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May 5, 2022

TO: Human Resources Committee

FROM: Kaimana Barcarse
Committee Chairperson, Human Resources Committee

AGENDA ITEM: Committee Action on salary structure and compensation adjustments for Department leadership employees (Deputy Superintendent, Assistant Superintendents, and Complex Area Superintendents)

I. EXECUTIVE SUMMARY

- The history of performance-based compensation for Department of Education (“Department”) leadership positions is complex and inconsistent.
- I recommend that the Board of Education (“Board”) adopt the proposed salary structure attached as **Exhibit A**.
- The proposed salary structure establishes a system for performance-based and other case-by-case salary adjustments for Department leadership employees of the Department.
- The proposed salary structure articulates the flexibility of the Board to provide fair and competitive salaries to Department leadership employees while ensuring transparency.

II. BACKGROUND

Authority. The Board has the sole authority to set the salaries of the top Department leadership positions. Section 302A-621, Hawaii Revised Statutes, provides, “The salaries of the deputy superintendent, assistant superintendents, and complex area superintendents shall be set by the board; provided that the salaries of the deputy

superintendent, assistant superintendents, and the complex area superintendents shall not exceed the superintendent's salary.” Board Policy 500-6, entitled “Salaries of Subordinate Superintendents,” states, “The [Board] desires that the best candidates are appointed to all of the subordinate superintendent positions to create a knowledgeable, strong, and dynamic leadership team that supports the superintendent, teachers, administrators, and other school-level personnel. The Board shall establish a salary structure that is competitive and commensurate with the duties, responsibilities, and authorities of the respective subordinate superintendent positions.”

2016. On August 16, 2016, the Human Resources Committee deferred action on compensation adjustments for Department leadership positions and the Board concurred. Committee members expressed a desire for a system to differentiate leadership raises based on performance rather than across-the-board raises tied to collective bargaining agreement raises, which had been the recent practice up to that point.¹

On November 15, 2016, the Board approved the methodology for salary increases for the deputy superintendent, assistant superintendents, and complex area superintendents based on each individual's performance, effective July 1, 2016, as described in Superintendent Kathryn Matayoshi's memorandum dated November 15, 2016, and approved the use of funds in an amount not to exceed \$111,000 for the increases, effective July 1, 2016, based on performance during Fiscal Year (“FY”) 2015-2016. The approved methodology based salary adjustments entirely on an individual's performance using a performance evaluation instrument designed for excluded managerial compensation plan (“EMCP”) employees. The EMCP evaluation instrument measured performance on a variety of skills categories with an option for identifying and measuring performance on goals specific to individuals.

The approved methodology used a compensation adjustment model consisting of increases based on the consumer price index for Hawaii for the relevant fiscal year with additional compensation percentage adjustments based on performance levels. For FY 2016-2017, the leadership compensation adjustments were 2.4% for executives who attained a “fully meets expectations” rating (based on the consumer price index for Hawaii from FY 2015-2016), 3.4% for those attaining an “exceeds expectations” rating, and 4.15% for those attaining an “exceptional” rating. Superintendent Matayoshi's 2016 memorandum also included salary ranges for complex area superintendents and deputy/assistant superintendents, although it is

¹ See the minutes of the August 16, 2016 Human Resources Committee meeting for more information here: <https://alala1.k12.hi.us/STATE/BOE/Minutes.nsf/a15fa9df11029fd70a2565cb0065b6b7/39191fc4132b63fa0a258036006d2651?OpenDocument>.

not clear that the salary ranges were part of the methodology or simply informational.²

2017. On June 20, 2017, the Board adopted the methodology for compensation adjustments for leadership employees, which was a continuation of the previously adopted methodology, to apply to FY 2017-2018, as described in Superintendent Matayoshi's memorandum dated June 20, 2017. The Board also adopted "an amendment to allow the Superintendent to expend up to \$114,500 on market rate adjustments for leadership salaries." It is not clear from the meeting minutes what the Board meant by "market rate adjustments."³

