



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

**Date:** 03/29/2021

**Time:** 09:00 AM

**Location:** CR 211 & Videoconference

**Committee:** Senate Ways and Means

**Department:** Education

**Person Testifying:** Dr. Christina M. Kishimoto, Superintendent of Education

**Title of Bill:** HB 0200, HD1 RELATING TO THE STATE BUDGET.

**Purpose of Bill:** Appropriates funds for the operating and capital improvement budget of the Executive Branch for fiscal years 2021-2022 and 2022-2023. (HD1)

**Department's Position:**

The Hawaii State Department of Education (Department) supports the intent but respectfully has several concerns with House Bill (HB) 200, HD1, which appropriates funds for the operating and capital improvement budget of the Executive Branch for Fiscal Years 2021-2022 and 2022-2023.

For the Department to effectively meet its obligations, it is incumbent upon state leaders to work together to secure a predictable, equitable, and stable source of K-12 education funding. Sustaining general funding levels are critical for the Department to consistently and effectively maintain the capacity to address drastic educational inequities among our students and ensure a more secure foundation for their chosen futures.

Overall, HB 200, HD1 amends the Department's general fund appropriation from the level contained in the Governor's Biennium Budget Request by net totals of -288.5 position FTEs and -\$37,076,805. These reductions are in addition to the -\$41 million in Governor's 2.5% Program Review adjustments and the non-recurring -\$100.2 million general fund base budget adjustment imposed for Fiscal Year (FY) 2021, pursuant to Act 9, SLH 2020, that is being carried forward into FY 2022 and FY 2023 in HB 200, HD1. These adjustments are being considered as the Department continues to struggle with existing shortfalls for critical new programs and costs required to address the ongoing health crisis, disruptions to the traditional education models, and students' learning loss.

The Department has specific and grave concerns regarding HB 200, HD1 that include:

### **1. Recurring \$100.2 million general fund cut**

The HD1 maintains the \$100.2 million reduction the Legislature imposed in FY 2021 that was intended to be a non-recurring (one-year only) reduction. The line items that make up this reduction were based on the Department's good-faith response to a request from the Ways and Means Committee during the 2020 Session. The Department identified several potential opportunities for one-time reductions that could be implemented with manageable impacts, all of which were incorporated into the FY 2021 budget appropriations. Consistent with Executive Budget Development general practice, as the reductions were not identified in the Session 2020 Budget Worksheets as "non-recurring", the Governor did not remove this reduction when defining the "base budget" for Fiscal Biennium (FB) 2021-2023. Correction of this technical oversight has been the Department's #1 Legislative Priority this year. The retention of these cuts will result in dramatic and disruptive impacts Department-wide.

### **2. Compliance with Federal Maintenance of (State Support) Effort**

The Department's general fund base budget provides the stability and predictability that is at the heart of long-term planning for excellence.

Apparently anticipating that some states may seek to disproportionately balance the budget with cuts for public schools, Congress included a Maintenance of Effort (MOE) requirement for the federal K-12 education coronavirus relief funds, Elementary and Secondary Schools Emergency Relief (ESSER) II and ESSER III, requiring states to provide assurances that they will maintain state funding support for public schools at least at the same proportion as support for all other state agencies. The result is that the state budget cannot include cuts for public schools that are disproportionately higher than cuts to other areas of the budget.

While the Department is very concerned that the HD1 appears out of compliance with this requirement, the Department is confident that the Legislature, in working with the Department of Budget and Finance, will be able to position the State to meet this federal requirement. The Department will stand by to support this conversation as needed.

### **3. Eliminations of Critical Positions equaling 136.0 positions and \$8,618,069 in salary**

The HD1 proposes to cut 136.0 positions and \$8,618,069 of associated salary. The Department understands that the House Draft was based on an across-the-board policy approach using a vacancy report as of November 30, 2020. The Department has submitted an Impact Statement to both the House Finance Committee and Senate Ways and Means Committee dated March 25, 2021 detailing general and specific concerns with these reductions: [here](#). General concerns included the implication of the cuts on:

- Those positions identified that are filled with employees;
- The disruptive impact on the ability to maintain services, including school operations with Weighted Student Formula and Special Education Per Pupil Allocation funding;
- The equity of eliminating positions associated with specific geographic locations/communities;
- The equity of simply shifting the duties of the eliminated positions to remaining positions;
- The budget practice of including turnover savings adjustments of approximately -\$53 million into the Department's general fund base budget in recognition that (1) not all positions will be filled at any one time, (2) the Department does not pay

salary for vacant positions, and (3) the Legislature does not budget for 100% of the annual salary for any general funded position (note: Over the last two years, the Department has documented in writing and explained verbally to legislative fiscal decision-makers and staff how the decades-old inclusion of turnover savings in the budget is a proactive, responsible, and technical practice that addresses concerns regarding vacancy savings);

- The need to place incumbent into vacant positions as part of the regular reduction-in-force (RIF) process; and,
- Technical concerns regarding apparent duplicate entries for positions and differences between identified and budgeted salaries.

