

## **HAWAII**

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### **I. GENERAL BACKGROUND**

Hawaii has a unique governance structure for education. It is the only state with a single, statewide school district. Likewise, the system of financing public education is different from any other state. The two major differences are:

1. No property tax funds are levied for the support of education.
2. There is no constitutionally or legislatively prescribed formula for allocating funds to schools.

In addition, the elected Board of Education has no independent authority to raise funds to be used for either operational or capital improvements. The funds for the operation of public schools are determined by the legislature on a biannual budget basis and are actually disbursed by the Governor.

State support for the operation of the public schools comes from the general fund, which is the repository for all non-earmarked taxes. The major taxing sources in 1998 are the General Excise Tax, which raises 51% of the revenues, Personal Income Tax, 31%, Corporate Income Tax, 4%, Accommodation Tax, 2%, and approximately 12% is raised from a variety of special taxes such as the inheritance tax, a tax on banks and corporations, liquor, various license fees, and other use taxes. All of these monies accrue to the state general fund and are disbursed by action of the state legislature. All funds from the federal government (for example, Chapters I and II, impact aid, and special education money) also are included as part of the appropriation for public education, made by the state legislature.

### Funding Summary 1998-99

Total State School Aid (All Programs)		\$	859.9	million
Grants in aid	included			
Teacher Retirement Contributions	included			
FICA	included			
Total Local School Revenue		\$	N/A	million
Property Tax	0	million		
Other local source tax revenue	0	million		
Local source non-tax revenue	0	million		
Total Combined State and Local School Revenue		\$	859.9	million
State Financed Property Tax Credits				
Attributable to School Taxes			0	

### II. LOCAL SCHOOL REVENUE

N/A.

### III. TAX AND SPENDING LIMITS

N/A.

### IV. STATE /PROVINCIAL EARMARKED TAX REVENUE

See section XV- Capital Outlay and Debt Service.

### V. BASIC SUPPORT PROGRAM

**Funding in 1998-99:** \$859.9 million.

**Percentage of Total State Aid:** 100%.

**Nature of Program:** Full State Funding.

**Allocation Units:** Does not apply since all funds are allocated to the Department of Education.

**Local Fiscal Capacity:** N/A.

**How Formula Operates:** Since all of the funding for public education is by state actions, perhaps the best method to portray it is by describing the process.

The Board of Education has the constitutional responsibility to “formulate policy and exercise control over the public school system,” but has no power to tax or allocate general fund monies. Its major function in the allocation process is to present to the Governor an advisory budget they perceive is necessary to operate the public schools of the state. The Board, or its members, occasionally lobby aspects of the allocation budget later in the process.

The Governor has the constitutional responsibility to present a balanced biannual budget to the legislature. To carry out this function, he receives the advisory budget from the Board of Education and each of the other state departments. The Department of Budget and Finance (B&F), a part of the executive branch, assists in the budget endeavor by forecasting the tax revenues for the upcoming biennium and prepares a balanced budget.

The state of Hawaii uses a program budget format, which means that all activities of each department are budgeted under one of several level III programs. The budget is arrayed by department, which is level II, and by program within the department, which is titled level III. Within each program, the operating budget is predicated on three categories used as the framework for deciding the allocation of funds to be used for each program.

1. **Current services:** These are funds allocated in prior budgets to a particular program. Once an item (unless specified by the legislature as non-recurring) has received an appropriation in a biannual budget it virtually becomes a permanent item in subsequent budgets. Each of the current services workload items, which is expressed in dollars, is increased in each succeeding budget by an amount or percentage projected by B&F as sufficient to adjust for economic growth.
2. **Workload increases:** This part of the budget is to allocate additional funds, if necessary, to carry out the activities budgeted in the previous section for increased numbers of students or legal mandates.
3. **Programs Adjustment:** This part of the budget is to fund new initiatives of the various departments of the government.

A budget is developed for capital improvements. In Hawaii, this might include anything from remodeling a room in a school to building a school. Typically, money is allocated in three phases: planning, design, and construction and furnishings. The funds for this budget are assigned to the Department of Accounting and General Services since that department does most of the capital improvement in the state. The Governor's budget, which invariably differs significantly from the advisory budgets of the various departments, is forwarded to each house of the legislature prior to the session, which begins on January 20th of each year.

