




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

OFFICE OF THE SUPERINTENDENT

September 19, 2017

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

FROM: 
Dr. Christina M. Kishimoto
Superintendent

SUBJECT: **Committee Action on Recommendation Concerning the Department of Education's Operating Budget Restriction Implementation for Fiscal Year 2017-2018**

1. RECOMMENDATION

It is recommended that the Board of Education (Board) adopt the Department of Education's (Department) recommendation concerning the revised general fund restriction plan for Fiscal Year (FY) 2017-2018. (See Attachment A.)

The total restriction target, which impacts both payroll and non-payroll expenses for the Department, is \$9,861,974, of which \$4,930,987 is a 5% restriction and \$4,930,987 is a 5% contingency restriction. The Department's restriction plan heavily weighs the restrictions on EDNs 200 and 300.

Eight areas, totaling \$3,655,933, have been identified as having a major impact to priority initiatives. The restriction for these amounts will be covered by carryover funds and anticipated salary savings from non-Weighted Student Formula EDN 100 programs.

2. RECOMMENDED EFFECTIVE DATE

Upon approval.

3. RECOMMENDED COMPLIANCE DATE

Same as effective date.

4. DISCUSSION

a. Conditions leading to the recommendation

On June 22, 2017, Executive Memorandum (EM) 17-01, Interim Budget Execution Policies and Instructions for FY 18, was issued. This memorandum announced the release of appropriations for the first quarter only under Act 49, SLH 2017, to the Department, appropriations less 10% of the general fund “discretionary” budget which totals \$9.8 million. (See Attachment B.)

On August 29, 2017, EM 17-04, FY 18 Budget Execution Policies and Instructions was issued. This memorandum announced that the 10% of the general fund “discretionary” budget, which totals \$9.8 million for the Department would continue and the level of collective bargaining increases. However, 5% of the 10%, which is a contingency restriction intended as a contingency reserve for FY 18, may be adjusted during the second half of the fiscal year based on actual tax collection trends and the Council on Revenue’s updated forecasts later in the fiscal year. (See Attachment C.)

b. Previous action of the Board on the same or similar matter

On October 4, 2016, the Finance and Infrastructure Committee and Board approved the Department’s “Department of Education’s Proposed Operating Biennium Budget for the 2017-2019 Fiscal Biennium.”

On June 20, 2017, the Finance and Infrastructure Committee and Board were provided an “Update on the Department of Education’s Fiscal Year 2017-2018 Appropriation Implementation.”

On July 18, 2017, the Finance and Infrastructure Committee was informed of the first quarter allocations, less restriction; that \$9.8 million was being withheld. The Department advised each state office that it would be looking to identify programs in EDNs 200 and 300 to absorb the restriction.

c. Other policies affected

1200-1.11 Budget Restrictions and Reductions: If budget restrictions are imposed by the Governor, the Superintendent shall notify and provide the Board with comprehensive lists of recommended restrictions or reductions by program, function, and cost, which shall be approved by the Board prior to being forwarded to the Governor.

d. Arguments in support of the recommendation

The recommendation will enable the Department to move forward in determining how best to meet the Governor's restriction while balancing the needs of our schools and providing the necessary state and complex area supports for the schools.

e. Arguments against the recommendation

Given the uncertainty of general fund revenues, the necessity of the restriction may be in question. Rather than negatively impact the thoughtful and deliberate use of limited resources to support student achievement that went into the budget development, it may be more appropriate to wait and see if the new Council on Revenues projection is a factor for the Administration's restriction decision. Additionally, the Governor may lift all or a portion of the restriction as has been done in the previous years.

The majority of the restrictions are within payroll. These payroll savings are currently anticipated, however, with extensive recruitment efforts, recurring reliance on salary savings to meet the restrictions is not sustainable.

f. Other agencies or departments of the State of Hawaii involved in the action

None.

g. Possible reaction of the public, professional organizations, unions, DOE staff and/or others to the recommendation

The possible reaction from school communities will likely be minimal since the Weighted Student Formula funding that they were projected to receive and planned for did not change.

However, Department staff at the state and complex area level will again be asked to struggle with negative adjustments to limited resources, as this restriction will greatly reduce various Department offices of their funding, which, in turn, will minimize or eliminate supports and the continuation of services to schools. This ultimately has a negative impact on supports for students and their education.

h. Educational implications

The restriction will affect the types and amounts of support services the Department will be able to provide all schools. This will ultimately negatively impact schools' ability to support student learning and the speed at which strategic plan initiatives can be implemented.

