



STATE OF HAWAII
DEPARTMENT OF EDUCATION
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OFFICE OF FISCAL SERVICES

August 20, 2013

TO: The Honorable Wesley Lo, Chairperson
Committee on Finance and Infrastructure

FROM: Suzanne Mulcahy, Chairperson *Suzanne Mulcahy*
Committee on Weights VIII

SUBJECT: **Discussion/Recommendation for Board Action on the
Committee on Weights VIII Recommendation on the
Weighted Student Formula for School Year 2014-2015**

1. RECOMMENDATION

The Committee on Weights VIII (Committee) recommends that the Board of Education (Board) accept the Committee's recommendations related to the Weighted Student Formula (WSF) for School Year (SY)14-15. (See Attachments A-C.)

Specific to the formula the Committee is recommending that:

- 1) the formula for weighted characteristics remain unchanged; and
- 2) the Department seek additional general funds to increase the level of base funding (#14).

Attachment A details the 14 issues that the Committee discussed, deliberated on, and determined findings and recommendations for the Board. The following table is a summary of these findings and recommendations:

Topic	Finding	Recommendation
1. WSF Evaluation	<ul style="list-style-type: none"> a. Further study required to define "adequacy" and differentiated cost of providing equal opportunity for all students. b. There are questions regarding what program(s) should be centralized versus coordinated from the 	<ul style="list-style-type: none"> a. Department seek additional general funds to contract for a study to define "adequacy" (particular for small, rural, combination, and isolated schools) and differentiated cost of providing equal opportunity for

Topic	Finding	Recommendation
	<p>school level.</p> <p>c. There are concerns over the level of site discretion over recruitment, retention, and dismissal of employees.</p>	<p>all students.</p> <p>b. Continue to look to the Committee to make recommendations on what programs and funds are best allocated through the WSF.</p> <p>c. Procedures for hiring and firing are appropriately managed by existing guidelines or modified within the limitations of the collectively bargained labor agreements.</p>
2. WSF Reserve	WSF Reserve was established to assist schools requiring additional financial support to provide core educational services and basic operations.	<p>More emphasis to be placed on the need for CASs to scrutinize applications.</p> <p>Maintain \$3 million set aside for the Reserve.</p>
3. Base Funding	Base funding recognizes there are overhead costs associated with all schools regardless of enrollment. Increase to Base funding would decrease the value of a 1.0 student.	Maintain the current Base Funding amounts being funded from within current WSF funds.
4. Average Daily Attendance (ADA)	ADA as a factor in the WSF may be too punitive and may fail to consider that there are legitimate reasons for excused absences.	Do not introduce ADA as a factor in the WSF.
5. Common Core	Common Core Digital Curriculum is in a pilot phase for a limited number of schools. This is currently a categorical program, but once expanded to all schools it may be more appropriate to move into the WSF.	Continue to fund this program categorically and reconsider this in future years.
6. ESEA Flex & Strive HI	The Strive HI program will supplement core school operations funded by the WSF, to support system-wide strategic interventions and	Funds to support Strive HI should come from new funds and not from WSF or existing categorical programs that schools

Topic	Finding	Recommendation
	<p>investments.</p> <p>Continued reallocation of inadequate resources to support new initiatives creates challenges.</p>	<p>already rely on.</p>
<p>7. School Site Capacity to Support Implementation of the WSF</p>	<p>Concerns were raised in the WSF Evaluation regarding the capacity to support school-level implementation of the WSF program.</p>	<p>Further investigation into the basis of the concern should be included in the contracted study on adequacy.</p>
<p>8. Legislative Understanding and Support of the WSF</p>	<p>WSF Evaluation found that about half of principals surveyed felt the Legislature does not have a good understanding of WSF.</p>	<p>Transmit chapters 1 & 2 of the WSF Evaluation to the Legislature along with a link to the full study. In addition, Committee members are willing to meet with stakeholders to review the WSF if called upon.</p>
<p>9. Actual Versus Average Salary</p>	<p>WSF Evaluation pointed out that a few districts use actual instead of average salary when schools budget their WSF funds. Use of actual salaries is complex and schools do not have control over actual cost of employees as that is defined by collective bargaining contracts.</p>	<p>Continue use of average salaries for school-based budgeting.</p>
<p>10. Gifted and Talented (G/T)</p>	<p>Currently the WSF assumes 3% of any schools' students are G/T. The Department lacks clear criteria that can be applied by any school to consistently identify G/T students.</p>	<p>The current method of estimating the G/T population is sufficient.</p>
<p>11. Special Education (SPED) Allocation</p>	<p>There is a need for more timely distribution of SPED and Article VI teacher positions.</p>	<p>The Department should work to improve alignment of SPED and Article VI teacher allocations with the Academic Plan and Financial Planning process.</p>
<p>12. Enrollment Data Integrity</p>	<p>Once the school year has started and programs and employees are in place there is an expectation that the program will be for the full year. Mid-year budget</p>	<p>Continue current WSF allocation adjustment procedures of making only positive adjustments based on the second and third enrollment counts.</p>

Topic	Finding	Recommendation
	reductions can result in significant disruptions to student learning.	
13. Clarification of Policy	<p>WSF Evaluation found that a key stakeholder was under the impression that statute requires that 75% of the Department's budget is allocated via the WSF. This belief is unsubstantiated as statute says that not less than 70% of appropriations shall be expended by principals.</p> <p>Most principals do not want the burden of procuring, monitoring, and paying for centralized services.</p>	Department should seek confirmation and understanding by the Legislature that "funds expended by principals" includes services provided on behalf of the school for services such as utilities, facilities maintenance, food services, and special education.
14. Final Recommendation	There is an urgent need to address adequacy, assistance to small schools, and additional demands being placed on school administration and teaching staff.	The Department should seek additional funds in the amount of \$135,000 for each of the 252 schools that receive WSF allocations. This increase would be allocated via the Base Funding factor in the WSF.

