

Legislative Federal Economic Stimulus Program Oversight Commission
12/01/09

I. Meeting called to order- 10:01 AM

Members present-

Representative Michael Magaoay- House of Representatives member
Senator Shan Tsutsui- Senate member
Kate Stanley- appointee of the Speaker of the House
Tom MacDonald- appointee of the Senate Minority Leader
Aaron Johanson- appointee of the House Minority Leader
Kyle Chock- appointee of the Senate President
Mark Anderson- appointee of the Governor
Michael Kitamura- appointee of Senator Akaka
Josh Wisch- appointee of Congresswoman Hirono
Amy Asselbaye- appointee of Congressman Abercrombie

Members not present-

Jennifer Sabas- appointee of Senator Inouye

Others present- Judy Fomin- office of Representative Magaoay; Ted Baker- Legislative Reference Bureau; members of the public

II. Adoption of Minutes

No changes being requested to the draft minutes of the Commission's 11/24/09 meeting, the minutes were accepted and will be posted on the Commission's website at:
<http://capitol.hawaii.gov/site1/studies/commESPO.asp>.

III. General Business

- Revision of the Commission's meeting schedule was discussed; since the last meeting, DOE had asked to reschedule its presentation because of the impact of the Thanksgiving holiday and furlough Fridays; the Chair suggested that other parts of the schedule be reorganized as well, including permitting some presentations to be made, at least initially, in writing only
- The Commission agreed to reschedule the DOE presentation to 12/22/09 and adopted a revised schedule of meetings to be posted on the Commission website
- In response to a request from another member, Commission member Mark Anderson said that he would provide an update of the spread sheet summary of ARRA grants at each meeting if there is a significant change from the preceding meeting

IV. Overview of Federal Stimulus Funds

A. Presentation of the Charter Schools Administrative Office (CSAO) by Maunalei Love, Executive Director, and Roger McKeague, Deputy Special Assistant

1. Highlights

- CSAO will use State Fiscal Stabilization Funds (SFSF) to retain staff positions (teaching faculty and administrative and support staff) and raise student achievement by advancing reform
- Funds were awarded as a formula/block grant in the amount of \$4,088,212 in FY 2009-2010 and \$2,835,696 in FY 2010-2011
- The Memorandum of Agreement for receipt and expenditure of funds was signed on 10/27/09 but, as of 11/27/09, no funds had been received, encumbered, or expended
- CSAO will use the funds to offset funds cut from their per pupil allocation in the budgeting process
- As of 10/31/09, the number of jobs retained through the use of ARRA funds is approximately 288.3, up slightly from the 286.5 presented in the written materials

2. Discussion

- ARRA funds are being allocated/expended up front and, once expended, CSAO will draw on state funds
- CSAO received notice from the Governor on 11/30/09 that \$1.6 million in ARRA Part B funds will be released for teacher effectiveness training
- Piecemeal receipt of funds that may total a specific amount over the budget period makes it difficult to do overall comprehensive planning because it is not clear what the total amount received will ultimately be
- 115 to 120 positions remain unfilled from the prior school year, a number not reflected in the 288.3 positions retained count
- The per pupil funding amount is \$5,500/year; once the amount to be lost because of the furloughs was determined, some schools found ways to remain open on furlough days and others will be taking fewer furlough days than DOE schools (ranging from 3 to 14 furlough days); these arrangements

require separate supplemental agreements with the Hawaii State Teachers Association

