,070 | 1,396,097,613 | 1,253,433,452 | 1,365,566,677 |

| EDN | FY2012-13 | FY2013-14 | FY2014-15 | FY2015-16 | FY2016-17 |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| 100 | 772,510,601 | 817,507,508 | 812,888,595 | 880,317,495 | 919,739,606 |
| 150 | 313,456,272 | 321,843,969 | 325,508,663 | 351,492,656 | 357,369,736 |
| 200 | 43,767,584 | 45,120,095 | 47,429,820 | 50,586,338 | 52,202,121 |
| 300 | 41,945,114 | 42,276,161 | 43,343,959 | 46,984,179 | 48,599,682 |
| 400 | 173,929,086 | 170,665,305 | 171,218,522 | 195,206,685 | 183,909,690 |
| 500 | 2,500,000 | 2,500,000 | 2,500,000 | 2,992,223 | 2,862,275 |
| 700 | | | 3,255,152 | 3,076,182 | 2,995,872 |
| Total of ALL EDNs | 1,348,108,657 | 1,399,913,038 | 1,406,144,711 | 1,530,655,758 | 1,567,678,982 |

Historic Levels of General Fund Appropriation for the Department of Education by EDN



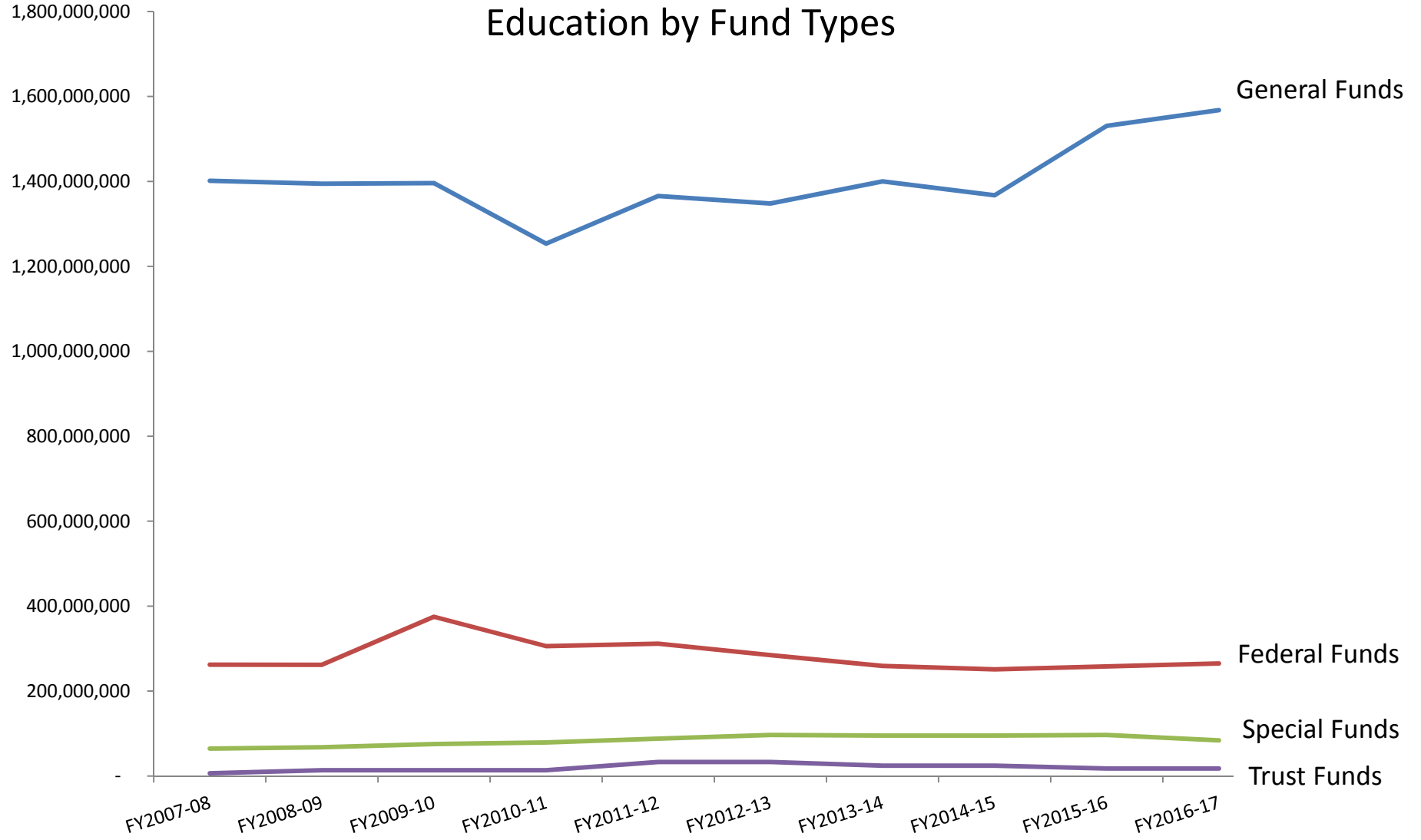
Types and Levels of Appropriations to the Department of Education

