
A Review of the Educational Officer Classification and Compensation Program

A Report to the
Governor
and the
Legislature of
the State of
Hawaii



THE AUDITOR
STATE OF HAWAII

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Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 94-1
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Foreword

As directed by Act 364, Session Laws of Hawaii 1993, this report reviews the classification and salaries of educational officers of the Department of Education, as governed by Chapter 297, Part III, Hawaii Revised Statutes, with particular emphasis on the role of the Department of Education's Classification/Compensation Appeals Board.

We thank the Department of Education, members of the Classification/Compensation Appeals Board, professional staff at the Department of Personnel Services, the University of Hawaii Personnel Management Office, and others who were interviewed and provided assistance for our review.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

Act 364, Session Laws of Hawaii 1993, directed the State Auditor to review the classification and salaries of educational officers (EOs), as governed by Chapter 297, Part III, Hawaii Revised Statutes, with particular emphasis on the role of the Classification/Compensation Appeals Board. The request was part of the Legislature's intent to restructure compensation for employees of the Department of Education (DOE) to reward those closest to students and the classroom. Act 364 repeals provisions in Chapter 297, Part III, relating to the EO classification/compensation plan, the appeals board, and the salary schedule for the assistant, district, and deputy district superintendents effective July 1, 1995. This report responds to the Legislature's request.

Responsibilities for Classification and Compensation

In 1978, the Legislature directed the Board of Education to establish a classification and compensation plan for educational officers. Chapter 297 defines educational officers as principals, vice principals, and professional employees of the state and district offices except for those classified employees in the civil service.

The Board of Education has delegated its responsibility for classification and compensation to the DOE. The Classification and Compensation Section in the department's Office of Personnel Services administers the EO classification and compensation system. The section is supposed to maintain position descriptions, provide staff support to the BOE Personnel Committee in matters pertaining to EO classification and compensation, and conduct desk audits of EO positions as needed.

To carry out its responsibilities the DOE must have a classification and compensation plan. A *classification plan* arranges classes of positions in a logical and systematic order. A class is a group of positions sufficiently similar in duties, authority, and responsibility so that the same title and salary range may reasonably apply to each position in the class. *Reclassification* occurs after analysis shows that a new class is warranted because an established position in an existing class has changed in duties, responsibilities, or concepts due to new organizational developments.

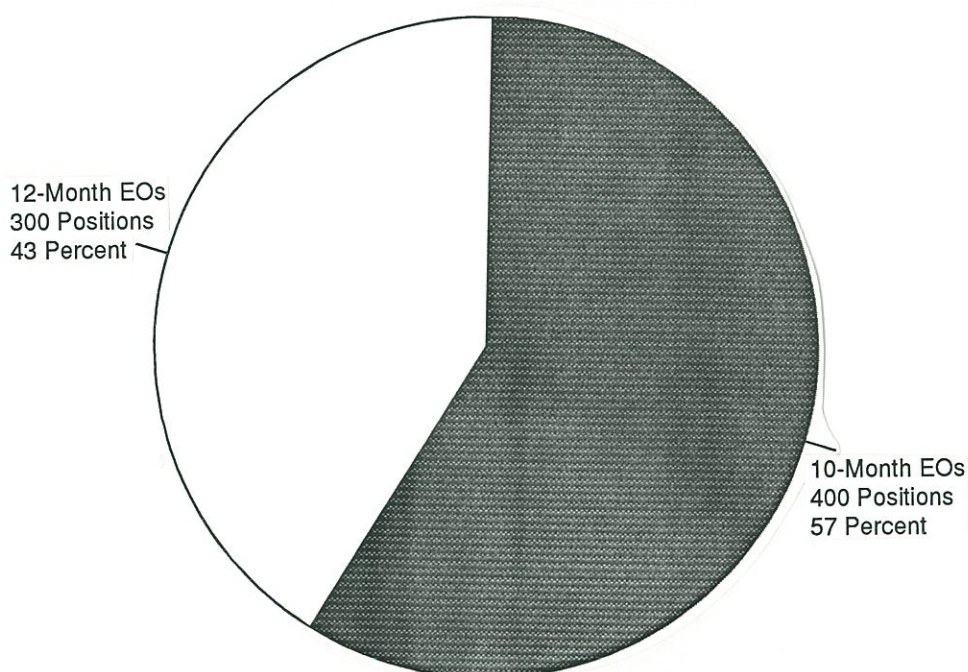
A *compensation plan* is a result of *pricing*, or assigning all classes in the classification plan to appropriate salary ranges. The compensation plan provides "like pay for like work." An integrated classification and

compensation plan ensures that every position and every employee has a value to the organization based on mutual equity among employees and fairness to taxpayers.

Characteristics of the EO Plan

The DOE's current classification and compensation plan divides EOs into two categories based on their work year—10 months and 12 months. Of the approximately 700 EO positions, 400, or 57 percent, are ten-month positions and 300, or 43 percent, are 12-month positions (See Exhibit 1.1).

Exhibit 1.1
Proportion of 10-Month and 12-Month EOs



Source: 1992 Report of the Classification and Compensation Appeals Board.

Ten-month EOs are principals and vice principals. School principals, other than community school principals and vice principals, are categorized into eight classes based on such factors as their level of responsibility. Eighty-six percent, or 201 out of 234 principal positions,

are largely elementary school principals in classes II and III. The average salary for class II and III school principals is \$53,500. The average salaries for all 10-month EOs range from \$46,000 to \$65,000.

Twelve-month EOs are diverse professionals at DOE state and district offices such as fiscal and business specialists, facilities planners, personnel specialists, educational specialists, and other technical personnel. Sixty-eight percent, or 194 out of 286 positions, are district and state specialist IIs, whose average salary is \$60,350. The average salary for all 12-month EOs ranges from \$47,500 to \$78,000. The 12-month EO classes contain more positions with higher salary ranges than the 10-month classes. (See Appendix A for the official list of the various class titles of EOs.)

Under Hawaii's collective bargaining law, EOs are placed into a single collective bargaining unit. The Hawaii Government Employees Association (HGEA) represents EOs in classification and compensation appeals and in collective bargaining negotiations, except those EOs whose salaries are set by statute.

The Classification/ Compensation Appeals Board

In 1988 the Legislature established the Classification/Compensation Appeals Board (CCAB) as an appellate body to review classification and compensation actions relating to EOs.¹

The CCAB is attached to the DOE for administrative purposes. The board consists of three members—one member is appointed by the Board of Education, one by the HGEA, and the third is appointed by the governor and serves as chair. The law requires the CCAB to function independently of the Board of Education and the DOE, although the CCAB may procure office facilities and clerical support from the department.

The CCAB offers EOs the opportunity for an independent review of the department's classification and pricing decisions. The law states that EO appeals to the CCAB are filed after an internal review by the department. Initially, the employee is notified of a classification action or the superintendent's written decision on the internal DOE administrative review. Then the employee may appeal the decision to the CCAB.

The CCAB meets biennially in the fall of every even-numbered year, or on a quarterly basis as needed, to receive appeals. It follows the timeframe and procedures established in statute and administrative rules. The department notifies all EOs in spring of the even-numbered year of the forthcoming CCAB biennial review. In summer, appellants have a three-week period to file appeals, specifying whether the appeal is for

reclassification or repricing. During hearings on the petitions, CCAB members ask questions of both appellants and the department to clarify issues. After deliberating, the board then grants or denies appeals by majority vote. The board's hearings and records are public but it deliberates in executive sessions. Its decisions are binding on both parties.

