

**Adoption of a Student Weighted Formula for Funding  
Hawai'i's Public Schools: Policy Issues**

**October 2003**



**HAWAI'I EDUCATIONAL POLICY CENTER**



The Hawai'i Educational Policy Center is pleased to offer *Adoption of a Student Weighted Formula for Funding Hawai'i's Public Schools: Policy Issues*. This report is designed to assist policy makers in understanding the recent history of decentralization efforts in Hawai'i, and the mainland experiences with student weighted formulas and other decentralization strategies. The report provides a brief overview of the reforms and issues involved.



## TABLE OF CONTENTS

	<b>Page</b>
Executive Summary.....	1
Introduction.....	4
The 2002 Ouchi Study.....	6
Recent History of Decentralization in Hawai‘i.....	8
School/Community-Based Management.....	10
Hawai‘i’s Lump-sum Budgeting Experiment.....	14
The 1994 Weighted Pupil Allocation System Proposal (WPAS).....	15
Mainland Approaches and Challenges.....	17
Reconciling Two Reform Camps.....	17
References Cited.....	19
Resources.....	19
Useful Links.....	20
Appendices.....	21

## Executive Summary

Decentralizing education systems does not appear to be a partisan or ideological issue, either nationally or in Hawai‘i. In 2002, Democratic legislators in Hawai‘i promoted decentralization schemes to create localized school governance. In 2003, newly elected Governor Linda Lingle proposed a constitutional amendment that would create seven elected district boards of education and replace the statewide elected board members with representatives from the newly formed district boards.

The move to decentralize the public school system has been active for fifteen years. Hawai‘i’s efforts included school-based management, lump-sum budgeting, and other reforms that only flirted with significant decentralized power over budgets. Table 1 shows a brief chronology.

**Table 1. Recent History of Decentralization of Hawai‘i’s School System**

1989 SCBM Law enacted
1992 Lump-sum budgeting proposed
1993 Lump-sum allocation system gives schools flexibility over to move some funds by programs
1994 Draft weighted pupil allocation system study by DOE
1998 Auditor report on SCBM indicates little meaningful flexibility at the school level
1999 State legislature passes charter school law—per-pupil funding
2002 Federal <i>No Child Left Behind</i> —right to transfer to another public school
2002 State legislature entertains creation of district boards
2002 State DOE reorganizes along complexes
2002 Interim task force further emphasizes complex-level organizations
2002 Gubernatorial debate over creation of district boards
2003 Governor proposes constitutional amendment, several bills relating to complex level organization
2003 William Ouchi releases paper on school-based budget control, including examination of the weighted formula in Seattle, which converted to a weighted student funding formula in 1997, and several other school districts
2003 Hawaii legislature calls for a study of the weighted formula. systems

### The Ouchi Study

William G. Ouchi and his UCLA colleagues studied schools with top-down management and compared them to schools with bottom-up local authority systems. They concluded that the latter tended to be more successful. One important element of Ouchi’s higher performing school systems was the use of a per-pupil weighted funding formula (Student Weighted Formula or SWF) in conjunction with budgetary control at the school level and the ability of families to move their children (along with whatever funding ‘weights’ they may bring with them) to another public school.

Key policy issues and questions linked *directly* to SWF include the following:

- What lessons can be learned from the recent history of decentralization efforts in Hawai‘i, such as lump-sum budgeting?
- What form of SWF does Hawai‘i currently employ?
- What do Ouchi’s study and other mainland experiences tell us about the pros and cons of SWF?

- What would be the goals of shifting to a per-pupil SWF system for Hawai‘i? Would the goals be different from the earlier goals of the lump-sum budgeting reforms?
- What percentage of a school’s budget would need to be controlled at the school level for a SWF system to operate effectively? Of particular importance would be the percentage of school faculty and staff wages and benefits that would be controlled at the school level.
- What would be the logistical challenges of shifting to such a system, including the shift from funding based on full-time-equivalent positions to funding based on individual students’ needs.
- If the DOE’s 1994 SWF system were implemented today, what would be the differences in the amounts of funding for specific schools between that system and the DOE’s 2003 partial SWF system? The Seattle system? The Edmonton System?

Key issues and questions linked *indirectly* to SWF include the following:

- What do we know about the effectiveness of school/community-based decision making in Hawai‘i and on the mainland?
- What are the pros and cons of linking SWF with an expanded public school voucher system or other governance reforms?
- Can SWF be implemented to complement the recent shift to complex areas in Hawai‘i’s administrative system?
- Can SWF be implemented without imposing a net increase of administrative work and data reporting at the school level?
- How can SWF create flexibility in moving funds from one program to another without the legislative temptation to reallocate those funds to other agencies?
- Can the federal and legal mandates imposed on the entire school system be understood and complied with using existing school-based personnel and resources?

## **Reconciling Two Reform Camps**

Mainland educational reformers can be seen as representing two camps. These two basic and often competing approaches to school reform are (1) content-and-quality oriented advocates that focus on the quality of leadership, instruction, curriculum, and materials that utilize research-based best practices for diverse student learning; and (2) advocates that focus on structural design, governance issues, decentralization, weighted student funding, and parental choice.

The first approach stresses the quality of the content and process in the learning environment. The second stresses budgetary autonomy, democratic participation, and the use of the marketplace as the primary model for change. These are not mutually exclusive groups, but a useful way of making sense of the mainland reform experience.

The quality-and-content people emphasize (a) traditional pre- and in-service professional development of teachers; (b) training in instructional leadership for principals; (c) smaller

school enrollments, lower student teacher ratios, and teacher teams; (d) a research-based approach to the development of high quality and effective learning materials such as text books, and the development of articulated K12 sequences for the major subjects; (e) stakeholder involvement at the school level; and (f) adequate and sustainable funding for the needs of the students and the community. Design principles for this group include an institutional culture that fosters constant professional learning; a level of stability in terms of the ability to resist rapidly changing educational fads that only undercut all efforts at reform; sustainable and replicable research-based “best practices,” reforms that are not confined to a particular school or dependent on a charismatic leader; and a system where the community leaders and parents have both a sense of ownership and support for the system.

The ideal world for this group might be a research-based school complex where highly trained teachers and administrators implement highly effective curricula that link the various school levels, at least in specific core disciplines.