When the Governor's budget is transmitted to the legislature, it is distributed to the appropriate legislative committees. There is an Education Committee in both the House and Senate. The chair of the committee reviews the Governor's budget, receives a copy of the BOE advisory budget, and spending initiatives from interested legislators (which are entered as spending bills). The chair then holds hearings on the various aspects of the budget. During these hearings there is little or no debate on the Current Services budget (as this has a tendency to be considered as permanent funding), likewise the workload increase gets little scrutiny. Included in these categories of expenditure are an estimate of the federal funds for the various programs that receive federal dollars, which in total represents about 13% of the total operating budget.

The majority of the committee debate occurs around the third aspect of the Governor's budget, Program Adjustment, as well as items from the original BOE budget that did not survive into the Governor's budget and a variety of money appropriation bills that had been introduced by various legislators. At the conclusion of these hearings, the chair of the committee in each house submits to the Speaker of the House, or the President of the Senate, their recommended appropriation for education for the biennium. The recommendation includes a specific amount to be expended for each of the programs in education (EDN). Within the program budget, funds are earmarked for specific projects, including the "pet" projects of legislators that may not have previously appeared in either the BOE or the Governor's budget.

The recommended appropriations from all departments of the government are then forwarded to the House Finance and Senate Ways and Means, where each committee crafts its version of the state budget. Budget differences are discussed in joint committee hearing is held (mostly in closed session). The Program items for education often are substantially different after the hearing than the original version. Amounts that had been in all of the preceding phases of the allocation procedure are occasionally changed. Some items are deleted and new items (or

old ones thought dead after the Education Committee deliberations) often appear. When the Appropriation Bill is passed by the legislature the Department of Education (DOE) knows how much has been allocated by the legislature to expend each year of the biennium (HAW. CONT. ART VII § 8).

The Governor may line item veto appropriations made by the legislature. However, even after signing the biannual appropriation bill, the Governor still can regulate the expenditure of education funds. The statutes require the Governor to maintain a balance between the quarterly tax revenues and the expenditures. To assist, the Department of Budget and Finance (B&F) makes a forecast of the revenues for each upcoming quarter. An “independent” body called the Council of Revenues, which is appointed from among bank economists and others, also make an estimate. When these estimates are less than projected expenditures, the Governor can withhold money previously appropriated by the legislature (HAW. REV. STAT. § 37).

The Department of Budget and Finance has the authority to determine where the cuts will be made. They often decide on reduction or elimination of a particular project or a freeze on hiring certain personnel. Thus, a new money item in education may make it through the appropriation process and still not be funded due to action by the executive branch. There is no formal appeal route to protest the cuts made by B&F. During 1997–98 the restriction amounted to \$20 million of appropriated funds for the DOE.

There is no provision in the statutes to allow the Department of Education to borrow money through issuance of bonds or warrants. Thus, the amount appropriated by the legislature and released by the executive branch is the maximum that can be expended (HAW. CONT. ART VII § Sec. 4).

There is also a constitutional expenditure limit. The appropriations in any budget cycle cannot exceed the estimated rate of growth in the state economy. The restriction is for the entire appropriation bill, thus it may or may not affect the funds appropriated to the Department of Education (HAW. CONT. ART III, § 9).

The DOE does not know precisely the funds they have to expend until they receive notice of action taken by the executive branch on the funds previously appropriated by the legislature.

During the 1994 session, legislation passed that tended to restructure the Department of Education. Included were several sections that had finance implications, particularly in the areas of budget making and resource allocation.

The intent of the bill was to decentralize the curriculum and, to an extent, the allocation of resources to the school level. The introduction to the legislation has several statements that signal the direction that the state legislature wished to pursue.

The schools must assume control of personal and fiscal resources to determine the curriculum and instruction needs of their students (HAW. REV. STAT. § 296).