Since its establishment, the CCAB has held three hearings—in 1988, 1990, and 1992—issuing a report on actions taken at each meeting. The board's report is issued to the superintendent who then submits the report to the Legislature if actions taken warrant funding. Implementation of the CCAB's decisions by the DOE are contingent on legislative funding.

Objectives

The objectives of this study were to:

1. Describe the role and function of the Classification/Compensation Appeals Board.
2. Determine the impact of the CCAB on the classification and compensation of EOs.
3. Make appropriate recommendations as to inclusions, deletions, or amendments of the current law, Section 297, Part III.

Scope and Methodology

To accomplish the objectives, we developed background information on EO salaries and classification, and on the processes and practices of the Board of Education's Personnel Committee, the DOE Office of Personnel Services, the CCAB, and the employees union—the HGEA. We reviewed relevant statutes; administrative rules and procedures; BOE minutes; DOE classification and compensation plan, salary schedules, and reports; the CCAB reports; and other related literature. Our review covered the period from 1988, when the CCAB was enacted, to the present.

We interviewed key officials to identify the administrative processes, timeframes, and other significant steps in making classification and compensation appeals. Those interviewed included the superintendent, the chair of the Board of Education, the chair of the board's personnel committee, the assistant superintendent for personnel services, the personnel specialist in the Classification and Compensation Section, CCAB members, and union representatives.

We examined the classification and compensation plan for EOs and the relationships among the classes and the pricing of those classes. We assessed the impact of CCAB decisions. We also assessed whether the current statutes, rules, and procedures are being followed and whether they are effective in advancing the principles of fairness and equity, and in promoting of organizational goals. In addition, we examined whether the CCAB's policies and practices enabled it to function as intended by the Legislature.

Our work was performed from June 1993 through November 1993 in accordance with generally accepted government auditing standards.

Chapter 2

Findings and Recommendations

In this chapter we discuss the functions and responsibilities of the Classification/Compensation Appeals Board (CCAB) as established in Chapter 297. We also discuss the classification and compensation plan for educational officers (EOs) that has been developed by the Department of Education (DOE). We present our findings and recommendations on how the CCAB and the DOE's classification and compensation plan can be improved.

Summary of Findings

1. The Classification/Compensation Appeals Board is not performing as intended by the Legislature. Instead of serving as an independent appeals board, it functions more as a decision-making body on the department's EO classification and compensation plan.
2. The Department of Education has not developed or maintained an adequate classification and compensation plan for EOs as required by statute.
3. The existing classification and compensation plan does not support the DOE in accomplishing its mission.

CCAB Does Not Function As Intended

The Legislature established the CCAB as an independent body that would hear appeals from EOs on classification and compensation decisions made by the DOE. Section 297-31.3, HRS, specifies that the CCAB shall be independent of the DOE and the Board of Education, and shall sit as an appellate body. We find that the CCAB's independence has been compromised, and its appellate process has not functioned as intended.

Independence compromised

The CCAB has no staff of its own. Instead, it receives assistance from the DOE personnel specialist whose primary duty is to administer the EO classification and compensation system. The personnel specialist also represents the department in hearings before the CCAB. We believe that this could compromise the independence of the CCAB.

The Legislature intended that the CCAB be independent. Section 297-31.3(c) requires it to function independently of the DOE, using only the department's clerical services and office facilities. To further ensure

its independence, the Legislature required that one member of the CCAB be appointed by the Board of Education, one by the exclusive bargaining agent, and the third member and chair by the governor. No member may be an employee of the department or the bargaining agent representing EOs.

The DOE personnel specialist represents the DOE in hearings at the same time that she provides professional and technical assistance to the CCAB. This dual function, serving both the department and the board, is not in compliance with the statute and appears to be a conflict of interest.

Appeals process undermined

The CCAB appeals process does not function as intended. The Legislature intended the CCAB to be an added avenue of appeal for EOs by making it the second of a two-step appeals process. In the first step, an EO would appeal a classification action to the department or the superintendent for an internal administrative review and a written decision granting or denying the appeal. If the department denies the appeal, the EO could appeal to the CCAB as the second step. We find that currently the CCAB does not operate as an appeals board. The first step is often bypassed by the DOE and the second step is undermined by the DOE appearing inappropriately before the CCAB as an appellant.

When steps are bypassed or used inappropriately, the CCAB has to make decisions without any information on the rationale for the department's initial classification actions or the DOE's reasons for upholding classification actions that it has taken.

First step bypassed

The DOE has not clearly defined the classification actions that are subject to appeal nor has it delineated its process for the first step of an administrative review and decision. Section 297-31.3 says that appeals shall be filed with the CCAB within 20 working days from the date of receipt of the notification of (1) a DOE classification action or (2) the superintendent's written decision on the employee's internal administrative review appeal.¹

The DOE has not defined what constitutes a classification action in its rules or policies. According to the personnel specialist, a classification action ranges from the annual notice of personnel action (the SF5 form that describes the EO's class, grade, and salary) that all state employees receive at the beginning of each fiscal year, to a memo to district superintendents when school enrollments affect the salary rates for 10-month EOs.

A classification action could also be the superintendent's written decision on EO appeals. However, the superintendent's review is considered discretionary and not a necessary precondition for appealing to the CCAB. The lack of clarity on what comprises a classification action may have contributed to EOs bypassing the first step and appealing directly to the CCAB.

Inappropriate second-step appellant

The DOE has further confused the appeals process by including itself as an appellant and submitting joint appeals on classification and compensation cases. The CCAB was not intended to be an avenue of appeal for the department. As stated in its committee report, the Legislature established the appeals board (Section 297-31.3) for educational officers only. The department's actions are contrary to its management role to classify and set appropriate compensation.

This confused role may be due to two documents that allow the DOE to be an appellant. The DOE's administrative rule, Section 8-52-7, states that a pricing appeal may be submitted by the incumbent EO, the exclusive representative, *or the department*.² The department's classification and compensation plan also states that a classification appeal may be submitted by employees *as well as supervisors*.

The situation becomes particularly confusing when the DOE files a joint petition with the Hawaii Government Employees Union (HGEA). In 1990 the CCAB heard a joint appeal from the DOE and the HGEA to reprice the state specialist I and II classes. Both parties agreed that the state specialist II classes should be priced one salary level above the district specialist classes because of greater work responsibility and complexity. The CCAB concurred with this rationale and repriced 27 state specialist II classes as well as 17 state specialist I classes. The action affected 113 positions currently in such areas as budgeting, fiscal, facilities, testing, and public relations.

Again in 1992, the CCAB heard a joint petition from the DOE and the HGEA to establish a new principal class and to revise the rating factors used to classify intermediate and high school principals. Both the DOE and the HGEA testified that the career ladder for principals should be strengthened and expanded to increase promotional opportunities and to recognize the differences between elementary and secondary principals. They noted that elementary school principals may receive about \$10,000 more each year as A+ program coordinators while secondary principals are not compensated for their many after-school activities.

The CCAB approved the appeal and created a new principal class. It also revised the classification criteria for intermediate and high school principals.

In filing a petition with the CCAB, the DOE is asking the CCAB to make classification and compensation decisions that rightly belong with management. The DOE should not appear as an appellant before the CCAB. It makes little sense to allow the department to challenge its own classification and compensation decisions. The department's rules should be amended to restrict appeals to EOs and their bargaining agent.