The budget-and-structure people tend to emphasize (a) a decentralized marketplace model where competition and choice are the primary mechanisms for ensuring accountability; (b) flexibility and diversity among schools; (c) alternative criteria for teacher licensing; (d) the ability of district superintendents or principals to choose their own faculty and staff; (e) a system of vouchers where each school competes for students who bring with them a weighted student formula of funding; and (f) a resistance to increased funding, believing that an adequate amount of funds exist but are poorly utilized. A basic assumption is that principals and their teachers have the expertise and ability to effectively manage their financial resources and to select and teach the appropriate textbooks and curricula. The ideal world for this group is a loose network of very independent and diverse schools, much like the community of charter schools.

## **Introduction**

Decentralization of education systems does not appear to be a partisan or ideological issue, either nationally or in Hawai'i. In fact, the conflicts over public school governance are most often over beliefs about the linkages between student achievement and strategies to provide more democracy, autonomy, and accountability.

In 2002, Democratic legislators in Hawai'i, in both the House and Senate, promoted decentralization schemes to create localized school governance. Both House and Senate sought to abolish the elected state board and establish some form and number of district boards. Both would have retained a statewide superintendent and statewide department with extensive powers and duties.

In the 2003 Hawai'i legislative session, newly elected Governor Linda Lingle proposed a constitutional amendment that would create seven elected district boards of education, and replace the statewide elected board members with representatives from the newly elected district boards. Her proposal was yet another attempt to improve public schools through a structural decentralization of decision making.

Legislators, the Governor, other stakeholders and policy makers were unable to reach agreement on major constitutional changes and the creation of decentralized districts. However, a new report by William G. Ouchi of the UCLA Anderson School, seemed to create an area of mutual curiosity and perhaps consensus. Ouchi and his colleagues studied schools with top-down management and compared them with bottom-up local authority systems. They concluded that the later tended to be more successful. One of the features of the more successful districts, argued Ouchi's team, was use of the weighted student formula that provided a large amount of budgetary and instructional authority for school principals (Ouchi et al., 2002).

## ***Five Reforms***

Hawai'i's exploration of education reform involves five distinct reform strategies that are sometimes attempted in isolation, frequently combined, but also often confused.

First is a financing system that allocates funds on a per-pupil basis, with special "weights" given for students who may have special needs such as special education or income disadvantages. This is frequently called a student weighted formula, or SWF. The advent of the charter school movement, where most charters are funded on a per-pupil basis, has created more interest and familiarity with this form of financing. In addition, student weighted formulas often incorporate additional funding as students move up in grade levels for curriculum needs and unique school needs. Most, if not all systems incorporate some form of weighting, whether or not they actually allocate discretionary funds on a per-pupil basis. A mature SWF system is said to imply a complementary management and data collection system.

Second is site-based management (SBM), which seeks to improve teaching and learning by decentralizing authority closest to where teaching and learning take place—the local school. Impacts of site-based management on student achievement are at best mixed, and SBM, by itself, has not been shown by researchers to have this direct link. It often improves morale and a sense of local ownership, but not necessarily student achievement. The nature of the local politics, as well as the wisdom of actual decisions, appears to have an impact on the effectiveness of SBM.

Third is control over funding sources at the school level, which may or may not be part of a democratic stakeholder decision-making council, such as is common with SBM systems. This budgetary control or flexibility could be held exclusively by the principal, along with his or her leadership team, and it is often the leadership skills of that principal, coupled with budgetary control, that is thought to have some results for student achievement. This is the sort of corporate CEO model that business organizations often support.

The fourth reform has to do with district and school size. Very large urban districts (such as New York City's system with over 1.2 million students) tend to have larger state and district support staffs, be more bureaucratized, and preside over schools that often suffer from poor academic achievement. While the currently available research fails to directly link district size and student achievement, smaller schools and smaller districts are generally assumed to offer optimum organizations for improving learning. The studies of the advantages of smaller schools, or schools within schools, actually are more compelling than the few studies available on district size. An important study *The Influence of Scale on School Performance: A Multilevel Extension of the Matthew Principle*, by Robert Bickel and Craig Howley (2000), was highlighted in a November 2000 issue of *Rural School & Community Action*. This study found that “small seems to work in beating back the negative effect that poverty has on student achievement, whether you are talking about small schools or small districts.” One point of dispute, however, would be how small is small? The average mainland district's enrollment is about 3,000, the average enrollment for districts in New York state is about 4,000, and the average enrollment for districts in California is about 6,000. All of these figures are skewed upward because of extremely large urban districts, yet they are still, on average, smaller than Hawai'i's administrative districts (those that would have their own elected boards under the Governor's proposal), which range in enrollments from 9,000 to 33,000 students.

The fifth reform that is often combined with one or more of the others is the issue of *choice*—the ability of parents to move their children either out of non-performing schools, or simply to other schools that they prefer. While this is often called a voucher system, the most well-known and controversial voucher systems usually involve the movement of students and funding out of the public schools to private schools. However, under SWF, and under the No Child Left Behind Act (PL 107-110, The No Child Left Behind Act of 2001), the right to move is limited to choices within the public school system. The so-called competition to attract *public* students in some systems exists separately from the public-vs.-private school voucher debate.

Educational research has examined all of these issues individually, and no single reform has earned a consensus judgment of demonstrating a consistent direct linkage to student achievement. There are examples thought to suggest these links, but there are many examples that fail to make the case as well. Still, a great deal of literature suggests that smaller units of organization, when coupled with autonomy and flexibility, offer school-level opportunities that may be discouraged or prevented by larger bureaucratic systems.

### **The 2002 Ouchi Study**

William Ouchi, known for his book *Theory Z*, brings the analysis of the corporate organization to the issue of school reform. Through the lens of management theory, the Ouchi study looked at four different types of schools: (1) the three largest school systems in the United States—New York City, Los Angeles, and Chicago; (2) three “radically” decentralized urban school districts—Edmonton, Canada, Seattle, and Houston; (3) the three largest Catholic Archdiocesan school systems in the U.S.—Chicago, New York City, and Los Angeles; and (4) a set of six independent schools (Ouchi et al., 2002).

Ouchi and his research team, speaking of both large and smaller districts, concluded “If a school district operates in a top-down, centralized fashion, each local school is handcuffed and cannot easily make adaptations that fit the needs of the community. Where local autonomy is provided and families have a choice of schools...competitive forces will spur each school to improve” (Ouchi et al., 2002, p. 127). Ouchi’s belief is one that has been expressed in Hawai‘i since the late 1980s, first by Democratic governors and legislators, and now by Republican policy makers.

