



HAWAI‘I EDUCATIONAL POLICY CENTER
Informing the Education Community

Perspectives #2
Achieving 80% and 90% Expenditure by Principals

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[Perspectives are quick takes on Reinventing Education (Act 51) issues that are in transition. These issues will be revisited periodically as new developments warrant.]

Act 51 (SLH 2004) mandates that principals will expend 70% of the Department of Education’s operating budget¹ of almost \$1.7 billion by 2006-2007. A Committee on Weights determined that principals, exceeding the legislatively mandated amount by 2%, should expend 72% of the DOE’s operating budget. The Committee’s recommendation is now before the Board of Education for consideration.

In addition, the DOE was required to submit a report² to the legislature as to what would be needed in order for principals to expend 80% and 90% of the operating budget. This report was submitted last December.

At the 72% benchmark, 48% (\$770 million) of the 72% will be allocated to schools through a weighted student formula. The Committee identified which money (by program ID numbers) will go into the weighted student funding “pot” over which principals will have discretionary control; 24% (\$410 million) is in restricted (categorical) funds that must be expended by principals in specified ways.

Unrestricted (48%):

Lump Sum Programs	30% ³
English for Second Language	2%
Language Learners (ESLL); Gifted and Talented; PCNCs ⁴ , etc.	
Lump Sum Employee Fringe Benefits	10%
Comprehensive Student Support Services	3%
Custodial, Classroom Cleaners, Minor Repairs/Maintenance, Telephone	3%

¹ Excluding capital improvement programs and debt service (for fiscal 04-05, debt service is \$98,378,000 and CIP is \$234,100,000). Therefore, the DOE operating budget for 04-05 is \$1,655,534,000. Charter Schools are also excluded in this discussion.

² This report is available on the DOE web site at <http://doe.k12.hi.us> (legislative reports)

³ Most of the 30% goes to employee salaries.

⁴ Parent Community Networking Centers

Restricted (24%):

Categorical & Portion of Special Education ⁵	16%
Federal Funds ⁶	7%
Special & Trust Funds ⁷	1%

Currently, principals are unable to convert vacant positions' fringe benefits into dollars. Therefore, the portion over which they will have discretionary control is really 38% (after subtracting the 10% lump sum employee fringe benefits).

DOE figures show that at the present time 15% of the operating budget is allocated to school principals. Therefore, a jump from 15% to 72% is a major change for Hawai'i's school system. However, the 15% figure does not include employee salaries and fringe benefits (included in the 72% benchmark) but does include charter schools (excluded in the 72%). If adjusted accordingly, the 15% figure moves much closer to the 72% benchmark, which does not appear, then, to be a major change in the amount of money principals currently expend.

This is not to say that a good-faith effort has been lacking. To the contrary, the DOE and the Committee on Weights have worked hard to accomplish the 70% legislative mandate despite the fact that this mandate may be "the tail wagging the dog."⁸

What will the 80% and 90% benchmarks look like? Where will the money come from? The remaining 28% of the DOE operating budget includes:

Centralized Special Ed Services	11%
Instructional Support	2%
Fed Funds Centrally Administered	2%
Adult Education	1%
Food, Custodial, Utilities, Student Transportation	9%
State and District/Complex Area Administration	3%

To achieve the 80% benchmark, principals would need to assume responsibility for and expend food, custodial, utilities and student transportation money. Decentralizing school food service would make principals responsible for menu selection, purchasing of food and supplies, hiring and day-to-day staffing issues, compliance with federal nutrition requirements, replacement or purchase of new kitchen equipment, etc.

⁵ Categorical programs, primarily legislatively mandated, include athletics, school safety managers, etc.

⁶ Federal funds include NCLB, etc.

⁷ Special funds include summer school tuitions, drivers ed, textbooks, cafeteria collections, etc. Trust funds include athletic gate receipts, grants, donations, etc.

⁸ A review by the DOE suggests that in no other school district in the U.S. does state law mandate that a specified percentage of the total school district budget and/or state education budget be expended by principals.

Similarly, if principals were responsible for student transportation, they would have to procure contracts with bus service providers, ensure compliance with federal and state regulations, and coordinate transportation for special education students.

At 90%, principals would also need to assume the centralized special education services, including assuring compliance with the Felix Consent Decree and IDEA (Individuals with Disabilities Education Act). Schools would be responsible for their own occupational, speech and physical therapists and for paying the total costs of services for “high-cost, low-incidence” disabilities such as autism spectrum disorder and medically fragile children. In achieving all three benchmarks, 70%, 80% and 90%, collective bargaining issues will be substantial.

Edmonton School District, for instance, started out at 70% and stayed at that level for over ten years before moving to a higher percentage, according to the DOE report. At 70%, the report goes on to note, principals will be expending resources that directly impact student achievement in the classroom. At 80% and 90%, principals’ attention would be diverted from student performance to management of support services.

The report concludes that before contemplating an increase to 80% or 90%, “policymakers need to examine carefully all pertinent issues in order to make decisions in the best interest of Hawaii’s public education students.”

Finally, the report makes the assumption that if state/central DOE services are decentralized (at the 80% and 90% levels), they will devolve to each school site. Yet, economies of scale and fiscal efficiencies might still be achieved if these services are delegated to the complex/district level. We’ll look at this in a future *Perspectives*.