- **General funds** – used to authorize the expenditure of State tax revenues not specifically set aside by law for a special purpose. Primary sources are the State income tax and general excise tax. Makes up over 80% of DOE’s operating budget.
- **Federal funds** – used to authorize the Department to expend revenues from the federal government received by the Department for a variety of specific purposes. Examples include the Individuals with Disabilities Education Improvement Act (IDEA) or USDA National School Lunch Program.
- **Special funds** - used to authorize the expenditure of revenues collected by the department for particular purposes identified in State law (includes Revolving & Interdepartmental Transfer Funds). Example - the School Food Services Special Fund into which school lunch receipts are deposited to be used by the School Food Services program.
- **Trust funds** – used to authorize the expenditure of revenues received by schools or offices that are designated for specific persons or classes of persons who have a vested beneficial interest in the use of the funds. Example include Donations & Gifts Trust Fund.

| | FY2007-08 | FY2008-09 | FY2009-10 | FY2010-11 | FY2011-12 |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General funds | 1,401,562,416 | 1,394,564,070 | 1,396,097,613 | 1,253,433,452 | 1,365,566,677 |
| Federal funds (ceiling) | 262,206,533 | 261,847,302 | 374,991,570 | 305,716,386 | 311,496,353 |
| Special funds (ceiling) | 64,659,825 | 67,782,450 | 75,406,544 | 79,055,420 | 88,045,223 |
| Trust funds (ceiling) | 6,300,000 | 13,750,000 | 13,750,000 | 13,716,215 | 32,990,000 |
| Total All MOF | 1,734,728,774 | 1,737,943,822 | 1,860,245,727 | 1,651,921,473 | 1,798,098,253 |

| | FY2012-13 | FY2013-14 | FY2014-15 | FY2015-16 | FY2016-17 |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General funds | 1,348,108,657 | 1,399,913,038 | 1,367,369,920 | 1,530,655,758 | 1,567,678,982 |
| Federal funds (ceiling) | 284,547,256 | 259,250,749 | 250,994,824 | 258,012,049 | 265,034,049 |
| Special funds (ceiling) | 96,535,944 | 95,339,367 | 95,339,367 | 96,755,747 | 83,954,451 |
| Trust funds (ceiling) | 32,919,060 | 24,290,000 | 24,290,000 | 17,640,000 | 17,640,000 |
| Total All MOF | 1,762,110,917 | 1,778,793,154 | 1,737,994,111 | 1,903,063,554 | 1,934,307,482 |