One important element of Ouchi’s higher performing school systems was the use of a per-pupil weighted funding formula (or student weighted formula) in conjunction with budgetary control at the school level and the ability of families to move their children (along with whatever funding ‘weights’ they may bring with them) to another public school. It was this funding issue that led Hawai‘i’s Legislature to include the following provision in its 2003 budget:

SECTION 45. Provided that of the federal fund appropriation for school-based budgeting (EDN 100), \$100,000 shall be expended to develop reports to make recommendations on possible implementation models of a weighted pupil allocation system and to evaluate the feasibility of implementation for the department of education; provided that the evaluation shall consider the implementation of weighted pupil allocation models in other jurisdictions and assess the relevance to Hawai‘i’s public school system; and provided further that the report shall be submitted to the legislature no later than twenty days prior to the 2004 regular session.

As to whether this approach would actually reduce central office staffs, Ouchi et al., (2002) noted

Our data show that central office staffs are not necessarily smaller under Weighted Student Formula, although time may produce a gradual shrinking of these central office staffs, some of which are no longer necessary. In other cases, such as Seattle, the central staff is the same size as before, but very different in composition and in role. The central staffs no longer dream up new rules and programs that they dictate to the schools. Instead, most of the central staff is composed of professionals who deliver services to students and to teachers at the request of schools (p. 137).

The Ouchi study deserves a thorough review in terms of its methodology, how deeply their team looked at each system, whether those systems chosen for study were too different for meaningful comparisons, and other issues of importance to the validity of their conclusions. However, for the purposes of this report, the Ouchi study is summarized because it presents a model for reform that has attracted the attention of policy makers in Hawai'i.

The purpose of this paper is to examine some of the policy issues and challenges in the weighted student formula system as an effective means of financing public education in Hawai'i.

Key policy issues and questions linked *directly* to SWF include

- what lessons can be learned from the recent history of decentralization in Hawai'i, and in particular from the issue of lump-sum budgeting?
- what kinds of SWF funding does Hawai'i currently employ?
- what do Ouchi's study and other mainland experiences tell us about the pros and cons of SWF?
- what would be the goals of shifting to a per-pupil SWF system for Hawai'i? Would the goals be different from the earlier goals of the lump-sum budgeting reforms?
- what percentage of a school's budget would need to be controlled at the school level for a SWF system to operate effectively? Of particular importance would be the percentage of school faculty and staff wages and benefits that would be controlled at the school level.
- what would be the logistical challenges of shifting to such a system, including the shift from funding based on FTE positions to individual students?

Key issues and questions linked *indirectly* to SWF include

- what do we know about the effectiveness of school/community-based decision making in Hawai'i and on the mainland?
- what are the pros and cons of linking SWF with an expanded public school voucher system or other governance reforms?
- can SWF be implemented to complement the recent shift to complex areas in Hawai'i's administrative system?
- can SWF be implemented without imposing a net increase of administrative work and data reporting at the school level?

- how can SWF create flexibility in moving funds from one program to another without the legislative temptation to reallocate those funds to other agencies?
- can the federal and legal mandates imposed on entire school system be understood and complied with using existing school-based personnel and resources?

### **Recent History of Decentralization in Hawai‘i**

It may be helpful to remember that the move to decentralize the public school system has been active for fifteen years.

*School-based Management.* In the late 1980s Hawai‘i followed a national trend by enacting a school-based management system, called School Community Based Management, or SCBM.

*Limited Discretionary Budget Control.* Several years later, in 1992, still sensing that true autonomy had not been achieved, the state Department of Education promoted lump-sum budgeting, which actually included a weighted pupil allocation system (WPAS) for a portion of the DOE funding. School priority funds were created to allow principals the flexibility to use funds that were previously earmarked for specialized programs. Principals could purchase new textbooks, or they could purchase expensive photocopying machines. (Some chose the latter and cast doubts on the wisdom of autonomy without proper training.) In 1994, extensive work was done to take this weighted system and apply it more comprehensively. However, the 1994 DOE proposal was never implemented.

*Per Pupil Funding for Charters.* In the late 1990s, Hawai‘i again followed the mainland in enacting a charter school law, which explicitly identified a funding formula based on per-pupil allocations. This has familiarized the educational community with the dynamics and challenges of selecting a fair and effective funding formula and its relationship to a predictable and adequate funding stream for charter schools.

*Administrative Decentralization.* In 2001, the state DOE reorganized its seven district offices to emphasize the forty-three school complexes, each with a high school and its feeder elementary and middle schools. The administration of district offices, which ranged from Leeward with 41 schools and over 33,000 students to Kaua‘i with 16 schools and about 9,000 students, was internally subdivided into complex areas. Replacing the former District Superintendents, some 15 Complex Area Superintendents were selected to further emphasize these smaller units of management. This reform represented a kind of administrative decentralization from the district to the complex level, but did not directly delegate more decision making to the school level.

*Current Weighted Per Pupil Funding.* Today, accessible on the Hawai‘i Department of Education web site, one can find data on per-pupil expenditures by schools. Three schools with significant differences in their calculated amounts were Aiea Intermediate School (with 675 students), Konawaena Middle School (with 840 students) and Mililani Middle School (with 1,809 students). Aiea Intermediate School’s school-based per-pupil

amount for 2001–2002 was \$3,245.94, with a total budget of about \$1.9 million. Konawaena Middle School’s per-pupil calculated allocation was \$7,629.87, with a total budget of about \$1.3 million, and Mililani Middle School’s per-pupil school based allocation was calculated to be \$2,887.83, with a total budget of about \$4.7 million. Thus, we have a \$4,700 per-pupil funding difference between Konawaena’s 840 students and Mililani’s 1,809 students. Obviously, each of these schools has different student enrollment needs, and different numbers of experienced or new teachers. For example, those schools with more special education students attract more funds, as those students require dramatically smaller classes. And, the larger the school, the less per-pupil funding needed for overall administration.

