

**JON J. P. FERNANDEZ**  
Superintendent of Education

# DEPARTMENT OF EDUCATION OFFICE OF THE SUPERINTENDENT

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March 05, 2019

Honorable Joe San Agustin  
Chairman, Committee on General Government Operations, Appropriations and Housing,  
Office of Finance and Budget  
Ran Care Bldg., CBU 203  
761 S. Marine Corps Drive  
Tamuning, Guam 96931

Dear Chairman San Agustin and Members of the Committee:

Hafa Adai! Thank you for the opportunity to testify in support of the FY 2020 Budget Request for the Guam Department of Education. We provided similar testimony before the Committee on Education on February 6, 2019. In addition, we submitted responses to follow-up questions from the Committee last week. A copy of both testimonies and responses are provided to you as attachments to my testimony today.

Our process for compiling our FY2020 budget request began in October 2018, during which numerous public hearings are held by our schools to seek input from stakeholders on the FY 2020 budget. School and division budgets were presented to the Superintendent in December 2018 and then, after the Superintendent's review, to the Guam Education Board in January 2019. The GEB held two separate work sessions to review and have questions answered prior to voting on a final budget request on January 25, 2019, in order to submit the budget to the Guam Legislature by the statutory deadline of January 30.

The budget request is for an amount of \$344 million, which is a 56% increase over the \$220 million appropriation level in FY 2019 and a 2.6% increase over what the GEB requested last year. Yes, we are aware that the budgetary environment is completely different. In February 2018, we had to take steps to postpone our early childhood education pre-kindergarten expansion, textbook purchases, teacher reclassifications, and hiring of substitutes for School Year 2018-19. We imposed a freeze in recruitment for central office and school administrator vacancies, implemented austerity measures in utility consumption, and redirected all available funds towards core operations while reducing the scope and costs of essential programs. The FY 2019 budget required us to find further reductions of around \$5 million. We also face an additional \$4.8 million unless Governor Lou Leon Guerrero signs off on Bill 4-35 to correct property tax language that was included in the FY 2019 Appropriations Act. This has required us to continue our austerity measures this school year.

Despite these difficulties, GDOE continues to work hard to meet the requirements of the "Every Child is Entitled to an Adequate Education Act" which sets forth 14 separate requirements that need to be met by our public education system pursuant to our responsibilities under the Organic Act. Furthermore, we have made progress in the past several years, especially in ensuring that our students complete their education successfully. Our graduation rate has reached 84.5%, up from less than 70% five years ago. We graduated over 2,000 students in each of the past two school years, up from 1,768 in 2012. The dropout rate is near a

historic low of 2.6%, half the dropout rate from 2012. We continue to work hard, even as we worry about the level of resources that we will be provided this year and beyond.

Our budget request, which you can see broken down by the 14 points in the February 6, 2019, testimony previously submitted and attached. I and my team are prepared to answer any questions you have. Before that, however, I did want to make a few final points.

- First, our budget includes reclassifications and salary increments for the coming year. We know that FY 2019 has been difficult for our employees, and at the very least, we want to address this very basic obligation to our teachers, staff, and administrators. This includes teachers seeking reclassification, who have invested in their continued education and professional development. We ask that the final budget include funding to address this priority.
- Second, we have met with Attorney General Leevin Camacho and are working on what we hope is a final draft of a power purchase agreement to install solar power at Okkodo High School, Liguán Elementary School, Adacao Elementary School, and Astumbo Middle School. We are seeking his expedited review and approval, so we can move forward. As we work through this, we also ask the Legislature to give authority and funding over solar power procurement for the remaining 35 non-leased schools to the Guam Department of Education; currently, this authority is at the General Services Administration, which has decided not to move forward with this activity.
- Third, we have included a \$20 million request for capital funding to address deferred maintenance in our facilities. Normally, this would be financed and paid through annual debt service. However, because of the borrowing limitations on the government, we are not in a position to benefit from such financing at this point. Therefore, we are obligated to make this request through our annual operating budget. These funds will go address facility needs throughout the island. We ask both the Legislature and Governor will work with us to identify a dedicated fund for facility improvements that we can use to address our significant facility needs.
- Fourth, we previously submitted a number of revenue-generating proposals to the Legislature. We ask that the Legislature work with us on these and any other measures that would help benefit our public schools and offset the cuts that we have had to bear these past two years. We plan to work with the Guam Economic Development Authority on the Piti warehouse site, which we believe will help generate much needed resources for textbooks and other purposes.
- Fifth, we did submit, under separate cover, the budgets of the public charter schools. As we have indicated in prior testimony, we would urge the Legislature to address the funding, monitoring and accountability of the charter schools outside of GDOE budget and operations. We know there are discussions regarding amendments to the Guam public charter school law. We would welcome being a part of that process and hope that we can get some of our concerns addressed in that way.
- Finally, we have received our Reconsideration Evaluation Plan from the U.S. Department of Education and are proceeding to work through this plan to remove the special conditions imposed on the

