

# Identification of General Fund Shortfalls in HIDOE's Operating Budget Appropriations for Fiscal Biennium 2021-23

For periods July 1, 2021, to June 30, 2022 (FY22);  
and July 1, 2022, to June 30, 2023 (FY23)

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## I. Summary of Legislative Decisions

The Executive Branch budget bill was enacted as Act 88, Session Laws of Hawaii 2021 (HB200 HD1 SD1 CD1), on June 24, 2021. The net result of the legislative operating budget decisions reflected in the act was an increase to the Department's general funds appropriations, but these increases came mainly from approximately \$33 million in collective bargaining agreements negotiated and agreed to in prior years. Filtering out the collective bargaining increases and other general fund appropriations from Acts that were passed in the 2019 legislative session would result in a \$10,764,387 drop in our general fund appropriations. This drop, along with the \$100.2 million reduction from the 2020 legislative session and our other expenses that we do not yet have resources for, creates a shortfall of over \$300 million over the two-year biennium, which is explained in Section III below.

There were three types of appropriation change decisions:

1. **Decreases** - reductions to resources
2. **Neutral or Net Zero**
  - a. Long-term implications
    - i. For line items in which temporary federal funds replace permanent general funds, there may be long-term negative implications for FY24 when the funds expire if no action is taken before then.
  - b. **Additions** - increases to resources

These three types of appropriation change decisions can be further broken down into six categories:

**DECREASES:**

**Reductions (Category 1)**

1. Vacant position FTE and salary reductions
2. Vacant position salary reductions, resulting in unfunded position FTEs
3. Office of Strategy, Innovation and Performance (OSIP) Assistant Superintendent

**NEUTRAL:**

**Transfers (Category 2)**

1. Office of Information Technology Services (OITS) from EDN300 to EDN400
  - a. This change creates a misalignment that splits OITS' budget into two different EDN program IDs, resulting in undue and unnecessary administrative burden.
2. Carve-out of existing Alternative Learning Center funding for the Papahana 'O Kaiona Alternative Learning Center

**Change in source of funding from permanent general funds to temporary ESSER federal funds (Category 3)**

1. Also referred to as a change in means of financing (MOF).
2. This is really two actions happening simultaneously:
  - a. First, a reduction of permanent general funds from the base budget; and
  - b. Secondly, the addition of temporary federal funds in the same amount as the general fund reduction.
3. Position appropriations usually consist of two components -- FTE and the associated salary amount. For this category (i.e., change in MOF), the FTE has not been changed, but the funding source for the associated salary has changed.
4. Types of positions that were affected include:
  - a. 25 positions identified in the Department's proposed 10% general fund reductions from the program review
  - b. 36 positions deemed to be "excess"
    - i. We have learned that the process the Legislature used to identify "excess" involved comparing our current organizational chart with a 2015 organizational chart, then selecting certain positions that did not appear in both charts.
  - c. 1 Alternative Learning Center position
  - d. 54 positions in the OSIP, except for the Assistant Superintendent position
    - i. The change in source of funding for 3 of these positions only applies to FY23.
  - e. 4 positions in the Office of Curriculum and Instructional Design (OCID)
  - f. \$7,000,000 in other current expenses for OSIP, for FY22 only
  - g. Special Education Student Support Services

NOTE: The changes made by items 4a-4e create misalignments that dislocate each position's salary from the position's FTE.

**INCREASES:**

**Incorporation of individual appropriation acts from 2019 session (Category 4)**

1. Collective bargaining amounts as provided by the Department of Budget and Finance
  - a. See this [memorandum](#) (pages 15-16).
2. Act 54, SLH 2019, and Act 116, SLH 2019, as allowed by Section 44 of Act 5, SLH 2019.
  - a. Hawaii Keiki program
  - b. Hawaii Teacher Standards Board

**Non-recurring not taken (funding preserved) (Category 5)**

1. For Early College, \$1.5 million in general funds was not reduced as originally proposed, and therefore the budget bill continues the same level of funding the program had for FY21.