**4. Undetermined general fund cuts totaling \$5,845,617**

There are six line items in the [Budget Worksheets](#) for HB 200, HD1 that total -\$5,845,617. These line items lack details to allow for the ready determination of the nature of the reduction. In the coming days, the Department will be working to determine the nature of these cuts to provide meaningful input into the Legislative budget decision-making process. These reductions are located in the following EDNs:

<b>Program</b>	<b>Amount</b>	<b>Budget Worksheet Sequence #</b>
EDN100 School Based Budgeting	-\$976,364	seq. 1120-002 and 1120-004
EDN150 Special Education & Student Support Services	-\$4,710,000	seq. 1120-001 and 1120-004
EDN200 Instructional Support	-\$51,872	seq. 1120-001
EDN400 School Support	-\$107,371	seq. 1120-003

**5. OITS transfer resulting in reduction of 155.0 FTE and \$22.6 million**

There are two line items totaling -155.0 FTE and -\$22.6 million that indicate an intent to transfer the entire Department's Office of Information Technology Services (EDN300) to the Department of Accounting and General Service's Office of Enterprise Technology Services (AGS131) program.

The basis for this adjustment was verbally communicated to the Department for the first time on Thursday, March 25, 2021, and was described as a consequence for a perceived disregard of spending guidance in relation to a Lump Sum CIP Project (G-118, Act 40 SLH 2019). The Department's preliminary investigation into the concerns indicate that the Finance Committee's perception was based on assumptions drawn from the Department's response to a staff inquiry on February 9, 2021. Upon learning of this misinterpretation, the Department provided additional information to Finance Committee staff in the afternoon of March 25, 2021. As of the preparation of this testimony, the Department is awaiting a response.

As this adjustment appears to be based on an apparent jump to erroneous conclusions, and the implications of such a rash and disproportionate reaction would create tremendous disruption for Department personnel, technology system support, and the information technology team's ability to coordinate and support work across the tri-level

system and across functional lines such as instruction and school support, systems security, and school operations and would jeopardize millions in federal funds, the Department trusts there will be mutual effort to work in a more collaborative manner going forward.

#### **6. Charter School True-Up calculation per HRS 302D-28**

Another concern is related to Section 53 regarding the equalization of the non-facility per-pupil funding between the Department and the charter schools. The funding for the teacher national board certification incentive is being excluded for charter schools but not for the Department. We respectfully request that this funding also be excluded for the Department to ensure that monies meant for qualifying Department teachers are allocated properly.

#### **7. Non-general fund ceiling reductions of \$53,086,873**

There are eighteen line items reducing non-general fund ceilings in the Budget Worksheets of the HD1. While it is possible that the apparent assessment that these amounts constitute unrequired or excess budget ceiling, given the implication of insufficient spending ceiling on the implementation of the budget (particularly for special, interdepartmental transfer, and revolving funds), the Department would appreciate additional time to evaluate the potential risk to operations of these reductions. These ceiling reductions include:

- -\$660,663 for Special Funds (B);
- -\$43,907,764 for Federal Funds (N);
- -\$1,000,000 for Other Federal Funds (P);
- -\$5,275,000 for Trust Funds (T);
- -\$700,000 for Interdepartmental Transfer Funds (U); and
- -\$1,543,446 for Revolving Funds (W).

The Department does appreciate the appropriation of American Rescue Plan funding for Early College and Hawaii Keiki and to offset reductions in EDN100 and 150 for both fiscal years of the biennium and would request permanent support for these programs when fiscal conditions allow. An example of how the Legislature could clearly document its intent to restore general fund support for core Department programs is Section 163 of [Act 162](#), SLH 2009. Such documentation would go a long way toward providing stable and predictable support for public schools as encouraged by the National Conference of State Legislatures as [sound governance principles](#) for statewide education finance systems.

The Department concurs with the inclusion in this budget of funding previously budgeted outside of the primary budget bill for the Hawaii Teachers Standards Board and Teacher Certification Stipend program. This will maintain funding for these programs at current levels. In general, inclusion of core education program funding in a single appropriation bill in this manner is consistent with efforts to provide stable and predictable funding.

In regards to our Capital Improvement Projects (CIP) budget, this measure provides \$297,632,000 for the Department's CIP projects for FY 2022 and \$110,000,000 for FY 2023. This funding will include, but is not limited to, ongoing deferred maintenance projects; the design of the new East Kapolei Elementary School; various athletic facilities such as gymnasiums, locker rooms, and softball fields; multiple health and safety projects; heat abatement; and other necessary projects identified in the Department's lump sum requests.

The Department appreciates the continued support provided to our students, schools, and

school communities during this very trying time. We are cognizant of the difficulties faced by many in our island State over the past year due the economic impact of the COVID-19 pandemic. As our budget makes its way through the legislative process, we look forward to continued discussions with the Hawaii State Legislature on shaping the future of quality education for our students in Hawaii's public schools.

Thank you for the opportunity to provide testimony on this measure.

The Hawai'i State Department of Education is committed to delivering on our promises to students, providing an equitable, excellent, and innovative learning environment in every school to engage and elevate our communities. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at [www.hawaiipublicschools.org](http://www.hawaiipublicschools.org).