

# OVERVIEW

## *Allocation to Student-Centered Schools Project*

Report No. 98-17, October 1998

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### Summary

The 1998 Legislature, through the passage of Act 308, Session Laws of Hawaii 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.

In this report we present the allocations for FY1998-99 to two student-centered schools, Waialae Elementary School and Lanikai Elementary School. We also summarize our work on the project and identify issues that will need to be addressed in future allocations.

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.

In this report, we calculated that Waialae Elementary School should receive a “core” or “basic” allocation of \$1,549,313.39 for FY1998-99 plus up to \$72,282.86 for services that the school provides based on negotiations with the Department of Education. Depending upon the services assumed by Waialae through its negotiation, the allocation to Waialae can total \$1,621,596.25.

For Lanikai Elementary School, we calculated a “core” or “basic” allocation of \$921,781.42 plus up to \$43,005.50 for services or functions that Lanikai negotiates to assume in the current fiscal year. In addition, we have added a “small school adjustment” of \$72,021.25 to the core allocation as a means to compensate for Lanikai’s relatively higher non-instructional fixed costs than a larger school. Depending upon the services that Lanikai assumes, the total allocation to Lanikai Elementary School can add up to \$1,036,808.17.

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### Agency Response

The department agrees with most of the report, but has significant concerns about the small school adjustment for Lanikai Elementary School. The department argues that Lanikai’s core allocation plus the funds it would receive for assuming negotiable elements more than cover the school’s fixed costs, leaving Lanikai with approximately \$60,000 in “discretionary” funds.



The department acknowledges that the sufficiency of this amount can be debated and argues that other small schools in the system cannot receive a subsidy for being small. Our review of small school expenditures indicates that \$60,000 is not sufficient to cover Lanikai's supply and equipment costs. We also note that the funds to cover these costs are not truly discretionary—schools must use the money to pay for textbooks and other educational materials, office supplies, and instructional equipment that are necessary to operate a school.

We acknowledge that the small school adjustment is problematic. Our approach to the adjustment was temporary and may need to be revisited next year. Other methods of ensuring that all student-centered schools receive sufficient funding may need to be adopted. However, we stand by our decision to include the adjustment in the allocation for FY1998-99.

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