

SB2654

DOE transferring of funds
EDU, WAM

Date: 02/10/2012

Committee: Senate Education

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: SB 2654 RELATING TO EDUCATION.

Purpose of Bill: Prohibits the DOE from transferring funds from EDN 100 to any other program.

Department's Position:

The Department is **opposed** to this bill.

The intent of this bill appears to be to eliminate the Department's flexibility to transfer "appropriated funds and positions for the operating cost category among programs and cost elements in a program, and between quarters" for appropriations made to EDN 100. Eliminating this flexibility would result in logistical difficulties for school operations and greatly diminish the Board's and the Department's ability to manage the budget.

If transfers between cost elements within EDN 100 were eliminated the Department would need to curtail principal's control over their Weighted Student Formula (WSF) funds. Over 94% of the general fund budget in EDN 100 is in the WSF program. Consistent with the expectations of Act 51, SLH 2004 and Chapter 302A of HRS, the Department empowers principals to develop an annual financial plan for their school in conjunction with their school community council. These financial plans program the use of WSF funds for the next school year by object code detail (i.e., teachers, educational assistants, textbooks, computers, etc). Therefore it is these financial plans, that are completed in the January preceding the start of the school year, that determine the actual breakdown by cost element and not the budget.

Furthermore, principals are empowered to "buy" or "sell" (add or delete) positions that they funded on their financial plan throughout the school year as the vacancies and/or needs arise. Without the ability to shift resources between costs elements in a program this level of budget flexibility exercised at the school level would not be possible.

If the Department were placed on quarterly allocations, which are often subject to lapsing at the end of each quarter, the Department would need to coordinate school spending to ensure it is a rate that will avoid falling short of or exceeding the quarterly allocation. The level of fiscal oversight required to coordinate this feat would greatly diminish the autonomy schools require to manage their budget.

If the Department were not able to transfer funds to the EDN 100 program the Board and Department

would be unable to transfer funds into EDN 100 if a shortfall should arise. For example, the 2011 Legislature placed a \$16.4 million lump sum cut in the EDN 100 budget. The Board approved shifting some of this reduction out of EDN 100 into other programs. To execute this decision, funds need to be transferred into EDN 100 to backfill some of the cut. Relatedly, if the Department lacked the ability to transfer funds from the EDN 100 program in the current fiscal year the Department would have been unable to apply a portion of the savings created by the use of the federal Education Jobs grant to meet the shortfall in the Student Transportation budget in EDN 400. The Education Jobs grant was awarded in August of 2010 to assist school districts in maintaining educational and related services during the period of economic recovery. Federal guidelines require that these funds be directly expended for salaries of school level employees, and by design did not impose restrictions on how the savings realized by the school systems budgets could be used. After consulting with the Administration and the Legislature the Department has maintained Student Transportation services this fiscal year with a transfer of general funds from EDN 100 to EDN 400. Without this flexibility the options available to the Department would have been to seek an emergency appropriation or drastically reduce transportation services.

Thank you for the opportunity to testify on this measure.