**Additions (Category 6)**

1. New general fund adds
  - a. \$250,000 for High Core proof-of-concept (FY22 only)
  - b. \$50,000 for Office Assistant CTE program for Waipahu and Leilehua High Schools
  - c. \$468,424 for Existing Alternative Teacher Preparation Program
    - i. This change creates a misalignment: funds were appropriated in EDN200, but the existing program was already established in EDN300.
  - d. \$3,000,000 in FY22 and \$6,000,000 in FY23 for Alternative Learning Centers in select districts/complex areas
  - e. \$30,564 for State Administration
  - f. \$1 for School Facilities Agency startup costs
2. New general fund position adds
  - a. 7 permanent positions for Papahana 'O Kaiona Alternative Learning Center
3. Federal fund expenditure ceiling increases for temporary funding of:
  - a. \$304,000 (FY22 only) for equipment and furniture for Leilehua High School Cyber Security Academy
  - b. \$325,241 for 4 Challenger Center positions (previously funded by general funds from the Department of Business, Economic Development and Tourism) and other current expenses
  - c. One permanent Education Specialist III position
  - d. \$400,000 in trauma-informed care services for Castle-Kailua-Kalaheo complexes

## II. Where We Are Today - Fiscal Year 2022 Appropriation Summary

The FY22 appropriation summary incorporates the adjustments made by the Legislature (as described in Section I) into the Department's FY21 operating budget, and presents the new operating budget totals by Office, 5-digit Program ID, and character of expenditure.

The appropriation summary reports can be found here:

<https://www.hawaiipublicschools.org/DOE%20Forms/budget/FY2022-Operating-Budget-Appropriation-Summary.pdf>

### III. What This Means - General Fund Shortfalls

There are 3 different types of general fund shortfalls, totalling over \$300 million over the two-year biennium:

**1. \$100.2 million reduction (Act 9, SLH 2020)**

- a. Act 9, SLH 2020, included general fund operating reductions totalling \$100.2 million for FY21 for the Department. The Department identified these as one-time reductions since recurring amounts would not be sustainable, and anticipated the full \$100.2 million would be restored in the Department's operating budget for Fiscal Biennium 2021-2023. However, the \$100.2 million reduction was deemed to be recurring and was carried forward into the fiscal biennium. This unanticipated permanent reduction to the Department's base budget is severe and is the equivalent of two times the total State Administration budget (EDN300).
- b. See the Department's [May 20, 2021, presentation to the Board of Education Finance and Infrastructure Committee](#) (slides 6-11).

**2. Change in source of funding from permanent general funds to temporary federal funds (Act 88, SLH 2021) - \$17.9 million in FY22, \$11.1 million in FY23**

- a. \$1,615,008 for the general fund salaries of 25 positions identified in the Department's proposed 10% general fund reductions from the program review
- b. \$3,763,650 for the general fund salaries of 36 positions deemed to be "excess"
  - i. We have learned that the process the Legislature used to identify "excess" involved comparing the Department's current organizational chart with a 2015 organizational chart, then selecting certain positions that did not appear in both charts.
  - ii. \$10,000 of this amount accounts for an additional general fund salary reduction above the budgeted amount
- c. \$103,163 for general fund salary for 1 Alternative Learning Center position
- d. \$5,036,436 for the general fund salaries of 54 positions in OSIP, except for the Assistant Superintendent position
  - i. \$193,740 of this amount, associated with 3 positions, only applies to FY23
- e. \$7,000,000 in other current expenses for OSIP, for FY22 only
- f. \$248,796 for the general fund salaries of 4 positions in OCID
- g. \$4,431,663 for Special Education and Student Support Services. (This amount is already included in the preceding shortfall type, "100.2 million reduction.")
- h. \$325,241 for 4 Challenger Center positions (previously funded by general funds from the Department of Business, Economic Development and Tourism) and other current expenses

**3. Other shortfalls - \$21.4 million for FY22, for \$52.1 million FY23**

- a. \*\$32,500,000 for teacher differentials starting FY23
- b. \*\$10,000,000 for workers' compensation
- c. \*\$5,000,000 for school converged network licensing and maintenance
- d. \*\$1,500,000 for licensing and maintenance related to modernization of the Department's financial management system
- e. \$2,934,787 in general fund salaries of position FTEs where salary funding was cut, but FTE was preserved. Funding is needed to fill these positions; if left vacant, they will be at risk for cuts in future legislative sessions.

