



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

OFFICE OF THE SUPERINTENDENT

May 7, 2020

TO: The Honorable Catherine Payne
Chairperson, Hawaii State Board of Education

FROM: *for* Dr. Christina M. Kishimoto *Christina Kishimoto*
Superintendent

SUBJECT: **Presentation on Potential Impact of COVID-19 on State Funds for Education; Potential Priorities for Federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") K-12 Funding for Summer Months and 2020-2021 School Year; and Initial Planning Process"**

1. EXECUTIVE SUMMARY

Hawaii continues to deal with the escalating fiscal uncertainties created by the COVID-19 pandemic, including a steep decline in tax revenues that fund the state's budget. This has a significant impact on the Hawaii State Department of Education (Department), whose operations comprise nearly one-quarter of the state's general fund budget.

In confronting this challenge, the Department remains student-centered in all decision making and focused on our core mission to ensure all students reach their aspirations.

We know that public education is a stabilizing force in the face of crises. The economic and social effects of COVID-19 will reverberate for many years in classrooms and schools across our nation. The Department extends its appreciation to our education leaders, teachers and support staff who continue to be a consistent source of academic delivery, student services, and transition support for our students, parents, and communities.

2. PRESENTATION

This presentation will provide an overview of the scope of the fiscal challenges faced by our state and the Department. Further, we will share information about the CARES Act and the status of our planning for this summer and the 2020-2021 school year.

CMK:sg
Attachment

c: Office of the Superintendent/ODS



OFFICE OF THE
Superintendent

Presentation on potential impact of COVID-19 on state funds for education; potential priorities for federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") K-12 funding for summer months and 2020-2021 school year; and initial planning process