department. This plan requires us to submit our validation of progress and work completed, and in turn, USDOE is to provide both virtual and on-site evaluation in order to make a determination on our request. We will be scheduling time to brief the Governor, our Education Committee chair, Public Auditor, and Congressman in order to move forward with what we hope will continue to be a "One Guam" approach.

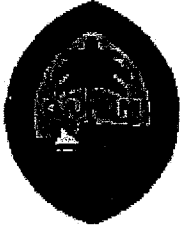
Thank you for the opportunity to present today. We are happy to take any questions you might have.

Senseramente,

A handwritten signature in black ink, appearing to read "Jon J.P. Fernandez", written in a cursive style.

JON J.P. FERNANDEZ

Attachment



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**JON J. P. FERNANDEZ**  
Superintendent of Education

February 6, 2019

The Honorable Telena C. Nelson  
Vice-Speaker & Chairwoman  
Committee on Education, Air Transportation, and Statistics, Research & Planning  
*I Mina Trentai Singko I Liheslaturan Guahan*  
173 Aspinall Avenue, Suite 202A  
Ada Plaza Center, Hagatna, Guam 96910

The Honorable Joe S. San Agustin  
Chairman  
Committee on General Governmental Operations, Appropriations, and Housing  
*I Mina Trentai Singko I Liheslaturan Guahan*  
761 S. Marine Corps Drive, Tamuning, Guam 96931

Hafa Adai, Vice-Speaker Nelson and Chairman San Agustin:

On behalf of the Guam Department of Education ("GDOE"), I want to thank you for holding this joint informational hearing on GDOE's Fiscal Year ("FY") 2019 budget challenges as well as our FY 2020 budget request.

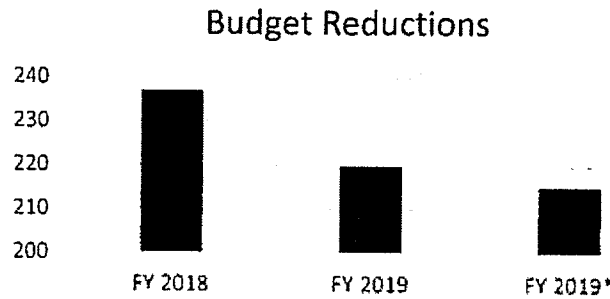
As you know, GDOE is comprised of 41 school campus, including 26 elementary schools, eight middle schools, six high schools, and J.P. Torres Success Academy. GDOE opened School Year 2018-19 in August of last year, and as of September 30, 2018, student enrollment was 29,680 students, representing a drop from prior years, partly reflecting the opening of three public charter schools as well as issues related to fake diplomas being sold to students this past school year. We also average approximately 3,800 employees (locally and federally funded).

FY 2019 Challenges

FY 2019 is indeed a challenge. I want to thank you, Vice Speaker and Senator San Agustin, for meeting with us earlier this year to get an update on our situation. As we indicated to you in those meetings, we are doing what we can to adjust to today's budgetary environment, but we face tough choices in doing so, and we are glad for this opportunity to share these challenges with the rest of your committee members and the general public.

In FY 2018, GDOE received an appropriation of \$237.2 million (not counting funding for charter schools). As a result of the federal tax cuts in December 2017, BBMR instructed GDOE to reduce proposed expenditures by \$19 million. Immediately, GDOE was proactive in identifying \$12.2 million in budgetary savings by freezing central office and administrator hiring, reducing contractual services,

delaying the expansion of pre-kindergarten, delaying the on-boarding of substitutes, and providing more flexibility to use funds to cover core operations. Expecting to cut more, we went out into our villages to meet with our stakeholders to inform them of our efforts, seek their ideas and suggestions, and share with them the tougher decisions that were ahead, including the possibility of furloughs. We were grateful that we did not need to make further reductions based on the action taken by the Legislature to pass the Fiscal Realignment Plan submitted by the Governor.