Inconsistent CCAB actions

The CCAB has responded inconsistently to the department's actions. It has acted on some cases that had not been previously acted on or reviewed by the DOE but then rejected cases for lack of review by the DOE. In 1988 and 1992, the CCAB made decisions on classification and compensation cases that were not appeals.

In its 1988 report, that CCAB noted that the DOE's rule 8-52-7 reflects the standard proposition that an appeal can only be initiated "as the result on (sic) an administrative action taken." However, the CCAB found that it was not dealing with appeals because administrative action was virtually nonexistent. The DOE had not conducted the needed job analysis and action that precede the CCAB appeal proceedings.

Despite this concern, the CCAB reviewed the requests before it. It did recommend strongly that the department conduct a classification study and "maintain an effective procedure for the initiation of classification requests, receipt of notice by EOs of departmental action on each request, and notification of the right of appeal and the related procedures."³

The CCAB continues to be inconsistent. In 1992 it rejected several petitions because they lacked an internal review by the DOE, but at the same time, the CCAB decided on a case that was not an appeal. In one case, the CCAB noted that the appeal was premature because the appellant had to first follow DOE reclassification procedures which included a submission in writing to the DOE for reclassification. The CCAB said that the internal review must be done despite the DOE's failure to conduct a classification review as the CCAB had recommended in 1988.

Impact of CCAB decisions

The CCAB actions have considerable impact. Some of these are negative. In deciding on requests that are not appeals, it has allowed the DOE to avoid its responsibility for making classification and compensation decisions. The CCAB allowed the DOE to use the appeals board for both the first and final review and decision on matters that the DOE chose not to decide on. In addition, the CCAB did not receive complete information on the advantages and disadvantages of an action under consideration. Finally, the CCAB made the decision

without considering the EO classification and compensation plan as a whole and the impact of its decision on other EO classes.

In some instances, the CCAB's decisions have created new classification criteria. For example, in deciding on the joint request from the DOE and HGEA to establish a new principal class, the CCAB in effect made a management decision that properly resided with the DOE and the Board of Education.

These decisions have made the CCAB a vehicle for pay raises and have had a substantial impact on the State's and DOE's budgets. In 1991, the DOE budget, 82 percent of which is personnel costs, constituted 25 percent of the total state's general fund. The appeals board decisions repriced 725 positions and 19 class titles (Appendix B shows the classes that the CCAB has repriced, the increases in salaries, and the number of positions affected in each class). The most recent decision creating a new principal class affected approximately 32 positions and required an additional appropriation to the DOE of \$543,000 for the 1993-1995 biennium.

DOE Has Not Maintained the Classification and Compensation Plan for EOs

Section 297-31.2 requires the Board of Education to adopt a classification and compensation plan for EOs. The board has delegated this responsibility to the DOE, but we find that the department has not maintained the EO classification and compensation plan. The CCAB, rather than the department, has updated the plan on a case-by-case basis through its decisions on appeals. Until the DOE develops an adequate and current classification and compensation plan for EOs, there is no assurance that the CCAB decisions will result in any greater equity for EOs.

The CCAB reports describe the board's difficulty in deciding on appeals because of an inadequate classification and compensation plan. The CCAB's reclassification and pricing decisions are made without the benefit of a current plan that would show the relationship among the different classes, the rationale for the classes, and the alignment of pay scales.

In its 1988 report, the CCAB strongly recommended that the DOE conduct a classification study to assure equity among all positions.⁴ In 1992, the CCAB again cited the DOE's "non-action" and its failure to conduct a classification review as the CCAB had recommended in 1988.⁵

Plan not current

The DOE has issued only one official plan—the 1981 *Educational Officer Classification/Compensation System*. The plan has not been

officially updated since then. Existing classes have changed and new classes have been added, but these are not compiled in one source. For example, the plan does not include new classes or positions such as the school community based management specialist I, the school inspection program specialist II, the Information and Telecommunications Director, or the Assistant Superintendent for Technology Services.

The DOE's 1981 plan states that the DOE Office of Personnel Services shall continually review positions and position descriptions to maintain their currency. The plan further states that every educational officer position will be reviewed at least once every five years. This has not been done.

Low priority for compensation and classification

The DOE Classification and Compensation Section in its Office of Personnel Services consists of a single personnel specialist. This individual reviews positions only when they become vacant. Needed work is not performed on verifying job functions, maintaining position descriptions, and conducting desk audits (an on-site investigation of all aspects of work and production requirements).

The Board of Education reviews classes but also on a case-by-case basis. For example, it reviews class qualifications when it evaluates the DOE's recommendations on EO appointments. The Board of Education's action focuses on the appointment and not on classification.

The DOE should give priority to conducting classification and compensation reviews. This would ensure effective and productive use of its most important and valuable resource. A classification and compensation plan is the basic foundation for other aspects of a personnel program—it clarifies the relationship of one position to another, provides a rational basis for equitable pay, defines job duties for measuring performance, furnishes information for formulating training programs, provides information on promotional opportunities, establishes uniform job terminology, and identifies organizational problems such as duplication and inconsistency of work.

Current Plan Does Not Support DOE Mission

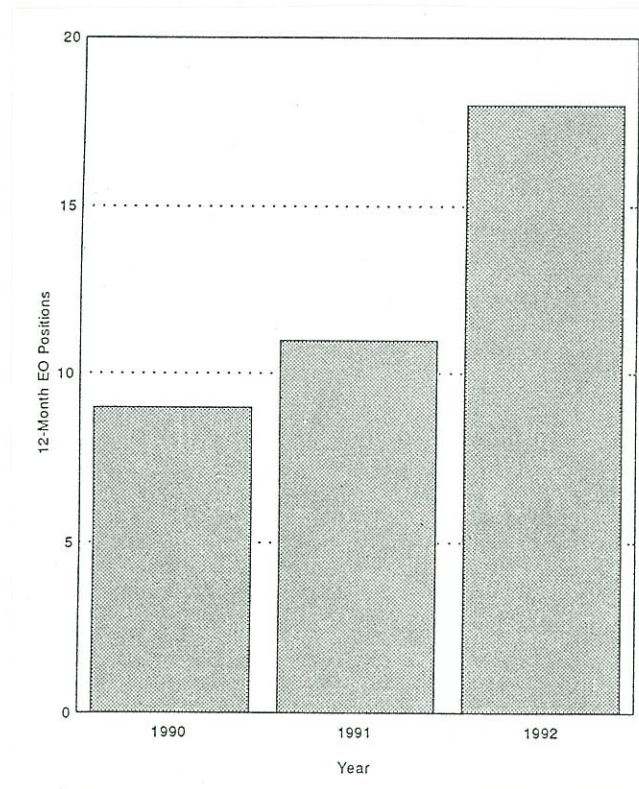
Weaknesses in the current classification and compensation of EOs may be undermining the DOE's mission of public education. Its current efforts are aimed at strengthening school-level leadership. Properly classified and compensated personnel are essential since they are the DOE leaders. EOs include the state, district, and school administrators, instructional and student services specialists. EOs also include administrative support personnel such as budgeting, accounting, information systems, and other technical personnel. Weaknesses in the

classification and compensation of EOs are evident by the increasing transfers of 10-month school administrators (such as principals) to 12-month administrative and specialist-type positions (such as educational and curriculum specialists). The DOE has experienced difficulty in filling needed school-level positions.