Historic Levels of Appropriation TO the Department of Education by Fund Types



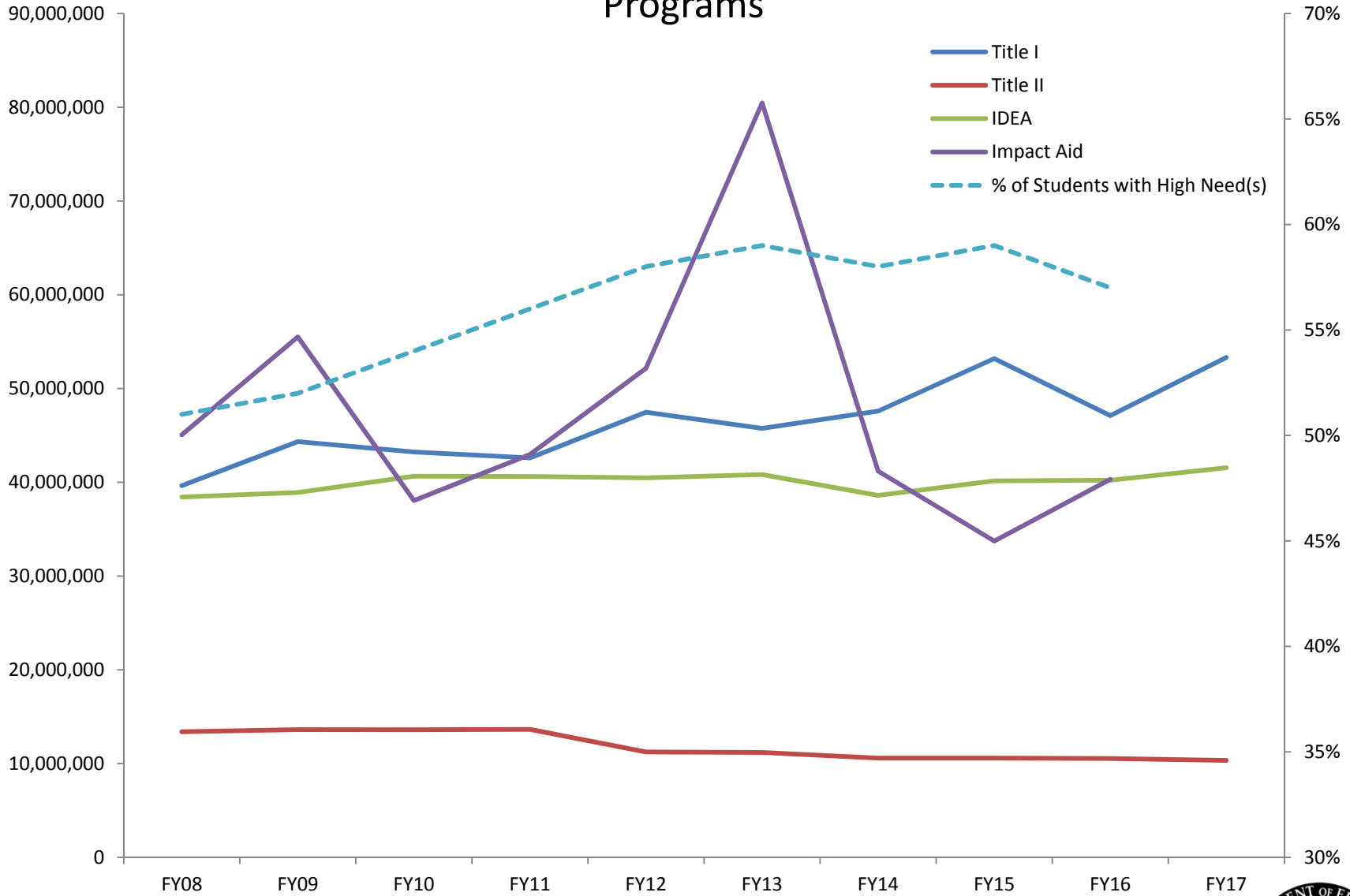
Select Federal Program & Awards

- **ESEA Title I Part A** – Improving Basic Programs Operated by Local Educational Agencies
- **ESEA Title II** – Improving Teacher Quality State Grants
- **IDEA** – Individuals with Disabilities Act
- **Impact Aid** – Title VIII of ESEA under NCLB & moved to Title VII under ESSA