**General Business Meeting
May 7, 2020**

Dr. Christina M. Kishimoto

Superintendent

Phyllis Unebasami

Deputy Superintendent

Brian Hallett

Interim Assistant Superintendent

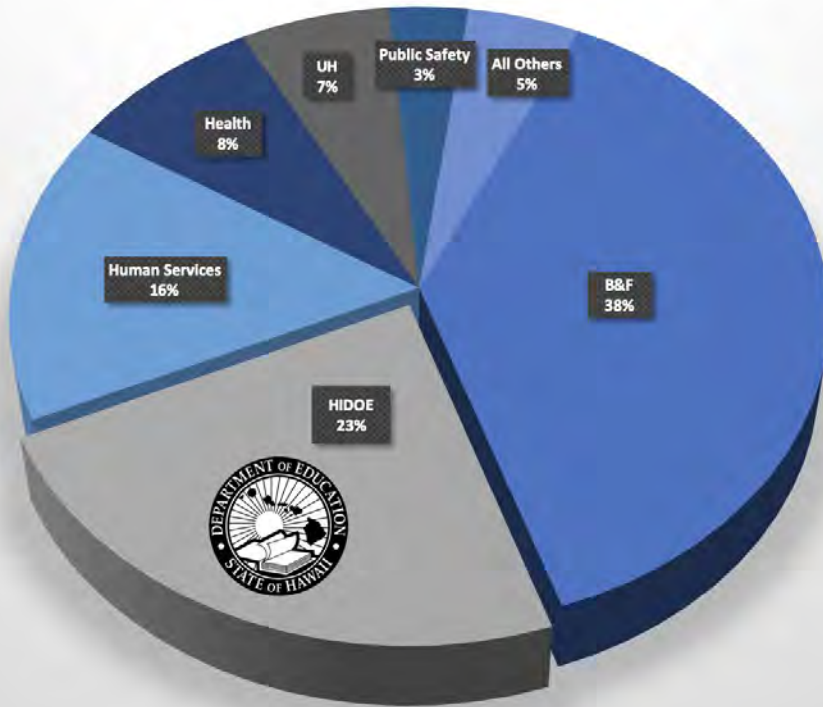




General Fund Budget

FY 2020 Executive Budget

HOW THE STATE SPENDS ITS MONEY - GENERAL FUNDS



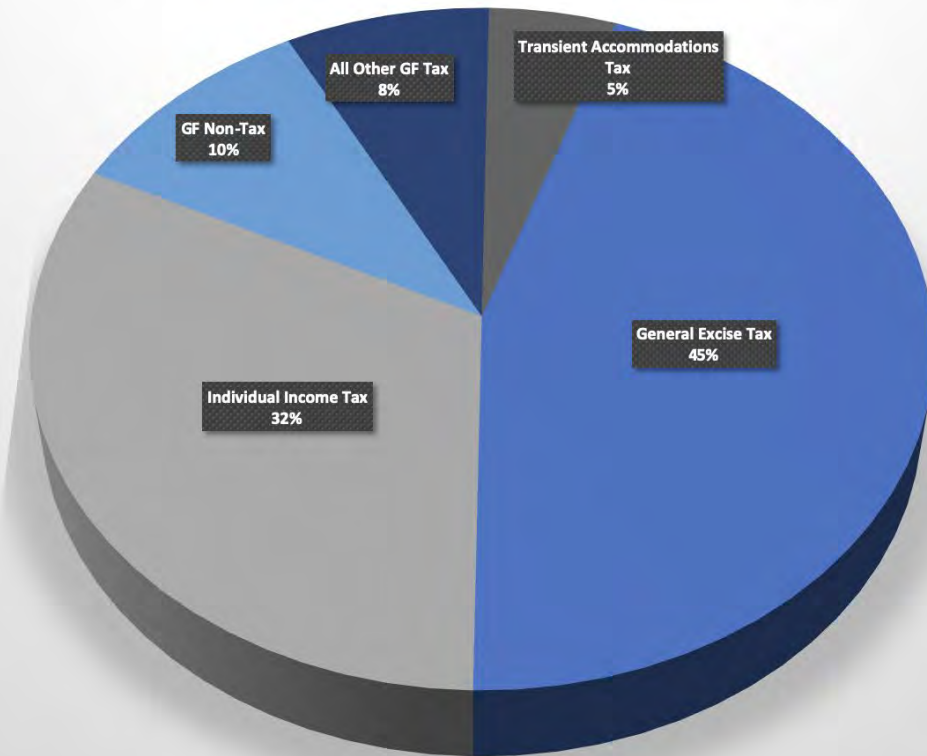
Department	FY 2020 Appropriation	% of Budget
Budget & Finance (Debt service, collective bargaining, ERS, EUTF)	\$3,039,186,589	37.88%
HIDEO	\$1,876,479,829	23.39%
Human Services (Medicaid, SNAP, public housing, disability)	\$1,262,750,846	15.74%
Health (Public health, mental health, environmental health, Hawaii State Hospital)	\$668,499,295	8.33%
University of Hawaii (Higher education system, research)	\$518,181,577	6.46%
Public Safety (Correctional institutions, state law enforcement)	\$271,335,589	3.38%
All other departments	\$387,578,205	4.84%
TOTAL	\$8,024,011,930	100%



General Fund Revenue Sources

FY 2020 Estimates

WHERE THE STATE GETS ITS MONEY – GENERAL FUNDS



Revenue Source	FY 2020 Estimated	% of GF
General Excise Tax	\$3,665,400,000	45%
Individual Income Tax	\$2,656,800,000	32%
GF Non-Tax	\$786,700,000	10%
All Other GF Tax	\$702,000,000	8%
Transient Accommodations Tax	\$389,000,000	5%

Council on Revenues
General Fund Growth Projection

Forecast Date	FY 2020	FY 2021
January 10	4.1%	4.0%
March 11	3.8%	0%
Difference between Jan and March	↓\$21.425M	↓\$318.8M
May 28	TBD	TBD



General Fund Balance Sheet FY18-25

*Figures prepared by B&F for discussion purposes only (as of April 24)

Quarterly forecast before
Gov's stay-at-home order,
travel quarantine initiated.

