
New Century Charter School Allocations Project - FY2002-03

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

Report No. 03-01
January 2003



THE AUDITOR
STATE OF HAWAII

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
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THE AUDITOR STATE OF HAWAII

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OVERVIEW

New Century Charter School Allocations Project - FY2002-03

Report No. 03-01, January 2003

Summary

Section 302A-1185, Hawaii Revised Statutes (HRS), requires the Office of the Auditor to allocate the Department of Education's general funds to new century charter schools and new century conversion charter schools. Charter schools are semiautonomous public schools operated by parents, educators, community groups, or private organizations under contracts with the Board of Education.

This year's allocation—our fifth—was guided by two legislative actions amending Section 302A-1185, HRS. Acts 2 and 262, Session Laws of Hawaii 2002, created a category of public schools that converted into charter schools. Two of the 25 charter schools fall into this new category. The statutory requirements for allocating funds were amended. The allocation is based on departmental funding for budget programs EDN100, 200, 300, and 400, and official regular education enrollment for the current fiscal year. EDN150 funds for special education are excluded, as are changes to the department's budget made by the Legislature or governor, departmental restrictions and collectively bargained sums. Additionally, the Auditor must exclude funds for necessary state-level services; programs or projects for specific schools, complexes, or districts; grants in aid; and resources for new facilities.

We used a per pupil allocation methodology for FY2002-03, resulting in an allocation rate of \$3,805 per regular education student officially enrolled in a charter school. The amounts allocated to the charter schools range from \$76,100 to \$1,795,960. The total allocated to all charter schools is \$11,723,205.

Finally, we note three additional concerns: 1) a retroactive provision in Act 262 may require an additional appropriation; 2) the statute relating to new century conversion charter schools needs clarification; and 3) the continued role of the Auditor in the allocation process is problematic.

Act 262 changes the allocation computation retroactively, beginning with FY2001-02. However, Act 262 was signed into law on July 5, 2002, after the completion of FY2001-02, and does not appropriate additional funds to cover the recalculation for the previous fiscal year. In the absence of a clear legislative directive and adequate appropriations, we did not address the retroactive allotments issue.

Act 2 establishes a new class of charter schools called new century conversion charter schools. The statute now provides for two distinct methods of allocating charter school funds, one for new century charter schools and the other for newly converted new century conversion charter schools. However, it is unclear whether the allocation method for newly converted schools applies to schools to be



converted in the future only, or also to the already converted charter schools. It is also unclear whether the Auditor's responsibilities continue after the first year of operation, when a school is no longer a newly converted school.

Additionally, the statutes are ambiguous regarding newly converted charter schools. The Department of Education is required to provide appropriate transitional resources to a conversion charter school for its first year of operation based on the school's prior year allocation. However, the Auditor is obligated to develop a methodology for newly converted charter schools based on departmental program budgets. We recommend that the Legislature clarify its intent.

Regarding the role of the Auditor, we continue to note, as we have in previous reports, that our role in the allocation process should be reviewed. We acknowledge the legislative preference that we determine the allocation but note that this is an executive branch function more properly placed in that branch.

Recommendations and Response

The Department of Education responded that it agrees with our concern that the allocation process places the Office of the Auditor in a potential conflict with its constitutional and statutorily assigned audit functions. Also, the department indicated that, should the Auditor continue to be assigned the allocation function for charter schools, legislation is needed to clarify that the Auditor should use the same methodology for existing and newly established conversion charter schools. The department also agrees that the Auditor was unable to provide retroactive funding because Act 262 was not signed until July 5, 2002 and was absent any appropriation.

The department also noted some issues of concern. The department requested that the Auditor notify the department of the per pupil allocation by September 1 of each year in order to facilitate the department's final distribution to the charter schools by October 15. We note, however, that this request is unreasonable since the department is not required to give us its official enrollment counts until September 15, and the allocation calculations cannot begin without those counts. The department also indicated that the July 5, 2002 signing of Act 262 did not allow new century charter schools to enter into an annual memorandum of agreement with the department for centralized services prior to the beginning of the school year as required by the revised law. Finally, the department requests that the Auditor allocate a per pupil amount for all students, including special education students. We remind the department that the current law does not provide for Auditor's allocations for special education students.

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Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 03-01
January 2003

Foreword

Section 302A-1185, Hawaii Revised Statutes, requires the State Auditor to determine the appropriate allocation of state funds to new century charter schools and new century conversion charter schools. This report presents the FY2002-03 allocation to 25 new century charter schools and new century conversion charter schools and a detailed description of the methodology we used.

We wish to acknowledge the cooperation extended to us by the officials and staff of the Board of Education and the Department of Education.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

This is the fifth year the Office of the Auditor has determined allocations to new century charter schools. In this report we present allocations for 23 new century charter schools and two new century conversion charter schools. Our methodology has been modified since last year to reflect changes mandated by Acts 2 and 262, Session Laws of Hawaii (SLH) 2002.

Background

Charter schools are semiautonomous, publicly funded schools operated by parents, educators, community groups, or private organizations under written contracts with the State. These schools are exempt from many state laws and regulations, including state procurement laws. As a result, charter schools enjoy substantial spending and administrative flexibility.

In Hawaii, there are now two kinds of charter schools: new century charter schools and new century conversion charter schools. New century charter schools are newly created schools that may comprise programs and use facilities of existing public schools. New century conversion charter schools were formerly public schools. After conversion, they are managed and operated by a nonprofit organization or a local school board. Unless otherwise stated, we refer to both new century charter schools and new century conversion charter schools as “charter schools.”

Charter school implementation plans are approved by the Board of Education. Charter schools must meet Hawaii Content and Performance Standards as well as federal requirements, such as those imposed by the No Child Left Behind Act. Student performance standards and goals are specified in each school’s charter or educational plan. Charter schools are monitored by the board to ensure they remain in compliance with educational and fiscal accountability requirements.

The Department of Education provides funding to charter schools from its general fund appropriations and federal impact aid moneys. The State Auditor is mandated under Section 302A-1185, Hawaii Revised Statutes (HRS), to determine allocation amounts for charter schools within statutory guidelines.

Evolution of the allocations to charter schools

Section 302A-1185, HRS, directs the Auditor to develop an allocation methodology that can be applied to various forms of alternative schools, including charter schools. The allocation methodology shall be based on individual schools' operational and educational requirements. In addition, the methodology shall also be based on department general fund allocations for EDN100, 200, 300, and 400, and official regular education enrollment for the current fiscal year.

The first allocation, developed for FY1998-99, covered the two charter schools in existence at the time, Wai'alae and Lanikai elementary schools. Both were converted from regular departmental schools to charter schools, which were known as student-centered schools at the time. We developed an allocation methodology consisting of three components: a variable component; a small school subsidy to compensate for the relatively higher fixed costs incurred by the smaller Lanikai school; and a negotiable component, comprising functions and responsibilities that could be handled by either the charter schools or the Department of Education. It was left to the parties to agree on who should perform such "negotiable" activities. For each of these activities, we determined a per pupil rate to be associated with the activity.

In FY1999-2000, the small school subsidy component was replaced by a fixed cost component. Fixed costs were defined as school personnel expenses for certain positions common to public schools but relatively independent of student enrollment. Depending upon the type (i.e., elementary, middle/intermediate, or high school) and size of the school, such positions might include a principal, vice-principal, school administrative services assistant, counselor, librarian, registrar, and account clerk. The resulting methodology consisted of a fixed cost component, a variable cost component, and a component of separately identified programs that may be transferred by agreement between the charter school and the department. We computed a per pupil rate for each of these components.

For FY2000-01, we reassessed the practice of identifying the negotiable component cost before an agreement was reached. Because we concluded that the negotiable component cost was an operational issue subject to agreement between the charter school and the department, it served no purpose for us to identify the potential allocation before such an agreement was reached. Hence, we removed the component from the methodology, stating that upon notification of an agreement we would proceed to determine the appropriate allocation.

For FY2001-02, the allocation methodology was modified for consistency with amendments to Section 302A-1185, HRS, made by the Legislature during its 2001 session. These changes specifically directed the Auditor to ensure that the per pupil allocation to any charter school

did not exceed the department's average per pupil expenditure based on the inclusion of "similar cost items" in the previous fiscal year. The new requirement imposed a cap on allocations based on the previous year's expenditures. This resulted in a limit on the allocation of funds to charter schools and a change in methodology to one based only on a per pupil rate.

Statutory changes affect charter schools

During the 2002 legislative session, several statutory provisions guiding charter school allocations were enacted in Acts 2 and 262, SLH 2002. These acts modified the requirements upon which the methodology is developed, created a new category of charter schools, and increased the number of charter schools that can be approved statewide.

Allocation requirements have been modified

Act 262, SLH 2002, amends Section 302A-1185(a), HRS, to base charter school allocations on department general fund allocations for four budget programs (EDN100, 200, 300, and 400) and official regular education enrollment for the current fiscal year. Section 302A-1185(a) also requires the Auditor to consider changes to the department's budget made by the Legislature or governor, department-imposed restrictions, and amounts negotiated through collective bargaining. Additionally, the Auditor is to exclude from the allocation services that must be provided at the state level; programs or projects targeting specific schools, complexes, or districts; grants in aid; and resources for new facilities.

Prior to Act 262, Section 302A-1185, HRS, also provided for a cap on allocations based on similar cost items in the previous fiscal year. The amendments in Act 262 remove such caps on allocated funds. Consequently, we have modified our methodology for the FY2002-03 allocation. We describe that methodology in Chapter 2 and provide further detail on the preceding methodologies.

A new classification of charter schools has been created

Act 2, SLH 2002, creates a new category of charter schools, called new century conversion charter schools. As previously noted, existing public schools that convert to charter schools fall into this category. Lanikai and Wai'alae elementary schools, which are operated by local school boards, are the only conversion charter schools.

Number of available charters has been increased

Act 262, SLH 2002, reduces the maximum number of new century charter schools from 25 to 23, and establishes 25 additional available charters for new century conversion charter schools. This increases the total number of available charters from 25 to 48.

For FY2001-02, all 25 available new century charter school charters were awarded, which was the maximum number then permitted by law. However, three of these schools, Ipu Ha'a Academy of Natural Sciences, Ka Waihona O Ka Na'auao, and Kua O Ka La, did not receive allocations for FY2001-02 because they were not to be operational until FY2002-03. For FY2002-03, all chartered schools are operating and will receive an allocation.

Descriptions of new century charter schools

The following descriptions are based on materials provided by each new century charter school. We did not verify the accuracy of the information, except for enrollment counts.

