




STATE OF HAWAII
DEPARTMENT OF EDUCATION
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OFFICE OF THE SUPERINTENDENT

February 16, 2016

TO: The Honorable Grant Chun
Chairperson, Finance and Infrastructure Committee

FROM:  Kathryn S. Matayoshi
Superintendent

SUBJECT: **Update on the Department of Education's Fiscal Empowerment Workgroup**

1. DESCRIPTION

The fiscal empowerment workgroup met twice in December to gain a better understanding of what fiscal empowerment means to this small group of principals who expressed interest in greater flexibility and control of resources at the school level. The meetings were facilitated by Alex Harris from the Harold K.L. Castle Foundation, who previously served on the Committee on Weights.

The Department is committed to working with principals so they can achieve the empowerment necessary to effectively run schools while balancing the statewide responsibilities of DOE and maintaining compliance necessary to meet legal requirements and maintain fiscal responsibility.

2. UPDATE OR PRESENTATION

Attached is a report that recaps the meetings and outlines the next steps.

KSM:ASK:las
Attachment

c: Office of Fiscal Services

January 6, 2016

To: Amy Kunz, Senior Assistant Superintendent in the Hawaii Department of Education

From: Alex Harris, Harold K.L. Castle Foundation

The Hawaii Department of Education (DOE) recently convened a work group comprised of leaders from state office, complex area and school sites and facilitated by Alex Harris of the Harold K.L. Castle Foundation. The 18-person Fiscal Empowerment work group met on December 8, 2015 and again on December 17, 2015 for a total of eight hours. A full listing of participants is contained in Appendix A at the back of this summary. This memorandum provides a complete summary of the conversation.

Several participants have prior experience serving on the DOE's Committee on Weights while others had participated the Education Institute of Hawaii's fall 2014 learning journey to visit schools and districts with high levels of school responsibility for budget expenditure.

Participating school principals volunteered for the work group and represented a wide range of schools and perspectives. Notably, though the initial impetus behind the work group was to identify additional fiscal flexibilities, the work group covered a much broader range of topics during their exploration.

Based on survey feedback, 100% of members agreed that the working group was a valuable use of their time, were encouraged by the progress made, and believe the recommendations are likely to result in action.

Aspiration

Members began by defining their aspiration for the work group. Though each member represented their own aspirations, the collective image that emerged was the year 2021, where schools are provided "wings rather than anchors." In essence, the work group expressed hope that their thinking can help shape new paradigms, informed by past practice, for interested school leaders to prototype, launch experiments and learn. One theme that continuously surfaced was the need to incubate a new mindset of "how can?" where there is a higher tolerance for the "failing forward" aspect of continuous improvement rather than imposing new rules across the system in response to isolated incidents.

Challenges

Next, the work group grappled with defining the challenges that the work group seeks to address. Four major challenges emerged from the discussion:

- 1) Largely due to the Department's task of educating children, systems have been developed that are often *defensive*, designed to prevent mismanagement, failure and compliance (e.g., federal, state, board, and department laws, policies, regulations, rules; ethics; collective bargaining and Labor Board) rather than encourage innovation;
- 2) Existing funds – which are particularly acute for certain school types - are *inadequate* at school and complex and state office levels to support action toward and to meet the expectations contained within the Strategic Plan;

3) Leaders collectively lack *knowledge* about the scope and extent to which other school districts have devolved added flexibility to schools while appropriately managing added risks and responsibilities; and,

4) The Department must work within an environment of *many authorities*, including federal requirements, state legislative statutes, Supreme Court decisions, collective bargaining agreements, administrative rules, Board and Department policies, ethics commission and precedents from Labor Board and judiciary.

Criteria for Flexibility

Members discussed criteria for when it may be justified to increase school-level flexibility and responsibility. Several considerations were raised:

Risk vs. Responsibility: The state office currently shelters schools by pooling risk across all 256 DOE schools. Should schools receive more authority over their utility budgets, for example, they would assume more risk by potentially exceeding their budget as use and/or costs change.

Equitable vs. Differentiated: In a system with so many unique school needs, there is a tension between providing equitable resources for all and differentiated resources for some. Obvious examples that the Committee on Weights has grappled with are small schools, rural schools, and schools with many high needs students.

Learning Support vs. Distraction: School leaders are expected to be instructional and learning leaders, coaches and managers of change. Taking on additional flexibilities can only be justified when doing so is in service of the learning mission of the school.

Economies of Scale: The state office often has purchasing power due to the economies of operating statewide that an individual school cannot approximate.

