



HAWAI'I EDUCATIONAL POLICY CENTER

Informing the Education Community

Perspectives #11

Hawai'i Business Roundtable Promotes School Reform

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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.]

If Hawai'i is to sustain its economic momentum, a well-educated workforce is vital. That's why improving Hawai'i's public schools is a major focus for the Hawai'i Business Roundtable (HBR).

First Hawaiian Bank's Don Horner is chair of HBR, a non-profit organization of fifty influential business leaders. To him, Act 51 (the Reinventing Education Act of 2004) is a positive effort to change the course of education in Hawai'i. In fact, HBR is committed to seeing the full implementation of Act 51, particularly its provisions for empowering principals and for distributing funds to schools using a weighted student formula.

In addition, HBR's Education Task Force, under the leadership of Mitch D'Olier and Nonie Toledo, is finalizing a position paper ("Continuing Hawai'i Public Education Redesign—Staying the Course") urging the legislature and the Lingle administration to focus on 4 "redesigns": (1) creating an effective Department of Education management structure (2) giving the DOE flexibility over its budget (3) empowering principals, and (4) enhancing the DOE's technology infrastructure.

As the leader of a nearly \$2-billion state agency, Superintendent Pat Hamamoto must have the flexibility to organize her management team in the most effective way possible. The HBR draft report proposes a suggested reorganization including the creation of a new position—DOE Chief Financial Officer (also recommended in a recent PriceWaterhouseCoopers audit of DOE operations).

Where there is public skepticism about the DOE, it often centers around fiscal numbers. The current controversy about the weighted student formula has its roots in the "moving" numbers presented by the DOE because of an antiquated accounting system. Without a modernized financial management system, financial transparency and real-time information about when and where dollars are expended will be difficult to achieve. If a CFO position were added to the management structure, this position should not only be the public "face" of DOE finances, but should also guarantee the reliability, stability and transparency of the department's numbers.

Currently the DOE management structure includes the superintendent, deputy superintendent and four assistant superintendents: (1) Curriculum, Instruction and Student Support, (2) Human Resources, (3) Business Services, (4) Information Technology). Then there are 7 districts, 42 school complexes and 15 complex areas overseen by complex area superintendents and district-level employees.

The PriceWaterhouseCoopers audit indicates the role of the CAS is not clearly understood within the system, and the role of “line” versus “staff” employees is not sufficiently defined. The CAS is a “line” employee (as opposed to “staff” employees such as education specialists, personnel specialists, etc.) with supervisory responsibilities over the schools. Yet, few if any staff employees in the district offices report to the CAS. Clearly the CAS is not now the “field general” of the operation, but, rather, acts as supervisor of the implementation of state-level policies.

The HBR recommended DOE reorganization includes a superintendent and four deputy superintendents: (1) oversight of CAS’s, (2) systems accountability—planning, evaluation, special projects, monitoring and compliance, and resource allocation, (3) curriculum, instruction and student support, and (4) finance, facilities, human resources, and information/technology.

The HBR draft report urges the legislature to lighten its grasp on the education “wallet” by providing the DOE with a lump-sum operations budget. This fiscal flexibility both at the state DOE level and at the school level will enable the system to move dollars around to get the job done. Without this flexibility, there can be little or no accountability.

In fact, the HBR report maintains principals should control at least 90% of their schools’ operations budget. Under the current formulation of the weighted student formula, principals will control 72% of the DOE budget, but they do not have discretionary control over 24% of this amount, and another 10% goes to employee fringe benefits. So principals actually will have discretionary control over 38–48% starting in ’06-’07, though much of this amount will go to cover salaries of school staff. This is roughly equivalent to the 15% discretionary control principals currently have since the 15% does not include salaries. Nonetheless, principals will be able to choose from a greater selection of expenditure decisions under WSF, and this is a good start. The DOE’s report to the legislature entitled “Increasing School Expenditures by School Principals” is available at <http://doe.k12.hi.us> (legislative reports, 2005).

In addition to fiscal control, principals must have management rights and tools in order to be effective administrators of their schools, million-dollar “companies.” While supporting the collective bargaining process and the right to fairness and due process for all employees, the draft report suggests principals should be able to make changes on their campuses without obtaining the approval of 75% of their faculty, as required for some issues. If principals’ hands are tied so that they can’t be the effective administrators Act 51 empowers them to be, then these types of issues must be resolved at the bargaining table in order for school reform to be successful.

Finally, the DOE’s technology infrastructure needs an infusion of funding to bring it into the 21st century. Specifically, the report calls for the upgrading of three information systems: financial

management, human resources and student performance. Without these improved systems, we won't know whether dollars are being well spent or whether Act 51 has stimulated improved student learning. The PriceWaterhouseCoopers report also calls for improvement in the DOE's ability to produce useful reports and data analysis.

HBR is particularly pleased with the progress made by the DOE in de-linking from DAGS (Department of Accounting and General Services) and other state agencies. This "redesign" mandated by Act 51 gives the DOE authority over services currently being provided to schools by other agencies, and holds it accountable for results.

An Interagency Working Group led by HBR members Dave Carey and Don Horner has worked tirelessly to hammer out the details of moving personnel and job responsibilities from de-linked agencies to the DOE. Especially significant is the successful transfer of school capital improvement projects and repair and maintenance from DAGS to the DOE.

The commitment of the Hawai'i Business Roundtable to improving our schools on behalf of Hawai'i's children is most welcome. Indeed, if Act 51 is to succeed, all of us must participate and become education stakeholders.