Connections New Century Public Charter School

Connections New Century Public Charter School is a kindergarten through eighth grade (K-8) school located in downtown Hilo. The school initially started as a school-within-a-school at Mountain View Elementary School and operated from that campus for the first year. Connections is founded on the philosophy that small schools can provide an environment more conducive to learning. It was created to provide options for families seeking greater involvement in their children's overall educational program. The school currently enrolls 240 regular and special education students.

The Education Laboratory, A Hawaii New Century Public Charter School

The Education Laboratory is a K-12 school formed from the University of Hawaii Laboratory School. It operates in partnership with the Curriculum Research and Development Group at the University of Hawaii, under an agreement with the local charter school board. The school has long served as the real-world laboratory for the university's College of Education. Since 1966, The Education Laboratory has focused on two interlocking missions: to provide a quality education for its students; and to support educational research and development, and dissemination of educational materials and improvement strategies. The charter school structure permits the creation, pilot testing, demonstration, and evaluation of new materials, and serves as a model for educational design. The student body represents a sampling of the state's children in ethnicity, socio-economic status, and academic achievement drawn by lottery. The Education Laboratory School currently enrolls 363 regular and special education students.

Hakipu‘u Learning Center, A Hawaii Public Charter School

The Hakipu‘u Learning Center's program targets the youth population of the Windward school district, from Pupukea to Makapuu. The charter school is built around the resources and traditions of the ahupua‘a (land division usually extending from the uplands to the sea) of Hakipu‘u and based on the traditions and values of the Hawaiian culture. The school consists of a home-based campus at University of Hawaii’s Windward Community College and a series of outdoor learning laboratories located throughout the community. The school currently has 50 regular and special education students enrolled in grades 7 through 9. It intends to eventually offer grades K-12.

Halau Ku Mana, A New Century Public Charter School

Halau Ku Mana offers an educational program that seeks to provide an academically rigorous, culture-based, and community-designed education. Learning is hands-on, real world, and interdisciplinary. The school is principally located in facilities within the University of Hawaii at Manoa’s Center for Hawaiian Studies, but also utilizes a number of sites within the Honolulu area. The school currently has 66 regular and special education students enrolled in grades 6-12.

Halau Lokahi New Century Public Charter School

Halau Lokahi provides K-12 students residing on Oahu a quality education that is safe, supportive, and nurturing of the body, mind, and spirit. This balance, known as lokahi, is woven throughout the project-based curriculum, which includes multiple outdoor and indoor learning laboratories focused on Hawaiian culture, history, and language as well as on health and science. Halau Lokahi, both a school and a family, is a place where Hawaiian values and concepts are integrated with Western learning. Students are active in community and legislative issues and participate regularly in the political process concerning education, the environment, and native Hawaiian rights. The school's motto is “Learning to Be Self Responsibly Free,” meaning free to be conscientious individuals mindful of cultural expectations, and free to make thoughtful, careful, and sensible decisions. The school currently enrolls 126 regular and special education students.

Hawai‘i Academy of Arts & Science Public Charter School

The Hawai‘i Academy of Arts & Science Public Charter School is situated in the Puna District of the Big Island. It serves grades 7-12 and plans to have a permanent facility on a four-acre site in the Pahoa area. The school’s goals for its students are to enhance productivity and intrinsic motivation; increase involvement in the community; improve scores on standardized tests; and acquire the skills, attitudes, and will to

bring positive change to the world. The school currently enrolls 107 regular and special education students.

Innovations Public Charter School

Innovations Public Charter School serves elementary children of the Kahakai areas, near the Kona Coast of the Big Island. Innovations utilizes innovative strategies, current technology, and an inquiry/project-based curriculum focused on the learning process to prepare its students to become contributing members of the Information Age. Innovations shares facilities located at Kahakai Elementary School. The school currently has 95 regular and special education students enrolled in grades 3-5.

Ipu Ha‘a Academy of Natural Sciences Public Charter School

Ipu Ha‘a Academy of Natural Sciences provides a Hawaiian culture-based education through project-oriented learning in authentic environments, combined with twenty-first century technology. Outreach centers are located throughout the east and north shores of Kauai. The Department of Hawaiian Home Lands awarded Ipu Ha‘a Academy land leases for sites located in the Anahola community. Construction of new school facilities is projected to begin in early 2003. Ipu Ha‘a Academy of Natural Sciences currently serves a multi-ethnic student body of 55 regular and special education students enrolled in grades K-11.

Ka ‘Umeke Ka‘eo Public Charter School

Ka ‘Umeke Ka‘eo Public Charter School is a K-6 Hawaiian language immersion school situated in the Keaukaha Hawaiian Home Lands community of Hilo on the Big Island. Ka ‘Umeke Ka‘eo originally started 14 years ago as a school-within-a-school immersion program at Keaukaha Elementary School, and continues to share the campus and facilities of Keaukaha Elementary. The educational program of Ka ‘Umeke Ka‘eo seeks to emphasize total indigenous Hawaiian language immersion and experiential-based learning, while utilizing both English and Hawaiian. The school currently enrolls 140 regular and special education students.

Ka Waihona O Ka Na‘auao Public Charter School

Ka Waihona O Ka Na‘auao offers K-3 elementary instruction. Located in Waianae, it serves primarily the children of Waianae and Nanakuli and combines mainstream schooling content and skill development. It seeks to utilize the natural environment as a significant factor in its educational approach, facilitated by Hawaiian values and ways of thinking and behaving. The school currently enrolls 70 regular and special education students.

Kanu O Ka ‘Aina Public Charter School

Kanu O Ka ‘Aina is a K-12 public charter school serving the Hamakua and North Hawaii area. The school initially started as a school-within-a-school at Honokaa High and Intermediate School. Kanu O Ka ‘Aina’s purpose is to perpetuate the Hawaiian language, culture, and traditions. The school currently enrolls 157 regular and special education students.

Ke Ana La‘ahana Public Charter School

Ke Ana La‘ahana is a 7-12 public charter school. It serves children of the Keaukaha community on the Big Island at three separate sites within that community. The purpose of Ke Ana La‘ahana is to foster an awareness and understanding of cultural identity. It plans to accomplish this through an educational foundation based on culture, family, and community. The school currently enrolls 72 regular and special education students.

Ke Kula Ni‘ihau O Kekaha Learning Center, A Laboratory Public Charter School

Ke Kula Ni‘ihau O Kekaha, located in Kekaha on the island of Kauai, provides a total-family, Hawaiian-language education program designed to serve preschool through adult learners. The program is based on the Kumu Honua Mauli Ola, through which the Niihau Hawaiian language dialect and cultural base are maintained as an integral part of quality global learning. Aha Punana Leo and the Niihau families originally established Ke Kula Ni‘ihau O Kekaha to strengthen and perpetuate the Niihau dialect. The school currently enrolls 33 regular and special education students.

Ke Kula ‘O Nawahiokalani‘opu‘u Laboratory Public Charter School

Ke Kula ‘O Nawahiokalani‘opu‘u was established by the Aha Punana Leo and is a laboratory school of the University of Hawaii at Hilo’s College of Hawaiian Language. The charter school began in 1994 as a school-within-a-school at Hilo Intermediate School. Since 1997 it has been under the administrative umbrella of Hilo High School, but it is physically located in Keaau on property owned by Aha Punana Leo. The school currently enrolls 56 regular and special education students.

Ke Kula ‘O Samuel M. Kamakau Laboratory Public Charter School

Ke Kula ‘O Samuel M. Kamakau is a K-12 charter school located in Kailua. It was originally established pursuant to Act 315, SLH 1999, as a laboratory school of Ka Haka ‘Ula O Ke‘elikolani, the Hawaiian

language college of the University of Hawaii. The purpose of Ke Kula ‘O Samuel M. Kamakau is to provide quality, family-based Hawaiian language immersion education, with emphasis on health and wellness. The school currently enrolls 58 regular and special education students.

Kihei Public Charter High School

Kihei Public Charter High School provides project-based service learning in a high technology laboratory setting. All teaching staff are certified in their subject areas. Its learning environment was developed based on current, research-based practices that integrate national and Hawaii content and performance standards, General Learners Outcomes, and Secretary’s Commission on Achieving Necessary Skills competencies. Kihei Public Charter High School intends to serve the 22,000 residents of the South Maui area, from Maalaea to Makena, who are currently without a local high school. Originally located at the Kihei Youth Center, increased enrollment prompted its move to a larger facility at the Kihei Commercial Center. The school currently enrolls 155 regular and special education students.

Kua O Ka La Public Charter School

Kua O Ka La was formerly known as Pu‘ala‘a. Kua O Ka La is located in Puna, on the Big Island, and is restoring the ancient village site of Pu‘ala‘a for its educational programs. Its curriculum is tailored for the unique cultural needs of Hawaii’s indigenous population. Kua O Ka La serves grades 6-8 and currently enrolls 26 regular and special education students.

Myron B. Thompson Academy Public Charter School

The Myron B. Thompson Academy changed its name from Hawaii E-Charter School in August 2002. Established in 1996 as the Department of Education’s virtual school, the school was designed to offer supplemental courses to public high school students statewide. It later evolved into Hawaii E-Charter, a stand-alone high school, when it became a charter school in 2000. Myron B. Thompson Academy is now an on-line school of choice where students can earn credits towards a high school diploma. The academy combines Internet-based instruction, multimedia technologies, and real-time chats to create standards-based, student-centered learning. Face-to-face tutorials, when needed, and final exhibitions are also part of the learning experience. The school currently has 123 regular and special education students enrolled in grades 9-12.

Niihau School of Kekaha, A New Century Public Charter School

Niihau School of Kekaha is a K-12 charter school that originally started as a home school in 1993 for students whose primary language is the Niihau dialect of the Hawaiian language. Niihau School of Kekaha serves the Niihau and Kekaha communities by attempting to provide a balanced bilingual education program, including the preservation and promulgation of the Niihau dialect and Hawaiian culture and ideologies. The charter school operates out of the Boys and Girls Club in Waimea and also uses outdoor learning laboratories. The school currently enrolls 38 regular and special education students.

The Volcano School of Arts & Sciences – A Community Public Charter School

The Volcano School of Arts & Sciences is located in the town of Volcano, adjacent to Hawaii Volcanoes National Park. The school serves children from the Volcano community in grades K-7, but plans to add higher grades. The school's objective is to utilize a curriculum designed in conjunction with the rich natural, cultural, and human resources that exist within the community to provide experiential, multi-sensory learning opportunities in the arts and sciences arenas. The school currently enrolls 87 regular and special education students.