For FY 2017-2018, the leadership compensation adjustments were 2.0% for executives who attained a "fully meets expectations" rating (based on the consumer price index for Hawaii from FY 2016-2017), 3.0% for those attaining an "exceeds expectations" rating, and 3.75% for those attaining an "exceptional" rating. Superintendent Matayoshi's 2017 memorandum again included salary ranges, this time for just the complex area superintendents and assistant superintendents.⁴

2018. On September 20, 2018, the Board adopted a revised methodology for compensation adjustments for Department leadership employees, as described in Superintendent Christina Kishimoto's memorandum, dated September 20, 2018. The revised methodology was largely similar to the previously adopted methodologies. It still used a compensation adjustment model consisting of increases based on the consumer price index for Hawaii for the relevant fiscal year with additional compensation percentage adjustments based on performance levels. For FY 2018-2019, the leadership compensation adjustments were 2.5% for executives who attained a "fully meets" rating (based on the consumer price index for Hawaii from 2017), 3.0% for those attaining an "exceeds expectations" rating, and 3.5% for those attaining an "exceptional" rating.

However, it is not clear whether the performance evaluations still used the EMCP evaluation instrument, as Superintendent Kishimoto's 2018 memorandum no longer mentioned the tool. Instead, it explained that performance ratings for deputy and assistant superintendents were "based on meeting specific performance outcomes

² For more information, see Superintendent Matayoshi's memorandum dated November 15, 2016, here: https://boe.hawaii.gov/Meetings/Notices/Meeting%20Material%20Library/HR_11152016_Committee%20Action%20on%20Salary%20Adjustments%20for%20the%20DOE%27s%20Deputy,%20AS%20and%20CAS.pdf.

³ See the minutes of the June 20, 2017 Board general business meeting for more information here: <https://alala1.k12.hi.us/STATE/BOE/Minutes.nsf/a15fa9df11029fd70a2565cb0065b6b7/7a3a799c8ce54c150a2581620007efc5?OpenDocument>.

⁴ For more information, see Superintendent Matayoshi's memorandum dated June 20, 2017, here: https://boe.hawaii.gov/Meetings/Notices/Meeting%20Material%20Library/HR_06202017_Action%20on%20Compensation%20Adjustments.pdf.

linked to the implementation of the Board and Department's joint three-year Strategic Plan and included advancing the strategies of School Design, Student Voice, and Teacher Collaboration as well as supporting closure of the student achievement gap, and demonstrated excellence in leadership, vision and decision making.” For complex area superintendents, it explained the performance ratings were “based on achievement of performance objectives tied to the Strategic Plan and to the Complex Area Plans.”

Additionally, the methodology seemed to establish salary ranges formally for use in determining entry salaries of new subordinate superintendents. Superintendent Kishimoto’s 2018 memorandum states, “Upon implementation of the proposed compensation adjustments, the proposed new salary range for leadership employees is:

- Deputy Superintendent: \$155,000 - \$180,000 (previous \$143,023 - \$167,353)
- Assistant Superintendents: \$145,000 - \$175,000 (previous \$143,023 - \$167,353)
- Complex Area Superintendents: \$135,000 - \$170,000 (previous \$125,000 - \$163,589)

The entry salary for employees appointed to the Deputy, Assistant Superintendent, or Complex Area positions shall be commensurate with the duties, responsibilities, and authorities of the respective subordinate superintendent positions as well as the experience level and qualifications of the employee.”⁵

During discussions with the Human Resources Committee, Cynthia Covell, the Assistant Superintendent of the Office of Human Resources at the time, explained that the Department determined the salary ranges using the consumer price index and a study of principal salaries. According to Assistant Superintendent Covell, the upper end of the salary range connected to increases in the consumer price index. The Department determined the base salary of complex area superintendents using the salary study and the median principal salary. Assistant Superintendent Covell also explained that the salary ranges provide the Department with “internal equity” (*i.e.*, addressing salary compression), allowing the Department to hire individuals at different entry salaries, such as complex area superintendents (who may be coming from different points in the principal salary range, for example).⁶

⁵ For more information, see Superintendent Kishimoto’s memorandum dated September 20, 2018, here: https://boe.hawaii.gov/Meetings/Notices/Meeting%20Material%20Library/HR_09202018_Committee%20Action%20on%20Methodology%20for%20Compensation%20Adjustments%20for%20DOE%20Leadership_Memo.pdf.