The statute delineated a number of changes to facilitate the major restructuring effort. From a resource allocation perspective, three major changes occurred:

1. The Board of Education “shall have power in accordance with law to formulate statewide educational policy, adopt student performance standards, monitor school success, and appoint the superintendent. The superintendent shall be the chief executive officer of the public schools having jurisdiction over internal organization, operation and management of the schools system. The superintendent shall sign all drafts for the payment of monies.” Thus, previous management functions of the BOE were transferred to the superintendent.
2. The budget was changed into two major categories: (a) administrative expenses that include matters such as state, district (or other regional administrative costs), business services, personnel services, planning and evaluation, communication and public relations, and; (b) instructional expenses, which include operation and maintenance of school facilities, instructional personnel, school level administration, food and health services, curriculum development, and training and other instructional expenses. In future budgets, these two must be presented separately, and the administrative expenditures shall not exceed 6.5% of the total departmental operating budget; nor can the Department of Education transfer funds from instructional expenses into administrative expenses.
3. The legislature amended HAW. REV. STAT. § 302 to achieve more budget and allocation flexibility at the school level by mandating an operating budget preparation and allocation process which was intended to provide maximum flexibility to individual schools, complexes, and learning support centers in the preparation and execution of their operating budgets.

The DOE, through its district offices, allocated monies to each school, based upon a set of school-level programs. The lump sum budgeting concept (and the statute cited above) changed the allocation to schools to one lump sum allocation for “B”

(supplies) and “C” (equipment) funds so schools had the flexibility to move funds around programs to best meet their needs.

In the past, the Department of Budget and Finance had allocated monies to the Department on a quarterly basis, and the DOE had allocated to schools on the same basis. If schools did not spend the monies during the quarter in which were allocated by program, the funds reverted to the state general fund. The new guidelines allocate funds on a yearly basis, thus eliminating the quarterly lapses. The legislature passed an act that allowed the schools and DOE to carry over unused funds from one fiscal year to the next (over a total of two fiscal years) so there were no longer year end lapses.

Twenty-eight programs in EDN 100 (Regular Instruction) were eligible for lump sum budgeting, including such items as class size relief, science and music equipment, school priority funds, environmental education, etc. Approximately 100 other school programs were not eligible to have money shifted into other programs.

In addition, the Department of Education enacted regulations that allow schools to purchase additional personnel in schools or exchange vacant positions for additional “B” and “C” funds (supplies and equipment). The statute authorizing these expenditures is more fully described below in the section of Funding for Non-Traditional Public Schools: Charter Schools.

### **Programs Funded**

Amounts appropriated for basic programs funded, including state, federal, special and trust funds are:

Program	Allocation
EDN 100 School Based Budget	\$661.3 million
EDN 200 Instructional Support	39.8 million
EDN 300 State & District Admin.	22.6 million
EDN 400 School Support	120.4 million
EDN 500 School Community Service	15.9 million
Total Per General Appropriation Act	\$860.0 million

**State Share:** Full State Funding.

**Local Share:** N/A.

**Weighting Procedures:** N/A.

**Adjustments for Special Factors:** N/A.

**Aid Distribution Schedule:** N/A.

**Districts Off Formula:** N/A.

## **VI. TRANSPORTATION**

**Funding in 1998–99:** \$20.2 million.

**Percentage of Total State Aid:** 2.3%.

**Description:** The operating costs for providing student transportation is appropriated to the Department of Accounting and General Services. DAGS is responsible for either providing transportation service through its own vehicles and personnel or entering into contractual arrangements with private providers. Only about 5% of eligible students are involved in state operated transportation and approximately 95% of the students are transported by private providers. Neither the BOE nor the DOE has management role in this endeavor. The routing, maintenance, driver qualifications, etc. are all directed by DAGS. The discipline of students while on the bus is the responsibility of the individual school.

**Extent of Participation:** See above.

## **VII. SPECIAL EDUCATION**

**Funding in 1998–99:** \$74.6 million.

**Percentage of Total State Aid:** 8.7%.

**Description:** All funds allocated for the Exceptional Child Program (EDN 107) are appropriated by the legislature. Included in this program are provisions for instruction and related services for handicapped pupils during the regular school year and summer session. The gifted and talented programs provide a range of opportunities to enrich, accelerate, and challenge gifted and talented students.