Decreasing number of school administrators

The DOE's school reform efforts emphasize school-based management with strong leadership at the school level. This effort is undermined by the number of school administrators who are leaving their 10-month EO positions for the higher paying 12-month EO positions at the state and district offices. Exhibit 2.1 shows the increasing number of school-level EOs who leave the schools for 12-month EO positions. The number has nearly doubled between 1990 and 1992.

Exhibit 2.1
Principals Moving to 12-Month Positions by Year



Source: Department of Education, Office of Personnel Services, July 1993.

A recent study by the Legislative Reference Bureau on principals and vice-principals noted problems in their pay that would lead upwardly mobile EOs to press for advancement through the vice-principal and principal levels and then on to the 12-month EO level. Most of the principal positions are at the lower salary levels and advancement to the top three salary levels would require one of 29 incumbent principals to transfer or retire. This bottleneck has caused many 10-month EOs to leave the schools for the 12-month positions at district and state offices.⁶

In a 1991 bill setting the salary of the deputy district superintendents, the Legislature was sufficiently concerned about this issue to state:

Your Committee on Conference finds it imperative, however, that the superintendent of education look into the problem of the lack of a sufficient number of vice-principals in the educational system. The current level of providing only an eight percent increase in compensation may be an insufficient incentive for qualified teachers to apply for vice-principals positions.⁷

To fill the depleting ranks of 10-month EOs, the department has been training 134 former teachers to be vice-principals, paying them an 8 percent increase in salary. Also in 1993, the DOE was appropriated \$600,000 to be expended on pay adjustments for principals for retention purposes. Finally, the pricing appeal before the CCAB for a new principal class was also meant to strengthen the career ladder for principals.⁸

These, however, are stop gap measures. What is needed is a more comprehensive look at the entire EO classification and compensation system and how it can be improved to support the DOE's mission.

Inappropriate minimum qualification requirements

The Board of Education has recognized the need to improve the classification and compensation plan. The classes described in the plan had minimum qualifications (MQs) that were not relevant or clear. In 1988, the BOE contracted a consultant to examine the MQs of 12-month EOs. The consultant recommended a number of changes. His analysis showed that the requirement of a master's degree or a bachelor's degree plus 30 semester hours was not always directly related to the knowledge requirements of certain classes. Further, the knowledge and ability required in some instances were not clearly stated, while others were clearly inappropriate.

The consultant recommended changes that would establish a clear and rational relationship between the classes and the knowledge, ability, and skill requirements. His recommendations included reducing requirements for 23 classes from a master's degree to a bachelor's degree and increasing requirements for five classes from a bachelor's degree to

a master's degree. For example, the fiscal, personnel, and budget specialist III classes should not require a master's degree. A bachelor's degree and work experience would be more appropriate for these kinds of positions.

The study resulted in a task force comprised of the Board of Education, the DOE, and HGEA which agreed to rewrite the MQs for certain classes. They agreed that some classes could accept professional work equivalencies instead of master's degrees. To help EOs earn work equivalencies, the department initiated a training program. Again, this is a piecemeal solution to a larger problem. The DOE and the Board of Education should review the jobs and the MQs for all EOs. As part of this effort, they should examine the comparability of 12-month EO positions to like positions in state government and at the University of Hawaii.

State counterparts to 12-month EOs

Certain EO classes are similar to classes established by the Department of Personnel Service (DPS). For example, EO classes such as data processing, budget, fiscal, accounting, procurement, and personnel have their counterparts in DPS classes. These EO classes are also similar to Administrative/Professional/Technical (APT) classes at the University of Hawaii. We note that comparable DPS and APT classes receive significantly lower salaries than do their EO counterparts. This may be because the DOE has required inappropriately higher MQs for some of their EO classes. (See Exhibit 2.2.)

It may be useful for the DOE to separate EO administrative and technical service classes from instructional service classes—such as principals. A separate plan could be established for administrative and technical personnel like those in state government and at the university. This would result in greater pay equity among administrative and technical state employees and create a larger pool of professionals from which the DOE can recruit.

The DOE should also consider creating an executive managerial class that is excluded from collective bargaining. Both the state and UH personnel systems exclude their managerial classes from collective bargaining and have established separate plans for them. Under Section 77-13.1, the state developed the Excluded Managerial Compensation Plan (EMCP) that excludes management from collective bargaining and appeals.⁹ The EMCP includes state agency branch chiefs and above whose salaries are reviewed biennially by the Conference of Personnel Directors. Salaries for state department directors and their deputies are set by statute.¹⁰

Exhibit 2.2

Selected Comparable Classes and Midrange Salaries*

DOE Classes	Salary Effective 7/92	DPS Classes	Salary Effective 1/93	UH/APT Classes	Salary Effective 5/90
Data Proc Spec II	\$61,697	Data Proc Sys Anlyst VII-I	\$50,136-\$28,944	Computer Spec III	\$32,814
Data Proc Spec I	\$59,029	Data Proc Facility Anlyst	\$36,636		
Budget Director	\$70,515				
Budget Spec III	\$64,500	Program Budget Anlyst VI	\$44,556	Admin Officer IV	\$37,602
Budget Spec II	\$61,697	thru	thru	thru	
Budget Spec I	\$59,029	Program Budget Anlyst I	\$28,944	Admin Officer I	\$25,410
				(budg, pers, purch, acctng serv)	
Fiscal Spec III	\$64,500				
Fiscal Spec II	\$61,697	Fiscal Officer II	\$50,136	Fiscal Acct Spec II	\$28,656
Fiscal Spec I	\$59,000	Fiscal Officer I	\$44,556		
Acct Oper Spec III	\$64,500	Accountant VI	\$44,556		
		thru	thru		
		Accountant I	\$28,944		
Procuremt & Distr Spec III	\$64,500				
Educational Spec III (st)	\$64,500			Educational Spec IV	\$46,602
Educational Spec II (st)	\$61,697			Educational Spec III	\$37,602
Facilities Planner III	\$64,500				
Facilities Planner II	\$61,697			Facilities Planner II	\$53,544

*Salaries are the most recent available.

Sources: Department of Education "12-Month Educational Officers' Salary Schedule (monthly rate) effective July 1, 1992."

Department of Personnel Services Salary Schedule, effective date 1/1/93, Bargaining Unit 13.

University of Hawaii, "1990 Biennium Pricing Review of the UH/Administrative, Professional, Technical (APT) Classification/Compensation Plan," May 11, 1990.

The UH executive managerial (EM) class, authorized under Section 304-11, is comprised of deans, chancellors, directors of research and is also excluded from collective bargaining. The Board of Regents approves EM salaries which are repriced independently from APT salaries.

By contrast, the EO classification and compensation plan includes high salaried managerial classes. The DOE should consider establishing a separate plan for this executive managerial class in recognition of its management responsibilities and to be comparable with the state and university's personnel system. Although excluded from collective bargaining and appeals, these executive managerial classes are ensured fairness and equity. Section 89C-2(2) requires adjustments for excluded managerial classes to be equivalent to those provided for Unit 13, Professional and Scientific Employees.¹¹

Conclusion

In requesting this review of Chapter 297, Part III, HRS, the Legislature asked for our recommendations on the scheduled repeal of portions of Part III. Act 364 has repealed, effective July 1, 1995, the provisions relating to EO classification and compensation, the CCAB, and the salaries of assistant, district and deputy district superintendents unless amended or reenacted by the 1994 or 1995 Legislature. We do not recommend any changes to Act 364 at this time. Both the CCAB and the DOE should be allowed to carry out their current responsibilities and our recommendations. The Legislature can then review any improvements made and decide in the 1995 Regular Session whether to let stand the scheduled repeal or make further amendments.