- Reduced opportunities for professional development;
- Reduced training opportunities for administrators and teachers;
- Reduction in technical assistance and dissemination of information;
- Delays in network infrastructure work and reduced network support and monitoring;
- Ability to offer outreach to schools on various Department practices will be impacted; and
- Student assessment activities will be impacted.

i. Personnel implications

None at this time, but the Department will continue to closely monitor the salary budget.

5. OTHER SUPPLEMENTARY RECOMMENDATIONS

If the Council on Revenues forecast compels the Administration to release the restriction, the Department will look to prioritize restoration of funds to the following, but not limited to, Index Complex Area Allocation, School Transformation, and Information Technology programs.

CMK:lbc
Attachments

c: Amy S. Kunz, Senior Assistant Superintendent and CFO
Budget Branch

Department of Education
FY 2018 Restriction Plan

Target Amount = \$9,861,974

Office	EDN	ProgID	Program Description	Appropriation			Across the Board 200 & 300 9.54%			Recommendation			
				Sum of "A"	Sum of A1BCM	Total Appropriation	w/o GIAs	Sum of ATB "A1BCM"	Total Across the Board	Sum of "A" Restriction	Sum of "A1BCM" Restriction	Total Program Restriction	% of Total Restriction
CA	EDN200	25035	Cmplx Based Stem Wrkforce Dev Pilot Proj	102,938	-	102,938	9,825	-	9,825	10,294	-	10,294	10.00%
CA Total				102,938	-	102,938	9,825	-	9,825	10,294	0	10,294	10.00%
Deputy	EDN200	25219	Coordinated Support	335,309	126,000	461,309	32,004	12,026	44,030	33,531	12,600	46,131	10.00%
	EDN200	25220	School Transformation **	1,954,022	3,017,051	4,971,073	186,506	287,969	474,475	-	-	-	0.00%
	EDN200	25236	ICAA ROLL UP **	17,089,846	2,049,563	19,139,409	1,631,179	195,625	1,826,804	-	-	-	0.00%
	EDN300	33033	Military Interstate Compact	-	25,000	25,000	-	2,386	2,386	-	5,208	5,208	20.83%
Deputy Total				19,379,177	5,217,614	24,596,791	1,849,689	498,006	2,347,695	33,531	17,808	51,339	0.21%
OCISS	EDN200	15497	Athletics Administration	525,788	7,020	532,808	50,185	670	50,855	52,579	254	52,833	9.92%
	EDN200	15655	Haw Content & Perform Stand-Training	-	245,700	245,700	-	23,451	23,451	-	25,070	25,070	10.20%
	EDN200	16772	Learning Technology	642,423	248,137	890,560	61,318	23,684	85,002	64,242	24,834	89,076	10.00%
	EDN200	25023	Instructional Development-Admin Svcs	362,021	38,487	400,508	34,554	3,673	38,227	36,202	3,849	40,051	10.00%
	EDN200	25024	Instructional Services	1,646,282	51,333	1,697,615	157,133	4,900	162,033	164,628	5,133	169,761	10.00%
	EDN200	25045	Student Support Services Group-Admin	188,794	58,924	247,718	18,020	5,624	23,644	18,879	5,892	24,771	10.00%
	EDN200	25048	Hawaii Vrtual Learning Network **	378,181	896,512	1,274,693	36,096	85,570	121,666	-	-	-	0.00%
	EDN200	25230	Elp Standards/Assessments Implementation **	-	855,514	855,514	-	81,656	81,656	-	-	-	0.00%
	EDN200	25237	Student Support Services	864,160	551,333	1,415,493	82,482	52,623	135,105	86,416	220	86,636	6.12%
	EDN200	25242	Complex Area Sbbh Services	1,123,066	-	1,123,066	107,194	-	107,194	112,307	-	112,307	10.00%
	EDN200	25759	Homeless Concerns **	810,551	497,322	1,307,873	77,365	47,468	124,833	-	-	-	0.00%
	EDN200	25912	Advance Tech Research-Admin	77,389	258,919	336,308	7,387	24,713	32,100	7,739	25,892	33,631	10.00%
	EDN200	28177	CSSS Support System	88,640	20,588	109,228	8,460	1,965	10,425	8,864	2,059	10,923	10.00%
OCISS Total				6,707,295	3,729,789	10,437,084	640,194	355,997	996,191	551,856	93,203	645,059	6.18%
OFS	EDN200	18574	GIA-Read To Me International-Edn200	-	75,000	75,000	-	-	-	-	-	-	0.00%
	EDN200	A9083	GIA-Hawaii Council For The Humanities	-	107,200	107,200	-	-	-	-	-	-	0.00%
OFS	EDN300	33001	Duplicating Services	-	78,000	78,000	-	7,445	7,445	-	7,800	7,800	10.00%
	EDN300	33006	Budget	1,096,079	38,554	1,134,633	104,625	3,680	108,305	109,608	5,603	115,211	10.15%
	EDN300	33010	Accounting Services-OFS	3,169,650	611,492	3,781,142	302,534	58,365	360,899	316,965	47,536	364,501	9.64%
	EDN300	34001	Procurement Services	734,167	32,028	766,195	70,074	3,057	73,131	73,417	4,804	78,221	10.21%
	EDN300	47213	Fiscal Services	520,676	16,233	536,909	49,697	1,549	51,246	52,068	2,435	54,503	10.15%
OFS Total				5,520,572	958,507	6,479,079	526,930	74,096	601,026	552,058	68,178	620,236	9.57%