Voyager – A Public Charter School

Voyager was formed by the Royal State Trust (also known as the Trust for Emergent Education) and is located in the Kakaako area of Honolulu. Voyager is intended to be an “incubator” school that introduces, tests, and demonstrates a variety of methods of learning. The school has formed partnerships with various public schools to test its educational approaches and currently enrolls 149 regular and special education students in grades K-5.

Wai Ola, Waters of Life New Century Public Charter School

Wai Ola, Waters of Life New Century Public Charter School received its charter in 2000. The school provides a K-12 basic education program and a limited special education curriculum. Additionally, electronic and correspondence curricula allow high school students to pursue their diplomas independent of the traditional classroom setting. The school primarily serves the Puna district, but also draws students from the Hilo area. Wai Ola currently holds classes at the Boys & Girls Club in Hilo, pending development of its permanent facilities in the Hawaiian Acres subdivision. The school currently enrolls 156 regular and special education students.

West Hawaii Explorations Academy – Public Charter School

West Hawaii Explorations Academy – Public Charter School is a high school serving grades 9-12. It is located near the Kona International Airport, within the Natural Energy Laboratory – Hawaii. The school originated as a marine and aquaculture-based school-within-a-school at Konawaena High School. West Hawaii Explorations Academy’s goal is to challenge and empower students to seek their own solutions to complex problems, while promoting collaborations between peers, mentors, teachers, and the community-at-large. The school currently enrolls 116 regular and special education students.

Descriptions of new century conversion charter schools

The following descriptions are based on materials provided by each new century conversion charter school. We did not verify the accuracy of the information, except for enrollment counts.

Lanikai Elementary Public Charter School

Lanikai Elementary School has served students from grades K-6 in Lanikai and the surrounding community in the Windward district of Oahu since 1964. In 1996, Lanikai became the second chartered school in Hawaii. The objectives of the school are to involve the entire community in the development of excellence and to implement the continuous improvement concepts of Edward Deming’s Total Quality Management. The school currently enrolls 323 regular and special education students.

Wai‘alae Elementary Public Charter School

Wai‘alae Elementary School serves grades K-6 in the Kaimuki section of East Honolulu. In August 1995, Wai‘alae Elementary School became the first chartered school in Hawaii. Wai‘alae is authorized to implement alternative administrative and educational policies and goals in accordance with state and school standards. The school currently enrolls 489 regular and special education students.

Objectives of the Project

1. Develop an allocation methodology for new century charter schools and new century conversion charter schools in accordance with guidelines set forth in Section 302A-1185, HRS, as amended by Acts 2 and 262, SLH 2002.
2. Determine appropriate allocations to new century charter schools and new century conversion charter schools based upon the methodology developed.

Scope and Methodology

We determined charter school allocations for FY2002-03 based on our allocation methodology developed in accordance with Section 302A-1185, HRS. We obtained relevant information from the Department of Education, Board of Education, and others to develop and apply our methodology, including information relating to the department's internal allocations, collective bargaining agreement, impact aid, and official school enrollments.

The project was undertaken between June 2002 and October 2002. If additional information arises subsequent to the issuance of this report, we will make necessary adjustments to the allocations.

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Chapter 2

Allocations to New Century Charter Schools and New Century Conversion Charter Schools, FY2002-03

This chapter presents the FY2002-03 allocations to new century charter schools and new century conversion charter schools in accordance with Section 302A-1185, Hawaii Revised Statutes (HRS). This chapter also explains our methodology and discusses issues related to the allocation project. For FY2002-03, 23 new century charter schools and two new century conversion charter schools will receive allocations.

Summary of Allocations

Based on the provisions of Section 302A-1185, HRS, and information received from the Department of Education, we determined that the FY2002-03 per pupil allocation to charter schools should be \$3,805 per officially enrolled regular education student. Allocations to each charter school are presented in Exhibit 2.1.

We discuss the methodology used to determine this allocation in the following pages.

Allocation Methodology

We developed an allocation methodology in accordance with Section 302A-1185, HRS, as amended, and applied it to data obtained from the Department of Education. In developing the methodology, we reviewed and considered the department's policies and procedures. We also reviewed and critically analyzed the information received from the department; however, we did not independently verify or audit the data. We believe that, as the agency responsible for statewide education, the department is best positioned to decide, for example, what services should be provided on a statewide basis.

We based our allocation methodology on the department's detailed internal budgets for the four programs specified by Section 302A-1185, HRS, adjusted for excluded programs and department-imposed restrictions. Appendix A presents details of the department's internal budget. These details include departmental restrictions and amounts to be excluded from the allocation. In addition, we incorporated an amount vetoed by the governor because it reduces the amount available for regular education statewide. We also included an appropriate portion of

Exhibit 2.1**Allocations to New Century Charter Schools and New Century Conversion Charter Schools, FY2002-03**

Name of School	Regular Education Enrollment¹	Per Pupil Rate	FY2002-03 Allocation
Connections	219	\$3,805	\$833,295
The Education Laboratory	361	3,805	1,373,605
Hakipu‘u Learning Center	40	3,805	152,200
Halau Ku Mana	51	3,805	194,055
Halau Lokahi	115	3,805	437,575
Hawai‘i Academy of Arts & Science	90	3,805	342,450
Innovations	94	3,805	357,670
Ipu Ha‘a Academy of Natural Sciences	54	3,805	205,470
Ka ‘Umeke Ka‘eo	133	3,805	506,065
Ka Waihona O Ka Na‘auao	67	3,805	254,935
Kanu O Ka ‘Aina	139	3,805	528,895
Ke Ana La‘ahana	66	3,805	251,130
Ke Kula Ni‘ihau O Kekaha Learning Center	33	3,805	125,565
Ke Kula ‘O Nawahiokalani‘opu‘u Laboratory	55	3,805	209,275
Ke Kula ‘O Samuel M. Kamakau Laboratory	58	3,805	220,690
Kihei High School	133	3,805	506,065
Kua O Ka La	20	3,805	76,100
Lanikai Elementary	282	3,805	1,073,010
Myron B. Thompson Academy	111	3,805	422,355
Niihau School of Kekaha	38	3,805	144,590
The Volcano School of Arts & Sciences	73	3,805	277,765
Voyager	141	3,805	536,505
Wai‘alae Elementary	472	3,805	1,795,960
Wai Ola, Waters of Life	129	3,805	490,845
West Hawaii Explorations Academy	107	3,805	407,135
Total	3,081		\$11,723,205

¹ Source of enrollment count - Department of Education.

the department’s collective bargaining adjustment in the allocation computation. Finally, we added the portion of federal impact aid budgeted for regular education to the amounts allocated.

Exhibit 2.2 presents a schedule of components used to determine the per pupil amount for allocations to charter schools.

Exhibit 2.2
Determination of the Per Pupil
Allocation for New Century Charter
Schools and New Century
Conversion Charter Schools,
FY2002-03

Program Budget:	
EDN100	\$491,581,332
EDN200	8,582,545
EDN300	2,328,045
EDN400	<u>36,696,611</u>
Total regular education funds	\$539,188,533
Collective bargaining adjustment	54,771,154
Impact aid adjustment	22,601,312
Governor's line item veto	<u>(147,000)</u>
Total allocable funds	\$616,413,999
Divided by official enrollment, FY2002-03	161,990
Per pupil allocation rate	<u>\$3,805¹</u>

¹ Amount is rounded to the nearest dollar.

The use of per pupil allocation

We determined that a per pupil allocation methodology for FY2002-03 would be the only feasible approach. For greater ease of understanding, we provide a history of the allocation methodologies used in prior years and the changes in the statute that direct funding allocations. We also explain our reasoning for adopting and abandoning methodology components.

In FY1999-2000, we developed an allocation methodology consisting of three components: fixed costs, variable costs, and negotiable functions costs. Fixed costs represented EDN100 (School-Based Budgeting) fund allocations in Hawaii's public schools for school personnel positions that are not directly dictated by student enrollment. These positions may include school principal, counselor, librarian, among others; however, not all schools are allotted every position. Variable costs were defined as the allocation of EDN100 funds determined by school enrollment, with the exception of negotiable costs and other exceptions. The negotiable functions costs component consisted of those services and

functions that we believed charter schools could assume (i.e., curriculum development, staff development, and student testing). Negotiable functions required agreement between the charter school and the department. At the time, we noted that funding requirements and funding restrictions may vary for subsequent fiscal years.

The FY2000-01 allocation methodology was modified to meet additional requirements reflected in Act 187, SLH 2000. We continued to use the fixed and variable costs concept. Act 187, SLH 2000, also required that if charter schools received additional federal grant moneys, we were to determine the appropriate portion of the federal grant moneys to offset the small school allotment.

The small school allotment is designed to augment allocations and is determined by the department. We had first introduced the concept of a small school subsidy in our FY1998-99 allocation. Act 187, SLH 2000, provided that small schools were schools with fewer than 120 students. In FY2000-01, there were no charter schools that qualified as a small school. Accordingly, no small school subsidies were allotted.

In FY2001-02, a per pupil allocation methodology was directed by changes to the statute made by Act 209, SLH 2001. In response to Act 209, we abandoned the fixed and variable costs methodology of the prior years. Previously identified fixed costs were reverted to EDN100 and allocated as part of the per pupil calculation.

As directed by Act 209, SLH 2001, our FY2001-02 methodology ensured that “the per pupil allocation to any new century charter school shall not exceed the department’s average per pupil expenditure, based upon the inclusion of similar cost items, in the previous fiscal year.” The only way to calculate this ceiling or cap on allocations was on a per pupil basis. This necessitated adoption of an allocation based solely on a per pupil rate. Thus, the allocation to each charter school was determined by multiplying the per pupil allocation by the number of regular education students officially enrolled.

Although some of the charter schools had enrollments below the small school size threshold of 120 students and were eligible for a small school allotment, the department chose not to exercise its discretion and did not provide a small school subsidy. Accordingly, all schools, including those with fewer than 120 students, received an allocation based on our per pupil allocation methodology.

For FY2002-03, we used the same single, per pupil allocation methodology. However, rather than base the allocation on the total department general fund appropriation, the statute now directs that we base the allocation on program budgets for EDN100, 200, 300, and 400

only. Further, allocations will be based on appropriations and enrollments for the current fiscal year rather than per pupil expenditures for the previous fiscal year.

The department indicated in September 2002 that it would not provide a small school allotment for FY2002-03. The small school allotment is a means for the department to compensate for small school size and is not within the Auditor's allocation authority.