Recommendations

1. We recommend that the Classification/Compensation Appeals Board should take steps to:
 - a. ensure its independence from the Department of Education, and
 - b. amend the administrative rules to make clear that it is an appeals body that will hear appeals only from educational officers or their exclusive collective bargaining agent.
2. We recommend that the Department of Education give priority to developing and maintaining its classification compensation plan for educational officers. In doing so, it should consider:
 - a. creating separate plans for EOs in 10-month positions who are directly engaged in instructional services and for EOs in 12-month positions who are engaged in administrative support type services,
 - b. making the DOE administrative support type positions comparable to similar classes in state government and at the university, and
 - c. creating a separate managerial class comparable to executive and managerial classes in state government and at the university.

APPENDIX A

Educational Officer Classification/Compensation System ADMINISTRATIVE REGULATIONS

THE CLASSIFICATION/COMPENSATION SYSTEM

- A. Occupational List of Class Titles by Offices, Districts, and Schools. The Classification/Compensation System shall consist of the classes listed below; () indicates salary range.

CLASS TITLE

EDUCATIONAL OFFICERS UNDER HAWAII REVISED

STATUTES, SECTION 297-31.5

Assistant Superintendent,

Business Services

Assistant Superintendent,

Instructional Services

Assistant Superintendent,

Library Services

(State Librarian)

Assistant Superintendent,

Personnel Services

District Superintendent

Deputy District Superintendent

OFFICE OF THE SUPERINTENDENT

Administrative Assistant to the

Superintendent (9)

DOE Data Processing Services

Director (9)

DOE Data Processing Specialist II (6)

DOE Data Processing Specialist I (5)

DOE Public Relations Officer (9)

DOE Public Relations Specialist II (6)

DOE Reprographic Specialist III (7)

DOE Reprographic Specialist II (6)

DOE Reprographic Specialist I (5)

DOE Reprographic Accounting &

Distribution Specialist II (6)

DOE Planning & Evaluation Services

Director (9)

DOE Institutional Analyst III (7)

DOE Institutional Analyst II (6)

DOE Institutional Analyst I (5)

DOE Grants Application & Management

Specialist III (7)

DOE Grants Application & Management

Specialist II (6)

DOE Evaluation Specialist III (7)

DOE Evaluation Specialist II (6)

OFFICE OF THE SUPERINTENDENT

(cont.)

DOE Budget Director (9)

DOE Budget Specialist III (7)

DOE Budget Specialist II (6)

DOE Budget Specialist I (5)

DOE Management Audit & Civil

Rights Director (9)

DOE Management Audit & Civil

Rights Specialist III (7)

DOE Management Audit & Civil

Rights Specialist II (6)

DOE Management Audit & Civil

Rights Specialist I (5)

DOE Sex Desegregation

Specialist II (6)

DOE Test Development

Specialist I (5)

DOE Test Development & Adminis-

tration Specialist III (7)

BUSINESS SERVICES

DOE Safety & Security

Specialist II (6)

DOE Accounting Director (9)

DOE Fiscal Specialist III (7)

DOE Fiscal Specialist II (6)

DOE Fiscal Specialist I (5)

DOE Procurement & Distribution

Specialist III (7)

DOE Accounting Operations

Specialist III (7)

DOE Facilities Director (9)

DOE CIP Planner III (7)

DOE CIP Planner II (6)

DOE CIP Planner I (5)

DOE Facilities Planner III (7)

DOE Facilities Planner II (6)

DOE Facilities Planner I (5)

Source: Department of Education, Educational Officer Classification/Compensation System, June 1981.

BUSINESS SERVICES (cont.)

DOE Auxiliary Services
Specialist III (7)
DOE Student Information Services
Director (9)
DOE Student Information
Specialist II (6)
DOE Student Demographic
Specialist II (6)
District Business
Specialist (5)

INSTRUCTIONAL SERVICES

DOE Educational Administrative
Services Director (9)
DOE Educational Director (9)
DOE Educational Specialist III (7)
DOE Educational Specialist II (6)
DOE Educational Specialist I (5)
DOE Vocational/Technical Education
Specialist II (6)
DOE Multimedia Services
Director (9)
DOE TAC Specialist III (7)
DOE TAC Specialist II (6)
DOE TAC Specialist I (5)
DOE School Library Services
Specialist III (7)
DOE School Library Services
Specialist II (6)
DOE School Library Services
Specialist I (5)
DOE ETV Specialist III (7)
DOE ETV Specialist II (6)
DOE ETV Specialist I (5)
District Educational Specialist II (5)
District Educational Specialist I (4)

PERSONNEL SERVICES

DOE Personnel Director (9)
DOE Personnel Specialist III (7)
DOE Personnel Specialist II (6)
DOE Personnel Specialist I (5)
District Personnel Specialist (5)

OTHERS

District Liaison Specialist (6)

SCHOOL LEVEL (10 months)

Principal I-VI
(3, 4, 5, 6, 7, 8)
Vice-Principal I-IV
(1, 2, 3, 4)

COMMUNITY SCHOOL LEVEL (10 months)

Community School Prin. I-VI
(3, 4, 5, 6, 7, 8)
Community School Vice-
Principal I-II (1, 2)

State Library Facilities
Specialist II (6)

- B. Class Specifications. The class specifications contained in the System shall be the authorized specifications until amended or replaced by direction of the Assistant Superintendent, OPS. Each specification consists of a Duties Summary, Distinguishing Characteristics, Examples of Duties, and Minimum Qualification Requirements.

APPENDIX B

CCAB Reclassifying and Repricing Decisions 1988, 1990, 1992

10-MONTH EOs

	Class Title	Midpoint Salary Range, As Repriced	SR % Increase	No. Pos. Repriced	Action Yr
1.	Reprice Vice Prin I-IV from SR 1-4 to SR 2-5	\$45,956 to \$52,361	+4.4% to +4.8%	155	1988
2.	Reprice Principal I-VI from SR 3-7 to SR 4-9	\$50,121 to \$62,415	+4.4% to +9.2%	234	1988
3.	Reprice Comm School VP I-IV from SR 1-4 to SR 2-5	\$45,956 to \$52,361	+4.4% to +4.5%	10	1988
4.	Reprice Comm School Prin I-VI from SR 3-8 to SR 4-9	\$50,121 to \$62,414	+4.4% to +4.5%	10	1988
5.	Reprice Principal VI from SR 9 to SR 10	\$65,223	+4.5%	1	1990
6.	Reprice Principal V from SR 8 to SR 9	\$62,415	+4.5%	19	1990
7.	Reprice Principal IV from SR 7 to SR 8	\$59,725	+4.5%	9	1990
8.	Retitle lowest intermediate school class as principal IV; Reprice from SR 6 to SR 7	\$57,156	+4.5%	N/A*	1992
9.	Retitle class principal IV to principal V; Reprice from SR 7 to SR 8	\$59,725	+4.5%	9	1992
10.	Retitle class principal V to principal VI; Reprice from SR 8 to SR 9	\$62,414	+4.5%	9	1992
11.	Retitle class principal VI to principal VII; Reprice from SR 9 to SR 10	\$65,223	+4.5%	1	1992
12.	Title new class principal VIII Price from SR 10 to SR 11	\$57,322 to \$79,971		0	1992

*Number positions for principal III (intermediate) not available.