	Actual FY18	Actual FY19	Est. FY20	Est. FY21	Est. FY22	Est. FY23	Est. FY24	Est. FY25
COR FORECAST (3/11/20 forecast)	7.6%	5.1%	3.8%	0%	5%	4%	4%	4%
TOTAL REVENUES* (in millions)	\$7,660.4	\$7,916.6	\$8,199.9	\$8,187.9	\$8,582.0	\$8,902.3	\$9,243.3	\$9,594.4
TOTAL EXPENDITURES (Gov.'s FY21 budget)	\$7,803.9	\$7,914.7	\$8,369.8	\$8,730.0	\$8,873.3	\$9,065.1	\$9,283.8	\$9,422.1
REVENUE OVER/ UNDER EXPENDITURES	(\$143.5)	\$1.8	(\$169.9)	(\$542.1)	(\$291.3)	(\$162.8)	(\$40.5)	\$172.2
CARRYOVER BALANCE (DEFICIT)								
BEGINNING	\$893.8	\$750.3	\$752.1	\$582.3	\$40.2	(\$251.2)	(\$413.9)	(\$454.5)
ENDING	\$750.3	\$752.1	\$582.3	\$40.2	(\$251.2)	(\$413.9)	(\$454.5)	(\$282.2)

* Tax, non-tax, Judiciary, and other revenues combined



Updated General Fund Balance Sheet

*Figures prepared by B&F for discussion purposes only (as of April 24)

	Actual FY18	Actual FY19	Est. FY20	Est. FY21	Est. FY22	Est. FY23	Est. FY24	Est. FY25
COR Tax Revenues Only (March 11, 2020 forecast)	7.6%	5.1%	3.8%	0%	5.0%	4.0%	4.0%	4.0%
(in millions)	\$6,796.0	\$7,141.8	\$7,413.2	\$7,413.2	7,783.8	\$8,095.2	\$8,419.0	\$8,755.8
PROJECTED Tax Revenues by Carl Bonham (late March 2020)	7.6%	5.1%	1.2%	-16%	8.6%	7.5%	4.9%	4.0%
	\$6,796.0	\$7,141.8	\$7,225.3	\$6,072.9	\$6,597.0	\$7,089.1	\$7,437.2	\$7,734.7
DIFFERENCE	0.0	0.0	(\$187.8)	(\$1,340.3)	(\$1,186.8)	(\$1,006.1)	(\$981.8)	(\$1,021.1)
REVENUE OVER/UNDER EXPENDITURES	(\$143.5)	\$1.8	(\$357.7)	(\$1,882.4)	(\$1,478.2)	(\$1,168.8)	(\$1,022.3)	(\$848.8)
CARRYOVER BEGINNING BALANCE (DEFICIT)	\$893.8	\$750.3	\$752.1	\$394.4	(\$1,487.9)	(\$2,966.1)	(\$4,134.9)	(\$5,157.2)
ENDING BALANCE	\$750.3	\$752.1	\$394.4	(\$1,487.9)	(\$2,966.1)	(\$4,134.9)	(\$5,157.2)	(\$6,006.1)
\$1.5B shortfall cited by Gov. Ige								



Draft COVID Re-Balancing Framework

*Figures prepared by B&F for discussion purposes only (as of April 24)

	Est. FY20	Est. FY21	Est. FY22	Est. FY23	Est. FY24	Est. FY25
Revenue Adjustments (in millions):						
1. Walk back Gov admin bills		\$11.1	\$0.7	\$2.1	\$1.1	\$1.0
2. Use Rainy Day Fund		0	\$378.2	0	0	0
3. Use Hurricane Relief Fund (Withdrawn)		0	0	0	0	0
Expenditure Adjustments:						
1. Trim supplemental budget, admin bills	(\$69.7)	(\$153.8)	(\$76.2)	(\$101.7)	(\$156.9)	(\$159.3)
2. Restrictions & projected fixed savings FY20	(\$115.3)					
3. Defer FY19-21 collective bargaining increases	(\$59.4)	(\$141.0)				
4. 10% pay reduction for BU 9, 10, 11*. All others 34 hours per month DLWOP/STOWOP**	(\$105.7)	(\$634.0)				
5. Suspend Other Post Employment Benefits (OPEB) Contributions		(\$292.7)	(\$286.3)	(\$277.8)	(\$271.0)	(\$263.5)
6. 12% across the board on all non-fixed costs		(\$394.7)	(\$394.7)	(\$394.7)	(\$394.7)	(\$394.7)
	(\$350.0)	(\$1,616.2)	(\$757.1)	(\$774.2)	(\$822.6)	(\$817.5)
REVENUE OVER/ UNDER EXPENDITURES	(\$7.7)	(\$255.0)	(\$342.1)	(\$392.5)	(\$198.6)	(\$30.3)
CARRYOVER (DEFICIT)						
BEGINNING BALANCE	\$752.1	\$744.5	\$489.4	\$147.3	(\$245.2)	(\$443.7)
ENDING BALANCE	\$744.5	\$489.4	\$147.3	(\$245.2)	(\$443.7)	(\$474.0)