- f. \$156,324 for the general fund salary of the OSIP Assistant Superintendent position
- g. \$24,000 for Private Trade, Vocational & Technical School Licensure. The special fund supporting this work was repealed (Act 9, Special SLH 2021) and general funds were not provided; however, the Department must continue to implement the related statutory responsibilities.
- h. \$1,800,000 for Honouliuli Middle School equipment for new facilities for FY22 only, that was included in HB613 which was not enacted this year

\*For more details regarding these items, see the Department’s [May 20, 2021, presentation to the Board of Education Finance and Infrastructure Committee](#) (slides 6 &10).

To view the above in table format, see Exhibit A.

The Department is developing a plan to manage these general fund shortfalls, which includes the use of ESSER funds (noting that ESSER funds would only be a temporary solution due to the short-term nature of federal funds). This plan will be presented to the Board of Education (BOE) for consideration at its August 19, 2021, meeting.

The Department will also work with the Governor and Legislature to address these shortfalls.

In addressing these shortfalls, we must be mindful of the multiple timelines involved. The following chart depicts the misaligned timelines that can pose difficulties for schools if the outcome of the legislative budget period in July 2023 significantly affects the plans they finalized in December 2022:

2022		2023							
Aug	Dec	Jan	Feb	Mar	Apr	May	June	Jul	Aug
Schools <b>begin</b> planning for School Year 2024	Schools <b>finalize</b> staffing plan for School Year 2024							School Year 2024 starts	
		Legislative Budget Period for School Year 2024							

**The shortfalls must be remedied in 2022 for the FY23 supplemental budget so schools can be assured of resources for School Year 2024.**

Lack of certainty about funding and resources tremendously affects the ability of schools to plan for adequate levels of teachers and staff, and much-needed services for students in the following school year. The aforementioned shortfalls, if not remedied prior to School Year 2023-2024, will repeat the angst experienced in Spring 2021.

When the COVID-19 pandemic hit and decimated the economy, schools experienced the havoc of making painful decisions about what could be reduced or eliminated to address budget reductions. In Spring 2021, teachers and staff agonized over the education and welfare of their students as well as their own, all the while worrying about whether they would still have a job by July as they awaited final budget decisions.

The Department seeks to move forward with the least disruption to our students and schools by securing predictable, stable funding.

## IV. Fiscal Year 2022 Execution Policies from the Department of Budget and Finance

Each year, the Department of Budget and Finance (B&F) issues policies and instructions to guide State departments' implementation of program appropriations.

For FY22, B&F has applied the following policies to DOE:

- Full-year allocations to be provided for FY22 for general-funded programs.
- A 2% contingency restriction on adjusted discretionary general fund appropriations.
  - This amounts to \$1,654,940 for DOE (see [Executive Memorandum 21-04, Exhibit 1](#), page 8).
  - B&F intends this to be a contingency reserve for FY22, and may adjust it during the second half of the fiscal year based on ESSER maintenance of effort (MOE) requirements, actual tax collection trends, and the Council on Revenue's updated forecasts later in the fiscal year.
- Full-year allocations to be provided for FY22 for non-general funded programs.

For more information, see [Executive Memorandum 21-04](#).



## V. Elementary and Secondary School Emergency Relief Fund (ESSER) Funds

As mentioned in Section III, the Department is developing a plan to manage its general fund shortfalls, which includes the use of ESSER funds. The Department notes that ESSER funds would only be a temporary solution due to their short-term nature. This plan will be presented to BOE for consideration at its August 19, 2021, meeting.