Legislation states that gifted and talented programs “may” be provided on the basis of the availability of funds.

In 1994 there was a class action suit, *Felix vs. Waihee*, filed by parents of special education students against the DOE and the state Department of Health (DOH) for failure to adequately provide mental health services to Hawaii's public school children. In Hawaii, unlike any other state, it is the responsibility of the DOH to provide mental health services to children, even during the hours of the day when children are attending school. Because of a lack of coordination between DOE and DOH, special education children were not receiving these services, despite specifications in their Individual Education Plans (IEP). The U. S. district court ruled in favor of the parents and approved a consent decree in which the DOE and DOH agreed to work together to develop an implementation plan for coordination of services between the two departments. The court directed that coordination (along with appropriate service provision to students) must occur by the year 2000 or heavy fines will be levied against both departments. In addition, a federal monitoring team was established to oversee the implementation. This has placed considerable pressure on the DOE to provide services and increase resources, both fiscal and human, to special education. As a result, the amount allocated to special education has doubled in the past five years. However, the state remains underfunded and understaffed in the area of special education.

### **VIII. COMPENSATORY EDUCATION**

**Funding in 1998–99:** \$40.4 million.

**Percentage of Total State Aid:** 4.7%.

**Description:** Compensatory Education (EDN 108) provides specialized instructional assistance and school adjustment services to educationally disadvantaged students, immigrant children with limited or non-English proficiency, alienated children and youth, and other target groups with educational problems. State dollars supplement the federal dollars English for Second Language Learners. State dollars also fund the Primary School Adjustment Project and the Comprehensive School Alienation Program.

### **IX. GIFTED AND TALENTED EDUCATION**

No state aid provided.

## **X. BILINGUAL EDUCATION**

Bilingual education projects are supported by federal monies; there is no additional state contribution.

## **XI. EARLY CHILDHOOD EDUCATION**

In 1996 the Legislature established language (HAW. REV. STAT. §§ 302A- 410) for early childhood education in the state, focusing on children ages four to six years. The legislation charged the board of education with adopting standards and criteria for quality early childhood education based on current national standards and the needs of children in the state. Further, it stated that “the Department of Education shall work cooperatively with the Department of Human Services, the Department of Health, college level education programs, early childhood organizations, parents of young children, and other appropriate organizations, in developing a quality early education plan.”

The legislation specified that the plan “shall include but not be limited to standards for curriculum, methods and materials to include parents in the education of their children; a timetable and implementation schedule; costs for delivery, including how costs can be shared between public and private sectors and; assessment of training and certification capacity for teachers.”

Perhaps most important, however, the legislation specified that “early childhood education shall be delivered through private providers to the maximum extent possible, and provision shall be made to enable parents and guardians to opt for home care if they so choose by providing early childhood education resources in each school for in-home use.”

The legislature (HAW. REV. STAT. §§ 302A-1401) stated that “the board shall organize and conduct a program of public pregrade education to the extent that funds provided therefore by the United States government are, or from time to time may become, available. In establishing and carrying on the pregrade education, any such federal funds shall be expended during any school year as nearly as practicable in each of the school supervisory districts of the State in the proportion that the number of inhabitants of each district of less than six year of age bears to the total number of the inhabitants of the entire State within the age limits, as shown by the latest report of the department of health preceding the opening of the school year.”

At the present time, no federal funds are available, nor have state funds been allocated by the legislature for the implementation of this early childhood legislation.

## **XII. OTHER CATEGORICAL PROGRAMS**

The legislature has enacted statutes that are designed to encourage more school level control of a portion of the appropriated state funds. They are:

### **School Priority Fund**

“There is established within the department a school priority program to augment regular instruction and other educational services at the discretion of the individual public schools. Further, it is the intent of the legislature that the school priority program promote the equitable distribution of educational resources statewide, strengthen the scope of decision-making, increase flexibility in resource allocation at the school level, and provide a systematic method of conforming resource allocation to the unique needs and priorities of the individual school” (HAW. REV. STAT. §§ 302A-1306).