Moreover, we are precluded from returning to our prior fixed and variable costs methodology because the department lacks a staffing formula for schools of fewer than 150 students. Our prior methodology defined fixed costs in Hawaii's public schools as those funds allocated for personnel positions that are relatively independent of student enrollment. These authorized public school personnel positions are based on formulas developed and applied by the department for regular schools. The department has different staffing formulas for the various positions needed in schools according to size. However, it does not have formulas for small schools with fewer than 150 students.

Without staffing formulas, we are unable to determine the fixed costs component for small schools and, hence, unable to utilize the fixed and variable costs methodology. Accordingly, we determined the allocations based on a per pupil allocation methodology.

Finally, we identified what we believe to be a conflict in the law. Act 262, SLH 2002, which amended Section 302A-1185, HRS, again, removed the ceiling or cap on allocations that had been put in place the year before via Act 209, SLH 2001, retroactive to FY2001-02. This provision appears to necessitate a recalculation of the allocation of funds for FY2001-02 for all charter schools. However, the act fails to make appropriations necessary to cover the additional allocations dictated by the retroactive provision. Lack of legislative directives on this and other issues directly affect our allocation methodology. Accordingly, we elaborate with greater specificity in our analysis of allocation criteria reported below.

The allocation is based on statutorily specified program budgets

Section 302A-1185, HRS, specifies four of the Department of Education's budget programs as the basis for the allocation to charter schools. These programs are:

- EDN100 (School Based Budgeting)—Basic instructional program for K-12 students in regular and special public schools;
- EDN200 (Instructional Support)—Standards development and implementation, and related technical support; establishment of a statewide educational accountability system;

- EDN300 (State and District Administration)—Statewide administrative support, including planning, budgeting, accounting, personnel management, teacher licensing, and information processing; and
- EDN400 (School Support)—Support services, including food service, student transportation, physical plant operation and maintenance, and utilities.

Departmental restrictions must be considered

Section 302A-1185, HRS, requires the Auditor to consider any changes or restrictions to the department's budget made by the Legislature, governor, or department. The Department of Education's FY2002-03 budget, including departmentally imposed restrictions and amounts to be excluded, is presented in Appendix A.

Allocation excludes some programs and services

Pursuant to Section 302A-1185(a)(4), HRS, the Auditor must also exclude from the per pupil allocation funds for services that must be provided at the state level; specific programs or projects that target individual schools, complexes, or districts; grants-in-aid; and resources for new facilities that target specific new construction projects. With the assistance of the department, we identified programs falling into each of these categories and excluded them from the allocation, as shown in Appendix A.

Governor's line item veto reduces the allocation

The EDN100 budget appropriated by the Legislature was reduced by the governor's line item veto of \$147,000. Consequently, the reduced budget must be considered for the allocation.

Collective bargaining amounts are included in the allocation

The Department of Education reported that its FY2002-03 general fund collective bargaining amount for EDN100, 200, 300, and 400 totals \$64,266,586. However, only \$54,771,154 of this amount can be allocated to charter schools. Some programs with payroll costs are excluded from the allocation; therefore, any related collective bargaining amounts should also be excluded.

Determining the allocable portion of the collective bargaining amounts involved several steps. First, we categorized payroll amounts for each line item within the department's program budgets for EDN100, 200, 300, and 400 as either included or excluded from the allocation. This process is presented in Appendix B. Then, we calculated the total included payroll costs for each program budget (EDN100, 200, 300, and

400). Next, we determined the percentage of payroll costs to be allocated, dividing the allocable payroll by the total payroll costs for the program. Finally, we computed the appropriate portion of the collective bargaining amounts to be allocated by multiplying the percentage of included payroll costs by the total collective bargaining amount for each program. Exhibit 2.3 shows the computation of collective bargaining amounts to be allocated.

Federal impact aid is included in the allocation

The State receives impact aid moneys from the federal government to offset the cost of educating federally connected students, such as military dependents, in the public school system. Impact aid included in the department's school-based budgeting (EDN100) should be allocated to charter schools.

The department's EDN100 budget projects the following federal impact funding and application:

Fringe benefits, regular education teachers	\$ 2,168,814
Certificated salary adjustments	9,716,908*
Substitute teachers, regular education	9,700,000
Fringe benefits, substitute teachers	<u>1,015,590</u>
Total impact aid EDN100	<u>\$22,601,312</u>

*The department reports that an increase in fringe benefits from 22.32 percent to 32.22 percent will require transferring a portion of this amount to fringe benefits.

Special education funding is excluded from the allocation

The allocation of general funds to charter schools continues to exclude EDN150 funds. These funds are primarily designated to meet departmental requirements for special education and to comply with the requirements of the *Felix* consent decree. The department has elected to retain control of these programs due to system-wide requirements for compliance. Moreover, Section 302A-1185, HRS, excludes EDN150 from the specific programs to be allocated to charter schools, confirming the Legislature's intent to maintain the department's responsibility for special education. The Auditor is therefore not responsible for developing allocation amounts for special education.

Allocation methodology for Lanikai and Wai'alae elementary schools is the same as for new century charter schools

Before calculating the FY2002-03 allocation, we first needed to determine whether Lanikai and Wai'alae elementary schools are considered newly converted; and if not, whether the Auditor determines allocations for new century conversion charter schools that are not newly converted. Because Lanikai and Wai'alae elementary schools became charter schools prior to FY1998-99, we do not consider them newly converted. Also, both Lanikai and Wai'alae elementary schools have

Exhibit 2.3

Computation of Apportionment of Collective Bargaining Amounts

EDN100:

Allocated payroll	\$ 444,882,579		
Total payroll	<u>460,719,009</u>		
Percent allocated		96.56%	¹
Total collective bargaining adjustment for EDN100, FY2002-03		<u>\$ 55,777,254</u>	³
Portion included in allocation to charter schools			\$ 53,860,006 ²

EDN200:

Allocated payroll	\$ 6,975,595		
Total payroll	<u>11,681,219</u>		
Percent allocated		59.72%	¹
Total collective bargaining adjustment for EDN200, FY2002-03		<u>\$ 1,111,332</u>	³
Portion included in allocation to charter schools			663,647 ²

EDN300:

Allocated payroll	\$ 1,819,860		
Total payroll	<u>18,863,697</u>		
Percent allocated		9.65%	¹
Total collective bargaining adjustment for EDN300, FY2002-03		<u>\$ 2,488,014</u>	³
Portion included in allocation to charter schools			240,029 ²

EDN400:

Allocated payroll	\$ 72,462		
Total payroll	<u>47,423,452</u>		
Percent allocated		0.15%	¹
Total collective bargaining adjustment for EDN400, FY2002-03		<u>\$ 4,889,986</u>	³
Portion included in allocation to charter schools			<u>7,472</u> ²

Total collective bargaining apportionment for EDN100, 200, 300, 400, FY2002-03		<u><u>\$ 54,771,154</u></u>	
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¹ Computed as "Allocated payroll" divided by "Total payroll." Amounts are rounded for presentation purposes. Actual, unrounded amounts are used for calculation purposes.

² Computed as "Percent allocated" multiplied by "Collective bargaining adjustment EDNXXX, FY2002-03." Amounts are rounded to the nearest dollar.

³ The sum of collective bargaining adjustments for EDN100, 200, 300, 400, FY2002-03 is \$64,266,586.

been receiving allocations since FY1998-99. We concluded that the Auditor must compute their allocations using the same methodology as for new century charter schools.

Other Issues Need Further Review

The Legislature ratified two acts during the 2002 legislative session amending Chapter 302A, HRS: Acts 2 and 262, SLH 2002. Both include provisions that require clarification. Specifically, the retroactive application of a change to the charter school allocation formula raises the issue of additional funding requirements for FY2001-02. In addition, establishment of a new category of charter schools—the new century conversion charter schools—leaves the status of two existing conversion charter schools unclear, as well as the role of the Auditor in allocating funds to any schools in this category. Finally, we continue to report our reservations about the involvement of the Office of the Auditor in the allocation process.

A retroactive provision may require an additional allocation

Act 262 changes the allocation computation retroactively, beginning with FY2001-02, and removes the limit to the allocation based on similar cost items in the previous fiscal year. In our Report No. 02-03, *New Century Charter School Allocations Project – FY2001-02*, we reported that without this limit, the FY2001-02 allocation to new century charter schools would have been \$289 per pupil higher.

Act 262 does not provide an appropriation of additional funds to cover recalculation of the FY2001-02 allocation formula. The act was signed into law on July 5, 2002, which is after the completion of the 2001-02 fiscal year. Without an additional appropriation by the Legislature, there are no funds available for retroactive allocations. Therefore, absent a clear legislative directive and adequate appropriations, we did not address the retroactive allotments issue raised in Act 262.

The statute relating to new century conversion charter schools needs clarification

Act 2 establishes a new class of charter schools called new century conversion charter schools. This class consists of any existing departmental school that converts to a new century conversion charter school.

Section 302A-1185, HRS, as amended, provides for two distinct methods of allocating funds, one for new century charter schools and the other for newly converted new century conversion charter schools. However, it is not entirely clear whether the allocation method for newly converted schools applies to schools to be converted in the future only, or also to the two existing charter schools, Lanikai and Wai‘alae elementary

schools. Both Lanikai and Wai‘alae elementary schools became new century conversion charter schools as of the effective date of Act 2.

Section 302A-1185(a)(8), HRS, requires the Auditor to develop a methodology for allocating funds to newly converted conversion charter schools. Allocations are to be based on EDN100 and 200 program budgets and, upon agreement between the department and a school, specified sections of EDN300 and 400 that the school received in the year prior to conversion. It is not clear, however, whether the Auditor’s responsibilities for allocations to conversion charter schools continue after the first year of operation, when a school is no longer a newly converted school.

Assuming the Auditor continues to determine allocations to new century conversion charter schools after their first year of operation, it is unclear whether the same allocation methodology should apply as for new century charter schools. Section 302A-1185(a)(1), HRS, clearly requires the Auditor to determine an allocation to new century charter schools. However, it is not clear whether this section includes new century conversion charter schools that are not newly converted.

Additionally, there is a potential conflict between the statutory responsibilities of the department and the Auditor. Section 302A-1185(a)(3), HRS, requires the Department of Education to provide appropriate transitional resources to a conversion charter school for its first year of operation based on the school’s prior year allocation. However, Section 302A-1185(a)(8), HRS, obligates the Auditor to develop a methodology for newly converted charter schools by basing the allocation for each newly converted school on departmental program budgets. Moreover, the Auditor may adjust the allocation for department-imposed restrictions, but there is no similar provision for resources the department is obligated to provide. We recommend that the Legislature clarify these ambiguities.