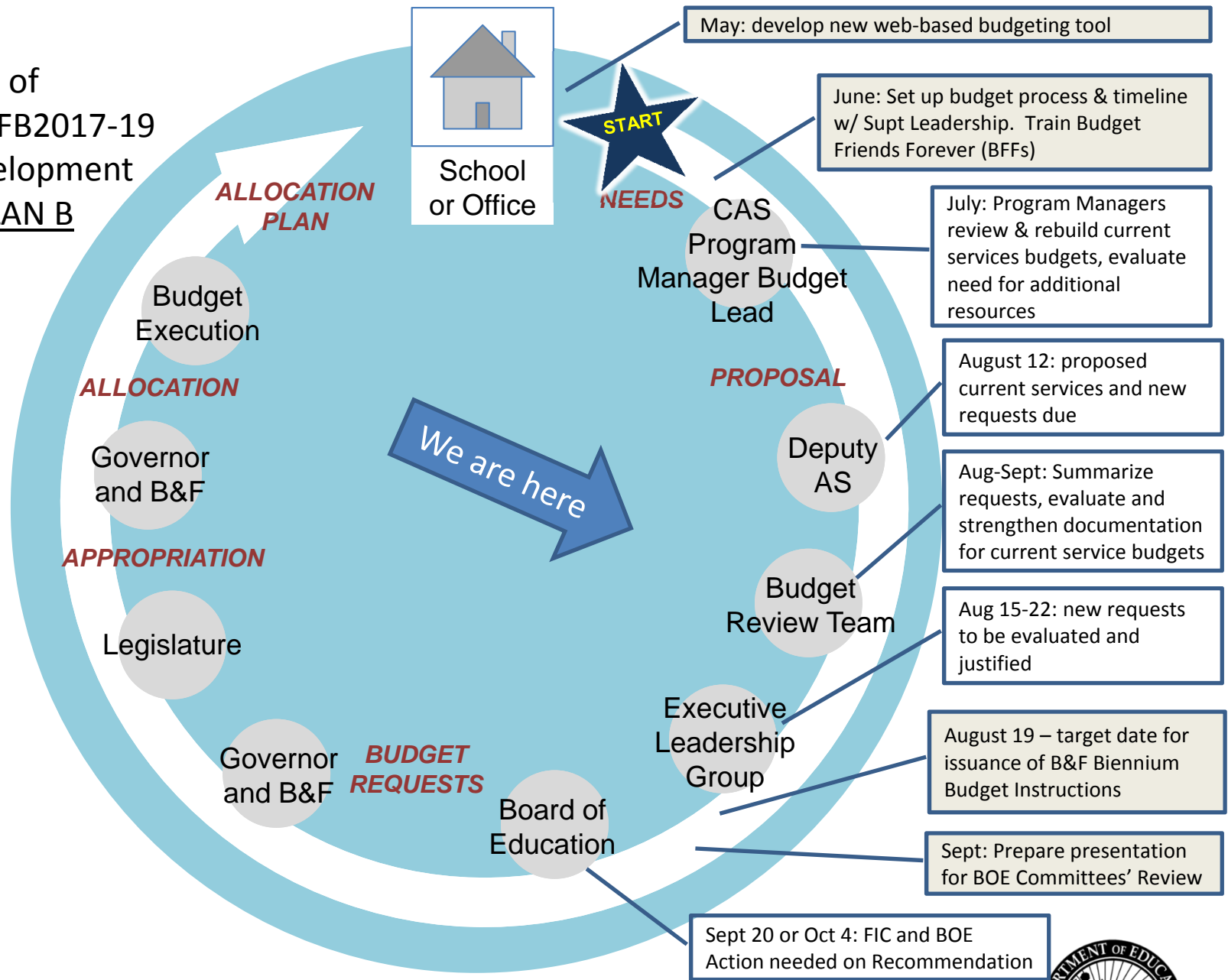
| Federal Program | FY08 | FY09 | FY10 | FY11 | FY12 |
|-----------------|------------|------------|------------|------------|------------|
| Title I | 39,638,957 | 44,336,607 | 43,230,443 | 42,598,821 | 47,475,260 |
| Title II | 13,393,817 | 13,623,462 | 13,622,554 | 13,659,126 | 11,243,906 |
| IDEA | 38,429,941 | 38,919,867 | 40,659,422 | 40,623,704 | 40,480,793 |
| Impact Aid | 45,068,203 | 55,515,943 | 38,057,476 | 42,967,608 | 52,162,808 |

| Federal Program | FY13 | FY14 | FY15 | FY16 | FY17 |
|-----------------|------------|------------|------------|------------|------------|
| Title I | 45,748,115 | 47,597,859 | 53,190,912 | 47,116,137 | 53,315,000 |
| Title II | 11,191,809 | 10,582,856 | 10,582,325 | 10,547,951 | 10,349,000 |
| IDEA | 40,833,044 | 38,610,911 | 40,150,801 | 40,227,772 | 41,556,000 |
| Impact Aid | 80,459,617 | 41,185,755 | 33,735,263 | 40,322,711 | tbd |

Historic Levels of Federal Grant Awards for Four Major Programs



Department of Education's FB2017-19 Budget Development Process – PLAN B



As of 8/12/16

Budget Process Overview

| Date | Budget Activity | BOE Update or Action |
|--------------------------|--|--|
| Late Spring – Summer | Department Prepares its Budget Recommendation | |
| Late Summer – Early Fall | Finance Director issues Budget Preparation Instructions | Updated on Budget Process |
| Early-Mid Fall | Board approved budget submitted to the Department of Budget and Finance for approval | Approves Department’s Budget Request |
| November | Governor makes final decisions on the DOE's budget requests | Updated on Governor’s Decisions |
| Late December | Governor submits Executive Budget Request to the Legislature | |
| March | House of Representatives draft their version of the budget | Updated on House Draft |
| April | Senate draft their version of the budget | Updated on Senate Draft |
| Late April | Legislature finalizes the budget & appropriates funds | Updated on Conference Draft |
| Early – Late June | Governor allots (releases) funds in increments based on revenue projections, and may restrict funding to departments | Approved Department’s Restriction Plan if one is necessary |
| July 1 | Fiscal Year begins and HIDOE begins expending allotted funds | |

