

OVERVIEW

Allocation to New Century Charter Schools Project - FY2000-01

Report No. 01-01, January 2001

Summary

The Hawaii State Legislature through Act 187, Session Laws of Hawaii (SLH) 2000 requested the Office of the Auditor to determine the appropriate allocation of the Department of Education's general funds to new century charter schools. In Hawaii, new century charter schools are independent public schools that can be formed by existing public schools or new schools formed by any community, group of teachers, or program within an existing school. For FY2000-01, there are six Board of Education approved new century charter schools: Wai'alaie Elementary School, Lanikai Elementary School, Connections New Century Public Charter School, Kanu o ka 'Aina Public Charter School, West Hawaii Explorations Academy – Public Charter School, and Waters of Life New Century Public Charter School.

In this report, on our third year of making the allocations, we refined our allocation methodology and modified the allocation process. In addition, the allocation methodology has been adapted to apply to various types of public and new century charter schools. We also report the advice of the superintendent of education and local new century charter school boards and our accommodation of their advice. Furthermore, our report addresses special education costs, collective bargaining increases, executive restrictions, and federal grant expenditures. Finally, we present other issues on our allocation role and budgeting of educational funds for new century charter schools.

The allocation methodology to new century charter schools consists of the fixed and variable costs components. The fixed costs component is based on the department's development of its personnel somewhat regardless of student enrollment. Act 187, SLH 2000 stipulates that all federal and other financial support for new century charter schools shall not be less than the support given to other public schools. So we used the department's personnel allocation formulas for public schools as a basis for determining the fixed cost allocation. That is, for example, an elementary school, almost no matter how small or how large, would be allocated a principal position. The same for an administrative services assistant, and so forth. We applied such personnel formulas to each new century charter school, using the average salaries, type of school, and enrollment size to allocate in the fixed costs component. This became a monetary figure for each school. New century charter schools have the flexibility to determine their own operational requirements and how their funds will be expended to meet those requirements.

The variable costs component consists of moneys that are more directly linked to student enrollment. These moneys are identified on a per pupil basis. Amounts to be divided in the variable cost component include the department's general funds other than those personnel costs identified as fixed costs. Federal impact aid and



funds to public school for federal activities are also included in the variable costs component. All these moneys in the variable costs component were then allocated on the basis of each school's enrollment. The fixed and variable allocations were added together to yield each schools allocation.

The allocation of the department's general funds and federal impact aid for new century charter schools for FY2000-01 is presented in the table below:

Allocation to New Century Charter Schools, FY2000-01

Schools	Fixed Costs Component	Variable Costs Component	FY2000-01 Allocation
Connections	\$183,010	\$470,438	\$653,448
Kanu o ka 'Aina	\$328,687	\$353,823	\$682,510
Lanikai Elementary	\$183,010	\$809,684	\$992,694
Wai'alaie Elementary	\$183,010	\$1,180,734	\$1,363,744
Waters of Life	\$328,687	\$432,008	\$760,695
West Hawaii Explorations Academy	\$328,687	\$318,043	\$646,730

Agency Response

The Department of Education responded that it agrees with our concern that a potential conflict of interest exists with the allocation process. The department also expressed concern that new century charter schools may be "favored" because the department is bound by the Auditor's allocation and that new century charter schools are not subject to subsequent adjustments that may be applied to other public schools. It is true that the department is bound by the Auditor's allocation. However, as noted in our report, we will adjust the allocation to new century charter schools upon receipt of proper documentation that an adjustment—upwards or downwards—to the department's funding has occurred. New century charter schools will receive equitable treatment as a result of any budget adjustment information provided to our office.

Finally, the department responded to a contention from the new century charter schools that the federal requirements for the announcement and time frames for the distribution of federal funds were not being followed. The response states that both the board and department fully complied. We reiterate that this contention is an operational matter between the department and new century charter schools. As noted in our report, these matters are beyond the scope of the Auditor's role in the allocation of funds and is therefore included only to report the input received from the local school boards.

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