



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

Date: 01/31/2020
Time: 02:45 PM
Location: 229
Committee: Senate Education

Department: Education

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

Title of Bill: SB 2485 RELATING TO EDUCATION.

Purpose of Bill: Broadens the types of grants for which the department of education, state public charter school commission, or a charter authorizer may retain and expend federal indirect overhead reimbursements, as part of department of education housekeeping measures.

Department's Position:

The Department of Education (Department) supports SB2485.

This bill supports the Department's Strategic Priorities around Communication and Engagement through the provision of greater fiscal transparency and prioritized use of indirect cost funds pursuant to the guidelines contained in §302A-1405, HRS.

Indirect cost funds are reimbursements from federal grants received by the Department for costs incurred in support of administrative/general business operations based on a negotiated rate with the federal government, which is assessed against allowable federal grant expenditures. The Department is required by statute to retain all federal indirect cost funds it realizes.

The amendment sought to §302A-1404, HRS would make indirect costs from all federal grants, whether discretionary (competitive) or non-discretionary (formula) grants, available for deposit into the Federal Grants Revolving Fund authorized by §302A-1405, HRS. The allowable use of these funds per §302A-1405, HRS would include the pursuit of additional discretionary grants, monitoring grant execution, compliance with grant requirements, and the auditing of grant expenditures.

The current practice is only the difference between the negotiated rate for discretionary and non-discretionary grants. Discretionary grants are deposited to the Federal Grants Revolving Fund, with the balance of indirect cost funds retained as federal funds, recorded in the Department's Financial Management System and reported annually to the legislature via

§37-47, HRS reports at the EDN level for federal funds. This practice, while consistent with federal and state guidelines, does not provide a simple and transparent means by which to track and record revenues and expenditures for these indirect cost funds. Depositing indirect cost funds into the existing revolving fund will support better intentional, planned, and transparent use of these funds.

Thank you for the opportunity to testify 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.