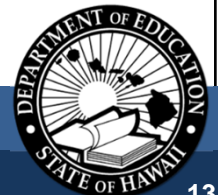
Council on Revenues

General Fund Tax Collection Projections

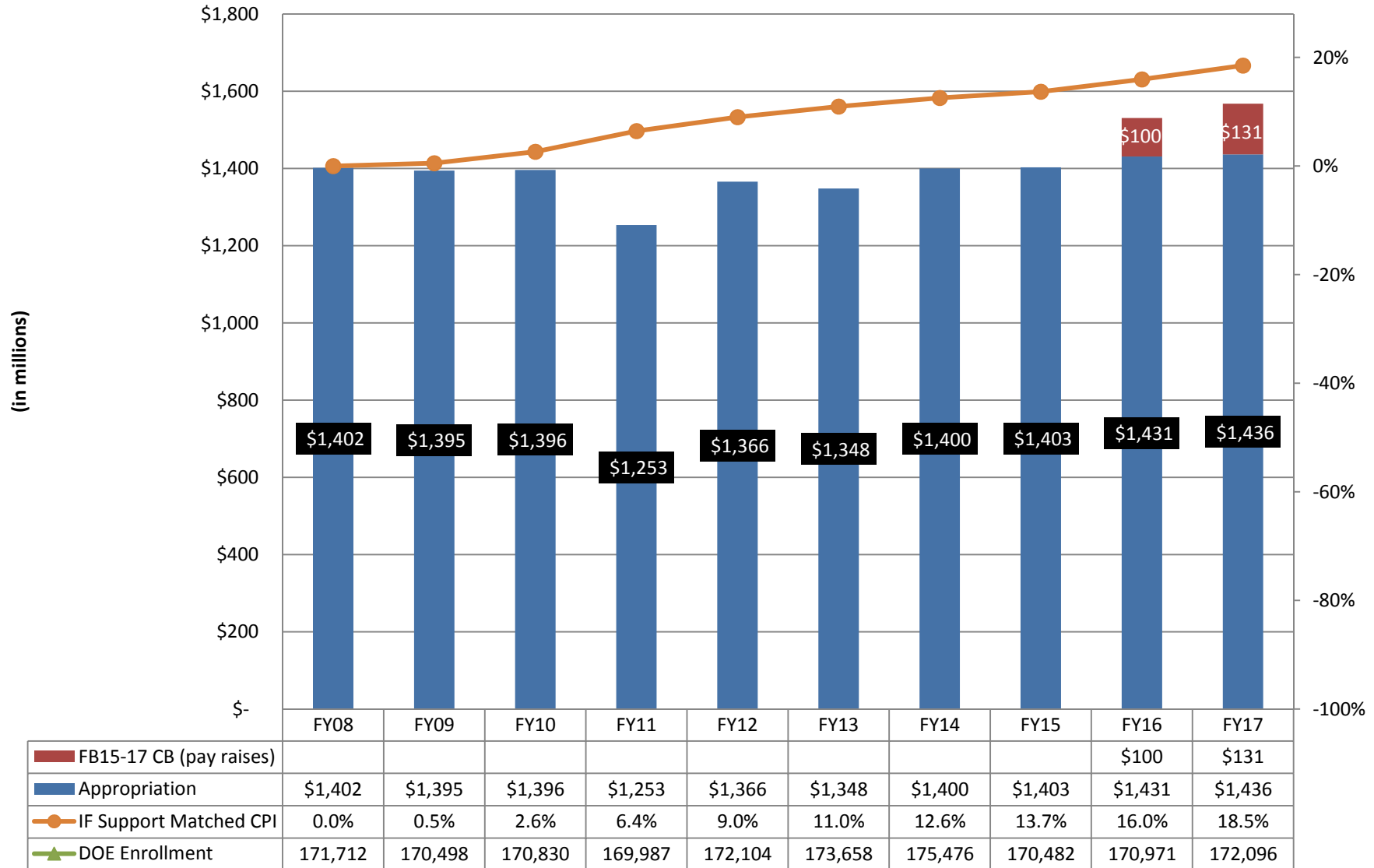
- Hawaii Revised Statute §37-112
 - To ensure a balanced budget, the governor and legislature shall use the latest Council on Revenues (COR) estimates as their base estimate for general fund tax revenues for next six years.
 - If the revenue estimate used by governor or legislature differs they shall make that fact public with the reasons for using the differing revenue estimate.
- Hawaii Revised Statute §37-111
 - The COR is established in the State Constitution and Hawaii Revised Statute (§37-111)
 - Made up of seven individuals – 3 selected by the Governor, 2 selected by the Senate, 2 selected by the House.
 - Reports its latest revenue forecast to the governor and the legislature on June 1, September 10, January 10, and March 15 of each year.