2. RECOMMENDED EFFECTIVE DATE

Recommended effective date is for SY14-15, but distributed upon adoption for the Executive Supplemental Budget and financial planning purposes.

3. RECOMMENDED COMPLIANCE DATE

Same as effective date.

4. DISCUSSION

a. Conditions leading to the recommendation

Hawaii Revised Statutes (HRS) 302A-1303.5 calls for the Committee to meet at least every odd numbered year for the purpose of reviewing the WSF and, if the Committee deems it necessary, to recommend a new weighted student formula for adoption by the Board. In addition the Committee may, "perform any other functions that may facilitate the implementation of the weighted student formula."

The Committee composition was again designed to have a representation from a broad cross section of the school community. The Committee had 15 members including myself as the Superintendent's designee, seven principals (two high, two middle, one elementary, and one K-12 combination school), two teachers, two school administrative services assistants, a registrar, a community member, and a complex area business manager. Six of the members were from the neighbor islands (two from Hawaii, two from Kauai, and two from Maui County). Seven of the members were new to the Committee.

The Committee held a series of five meetings between June 6, 2013 and August 8, 2013.

In addition to each members' personal experiences with the WSF, Committee members also had the benefit of the American Institute for Research (AIR)'s Evaluation of the Weighted Student Formula (Evaluation). This Evaluation took a comprehensive review of the WSF policy and implementation by:

- 1) reviewing the WSF implementation in Hawaii;
- 2) describing how other districts and states use weighted student formulas;
- 3) taking a survey of all principals' attitudes and perspectives on Hawaii WSF (83% response rate);
- 4) conducting 16 interviews with stakeholders; and,
- 5) performing analysis on statistical analyses involving demographic and fiscal data on student and school characteristics and dollar allocations to schools under the WSF.

The depth of experience of the Committee members and the issues raised in the Evaluation together played a major role in setting the agendas for the five meetings.

b. Previous action of the Board on the same or similar matter

Seven times since 2005, the Board either modified or considered modifying the WSF. The last change was made by the Board on September 20, 2011.

c. Other policies affected

None.

d. Arguments in support of the recommendation

The recommendation will enable the department to issue financial plan templates to all schools in a timely manner so that they may begin the planning process with their school community councils (SCCs) to develop their SY14-15 academic plans and financial plans. It is important that schools be afforded adequate time to complete their financial plans and that the plans be reviewed and approved by complex area superintendents in advance of the first posting for the teacher assignment and transfer period.

Maintaining the base funding will provide all schools with a set amount of funds to address basic operating expenses. This will help small schools, in particular, that might otherwise need to commit a larger percentage of their annual WSF allocation to meet basic operating expenses.

e. Arguments against the recommendation

Some may argue that school communities cannot be trusted or should not be placed in the position to determine whether or not specific programs or activities will be maintained via WSF funds.

Schools with lower enrollments may express concern that they cannot provide an adequate or equal educational experience for students with the level of funding provided through the foundation funding.

Schools with higher enrollment may express concern that the use of base funding results in a considerable amount of WSF funds being distributed via a non-weighted characteristic. This has the impact of reducing the weight of 1.0.

f. Findings and conclusions of the Board Committee

Not applicable.

g. Other agencies or departments of the State involved in the action

Not applicable.

h. Possible reaction of the public, professional organizations, unions, DOE staff and/or others to the recommendation

The possible reaction from school communities to maintain the existing formula for weighted characteristics will likely be well received by schools seeking funding stability and predictability. Nevertheless, reaction will likely be mixed as a result of the inability of the formula to provide adequate funding to all schools.

The reaction to the suggested increase in base funding, provided the Department is able to secure additional funding from the upcoming Legislature, is expected to be positive from all schools. The impact will be particularly positive to school operations being felt at smaller schools.

i. Educational implications

The Committee concurs with the majority of survey and interview respondents that indicated the current level of funds in the WSF is inadequate to support all students to meet the Hawaii Content and Performance Standards III and Common Core Standards.

j. Personnel implications

No negative impact. Procedures are already established to add and reduce positions per the annually created WSF Financial Plan and via the Buy/Sell Process during the school year through February.

k. Facilities implications

None.

l. Financial implications

Unlike the previous Committee recommendation that focused primarily on the method of distribution of the existing WSF budget, this recommendation is suggesting the Department pursue additional general funds in the Supplemental Budget. The increase to the WSF base funding amount by \$135,000 per school would require a Supplemental Budget Request of approximately \$34 million.

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Attachments

- c: Members of the Board of Education
Kathryn S. Matayoshi, Superintendent
Ronn Nozoe, Deputy Superintendent
Assistant Superintendents
Complex Area Superintendents
Budget Branch