Priorities

The remainder of the first work session was spent brainstorming potential items that could be shifted from state to school control in a future pilot effort. Members considered items within 1) Curriculum, Instruction, Assessment & Student Support, 2) Human Resources & Information Technology, 3) Food Service & Transportation, and 4) Budget, Utilities and Facilities. Following the brainstorm, members discussed and rank ordered their collective priorities. The complete list of 44 items is contained within Appendix B at the back of this summary. Participating principals' interest in flexibility was wide ranging, not limited to fiscal matters, and included desire for flexibility from select requirements of board policy, collective bargaining, and other administrative constraints.

The idea receiving the greatest number of votes was to re-examine per pupil formula for Special Education funds to remove unintended consequences whereby effective special education inclusion teachers reduce the number of special education students which in turn leads to reduced funding in subsequent years. Unfortunately, no further action was taken on this item as Assistant Superintendent Mulcahy of the Office of Curriculum, Instruction and Student Support (OCISS) was unable to join the second work session, but she has since been briefed and is taking action on allocation of special education resources to schools.

The work group spent the bulk of the second session exploring whether and how the following three items of high interest could be transformed into workable prototypes for areas where schools currently receive direct services rather than funding:

Item 1: Provide schools with flexibility to buy back services from the state, providers, or vendors of their choice

(Examples: Complex Area Support Teams, School Based Behavioral Health, Special Education, Achieve 3000 online instructional support tool, Resource Teachers, Common Core curriculum/training)

<p>Short Term Workaround:</p> <ul style="list-style-type: none"> • State negotiate the contract pricing and schools purchase the service directly (ex: Achieve 3000) • Schools request waivers from statewide expectations (ex: common curriculum materials) • Schools receive value of Special Education funds but then determine which positions needed at the school level and the type of support to purchase from the complex area • Find new funds that can be provided to schools that elect to participate in a pilot experiment (or provide schools their “share” of statewide resource) 	<p>Long Term Solution:</p> <ul style="list-style-type: none"> • Scale successful models to increase self-sufficiency at school level and enable localized solutions
<p>Constraints:</p> <ul style="list-style-type: none"> • School by school waivers take time and money for schools prepare • Collective bargaining rules limit the ability of state and complex area personnel lines to grow and shrink based on school demand • Schools may not have enough time or sufficient funds to recruit their own staff (in lieu of services provided directly by state) if they elect not to buy back services • EDN 150 (Special Education) and EDN 100 (Weighted Student Formula) are different pots of money and not interchangeable; this approach may increase challenge of managing unspent funds due to uncertain vacancies • Certain funds are earmarked (e.g., Special education funds have specific uses; for example, School Based Behavioral Health funds should be used for SBBH personnel and services) • Federal requirements for the Maintenance of Effort (MOE) of continued state funding may be difficult to track using the buy back model since schools may allocate resources differently or may comingle funds 	
<p>Risks:</p> <ul style="list-style-type: none"> • Schools take on the additional responsibility and work load of buying back services (procurement, purchasing, payment). • State will need to help establish a framework for how the buy back of services model works • Loss of efficiency when opportunities for volume pricing or scale are lost • Schools’ pro-rata share of statewide 	<p>Benefits:</p> <ul style="list-style-type: none"> • More funds will flow to schools • Meet needs of the school • Enhance school empowerment through school choice

contracts for specific goods and services may be small, and providing a pro-rata share from a targeted service to all schools may be small amount (e.g., moving Athletic Directors into the weighted student formula)	
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Item 2: Increase flexibility for schools to procure foods that meet federal and state guidelines, taste good and that students will eat

<p>Short Term Workaround:</p> <ul style="list-style-type: none"> Mimic the charter school model where the budget is calculated using a proportionate share of EDN 100,200,300 and 400 Create a Learning Community for Cafeteria Managers to share emerging best practices Based on average cost per meal, DOE can determine which meals are more popular and which are more cost effective 	<p>Long Term Solution:</p> <ul style="list-style-type: none"> Get cafeteria managers back into the mindset of serving kids rather than responding to USDA requirements, while still fulfilling requirements Lobby/approach USDA for more flexibility as a large school district
<p>Constraints:</p> <ul style="list-style-type: none"> Menus are given to food service managers by the state who are limited in choosing or planning their own menus USDA regulations are complex Food services is compliance driven - compliance for nutritional requirements and food safety are critical since statewide system of federal reimbursements is at risk Not all schools have equal resources since some schools have cooking kitchens and some have serving kitchens. 	
<p>Risks:</p> <ul style="list-style-type: none"> Cash flow - DOE starts with a deficit and can only charge up to half of cost of lunch based on Legislative dictate and USDA does not reimburse full cost of meal Potential loss of federal funding if compliance requirements are not met Significant training would be necessary for cafeteria managers to do their own menu planning and purchasing within the guidelines 	<p>Benefits:</p> <ul style="list-style-type: none"> Students become more involved in decisions Cost savings could be returned to the school Students eat healthier meals