* BU9 Registered professional nurses, BU10 Institutional, health, correctional workers, BU11 Firefighters.

** Directed Leave Without Pay/Supplemental Time Off Without Pay (34 hours/month equivalent to 19.62% salary reduction).



HIDOE Mindset, Budget Restrictions

Fiscal Guidance from Executive Branch and HIDOE

To date, the State Administration has issued three and HIDOE has issued two budget guideline memos.

March 12: B&F

Budget and
Expenditure Control

“All departments and agencies should take the most cautious and prudent steps in **controlling expenditures** for the remainder of FY 20 and through FY 21.”

March 13: HIDOE

Fiscal Management
Guidelines #1

- “...re-examine planned expenditures in the current school year, For next school year....anticipate a likely leaner fiscal year, **revisit your academic and financial plans**, and plan for contingencies.”
- “...until further notice schools, complex areas, and state offices shall **limit expenses to critical goods, services, and supplies.**”

April 3: Gov.

Amended Budget
Execution Policies,
Instructions

- “The economic fallout has been brutal ... At this point no one can predict how long this worldwide health crisis will last and it is premature to reconsider the economic impact to the State. We all know the **impact will be significant and painful** ... Find innovative ways to deliver essential services and trim costs.
- Hiring freeze.**

April 13: Gov.

Additional Restrictions

- “We must take immediate and serious action to **reduce State expenditures now.**”
- Imposed hiring freeze and a **2% General Fund restriction** for **EDN200** (Instructional Support) and **EDN300** (State Administration).

April 15: HIDOE

Fiscal Management
Guidelines #2

- Announced **50% restriction on non-salary funds** for all general fund programs. Exceptions: WSF (-2.4%); ICAA (-3.3%); Special Education Per Pupil Allocation (0%); and Community School for Adults (-2%).
- Federal COVID-19 Response funds are planned to be used for summer distance learning programs.



Potential SY 2020-21 Adjustments

Areas Identified for Potential Savings of \$150 million

School Year	Savings/Funding Source	Estimated Amount
2019-20	Centralized casual hire savings	\$18 million
2019-20	Centralized salary savings	\$17 million
2019-20	Student transportation program savings	\$15 million
2020-21	Impact Aid funds	\$50 million
2020-21	Various federal program funds	\$6 million
2020-21	Restriction of funds allocated by formula	\$24.2 million
2020-21	Restriction of non-salary funds (tentative)	\$10 million
2020-21	Centralized salary savings (tentative)	\$10 million
2020-21	Contingent upon restoration with CARES Act funding, Instruction Day at \$6.3M per day	To be determined
	TOTAL	\$150.2 million



Federal COVID-19 Responses

Funding to Support Public Education and State Assistance



The Coronavirus Aid, Relief, and Economic Security (CARES) Act created the Education Stabilization Fund to provide emergency funding for public education.

