




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

OFFICE OF THE SUPERINTENDENT

September 1, 2022

TO: The Honorable Lynn Fallin
Chairperson, Finance and Infrastructure Committee

FROM: Keith T. Hayashi
Superintendent 

SUBJECT: **Presentation on Department of Education ("Department") 2023-2025 Fiscal Biennium Operating Budget Process**

1. EXECUTIVE SUMMARY

- The operating budget of the Hawaii State Department of Education (Department) for Fiscal Biennium (FB) 2023-2025 will generally be based on its operating budget for Fiscal Year (FY) 2022-2023.
 - [Act 248, Session Laws of Hawaii 2022](#), restored the cuts made to the Department's budget, addressed various shortfalls, and provided new resources to support capacity building and teaching and learning for FY 2022-2023.
- The Department has not yet received the FB 2023-2025 budget development instructions from the State Department of Budget and Finance, but based on historic experience anticipates that they will likely be issued sometime in September. These instructions have historically recognized the context (fiscal and political/logistical) in which the budget proposal will be considered.
- The Department has begun collecting budget requests from each program and will review the program proposals in September to generate the Department's budget proposal for FB 2023-2025.
- The Department will present its budget proposal to the Hawaii State Board of Education (Board) in October in preparation for submission to the state Department of Budget and Finance for the Governor's consideration.

2. DESCRIPTION

The presentation on the Department's 2023-2025 Fiscal Biennium operating budget process will:

- A. Provide basic information on the budget development process and the context of that process in advance of the anticipated Finance and Infrastructure Committee (Committee) Action Item to consider the Department's 2023-2025 Biennium Budget Proposal at the October Committee meeting; and

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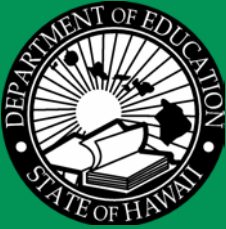
B. Provide an opportunity for public and Committee member input on the budget development process in advance of the Department finalizing its proposed budget request.

3. PRESENTATION

The Department's presentation is attached.

KTH:bh
Attachment

c: Office of Fiscal Services



HAWAII STATE

Department of Education

Presentation on Department of Education (“Department”) 2023-2025 Fiscal Biennium operating budget process

For:

Hawaii Board of Education

Finance and Infrastructure Committee

September 1, 2022



Five items that we will be covering today:

1. Where we are now? The current fiscal year is fiscal year 2022-23. (slides 3 & 4)
2. What we can expect for the next two fiscal years, fiscal year 2023-24 and fiscal year 2024-25? (slides 5 & 6)
3. How does the fiscal climate look? (slides 7 & 8)
4. What is the Hawaii State Department of Education's (Department) internal budget development process for the upcoming fiscal years? (slides 9-11)
5. Additional concerns. (slide 12)



Fiscal Year (FY) 2022-23 Operating Budget

- [Recap of Key Highlights from Act 248/22](#)
 - \$165.5 million in new resources including \$121.7 million for repricing;
 - \$114 million to restore deep general fund budget cuts;
 - \$49 million to address various shortfalls; and
 - \$3 million increase for FY 2022-23 in Alternative Learning Programs funding from Act 88, SLH 2021.
- The Department of Budget and Finance (B&F) released the budget execution policies on August 22, 2022.
- The following publicly available report provides a breakdown of the budget appropriations by EDN for each DOE 5-digit Program ID: [FY 2022-23 Base Operating Budget - Appropriation Summary](#)



Fiscal Biennium 2023-25 Operating Budget

What is our starting point for making budget requests?

- The FY 2022-23 Executive Supplemental Budget generally serves to determine the “Base Budget” for purposes of Fiscal Biennium (FB) 2023-2025. In addition,
 - Collective bargaining costs appropriated separately from Act 248/22 will need to be incorporated into our base budget; and
 - Costs identified by the Legislature or Governor as non-recurring cost items will be removed:
 - \$256 million for one-time repair and maintenance work;
 - \$14.3 million for various facilities activities; and
 - \$10 million for Workers Compensation



What can we expect in terms of instructions for Fiscal Biennium 2023-25?