⁶ See the minutes of the September 20, 2018 Human Resources Committee meeting for more information here:

2019. On September 19, 2019, the Board approved compensation adjustments for the deputy superintendent, assistant superintendents, and complex area superintendents based on their performance during the 2018-2019 school year, as described in Superintendent Kishimoto's memorandum dated September 19, 2019, and approved the use of funds in an amount not to exceed \$131,000 for the increases, effective July 1, 2019. The Board also approved a technical adjustment to move five complex area superintendents' salaries to \$145,000 and approved salary range adjustments for the deputy superintendent, assistant superintendents, and complex area superintendents, as described in Superintendent Kishimoto's 2019 memorandum.

Superintendent Kishimoto changed the performance evaluation instrument, as her 2019 memorandum explains:

"The Deputy Superintendent and Assistant Superintendent performance ratings for the past [school year] were based on meeting specific performance outcomes linked to the implementation of the Board and Department's joint three-year Strategic Plan. The Complex Area Superintendent's performance ratings for the same period were based on achievement of performance objectives tied to the Strategic and Complex Area Plans. Overall ratings were based on a five-point scale:

1. Does not meet performance objectives.
2. Minimally meets performance objectives.
3. Meets performance objectives or significant progress on deliverables.
4. Meets and exceeds level 3 with outstanding quality of work and demonstrates collaboration across the organization.
5. Meets and exceeds level 4 and demonstrates system-wide innovation and improvements. Builds capacity across the organization."

For FY 2019-2020, the leadership compensation adjustments were 1.9% for executives who attained a Level 3 rating (based on the consumer price index for Hawaii from 2018), 3.0% for those attaining a Level 4 rating, and 4.0% for those attaining a Level 5 rating. The approved salary ranges were \$155,000 to \$185,000 for the deputy superintendent, \$150,000 to \$180,000 for assistant superintendents, and \$145,000 to \$175,000 for complex area superintendents.⁷

<https://alala1.k12.hi.us/STATE/BOE/Minutes.nsf/a15fa9df11029fd70a2565cb0065b6b7/f2e35793aed4c3dc0a258324007a31f3?OpenDocument>.

⁷ For more information, see Superintendent Kishimoto's memorandum dated September 19, 2019, here: https://boe.hawaii.gov/Meetings/Notices/Meeting%20Material%20Library/HR_09192019_Committee%20Action%20on%20Compensation%20Adjustments%20for%20Department%20of%20Education%20Leadership%20Employees.pdf.

Additionally, Superintendent Kishimoto's 2019 memorandum explained that because the minimum level of the salary range for complex area superintendents adjusted to \$145,000, the Board would need to make a "technical adjustment" to raise the salaries of five complex area superintendents at the time to the new minimum. During discussions with the Human Resources Committee, Assistant Superintendent Covell justified the increase in the minimum range by explaining that the average principal salary for high school principals in Hawaii was \$147,000 (*i.e.*, raising a compression issue). Then-Committee Chairperson Dwight Takeno clarified that compression could occur if compensation for collectively bargained employees increased but compensation for employees excluded from collective bargaining did not and cautioned that "the Department would have issues with equity if it were to give individuals additional duties and responsibilities but not increase their pay." Committee Member Kenneth Uemura argued that the Department should have presented the adjustments to the salary ranges to address equity and the compensation adjustments based on performance as separate issues and recommendations.⁸

2021. On April 15, 2021, the Board approved the compensation adjustments for complex area superintendents, the proposed methodology using performance evaluation ratings for School Year 2019-2020 and the percentage increase tied to the consumer price index for FY 2019-2020, and the use of funds necessary for executive compensation adjustments for the complex area superintendents, effective July 1, 2020, as described in Superintendent Kishimoto's memorandum, dated April 15, 2021.

