



STATE OF HAWAII
BOARD OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

LEGISLATIVE REPORT

SUBJECT: Requesting the Board of Education (the "Board") to consider and provide the Legislature a report on a program to equitably distribute directly to schools the portion of the Department of Education's (the "Department") utility budget intended for electricity payment. The program shall empower school principals by increasing school level discretion over a greater portion of the education budget and incentivize the efficient use of electricity. Further, under the program:

- (A) The Committee on Weights (the "COW") shall recommend to the Board a formula to allocate funds for the payment of electricity costs to each public school. The COW shall consider the use of the facilities of the public school for authorized after-school athletic or community activities. The COW shall also recommend a method to adjust future appropriations for electricity to allow schools to benefit from increasing the efficient use of utilities in perpetuity; and
- (B) The principal of each public school shall use the allocation for the payment of electricity costs or other school expenses.

REFERENCE: Act 119, Session Laws of Hawaii ("SLH") 2015, Section 22

ACTION REQUESTED: Report to the 2016 Legislature.

DOE REPORT: This report provided by the Board pursuant to Act 119, SLH 2015, section 22 presents the findings and recommendations on a program to equitably distribute directly to schools the portion of the Department's utility budget intended for electricity payment.

At its August 18, 2015 General Business Meeting, the Board adopted all recommendations from the COW for the 2016-2017 and 2017-2018 school years, including recommendations relating to this electricity payment program. To assist in developing its recommendations, the COW convened a utilities work group to consider this program. Many of the findings and conclusions of the COW and utilities work group are presented in this report.

FINDINGS (1) The program shall empower school principals by increasing school level discretion over a greater portion of the education budget and incentivize the efficient use of electricity.

The COW concluded that the uncertainty of state funding for utilities due to biennial or annual approval by the Legislature, Governor, and Board can undermine any incentives intended to increase the efficient use of

electricity in perpetuity. As one example, the COW noted the utilities program appropriation for Fiscal Year 2017 is projected to be inadequate.

The COW noted further that there are no assurances or means by which future budgets will be increased to account for growth in electricity costs that would occur if not for the improved efficiency. The COW concluded this type of assurance to maintain and grow funding in perpetuity may be necessary for school principals to be properly empowered and incentivized to move toward more energy efficient options that would require multi-year commitments, such as power purchasing agreements.

(2) The COW shall recommend to the Board a formula to allocate funds for the payment of electricity costs to each public school. The COW shall consider the use of the facilities of the public school for authorized after-school athletic or community activities.

The COW was unable to develop a formula to equitably allocate electricity funds due to the numerous variables involved in determining the actual cost of electricity. The COW concluded that it is not possible to propose a formula given variations by school, such as:

- Prior actions by the school or centralized program to implement energy efficiencies and electricity generation at schools;
- Energy demand and alternative energy options due to geographic location and climate (e.g., elevation, prevailing winds, humidity, days of sunlight, etc.);
- Energy demands and options to realize efficiencies due to age of facilities and/or building materials and design;
- Utility company rates that vary by island;
- Alternative energy options that vary over time with changes in market conditions and government subsidy programs that impact market pricing;
- Variation in the level and type of community use of school facilities; and
- Impact of utility company billing practices around standby charges based on peak electricity demand.

(3) The COW shall also recommend a method to adjust future appropriations for electricity to allow schools to benefit from increasing the efficient use of utilities in perpetuity.

The COW concluded that it is beyond the COW's expertise to develop a method to adjust future appropriations or formula to adequately and equitably account for constantly varying environmental factors and market conditions, school site factors, demand for community use of facilities, and previous and future investments in energy efficiencies.

(4) The principal of each public school shall use the allocation for the payment of electricity costs or other school expenses.

The COW reported that feedback from several principals requested that utilities funds not be included in the Weighted Student Formula and allocated to schools. In addition, the utilities work group concluded that school principals should be focused on increasing student academic

achievement and not payment of electricity and noted that this program would create additional work without providing additional staffing.

FUTURE ACTIONS The Board agrees with and adopted the recommendations of the COW. The Board believes it is not in the best interest of the schools or the State to distribute any utilities funds directly to schools, and the Department should continue to encourage schools to use utilities wisely.

In an effort to further explore this issue and others, the Department has formed a work group made up primarily of principals, a complex area superintendent and a couple complex area business managers. This work group is planning to have its initial meeting before the end of this year and will consider things like a pilot program for utility fund distribution and ways to fiscally empower principals. The work group will also be responsible for coming up with a timeline for recommendations regarding distribution of electricity funds.