- Regarding the upcoming legislative session, CSAO has been told by the Department of Budget and Finance to submit a budget request with no increase over what was approved in 2009
 - CSAO is developing a plan for the Race to the Top competitive grant program; the program seeks to reward innovative education based on adequate funding which may mean that the current cap on the number of charter schools will have to be raised by the Legislature; the grant application is due 1/19/10 and must show that a plan is in place, even if the Legislature has not yet taken any necessary action
 - CSAO is not able to say for sure that 288.3 positions would have been lost absent the availability of ARRA funds; options short of layoffs would include reduction to half-time, early closure of schools, or finding money elsewhere; the jobs retained figure is based on the funds lost in the budgetary process last year
 - Although it is not necessarily an impediment of the sort suggested by the questions posed by the Commission to the agencies, this is the first time CSAO has been through a process like this so the charter schools have been learning/reinventing as they go
 - Separate memoranda of agreement will be used for ARRA Part A and Part B monies
3. Documents: CSAO's answers to the Commission's questions have been posted to the Commission's website
 4. Follow-up: CSAO will advise the Commission if there is a Memorandum of Agreement for the entire \$21.4 million of which the recently released \$1.6 million is a part
- B. Presentation of the University of Hawaii (UH) by Howard Todo, Vice President for Budget and Finance
1. Highlights
 - SFSF monies for education (K-12 through higher education) totaled \$192 million, \$157 million in Part A and \$35 million in Part B

- UH's portion of the funds includes \$22 million in Part A funds for FY 2010 and FY 2011 and \$10 million in Part B funds for FY 2010
- UH has been advised that it will receive funds back in proportion to what was cut by the Legislature
- Part B funds will be distributed at the discretion of the Governor; UH has been advised that she will use that money for specific STEM (Science, Technology, Engineering & Mathematics) projects chosen by her
- Pell Grant awards to UH students (for which the annual maximum was raised by \$500 in 2009-2010 to \$5,300) will go from \$28 million in 2008-2009 to \$44 million in 2009-2010 but it's not clear how much of that is due to ARRA funding as opposed to an increase in need
- ARRA funding included an additional \$200 million for the Federal Work Study program; UH did not see an increase in program allocations, apparently because program funding had been reduced and ARRA funds were used to make up cuts to base funding, applications were due before ARRA funding was determined, and the basis of US Department of Education allocation decisions is unknown
- UH received 62 competitive grants totaling nearly \$42 million through four federal departments/agencies (National Science Foundation (35); Department of Health and Human Services/National Institutes of Health (25); Department of Energy (1); and Department of Justice (1))

2. Discussion

- Congresswoman Hirono will make inquiries with the US Department of Education regarding its Work Study funding decisions since she sits on the House Education Committee
- UH has not received any "CIP" (capital improvement/construction) funds, although there are some competitive grant proposals in the works that would include building renovation funds
- Although tax credits account for more than a third of total ARRA funding, there is no way for UH to capture how its students (and UH indirectly) may benefit because those credits are taken on student tax returns which are not available for this purpose
- Most of the funding will be expended in 2010-2011 timeframe although one program runs through 2015

- UH is using all of its Part A funding for job retention; the \$22 million will be reimbursed to UH over the course of the year as it is expended for payroll; the positions retained count is by pay period and reported quarterly
- Part B funds will be used for, among other things, Longitudinal Data Systems that will monitor educational progress from pre-k through college; the framework for a competitive Longitudinal Data Systems grant proposal (due 12/4) has been established through a Memorandum of Agreement with the Department of Labor and Industrial Relations and others
- Use of Part B funds for Race to the Top purposes will make that grant application more competitive, although it is not necessary
- The "bottom line" is that UH sustained a 20% reduction in funding during the last budget cycle; \$46 million was cut by the Legislature and an additional \$52 million was cut by the Governor; ARRA Part A funds replaced \$22 million of that \$98 million loss; thus, it is not "new" money but, instead, offsets previous losses

3. Documents

- UH's answers to the Commission's questions and summaries of the competitive grant awards have been posted to the Commission's website
- UH provided a summary sheet at the meeting outlining the SFSF, Pell Grant, Federal Work Study, and Competitive Grant funding; it will be posted to the website

V. Public Comments

There were no comments or questions from members of the public present at the meeting.

VI. Adjournment

With a reminder that the next meeting would be held on December 8, 2009, with presentations by the State Department of Transportation and the Department of Accounting and General Services, the meeting was adjourned at 11:22 a.m.