The legislature provides school priority funds through appropriations from the state general fund. The superintendent of education allots all monies of the school priority fund directly to the schools based upon enrollment.

School principals must consult with teachers, parents, and students to solicit their advice on the use of the monies. The principal includes a plan for the use of the money within the school’s Standards Implementation Design and submits it to the district superintendent. When approved according to state guidelines, the money could be expended. At present the appropriation for this program provides \$36.45 per pupil.

### **Grade School Priority Fund**

The Grade School Priority Fund was established by the Legislature through an appropriation and proviso in the 1993 budget act in lieu of providing a grade 3 class size reduction to match the reduction already provided in grades K-2. The original 1993–94 funding for the Grade School Priority Fund provided approximately \$125 per regular and special student enrolled in grade 3. Subsequent appropriations have stayed near that level. The current allocation is smaller (\$121.93) due to budget restrictions.

The Grade School Priority Fund may be used to enhance direct instructional services for any elementary grade and may include the hiring of temporary school personnel. However, no funds are to be used for administrative, technical support, or facility purposes.

School plan for the use of Grade School Priority Fund monies within the context of their Standards Implementation Design.

### **Special Needs Schools**

Special Needs funding was established by the 1989 Legislature through Act 316, the Budget Act. Initially, 10 schools in two complexes (a high school and its feeder schools) that had been identified as low-achieving schools was provided \$100 per pupil for needs assessment and planning. In 1990–91 funds of \$305 per pupil were provided for implementation. Schools were to develop program plans to allow funds to be “used in community-wide collaborations for improved achievement and for meeting related severe and persistent student needs.”

In 1991–92, 18 more schools in three complexes were added to the program and given \$72 per pupil for planning. In 1992–93 all schools were in the implementation phase, and the initial schools received \$300 per pupil while the new schools received \$150 per pupil. In 1993–94 the Kapaa Complex schools that had suffered from the effect of Hurricane Iniki were funded at the needs assessment and planning level of \$75 per pupil while the remaining schools were funded at \$225 per pupil. In subsequent years these schools were funded at \$225 per pupil.

In 1996, additional schools were selected to receive Special Needs funds based on the criteria of absenteeism, disciplinary offenses, socio-economic-status, and Stanford Achievement Test scores. The addition of more schools to the Special Needs Program has resulted in lower funding levels for all the schools because increased funding was not provided for the program. Currently, the program funds 75 schools with the initial schools being funded at \$28 per pupil maintenance level and the remaining schools funded at the implementation level of \$62 per pupil.

Schools provide annual reports showing how funds were used and what outcomes were realized from the use of the funds.

### **XIII. TEACHER RETIREMENT AND BENEFITS**

All teachers and other educational personnel of the public school district are members of the “Employee Retirement System of the State of Hawaii,” which provides retirement benefits to all state and county employees.

There are actually two retirement plans in operation within the system. Prior to 1984, each employee could opt to continue to pay under the system then in place and be compensated at retirement on the basis of 2% of the highest three years of credited service. Those employees who enrolled after January 1, 1985, were automatically under a non-contributory plan under which they do not pay a percentage of their salary but their annual compensation upon retirement is reduced to 1.25% of their three top years of credited service multiplied by their total years of service to the state. Both are guaranteed payment plans. In addition, the state pays the cost of the health insurance plan of each retiree.

The state pays the employer contribution to Federal Social Security and the employee contribution (currently 6.25%) is paid by each employee.

The 1984 legislature, by the passage of House Bill 759 (HAW. REV. STAT. §§ 302A-809), made a major change in the State Retirement System. The bill allowed any employee with 25 years of service by December 31, 1994, regardless of age (the statute previously required 30 years service and age 55 or 20 years and age 62 (for normal retirement) to retire and be credited with two additional years of service. This was a one-time offer so employees must have retired by December of 1994 (June 1995 for teachers and administrators) in order to receive the two additional years credit. Also, employees who did not have 25 years of service by December 31, 1995, (unless the statute is amended in the future) will never receive the two-year credit.