Source	National Funding	Hawaii's Share
CARES Act Education Stabilization Fund: Elementary & Secondary School Emergency Relief Fund	\$13.5 Billion	\$43.4 million Use to be determined by HIDOE.
CARES Act Education Stabilization Fund: Governor's Emergency Education Relief Fund	\$3 Billion	\$9.9 million Use to be determined by Governor to support lower and higher education.
CARES Act State and Local Assistance	\$150 Billion	\$1.25 billion > State \$863 million > City \$387 million currently targeted for COVID response. Use to be determined by Governor
COVID Response No. 5 State and Local Assistance (Pending)	\$500 Billion (Sought)	To be determined



CARES Act Funding Uses



\$43.4M

ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND

A local education agency may use these funds to:

- *Coordinate preparedness, response efforts.*
- *Provide principals and other school leaders with the resources necessary to address the needs of their individual schools.*
- *Address needs of low-income children, children with disabilities, students experiencing homelessness, foster youth.*
- *Purchase educational technology (hardware, software, and connectivity) for students, including low-income students and students with disabilities.*
- *Provide mental health services and supports.*
- *Plan and implement activities related to summer learning and supplemental after school programs, including online instruction.*
- *Maintain the continuity of services in local education agencies and continuing to employ existing staff.*
- *Must be awarded within one year*

\$9.9M

GOVERNOR'S EMERGENCY EDUCATION RELIEF FUND

A governor may use these funds to:

- *Provide grants to local education agencies most impacted by coronavirus to support the ongoing functionality of the LEA.*
- *Provide grants to institutions of higher education the governor determines are most impacted by coronavirus.*
- *Provide support to any other higher education institution, local education agency, or education-related entity the governor deems essential for carrying out emergency educational services, the provision of child care and early childhood education, social and emotional support, or the protection of education-related jobs.*
- *Must be awarded within one year*

\$1.25B

RELIEF FUND FOR STATE, COUNTY GOVERNMENTS

State and county governments may use this funding for costs that:

- *Are necessary expenditures incurred due to the public health emergency with respect to COVID-19.*
- *Were not accounted for in the budget most recently approved for the state or county government as of the date of enactment.*
- *Were incurred from March 1 to Dec. 30, 2020.*



Uses of Federal COVID-19 Funding



HIDOE Priority Area	Description
1. Summer Learning	Programs for credit recovery, e-school expansion for advanced learning and credit attainment, K-2 literacy, compensatory services, UH courses.
2. CTE-Aligned Paid Internships	Paid internships within HIDOE to assist graduates in completing work experiences required for CTE credit and obtaining employability skills.
3. Devices for Learning	Devices for high-need schools to ensure all students have a device to use and to close the resource gap.
4. Connectivity	Broadband hotspots and devices with built-in connectivity for student/staff use and deployment of mobile WiFi hubs to increase connectivity.
5. Learning/Lesson Platform	A learning platform system to support schools with online standards-based curriculum, blended learning, and online peer collaboration.
6. Quality Distance Learning Training	PD for staff on delivering effective online learning and student support; Training for parents to better support their child with online learning.
7. Staffing Differentials	Staffing differentials to support the stabilization of hard-to-staff areas.
Operations 1: Cleaning	Supplies for cleaning and preparing schools for reopening in compliance with CDC and the Department of Health.
Operations 2: Health and Safety	Health and safety considerations to ensure the wellness of employees who need access to school buildings and offices.
Operations 3: Transition Safety Nets	Funds for schools/offices to provide resources to support families, students and communities with differentiated needs as we transition to reopening.



Looking Ahead



Economic – Global, national, local fallout and the assessment by the Council on Revenues.



Health – Containment, testing, treatments, and a vaccine will all impact guidelines and best practices issued by the Centers for Disease Control and Prevention and Hawaii Department of Health.



Political – The scope and time horizon of this crisis will impact the responses of Congress, the State Legislature and Governor.



Looking Ahead

Questions Tri-Level Leaders Are Reflecting On

Prioritize investments. What is the hierarchy of priorities to run our organization? What are non-negotiables versus lower priority activities? What are nice-to-haves versus need-to-haves?

Be Planful. What can we do in the last two months of this fiscal year to maximize savings and help mitigate for next school year, for general funds and federal funds?

Adapt to New Realities. How do we advance this conversation beyond savings to better serve our students? What should we stop doing and start investing in? What is tradition versus necessity?

Be Innovative. How can we leverage the tri-level structure to take advantage of economies of scale at the state, complex area, and complex level?

Assess Staffing. How might the hiring freeze imposed on non-federal and non-instructional positions impact how we operate next school year?



Mahalo



Kapolei Elementary



Kanoelani Elementary