12-MONTH EOs

	Class Title	Midpoint Salary Range, As Repriced	SR % Increase	No. Pos. Repriced	Action Yr
1.	Reallocate Dist Ed Spec II to new class; Reprice from SR 5 to SR 7	\$56,489 to \$61,697	+9.2%	1	1988
2.	Reprice Director and associated classes from SR 9 to SR 10	\$70,515	+4.6%	17	1988
3.	Reprice Spec III classes from SR 7 to SR 8	\$64,500	+4.5%	34	1988
4.	Reprice Dist level II classes from SR 5 to SR 6	\$59,029	+4.5%	90	1988
5.	Reprice State Spec II from SR 6 to SR 7	\$61,697	+4.5%	104	1990
6.	Reprice State Spec I from SR5 to SR 6	\$59,029	+4.5%	9	1990
7.	Reprice Dist Educ Spec I from SR 4 to SR 5	\$56,489	+4.5%	3	1990
TOTAL:		19 classes		725 positions	

Sources: Hawaii, Department of Education, *Report of the Review of the Educational Officer Classification/Compensation Plan*, 1988, 1990, and 1992.
Hawaii, Department of Education, "10-Month Educational Officers' Salary Schedule (monthly rate)" September 1, 1992.
Hawaii, Department of Education, "12-Month Educational Officers' Salary Schedule (monthly rate)" July 1, 1992.

Notes

Chapter 1

1. Section 297-31.3, Hawaii Revised Statutes.

Chapter 2

1. Section 297-31.3, Hawaii Revised Statutes.
2. Section 8-52-7, Hawaii Administrative Rules.
3. Hawaii, Department of Education, *Report on the Review of the Educational Officer Classification/Compensation Plan*, December 1988, p. 4.
4. Ibid.
5. Hawaii, Department of Education, *Report of the Educational Officer Classification and Compensation Appeals Board*, December 1992, p. 4.
6. W. Michael Mullahey and Ramona K. Mullahey, *Salary and Benefits of Public School Principals and Vice-Principals*, Honolulu, Legislative Reference Bureau, 1993, Report No. 6, p. 32.
7. Conference Committee Report No. 133 on Senate Bill No.1338, Regular Session of 1991.
8. Hawaii, Department of Education, 1992 Appeals Board Report, p. 22.
9. Section 77-13.1, Hawaii Revised Statutes.
10. Sections 26-52 and 26-53, Hawaii Revised Statutes.
11. Section 89C-2(2), Hawaii Revised Statutes.

Responses of the Affected Agencies

Comments on Agency Responses

We transmitted a draft of this review to the Board of Education, the Classification/Compensation Appeals Board, and the Department of Education on November 2, 1993. A copy of the transmittal letter to the Board of Education is included as Attachment 1. Similar letters were sent to the Classification/Compensation Appeals Board and the Department of Education. The Board of Education did not submit a response. The responses from the Department of Education and the Classification/Compensation Appeals Board are included respectively as Attachments 2 and 3.

The Classification/Compensation Appeals Board concurred with the recommendations addressed to it. The board will take steps to ensure its independence from the Department of Education. It will also take steps to amend the administrative rules to delete provisions permitting the Department of Education to submit appeals to the board.

The Department of Education responded that it will accommodate our first recommendation to ensure that the appeals board operates independently of the department, even though it considers the recommendation to be unnecessary. The department did not accept our second recommendation to give priority to developing and maintaining its classification and compensation plan for educational officers.

The department said that it was dismayed by the quality and content of the report. It took issue with our understanding of the subject matter, our methodology, our report preparation process, and our recommendations. The department also made specific comments on what it called "errors" in the report. We have reviewed the DOE's comments and determined that the "errors" were attributable to our use of terminology taken from DOE documents. The DOE terminology lacked precision and could be misunderstood. We have removed an exhibit that we agree could be misleading and made some changes to our report to improve clarity and understanding.

The department says that we have chosen to find fault with a new paradigm, a collaborative working style on classification and compensation matters, which the DOE and the Hawaii Government Employees Association are advancing. We find no fault with this new style. We only note that where there is no disagreement the authority for classification and compensation matters belongs with the Board of Education and not with the Classification/Compensation Appeals Board.

The department's response also included a suggestion that we defend our findings and recommendations prior to publication by subjecting our audit reports to legislative scrutiny prior to publication. Such a procedure would compromise the independence of the Office of the Auditor and would be contrary to Article VII, Section 10, State Constitution. In establishing the position of the Auditor, the Constitutional Convention delegates considered the independence of the office to be a foremost concern. To accomplish this, the Auditor is appointed for an eight year term to avoid "undue pressure from any one legislature." Generally accepted government auditing standards also require organizational independence for our office.

With respect to the department's concern about an in-depth scrutiny prior to publication, we offer the following assurance.

Prior to publication we have established the following procedure to ensure accuracy and objectivity:

- We conduct an internal quality control of the report that includes verifying each statement in the report;
- We discuss our findings with the auditee at an exit conference at which time the auditees may offer additional information and clarification (at the close of our exit conference with DOE officials, we offered to meet with them again. DOE did not request any additional meeting.); and
- When the report is written, we give the auditees a copy of the draft report to review and submit written comments for inclusion in the published report. Additional changes may be made at this point.

Subsequent to publication:

- We make our working papers (the documentation that supports the draft) open for public inspection;
- We defend our reports at legislative hearings; and
- Our work is reviewed by a peer review committee of the National Association of State Auditors, Controllers, and Treasurers (NASACT) once every three years.

The NASACT review determines whether we meet generally accepted government auditing standards including standards that require us to have qualified and properly supervised staff to perform the audit; to properly plan and perform our work; to develop competent, reliable, and sufficient evidence for our findings and recommendations; and to

prepare and issue clear, objective reports of our work. NASACT reviewed our work in 1992 and found the office to be performing in compliance with generally accepted government auditing standards.

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

November 2, 1993

COPY

The Honorable Charles T. Toguchi
Superintendent of Education
Department of Education
Queen Liliuokalani Building
1390 Miller Street
Honolulu, Hawaii 96813

Dear Mr. Toguchi:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *A Review of the Educational Officer Classification and Compensation Program*. We ask that you telephone us by Thursday, November 4, 1993, on whether you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Tuesday, November 16, 1993.

The Chair of the Board of Education, Chair of the Classification Compensation Appeals Board, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
State Auditor

Enclosures

JOHN WAIHEE
GOVERNOR

CHARLES T. TOGUCHI
SUPERINTENDENT



STATE OF HAWAII
DEPARTMENT OF EDUCATION

P. O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

November 15, 1993

RECEIVED
Nov 17 11 06 AM '93
OFFICE OF THE AUDITOR
STATE OF HAWAII

Ms. Marion M. Higa
State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

Dear Ms. Higa:

We were dismayed by the quality and content of your audit report, *A Review of the Educational Officer Classification and Compensation Program*.