Item 3: Increased flexibility to “right size” personnel based on school needs
(Examples: 12-mo VP; 10-mo Athletic Director; 10-month Student Activity Coordinator; 12-mo BHS; 12-mo curriculum coordinator/coach; 10-month registrar)

<p>Short Term Workaround:</p> <ul style="list-style-type: none"> Use recall pay to extend 10 month positions Student Services Coordinators can be either 10 or 12 months. Explore the 	<p>Long Term Solutions:</p> <ul style="list-style-type: none"> Negotiate with unions to provide an option to extend 10 month positions to 12-months so that principals are provided with flexibility in personnel choices
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<precedent. <ul=""> • Share positions across schools </precedent.>	
Constraints: <ul style="list-style-type: none"> • Position extension may need to be an annual decision • Several positions are required to exist in a school; namely, the Principal and School Administrative Services Assistant. 	
Risks: <ul style="list-style-type: none"> • Added complexity during academic and financial planning process 	Benefits: <ul style="list-style-type: none"> • Right-sized staffing to fit the school need

Next Steps

The second session closed with a discussion noting that the work group received a minimal response from school principals to participate in workgroup (7 of 256) and exploring where participating school leaders wanted the state office to launch an experiment to test the ideas of the group.

The two items where school leaders agreed that further experimentation was important were food service and special education flexibilities. Regarding special education, members felt it was best to experiment with a discrete aspect of special education resources currently allocated to schools such as allowing schools to convert educational assistant positions to teacher positions.

In closing, all members of the work group displayed good faith in suspending their skepticism and committing to explore these complex ideas in great detail. Follow up discussions are recommended across the DOE’s executive leadership team to determine how next to proceed.

Appendix A: Summary of Work Group Participants

School

Brendan Burns (Aina Haina Elementary)
Fred Murphy (Mililani High School)
Lynda Galera (Moanalua Elementary)
Marilyn Simms (Kilohana Elementary)
Rick Paul (Hana High School & Elementary)
Scott Moore (Waialua Elementary)
Mitch Otani (Kalani High School)

Complex Area

John Brummel, Complex Area Superintendent of Leilehua- Mililani-Waialua
Lynn Kitaoka, Complex Area Business Manager of Leilehua- Mililani-Waialua
Tammy Keller, Complex Area Business Manager of Aiea-Moanalua-Radford

State Office

Amy Kunz, Senior Assistant Superintendent and CFO
Tammi Chun, Assistant Superintendent of the Office of Strategy, Innovation and Performance
Dann Carlson, Assistant Superintendent of the Office of School Facilities and Support Services
Barbara Krieg, Assistant Superintendent of the Office of Human Resources
Carole Kwock, Executive Assistant to Senior Assistant Superintendent Kunz
Kendra Oishi, Director of Policy, Innovation, Planning and Evaluation Branch
Milton Sakuoka, Budget Analyst, Office of Fiscal Services
Wendy Sekiya, Budget Analyst, Office of Fiscal Services

Other

Alex Harris, Facilitator, Harold K.L. Castle Foundation

Appendix B: Brainstorm of potential items to shift from state to school (including “votes” on priority items for extended exploration denoted in blue)

A. Curriculum, Instruction, Assessment & Student Support

1. Schools can decide on whether they go through accreditation or not
 - Accreditation is very costly; certain schools doing very well, so why need accreditation when funds can be spent on other purposes.
 - Can see mandating if school is underperforming (focus or priority), but not for all
2. Other than what is absolutely mandatory for testing (Smarter Balanced Assessment), schools should be able to decide what additional testing is needed (e.g. ACT)
3. Common Core Curriculum – schools should have freedom to decide what curriculum to purchase & when
 - Funding/choices impacts professional development/training, technology devices, etc.
 - Can base freedom conditioned upon school success
4. “Buy-Back” of professional development services from Office of Curriculum, Instruction and Student Support (OCISS) **(1 vote)**
 - May result in reduced staff/capacity for OCISS to deliver services
 - If not getting PD from OCISS, provide funds to school
5. More transparency around Assessment contracts (AIR and others). (Award process, amount of contracts, etc.)
 - Costs are enormous and lack of transparency around contracts raises questions on whether the state is being cost effective.
6. SPED/SBBH – Focus on building capacity of classroom teachers – “back to basics” strategies of handling & helping kids learn (often works for “all” kids, not just SPED).
7. Ensuring sustainable Response to Intervention (RTI) structures/framework to provide support and interventions for students’ academic growth
8. Re-examining per-pupil formula to incorporate costs for inclusion teaching/classrooms & long-term sustainability to maintain successful special education inclusion programs **(6 votes)**
 - Effective inclusion teaching can result in reducing # of SPED students, resulting in reduced funding in subsequent years that is insufficient to sustain successful ongoing inclusion classrooms
9. English Language Learners – figure out equitable way to allocate to meet various school sites/needs
10. Free up administrators to conduct Curriculum & Instruction (be the Instructional Leader) **(3 votes)**