Role of the Office of the Auditor is problematic

The most recent statutory changes have ignored our belief that the responsibility to make allocations to schools is an executive branch function that should remain with the executive branch. Assignment of this executive branch responsibility to the legislative branch violates the concept of separation of powers, i.e., the checks and balances provisions of the Constitution. We reiterate that the allocation function properly rests with the executive branch and not with the legislative branch.

As a practical matter, the Auditor’s assigned allocation function conflicts with its constitutional and statutorily assigned audit function. A clear conflict of interest would exist if at some time we are required to audit charter schools. In effect, we would be auditing our own allocations.

This would jeopardize the Auditor's independence and ability to conduct an impartial assessment under generally accepted government auditing standards and strip us of our primary audit function. Therefore, we urge the Legislature to reconsider assignment of this responsibility.

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APPENDIX A Allocation Determination by Program ID, FY2002-03									
PROGRAM	Program ID	Total budget general funds before restrictions	Restrictions for shortfalls	Budget After Restrictions restrictions	Must be provided at State level	Excluded from allocation Specific to complex, school, etc.	Grant-in-Aid	Resources for new facilities	Allocable to charter schools
EDN100									
SCHOOL BASED BUDGETING									
SCHOOL LUMP SUM BUDGET									
BASIC NEEDS	15110	303,801,373	(3,717,117)	300,084,256					300,084,256
FOUNDATION PROGRAM	15878	1,627,633		1,627,633					1,627,633
CLASS SIZE REDUCTION	15103	970,770		970,770					970,770
SCIENCE EQUIPMENT	15816	692,030	(138,406)	553,624					553,624
MUSIC EQUIPMENT	15852	516,040	(103,208)	412,832					412,832
GRADE SCHOOL PRIORITY FUND	15123	1,964,217	(238,685)	1,725,532					1,725,532
INSTRUCTIONAL RES AUGMENTATION	16290	21,641,992		21,641,992					21,641,992
SCHOOL PRIORITY FUND-CASH	16111	7,636,306	(1,252,073)	6,384,233					6,384,233
ENVIRONMENTAL EDUCATION	16902	244,808	(48,962)	195,846					195,846
PINS-BASIC SKILLS	16817	2,922,626		2,922,626					2,922,626
PINS-STUDENT ACTIVITY COORDINATOR	16816	635,107		635,107					635,107
PINS-INSTRUCTION & SUPPORT SERVICES-VPS	16819	54,734		54,734					54,734
PINS-INSTRUCTION & SUPPORT SERVICES	16936	2,256,590		2,256,590					2,256,590
SCHOOL ASSESSMENT LIAISONS	16826	1,518,966	(23,027)	1,495,939					1,495,939
AEPL-SECONDARY	16830	280,187	(18,669)	261,518					261,518
AEPL-ELEMENTARY	16833	393,987		393,987					393,987
CORE LEARNING	16771	11,205,154		11,205,154					11,205,154
COMPREHENSIVE SCHOOL ALIENATION PRGM	18291	7,739,593	(64,268)	7,675,325					7,675,325
SCHOOL ADMINISTRATION	23105	66,671,905	(442,696)	66,229,209					66,229,209
SCHOOL LIBRARIES	24317	16,239,292	(370,066)	15,869,206					15,869,206
COUNSELING	26120	19,904,139	(4,005)	19,900,134					19,900,134
STUDENT ACTIVITIES COORDINATION SERVICES	27856	1,936,801		1,936,801					1,936,801
LUNCH AND BREAKFAST SUPERVISORS	36168	1,581,000		1,581,000					1,581,000
CAMPUS SUPERVISION AND PATROL	36172	4,638,371	(189,836)	4,448,535					4,448,535
SUBTOTAL		477,073,621	(6,611,038)	470,462,583					470,462,583
CATEGORICAL PROGRAMS									
VOCATIONAL & APPLIED TECHNOLOGY	15849	5,696,288	(351,636)	5,344,652					5,344,652
VOCATIONAL WORKSTUDY	15848	86,535		86,535					86,535
HEALTH CAREER ACADEMY	16744	238,404	(6,172)	232,232					232,232
SCHOOL TO WORK TRANSITION CENTERS	15112	778,235	(33,124)	745,111					745,111
KEAKEALANI	16850	97,984	(3,295)	94,689					94,689
KOKEE DISCOVERY CENTER	12659	46,104		46,104					46,104
CHALLENGER CENTER	16791	222,409	(9,400)	213,009					213,009
SPACE RELATED ACTIVITIES	16733	79,996	(15,999)	63,997					63,997
ONIZUKA MEMORIAL SPACE MUSEUM	12653	53,276		53,276					53,276
STOREFRONT SCHOOL	18863	209,347	(9,877)	199,470					199,470
OLOMANA YOUTH CENTER	18869	592,493	(11,517)	580,976					580,976
MAUI ALTERNATIVE PROGRAM	18859	138,041	(869)	137,172					137,172
MOLOKAI ALTERNATIVE PROGRAM	18858	49,096	(1,062)	48,014					48,014
KAUAI ALTERNATIVE PROGRAM	18860	79,967		79,967					79,967
KONA HO'OPONOPONO	18861	101,148	(571)	100,577					100,577
HILO HUKILIKE	18862	170,795	(5,338)	165,457					165,457

	PROGRAM	Program ID	Total budget general funds before restrictions	Restrictions for shortfalls	Budget After Restrictions	Excluded from allocation			Allocable to charter schools
						Must be provided at State level	Specific to complex, school, etc.	Grant-in-Aid	Resources for new facilities
	HILO HIGH SCHOOL ALTERNATIVE PROGRAM	18891	112,720		112,720		112,720		
	HAWAII ALTERNATIVE PROGRAM	18890	215,640		215,640		215,640		
	ALTERNATIVE LEARNING CENTER	18832	552,956	(8,851)	544,105				544,105
	CAREER OPPORTUNITIES PROGRAM	18892	310,415	(62,083)	248,332				248,332
	OLOMANA HALE HOOMALU	18205	125,561	(397)	125,164		125,164		
	OLOMANA SCHOOL	18206	986,645	(11,141)	975,504		975,504		
	STUDENT CONFERENCE	27042	61,438	(12,288)	49,150				49,150
	STATE/DISTRICT STUDENT COUNCIL	27038	49,446	(9,899)	39,557				39,557
	MAUI INTER SCHOOL LEADERSHIP COUNCIL	27875	11,233	(2,247)	8,986		8,986		
	FUTURE HOMEOWNERS OF AMERICA	27876	36,268	(7,254)	29,014				29,014
	FUTURE FARMERS OF AMERICA	27889	38,586	(7,717)	30,869				30,869
	VOCATIONAL INDUSTRIAL CLUBS OF AMERICA	16734	47,600	(9,520)	38,080				38,080
	DISTRIBUTIVE EDUCATION CLUB OF AMERICA	27032	37,038	(7,408)	29,630				29,630
	JUNIOR VICA	16735	30,000	(6,000)	24,000				24,000
	INDUSTRIAL ARTS FAIR	27857	8,331	(1,666)	6,665				6,665
	ART EXHIBIT	27868	8,331	(1,666)	6,665				6,665
	SCIENCE AND ENGINEERING FAIR	27535	110,565	(22,113)	88,452				88,452
	STUDENT AWARDS	27886	126,612	(25,322)	101,290				101,290
	INTRAMURALS	27362	60,016	(6,261)	53,755				53,755
	MOLOKAI/LANAI STUDENT ACTIVITIES	27867	31,307		31,307	41,029			
	TRANSPORTATION FOR BAND	27713	51,286	(10,257)	41,029	12,000			
	SISTER STATE STUDENT EXCHANGE	27445	15,000	(3,000)	12,000				
	ATHLETICS (TRANSP. INTERSCH.)	27000	556,447	(111,289)	445,158		445,158		
	ATHLETICS (SALARY, SUPP & EQUIP)	27100	2,947,306		2,947,306		2,947,306		
	ATHLETIC DIRECTORS	27358	2,425,966		2,425,966		2,425,966		
	GIRLS JV SPORTS	27300	800,000	(160,000)	640,000		640,000		
	ATHLETICS (SUPPLIES & EQUIPMENT)	27400	752,135	(150,427)	601,708		601,708		
	MEDICS FOR ATHLETIC EVENTS	27750	90,159	(7,090)	83,069		83,069		
	ATHLETICS (TRANSP. SPEC. MAUI)	27900	47,862	(9,572)	38,290		38,290		
	ATHLETIC TRAINERS	27480	1,558,816	(18,812)	1,540,004		1,540,004		
	LIONS QUEST	16774	83,348	(16,670)	66,678		66,678		
	COMPREHENSIVE ELEM COUNSELING	26877	501,239	(13,064)	488,175				488,175
	HEALTH EDUCATION COUNSELORS	16736	660,369		660,369				660,369
	LEARNING CENTERS	16770	1,479,854	(84,420)	1,395,434		1,395,434		
	JR RES OFFICER TRNG CORP	16158	1,247,799		1,247,799		1,247,799		
	HAWAIIAN LANGUAGE IMMERSION PROGRAM	16732	1,603,399	(82,029)	1,521,370		1,521,370		
	ARTMOBILE	16366	93,535	(18,707)	74,828				74,828
	LAHAINALUNA BOARDING DEPT	16173	472,248	(36,470)	435,778		435,778		
	NANAIPONO COMMS/SCH MUSEUM	16405	70,464	(980)	69,484		69,484		
	AUDIOVISUAL CENTERS	24319	161,524	(32,305)	129,219				129,219
	PREGNANT TEEN CENTER-MAUI	28715	66,448	(352)	66,096		66,096		
	PREGNANT/PARENTING PROGRAM	12641	955,043		955,043				955,043
	ARTISTS IN THE SCHOOLS	16365	218,284	(43,657)	174,627				174,627
	FAMILIES FOR REAL	46447	314,755	(16,485)	298,270				298,270
	YOUTH LEADERSHIP PROJECT	15636	45,000	(9,000)	36,000				36,000
	INSTRUCTIONAL MATERIALS FOR REGULAR ED	15637	1,489,631	(297,926)	1,191,705				1,191,705
	RESOURCES FOR NEW FACILITIES-REG EDUC	12642	2,159,641	(431,928)	1,727,713				1,727,713
	RESOURCES FOR NEW FACILITIES-SPEC EDUC	12643	1,177,315	(235,463)	941,852				941,852
	RESOURCES FOR NEW FACILITIES-SCH ADMIN	12644	227,552	(45,510)	182,042				182,042