While the Human Resources Committee recommended approving compensation adjustments for the deputy and assistant superintendents as well, the Board deferred action on those adjustments until after the Legislature approved the state budget. During the discussion at the Board's general business meeting, Board members disagreed as to whether the previously adopted leadership compensation systems promised compensation adjustments based on performance evaluations.⁹

Superintendent Kishimoto's 2021 memorandum explained why the Department did not bring leadership compensation adjustments before the Board in 2020: "For this particular performance cycle, the Department, in consultation with the Human Resources Committee Chairperson, did not request the pay adjustments in

⁸ See the minutes of the September 19, 2019 Human Resources Committee meeting for more information here:

<https://alala1.k12.hi.us/STATE/BOE/Minutes.nsf/a15fa9df11029fd70a2565cb0065b6b7/b688a680bea4a8550a2584a3006c025f?OpenDocument>.

⁹ See the minutes of the April 15, 2021 Board general business meeting for more information here:

<https://alala1.k12.hi.us/STATE/BOE/Minutes.nsf/a15fa9df11029fd70a2565cb0065b6b7/a355c831291167690a2586d2006cb20f?OpenDocument>.

September 2020 as the budget outlook was uncertain. The Department and the Board were laser-focused on safely reopening schools during the COVID-19 pandemic.”

As in 2019, Superintendent Kishimoto appeared to change the performance evaluation instrument again for deputy and assistant superintendents, as her 2021 memorandum described a different rating scale than the one she used in 2019:

“Ratings for the Deputy Superintendent and Assistant Superintendents used the following four-point scale and were based on meeting specific performance outcomes linked to the implementation of the Board and Department’s joint three-year Strategic Plan.

1. Unsatisfactory - Performance does not meet.
2. Marginal - Performance inconsistently or partially meets stated expectations.
3. Effective - Performance consistently meets stated expectations.
4. Highly Effective - Performance has continually exceeded stated expectations.”

The performance evaluation instrument for complex area superintendent continued to use the five-point rating scale from 2019. For FY 2020-2021, the leadership compensation adjustments were 2.0% for complex area superintendents who attained a Level 3 rating (based on the consumer price index for Hawaii from 2020), 2.5% for those attaining a Level 4 rating, and 3.0% for those attaining a Level 5 rating. Superintendent Kishimoto’s 2021 memorandum did not propose salary ranges as the Department had in previous years.¹⁰

III. DISCUSSION

The history of the performance-based compensation system for Department leadership positions is complex and inconsistent. For starters, no standing system exists, as the history shows the Department offers a system and methodology for Board approval each year it requests compensation adjustments. **Exhibit A** of this memorandum is a proposed standing leadership salary structure (which the Board could amend from time to time, as necessary) to address this fundamental issue.¹¹

¹⁰ For more information, see Superintendent Kishimoto’s memorandum dated April 15, 2021, here: https://boe.hawaii.gov/Meetings/Notices/Meeting%20Material%20Library/HR_04152021_Committee%20Action%20on%20Methodology%20for%20Compensation%20Adjustments%20for%20DOE%20Leadership.pdf.

¹¹ For clarity, both the proposed salary structure and the remainder of this memorandum address “salaries” instead of “compensation.” The Department and Board appeared to have used the terms interchangeably over the years; however, “compensation” is often a more overarching term that can include other compensation besides salaries, such as bonuses.

Performance-based salary adjustments. Despite inconsistencies throughout the years, some elements have maintained consistency, which form a strong starting point. It is clear that every iteration of the performance-based methodology sought to reward better performance with higher salary adjustments. Every year, the superintendent determined the performance of her leadership team using a performance evaluation instrument of her choosing and recommended salary adjustments based on the performance results. Each year, the superintendent has based her first level salary adjustments on the Hawaii Consumer Price Index for those who met performance expectations and added higher adjustments for those who performed even better. The proposed salary structure memorializes these elements in Sections IV.A through IV.D.