Differences in discretionary funding can also be found. Aiea Intermediate received \$132,891, of which \$22,298 was listed as “school priority fund—cash.” Konawaena Middle School received a total of \$64,055, of which \$7,230 was listed as “school priority fund—cash.” And Mililani Middle School received \$361,746, of which \$66,753 was listed as “school priority fund—cash.” This means that enrollment numbers alone cannot account for the differences in discretionary programmatic (non permanent salaries) funding.

Obviously, a weighting system based in part on school size and needs already exists. The most important factor is how much control a school has over its budget—if it can choose to trade funding for new books for a vice principal, for a music program, or for new computers. The largest portion of each school’s budget is personnel costs, and these have never been controlled at the school level.

Thus, Hawai‘i has already enacted a school-based decision making law, partially shifted to lump-sum budgeting, experimented with per-pupil funding, operationalized some form of per-pupil weighting for school allocations, and sought to subdivide authority at the district level. Incremental and incomplete decentralizations have not significantly improved student achievement, or satisfied those who believe that decentralized systems work better.

**Table 1. Recent History of Decentralization of Hawai‘i’s School System**

1989	SCBM law enacted
1992	Lump-sum budgeting proposed
1993	Lump-sum allocation system gives schools flexibility to move some funds by programs
1994	Draft weighted pupil allocation system study by DOE
1998	Auditor report on SCBM indicates little meaningful flexibility at the school level
1999	State legislature passes charter school law—per-pupil funding
2002	Federal <i>No Child Left Behind</i> law—right to transfer to another public school
2002	State legislature entertains creation of district boards
2002	State DOE reorganizes along complexes
2002	Interim task force further emphasizes complex-level organizations
2002	Gubernatorial debate over creation of district boards
2003	Governor proposes constitutional amendment, several bills relating to complex-level organization
2003	William Ouchi releases paper on school-based budget control, including examination of the weighted formula in Seattle, which converted to a weighted student funding formula in 1997, and several other school districts
2003	State legislature calls for a study of weighted formula systems

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

In 1989, as part of a national interest and movement towards school-based decision-making, the Hawai‘i Legislature passed a law to provide for School/Community-Based Management (SCBM). Estimates are that in 2003 over 80% of Hawai‘i’s 258 public schools now operate with an SCBM council.

#### ***The Mainland Experiments***

According to a 2002 national study on this movement, the theory behind school-based management implies that school leadership is the key to implementation of shared governance in our elementary public and private schools. The authors went on to comment on the variations found in schools: “School-based management is commonly applied to only a small subset of the constellation of decisions that go into running a school” (Bimber, 1993 as cited in Apodaca-Tucker, 2002). Consequently, some school districts have decentralized budgetary decisions but not decisions about personnel or curriculum. Some have decentralized aspects of curriculum only, and others have decentralized other different combinations. Bimber (as cited in Apodaca-Tucker, 2002) argued that often SBM plans give authority to schools over marginal issues only; for example safety and career education. Accordingly, shared decision-making generally does little to change the fact that most schools have discretion over much less than 10% of the money spent within their walls (Apodaca-Tucker, 2002).

In 1988, the Illinois Legislature enacted the Chicago School Reform Act. Perhaps the most far-reaching aspect of this legislation was the requirement that each public school create a local school council (LSC). LSCs are composed of six parents, two community representatives, two teachers, and the principal. The LSC is chaired by a parent who is elected by council members. In high schools, a student representative also serves on the LSC.

Initially, the duties of Chicago's Local School Councils were the following

- Adopt and monitor a school improvement plan that includes decisions about curriculum and pedagogical approaches
- Approve a budget and control the use of resources
- Determine school staffing through selecting the principal, evaluating his or her performance, and deciding whether to fire or continue the principal's contract at the end of a four-year term

These duties appear to grant a significant amount of autonomy to each school. However, this level of independence did not prove to be effective. In 1995, The Chicago School Reform Amendatory Act required a number of changes in district governance, including granting authority over the district to the mayor. The act also gave the school board power to hold LSCs accountable to district wide standards, essentially diminishing LSCs' ability to operate independently of school board policy.

A G. Alfred Hess (1999) study of 14 Chicago schools found that Local School Councils had developed four types of governance arrangements:

- *Limited governance* characterized by minimal participation by parent and community members and usually dominated by the principal, with the support of the teacher members.
- *Moderate governance* characterized by significant discussion generated by at least one parent or community member. These LSCs are formally organized and generally dominated by the principal, but are able to rise to meet crises when required.
- *Balanced governance* characterized by genuine leadership shared between the LSC chairman and the principal, and broad and deep participation by most LSC members in discussions, committee meetings, and decisions.
- *Excessive governance* characterized by excessive conflict and intrusion into the school's day-to-day administration. These LSCs are dominated by parents and/or community members, meet more frequently and for longer periods of time than most LSCs, and engage in discussions that frequently are adversarial and full of conflict.

The Chicago Hess study also suggested that more than the power to make decisions, it was the nature of the decisions that made the difference. The study found that "elementary schools whose student achievement was improving focused their discretionary funds toward supplementary programs that enriched the school's curriculum offerings, such as adding computer opportunities, music, art, science laboratories, and physical education. In schools where student achievement was declining, a larger emphasis was placed on using the discretionary funds for classroom support, such as adding resource teachers and classroom aides. These schools also put an increasing amount of resources into reducing class size and into discipline, counseling, and truancy programs."

Many other studies confirm the inability to link consistent student achievement to school-based management.

### ***Hawai'i's Approach***

Updated in 1996, the Hawai'i SCBM law now reads:

**[§302A-1124] Mandate to initiate school/community-based management system.** The department, through the board and its superintendent, shall formulate policies, including criteria and procedures to determine which schools and learning support centers shall participate in the system, to initiate a school/community-based management system in the public schools. [L 1996, c 89, pt of §2]

The Hawai'i state Board of Education adopted the following policy pursuant to the law:

The Department of Education shall implement School/Community-Based Management (SCBM) in all of Hawai'i's public schools.

SCBM allows greater school-level autonomy, flexibility, and the involvement by those directly affected by decisions. It acknowledges a school community's right and obligation to participate actively in the school's on-going assessment and improvement process. SCBM implementation requires the collaborative involvement of principals and/or other school administrators, teachers, support staff, parents, students, and other community members.

The Board of Education has established content and performance standards expected of students in Hawai'i's public schools. Given greater flexibility and responsibility for decision-making, schools are expected to accept greater accountability to achieve these standards.