For now, we can only look back at historical instructions

Department of Budget & Finance, Finance Memorandum (FM):

- [FM 20-15: Fiscal Biennium 2021-23 Executive Budget Request and the Program and Financial Plan for the Period 2021-27](#)
 - [20-15 Attachments](#)
 - Due to the pandemic fallout - “we will be unable to consider general fund increases for the FB 2021-23 Executive Budget. Very limited exceptions will be allowed for fixed costs and critical needs that must be addressed immediately, such as those related to COVID-19.”
- [FM14-12: Fiscal Biennium 2015-17 Executive Budget Request and the Program and Financial Plan for the Period 2015-21](#)
 - [14-12 Attachments](#)
 - “We approach the development of the Executive Biennium Budget for FB 2015-17 mindful of the fact that the Administration will change in December... two budget submittals to the Legislature are envisioned.”
 - Two part budget submittal
 - “Status Quo” Budget Submittal; and
 - Second Budget Submittal dependent on the direction of the incoming Administration.



Instructions from the Governor on Budget Preparation for Fiscal Biennium 2023-25

Finance Memorandum	Date Issued	Type of Budget	Due Date for Request
FM 22-xx	TBD	Biennium	TBD
FM 21-11	9/17/21	Supplemental	10/8/21
FM 20-15	10/2/20	Biennium	10/16/20
FM 19-11	9/4/19	Supplemental	9/27/19
FM 18-16	9/19/18	Biennium	10/12/18
FM 17-12	9/27/17	Supplemental	10/16/17
FM 16-12	8/26/16	Biennium	9/23/16
FM 15-11	9/24/15	Supplemental	10/16/15



Fiscal Climate: the economy

Executive Memorandum 22-03: [FY 23 Budget Execution Policies and Instructions](#) provides an indication of the current fiscal context. This memorandum indicates that we are seeing:

1. A recovery from the impact of the coronavirus (COVID-19) pandemic;
2. Much improved unemployment rate of 4.3% in June 2022;
3. Tax revenue improvement with the May 2022 the Council on Revenues (COR) increasing its FY 2021-22 general fund tax revenue year-over-year growth projection to 28%; and
4. General fund tax revenue growth for FY 2022-23 on track with preliminary growth of 6% for July 2022.



Fiscal Climate: Inflation as a budget driver

Examples of historically inflation prone areas

- Food Service;
- Student Transportation;
- Utilities;
- Skilled Nursing Services; and
- Workers Compensation

NOTE: The Department is currently conducting its review of these programs; it is still too early in the process to make a definitive determination on the budget requirements for these areas.



DOE Internal Budget Development Process

- The Department's budget development process is governed by numerous statutes, procedures, and policies of several major decision-making bodies, which include the
 - US Department of Education, Board of Education, Department of Budget and Finance, Governor, and the State Legislature
- Major steps:
 1. Department programs compile budget request proposals for Leadership review.
 2. Leadership reviews proposal for submission to the Board of Education.
 3. B&F releases instructions.
 4. Board of Education reviews Department proposals.
 5. Board of Education-approved budget is submitted to the Governor through B&F.
 6. Governor submits Executive Budget to the Legislature in December.



DOE Internal Budget Development Process

Timeline between September 1 and October FIC meetings:

- Anticipated issuance some time during September: B&F issues budget instructions;
- Early September: The Department's Office of Fiscal Services-Budget Branch compiles and conducts initial review of Program Proposals;
- Mid September: Leadership reviews Program Proposals;
- Late September: Leadership finalizes Budget Proposal; and
- Late September/Early October: Compilation of various forms and memos for submission to B&F and the Board of Education



DOE Internal Budget Development Process

The compilation of budget requests from Department programs includes gathering justification information. The following is an example of the instructions from the system being used to collect request information:

SECTION III. JUSTIFICATION: ADD FUNDS TO MAINTAIN CURRENT OPERATIONS IN THE BOARD SUPPORT OFFICE

DOE leadership, the Board of Education, Department of Budget and Finance, Governor, and Legislature will need to understand your budget request well. This Ahupuaa request screen (page) has been formatted in such a way that if you fill out ALL the information requested and fields here completely, they'll have the information they require – including what BOE requires for approval per [Policy 303-1, "Department of Education Budgets"](#).

Narratives provided in this section will be used for decision-making by the aforementioned parties, and may also be seen by the general public. Tell your story, and keep in mind that the audience you are writing for will not have the same level of detailed knowledge as you do.



Additional concerns

1. Will the current fiscal climate hold up?
2. What are the priorities of the next Governor's Administration?
3. How will the high level of turnover within the House of Representatives, including the Finance Committee Chairmanship, impact Legislative priorities?
4. How will the Elementary and Secondary School Emergency Relief (ESSER) Maintenance of Effort for FY 2022-23 and the availability of ESSER III funds impact biennium budget decision making?

NOTE: To what extent should we anticipate the opportunity to take up the following items as part of the Fiscal Year 2024-25

Supplemental Budget Request:

- Continuation of successful ESSER funded strategies; and
- Alignment of the budget with the (new) Strategic Plan



Attachment