The Department of Education could fill the positions vacated through this act (in other state departments, except the University of Hawaii, 40% of the positions were eliminated). However, 20% of the statewide administrative positions in the Department of Education made vacant were eliminated under this Statute, which was a “sunset” type statute and ended after one year.

### **XIV. TECHNOLOGY**

N/A

## **XV. CAPITAL OUTLAY AND DEBT SERVICE**

**Funding in 1998–99:** \$89.3 million.

**Percentage of Total State Aid:** N/A.

**Description:** All capital improvement projects for the DOE must be approved by the legislature, and be part of the Capital Improvement Appropriation Bill. The technique used to get projects into the appropriation is similar to that used for all operating monies, which was described in Section V.

At present, all capital improvement projects are funded from current tax revenues except those funded by general obligation bonds for education projects that have been authorized by the state. In 1989 the legislature created a State Educational Facilities Improvement Special Fund (HAW. REV. STAT. §§ 237-31) into which a portion of the state general excise tax was to be placed for a period of ten years. An amount of \$90 million per year was earmarked for capital improvements for education. The unexpended balance in each year was to be left to accumulate interest and was eligible for expending in succeeding years. Monies from the fund were only to be expended for projects approved by the state legislature.

## **XVI. STANDARDS/ACCOUNTABILITY MEASURES**

The 1991 state legislature established the Hawaii State Commission on Performance Standards and appropriated \$230,600 for each of the two years of the 1991–93 biennium. In June 1994 the Hawaii State Commission on Performance Standards issued its final report which identified, in eight subject areas, a total of 1,544 content and performance standards. It also recommended that the Department of Education develop/select and use multiple assessments to determine how well students have attained the standards.

In October 1994 the Hawaii State Board of Education accepted the commission's final report and the standards therein. In October 1995 the Board adopted policy #2015 calling for the statewide implementation of the Hawaii Content and Performance Standards (HCPS). At the same time, the Board requested state funding of the HCPS implementation from the state legislature, but none was forthcoming.

Section 302A-201, Hawaii Revised Statutes, mandates that the Hawaii State Board of Education convene a Performance Standards Review Commission at the beginning of 1997–98, and every four years thereafter, to assess the effectiveness

and implementation of the performance standards, and to recommend modifications. On January 8, 1998 the Board of Education approved a list of 11 nominees to the Performance Standards Review Commission and proposed legislation calling for an appropriation for the operating expenses of the review commission by the 1998 legislature. The bill was introduced in both houses but died in committee. Subsequently a federal grant was obtained to fund the review commission.

In December 1998 the Performance Standards Review Commission completed its work, and on January 7, 1999 it reported to the Board of Education. Chief among the Commission's findings was that implementation of the standards in schools and classrooms was fragmentary due to a lack of various supports, one of which was standards-based student assessment: "A statewide student assessment system is lacking. At the classroom level, teachers need training on how to assess how well students are meeting the standards. At the system level, assessment of overall student progress is not sufficiently funded or staffed."

The review commission also found the HCPS to be deficient. Specifically, it was noted that "the statewide standards lack performance standards that specify levels of mastery and require students to demonstrate how well they can apply their learning, they do not identify the broad, global concepts that are applicable to all students, they are not representative of all content areas; and they are not 'user-friendly.'"

During the time the Performance Standards Review Commission was meeting, incoming State Superintendent Paul LeMahieu directed the Department's Planning and Evaluation Group to undertake a comprehensive needs assessment with widespread public involvement. A 36 member Design/Review Team, which represented all major stakeholders in education, was formed to advise the effort. A total of 3,441 parents, students, teachers, administrators, and members of the community-at-large were surveyed, and another 257 individuals were interviewed.

In February 1999 the Department's comprehensive needs assessment was completed, and in March 1999 it was presented to the Board of Education. Six core needs emerged from the needs assessment: 1) standards-based learning, 2) quality student support, 3) professionalism and the capacity of the system, 4) focused and sustained action, 5) coordinated team work, and 6) responsiveness of system.