Recent Council on Revenue General Fund Tax Revenue Projections

| COR Meeting Date | Used by: | FY16 % | FY16\$ | FY17% | FY17\$ |
|--|---|--------|---|-------|---------------------------------------|
| 09/03/15 | Governor to submit FY2016-17 Supplemental Budget Request | 6.0% | 6,079,249,000 | 5.5% | 6,413,608,000 |
| 01/07/16 | House to prepare the House Draft of Supplemental Budget | 6.7% | 6,119,395,000 | 5.5% | 6,455,962,000 |
| 03/10/16 | Senate to prepare the Senate Draft of the Supplemental Budget and the Conference Committee to negotiate final FY17 appropriations | 6.7% | 6,119,395,000 | 5.0% | 6,425,365,000 |
| 05/24/16 | Considered by Governor in restricting or releasing FY17 Allocations | 6.1% | 6,084,985,000 | 5.0% | 6,389,234,000 |
| Actual FY16 Collections (as of 6/30/16) | Considered by Governor in releasing FY17 Allocations & setting the FB2017-19 Budget Instructions. | 8.0% | 6,193,952,000 (est. of actual revenue announced by Exec) | 5.0% | 6,503,650,000 (using latest COR %) |
| 9/2/16 NEXT SCHEDULED MEETING (tentative) | Considered by Governor in releasing FY17 Allocation and making decisions on the FB2017-19 Budget | 8.0% | 6,193,952,000 (est. of actual revenue announced by Exec) | tbd | tbd |

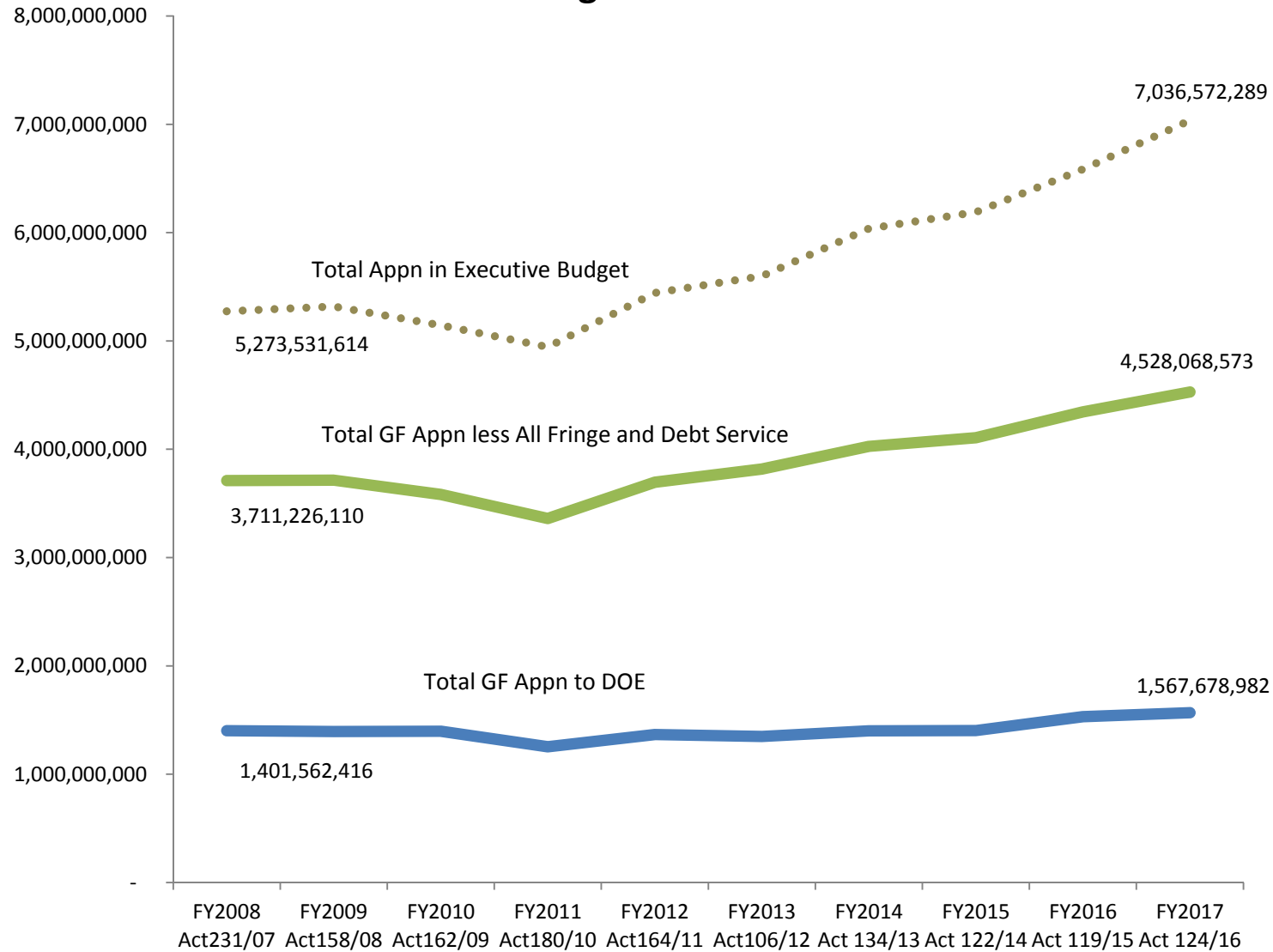


DOE - General Fund Appropriation History FY08-17 (w/CB)