It does not serve the interest of public education when a report rife with false assertions, technical flaws, and glaring omissions is allowed to be published, all under the guise of generally accepted government auditing standards.

The Department welcomes audits of our programs when they provide an honest and knowledgeable review of the subject matter. Unfortunately, this has not occurred. The audit report is deficient in four major ways.

Lack of Understanding of Subject Matter

The report does not demonstrate a basic grasp of the subject matter. This is evidenced by the numerous reporting errors, omissions of relevant information, and even misuse of basic classification terminology.

Individuals within and outside the DOE have conveyed their surprise and alarm at the superficial level of questioning when interviewed by the auditor. Little discussion was devoted to the major issues pertinent to the scope of this study.

Major changes have occurred to the DOE's classification and compensation system, especially within the last two years, to better support school-level employees in a variety of ways. Other changes are contemplated as the DOE pursues its efforts to decentralize. The auditor did not even begin to explore or comprehend these efforts, in what constitutes a glaring omission, and a failure to address the issues which the Legislature requested from this audit.

Faulty Methodology

Very questionable methods have been used throughout the report to formulate the assertions, findings, and recommendations. There is little regard for ensuring the fairness or accuracy of conclusions made.

For example, Exhibit 2.2 is a grossly distorted and misleading comparison of job classifications from the DOE, DPS, and UH. It's casual inclusion in the report is irresponsible.

The research and analysis required to make conclusions of comparability are very complex, and go far beyond the scope of this study. We doubt that the necessary research was conducted by the auditor because if it was, it would have required the knowledge, if not the participation, of the DOE.

Further exacerbating this distorted comparison is that the DPS classes chosen by the auditor as "comparable", are classes that studies by the Wyatt Company and the Social Science Research Institute of the University of Hawaii show to be paying below market level by 25%, and from which state civil service employees have been resigning in increasing numbers since 1985.

Out-of-Step with Trends in State Government

Some of the auditor's recommendations are out-of-step with trends in state government, and contradictory as well.

The report faults the DOE's classification and compensation plan for not supporting the mission of public education, but at the same time calls for an examination of comparability of 12-month EO positions to other positions in state government.

In order for a classification and compensation plan to serve the mission of public education, it must be tailored to the unique needs of the DOE. It thus becomes less useful as the auditor suggests, to make comparisons with other classification and compensation plans (DPS, UH/APT) which are after all, designed for their own particular missions and functions of state government.

An unique and separate DOE classification and compensation plan is vital to serving the mission of public education. It is consistent with trends in state government toward decentralization and toward greater diversification to better serve the needs of "customers" as government reinvents itself.

It does require on the part of all of us, including the auditor, to shift away from a mind set that one size fits all, or that what works in one area of government should work equally well in another.

The 1990 Wyatt study echoes this sentiment when it concluded that our *state government (Department of Personnel Services) needs a job classification system that is more responsive to departmental needs, and to labor market trends.*

The Department of Education already has a classification and compensation plan that is responsive to its needs. The auditor failed to understand and document this. The auditor is also sadly mistaken for believing that making comparisons with other areas of state government, which are having their own recruitment and retention problems, will somehow serve the mission of public education.

Inadequate Report Preparation

It was a practice of the auditor to request information from the DOE without explaining why or how the information would be used. An explanation or discussion would have provided an opportunity to suggest more appropriate kinds of information, to provide information not specifically requested but necessary to obtain an accurate perspective, and to quickly remedy misunderstandings created by the unintentional omission of data.

Some comment must also be made regarding the tone of this report and the demeanor of the auditor during the audit process. The lack of concern for fairness or balance has been pronounced, and this has been mentioned to us often by individuals outside the DOE who were interviewed for the audit. The auditor appeared to have her mind made up and was not interested in that which challenged or contradicted those preconceived ideas.

When one approaches a report solely as a fault-finding mission with little effort to comprehend the subject thoroughly, or to analytically place things in a proper perspective, the findings and conclusions exhibit less and less of a relationship to reality. This truly serves no one, not public education, not the Legislature, not the public, and not even the auditor's office.

* * * * *

The following pages contain specific comments and responses to your audit report.

Page 2, Paragraph 2

Ten-month educational officers are categorized into 20 classes, not the eight classes indicated. There are six classes for principals, four classes for vice-principals, six classes for community school principals, and four classes for community school vice-principals. Recently, the principal classes were expanded by an additional two classes, for a total of 22 classes for ten-month educational officers, as of September 1, 1993.

Page 3, Exhibit 1.2

The graphs in Exhibit 1.2 contain numerous errors, and require further analysis and editing.

Graph 1: 10-Month--Number of Positions by Class

There are 20 (22 as of 9-1-93) classes of 10-month educational officers rather than the eight classes shown. The distribution of positions shown is incorrect.

Graph 2: 12-Month--Number of Positions by Class

Graph 2 does not show positions by class, as purported. Positions have been roughly grouped into 10 categories of the auditor's own design. There is no such thing as Class III district level.

Graph 3: 10-Month--Average Salary by Class

Graph 3 erroneously shows average salary amounts even for classes which have no positions (see classes IV and VIII).

Graph 4: 12-Month--Average Salary by Class

The data presented is very much inflated. For example, all incumbents in the category Group 1 earn a maximum of \$39,752, *an amount much less than the reputed \$48,000 average salary indicated in the graph.*

Page 4, Paragraph 1

The maximum salary amounts for the positions of Superintendent, Deputy Superintendent, Assistant Superintendents, District Superintendents, and Deputy District Superintendents is determined by the Legislature. This distinction should have been clearly made. It's also questionable whether these positions should have been included as a category with other educational officers.

Appendix A contains outdated information. A current list of class titles and salary range designations was provided to the auditor and should have been used.

Any comparison between 12-month EO salaries and 10-month EO salaries must take into account and adjust for the fact that 12-month EOs work more months in the year and are compensated accordingly.

Page 4, Paragraph 2

It should be mentioned that there are educational officers excluded from collective bargaining.

Page 7, Paragraphs 2, 3, and 4

The basis for the findings are very questionable, as they are based on false assumptions, lack of sufficient data, and lack of understanding of the subject matter. The findings also overlook contradictory statements made throughout the report that do not support these findings.

Page 7, Paragraph 6

The Appeals Board is not staffed by any DOE personnel specialist. This is a false assertion on the part of the auditor.

Assistance provided to the Appeals Board is limited to clerical assistance and the use of DOE facilities. Limited professional and technical assistance is also provided as requested, in the form of orientation sessions. Deliberations and decision-making are strictly conducted by and among Appeals Board members only.

Page 8, Paragraph 2

The auditor falsely asserts that a DOE personnel specialist staffs the Appeals Board (CCAB), provides professional and technical support, and attends executive sessions. This has been repeatedly explained to the auditor to be untrue, which the auditor refuses to accept. Appeals Board members have indicated to us that the auditor did not discuss this matter with them, and they too, resolutely affirm their own independence from the DOE.

The auditor's remarks must also be considered contradictory, because it is insinuated that the Appeals Board is not independent of the DOE, while claiming in other parts of the report that the Appeals Board has taken the Department to task for various supposed deficiencies.

Pages 8 and 9

The Department of Education has been moving away from the traditional confrontational relationship with the Hawaii Government Employees Association toward a more collaborative working style. This has included matters pertaining to classification and compensation and collective bargaining. This new paradigm has produced excellent results for everyone involved toward better understanding each other, and toward working together to accomplish common goals.