Curiously, funding for HCP implementation was not included in the executive budget for the 1999–2001 biennium. At the invitation of the legislature, however, a funding request was submitted midway through the 1999 session. Specifically, \$3.4 million (\$1.9 million for standards revision and implementation and \$1.5 million for the development of assessments) was requested in FY 1999–2000 and \$3.0 million (\$1.6 million for standards revision and implementation and \$1.4 million for the development of assessments) was requested in FY 2000–2001. The 1999 Legislature appropriated \$1,483,950 million for the development of assessments but only in the first year of the biennium.

During the 1999 legislative session, Superintendent LeMahieu charged the Department's School Renewal Group with revising the HCPS. Other departmental personnel were directed to design the support system to ensure that all students will achieve the standards. With the assistance of over 1,200 volunteer "friends of public education," "a Strategic Plan for Standards-Based Education was crafted. In August 1999 the revision of the statewide standards was completed, and a month later the Department's strategic plan was published. The Strategic Plan for Standards-Based Education begins with meaningful content and performance standards, the substance of learning that enables students to grow and become critical thinkers, productive citizens, independent learners, and confident self-believers. It outlines an assessment and accountability system that measures and reports on student attainment of the standards and holds everyone accountable for their performance. The strategic plan also addresses the need for a comprehensive student support system that can draw on the resources in the classroom, school, neighborhood, Department of Education offices, and the larger community to provide the social, emotional, and physical environments that help students to meet the standards.

Infrastructure support reshaped and restructured to deliver services more efficiently and economically from the district/region and state levels are identified in modernizing administrative support services. To nurture teachers and students to realize their standards-based mission, redefining school governance, structure, and organizational development looks toward "enabling" school environments by resolving conflicts and removing inefficiencies, and promoting organizational development and the leadership roles of all stakeholders.

The assessment and accountability system under development will be aligned to statewide standards and oriented toward performance. The assessment and accountability system will focus on students and educational professionals collectively in schools and offices and as individuals in appropriate ways, but may include other role groups in education. An effective accountability system, which

must be supported by leadership and adequate resources, clearly will link authority and adequate resources to responsibility; will define clear roles for all parties an clear lines of responsibility and mutual obligation; will involve fair and adequate assessment against agreed upon goals, and will invoke appropriate actions (that is, positive, neutral, and negative consequences such as rewards, assistance, or sanctions) for performance.

## **XVII. REWARDS AND SANCTIONS**

Hawaii Revised Statutes §§ 302A-701 includes language to provide monetary rewards (e.g. provision of housing, provision of mileage reimbursement, discounts at local stores) for the purpose of retaining teachers in schools with high teacher turnover. These incentives have yet to be funded by the legislature, however, and as a result have not been implemented.

There are some individual sanctions for spending money beyond the budgeted amount in schools. Under HAW. REV. STAT. § 84-17, any supervisory employee who violates the expenditure of appropriated amounts shall be disciplined (including position forfeiture, as well as being liable for civil or criminal action). A board of education-appointed performance standards review commission was established pursuant to Act 334 (1991 HAW. SESS. LAWS). This review commission was to be convened every four years beginning in FY 1997, issuing a report on the performance of the public schools in relation to the established standards. At present there are not sanctions for schools whose students do not meet performance standards. HAW. REV. STAT. §§ 302-301 provides state money to be paid to individual schools for one year as innovative grants. These grants are renewable and are awarded through a panel that reviews proposals and makes recommendations to the superintendent for distribution of awards. There are no stated criteria as a basis for determining that shall receive a grant.

## **XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS**

### **Charter Schools**

A reform enacted by the 1994 legislature (HAW. REV. STAT § 296) created a class of charter schools called “ Student Centered Schools”. The law limited participation only to existing public schools that wished to convert to charter status. The 1999 legislature amended the “Student Centered School” law by broadening the base of participation. Designated “New Century Charter Schools,” (HAW. REV. STAT § 302A-A through H) charter status can now be

obtained in three ways: 1) an existing public school may convert to charter status, 2) any community or 3) any program within an existing public school may apply for charter status. The law limits the number of new century charter schools to 25.