The remaining performance-based salary adjustments provisions within the proposed salary structure (Sections IV.E through IV.G) provide additional clarity. While the superintendent must bring performance-based salary adjustment recommendations to the Board each year, Section IV.E provides the superintendent with the flexibility to assess circumstances, such as the economic or political climate, and, if in the best interest of the public and/or Department, recommend no performance based salary adjustments. Section IV.F ensures the Board maintains maximum flexibility and clearly communicates to Department leadership that the Board cannot guarantee salary adjustments every year. Because the Board does not approve interim or acting subordinate superintendents, Section IV.G clarifies that these individuals are not eligible for performance-based salary adjustments.

Other salary adjustments. In previous years, the Department has tried to address salary equity and compression issues through the performance-based salary adjustment mechanism, and the conflating of the different kinds of salary adjustments has resulted in convoluted salary adjustments all around. Board members have previously suggested separating other kinds of salary adjustments from the performance-based adjustments, which is what Section V of the proposed salary structure seeks to do.

Salary ranges. The establishment and use of salary ranges for subordinate superintendents in the past have been inconsistent and unclear. In 2016 and 2017, the Department began reporting salary ranges, apparently for informational purposes. It was unclear how the superintendent used the salary ranges until 2018 when the superintendent more clearly stated that she would use the ranges for determining entry salaries for new subordinate superintendents. Still, the only time the Board ever approved salary ranges for subordinate superintendents was in 2019.

Preapproved salary ranges could help the superintendent with recruitment for leadership positions. However, an approved salary range does not give the superintendent the authority to move subordinate superintendents along applicable ranges without Board approval. The superintendent still needs the approval of the Board to change the salary of a subordinate superintendent, and the Board needs to know the exact current and proposed salary to approve such a change, not just a salary range.

Further, making exact salaries for Department leadership positions public would add transparency and accountability. As it stands, the existence of salary ranges allows the Department to be more secretive of its exact leadership salaries than many other Executive Branch departments and agencies are of their leadership salaries. Requiring the superintendent to provide exact salaries when seeking salary adjustments gives the Board the information it needs while simultaneously providing a comparable level of transparency to the public that other departments provide.

Sections III.A through III.F of the proposed salary structure seek to address the aforementioned issues. The salary ranges listed in Section III.B are the salary ranges the Board approved in 2019.

Funds for salary adjustments. Another element of previous salary adjustment processes that has been inconsistent is the determination and use of funds for salary adjustments. The Board approved a set amount of funds for use in 2016, 2017, and 2019 but did not in 2018 or 2021. In 2021, the Board approved the funds “necessary” for the salary adjustments rather than a predetermined amount.

Section III.G of the proposed salary structure attempts to address the issue. If the Board agrees to a recommended salary adjustment, it is not necessary for the Board to approve the funds required for the salary adjustment separately, especially considering the relatively small amount of funds (in comparison to the totality of the Department’s budget) that would be necessary for such adjustments. An approval of a salary adjustment can simply include the approval of the funds necessary to effectuate it. Still, the Board should be aware of the fiscal impacts of any salary adjustments, and therefore, the superintendent should provide cost information.

IV. RECOMMENDATION

Based on the foregoing, I recommend adopting the proposed salary structure attached as **Exhibit A**.

Proposed motion: “Move to adopt the Department of Education leadership salary structure attached as Exhibit A to Human Resources Committee Chairperson Kaimana Barcarse’s memorandum dated May 5, 2022.”