Department of Education
FY 2018 Restriction Plan

Target Amount = \$9,861,974

Office	EDN	ProgID	Program Description	Appropriation			Across the Board 200 & 300 9.54%			Recommendation			
				Sum of "A"	Sum of A1BCM	Total Appropriation	w/o GIAs	Sum of ATB "A1BCM"	Total Across the Board	Sum of "A" Restriction	Sum of "A1BCM" Restriction	Total Program Restriction	% of Total Restriction
OHR	EDN200	25020	Employee Performance Management	-	19,998	19,998	-	1,909	1,909	-	-	-	0.00%
	EDN200	25115	Sabbatical Leave-Teachers	-	2,000,000	2,000,000	-	190,895	190,895	-	-	-	0.00%
	EDN200	25229	Leadership Institute	141,058	-	141,058	13,464	-	13,464	14,106	-	14,106	10.00%
	EDN200	25234	Professional Develop & Educ Res Insti **	3,522,922	331,695	3,854,617	336,253	31,659	367,912	-	-	-	0.00%
	EDN200	25758	Nationally Board Certified Teachers	-	1,102,139	1,102,139	-	105,196	105,196	-	-	-	0.00%
	EDN300	15125	Blood Pathogen Control	-	63,592	63,592	-	6,070	6,070	-	-	-	0.00%
	EDN300	15689	Recruitment And Retention Incentive	-	40,365	40,365	-	3,853	3,853	-	-	-	0.00%
	EDN300	23052	Workers Compensation-Administration	965,810	15,795	981,605	92,184	1,508	93,692	96,581	-	96,581	9.84%
	EDN300	33034	Teacher Mentor Program	149,728	229,204	378,932	14,291	21,877	36,168	14,973	36,000	50,973	13.45%
	EDN300	33039	Labor Rel, Negotiations & Investigations	910,565	126,660	1,037,225	86,911	12,089	99,000	91,057	15,000	106,057	10.23%
	EDN300	33122	Para-Educator Training Program	-	43,787	43,787	-	4,179	4,179	-	-	-	0.00%
	EDN300	33292	Personnel Development	1,947,427	1,309,446	3,256,873	185,877	124,983	310,860	194,743	200,000	394,743	12.12%
	EDN300	33719	Service And Merit Awards	-	1,643	1,643	-	157	157	-	-	-	0.00%
	EDN300	33721	Personnel Assistance	2,296,743	127,511	2,424,254	219,218	12,171	231,389	229,674	-	229,674	9.47%
	EDN300	33722	Personnel Management	3,845,945	1,295,180	5,141,125	367,085	123,621	490,706	384,595	200,000	584,595	11.37%
	EDN300	33829	Criminal History Check **	159,082	258,590	417,672	15,184	24,682	39,866	-	-	-	0.00%
	EDN300	33926	Human Resources	269,487	108,230	377,717	25,722	10,330	36,052	26,949	45,389	72,338	19.15%
	EDN300	A9082	Teacher Certification Stipend Program	-	400,000	400,000	-	38,179	38,179	-	-	-	0.00%
OHR Total				14,208,767	7,473,835	21,682,602	1,356,189	713,358	2,069,547	1,052,678	496,389	1,549,067	7.14%
OITS	EDN300	33021	Enterprise Systems	3,305,726	5,402,259	8,707,985	315,523	515,631	831,154	330,573	486,204	816,777	9.38%
	EDN300	33057	Enterprise Architecture	182,178	141,000	323,178	17,388	13,458	30,846	18,218	12,690	30,908	9.56%
	EDN300	33058	Information Technology Project Mgmt	404,878	325,919	730,797	38,645	31,108	69,753	40,488	19,333	59,821	8.19%
	EDN300	33059	School Technology Services & Support **	2,977,887	1,188,173	4,166,060	284,231	113,408	397,639	-	-	-	0.00%
	EDN300	33084	Information & Technology Services	281,092	3,012,812	3,293,904	26,829	287,565	314,394	28,109	251,215	279,324	8.48%
	EDN300	33088	School Process And Analysis	1,093,424	615,824	1,709,248	104,364	58,779	163,143	109,342	55,424	164,766	9.64%
	EDN300	33089	Enterprise Infrastructure Services	2,105,732	3,078,000	5,183,732	200,986	293,787	494,773	210,573	277,020	487,593	9.41%
OITS Total				10,350,917	13,763,987	24,114,904	987,966	1,313,736	2,301,702	737,303	1,101,886	1,839,189	7.63%

