

General Funds Carryover Report FY 2019-20 to FY 2020-21

Introduction

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Introduction

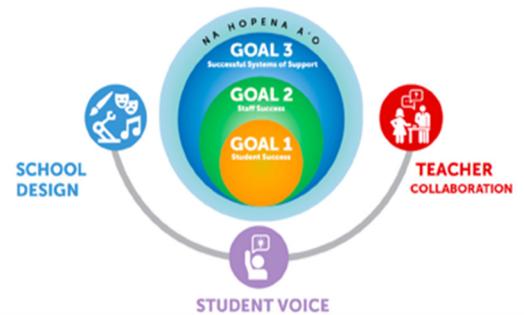
As a compact between the Hawaii State Board of Education (BOE), Hawaii State Department of Education (HIDEO) and the community, the 2030 Promise Plan, when approved by the BOE, will build upon the work of the last two years, continuing the use of School Design, Teacher Collaboration, and Student Voice, three high-impact strategies to strengthen the

public education system. This Plan will outline the state's goals for public education and the budgetary support and investment necessary to achieve those goals and initiatives.

Each of the five promises to students – Hawaii, Equity, School Design, Empowerment and Innovation – addresses the qualities we know we want all students to experience in our public education system.

Additionally, the goals and objectives outlined in the plan will further guide planning and inform the reporting of schools' progress, supporting priorities and funding for HIDEO to all stakeholders.

Through the accurate and timely reporting of the allocations and expenditures, HIDEO can track and maximize the resources to provide equitable access to high quality education for all students.



Purpose of this report

The purpose of this report is to explicitly share the General Funds Carryover Report, which outlines the context and background of general funds carryover, the actual amounts of Fiscal Year (FY) 2019-20 expenditures and carryover, and detailed priorities for the use of carryover funds.

What are carryover funds?

The General Funds Carryover represents the unused (unexpended and unencumbered) funds from one fiscal year that HIDOE is allowed to use during the following fiscal year. By law, HIDOE is authorized to carryover up to five percent of its appropriations, which given its \$1.72 billion general fund allotment in FY 2019-20 equated to approximately \$87.56 million.

HRS §37-41.5 states in part: (a) The department of education may retain up to five percent of any appropriation . . . (b) Appropriations allocated to the schools shall remain within the budget of the school to which they were originally allocated, provided that the retention of an appropriation shall not be used by the department as a basis for reducing a school's future budget requirements.

Carryover Limits from FY 2019-20 to FY 2020-21

EDN	EDN Description	FY 2019-20 Appropriation	CB Allotment & Transfers	Restriction	Total Allotment	5% Carryover Limit
100	School Based Budgeting	1,020,200,131	(14,765,354)		1,005,434,777	50,271,739
150	Special Education & Student Support Services	378,885,127	2,015,414		380,900,541	19,045,027
200	Instructional Support	57,965,758	2,745,027	5,590,236	60,710,785	3,035,539
300	State Administration	53,287,938	2,801,025	5,040,606	56,088,963	2,804,448
400	School Support	201,462,708	(19,767,332)		181,695,376	9,084,769
500	School Community Services	4,259,262	52,430,390		56,689,652	2,834,483
700	Early Learning	4,095,184	5,683,046		9,778,230	488,912
		1,720,156,108	31,142,216	10,630,842	1,751,298,324	87,564,917

Note: 5% Carryover Limit does not factor in Restrictions

Why do we have carryover funds?

In 1993, the State Legislature passed Act 364, Session Laws of Hawaii (codified as HRS §37-41.5), in part to remove “obstacles to local funding and planning initiatives” and provide “budget and fiscal flexibility to empower schools to be innovative and creative.” This Act granted authority for the HIDOE to carryover up to five percent of its appropriations to the first year of the next fiscal biennium.

In practice, this authority to carryover funds reduces the risk of HIDOE schools and offices falling into a short sighted ‘use it or lose it’ mentality that can be inherent to public sector spending, and supports the deliberate and strategic leveraging of year end balances in the following year.

Carryover Balances as of June 30, 2020

EDN	EDN Description	Carryover used for	Carryover Amount	% of Allotment Carried Over
100	School Based Budgeting	Schools	38,238,935	3.80%
150	Special Education & Student Support Services	Schools/Used to address shortfalls	11,290,350	2.96%
200	Instructional Support	Schools	1,535,776	2.53%
300	State Administration	Schools	427,838	0.76%
400	School Support	Schools/Used to address shortfalls	3,523,769	1.94%
500	School Community Services	Schools/Community Schools	2,834,482	5.00%
700	Early Learning	Schools/EOEL	488,911	5.00%
			58,340,061	3.33%

What are the sources of carryover funds?

CARRYOVER FROM FY 2019-20

As in previous years, HIDOE’s total unexpended and unencumbered funds at the end of FY 2019-20 were well below the allowable carryover limits as specified in HRS §37-41.5. From FY 2019-20 to FY 2020-21, the HIDOE carried \$58.34 million, or 3.33 percent, in general funds.

