



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

OFFICE OF THE SUPERINTENDENT

April 15, 2020

ACTION REQUIRED

TO: Deputy Superintendent
Assistant Superintendents
Complex Area Superintendents
Principals (All)
Internal Audit Office

FROM: Dr. Christina M. Kishimoto
Superintendent

A handwritten signature in blue ink, appearing to be "CK", next to the name of the Superintendent.

SUBJECT: **COVID-19 Fiscal Management Guidelines #2**
1. FY 2019-20 Budget Planning and Expenditures
2. Governor's Hiring Freeze
3. FY 2020-21 Anticipated Budget Restrictions
4. 2020 Summer Programs

Over the last month, I have witnessed memorable expressions of aloha and professionalism by our Department of Education ("Department") ohana. Our ohana is facing the COVID-19 crisis head on, from virtual classrooms to supporting "grab-and-go" meal sites, adjusting to new technology and teleworking from home, and launching and sustaining our continuity of education efforts.

As Superintendent, I am humbled and proud of the sustained efforts and progress made to connect with our students, staff, and communities. Mahalo for building on these successes as our collective work will be critically important in the weeks and months ahead.

1. FY 2019-20 Budget Planning and Expenditures

As we shift attention to budget planning for the remainder of this fiscal year, our focus must remain student-centered in all decision-making. In approaching this important work and decision making, we must also anticipate the challenge presented by the high degree of uncertainty regarding the scope and duration of the primary and secondary impacts of this COVID-19 pandemic crisis.

All schools and offices are directed to judiciously limit expenses as previously requested in the March 13, 2020 COVID-19 Fiscal Management Guidelines #1 memorandum. It is critical that we anticipate needing to operate with significantly less resources as we move forward.

Notably, in establishing the Department’s budget, the Legislature and Governor rely on the quarterly projections of tax revenues made by the Council on Revenues. Unfortunately, the Council’s last projection from March 11, 2020 reduced the forecast by \$21.4 million for this fiscal year and \$318.8 million for next fiscal year. This forecast was issued prior to the statewide travel restrictions or the “stay-at-home” order. We anticipate that the negative impacts from the stalled travel industry and local economy will be of a considerable magnitude.

In planning for the balance of this fiscal year, every school and office must minimize discretionary general fund spending to maximize the level of planned carryover into next fiscal year.

- Spending of general funds must be limited to immediate responses to the COVID-19 crisis, or pay for expenses that absolutely cannot be avoided such as recurring telecommunications monthly charges or IEP services for special education students.
- It is critical to postpone replacing equipment such as computers when possible.
- Recurring spending should be scrutinized to ensure only required and priority expenditures are transacted.
 - For example, expenses for telephone lines, memberships, subscriptions, or contracted services that schools and offices can do without should be eliminated.

2. Governor’s Hiring Freeze

In partial response to declining tax revenues, the Governor issued [Executive Memorandum No. 20-01](#), Amendments to Executive Memorandum No. 19-02, FY 20 Budget Execution Policies and Instructions (attached) on April 3, 2020. This memorandum provides additional expenditure guidelines, including the announcement of an immediate hiring freeze for all vacant positions, with exceptions for 100% federally funded, instructional (teaching) positions, and positions filled by temporary assignment. Additional guidelines on seeking exceptions to the hiring freeze will be forthcoming once we receive further clarification on the interpretation of the current policy.

Below is a summary of specific fiscal management guidelines:

Summary of Specific Fiscal Management Guidelines	
Hiring Freeze	Effective immediately and applies to all non-federal and non-instructional positions. Filling of positions via temporary assignment may continue to be transacted.
Computers	Delay purchases by continuing to use and/or reassigning any working computers.
Equipment and Motor Vehicles	Purchases are strongly discouraged.
Out-of-State Travel	Moratorium
Contracts	Cancel or defer lower priority contracts.
New programs	Immediate moratorium on establishing new programs, unless funded with federal funds.

3. FY 2020-21 Anticipated Budget Restrictions

Given the economic forecast domestically and internationally, the Department has been informed of a preliminary 20 percent reduction to its general fund allocation. How this reduction will be met has yet to be determined (e.g., changes in funding sources or targeted program reductions).

To ensure our Department remains fiscally prudent, I have directed the Office of Fiscal Services to impose a 50% restriction on non-salary funds for all general fund programs. Exceptions to this directive include the following programs, which will receive lower levels of restriction imposed against schools' and offices' entire allocation as noted, regardless of the character of expenditure:

- WSF (-2.4%);
- ICAA (-3.3%);
- Special Education Per Pupil Allocation (SPAA) (0%); and
- Community School for Adults (-2%).

This means, for example, that a school that receives a \$1,000,000 WSF allocation can anticipate a \$24,000 restriction.

In addition, starting in SY 2020-21, substitutes due to staff absences for leaves such as sick leave will no longer be centrally funded. Instead, the Department's budget set aside for centralized substitute costs will be transferred to schools using the Weighted Student Formula. Schools will need to account for this expense from within their WSF allocations and will be able to repurpose any funds in excess of the amounts required to pay for their substitutes.

As you revisit your school, office, or program budget and consider steps to make budgetary adjustments, please keep in mind the following:

- opportunities to leverage technology;
- opening and closing of the school year;
- the path to normalcy for our schools and offices; and
- opportunities to re-invent ourselves Post-COVID-19 to reduce future risk.

4. 2020 Summer Programs

For 2020 summer distance learning programs, the Department is working in conjunction with the Governor's Office to maximize the use of available federal funds, including the approximately \$43 million of federal Coronavirus Aid, Relief, and Economic Security ("CARES") Act funds allocated to Hawaii for K-12 education programs.

As new information on the economic and fiscal impact becomes available, additional guidance will be shared.

Together, we will face these perilous and unprecedented lean times. I am confident we will strategically and collaboratively weather this pandemic storm together. Mahalo again for your sustained professionalism and dedication during this critical time.

Deputy Superintendent, et al.
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Should you have any questions about these measures, please contact Brian Hallett, Interim Assistant Superintendent & Chief Financial Officer, Office of Fiscal Services, at (808) 586-3737 or brian.hallett@k12.hi.us.

CMK:bh
Attachment

c: Board of Education
Hawaii Teacher Standards Board
State Public Charter School Commission
Complex Area Business Managers
Budget Branch