The Department of Education shall establish procedures for Department review and approval of those requests from schools that seek to become SCBM schools. These procedures shall

1. encourage and facilitate the desires of the schools to become SCBM schools;
2. not place undue burdens or time delays on schools wishing to become SCBM schools;
3. require a well articulated vision, school improvement process and plan, SCBM council bylaws or an equivalent organizational design for collaboration, a commitment to consensus-based decision-making, and "fallback" decision-making procedures in the event that consensus cannot be reached. Decisions may involve but are not limited to, the areas of personnel, curriculum, instruction, budget, and facilities;

4. require focus on student achievement and provision for objective periodic assessment of the SCBM process at the school; and
5. require conformance with all state laws and Board of Education policies and rules.

Upon request, schools shall provide the results of their objective periodic assessment of the SCBM process and other information to the Department and/or Board of Education.

Copies of all school requests to become SCBM schools shall be provided to each member of the Board of Education as they are received. The Superintendent shall prepare a status report (including action taken and dates) on January 15th and June 15th of each year. (Approved: 11/89, Amended: 04/96; 10/98)

In 1998, the State Auditor noted two issues that plague the SCBM movement in Hawai'i: school-level support and school-level control over its budget.

We found that the Department of Education has not provided the level of support schools need to assume their new responsibilities. The department could provide either more training or redesign training content. Learning support centers established by Section 302A-1104, HRS, are not functioning as intended. School principals contend that the department's 1996 reorganization has resulted in less support than when services were provided by district level personnel.

We also found that the Department of Education has decentralized decision-making but has not given schools sufficient autonomy and flexibility. SCBM and non-SCBM schools alike are freer to use the funds allocated to them, but the actual proportion of funds over which they have complete control still is relatively insignificant. We reviewed the FY1995–96 expenditures of 21 schools and found that just four percent of the expenditures had no departmental or other agency limitations. We also noted that SCBM decision-making guidelines need clarification. In addition, school-based budgeting has not been adequately reviewed.

During that same year, 1998, a State Auditor's report examined student-centered schools, another decentralization reform which was a precursor of Hawai'i's current charter school system:

The 1998 Legislature, through the passage of Act 308, Session Laws of Hawai'i, required the State Auditor to determine the funding allocations for student-centered schools in the state for FY1998–99 as well as for subsequent fiscal years. A student-centered school is governed by its own local school board, which formulates school policies and goals and selects the principal to be the chief executive officer of the school. The Legislature granted student-centered schools substantial fiscal independence by requiring that they be allocated a sum of general funds based on student enrollment...

With the exception of federal impact aid funds, the allocation formula includes only general funds. Other federal funds, special funds, trust funds, interdepartmental transfers, and revolving funds are excluded from the allocation (Hawai‘i State Auditor, 1998).

### ***Flexibility Granted to SCBM Schools***

Perhaps the most important authority granted SCBM schools was the right to ask for a waiver of policies, rules, or procedures that govern non-SCBM schools. Hawai‘i law on these waivers reads as follows:

**[§302A-1126] Waiver of policy, rule, or procedures.** Any state agency that may be required to act under state law on a matter affecting an individual school, its school community, or a learning support center shall waive otherwise applicable policies, rules, or procedures when requested to do so by a school or a learning support center participating in the school/community-based management system unless the agency, within thirty days, can justify a denial to the appropriate authority. The board shall adopt procedures necessary to process waivers initiated by schools or learning support centers subject to the school/community based management system. This section shall apply to collective bargaining agreements as provided for in all relevant collective bargaining agreements negotiated pursuant to chapter 89. [L 1996, c 89 pt of §2]

The significance of this law is that as early as the late 1980s, school based decision-making and autonomy were promoted. However, this tended to be implemented with an emphasis on flexibility in the application of rules, rather than control over budgets.

### **Hawai‘i’s Lump-Sum Budgeting Experiment**

In August 1992, state School Superintendent Charles Toguchi reported that the budget system did not give the schools sufficient flexibility to adjust budgets to meet unique needs and changing conditions; the system was not consistent with SCBM, and the system did not pinpoint accountability.

In his 1992 State of the State address, Governor Waihee noted, “Our current top-down highly centralized, overly bureaucratized system has distanced our people from their schools, while simultaneously becoming less able to address our educational needs...If we are truly committed to reformation of our public school system, then we have to both empower our local schools and insist on excellence.”

### ***Definition, Principles and Purposes***

Toguchi’s 1992 Hawai‘i DOE study defined lump-sum budgeting in the following manner: “A system of budgeting in which the funds are allocated to schools in one large amount and the schools are authorized to make the allocation decisions to specific programs.” The DOE indicated this approach was based on the following principles:

1. Authority for decisions shall be delegated as close as possible to the individuals who have responsibility for implementing them and who have the greatest stake in their outcome.
2. Individuals authorized to make decisions shall be accountable for the results of their decisions.
3. Each member of the decision-making team, at every level of the organization, shall actively promote and maintain a relationship of mutual trust, confidence and respect.

The stated purposes of lump-sum budgeting were to

1. give schools more decision-making authority over their budget. Schools can design their own programs and determine their own priorities to meet their unique needs.
2. operate the school system in a more democratic manner, encouraging more meaningful involvement and participation by school personnel, students, parents, and other interested parties to foster a greater sense of ownership.
3. allocate funds more equitably to all the schools in the state. Lump-sum allocations are based primarily on the educational needs of students, rather than other factors such as the number of teachers.
4. allow schools to reap the benefits of fiscal efficiency. Savings in any program area will accrue to the benefit of the school. Such savings can also be used by the school to finance other needed services.

Even with the introduction of School/Community-Based Management, meaningful school level control over the budget was a challenge. Only a small portion of the school budget was controlled at the school level.

### **The 1994 Weighted Pupil Allocation System Proposal (WPAS)**

The 1994 proposal build upon the 1993 lump-sum budgeting law. In the 1994 draft DOE report, the limits to flexibility were explicitly discussed. Among the impediments to complete freedom for schools were graduation requirements, civil rights requirements for special education students, teacher certification requirements, hiring from eligible lists, foundation program objectives for all students, curriculum standards, collective bargaining contract requirements, board of education rules, and state and federal laws.