Exhibit A

Proposed Department Leadership Salary Structure

**BOARD OF EDUCATION
DEPARTMENT OF EDUCATION LEADERSHIP SALARY STRUCTURE**

I. Purpose

- A. The purpose of this salary structure is to establish a system for performance-based and other case-by-case salary adjustments for the subordinate superintendents (which are the deputy superintendent, assistant superintendents, and complex area superintendents) of the Department of Education (“Department”).
- B. This salary structure articulates the flexibility of the Board of Education (“Board”) to provide fair and competitive salaries to subordinate superintendents while ensuring this system and resulting leadership salaries are transparent.

II. Authority

- A. Pursuant to Section 302A-621, Hawaii Revised Statutes, the Board has the sole authority to set the salaries of subordinate superintendents with the only restriction being that the salary of a subordinate superintendent cannot exceed the salary of the superintendent.
- B. In accordance with Board Policy 500-6, entitled “Salaries of Subordinate Superintendents,” the Board is to “establish a salary structure that is competitive and commensurate with the duties, responsibilities, and authorities of the respective subordinate superintendent positions.”

III. Salaries and Salary Ranges

- A. The Board must be able to review and approve exact salaries to ensure equity, avoid salary compression issues, and optimize competitiveness for recruitment and retention. Further, more transparency as to salaries of the top leaders of the Department, which is one of the largest state departments, is in the best interest of the public.
- B. The Board has set the following salary ranges for subordinate superintendents to assist the superintendent with leadership recruitment:
 - 1. Deputy superintendent: \$155,000 to \$185,000
 - 2. Assistant superintendents: \$150,000 to \$180,000
 - 3. Complex area superintendents: \$145,000 to \$175,000

- C. The superintendent may recommend changes to the Board to the salary ranges stated in Section III.B based on market conditions. Any changes to the salary ranges require the Board to amend this salary structure document.
- D. The superintendent shall not adjust the salary of a subordinate superintendent without prior approval from the Board.
- E. Whenever the superintendent recommends to the Board the approval of the appointment of a new subordinate superintendent, the superintendent must also recommend an entry salary for that individual.
- F. Whenever the superintendent requests adjustments to a subordinate superintendent's salary, the superintendent must provide the Board with the current salary of the subordinate superintendent and the new proposed salary.
- G. Any Board approval of recommended salary adjustments is also approval of the use of funds necessary to effectuate such salary adjustments. The superintendent shall provide the Board with information on the total cost of any proposed salary adjustments.

IV. Performance-based Salary Adjustments

- A. The superintendent shall annually evaluate the performance of subordinate superintendents using an evaluation instrument of the superintendent's choosing that sets the performance expectations for each subordinate superintendent.
- B. Subordinate superintendents who meet performance expectations as determined by the performance evaluation are eligible for a minimum performance-based salary adjustment equal to the Hawaii Consumer Price Index rate for the same year applicable to the performance evaluation.
- C. Subordinate superintendents who exceed performance expectations as determined by the performance evaluation are eligible for an additional performance-based salary adjustment as recommended by the superintendent.
- D. The superintendent shall annually report the overall performance evaluation results to the Board and recommend performance-based salary adjustments based on the evaluation results.
- E. The superintendent may recommend no performance-based salary adjustments based on circumstantial conditions, such as economic downturns.

- F. The Board has total discretion over salary adjustments for subordinate superintendents and may decide to defer or forgo performance-based salary adjustments in any given year based on circumstantial conditions, such as economic downturns.
- G. Subordinate superintendents serving in an interim or acting capacity are not eligible for performance-based salary adjustments.

V. Other Salary Adjustments

- A. The superintendent may recommend, and the Board may consider, other salary adjustments for subordinate superintendents separate from performance-based compensation adjustments on a case-by-case basis as circumstances warrant, which include, but are not limited to:
 - 1. A complex area superintendent whose salary is less than the average salary of high school principals;
 - 2. An assistant superintendent whose salary is less than the average salary of peers in the industries relevant to the subject matter area overseen by the assistant superintendent; or
 - 3. A deputy superintendent whose salary is less than the average salary of other subordinate superintendents that the deputy superintendent supervises.
- B. Other salary adjustments may require the amendments of the salary ranges stated in Section III.B and in accordance with Section III. C.