In Fiscal Year 2019, GDOE received an appropriation of \$219.9 million, a reduction of \$17.2 million from Fiscal Year 2018, and then, in early January, GDOE was informed by BBMR that we would need to find an additional \$4.8 million to cut due to the issues related to the property tax provisions of the Appropriations Act which increased the tax rate for properties valued at \$1,000,000 or more. This additional \$4.8 million in required reductions translates to a total of \$21.9 million reduction (between 9 and 10 percent of GDOE's total budget) since October 2017.

To absorb this \$22.0 million reduction, here's how we are adjusting.

Action	Savings
<i>Government-wide</i> freeze on reclassifications	0.7
<i>Government-wide</i> reduced retirement contribution	1.7
<i>Government-wide</i> freeze on salary increments	1.1
Negotiated Contractual Savings (custodial, trash, copier)	2.2
Negotiated Contractual Savings (HVAC)	1.5
Delayed expansion of pre-k (2 <sup>nd</sup> delay)	1.1
Extended hiring freeze	3.8
Reduction in substitutes (5% of total classroom teachers)	1.8
Redirect limited gaming funds to operations	0.6
Redirect passport funds to operations	0.8
Redirect Healthy Futures Funds to operations	0.6
Delay hiring of substitutes for SY 2019-29 until Oct 1	0.3
Limit school facility use after hours and over summer	1.0
<b>Total</b>	<b>17.2</b>

While we have been working hard to try to limit the impact of budget reductions on our core mission, I do want to go on the record to say that I share the concern of the Guam Federation of Teachers (“GFT”) regarding some of the administrative provisions that affect the entire government, especially the freeze on salary increments and reclassifications. Reclassifications, as you know, mostly impact our teachers who are in the midst of attaining further education and advanced degrees. The freeze on reclassifications delays our ability to compensate them for their investment in becoming stronger and more effective teachers. With regard to the salary increment freeze, this has both an impact on the financial side as well as the morale of our employees. In this time of reduced resources, we rely more on our current employees, not less, so we can bear the burden of less support, less personnel, and less funding. I share the GFT’s hope that the revenue picture improves in order to allow employees the adjustments they would normally receive for meeting performance requirements.

This leaves \$4.8 million of additional reductions needed and which is attributable to the property tax issue that was identified in this year’s Appropriations Act. We understand that Bill 4-35 has been introduced to amend the tax levy on real property improvements as a means to negate the need for the \$4.8 in additional GDOE reductions. We strongly urge senators to pass Bill 4-35 as soon as possible, which would assist GDOE in holding off additional cuts to our schools. Should Bill 4-35 not pass, the following reductions are likely to have to take place:

- Redirection of Department of Interior funds set aside for Simon Sanchez HS (\$2.0 million)
- Redirection of textbook funds to operations (\$1.5 million)
- Full closure of school facilities after hours and over the summer, which would impact fourth quarter and first quarter sports (e.g. boys and girls volleyball, evening football) (\$1.1 million)
- Freeze school-level vacancies (\$1.0 million)

We thank the Legislature for continuing to provide GDOE with the flexibility to address the budgetary challenges that face the entire government of Guam and for limiting any reserves or any other constraints being placed on our budget. The issue affecting all agencies, ours included, is cash flow. We are working hand-in-hand with the Department of Administration to project cash flow for the year, but as you know, it is more difficult at some parts of the year than others. We currently receive around \$3.65 million weekly from DOA, which allows us to meet payroll every pay period and leaves us a minimal amount to cover vendor payments. This impacts our ability to keep current with payments to vendors, generates late payment fees, and may cause some vendors to suspend or opt out of providing goods and services to the department. Relief usually comes around February and April when property taxes are collected, and Territorial Education Facilities Funds (“TEFF”) are released. However, it is a constant balancing act, especially in light of our reduced budget.