Have two top administrators at school:

 - CEO Chief Educational Officer
 - COO Chief Operational Officer
9. State identified outcome targets (“what”); schools determine the “how”

10. School Based Behavioral Health (and other specialized services): schools need flexibility – optional purchase of services?
11. Criteria for Article VI positions (describe)
12. School-based School Based Behavioral Health (instead of complex/district based) to provide direct services to students, incorporate in school team, should to shoulder with counselors & teachers for Response to Intervention (RTI) **(2 votes)**
13. Convert SPED EA to teacher positions?

B. Human Resources & Information Technology

1. Substitute teachers (\$, process)
2. Position options for: **(4 votes)**
 - 12 month VP
 - 10 month Principal
 - 10 or 12 month athletic directors
 - 10 or 12 month Student Activity Coordinators
3. Flex/interchangeable job duties **(4 votes)**
 - E.g., take 2 .5 FTE and create hybrid FTE
 - Expand custodian to include maintenance
4. Alternative qualifications for teachers (e.g., prior experience in subject instead of license)
5. Improve structure of complex areas-assigned “state office” person (e.g., Personnel Resource Officer, Complex Area Business Manager, Complex Area Support Team, Complex Area IT Manager)
6. Expand option for sharing services of a staff member (librarian, music/art teachers), especially for smaller or elementary schools
7. IT – unblock websites (Skype) – or streamline options to better support student learning (especially for distance learning opportunities with other schools)
8. Add/change to CEO/COO positions at school and complexes
9. Allow Complex Areas/schools to “buy” a dedicated substitute teacher so there is one on staff all school year
10. Relax restrictions on personal devices
11. Give schools flexibility on defining position descriptions **(1 vote)**

C. Food Service & Transportation

1. Food: clarify on non-negotiables vs. opportunities for choice/flexibility (levels of possibility)**(5 votes)**
 - E.g., change menus, bring in outside vendors, encourage manager to meet students’ needs and encourage students to eat (i.e. salad bar)
 - Survey students (reduce waste)
 - Interpretation of wellness guidelines (too rigid, or based on state convenience over school/student needs?)

- Flexibility vs funding – are restrictions outweighing value of federal \$\$?
 - Flexibility in Food Service positions (a la Weighted Student Formula)
 - Food service “rules” interpreted too rigidly (can’t get ice from cafeteria for DOE meeting being hosted at school)
 - If \$ is saved in food service, would savings (fed \$s?) return to school?
 - Use local vendors to provide for produce and meat
2. Transportation:
- Pay parents take own children to school
 - Need to revisit bus contracts; include opt out clauses
 - Can anything be done to address monopoly? (Seems we only contract from 1 company)
 - More use of private vehicles (might help small schools, especially)
 - Can schools/complex areas pool funds to buy a bus and driver?
 - Field trips: add specific field trip routes to the state’s contracts
 - Combine positions (e.g. bus driver and custodian)
 - Explore alternatives for transportation (Leilehua-Mililani-Waialua Complex Area: Parents agree to have kids ride trolley to/from school rather than bus; school would then get transportation savings to spend on other needs.)

D. Budget, Utilities, and Facilities

1. Large portion of budget goes to school first, then schools “buy” services from DOE or private **(5 votes)**
2. Schools receive any \$ savings for utilities with conditions to protect against price increases **(2 votes)**
3. Local contractors to reduce expenses
4. Carryover \$ go to Complex Area Superintendents for redistribution
5. All Use-of Facilities \$ to school, with no strings attached; more flexibility with Use of Facilities funds **(1 vote)**
6. Photovoltaic systems for schools – partner with HECO/get political support for schools to convert high-need schools that are in saturated PV areas
7. Protect WSF/other funds from price increases
8. Carryover \$ should be kept at school level (WSF is already, so not sure which funds being referenced)
9. Creating solutions to save on R&M cost
10. Provide incentives to find solutions to save \$ **(2 votes)**
11. Partnerships with businesses to have businesses fund school needs (change commercialism policy) **(2 votes)**
12. Facilities – breakdown defensive barrier
13. School-initiated “off the grid” options or energy savings
14. Localize maintenance schedule based on contractor availability/school need
15. Make it easier for school-funded projects
16. Match incentive for energy conservation w/\$\$ saved (e.g., LED lights)