- The FY 2019-20 unexpended program allocations are:
 - EDN 100-WSF = \$46.65 million. The HIDOE general fund budget is allocated to schools via Weighted Student Formula (WSF), which is where this carryover came from. In accordance with HRS §37-41.5, unexpended funds at schools remain at the school;
 - EDN 100-non WSF = **-\$8.42** million. This was due to an offset to ensure that the HIDOE adhered to the 5 percent carryover limit in EDN 100;
 - EDN 150 = \$11.29 million. \$269,611 carried over for the Hawaii School for the Deaf and Blind and the balance carried over centrally;
 - EDN 200 = \$1,535,776 carried over centrally;
 - EDN 300 = \$427,838 carried over centrally;
 - EDN 400 = \$3,523,769 carried over centrally;
 - EDN 500 = \$2,834,482. \$433,120 carried over for the Adult Community Schools and the balance carried over centrally; and
 - EDN 700 = \$488,911 carried over for the Executive Office on Early Learning.

LONGITUDINAL COMPARISON OF THE USE OF CARRYOVER FUNDS

In an effort to maximize the use of available resources and minimize the lapsing of funds back to the State’s general fund, the HIDOE must expend their carryover funds by December 31st of the same year. ***Essentially all carryover funds are expected to be expended by the end of the current calendar year.***

HIDOE continues to abide by its best practice of ensuring carryover amounts in EDN 100-500 are fully expended within the following fiscal year, and presents this quarterly report to the BOE on these efforts. The chart below illustrates carryover by EDN in each of the five previous fiscal years, showing the amount of *unexpended and unencumbered* funds at the end of each fiscal year.

Five Year Historical Carryover

EDN	FY 16 Carryover	Exp & Enc as of 6/30/2017	Ending Balance as of 6/30/2017	FY 17 Carryover	Exp & Enc as of 6/30/2018	Ending Balance as of 6/30/2018	FY 18 Carryover	Exp & Enc as of 6/30/2019	Ending Balance as of 6/30/2019	FY 19 Carryover	Exp & Enc as of 6/30/2020	Ending Balance as of 6/30/2020	FY 20 Carryover
100 - WSF				35,756,517	35,756,517	0	24,583,580	24,545,332	38,248	19,604,041	19,604,041	0	46,659,519
100 - Non-WSF	26,468,576	26,468,576	0	9,304,239	9,304,239	0	10,042,270	10,042,270	0	13,297,362	13,297,362	0	-8,420,584
150	9,272,141	9,272,141	0	15,271,203	15,271,203	0	9,350,383	9,350,376	7	7,122,920	7,122,920	0	11,290,350
200	1,253,784	1,253,784	0	2,431,497	2,431,497	0	829,401	829,392	9	883,819	883,819	0	1,535,776
300	645,253	645,253	0	2,295,478	2,295,478	0	978,019	978,019	0	507,574	507,574	0	427,838
400	6,912,051	6,912,051	0	4,650,757	4,650,757	0	1,979,846	1,979,846	0	1,342,269	1,342,269	0	3,523,769
500	127,672	127,672	0	203,675	203,675	0	55,535	55,535	0	152,187	152,187	0	2,834,482
700	158,336	158,335	1	320,811	90,083	230,728	165,315	140,847	24,468	474,960	474,960	0	488,911
TOTAL	44,837,813	44,837,812	1	70,234,177	70,003,449	230,728	47,984,349	47,921,617	62,732	43,385,132	43,385,132	0	58,340,061

How does HDOE use carryover funds?

As previously mentioned, the majority of carryover funds are returned to schools to which they were originally allocated.

Funds that carryover centrally are programmed to address priority funding shortfalls. The HDOE recognizes that carryover funds are a non-recurring source of funding. As such, the issue of funding sustainability is a key consideration in determining their use.

Priority is placed on funding non-recurring investments, capacity building to support strategic plan initiatives until appropriated funds may be reallocated in the budget on a recurring basis, and current service cost increases until such time as additional recurring funding may be appropriated by the Hawaii State Legislature.

Priorities supported by centralized carryover in FY 2020-21

EDN	Shortfall Program	Planned Use
EDN 100 School Based Budgeting	<ul style="list-style-type: none"> Move in funds from other EDNs to cover school level carryover 	-\$18,020,409
EDN 150 Special Education (SPED) & Student Support Services	<ul style="list-style-type: none"> Transfer of funds to cover part of the FY 2020-21 EDN 100 deficit 	\$11,020,739
EDN 200 Instructional Support	<ul style="list-style-type: none"> Transfer of funds to cover part of the FY 2020-21 EDN 100 deficit 	\$1,535,776
EDN 300 State Administration	<ul style="list-style-type: none"> Transfer of funds to cover part of the FY 2020-21 EDN 100 deficit 	\$427,838
EDN 400 School Support	<ul style="list-style-type: none"> Transfer \$2,634,693 to cover part of the FY 2020-21 EDN 100 deficit, with the balance of \$889,075 to be used to cover School Food Service shortfall in EDN 400 	\$3,523,769
EDN 500 School Community Services	<ul style="list-style-type: none"> Transfer of funds to cover part of the FY 2020-21 EDN 100 deficit 	\$2,401,362
		\$889,075