It is also problematic when, at the end of the year, we have an overall cash shortfall in our annual appropriations. In FY 2018, GDOE experienced a shortfall of \$14.1 million, which exceeded the allotted \$12.3 million agreed upon in the Fiscal Realignment Plan, a difference of \$1.8 million needed to make GDOE whole. In prior years, as the Legislature has noted in its annual budget hearings, GDOE has experienced shortfalls due to TEFF shortfalls or General Fund shortfalls. At one point, we had an accumulated cash shortfall of over \$15 million over multiple fiscal years that we have had to work to address. GDOE has worked diligently to stabilize operations and contain costs to only the most critical services and expenditures. In each succeeding fiscal year, we have worked to prioritize personnel and

operating expenses, mitigate vendor payment carryovers, and minimize negative impacts to our school operations and classroom instruction.

FY 2020 Budget Request

On January 25, 2019, the Guam Education Board approved GDOE's FY2020 request of \$343,958,925, which has been transmitted to the Governor and the Guam Legislature. Recognizing the priority given to education in the Organic Act and the clarity provided by the Governor and Legislature in passing Public Law 28-45, the "Every Child is Entitled to An Adequate Education Act," we present our budget request as aligned with the 14 points below.

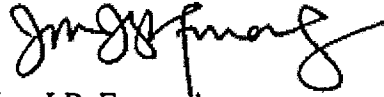
ADEQUATE EDUCATION ACT - 14 POINTS	PERSONNEL	OPERATIONS	UTILITIES	CAP OUTLAY	TOTAL	%
1. Certified teacher	142,323,573				142,323,573	41.38%
2. Certified Professional Administrators	10,966,802				10,966,802	3.19%
3. Certified Guidance Counselors	6,523,064		-		6,523,064	1.90%
4. Certified School Health Counselors	3,875,449				3,875,449	1.13%
5. Certified Allied Health Professionals	1,320,428				1,320,428	0.38%
6. Air conditioned properly ventilated classrooms	278,748	5,120,063			5,398,811	1.57%
7. Potable water drinking and washing	-	-	3,401,081		3,401,081	0.99%
8. Reliable source of electricity	698,799	-	13,411,189		14,109,988	4.10%
9. Proper sanitation flushable toilets, clean restrooms, dining, classrooms	538,741	2,624,232			3,162,973	0.92%
10. Textbooks and workbooks for every student	-	17,216,156			17,216,156	5.01%
11. Certified librarians & libraries meet AASL standards at every school	3,781,650	978,236			4,759,886	1.38%
12. Healthful, safe & sanitary learning environ	40,643,102	45,364,110		20,707,713	106,714,925	31.03%
13. 180 Instructional Days	12,129,314	11,113,062	217,157	425,000	23,884,533	6.94%
14. School Bus Transportation	301,256				301,256	0.09%
<b>TOTAL</b>	<b>\$ 223,380,926</b>	<b>\$ 82,415,859</b>	<b>\$ 17,029,427</b>	<b>\$ 21,132,713</b>	<b>\$ 343,958,925</b>	<b>100.00%</b>
<b>%</b>	<b>64.94%</b>	<b>23.96%</b>	<b>4.95%</b>	<b>6.14%</b>	<b>100.00%</b>	<b>0.00%</b>

Please note that the budgets for charter schools were also sent down under separate cover by the January 30, 2019, deadline, having been submitted to GDOE on January 28, 2019. As the GEB has repeatedly requested, we want to put on the record yet another request to the Guam Legislature and your committees to assist us in separating the charter school budgets from the GDOE budget. This is a position that the charter schools share as well. We hope we can accomplish this in the near future.

As you consider this request over the coming months, I would like to reiterate a request from last year. Deferred maintenance continues to be a major concern for our 35 non-leased schools. The U.S. Army Corps of Engineers in 2013 identified nearly \$90 million in deferred maintenance to address repairs of school facilities, and we were able to obtain \$5 million (\$1 million per year) from the U.S. Department of Interior since 2014 to address some of the work. However, there still remains a balance of deferred projects with no dedicated funding source. I would like to ask for the opportunity to work with you to identify a dedicated stream of funding that would allow us to improve our school facilities and potentially leverage federal funding to maximize our ability to address critical needs. In addition, we also ask for the opportunity to work with you on revenue generation initiatives that can be dedicated to GDOE for operations and textbooks. In the prior legislature, we floated the idea of leasing GDOE's Piti warehouses, taxing vape products, reinvesting savings from energy efficiency efforts, among other ideas.