WPAS was based on the following assumptions:

1. WPAS would provide an equitable way of distributing resources to all schools.
2. Schools should not have to compete for funds, but receive all their entitlements.
3. Hawa'i schools' allocations should be comparable to the average national [1994] per-pupil allocation of \$6,300.
4. The method of identification of add-on weights for differentiated learning needs should be standardized statewide.

Because it was thought at the time that grades K–2 were adequately funded, the proposed WPAS system was developed by calculating the 1993–94 allocation for pupils in grades

K-2. The “base” amount of a “regular” student was thus determined to be \$2,792.81, and this amount was given a “financial value” of 1.00. Add-on weights were then determined for various categories. Each gifted-and-talented student would be given an add-on weight of 0.20, or \$558.56. Low achievers, identified by stanine, would be given an add-on weight of 0.20 or \$558.56 for stanine 1, 0.15 or \$418.92 for stanine 2, and 0.10 or \$279.28 for stanine 3. Similar add-on weights were developed for students with limited English proficiency (0.40 or \$1,117.12), alienated students in elementary grades (0.20 or \$558.56), and alienated students in high school grades (0.61 or \$1,675.69). Other categories included geographic isolation, smaller schools, student turnover, and teacher turnover.

All of these add-on weights would be on top of the base \$2,792.81. Thus, an alienated high-school student who was a low achieving stanine 1 would bring an additional \$558.56 plus \$1,675.69, for a grand total of \$5,027.06. (This differential would have been significantly less than the Seattle formula, under which some students would bring with them over nine times the base funding.)

In the 1994 Draft Proposal the DOE noted:

To implement the new weights, additional funds totaling \$110.3 million are needed. The plan is to attain the new weights in 5 years, which will require, cumulatively, additional funds of \$22.1 million per year. \$22.1 million represents an annual increase of 3.2 percent over DOE’s general fund budget of \$691.2 million for this fiscal year 1993–94 (Appendix D, p. 1)

Needless to say, this could be a complex and expensive system to establish, administer, and sustain. The definitions of each category of add-ons might become areas of dispute. The periodic need to adjust DOE budgets to fit the available funds might also generate annual discussions on the adjustment of the formula. The figures created for each add-on were based on a 1994 perspective. Certainly the creation of a 2004 WPAS system would require a review of assumptions and impacts used in 1994, and an annual recalculation of the many variables.

Former Hawai‘i School Superintendent Charles Toguchi, who attempted to implement lump-sum budgeting and school priority funding, notes that the student weighted formulas always seem more attractive until all the needs, differences, and complexities are taken into account. Keeping track of them all and creating meaningful formulas is a daunting task. He also believes that per-pupil funding will not have a major impact if it means just moving around the same inadequate amount of funding.

Hawai‘i has the experience and expertise needed to establish a new SWF system, including development of a complex formula. There is also a track record of exploring this reform and rejecting it, which may affect the initial acceptance of this reform, and reflect its value in the eyes of older policy makers.

## **Mainland Approaches and Challenges**

In Seattle's system, a student who qualifies for no categorical funds, would be given a per capita basic state allocation. However, a so-called "maximum student"—one who has multiple disabilities, is from a low-income home, and who is a non-English speaker—carries a weighting of up to 9.2 times the basic allocation. In addition, each school receives a flat block grant of more than \$200,000, so that smaller schools can meet their basic costs.

### ***What Happens When Funding Decreases***

The Seattle Public Schools, which have been operating on the weighted student formula since 1997, have a web page with frequently asked questions. Among them are explanations of the adjustments in the formula caused by a recent \$11.5 million funding gap. Adjustments included a reduction in their "foundational allocation" (base per-pupil amount) by four percent, a change in the head count process to take into account absenteeism, and removal of a budget cushion to "hold harmless" a school if enrollments fall below projections.

The Seattle experience is a helpful one because it illustrates the effect of a per-pupil formula on a system that may not receive adequate funds. The superintendent indicated that funds were shifted from wealthier schools to poorer schools, and from high schools to elementary schools. While this may reflect public policy goals, it created a significant debate when the wealthier or higher-achieving schools learned they would be receiving fewer funds. Seattle Superintendent Joseph Olchefske has recently left his post, in part over differences in how to cope with budget shortfalls, the desire to use the SWF for more equitable funding, and tensions with the unions.

### **Reconciling Two Reform Camps**

Mainland educational reformers appear to fall into two camps. These two basic and often competing realms of school reform are (1) content-and-quality-oriented advocates that focus on the quality of leadership, instruction, curriculum, and materials that utilize research-based best practices for diverse student learning; and (2) advocates that focus on structural design, governance issues, decentralization, weighted student funding, and parental choice.

The first is driven by the quality of content and process in the learning environment. The second is driven by budgetary autonomy, democratic participation, and the use of the marketplace as the primary model for change. These are not mutually exclusive goals, but certainly a useful way of making sense of the mainland reform experience. To some extent, they represent degrees of emphasis, or views of what the key or initial set of reforms must be in order to facilitate success in other improvements.

The quality-and-content people tend to emphasize (a) traditional pre- and in-service professional development of teachers; (b) training in instructional leadership for

principals; (c) smaller school enrollments, student/teacher ratios, and teacher teams; (d) a research-based approach to the development of high quality and effective learning materials such as text books, and the development of articulated (K–12) sequences for the major subjects; (e) stakeholder involvement at the school level; and (f) adequate and sustainable funding for the needs of the students and the community. Design principles for this group include an institutional culture that fosters constant professional learning; a level of stability in terms of the ability to resist rapidly changing educational fads that only undercut all efforts at reform; sustainable and replicable research-based “best practices” and reforms that are not confined to a particular school or a charismatic leader; and a legitimized system where the community leaders and parents have both a sense of ownership and support for the system.

The ideal world for this group might be a research-based school complex where highly trained teachers and administrators implement highly effective curricula that link the various school levels, at least in specific core disciplines.

The budget-and-structure people tend to emphasize (a) a decentralized marketplace model where competition and choice are the primary mechanisms for ensuring accountability; (b) flexibility and diversity among schools; (c) alternative criteria for teacher licensing; (d) the ability of district superintendents or principals to choose their own faculty and staff; (e) a system of vouchers where each school competes for students who bring with them a weighted student formula of funding; and (f) a resistance to increased funding, believing that an adequate amount of funds exist but are poorly utilized. A basic assumption is that principals and their teachers have the expertise and ability to effectively manage their financial resources and to select and teach the appropriate textbooks and curricula. The ideal world for this group is a loose network of very independent and diverse schools, much like the community of charter schools.