	PROGRAM	Program ID	Total budget general funds before restrictions	Restrictions for shortfalls	Budget After Restrictions	Excluded from allocation				Allocable to charter schools
						Must be provided at State level	Specific to complex, school, etc.	Grant-in-Aid	Resources for new facilities	
EDN200										
INSTRUCTIONAL SUPPORT										
INSTRUCTIONAL DEVELOPMENT										
INSTRUCTIONAL DEVELOPMENT-ADMIN SVCS		25023	304,000	(11,664)	292,336					292,336
SCHOOL RENEWAL GROUP		25024	1,791,968	(27,497)	1,764,471					1,764,471
SCH IMPROV/COMM LEADERSHIP GROUP-ADMIN		25233	458,607	(66,531)	392,076					392,076
LEADERSHIP DEVELOPMENT		25234	204,818	(13,253)	191,565					191,565
ACCREDITATION/SCHOOL IMPROVEMENT		25235	150,742	(11,504)	139,238					139,238
YEAR-ROUND EDUCATION		25236	58,010		58,010					58,010
SYSTEMS GROUP-ADMIN		25912	324,700	(7,541)	317,159					
SCHOOL LIBRARY SERVICES		25048	284,929	(3,610)	281,319					281,319
SCHOOL LIBRARY MATERIALS PROCESSING CTR		25044	263,517	(9,208)	254,309					254,309
INSTITUTES & WORKSHOPS-CERTIFICATED		25015	52,155	(10,431)	41,724					41,724
SABBATICAL LEAVE-CERTIFICATED		25115	849,218		849,218					849,218
TEACHER EVALUATION PATH		25020	54,659	(3,481)	51,178					51,178
COOPERATIVE/HOST TEACHER TRAINING		25749	15,315	(3,063)	12,252					
TEACHER EDUCATION-KAUAI DISTRICT		25750	80,445	(16,089)	64,356		64,356			
INFORMATION TECHNOLOGY SUPPORT CENTERS		25754	403,236		403,236					
TELESCHOOL		16772	2,472,726	(230,523)	2,242,203					
EDUCATIONAL CABLE CHANNEL		16731	31,061	(6,212)	24,849					
TELECOMMUNICATIONS SERVICES		16703	265,651		265,651					
DISTRICT RESOURCE SVCS-HAWAIIAN STUDIES		34659	53,596	(10,719)	42,877		42,877			
DISTRICT RESOURCE SVCS-ESLL		34660	1,357,420	(14,197)	1,343,223		1,343,223			
GEN CURRICULUM-DISTRICT RESOURCE SVCS		15135	109,911		109,911					109,911
SCHOOL RENEWAL		34681	3,039,388		3,039,388					3,039,388
LITERACY		25038	1,124,687	(6,885)	1,117,802					1,117,802
NCEE-BASED READING PROGRAM		25043	317,271	(28,597)	288,674					
PLANNING & EVALUATION		33004	1,364,016	(59,980)	1,304,036					
HAW CONTENT/PERFORM STAND-ASSESSMENT		15654	1,393,735	(275,163)	1,118,572					
HAW CONTENT & PERFORM STAND-TRAINING		15655	1,237,250	(12,250)	1,225,000					
TOTAL-EDN200			18,063,031	(828,398)	17,234,633	6,912,958	1,739,130	0	0	8,582,545

PROGRAM	Program ID	Total budget general funds before restrictions	Restrictions for shortfalls	Budget After Restrictions	Excluded from allocation			Allocable to charter schools
					Must be provided at State level	Specific to complex, school, etc.	Grant-in-Aid	Resources for new facilities
EDN300								
STATE AND DISTRICT ADMINISTRATION								
STATE ADMINISTRATION								
BOARD OF EDUCATION	33005	600,289			600,289			
SUPERINTENDENT'S OFFICE	33007	613,489	(13,510)		599,979			
PROTOCOL FUND	33790	2,500	(500)		2,000			
COMMUNICATIONS	33027	116,207			116,207			
BUSINESS/EDUCATION PARTNERSHIPS	33016	172,748	(5,002)		167,746			
INTERNAL AUDIT	33656	338,367	(55,744)		282,623			
PBRD-ADMIN (OIT)	33664	145,534	(4,000)		141,534			
PUBLIC AFFAIRS-ADMIN (OHR)	33665	140,266	(4,000)		136,266			
BUDGET	33006	926,627	(5,509)		921,118			
CIVIL RIGHTS COMPLIANCE OFFICE	33013	217,128	(1,145)		215,983			
COLLECTIVE BARGAINING ADMINISTRATION	33008	107,088	(8,936)		98,152			
BUSINESS SERVICES	33009	133,884	(674)		133,020			
ADMINISTRATIVE SERVICES (OBS)	33010	3,195,219	(153,237)		3,041,982			
FACILITIES AND SUPPORT SERVICES	33011	701,723	(9,211)		692,512			
PERSONNEL SERVICES	33926	4,347,325	(18,440)		4,328,885			
CLASS/COMP APPEALS BOARD	33718	2,844	(569)		2,275			
SERVICE AND MERIT AWARDS	33719	17,708	(3,542)		14,166			
EQUAL EMPLOY/OPPOR AFFIRMATIVE ACTION	33755	93,366	(7,040)		86,326			
CRIMINAL HISTORY CHECK	33829	595,221	(95,538)		499,683			
PERSONNEL RECRUITMENT	33085	120,549	(24,110)		96,439			
BLOOD PATHOGEN CONTROL	15125	150,000	(30,000)		120,000			120,000
WORKERS COMPENSATION-ADMINISTRATION	23052	503,921			503,921			
SCHOOL ADMINISTRATOR TRAINING PROGRAM	33118	2,256,133	(48,088)		2,208,045			2,208,045
SABBATICAL LEAVE-EO	33116	251,042			251,042			
SABBATICAL LEAVES-CLASSIFIED	33121	74,933			74,933			
REPROGRAPHIC SERVICES	33022	1,000,831	(84,638)		916,193			
DUPLICATING SERVICES	33001	52,425	(10,485)		41,940			
OFFICE OF INFO & TECH-GENERAL DIRECTION	33084	56,050	(11,210)		44,840			
INFORMATION RESOURCES MANAGEMENT	33088	4,285,192	(683,246)		3,621,946			
NETWORK SUPPORT SERVICES	33089	1,091,786	(14,017)		1,077,769			
INFORMATION SYSTEMS SERVICES	33021	2,081,633	(66,397)		2,015,236			
FINANCIAL MANAGEMENT SERVICES	33879	711,611	(126,323)		585,288			
COMPREHENSIVE HUMAN RESOURCE SYSTEM	33098	1,400,000	(280,000)		1,120,000			
SUBTOTAL		26,503,449	(1,745,111)		22,430,293	0	0	2,328,045
DISTRICT ADMINISTRATION								
ADMINISTRATION HONOLULU DISTRICT	34050	312,557	(8,260)		304,297			
CURRICULUM HONOLULU	34051	23,927	(3,339)		20,588			
ADMINISTRATION CENTRAL DISTRICT	34055	497,405	(16,512)		480,893			
CURRICULUM CENTRAL	34056	17,577	(3,515)		14,062			
ADMINISTRATION LEEWARD DISTRICT	34060	347,547	(9,061)		338,486			
CURRICULUM LEEWARD	34061	10,581	(2,116)		8,465			
ADMINISTRATION WINDWARD DISTRICT	34065	254,968	(4,468)		250,500			
CURRICULUM WINDWARD	34066	10,637	(2,127)		8,510			
ADMINISTRATION HAWAII DISTRICT	34070	464,770	(4,964)		479,806			
CURRICULUM HAWAII	34071	33,969	(6,304)		27,665			

			Total budget general funds before restrictions	Restrictions for shortfalls	Budget After Restrictions restrictions	Excluded from allocation				Allocable to charter schools
						Must be provided at State level	Specific to complex, school, etc.	Grant-in-Aid	Resources for new facilities	
PROGRAM	Program ID									
ADMINISTRATION MAUI DISTRICT	34075		396,529	(6,644)	389,885	389,885				
CURRICULUM MAUI	34076		11,328	(2,266)	9,062	9,062				
ADMINISTRATION KAUAI DISTRICT	34080		183,835	(1,711)	182,124	182,124				
CURRICULUM KAUAI	34081		3,260	(652)	2,608	2,608				
SUBTOTAL			2,588,890	(71,939)	2,516,951	2,516,951	0	0	0	0
TOTAL-EDN300			29,092,339	(1,817,050)	27,275,289	24,947,244	0	0	0	2,328,045

		PROGRAM ID	Total budget general funds before restrictions	Restrictions for shortfalls	Budget After Restrictions	Excluded from allocation				Allocable to charter schools
						Must be provided at State level	Specific to complex, school, etc.	Grant-in-Aid	Resources for new facilities	
EDN400										
SCHOOL SUPPORT										
FOOD SERVICES										
STATE ADMINISTRATION		35161	365,753	(6,199)	359,554					
CAFETERIA MANAGEMENT		35162	7,174,112		7,174,112					
FOOD SERVICES		35163	11,514,859		11,514,859					
SUBTOTAL			19,054,724	(6,199)	19,048,525	19,048,525	0	0	0	0
PHYSICAL PLANT OPERATIONS & MAINT										
STATE ADMINISTRATION SERVICES		37012	567,196	(1,023)	567,196	567,196				
AUXILIARY SERVICES-OAHU		37932	2,338,297	(142,642)	2,195,655	2,195,655				
SCHOOL CUSTODIAL SERVICES*		37297	30,758,736	(408,538)	30,350,198	25,768,044	215,366			4,366,788
CLASSROOM CLEANERS		37305	2,797,992		2,797,992					2,797,992
SEWER		37324	2,294,355		2,294,355					2,294,355
TELEPHONE		37325	1,034,577		1,034,577					1,034,577
ELECTRICITY		37326	20,377,632		20,377,632					20,377,632
WATER		37327	3,540,864		3,540,864					3,540,864
GAS		37328	293,117		293,117					293,117
TELECOMMUNICATION CHARGES FOR SCHOOLS		37330	462,960	(92,592)	370,368	370,368				
SCHOOL INSPECTION		37730	98,855	(2,579)	96,276					96,276
REPAIRS AND MAINTENANCE OF SCHOOLS		37662	1,895,000	(379,000)	1,516,000					1,516,000
DISPOSAL OF HAZARDOUS MATERIALS		37663	473,062	(94,052)	379,010					379,010
SUBTOTAL			66,933,666	(1,120,426)	65,813,240	28,901,263	215,366	0	0	36,696,611
STUDENT TRANSPORTATION										
STUDENT TRANSPORTATION		19097	21,288,425		21,288,425	21,288,425				
SUBTOTAL			21,288,425	0	21,288,425	21,288,425	0	0	0	0
Total-EDN400			107,276,815	(1,126,625)	106,150,190	69,238,213	215,366	0	0	36,696,611
Source: Department of Education										