Following are the three ESSER grants the Department has been awarded from the federal government:

- Coronavirus Aid, Relief, and Economic Security Act (ESSER I)
  - Enacted March 27, 2020
  - \$43.4 million awarded to the Department
  - For details, see the Department's [presentation at the May 7, 2020, Board of Education meeting](#)
- Coronavirus Response and Relief Supplemental Appropriations Act (ESSER II)
  - Enacted December 21, 2020
  - \$183,595,211 awarded to the Department
  - February 18, 2021
    - The Department submitted to BOE a [proposal for use of funds](#).
    - BOE gave its [partial approval for use of funds](#), with an instruction to present a spending plan once the Legislature finalizes the Department's Fiscal Biennium 2021-2023 budget.
  - April 15, 2021
    - The Department submitted to BOE a [proposal for use of funds](#)
    - BOE gave its [approval for use of funds](#)
  - Funds available for expenditure through September 30, 2023
- American Rescue Plan (ESSER III):
  - Enacted March 11, 2021
  - \$412,530,212 awarded to the Department (includes June 25, 2021, increase)
  - June 17, 2021. BOE [approved](#) the Department's [proposed State Plan](#) with an instruction to present the additional details in August.
  - June 29, 2021: The Department submitted its State Plan to the U.S. Department of Education (USDOE)
  - August 5, 2021: the Department received formal approval of its State Plan from USDOE
  - Funds available for expenditure through September 30, 2024

Monthly ESSER fund spending reports are available [here](#).

## Exhibit A. General Fund Shortfalls

SECTION III	SHORTFALL TYPE	Description	FY21-22	FY22-23	Total
1	\$100.2m	RESTORE NON-WSF PORTION OF \$100.2 MILLION IN LEGISLATIVE CUTS FROM FY2020-21 (EDN100)	12,302,075	12,302,075	24,604,150
1	\$100.2m	RESTORE WSF PORTION OF \$100.2 MILLION IN LEGISLATIVE CUTS FROM FY2020-21 ((EDN100)	23,405,158	23,405,158	46,810,316
1 / 2g	\$100.2m	RESTORE PORTION OF \$100.2 MILLION IN LEGISLATIVE CUTS FROM FY2020-21 (EDN150)	4,431,663	4,431,663	8,863,326
1	\$100.2m	RESTORE PORTION OF \$100.2 MILLION IN LEGISLATIVE CUTS FROM FY2020-21 (EDN200)	1,731,083	1,731,083	3,462,166
1	\$100.2m	RESTORE PORTION OF \$100.2 MILLION IN LEGISLATIVE CUTS FROM FY2020-21 (EDN300)	2,337,306	2,337,306	4,674,612
1	\$100.2m	RESTORE PORTION OF \$100.2 MILLION IN LEGISLATIVE CUTS FROM FY2020-21 (EDN400)	55,877,341	55,877,341	111,754,682
1	\$100.2m	RESTORE PORTION OF \$100.2 MILLION IN LEGISLATIVE CUTS FROM FY2020-21 (EDN500)	115,374	115,374	230,748
2a / 2b	Change Source of Funding	CHANGE MEANS OF FINANCE FROM GENERAL TO FEDERAL FUNDS FOR (2) PERMANENT POSITIONS FOR SCHOOL-BASED BUDGETING (EDN100).	201,315	201,315	402,630
2a / 2b	Change Source of Funding	CHANGE MEANS OF FINANCE FROM GENERAL FUND TO FEDERAL FUND FOR (3) PERMANENT POSITIONS FOR FOR SPECIAL EDUCATION AND STUDENT SUPPORT SERVICES (EDN150).	295,106	295,106	590,212
2a / 2b	Change Source of Funding	CHANGE MEANS OF FINANCE FROM GENERAL FUND TO FEDERAL FUND FOR (15) PERMANENT AND (7) TEMPORARY POSITIONS FOR INSTRUCTIONAL SUPPORT (EDN200).	2,152,332	2,152,332	4,304,664
2a / 2b	Change Source of Funding	CHANGE MEANS OF FINANCE FROM GENERAL FUND TO FEDERAL FUND FOR (21) PERMANENT AND (2) TEMPORARY POSITIONS FOR STATE ADMINISTRATION (EDN300).	1,917,901	1,917,901	3,835,802
2a / 2b	Change Source of Funding	CHANGE MEANS OF FINANCE FROM GENERAL FUND TO FEDERAL FUND FOR (8.5) PERMANENT AND (2) TEMPORARY POSITIONS FOR SCHOOL SUPPORT(EDN400).	812,004	812,004	1,624,008
2c	Change Source of Funding	CHANGE MEANS OF FINANCE FROM GENERAL TO FEDERAL FOR (1) ALC DIRECTOR PRICED AS AN ADMINISTRATOR	103,163	103,163	206,326
2d / 2e / 2f	Change Source of Funding	CHANGE MEANS OF FINANCE FROM GENERAL FUND TO FEDERAL FUND FOR (3) TEMPORARY POSITIONS FOR SPECIAL EDUCATION AND STUDENT SUPPORT SERVICES (EDN150).	-	193,740	193,740