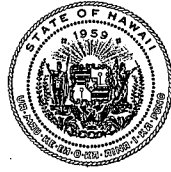
Department of Education
FY 2018 Restriction Plan

Target Amount = \$9,861,974

				Appropriation			Across the Board 200 & 300 9.54%			Recommendation			
							Total			Sum of			% of Total Restriction
Office	EDN	ProgID	Program Description	Sum of "A"	Sum of A1BCM	Total Appropriation	Sum of ATB w/o GIAs	"A1BCM"	Across the Board	Sum of "A" Restriction	"A1BCM" Restriction	Total Program Restriction	
OS	EDN200	25233	Sch Improvement/Comm Leadership Grp-Adm	88,205	7,000	95,205	8,419	668	9,087	8,821	7,000	15,821	16.62%
	EDN200	A9080	Hawaii Teacher Standards Board-Gen Fund	183,818	-	183,818	17,545	-	17,545	18,382	-	18,382	10.00%
	EDN300	33005	BOARD OF EDUCATION SUPPORT	195,974	27,027	223,001	18,705	2,580	21,285	19,597	-	19,597	8.79%
	EDN300	33007	Superintendent Support	657,944	51,211	709,155	62,799	4,888	67,687	65,794	1,541	67,335	9.50%
	EDN300	33013	Civil Rights Compliance	1,319,372	132,893	1,452,265	125,930	12,684	138,614	131,937	21,500	153,437	10.57%
	EDN300	33016	Corporate & Community Partnerships	103,656	59,292	162,948	9,894	5,659	15,553	10,366	1,500	11,866	7.28%
	EDN300	33017	Advisory Services	269,030	7,459	276,489	25,678	712	26,390	26,903	7,459	34,362	12.43%
	EDN300	33025	Federal Compliance & Mgmt	136,101	8,863	144,964	12,990	846	13,836	13,610	925	14,535	10.03%
	EDN300	33027	Communications & Community Affairs	629,610	21,500	651,110	60,095	2,052	62,147	62,961	-	62,961	9.67%
	EDN300	33063	Community Engagement	239,327	81,362	320,689	22,843	7,766	30,609	23,933	-	23,933	7.46%
	EDN300	33656	Internal Audit	619,981	75,525	695,506	59,176	7,209	66,385	61,998	-	61,998	8.91%
OS Total				4,443,018	473,820	4,916,838	424,074	45,225	469,299	444,302	41,613	485,915	9.88%
OSIP	EDN200	15654	Haw Content/Perform Stand-Assessment	459,386	8,461,000	8,920,386	43,847	807,580	851,427	45,939	812,429	858,368	9.62%
	EDN200	25218	Educator Effectiveness System	-	600,000	600,000	-	57,268	57,268	-	-	-	0.00%
	EDN200	33004	Systems Accountability	1,266,160	189,559	1,455,719	120,852	18,093	138,945	126,616	-	126,616	8.70%
	EDN300	33012	Data Governance	199,578	-	199,578	19,049	-	19,049	19,958	-	19,958	10.00%
	EDN300	33072	Strategy, Innovation & Performance	-	-	-	-	-	-	-	-	-	0.00%
	EDN300	33079	Policy, Innovation, Planning & Eval	-	-	-	-	-	-	-	-	-	0.00%
OSIP Total				1,925,124	9,250,559	11,175,683	183,748	882,941	1,066,689	192,513	812,429	1,004,942	8.99%
Total				62,637,808	40,868,111	103,505,919	5,978,615	3,883,359	9,861,974	3,574,535	3,495,714	6,206,041	6.00%
EDN100 EDN100 Restriction Offset **										3,655,933	0	3,655,933	
Grand Total				62,637,808	40,868,111	103,505,919	5,978,615	3,883,359	9,861,974	7,230,468	3,495,714	9,861,974	