Thank you again for the opportunity to come before you to discuss our challenges in FY 2019 and to begin the discussion about our budget request for FY 2020. We understand there will be another hearing on the budget before the Appropriations Committee next week, and if we are unable to answer every question that arises in this first meeting, we certainly welcome the opportunity to provide a response by next week.

Senseramente,

A handwritten signature in black ink, appearing to read "Jon J.P. Fernandez". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jon J.P. Fernandez



Attachment: FY 2020 Budget Summary

AS400 Account Code	Appropriation Classification	A	B	C	D	E	F
		FY 2018 Expenditures & Encumbrances	FY 2019 Authorized Level	FY 2020 Operations Fund	FY 2020 Federal Match Fund(s)	FY 2020 Other Fund 1/	FY 2020 Total Req. (C+D+E)
<b>PERSONNEL SERVICES</b>							
111	REGULAR SALARIES/INCREMENTS	128,406,130	134,993,651	153,420,644	-	-	153,420,644
111	TEACHER PREP	-	-	100,853	-	-	100,853
111	RECLASSIFICATION	-	-	759,838	-	-	759,838
111	PERSONAL LEAVE PAYMENT	-	-	537,124	-	-	537,124
112	OVERTIME/SPECIAL PAY	14,339	-	136,443	-	-	136,443
112	SY04-05/05-06 BRIP (BONUS, REWARDS, & INCENTIVES PROGRAMS	-	-	1,000,000	-	-	1,000,000
111	ON-CALL SUBSTITUTE	1,321,918	1,859,989	2,367,907	-	-	2,367,907
111	PART-TIME	2,384,501	77,000	3,724,017	-	-	3,724,017
113	BENEFITS	46,610,734	46,538,710	61,334,100	-	-	61,334,100
	FY19 - Variance between staffing and Operations Funding Level	-	(18,321,941)	-	-	-	-
	<b>TOTAL PERSONNEL SERVICES</b>	<b>178,757,622</b>	<b>145,147,409</b>	<b>229,348,926</b>			<b>229,348,926</b>
<b>OPERATIONS</b>							
220	TRAVEL - OFF-ISLAND/LOCAL MILEAGE REIMBURSEMENT	9,720	18,500	31,500	-	-	31,500
230	CONTRACTUAL SERVICES:	13,735,563	33,672,639	31,892,875	-	16,629,270	48,522,145
233	OFFICE SPACE RENTAL:	-	-	-	-	-	-
240	SUPPLIES & MATERIALS:	1,102,752	2,809,500	4,675,910	-	351,618	5,027,528
250	EQUIPMENT:	924,891	2,513,236	27,355,950	-	1,350,736	28,706,686
270	WORKERS COMPENSATION	-	-	27,000	-	-	27,000
271	DRUG TESTING	-	2,000	1,000	-	-	1,000
280	SUB-RECIPIENT/SUBGRANT:	-	-	-	-	-	-
290	MISCELLANEOUS:	66,927	100,000	100,000	-	-	100,000
	<b>TOTAL OPERATIONS</b>	<b>15,839,853</b>	<b>39,115,475</b>	<b>64,084,235</b>		<b>18,331,624</b>	<b>82,415,860</b>
<b>UTILITIES</b>							
351	POWER	12,472,661	11,548,463	13,411,189	-	-	13,411,189
362	WATER/SEWER	2,370,450	3,401,081	3,401,081	-	-	3,401,081
363	TELEPHONE/TOLL	221,067	220,720	217,157	-	-	217,157
	<b>TOTAL UTILITIES</b>	<b>15,064,178</b>	<b>15,170,264</b>	<b>17,029,427</b>			<b>17,029,427</b>
450	CAPITAL OUTLAY	237,400	524,913	21,132,713			21,132,713
	<b>TOTAL APPROPRIATIONS</b>	<b>209,179,453</b>	<b>219,958,461</b>	<b>355,627,341</b>		<b>18,331,624</b>	<b>373,958,925</b>
1/ Specify Fund Source							
<b>FULL-TIME EQUIVALENCIES (FTEs)</b>							
	UNCLASSIFIED	5	5	5	-	-	5
	CLASSIFIED	2,948	2,948	3,318	-	-	3,318
	<b>TOTAL FTEs</b>	<b>2,953</b>	<b>2,953</b>	<b>3,323</b>			<b>3,323</b>
*Amount are subject to change							