(continued on next page)

SEC III	SHORTFALL TYPE	Description	FY21-22	FY22-23	Total
2d / 2e / 2f	Change Source of Funding	CHANGE MEANS OF FINANCE FROM GENERAL FUND TO FEDERAL FUND FOR (29) PERMANENT AND (3) TEMPORARY POSITIONS AND FUNDS FOR INSTRUCTIONAL SUPPORT (EDN200).	9,833,194	2,833,194	12,666,388
2d / 2e / 2f	Change Source of Funding	CHANGE MEANS OF FINANCE FROM GENERAL FUND TO FEDERAL FUND FOR (22) PERMANENT POSITIONS FOR STATE ADMINISTRATION (EDN300)	2,258,298	2,258,298	4,516,596
2h	Change Source of Funding	Challenger Center	325,241	325,241	650,482
3a	Other Shortfalls	SHORTFALL - TEACHER DIFFERENTIALS FOR FB2021-2023	-	32,500,000	32,500,000
3b	Other Shortfalls	SHORTFALL - WORKERS COMPENSATION	10,000,000	10,000,000	20,000,000
3c	Other Shortfalls	SHORTFALL - SCHOOL CONVERGED NETWORK LICENSING & MAINTENANCE	5,000,000	5,000,000	10,000,000
3d	Other Shortfalls	SHORTFALL - AUKAHI FMS LICENSING AND MAINTENANCE	1,500,000	1,500,000	3,000,000
3e	Other Shortfalls - Reduce	REDUCE SALARIES FOR (3) PERMANENT & (2) TEMPORARY POSITION FTES.	243,059	243,059	486,118
3e	Other Shortfalls - Reduce	REDUCE SALARIES FOR (6) PERMANENT POSITIONS FTES.	288,857	288,857	577,714
3e	Other Shortfalls - Reduce	REDUCE (1) PERMANENT AND (1) TEMPORARY POSITIONS AND FUNDS FOR INSTRUCTIONAL SUPPORT (EDN200).	343,370	343,370	686,740
3e	Other Shortfalls - Reduce	REDUCE SALARIES FOR (3) PERMANENT AND (2) TEMPORARY POSITION FTES.	312,646	312,646	625,292
3e	Other Shortfalls - Reduce	REDUCE SALARIES FOR (30.5) PERMANENT POSITION FTES.	1,746,855	1,746,855	3,493,710
3f	Other Shortfalls - Reduce	REDUCE SALARY FOR (1) ASSISTANT SUPERINTENDENT FOR THE OFFICE OF STRATEGY INNOVATION AND PERFORMANCE.	156,324	156,324	312,648
3g	Other Shortfalls - Reduce	Private Trade, Vocational License (HB1299) ACT 9 / SSLH 2021	24,000	24,000	48,000
3h	HB613	Honouliuli Middle School	1,800,000	-	1,800,000
		<b>TOTAL</b>	<b>139,513,665</b>	<b>163,407,405</b>	<b>302,921,070</b>