Leading thinkers in each of these camps may attract partisan or ideological followers that work against the integration of both perspectives into a more universal model for public education. In Hawai‘i, most debate among policy makers in the last few years has focused on the structural design cluster of reforms. On the other hand, the mandates of the federal No Child Left Behind law measure success by student achievement on high stakes tests, and require highly qualified teachers in the classroom. Efforts to provide this highly qualified faculty at each school are seemingly unrelated to the idea of decentralization. In fact, the SWF reforms, which would, in its most mature form, decentralize the standards for selection of teachers, could be seen as going in the opposite direction. The challenge for Hawai‘i is to seek an integrated framework for effective reform that incorporates the multiple approaches or camps.

## References Cited

Apodaca-Tucker, M. T. & Slate, J. R. (2002, April 28). School-based management: Views from public and private elementary school principals. *Education Policy Analysis Archives*, 10(23). (<http://epaa.asu.edu/epaa/v10n23.html>)

Hawaii State Auditor's Report: Audit of the Decentralization Efforts of the Department of Education Report No. 98-4.

Bickel, R. & Howley, C. The Influence of Scale on School Performance: A Multi-Level Extension of the Matthew Principle. *Education Policy Analysis Archives*. (<http://olam.ed.asu.edu/epaa/v8n22/>)

Hawai'i Department of Education. (1994, February 8). School-based Budgeting and the Weighted Pupil Allocation System, DRAFT.

Hess, Jr., G. A. (1999, Spring). Understanding Achievement (and Other) Changes Under Chicago School Reform. *Educational Evaluation and Policy Analysis*, 21, Number 1, pp. 67-83. (<http://www.aera.net/pubs/eepa/abs/eepa2114.htm>)

Ouchi, W. G., Cooper, B. S., Segal, L. G., DeRoche, T., Brown C., & Galvin E. (2002). The Organization of Primary and Secondary School Systems. *The Anderson School of Management*, UCLA.

The Progress of Education Reform 1999-2001 (2001, April-May). *Education Commission of the States*, 2(5).

Toguchi, C. T. (1992, August 5). Memo to Mitsugi Nakashima, Chairperson and Members Board of Education: Report on Lump-sum Budgeting

## Resources

Bryk, A. S., Thum, Y. M., Easton, J. Q., & Luppescu, S. (1998, March). *Academic Productivity of Chicago Public Elementary Schools*, Chicago, IL: Chicago Consortium on School Reform. ([http://www.consortium-chicago.org/cgi-bin/html\\_web\\_store.cgi?page=academic\\_prod.html&cart\\_id=](http://www.consortium-chicago.org/cgi-bin/html_web_store.cgi?page=academic_prod.html&cart_id=))

Consortium on Chicago School Research (1997). *Charting Reform: LSCs – Local Leadership at Work*. Chicago, IL: CCSR. ([http://www.consortium-chicago.org/Html\\_web\\_store\\_3.0/Html/lsc.html](http://www.consortium-chicago.org/Html_web_store_3.0/Html/lsc.html))

Gill, B. P., Timpane P.M., Ross K. E., Brewer, D. J. (2001, December). Rhetoric Versus Reality: What We Know and What We Need to Know About Vouchers and Charter Schools, <http://www.rand.org/publications/MR/MR1118>.

State of Hawai‘i Department of Education (1992, October). *Department of Education Lump-sum Budgeting – DRAFT*

State of Hawai‘i Department of Education (1964, February 8). *School-based Budgeting and the Weighted Pupil Allocation System, DRAFT*

### **Useful Links**

American Education Research Association (AERA): <http://www.aera.net/index.html>

Education Commission of the States: [www.ecs.org](http://www.ecs.org)

Education Week: <http://www.edweek.org/>

Hawai‘i State Department of Education: <http://doe.k12.hi.us/>

Hawai‘i State Board of Education:  
<http://lilinode.k12.hi.us/STATE/BOE/HomePage.nsf?OpenDatabase>

National Center for Educational Statistics: <http://nces.ed.gov/>

National Conference of State Legislatures: <http://www.ncsl.org/>

National Governor’s Association: <http://www.nga.org/>

The Council of Chief State School Officers: <http://www.ccsso.org/>

Stateline.org: News from the States: <http://www.stateline.org/>

UCLA’s Advanced Policy Institute: <http://api.ucla.edu/>

## **Appendix A: Statutory Authorities and Policies**

### **Statutory Authorities for Principals**

**[§302A-1103] Principal; authority and responsibility.** The role of the principal shall include but not be limited to overseeing the day-to-day management of the school, the primary function of which is to develop and deliver instructional services to students in accordance with statewide educational policy and standards. The principal shall ensure that the curriculum facilitates the achievement of the statewide student performance standards adopted for the public school system. [L 1996, c 89, pt of §2]

### **BOE Policy for Principals**

The principal shall be responsible for his school program at all times. His presence during vacation and other non-instructional periods shall be governed by the necessities of the school program except as otherwise required by the district superintendent.

Approved: 8/70  
Former code No. 2312

### **Statutory Authority for DOE**

**§302A-1128 Department powers and duties.** (a) The department shall have entire charge and control and be responsible for the conduct of all affairs pertaining to public instruction. The department may establish and maintain schools for secular instruction at such places and for such terms as in its discretion it may deem advisable and the funds at its disposal may permit. The schools may include high schools, kindergarten schools, schools or classes for pregrade education, boarding schools, and evening and day schools. The department may also maintain classes for technical and other instruction in any school where there may not be pupils sufficient in number to justify the establishment of separate schools for these purposes.

(b) The department shall regulate the courses of study to be pursued in all grades of public schools and classify them by methods the department deems proper; provided that:

(1) The course of study and instruction shall be regulated in accordance with the statewide performance standards established under section 302A-201;

(2) All pupils shall be progressively competent in the use of computer technology; and

(3) The course of study and instruction for the first twelve grades shall enable all students to meet progressive standards of competency in a language in addition to English.

The department shall develop statewide educational policies based on this subsection without regard to chapter 91.

For the purposes of this subsection, the terms "progressively competent in the use of computer technology" and "progressive standards of competency in a language in addition to English" shall be defined by policies adopted by the board. The board shall formulate statewide educational policies allowing the superintendent to exempt certain students from the requirements of paragraphs (2) and (3) without regard to chapter 91.