This new approach may not conform with the older model of confrontation and resolution. It's unfortunate that the auditor chose solely to find fault with the process, while remaining silent or unaware of the many exciting results that have been achieved.

Page 10

The criticisms raised are of such a general nature that it is impossible to know what is being discussed. It is similarly difficult or impossible to respond.

Page 11, Paragraph 3

The auditor has greatly inflated the actual salary amounts impacted. The 771 positions affected by the Appeals Board constitute 4.5% of the DOE workforce of 16,828 full-time employees. When another 30,000 part-time positions is added, the percentage of the total DOE positions affected is closer to 2%. Appendix B has numerous errors which overstate the amount of salary increases.

Page 11, Paragraph 4

The Department of Education has maintained the EO classification and compensation plan. The many positive changes to make principals the highest paid administrators, to strengthen the career ladders for principals, and to address inequities among the principal ranks are ignored here.

Page 11, Paragraph 5

We cannot find any reference in Appeals Board reports indicating that the Appeals Board has had a difficult time deciding on appeals because of an inadequate classification and compensation plan. The appropriate page numbers and year of report should be included with this assertion, or the assertion deleted.

Page 12, Paragraph 1

The *Educational Officer Classification/Compensation System* has been officially updated on numerous occasions, and the auditor's claim to the contrary is incorrect. The plan does include new classes such as School Community Based Management Specialist I, School Inspection Program Specialist II, and Assistant Superintendent for Technology Services. There is no such class as Information and Telecommunications Director, however.

Page 12, Paragraphs 2 and 3

In 1985, budget cutbacks necessitated deletion of one educational officer position from the Classification and Compensation Section, cutting back on the workload that can be covered on a sustained basis. However, position descriptions are maintained for all positions, and job functions verified for selected positions. Desk audits have had to be discontinued with the loss of the one position.

The personnel specialist for classification and compensation does not receive performance reviews of principals from district superintendents, as stated.

Page 13, Paragraph 1

Until the last two years or so, a career ladder for 10-month educational officers to 12-month EO positions was designed as part of the classification and compensation plan, under the old paradigm of a highly centralized DOE where much of the decision-making occurs at the top of the organization. As the Department has moved toward SCBM and other decentralization efforts, the emphasis in the classification and compensation plan has similarly shifted to greater compensation for ten-month EOs. The auditor has completely missed the point.

The movement of 10-month EOs to 12-month EO positions accounts for a turnover of less than 18 positions, roughly about 5%, which is hardly a *high movement* as cited by the auditor. The DOE's difficulty in filling needed positions has many causes, chief among them the number of additional vice-principal positions established.

Page 14, Paragraph 4

The Department and HGEA have collaboratively taken a comprehensive look at the entire classification and compensation system, and have planned changes for implementation. In an ideal world these changes could be made all at once. Realities of other pressing needs and priorities dictate that changes be implemented incrementally, which is quite different than an unplanned, "piecemeal" approach as the report mistakenly concludes.

Page 15, Paragraph 2

The Department and Board of Education have completed a review of all MQs for all EOs, and this should have been noted in the report.

In order for a classification and compensation plan to serve the mission of the DOE, it must be tailored to the needs of the Department. It therefore becomes less useful to make comparisons with other classification and compensation plans, which are designed for their own unique organizations. If education is to improve and government reinvent itself, we need to move away from a mind set that one size fits all, or that what works in one area of government should work just as well in another.

A 1990 study conducted by the Wyatt Company echoes this sentiment when it concluded that our state government (Department of Personnel Services) needs a job classification system that is more responsive to departmental needs, and to labor market trends. State pay levels lag behind both prevailing private sector and federal pay rates ...by 15 to 25 percent .

We therefore doubt that examining the comparability of 12-month EO positions to other positions in state government will be helpful to the DOE. Noncompetitive salaries have made it increasingly difficult to recruit for civil service positions, in what has been called a hidden crisis.

Page 15, Paragraph 3

The auditor's assertion that some EO classes are similar to classes established by the Department of Personnel Services, is irresponsible given the questionable methodology used. Job matching is a complex activity that requires the collection of accurate data through a variety of sources, and goes far beyond the scope of this report.

Page 15, Paragraph 4

The DOE has a large pool of professionals to recruit from, which includes the entire state population and the Mainland. The reasons advanced by the auditor to separate EO classes into two plans are uninformed and without substance.

Page 15, Paragraph 5

The DOE does have executive and managerial classes that are excluded from collective bargaining. The auditor does not put forth a compelling reason to establish a separate plan for these classes, especially when one considers the trend in state government toward diversification and decentralization.

Page 16, Exhibit 2.2

Exhibit 2.2 is a grossly misleading comparison of job classifications. Job comparisons using the methodology of the U.S. Bureau of Labor Statistics need to be employed to ensure fair conclusions.

Complicating the problem is that the DPS classifications and UH/APT classifications selected as "comparable", are classes that independent studies show to be paying below market levels by 25%, and from which state civil service employees have been resigning in increasing numbers since 1985.

Page 16, Paragraph 2

The DOE does have executive and managerial classes that are excluded from collective bargaining.

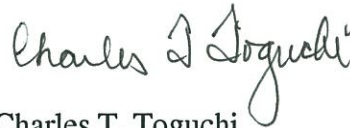
Page 17

Due to the many inadequacies of the audit report noted throughout this letter, the Department of Education cannot accept the auditor's second recommendation. The first recommendation, while unnecessary, will be accommodated.

* * * * *

In conclusion, from our experience with this report, we believe that audit reports should be subjected to an in-depth scrutiny from the Legislature prior to completion. If the auditor's office is routinely required to defend its findings and recommendations before publication and release to the media, all concerned could be better assured that audit reports stood on a firm foundation from which to begin a dialogue with the affected agencies. This appears to be a much needed change.

Sincerely,



Charles T. Toguchi
Superintendent of Education

CTT:et

cc: Governor John Waihee
President of the Senate
Speaker of the House of Representatives
Chairperson, Board of Education
Chairperson, Classification and Compensation Appeals Board
Hawaii Government Employees Association

STATE OF HAWAII
EDUCATIONAL OFFICER CLASSIFICATION/COMPENSATION APPEALS BOARD

November 16, 1993

Ms. Marion M. Higa
State Auditor
Office of the Auditor
State of Hawaii
465 S. King Street, Room 500
Honolulu, Hawaii 96813

RECEIVED
Nov 17 11 06 AM '93
OFC. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

Thank you for the opportunity to comment on the recommendations of your audit report, "A Review of the Educational Officer Classification and Compensation Program."

We will limit our response to the first recommendation only, because the second recommendation is addressed to the Department of Education.

With respect to Recommendation 1a, the Classification/Compensation Appeals Board will meet with the appropriate staff of the Department of Education to discuss the matter, and ensure that the Appeals Board operates independently of the Department.

The Appeals Board also will take steps to amend its administrative rule in accordance with Recommendation 1b. Provisions permitting the Department to submit appeals to the Board will be deleted from the rule.

Sincerely,

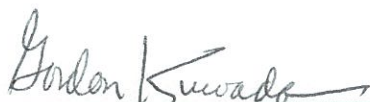
Educational Officer Classification/Compensation
Appeals Board



LAWRENCE ISHIMI
Chairperson



EDWARD KUSHI, JR.
Member



GORDON KUWADA
Member