The intent of Hawaii's charter school law is to allow new century charter schools maximum flexibility to implement innovative educational programs and administrative frameworks. In exchange, new century charter schools are to assume greater responsibility and accountability for student outcomes.

To be designated a new century charter school, the applicant sends a letter of intent to the Board of Education, (the chartering agent) and then develops a detailed implementation plan that includes a description of the operating framework, including specific student outcomes, a governance structure, assessment mechanisms and an annual financial and program audit. This plan is submitted to the Board of Education for its approval. Each charter school is governed by a local school board represented by the principal, instructional and support staff, parents, students and other community members.

A charter school is a public school and will receive public funds. They are excluded from many state laws and department policies that govern other schools except: 1) collective bargaining, 2) discrimination laws, 3) health and safety requirements. New century charter school must also implement the Hawaii Content and Performance Standards (HCPS) and adhere to all federal laws.

This new statute represents a major departure from the single statewide school district that has been the norm for over a century in Hawaii.

## **XIX. AID TO PRIVATE SCHOOLS**

N/A.

## **XX. RECENT AND PENDING LEGISLATION**

N/A.

## **XXI. SPECIAL TOPICS**

### **School Community-Based Management**

The 1989 legislature recognized the concept of school-based management stating, “The legislature finds that efforts must be made to ensure the excellence of Hawaii’s public schools. Changes in the way the State’s single school system is managed, particularly by restructuring the system to allow for more educational decision making at the school level and thereby increasing the involvement of those directly affected by the decisions, should increase accountability, and result in the excellence we seek.”

By the 1999–2000 school year, 219 of the state’s 251 schools have submitted Letter of Intent to become SCBM schools. Of the 219 schools 201 have developed implementation plans and many have submitted requests for waivers of DOE regulations including exceptions to collective bargaining agreements. Approximately 90% of these requests have been approved. The legislature continues to support the implementation of SCBM by offering up to \$11,000 implementation grants to start-up schools.

### **Staffing Assignments**

For a number of years, each permanent employee of the state has been issued a position number. That number was assigned to a position in a department of the state. Once a position is assigned to a particular unit within a department, the department could only change the position to another unit by requesting a transfer to the Department of Budget and Finance. This was also the case if a position became vacant through attrition, as in resignation, retirement, or other cause. The department had to fill the position in the same unit to which it was assigned. Although this description is quite simplified, the process is quite complex and time consuming.

In 1998 the legislature amended this statewide act by two statutes, HAW. REV. STAT. §§ 296-15.6 and §§ 302A-1115, to give the Department of Education the right to reallocate vacant positions throughout the Department, to reassign employee duties, and authorize position classifications “without regard to position variance requirements of the Department of Budget and Finance.” Further, in HAW. REV. STAT. § 302A-1116, the department could create new temporary positions for terms of one year or less as long as it does not exceed its budget and position allocations. The DOE created rules and regulations that were known as “buying and selling positions” in response to the statutory changes. A principal

my buy a position using current “B” And “C” money allocated to the school by the Department of Education. The term of the employment cannot exceed one year. The position purchased may be full or part-time. If it is a certificate position, the person must meet current employment and certification requirements and will be included in the proper bargaining unit. A principal may sell only a vacant position. If a position is sold, it is for one year only. Selling will increase the “B” and “C” funds for the school. In addition, HAW. REV. STAT. § 302-101 allows for “job sharing among school employees who hold permanent positions, where two persons share the duties of one position. Each employee shall perform one-half of the duties and receive one-half of the compensation to which the position is entitled, and department rules for teachers further specify that each teacher must work one-half of each day.

### **School to Work Transition**

In 1995 the state applied for and received a federal School to Work Opportunities grant to provide seed grant monies to schools for school-to-work transitioning for students. The grant is administered through an executive council and is overseen by a state director. The board has permitted individual school complexes (the high school and feeder middle and elementary schools) to apply for seed grant funds, and it has permitted consortia of school complexes within districts to apply. Monies have been awarded in both instances. As a result of the grants, several high schools have developed small businesses that generate profits which are reinvested in the business for growth. Profits are retained by the schools and used for curriculum and program initiatives.