



STATE OF HAWAI'I
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAI'I 96804

OFFICE OF THE SUPERINTENDENT

September 19, 2019

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

FROM: Dr. Christina M. Kishimoto 
Superintendent

SUBJECT: **Committee Action on the Department of Education's Operating Budget Restriction Implementation for 2019-2020 Fiscal Year**

EXECUTIVE SUMMARY

On August 2, 2019, the Governor issued Executive Memorandum 19-02: FY 20 Budget Execution Policies and Instructions: <https://budget.hawaii.gov/statewide-policies/executivememorandums/em-2019/>. This memorandum announced the "imposing of a 5% restriction and continuing the 5% contingency restriction on general-funded discretionary appropriations less a \$4.0 million discretionary adjustment, as application. This restriction will not apply to Chapter 42F general-funded grants appropriated in Act 39, SLH 2019." The Governor's definition of "discretionary appropriations" includes the general fund appropriations for EDN 200 (Instructional Support) and 300 (State Administration), which translates to a combined \$10,844,868 restriction on the Department of Education's (Department) general fund budget for the current year.

Board of Education (Board) Policy 400-4 Budget Restrictions and Reductions requires that the Board approve recommended restrictions or reductions.

The Department recommends that to avoid disruption to State and Complex Area levels (EDN 200 & 300), that the combined restriction be managed at the EDN level as follows:

EDN 200	- \$ 5,664,918
EDN 300	- \$ 5,179,950
TOTAL	- \$ 10,844,868

The Department further recommends the Board take a similar course of action as it did for the FY 2017-18 and FY 2018-2019 restrictions by approving the Department's restriction plan, but directing that the plan not be immediately implemented.

I. HISTORY OF SUBJECT MATTER

- The Department recommended and the Board approved the 2019-2021 Board's Biennium Budget request to the Governor in the Fall of 2018;
- The Governor submitted a 2019-2021 Executive Biennium Budget proposal to the Legislature in December 2018;
- The Legislature authorized the Department's General Fund budget, which was significantly less than the budget sought for the Department by the Board and Governor's Budget proposal, in April 2019;
- The Governor signed various bills to authorize the Department's Biennium Budget in June and July of 2019;

- The Governor issued the FY 2019-2020 Budget Execution Policies and Instructions on August 2, 2019 citing:
 - Council on Revenues' May 23, 2019 action to raise the FY 2018-2019 growth projection from 3.0% to 4.7%;
 - Preliminary general fund tax collection for the 12 months of FY 2018-2019 coming in at 5.1% higher year than the previous year;
 - Expectations for continued economic expansion in 2019 and 2020; and
 - Various concerns including that visitor expenditures may be softening, stricter enforcement of vacation rentals could substantially impact on the tourism industry, the potential for ongoing trade wars and rising tension in the Middle East, and Japan's economic growth could be flat.

A. Listing of dates when the Board or committee previously discussed the subject matter and the outcome.

September 20, 2018 Committee on Finance and Infrastructure

- Agenda: <http://boe.hawaii.gov/Meetings/Notices/Pages/September-20,-2018-Finance-and-Infrastructure-Committee-Meeting-.aspx>
- Minutes: <https://alala1.k12.hi.us/STATE/BOE/Minutes.nsf/7d59b00aff8d3cf50a2565cb00663e82/79976b4cfaa1eae60a258324007a47b3?OpenDocument>
- ACTION: Motion to approve the Department of Education's operating budget restriction implementation for the 2018-2019 Fiscal Year as described in the Department's memorandum dated September 20, 2018. The motion carried unanimously with all members present voting aye.

September 20, 2018 General Board Meeting

- Agenda: <http://boe.hawaii.gov/Meetings/Notices/Pages/September-20,-2018-General-Business-Meeting.aspx>
- Minutes: <https://alala1.k12.hi.us/STATE/BOE/Minutes.nsf/ebb43af14ca5cdb30a2565cb006622a8/a664f3b3d0c9c1950a25831600750256?OpenDocument>
- ACTION: Motion to approve the Department of Education's operating budget restriction implementation for the 2018-2019 Fiscal Year as described in the Department's memorandum dated September 20, 2018. The motion carried unanimously with all members present voting aye.