(c) Nothing in this section shall interfere with those persons attending a summer school.  
[L 1996, c 89, pt of §2; am L 1998, c 309, §2; am L 1999, c 190, §1; am L 2000, c 20, §1]

## Statutory Authority for the Superintendent

[§302A-1111] Duties of superintendent. (a) Under policies established by the board, the superintendent shall be designated as the chief executive officer of the public school system having jurisdiction over the internal organization, operation, and management of the public school system, as provided by law; and shall administer programs of education and public instruction throughout the State, including education at the preschool, primary, and secondary school levels, and such other programs as may be established by law.

(b) Except as otherwise provided, the superintendent shall sign all drafts for the payment of moneys, all commissions and appointments, all deeds, official acts, or other documents of the department. The superintendent may use a printed facsimile signature in approving appointments, contracts, and other documents. The superintendent, at such time as may be prescribed by the board, shall present to the board full annual reports of the principal transactions within the department during the last completed year, which reports together with such recommendations as the board may think proper, shall be presented to the governor and the legislature. [L 1996, c 89, pt of §2]

## Appendix B. 2003 Legislative Budget Provisos

SECTION 43. Provided that the **department of education** shall complete a comprehensive assessment each year of the department's efforts towards meeting and maintaining compliance with the No Child Left Behind Act of 2001; provided further that this assessment shall include, but not be limited to, identifying department needs, such as funding, positions (full time equivalents, temporary and others), organizational schemes (school based and administrative), facilities and equipment, and statutory/constitutional amendments necessary to maintain compliance with the No Child Left Behind Act; provided further that this assessment shall discuss the nexus between each identified department need and the mandated requirement to justify current and additional resources; and provided further that this assessment shall be submitted to the legislature no later than twenty days prior to the convening of the 2004 and 2005 regular sessions, respectively.

SECTION 44. Provided that the **board of education**, department of education, new century charter school program office, and/or any other entity authorized, by the board of education and/or the department of education, to administer new century charter schools or new century conversion charter schools, shall allocate funds to new century charter schools or new century conversion charter schools pursuant strictly to section 302A-1185, Hawaii Revised Statutes. Any reimbursements for administrative services assessed to new century charter schools or new century conversion charter schools shall be limited to those allowed under section 302A—1185(b), Hawaii Revised Statutes.

SECTION 45. Provided that of the federal fund appropriation for school-based budgeting (EDN 100), \$100,000 shall be expended to develop reports to make recommendations on possible implementation models of a weighted pupil allocation system and to evaluate the feasibility of implementation for the department of education; provided that the evaluation shall consider the implementation of weighted pupil allocation models in other jurisdictions and assess the relevance to Hawaii's public school system; and provided further that the report shall be submitted to the legislature no later than twenty days prior to the 2004 regular session.

## Appendix C: Excerpts From The New 2003 Charter Funding Law:

SB 1700 CD1

(a) Beginning with the fiscal year 2004-2005 supplemental budget request, and each budget request thereafter, the charter school administrative office shall submit a request for general fund appropriations for each new century charter school based upon:

(1) The actual and projected enrollment figures in the current school year for each charter school; and

(2) A per pupil amount for each regular education and special education student, which shall be equivalent to the total per pupil cost based upon average enrollment in all cost categories, including comprehensive school support services but excluding special education services, and for all means of financing except federal funds, as reported in the most recently published department of education consolidated annual financial report.

The legislature shall make an appropriation based upon the budget request; provided that legislature may make additional appropriations for collective bargaining increases for charter school employee members of collective bargaining units and for other requested amounts. The governor, pursuant to chapter 37, may impose restrictions or reductions on charter school appropriations similar to those imposed on other public schools.

(b) All federal financial support for new century charter schools shall be no less than all other public schools; provided that if administrative services related to federal grants and subsidies are provided to the charter school by the department, the charter school shall reimburse the department for the actual costs of the administrative services in an amount that does not exceed six and one-half per cent of the charter school's federal grants and subsidies.

Any new century charter school shall be eligible to receive any supplementary financial grant or award for which any other public school may submit a proposal, or any supplemental federal grants limited to new century charter schools; provided that if department administrative services, including funds management, budgetary, fiscal accounting, or other related services, are provided with respect to these supplementary grants, the charter school shall reimburse the department for the actual costs of the administrative services in an amount that does not exceed six and one-half per cent of the supplementary grant for which the services are used.

All additional funds that are generated by the local school boards, not from a supplementary grant, shall be separate and apart from allotted funds and may be expended at the discretion of the local school boards.

(c) To enable new century charter schools to access state funding prior to the start of each school year, foster their fiscal planning, and enhance their accountability, the [department] charter school administrative office shall:

(1) Provide [~~fifty~~] forty per cent of a new century charter school's per pupil allocation based on the new century charter school's projected student enrollment no later than August 1 of each fiscal year; provided that the new century charter school shall submit to the [~~department~~] charter school administrative office a projected student enrollment no later than May 15 of each year; [~~and~~]

(2) Provide an additional forty per cent of a new century charter school's per pupil allocation no later than October 15 of each year; provided that the new century charter school shall submit to the charter school administrative office a verified student enrollment no later than September 15 of each year; and

(3) Provide the remaining twenty per cent per pupil allocation of a new century charter school based on the new century charter school's verified student enrollment no later than [~~October 15~~] January 1 of each year; provided that the new century charter school shall submit to the [~~department~~] charter school administrative office a [~~verified~~] revised student enrollment no later than [~~September 15~~] December 1 of each year.

(d) [~~If, at any time, the new century charter school dissolves or is denied continuation, the State of Hawaii shall have first right, at no cost to the State, to all the assets and facilities of the new century charter school, except as otherwise provided in the detailed implementation plan.~~]

The department shall provide appropriate transitional resources to a new century conversion charter school for its first year of operation as a charter school based upon the department's allocation to the school for the year prior to the charter school's conversion.

(e) No new century charter school nor new century conversion charter school may assess tuition."

sb1700\_cd1\_sccr124 Committee Report: Requiring the department of education to allocate \$5,355 per regular and special education student enrolled in a charter school, for the fiscal year 2003-2004, with the allocations to divided into three payments of forty percent, forty percent, and twenty percent by January 1, 2004;