


**STATE OF HAWAII**  
**DEPARTMENT OF EDUCATION**  
**KA 'OIHANA HO'ONA'AUAO**  
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HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

October 4, 2023

TO: The Honorable Ken Kuraya  
Chairperson, Finance and Infrastructure Committee

FROM: Keith T. Hayashi  
Superintendent 

SUBJECT: Committee Action on the Department of Education's Capital Improvement Program  
Supplemental Budget Request for Fiscal Year 2025

1. EXECUTIVE SUMMARY

- The Hawaii State Department of Education (Department) is proposing a supplemental budget request of \$273 million for its Capital Improvement Program (CIP) for Fiscal Year (FY) 2024-2025.
- The Department's CIP supplemental budget request prioritizes six major program areas: Wildfires Recovery, Major Repairs and Maintenance (Major R&M), Completion of Ongoing CIP Projects, Health and Safety, Compliance, and the Office of Information Technology Services (OITS) Bells and Paging Replacements.
- The proposed CIP supplemental request will enable the Department to address the new and existing needs not included in the funding received for FY 2024-2025.

2. RECOMMENDATION

The Department respectfully recommends that the Hawaii State Board of Education (Board) approve its proposed FY 2024-2025 CIP supplemental budget request in the amount of \$273 million. With the \$126.77 million in CIP funds received for FY 2024-2025 through Act 164, Session Laws of Hawaii 2023 (Act 164 (2023)), the total funding for the CIP budget in FY 2024-2025 would be \$399.77 million. The following table outlines the Department's supplemental budget request and the Act 164 (2023) budget items for FY 2024-2025:

<b>Program Categories</b>	<b>Act 164 (2023)</b>	<b>Supplemental Request</b>
Lump Sum CIP – Wildfires Recovery	New Category	\$25,000,000
Lump Sum CIP – Major Repairs and Maintenance	New Category	\$95,000,000
Lump Sum CIP – Completion of Ongoing CIP Projects	New Category	\$72,000,000
Lump Sum CIP – Health and Safety	\$0	\$35,000,000
Lump Sum CIP – Compliance	\$0	\$43,000,000
Lump Sum CIP – Office of Information Technology Services Bells and Paging Replacements	\$2,000,000	\$3,000,000
Lump Sum CIP – Federal Grants	\$36,000,000	\$0
Lump Sum CIP – Deferred Maintenance Program	\$45,000,000	\$0
Lump Sum CIP - Instructional	\$11,000,000	\$0
Line Item Funding from Act 164 (2003) for FY 2024-2025	\$32,770,000	\$0
TOTAL	\$126,770,000	\$273,000,000
<b>TOTAL FY 2024-2025 CIP Budget</b>	<b>\$399,770,000</b>	

3. RECOMMENDED EFFECTIVE DATE

Upon Board approval, the Department will prepare the FY 2024-2025 CIP supplemental budget request for submission to the Department of Budget and Finance (B&F) for the Governor’s consideration.

4. RECOMMENDED COMPLIANCE DATE (if different from the effective date)

The Department is required to submit its CIP tables and forms to B&F as prescribed by B&F’s [September 5, 2023 Finance Memorandum 23-12, FY 25 Supplemental Budget Policies and Guidelines \(Fiscal Biennium 2023-25\)](#) by September 29, 2023. However, due to the timing of the Board meeting, the Department requested an extension from B&F as it has done in previous years. If granted the extension, the new submission date will be October 11, 2023.

5. DISCUSSION

a. Conditions leading to the recommendation:

The Department’s FY 2024-2025 CIP supplemental budget request includes funding in the following six major program areas based on the B&F Finance Memorandum 23-12 guidance: Wildfires Recovery, Major R&M, Completion of Ongoing CIP Projects, Health and Safety, Compliance, and OITS Bells and Paging Replacements. The attachment provides the details of the Department’s budget proposal.

Act 164 (2023) designated \$126.77 million that the Department intends to allot and encumber based on the FY 2023-2024 budget request. This funding is for the Deferred Maintenance Program, Federal Grants, Instructional, and OITS Bells and Paging

Replacements. With the exception of the OITS Bells and Paging Replacements, the Department is not requesting supplemental funding for these items.

The FY 2024-2025 Federal Grants funding of \$36 million approved in Act 164 (2023) represents the 20-percent state-matching funds contribution towards the 80-percent Department of Defense match of \$144 million to replace schools on military installations with modern and standardized educational facilities. These state and federal funds will fund the construction of two schools and are part of a plan to distribute the funding requests for five more schools over a three-year period. These federal grants provide a one-time opportunity for the Department to replace these schools with new campuses.