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APPENDIX B
Schedule of Allocable Programs With Regular Payroll Expenditures, FY2002-03

Program ID No.	Program	Positions		Departmental Allocation	Allocation to Charter Schools	
		Perm	Temp		Excluded	Included
EDN100: SCHOOL BASED BUDGETING						
SCHOOL LUMP SUM BUDGET						
15110	BASIC NEEDS	7,474.0	-	\$ 283,574,954.00		\$ 283,574,954.00
15878	FOUNDATION PROGRAM	46.0	-	\$ 1,627,633.00		\$ 1,627,633.00
16290	INSTRUCTIONAL RES AUGMENTATION	516.0	-	\$ 21,641,992.00		\$ 21,641,992.00
16817	PINS-BASIC SKILLS	98.5	-	\$ 2,922,626.00		\$ 2,922,626.00
16816	PINS-STUDENT ACTIVITY COORDINATOR	15.0	-	\$ 635,107.00		\$ 635,107.00
16819	PINS-INSTRUCTION & SUPPORT SERVICES-VPS	1.0	-	\$ 54,734.00		\$ 54,734.00
16936	PINS-INSTRUCTION & SUPPORT SERVICES	53.0	-	\$ 2,256,590.00		\$ 2,256,590.00
16826	SCHOOL ASSESSMENT LIAISONS	24.5	-	\$ 1,056,882.00		\$ 1,056,882.00
16771	CORE LEARNING	272.0	-	\$ 11,205,154.00		\$ 11,205,154.00
18291	COMPREHENSIVE SCHOOL ALIENATION PRGM	171.0	-	\$ 6,453,537.00		\$ 6,453,537.00
23105	SCHOOL ADMINISTRATION	1,508.0	92.5	\$ 62,184,849.00		\$ 62,184,849.00
24317	SCHOOL LIBRARIES	336.0	-	\$ 14,205,868.00		\$ 14,205,868.00
26120	COUNSELING	475.5	-	\$ 19,856,214.00		\$ 19,856,214.00
27856	STUDENT ACTIVITIES COORDINATION SERVICES	44.5	0.5	\$ 1,936,801.00		\$ 1,936,801.00
36172	CAMPUS SUPERVISION AND PATROL	192.0	-	\$ 3,424,455.00		\$ 3,424,455.00
SUBTOTAL		11,227.0	93.0	\$ 433,037,396.00	\$ -	\$ 433,037,396.00
CATEGORICAL PROGRAMS						
15849	VOCATIONAL & APPLIED TECHNOLOGY	80.0	-	\$ 3,579,626.00		\$ 3,579,626.00
16744	HEALTH CAREER ACADEMY	-	5.5	\$ 205,829.00		\$ 205,829.00
15112	SCHOOL TO WORK TRANSITION CENTERS	-	15.0	\$ 612,615.00		\$ 612,615.00
16850	KEAKEALANI	2.5	-	\$ 81,509.00	\$ 81,509.00	
12659	KOKEE DISCOVERY CENTER	-	2.0	\$ 46,104.00	\$ 46,104.00	
16791	CHALLENGER CENTER	4.0	-	\$ 175,409.00	\$ 175,409.00	
12653	ONIZUKA MEMORIAL SPACE MUSEUM	-	1.0	\$ 53,276.00	\$ 53,276.00	
18863	STOREFRONT SCHOOL	4.0	-	\$ 129,234.00	\$ 129,234.00	
18869	OLOMANA YOUTH CENTER	10.0	2.0	\$ 455,508.00	\$ 455,508.00	
18859	MAUI ALTERNATIVE PROGRAM	2.0	1.0	\$ 119,550.00	\$ 119,550.00	
18858	MOLOKAI ALTERNATIVE PROGRAM	1.0	-	\$ 33,410.00	\$ 33,410.00	
18860	KAUAI ALTERNATIVE PROGRAM	2.0	-	\$ 79,967.00	\$ 79,967.00	
18861	KONA HO'OPONOPONO	2.0	-	\$ 75,649.00	\$ 75,649.00	
18862	HILO HUKILIKE	-	4.0	\$ 126,816.00	\$ 126,816.00	
18891	HILO HIGH SCHOOL ALTERNATIVE PROGRAM	3.0	-	\$ 112,720.00	\$ 112,720.00	
18890	HAWAII ALTERNATIVE PROGRAM	6.0	-	\$ 215,640.00	\$ 215,640.00	
18832	ALTERNATIVE LEARNING CENTER	5.0	7.0	\$ 508,701.00		\$ 508,701.00
18205	OLOMANA HALE HOOMALU	2.0	-	\$ 110,774.00	\$ 110,774.00	
18206	OLOMANA SCHOOL	12.0	3.0	\$ 613,389.00	\$ 613,389.00	
27358	ATHLETIC DIRECTORS	43.0	-	\$ 2,425,966.00	\$ 2,425,966.00	
27480	ATHLETIC TRAINERS	42.0	-	\$ 1,464,756.00	\$ 1,464,756.00	
26877	COMPREHENSIVE ELEM COUNSELING	-	22.0	\$ 432,561.00		\$ 432,561.00
16736	HEALTH EDUCATION COUNSELORS	2.0	15.0	\$ 660,369.00		\$ 660,369.00
16770	LEARNING CENTERS	0.5	15.0	\$ 657,738.00	\$ 657,738.00	
16158	JR RES OFFICER TRNG CORP	8.0	42.0	\$ 1,247,799.00	\$ 1,247,799.00	
16732	HAWAIIAN LANGUAGE IMMERSION PROGRAM	4.0	26.0	\$ 1,090,302.00	\$ 1,090,302.00	
16173	LAHAINALUNA BOARDING DEPT	9.0	-	\$ 275,498.00	\$ 275,498.00	
16405	NANAIKAPONO COMM/SCH MUSEUM	-	2.5	\$ 65,563.00	\$ 65,563.00	
28715	PREGNANT TEEN CENTER-MAUI	-	2.0	\$ 64,689.00	\$ 64,689.00	
12641	PREGNANT/PARENTING PROGRAM	21.0	-	\$ 885,175.00		\$ 885,175.00
46447	FAMILIES FOR REAL	-	6.0	\$ 232,329.00		\$ 232,329.00
12650	NETWORKING SYSTEM	3.0	2.0	\$ 262,749.00		\$ 262,749.00
12658	SUBSTITUTE SYSTEM	-	3.0	\$ 66,912.00		\$ 66,912.00
18727	IN-SCHOOL SUSPENSION	5.0	10.0	\$ 295,409.00		\$ 295,409.00
46793	PARENT COMMUNITY NETWORKING CENTER	8.0	1.0	\$ 307,754.00	\$ 307,754.00	
16807	HAWAIIAN STUDIES	-	3.0	\$ 94,209.00		\$ 94,209.00
16871	GIFTED & TALENTED	100.5	-	\$ 4,008,699.00		\$ 4,008,699.00
15653	HCPS- ASSESSMENT	-	2.0	\$ 80,618.00	\$ 80,618.00	
12667	HCPS-STANDARDS RESOURCE DEVELOPMENT	-	1.0	\$ 58,010.00	\$ 58,010.00	
16887	ESLL	141.0	-	\$ 5,668,782.00	\$ 5,668,782.00	
SUBTOTAL		522.5	193.0	\$ 27,681,613.00	\$ 15,836,430.00	\$ 11,845,183.00
TOTAL-EDN100		11,749.5	286.0	\$ 460,719,009.00	\$ 15,836,430.00	\$ 444,882,579.00

