



HAWAI'I EDUCATIONAL POLICY CENTER

Informing the Education Community

Principal Discretionary Budget Control

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Last month we looked at a new way of distributing funds to Hawaii's public schools called Weighted Student Funding. It is part of a package of school reforms passed by last year's legislature.

Another reform in the package gives principals control over 70% of the Department of Education's operating budget (excluding debt servicing and capital improvements). The intent of this provision is to place a greater number of decisions and a much higher percentage of money directly in the hands of individual principals and their schools.

In other words, the Reinventing Education Act of 2004 (Act 51) seeks to replace a top-down management system with a bottom-up decision-making model where a principal and his or her advisory council decide how money should be spent at their own school to benefit their own students. When authority, resources and accountability are directly linked, then every dollar spent should yield the maximum educational results.

A Committee on Weights made up of teachers, principals, parents, community members and other stakeholders met this fall to decide what money in the DOE budget should go into the 70% pot.

The Committee's recommendation is that 72% of the DOE budget be "expended" by principals. The word "expended" is used in Act 51, but, as we will see, it does not always mean discretionary control over how money will be spent.

One-third of the 72% will be expended by principals but without discretionary control. In other words, these funds, mainly for categorical programs, must be used for specified purposes.

Categorical programs are programs primarily mandated by the legislature. For instance, included in Act 51 is a mandate that all high schools be staffed with a full-time, year-round student activity coordinator. Since categorical programs require the DOE to spend its money in specific ways, they do not support the intent of the act to empower principals.

Two-thirds of the 72% amounting to \$771 million is in weighted student funding over which principals will have some discretionary control. 30% of this amount will go to schools as a lump sum, primarily for employee salaries. 10% will be for lump sum employee fringe benefits, and

8% will be for telephone, cleaning, minor repairs and maintenance, comprehensive student support services, and programs including gifted and talented, etc.

Will principals really have discretionary control over \$771 million? The answer is no. For various reasons, principals will have discretionary control over only 38% of the DOE budget. A feasibility study prepared by the DOE in 2003 spotlights the reasons for this.

First are the categorical funds that must be spent in specified ways. Schools can not choose their own paths when money has strings attached. Second, if a school chooses to leave vacant a position, it is not credited with the fringe benefits saved. Third, cumbersome procurement laws make it difficult for schools to operate efficiently, and fourth, contractual obligations place limits on principals' staffing decisions.

Last year's school reform legislation added new contents to the education box but didn't change the dimensions of the box. Will the legislature be willing to take the next step? Will it do away with categorical funding? In California, categorical funds were turned into block grants. Will it allow schools to turn vacant positions' fringe benefits into dollars? Will it change state contracting rules that shackle schools, and will unions and the BOE/DOE work together on school personnel issues?

Unless the box is reconfigured, the Department of Education as well as its principals will still be handcuffed. As a member of the Board of Education says, "Expenditure means nothing; control means everything."