Act 164 (2023) also includes \$32.77 million of legislative line-item funding.

#### Wildfires Recovery

The Department is requesting \$25 million for Wildfires Recovery projects primarily for the Lahaina Complex schools for remediation and demolition of the entire King Kamehameha III Elementary School and for renovation and new work at other schools within the complex. These funds will also support other affected Maui schools requiring renovation and/or new work due to the impact of the wildfires. The Department may have to provide funding for expenditures to be matched by the Federal Emergency Management Agency; thus, this amount represents an estimate of what might be needed in the interim.

The School Facilities Authority (SFA) is tasked with the development, planning, and construction of high-quality educational facilities such as new schools. As such, the SFA will be responsible for the replacement of the King Kamehameha III Elementary School.

#### Major Repairs and Maintenance

The \$95 million request for Major R&M projects will replace and improve those facilities deemed critical and in need of repairs or replacements to prolong the useful life of our schools, infrastructure, and facilities, resulting in future cost savings. These facilities were assessed by architects and engineers from various specialties for the building envelope, mechanical, electrical, civil, and hydraulic systems, along with the structural components of schools, and were given an average facility condition index (FCI) score of one out of ten. An FCI score of 1-4 is critical.

#### Completion of Ongoing CIP Projects

The Department requests \$72 million for the Completion of Ongoing CIP Projects for construction management services, additional contingencies for unforeseen and unanticipated site conditions, and escalation funding totaling \$57 million to ensure completion. Construction management services are vital to ensure that construction milestones, inspections, and requests for information for change orders are coordinated, processed, and completed. This funding is necessary to ensure that all projects being bid on and awarded are completed. There are currently 150 projects with Notices to Proceed (NTP) valued at \$590 million and 75 projects valued at \$131 million that do not have NTPs issued which will require construction management services and additional contingencies and may be subject to escalation claims. If the funding to cover the full cost of these projects is insufficient, the funds may lapse and these projects may be canceled.

Since the Department did not receive Project Completion funding from Act 164 (2023), the planners and project coordinators are monitoring current projects in design to ensure they are within the appropriated line-item budgets and to sufficiently account for construction management services and contingencies before being bid. Bidding projects when building permits are approved or pending approval will reduce change orders due to permit comments. These actions will reduce the need for this type of supplemental funding in the future.

Another \$5 million is requested to furnish new buildings and facilities with student and non-position-related furniture. This is a recurring request since these funds are needed when construction is almost complete, which is typically after all project funds have lapsed.

The Department is requesting \$10 million for temporary facilities to provide swing spaces for staff, students, and employees of schools or facilities displaced due to construction activities. Because projects often demolish existing facilities for the construction of new facilities, these funds will provide for the relocation of students, staff, and schools for the duration of the construction. Temporary facilities may include portable classrooms, trailers, or modular structures.

#### Health and Safety

The Department requests \$35 million for the King Kekaulike High School sewage system replacement; fire alarm replacements; elevator replacements and/or modernization; and security fencing for various schools.

The sewer system at King Kekaulike High School has partially failed and the weekly cost to pump the sewage has been \$9,000 per month since early 2022. The Department is requesting \$10 million to design and construct a replacement sewage system. A new sewer system will eliminate the need for pumping services.

A request for \$10 million is to address the immediate need for the completion of campus fire alarm system replacements, including kitchen hood fire extinguishing systems and monitoring systems. Some schools have implemented fire watches since their fire alarm systems are inoperable. While replacement fire alarm systems are in the planning and design phase for these schools, funds are necessary for construction. Current estimates for fire alarm replacements is approximately \$57 million which the Department intends to request in each biennium and supplemental budget until these systems can be regularly maintained.

A request for \$5 million is needed for elevator replacements and/or modernization. Obsolete elevators need to be replaced because replacement parts for repairs are in limited supply. A non-functioning elevator usually means there are classrooms and other facilities that are no longer accessible for persons with disabilities.

Lastly, \$10 million is being requested for perimeter fencing at various schools that have been assessed for vulnerabilities and breaches into its schools. Construction of fences will limit these breaches. Current estimates for perimeter fencing is \$30 million for five schools,

which the Department intends to request in the future. This will be a recurring expense as schools statewide complete assessments for perimeter fencing.

#### Compliance

The Department requests \$43 million to complete construction of ongoing Americans with Disabilities Act (ADA) improvements for public accommodations, program access for public and student accommodations, and corrective actions for Career and Technical Education audits and for gender equity improvements for girls' athletic locker rooms at two schools. If these funds are not provided, compliance project construction will be delayed another year. All of these projects targeted for construction are in design and do not represent any new initiatives. Compliance funding requests are a recurring expense to complete ADA improvements and 40 gender equity compliance projects at approximately 100 schools statewide. These projects will provide corrective work to comply with the 2010 ADA Standards and Title IX gender equity laws.