Program ID No.	Program	Positions		Departmental Allocation	Allocation to Charter Schools	
		Perm	Temp		Excluded	Included
EDN200: INSTRUCTIONAL SUPPORT						
25023	INSTRUCTIONAL DEVELOPMENT-ADMIN SVCS	4.0	-	\$ 239,152.00		\$ 239,152.00
25024	SCHOOL RENEWAL GROUP	36.0	1.0	\$ 1,616,210.00		\$ 1,616,210.00
25233	SCH IMPROV/COMM LEADERSHIP GROUP-ADMIN	2.0	-	\$ 118,953.00		\$ 118,953.00
25234	LEADERSHIP DEVELOPMENT	2.0	-	\$ 111,833.00		\$ 111,833.00
25235	ACCREDITATION/SCHOOL IMPROVEMENT	2.0	-	\$ 93,222.00		\$ 93,222.00
25236	YEAR-ROUND EDUCATION	1.0	-	\$ 58,010.00		\$ 58,010.00
25912	SYSTEMS GROUP-ADMIN	5.0	-	\$ 270,374.00	\$ 270,374.00	
25048	SCHOOL LIBRARY SERVICES	4.0	1.0	\$ 246,413.00		\$ 246,413.00
25044	SCHOOL LIBRARY MATERIALS PROCESSING CTR	5.0	1.0	\$ 217,479.00		\$ 217,479.00
25020	TEACHER EVALUATION PATH	1.0	-	\$ 34,764.00		\$ 34,764.00
25754	INFORMATION TECHNOLOGY SUPPORT CENTERS	11.0	-	\$ 403,236.00	\$ 403,236.00	
16772	TELESCHOOL	23.5	5.0	\$ 1,263,761.00	\$ 1,263,761.00	
16703	TELECOMMUNICATIONS SERVICES	4.0	-	\$ 265,651.00	\$ 265,651.00	
34660	DISTRICT RESOURCE SVCS-ESLL	15.0	22.0	\$ 1,286,436.00	\$ 1,286,436.00	
15135	GEN CURRICULUM-DISTRICT RESOURCE SVCS	2.5	1.0	\$ 109,911.00		\$ 109,911.00
34661	SCHOOL RENEWAL	60.5	-	\$ 3,039,388.00		\$ 3,039,388.00
25038	LITERACY	23.0	-	\$ 1,090,260.00		\$ 1,090,260.00
25043	NCEE-BASED READING PROGRAM	-	6.0	\$ 174,285.00	\$ 174,285.00	
33004	PLANNING & EVALUATION	19.0	-	\$ 1,041,881.00	\$ 1,041,881.00	
TOTAL-EDN200		220.5	37.0	\$ 11,681,219.00	\$ 4,705,624.00	\$ 6,975,595.00
EDN300: STATE AND DISTRICT ADMINISTRATION						
STATE ADMINISTRATION						
33005	BOARD OF EDUCATION	7.0	-	\$ 361,474.00	\$ 361,474.00	
33007	SUPERINTENDENT'S OFFICE	9.0	-	\$ 535,321.00	\$ 535,321.00	
33027	COMMUNICATIONS	3.0	-	\$ 116,207.00	\$ 116,207.00	
33016	BUSINESS/EDUCATION PARTNERSHIPS	3.0	-	\$ 137,740.00	\$ 137,740.00	
33656	INTERNAL AUDIT	1.0	-	\$ 59,646.00	\$ 59,646.00	
33664	PBRD-ADMIN (OIT)	2.0	-	\$ 125,534.00	\$ 125,534.00	
33665	PUBLIC AFFAIRS-ADMIN (OHR)	2.0	-	\$ 120,266.00	\$ 120,266.00	
33006	BUDGET	17.0	-	\$ 895,604.00	\$ 895,604.00	
33013	CIVIL RIGHTS COMPLIANCE OFFICE	3.0	-	\$ 210,915.00	\$ 210,915.00	
33009	BUSINESS SERVICES	2.0	-	\$ 125,534.00	\$ 125,534.00	
33010	ADMINISTRATIVE SERVICES (OBS)	71.0	-	\$ 2,408,275.00	\$ 2,408,275.00	
33011	FACILITIES AND SUPPORT SERVICES	13.0	-	\$ 652,203.00	\$ 652,203.00	
33926	PERSONNEL SERVICES	97.5	2.0	\$ 4,191,549.00	\$ 4,191,549.00	
33755	EQUAL EMPLOY/OPPOR AFFIRMATIVE ACTION	1.0	-	\$ 58,167.00	\$ 58,167.00	
33829	CRIMINAL HISTORY CHECK	2.0	-	\$ 108,533.00	\$ 108,533.00	
23052	WORKERS COMPENSATION-ADMINISTRATION	9.5	4.0	\$ 503,921.00	\$ 503,921.00	
33118	SCHOOL ADMINISTRATOR TRAINING PROGRAM	15.0	25.0	\$ 1,819,860.00		\$ 1,819,860.00
33022	REPROGRAPHIC SERVICES	17.0	-	\$ 566,703.00	\$ 566,703.00	
33088	INFORMATION RESOURCES MANAGEMENT	23.0	1.0	\$ 968,961.00	\$ 968,961.00	
33089	NETWORK SUPPORT SERVICES	23.0	-	\$ 1,021,700.00	\$ 1,021,700.00	
33021	INFORMATION SYSTEMS SERVICES	41.0	-	\$ 1,711,078.00	\$ 1,711,078.00	
SUBTOTAL		362.0	32.0	\$ 16,699,191.00	\$ 14,879,331.00	\$ 1,819,860.00
DISTRICT ADMINISTRATION						
34050	ADMINISTRATION HONOLULU DISTRICT	5.0	-	\$ 258,154.00	\$ 258,154.00	
34055	ADMINISTRATION CENTRAL DISTRICT	8.0	-	\$ 410,173.00	\$ 410,173.00	
34060	ADMINISTRATION LEEWARD DISTRICT	5.0	-	\$ 294,968.00	\$ 294,968.00	
34065	ADMINISTRATION WINDWARD DISTRICT	4.5	-	\$ 225,850.00	\$ 225,850.00	
34070	ADMINISTRATION HAWAII DISTRICT	8.5	-	\$ 449,911.00	\$ 449,911.00	
34075	ADMINISTRATION MAUI DISTRICT	8.0	-	\$ 355,952.00	\$ 355,952.00	
34080	ADMINISTRATION KAUAI DISTRICT	3.0	-	\$ 169,498.00	\$ 169,498.00	
SUBTOTAL		42.0	-	\$ 2,164,506.00	\$ 2,164,506.00	\$ -
TOTAL-EDN300		404.0	32.0	\$ 18,863,697.00	\$ 17,043,837.00	\$ 1,819,860.00
EDN400: SCHOOL SUPPORT						
FOOD SERVICES						
35161	STATE ADMINISTRATION	7.0	-	\$ 328,404.00	\$ 328,404.00	
35162	CAFETERIA MANAGEMENT	205.0	-	\$ 7,174,112.00	\$ 7,174,112.00	
35163	FOOD SERVICES	186.5	-	\$ 11,514,859.00	\$ 11,514,859.00	

Program ID No.	Program	Positions		Departmental Allocation	Allocation to Charter Schools	
		Perm	Temp		Excluded	Included
	SUBTOTAL	398.5	-	\$ 19,017,375.00	\$ 19,017,375.00	\$ -
	PHYSICAL PLANT OPERATIONS & MAINTENANCE					
37012	STATE ADMINISTRATION SERVICES	12.0	-	\$ 558,988.00	\$ 558,988.00	
37932	AUXILIARY SERVICES-OAHU	63.5	-	\$ 1,609,782.00	\$ 1,609,782.00	
37297	SCHOOL CUSTODIAL SERVICES	1,126.6	1.5	\$ 25,768,044.00	\$ 25,768,044.00	
37730	SCHOOL INSPECTION	-	1.0	\$ 72,462.00		\$ 72,462.00
	SUBTOTAL	1,202.1	2.5	\$ 28,009,276.00	\$ 27,936,814.00	\$ 72,462.00
	STUDENT TRANSPORTATION					
19097	STUDENT TRANSPORTATION	10.0	-	\$ 396,801.00	\$ 396,801.00	
	SUBTOTAL	10.0	-	\$ 396,801.00	\$ 396,801.00	\$ -
	TOTAL-EDN400	1,610.6	2.5	\$ 47,423,452.00	\$ 47,350,990.00	\$ 72,462.00

Source: Department of Education's Budget Office

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Responses of the Affected Agencies

Comments on Agency Responses

We transmitted a draft of this report to the Board of Education and the Department of Education on January 8, 2003. A copy of the transmittal letter to the Department of Education is included as Attachment 1. The Department of Education's response is included as Attachment 2. The Board of Education elected not to respond.

In its response, the Department of Education agrees with our assertion that the assigned allocation function conflicts with our mission. While we recognize the potential conflict of interest, we are also cognizant of the Legislature's preference to keep us involved in the allocation process. The department also noted that legislation is needed to clarify the Auditor's role in determining the funding allocation for existing and newly established conversion charter schools.

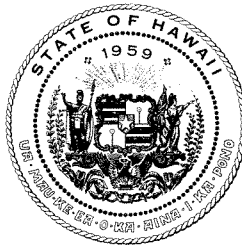
The department also concurred with our rationale for not providing retroactive funding. The department noted that Act 262, Session Laws of Hawaii 2002, was not signed into law until after FY2001-02 (July 5, 2002), and thus, was absent of any appropriation.

The department also requested that the Auditor release the per pupil allocation figures to the charter schools and the department by September 1 of each year. This is to facilitate the department's final distribution to the charter schools by October 15 as required by Act 262. However, we point out that the department's request is unreasonable. Act 262 does not require the official student counts to be submitted to the Office of the Auditor by the department until September 15 of each year. We cannot begin the allocation computations without the official student count. Based on the department's past performance in submitting requested information in a timely manner, we are less than optimistic that the department would get this information to us much before September 1. It has struggled to meet the September 15 statutory deadline.

The department also noted that the July 5, 2002 signing of Act 262 did not allow new century charter schools to enter into an annual memorandum of agreement with the department for centralized services prior to the beginning of the school year as required by the revised law.

Finally, the department requested that beginning in FY2003-04 the Auditor allocate a per pupil amount for all students, including special education students. However, we remind the department that the current law does not provide for Auditor's allocations for special education students.

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

January 8, 2003

COPY

The Honorable Patricia Hamamoto
Superintendent of Education
Department of Education
Queen Liliuokalani Building
1390 Miller Street, Room 309
Honolulu, Hawaii 96813

Dear Ms. Hamamoto:

Enclosed for your information are three copies, numbered 6 to 8 of our confidential draft report, *New Century Charter School Allocations Project – FY2002-03*. We ask that you telephone us by Friday, January 10, 2003, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Wednesday, January 15, 2003.

The Board of Education, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential 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.

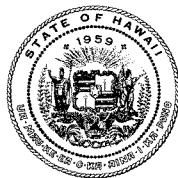
Sincerely,

A handwritten signature in black ink, appearing to read "marion m. higa". The signature is written in a cursive, flowing style.

Marion M. Higa
State Auditor

Enclosures

Linda Lingle

~~XXXXXXXXXXXX~~
GOVERNORPATRICIA HAMAMOTO
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION

P.O. BOX 2360
HONOLULU, HAWAII 96804

PCSPO 03-004

OFFICE OF THE SUPERINTENDENT

January 14, 2003

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

RECEIVED

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OFFICE OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

The Department of Education agrees with the Auditor's methodology for allocating funds to New Century Public Charter Schools. The Department of Education also supports the Auditor's concerns in the following areas:

- The Auditor's assigned allocation function conflicts with its constitutional and statutorily assigned audit functions.
- Should the Auditor continue to be assigned the allocation function for Charter Schools, legislation is needed that clearly states the Auditor is responsible for determining the funding allocation for both existing and newly established Conversion Charter Schools, i.e., the same methodology for existing and newly established Conversion Charter Schools.
- The Department of Education agrees that because Act 262 was not signed into law until July 5, 2002 after the completion of the fiscal year 2001-02 and absent any appropriation, the Auditor was unable to provide retroactive funding.

In addition, the Department of Education shares the following:

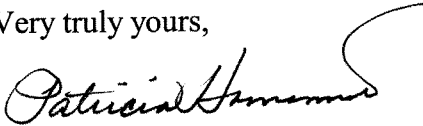
- Act 262 requires that Charter Schools must receive their remaining and final per pupil allocation by October 15th. For the purpose of planning expenditures, programmatic elements and workload, the per pupil allocation figures must be released to the Charter Schools and the Department of Education by September 1st of each year.

The Honorable Marion Higa
January 14, 2003
Page Two

- The July 5, 2002 signing of Act 262 did not allow New Century Charter Schools to enter into an annual memorandum of agreement for centralized services prior to the beginning of the school year as required by the revised law.
- The Department of Education respectfully requests that beginning FY2003-04 the Auditor allocate a per pupil amount for all students, including Special Education students.

If there are any questions, please call Chuck Higgins at 586-3570.

Very truly yours,



Patricia Hamamoto
Superintendent

PH:CRH:jmk

cc: Herbert S. Watanabe, BOE Chairperson
Carol Gabbard, BOE NCCPSC Chairperson
The Honorable Norman Sakamoto, Senate
The Honorable Roy Takumi, House of Representatives
Debra Farmer, ES III
Edwin Koyama, Budget Director
Charles R. Higgins, PCSPS III
LSB Chairs & Administrators, PCS