EDN 100 Restriction	\$ 3,655,933
EDN 200 Restriction	\$ 1,734,777
EDN 300 Restriction	\$ 4,471,264

** Adjustments to Restriction

**EXECUTIVE CHAMBERS**

HONOLULU

DAVID Y. IGE
GOVERNOR

June 22, 2017

EXECUTIVE MEMORANDUM

MEMO NO. 17-01

TO: All Department Heads

SUBJECT: Interim Budget Execution Policies and Instructions for FY 18

As we move into the next fiscal biennium, the State's economy continues to be buoyed by the tourism industry. The tourism industry is still experiencing record breaking visitor arrivals and expenditures; however, the State's overall economic growth has slowed and general fund tax revenue collections are lower than previously expected.

After the FB 2017-19 Executive Budget was submitted to the Legislature, the Council on Revenues (COR) lowered its FY 17 growth rate projection for general fund tax revenues from 5.5% to 3.0% and maintained its forecasts of 5% in FY 18 and 4.4% in FY 19 through FY 23 at its January 4, 2017 meeting. As a result of the lower projection in FY 17, we proposed significant reductions to the Administration's budget request.

As revenues continued to lag, the COR further reduced its FY 17 general fund growth rate projection to 2.5%, while adjusting its general fund tax forecast to 4% for FY 18 and FY 19 and 4.5% for FY 20 through FY 23 at its March 13, 2017 meeting. These projections were retained by the COR at their most recent meeting on May 30, 2017.

Preliminary general fund tax revenue collections for FY 17 through May 2017 are 1.6% more than the same period in FY 16, short of the 2.5% projection. Thus, with only June collections remaining, there are serious concerns that general fund revenue growth for FY 17 will not meet 2.5% and that FY 18 may get off to a slow start, making it difficult to reach the 4% projected level of growth.

Although the Department of Taxation has indicated that one-time adjustments have negatively impacted FY 17 general fund tax revenue growth, the current lackluster level of revenue growth warrants our attention. In addition, the ongoing and proposed changes to federal grant programs may be significant and the State may be forced to make difficult - and costly - choices regarding the continuation of federally funded programs which may be reduced or discontinued.

Thus, while we are cautiously optimistic about the strength of Hawaii's economy, we must responsibly control our expenditures now to maintain the State's fiscal stability during uncertain periods of tax revenue collections. We must be prudent when spending State funds and be prepared, to the extent possible, for reductions in federal funds. It is under this context that all general funded programs are subject to a 10% restriction (5% restriction and 5% contingency restriction) on their FY 18 discretionary appropriations, with applicable adjustments. Restrictions shall not be applied to Chapter 42F general funded grants.

Full-year budget execution policies for FY 18 are forthcoming. During the interim, the following actions are hereby authorized:

1. On July 1, 2017, departments will receive their respective budget allocations for the first quarter only.

Exhibit 1 contains your department's First Quarter allocation, which is:

- General funds – One fourth of: 100% of non-discretionary appropriation; \$4,000,000 of discretionary appropriation; and 90% of balance of discretionary appropriation (adjusted by 5% restriction, 5% contingency restriction and grants). Other allocation adjustments may be applied, as applicable.
 - Non-general funds – One fourth of: 100% of appropriation.
2. Allocations for subsequent quarters will be made upon further consideration of revenue and expenditure requirements.
 3. General funded grants and specific appropriations will be considered for release after FY 17 actual and FY 18 preliminary general fund revenue data indicate that the revenue climate has stabilized. CIP grants and specific appropriations with other means of financing may be requested for release beginning July 1, 2017.
 4. Except for allocation amounts, budget execution policies as contained in Executive Memorandum (E.M.) No. 16-02, *FY 17 Budget Execution Policies and Instructions* (dated June 24, 2016) shall continue. Policies and procedures for FY 18 operating grants will be issued under separate cover.
 5. E.M. No. 97-07, *Procedures for Requesting the Implementation of Capital Improvement Projects* (dated June 19, 1997), shall also remain in effect.
 6. Departments are reminded that all information systems technology (IT) and telecommunications services (TC) facilities and resources are under the purview of the State's Chief Information Officer (CIO). As such, all related IT and TC acquisitions require CIO approval through the Office of Enterprise Technology Services.

Questions on the specific policies and procedures should be directed to the Department of Budget and Finance analyst assigned to your department.

DAVID Y. IGE
Governor, State of Hawaii

Attachment (Exhibit 1)

**EXECUTIVE CHAMBERS**

HONOLULU

DAVID Y. IGE
GOVERNOR

August 29, 2017

EXECUTIVE MEMORANDUM

MEMO NO. 17-04

TO: All Department Heads

SUBJECT: FY 18 Budget Execution Policies and Instructions

The attached Budget Execution Policies and Instructions are provided to guide your implementation of program appropriations for FY 18.

With general fund revenues lagging through much of FY 17, the Council on Revenues (COR) reduced its September 2016 general fund tax revenue projection of 5.5% to 2.5% as the fiscal year progressed. Although the COR maintained its general fund tax revenue growth projections of 2.5% for FY 17, 4% for FY 18 and FY 19, and 4.5% for FY 20 through FY 23 at its last meeting on May 30, 2017, general fund tax revenue collections have, for the most part, continued to not meet expectations.

Preliminary FY 17 general fund tax revenue collections as of June 2017 were 2.0% more than in FY 16 but fell short of the COR's 2.5% projection. This raises serious concerns as the decreased revenues for FY 17 lowers the general fund base for subsequent years and brings into question whether the level of growth for FY 18 will be on pace to meet the COR's projection of 4%.

Thus, while the preliminary general fund tax revenue growth for July 2017 was 11.8%, it is still too early to predict how tax collections for the remainder of the fiscal year will come in. The monthly swings in revenue growth over the past several years are a constant reminder that significant changes can be fast and unpredictable.

We understand the optimism that may have been generated by the first sign that FY 18 general fund revenue collections were off to a good start, especially in view of the preliminary FY 17 general fund balance of \$893.8 million. While this balance will help to support the increasing operating costs of State programs, there are other factors which must also be considered.

Of continued concern is that the State's expenditures are expected to outpace revenues for the next few years until FY 21. At the end of FY 21, the State's general fund balance is expected to be at its lowest point over the current biennium and four-year planning period – at a level which would only cover the State's operations for one to two weeks.

The State must also continue to meet significant financial commitments to address our unfunded liabilities in the Employees' Retirement System and Employer-Union Health Benefits Trust Fund (EUTF) in the coming years. Additionally, the State must be prepared to bear the costs of federal programs for services which the State deems critical should the federal government choose to reduce or discontinue funding. The impact of significant federal fund reductions may be twofold, as the State will bear the economic impact of the reduced funding while providing additional funds for federal programs.

After several years of positive economic growth, we remain cautiously optimistic about the State's economy but it is showing signs of slowing. Preliminary seasonally adjusted unemployment was at 2.7% in June 2017, nearing the 40-year historical low of 2.4% and what economists consider "full employment." The tourism industry continues to expand, with year-to-date increases through June 2017 in visitor expenditures (8.7%) and arrivals (4.3%) primarily due to increases from traditional markets (i.e., U.S. mainland, Japan and Canada). Visitor spending and arrivals declined for all other international markets by 3.8% and 4.3%, respectively.

When these significant factors are looked at together, they reinforce the need to be prudent and conservative with our expenditures to ensure the State's fiscal stability through FY 2017-19 and beyond. We must responsibly control our expenditures to prepare, to the extent possible, for uncertain revenue collections and reductions in federal funds, while supporting the increased cost of our daily operations.

In this context, we will continue the 10% restriction (5% restriction and 5% contingency restriction) on general funded discretionary appropriations less a \$4 million discretionary adjustment, as applicable (restrictions shall not be applied to Chapter 42F general funded grants). The 5% contingency restriction is intended as a contingency reserve for FY 18 and may be adjusted during the second half of the fiscal year based on actual tax collection trends and the COR's updated forecasts later in the fiscal year.