#### OITS Bells and Paging Replacements

OITS has identified seven schools that need improvements to or replacements of their bell and paging systems in addition to the schools that will be serviced by the \$2 million funded for FY 2024-2025 by Act 164 (2023). The Department is requesting an additional \$3 million for these health and safety-related improvements that enable communication and emergency alerts.

The following regulations and policies provide guidance for the development and approval of the Department's CIP Supplemental Budget.

- B&F's [September 5, 2023 Finance Memorandum 23-12, FY 25 Supplemental Budget Policies and Guidelines \(Fiscal Biennium 2023-25\)](#) sets forth the Executive Branch's budget preparation policies, guidelines, deadlines, and submittal requirements for both the operating and the CIP supplemental budget for FY 2024-2025.
  - [Board Policy 303-1, Department of Education Budgets](#), provides the Board with the authority to approve the Department's budget requests: "Any Department proposal to make adjustments in the operating budget and Capital Improvements Program budget shall require prior approval of the Board . . . ."
  - [Board Policy 301-10, Equitable Allocation of Facilities Resources](#), guided the development of the biennium budget last year and is what the supplemental budget is based upon for the equitable allocation of facilities.
- b. Previous action of the Board and Committee(s) on the same or similar matter:

In accordance with Board Policies 303-1, the Board approved previous CIP biennium budget proposals, most recently for Fiscal Biennium 2023-2025 during the October 20, 2022 General Business Meeting (see action before adjournment in the following Board minutes): <https://alala1.k12.hi.us/STATE/BOE/Minutes.nsf/a15fa9df11029fd70a2565cb0065b6b7/e1d8a50526a9ed830a2589090063cf66?OpenDocument>.

c. Other policies affected:

[§302A-1703, Hawaii Revised Statutes](#), Powers; generally, outlines the responsibilities of the SFA. The Department defers the responsibilities related to public school development, planning, and construction to the SFA as it continues establishing its team and managing projects. The replacement of King Kamehameha III Elementary School will be managed by the SFA.

d. Arguments in support of the recommendation:

The funds identified in the supplemental request are all high priority needs based on the justification provided for the six categories of need in Section 3.a. The Department followed B&F's guidance to request funding only to address critical needs.

e. Arguments against the recommendation:

The requested CIP supplemental budget is based on school and student needs and does not address the needs of all schools. Thus, some may feel their school is being neglected. The Department prioritizes recovery efforts and the health and safety of all students and staff. As the Department completes projects, other projects will rise to the top.

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

The FY 2024-2025 supplemental budget request was crafted according to guidelines set by B&F.

The Governor considers all proposals submitted by the State agencies and determines the Executive Supplemental Budget, which is then presented to the Legislature for deliberation and approval. The Department is dependent on the legislative session to determine the final outcome for CIP appropriations.

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

The Department anticipates support from the public and schools for funding requests related to wildfires recovery and replacements and improvements to school facilities.

h. Educational implication:

The CIP budget allows the Department to maintain and advance the educational services provided for our students, families, and staff to ensure student success. Improved facilities support student academic achievement; student and staff well-being; and safe, healthy, and age and culturally appropriate learning environments, which together provide the optimal conditions for effective teaching and learning.

The operations of the Department collectively provide for the effective and efficient delivery of educational services to students across the public school system.

i. Personnel implications:

There are staffing capacity challenges that the Department must manage when executing its lump sum priority-funded projects along with the multitude of legislative line-item CIP projects for constituent schools. With a timeline of one biennium period to request allotments, design projects, get permits approved through the county agencies, and bid and construct projects, the process is quite demanding on professionals already in short supply. Until there is a workable solution to this, there will always be an endless rush to complete CIP projects before funds lapse. This results in inconsistent designs or designs that are not thorough that can delay and increase the cost of projects as they proceed through construction to completion.

j. Facilities implications:

The CIP budget submission focuses on the improvement and addition of school facilities across the public school system. FY 2024-2025 funds will allow the Department to ensure all students have access to “safe, accessible, and supportive school facilities” conducive to effective teaching and learning and facilitate student success.

k. Financial implications:

The budget request is formatted into lump sum categories to increase the efficiency of the Department in requesting the release of funds and implementing the projects. This budget request includes new lump sum categories identified by B&F for the upcoming supplemental budget year: Wildfires Recovery, Major R&M, and Completion of Ongoing CIP Projects. The proposed FY 2024-2025 supplemental budget reflects a reduction of the original FY 2024-2025 budget request. This will result in higher funding requests in the next biennium.