September 19, 2017 Committee on Finance and Infrastructure

- Agenda: <http://boe.hawaii.gov/Meetings/Notices/Pages/September-19,-2017-Finance-and-Infrastructure-Committee-Agenda-.aspx>
- Minutes: <https://alala1.k12.hi.us/STATE/BOE/Minutes.nsf/7d59b00aff8d3cf50a2565cb00663e82/61b6eb5806b2aa2d0a2581bd0006dae0?OpenDocument>
- ACTION: Motion to adopt the Department of Education's revised general fund restriction plan for Fiscal Year 2017-2018, as described in the Department's memorandum dated September 19, 2017, provided that the plan is not an immediately implemented restriction and the Department will provide the Board with more information before implementing a restriction. The motion carried unanimously with all members present voting aye.

September 19, 2017 General Board Meeting

- Agenda: <http://boe.hawaii.gov/Meetings/Notices/Pages/September-19,-2017-General-Business-Meeting-Agenda-.aspx>
- Minutes: <https://alala1.k12.hi.us/STATE/BOE/Minutes.nsf/ebb43af14ca5cdb30a2565cb006622a8/cccd4e4a23d2e81b80a2581bb006f14fb?OpenDocument>

- ACTION: Motion to approve the Department of Education’s revised general fund restriction plan for Fiscal Year 2017-2018, as described in the Department’s memorandum dated September 19, 2017, provided that the plan is not an immediately implemented restriction and the Department will provide the Board with more information before implementing a restriction. The motion carried unanimously with all members present voting aye.

II. PURPOSE OF REPORT

- Action required by the Board to accept the Department’s recommendations pursuant to Board Policy.
 - Board Policy 400-4 Budget Restrictions and Reductions
<http://boe.hawaii.gov/policies/Board%20Policies/Budget%20Restrictions%20and%20Reductions.pdf>

III. LIST OF KEY ISSUES

- Minimize disruption to on-going work to advance the Strategic Plan priorities of the Board, while complying with the Governor’s Executive Memorandum 19-02 to assign the restriction at the EDN level.
- Monitor State General Fund Revenue collections to gauge the potential for the release of the restrictions.
- Work with the Executive Branch to seek the release of the contingency restriction, including seeking support from the Governor for the partial release of contingency restriction funds for Safety and Security-related activities in response to homelessness.

IV. DISCUSS ANY FINANCIAL IMPACT

- Executive restrictions are intended to be a one-time withholding of legislatively appropriated/ authorized general funds due to a necessity to balance the State’s general fund, and thus are not expected to be a recurring practice.
- Each year, the Department and the Executive Branch put forth to the Legislature a budget that reflects anticipated financial requirements to implement programs, with the assumption that the Legislature will approve a budget that can be executed within available revenues.

V. DESCRIBE ANY COMMUNITY OR PUBLIC ENGAGEMENT

Pursuant to Executive Memorandum 19-02 that detailed budget restrictions imposed by the Governor for FY 2019-20, the Department is submitting its recommendation for Board approval. This recommendation meets the criteria outlined in Board Policy 400-4 that all students will continue to receive equal opportunities for all educational programs or services, the well-being of students are protected, and that all judicially- and legally-mandated programs and services are preserved.

VI. RECOMMENDATION

The Department recommends that to avoid disruption to State and Complex Area levels (EDN 200 & 300), that the combined restriction be managed at the EDN level as follows:

EDN 200	- \$ 5,664,918
EDN 300	- \$ 5,179,950
TOTAL	- \$ 10,844,868

The Department further recommends the Board take a similar course of action as it did for the FY 2017-2018 and FY 2018-2019 restrictions by approving the Department’s restriction plan, but directing that the plan not be immediately implemented.