These budget execution policies delegate many responsibilities to the department level to facilitate the efficiency of your operations. The budget controls are necessary to manage the State's finances to enable the State to meet current and future demands. All departments are expected to make a sincere effort to enhance the efficiency of their operations and stay within their departmental allocation.

Our efforts to improve our program operations should not only be driven by the budget. They should reflect our commitment to improve government transparency and accountability and be more effective in our delivery of public services. We can strengthen the foundation of our State government by working together towards this common goal.

The flexibility and authority provided to your department should not be taken lightly. These processes deserve your appropriate attention and should be executed responsibly with the utmost care to maintain the State's fiscal health now and in the future.

Exhibit 1 contains your department's FY 18 allocation of operating program appropriations and permanent and temporary position ceilings from Act 49, SLH 2017, which includes a 10% restriction (5% restriction and 5% contingency restriction) on your department's discretionary general fund appropriations less a \$4 million discretionary adjustment, as applicable.

Exhibit 1 also reflects included and excluded (if applicable) collective bargaining (CB) allocations for Bargaining Units (BU) 2, 3, 4, 5, 6, 9, 11, and 13 for the applicable negotiated agreements. CB amounts for BUs 1, 7, 10, and 14 for EUTF only are allocated to the Department of Budget and Finance (B&F).

Attachments A and B contain detailed, specific expenditure policies, guidelines, and procedures for FY 18 budget execution to provide for prudent and efficient implementation of legislative intent.

Questions on the specific policies and instructions should be directed to B&F or the appropriate agency referenced. Electronic files of the budget execution forms will be provided for your use.

/s/

DAVID Y. IGE
Governor, State of Hawaii

Exhibit 1
Attachment A
Attachment B

FY 2018 ALLOCATION

DEPARTMENT OF EDUCATION
(August 29, 2017)

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Revolving Funds	Other Funds	Total Allocation
Perm	19,403.75	22.00	720.50	-	-	-	-	-	8.00	-	20,154.25
Temp	2,007.50	-	156.50	1.00	-	-	-	-	2.00	-	2,167.00
Appropriation \$	1,610,321,050	52,301,103	263,588,685	9,292,794	-	-	15,900,000	7,765,636	24,083,680	-	1,983,252,948
Collective Bargaining	34,089,119	39,658	1,939,342	46,591	-	-	-	-	27,247	-	36,141,957
Restrictions	(4,930,985)										(4,930,985)
Contingency Restrictions	(4,930,985)										(4,930,985)
											-
											-
Perm	19,403.75	22.00	720.50	-	-	-	-	-	8.00	-	20,154.25
Temp	2,007.50	-	156.50	1.00	-	-	-	-	2.00	-	2,167.00
TOTAL \$	1,634,548,199	52,340,761	265,528,027	9,339,385	-	-	15,900,000	7,765,636	24,110,927	-	2,009,532,935

Details of Collective Bargaining

Bargaining Unit	General Fund	Special Funds	Federal Funds	Other Federal Funds	Private Contrib.	County Funds	Trust Funds	Inter-dept'l Transfers	Revolving Funds	Other Funds	Total CB Allocation (Operating)
BU 02, 08, 09, 13 - Included	1,919,467	13,815	38,634	6,735			-	-	6,333	-	1,984,984
- Excluded	110,165	16	2,329	-			-	-	578	-	113,088
BU 03,04 - Included	4,167,457	13,810	129,902	278			-	-	10,916	-	4,322,363
- Excluded	212,751	3,207	545,629	-			-	-	183	-	761,770
BU 05 - Included	24,266,719	-	842,959	8,209			-	-	1,121	-	25,119,008
- Excluded	1,200,104	-	258,298	5,500			-	-	-	-	1,463,902
BU 06 - Included	1,966,813	-	107,725	22,903			-	-	5,272	-	2,102,713
- Excluded	245,643	8,810	13,866	2,966			-	-	2,844	-	274,129
BU 11 - Included	-	-	-	-			-	-	-	-	-
- Excluded	-	-	-	-			-	-	-	-	-
											-
											-
											-
											-
TOTAL C.B.	34,089,119	39,658	1,939,342	46,591	-	-	-	-	27,247	-	36,141,957