Source: CPI-Honolulu data from DBEDT 2016 2nd Qtr Economic Outlook & FY17 enrollment is projected enrollment.

General Fund Appropriations from Executive Budget Bills: FY08 - FY17



CIP categories & projects

Capacity:

New Schools, Classroom Additions, Temporary Facilities, Repurposing existing facilities to create capacity

Condition:

Repair & Maintenance, Electrical/Technology Infrastructure, Hazardous Material Removal, Structural Improvements

Program Support:

Gender Equity, New Restrooms, ADA Compliance, Support Program Spaces, Playground Equipment

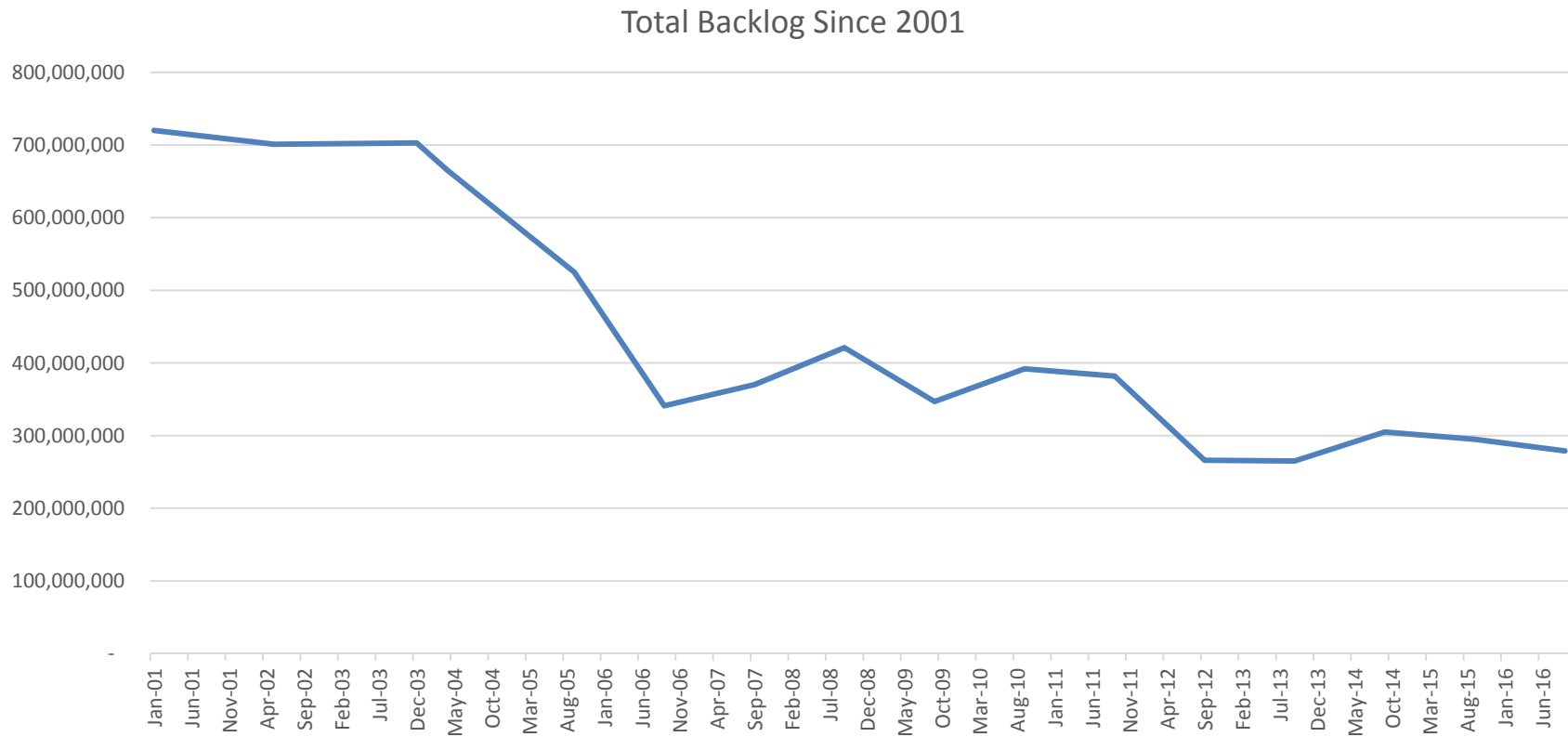
Equity:

Science Facilities, Special Education, Energy Improvement, Right-sizing of spaces, Physical Education, Noise Abatement

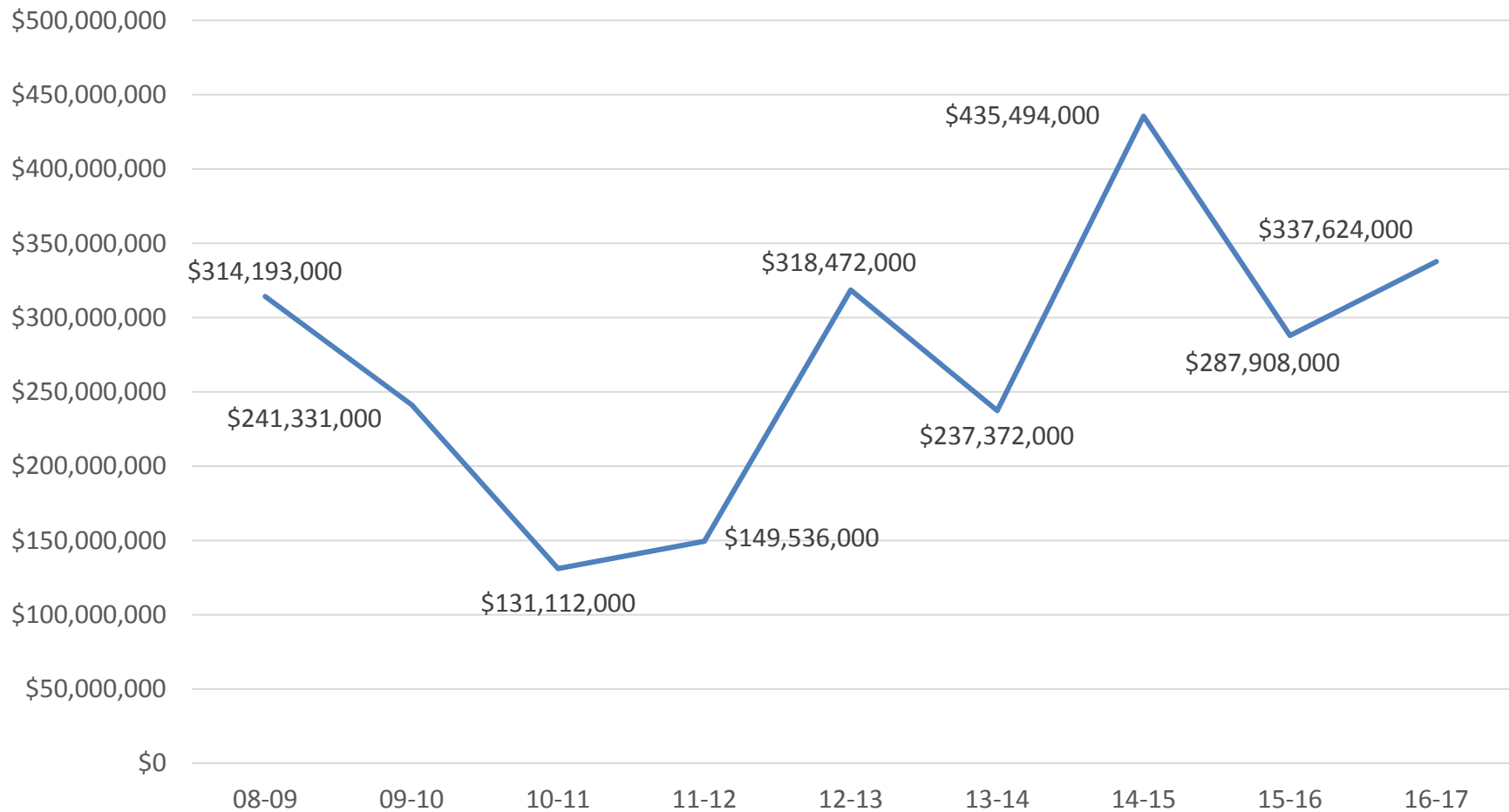
Heat Abatement:

Ventilation, Mechanical Cooling, Night Flushing, etc.

R&M Backlog since 2001



CIP funding, appropriations



Questions?