6. OTHER SUPPLEMENTARY RECOMMENDATIONS

None.

KTH:gn  
Attachment

c: Curt T. Otaguro, Deputy Superintendent of Operations  
Randall M. Tanaka, Assistant Superintendent, Office of Facilities and Operations  
Facilities Development Branch

Fiscal Year 2024-2025 (FY25) Supplemental Capital Improvement Program (CIP) Budget

Costs in Thousands, EDN 100

Prioritized List of CIP Projects			Act 164/SLH 2023 For FY25	Supplemental Request FY25
School	Project	Sub category		
<b>WILDFIRES RECOVERY</b>				\$25,000
<b>MAJOR REPAIRS AND MAINTENANCE</b>				\$95,000
<b>COMPLETION OF ONGOING CIP PROJECTS</b>				\$72,000
<b>PROJECT COMPLETION</b>			\$0	\$0
<b>DEFERRED MAINTENANCE PROGRAM</b>			\$45,000	\$0
<b>FEDERAL GRANTS</b>			\$36,000	\$0
Nimitz Elementary School	Military Campus Renovate/Replace	Modernization	\$18,000	
Lehua Elementary School	Military Campus Renovate/Replace	Modernization	\$18,000	
<b>HEALTH &amp; SAFETY</b>			\$0	\$35,000
<b>COMPLIANCE</b>			\$0	\$43,000
McKinley High School	ADA Improvements (Phase 3)	ADA		\$3,800
Lahainaluna High School	ADA Improvements	ADA		\$7,300
Dole Middle School	ADA Improvements	ADA		\$3,400
Koko Head Elementary School	ADA Improvements	ADA		\$3,200
Waikiki Elementary School	ADA Improvements	ADA		\$2,900
Hokulani Elementary School	ADA Improvements	ADA		\$2,500
Kihei Elementary School	ADA Improvements	ADA		\$2,800
Leilehua High School	ADA Improvements (CTE)	ADA		\$3,700
Hilo High School	ADA Improvements (CTE)	ADA		\$3,600
Waipahu High School	ADA Improvements (CTE)	ADA		\$3,500
Leilehua High School	Girls Athletic Locker Room	Gender Equity		\$3,000
Hana High and Elementary School	Girls Athletic Locker Room	Gender Equity		\$3,300
<b>CAPACITY</b>			\$0	\$0
<b>INSTRUCTIONAL</b>			\$11,000	\$0
Kaimuki High School	Science Classroom Improvements	STEM/Science	\$5,500	
McKinley High School	Science Classroom Improvements	STEM/Science	\$5,500	
<b>SUPPORT</b>			\$0	\$0
<b>OITS BELLS AND PAGING REPLACEMENTS</b>			\$2,000	\$3,000
<b>VARIOUS LINE ITEMS FROM ACT 164/SLH 2023 WITH FY25 FUNDING - see list below</b>			\$32,770	
<b>Total Budget by Fiscal Year</b>			\$126,770	\$273,000
<b>Total FY25 Budget</b>			\$399,770	
<b>FEDERAL GRANTS - MATCHING FEDERAL FUNDS, MOF P</b>			\$144,000	\$0
<b>Acronym Legend:</b>				
ADA = Americans with Disabilities Act		CTE = Career and Technical Education	PE = Physical Education	
CIP = Capital Improvement Program		MOF P = Method of Finance, Federal Awards	SLH = Session Laws of Hawaii	
		OITS = Office of Information Technology Services	STEM = Science, Technology, Engineering, Math	
<b>LEGISLATIVE ADD-ON FOR FY25 LINE ITMES IN ACT 164/SLH 2023</b>				
Alvah A Scott Elementary School	Health Room Renovation	Support	\$2,200	
Baldwin High School	Track, Field, PE , Athletic and Other Facilities	Support	\$10,000	
Kailua High School	Athletic Facilities and Other Improvements	Support	\$7,500	
Lanai High and Elementary School	Renovation and Upgrades for Campus Improvements	Support	\$5,000	
Lihikai Elementary School	Electrical and Telrcommunications Upgrades	Support	\$650	
Molokai Complex Area Schools	Maintenance and Other Improvements	Support	\$5,420	
Pomaikai Elementary School	Playfield and Related Improvements	Support	\$650	
Salt Lake Elementary School	Playground Turf Improvement	Support	\$600	
Waialua High and Intermediate School	Track, Field and Other Related Improvements	Support	\$750	
<b>Total</b>			\$32,770	