

FY2011
<b>F</b>
Grade based on % of Actual Funding Disparity

# Hawaii

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This chapter examines the revenue sources and funding equity for district public schools and charter schools in Hawaii during FY2010-11 (FY11).<sup>1</sup> Hawaii is the only state in the United States where the state as a whole is a single school

district, which is referred to as the Department of Education (DOE). Therefore, there are no designated focus areas in this analysis and Figure 3 below does not include weighted per pupil revenues, only actual revenues. Second, this is the first year that Hawaii has been included in this series of studies and therefore no longitudinal data and analyses are included in this chapter.



## Highlights of the FY11 Analysis

- Hawaii’s 31 charter schools received 25.4 percent less funding than district schools: \$10,562 vs. \$14,161 per pupil, a difference of \$3,599 per student (Figures 1 & 3).<sup>2</sup>
- If Other revenues are removed from per pupil totals, the disparity grows to \$4,615. Hawaii charter schools, therefore, receive 33.9 percent less in public revenues per pupil than district schools (\$13,601 vs. \$8,986).
- The entirety of the revenue disparity between district and charter schools lies in State funds. District schools statewide received \$11,805 in State revenues whereas charter schools received \$6,394 per pupil, a difference of \$5,411 per student or 45.8 percent.
- Charter schools represent 4.4 percent of statewide student enrollment but generate only 3.3 percent of total public school revenues.
- Magnitude of Disparity: In Hawaii, if traditional schools statewide received the same level of per pupil funding as charter schools, they would have received nearly a *quarter of a billion dollars less* in total revenues (\$641,267,582).

## Probable Causes for Funding Disparities

\*Important notes about the accuracy of revenue totals:

1. The disparity between districts and charter schools is likely overstated by an unknown amount. This is because fringe benefits are paid directly by the state – these revenues do not pass through charter schools and therefore are not included in charter school revenue totals. We were unable to obtain an estimate amount of fringe benefits for Hawaii charter schools. Fringe benefits, however, are included in district school revenue totals.
2. Special education services are paid for and provided by the DOE, not by charter schools independently. Revenues for special education are included in statewide district revenue numbers but estimates of special education expenses for charter schools could not be obtained and therefore, no deductions could be made.
3. Federal revenues for school districts may be underestimated because they are based on expenditures (see Endnote 1).

Figure 1

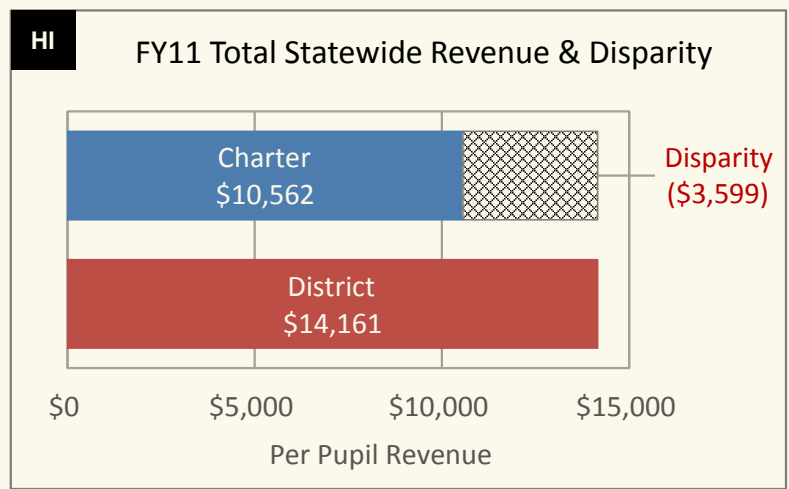
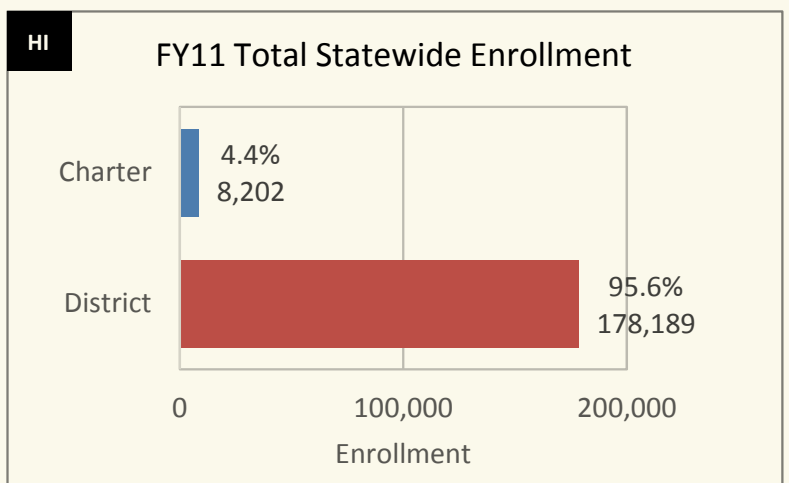


Figure 2



## Disparities by Design

### (1) Facilities Funding Access

- Like so many states, a leading cause in the revenue disparity between Hawaii traditional public schools and charter schools is charter schools' lack of access to capital funding. Potential changes are on the horizon with several bills positing ways to fund a per pupil facilities amount for charter schools.

### (2) Single School District

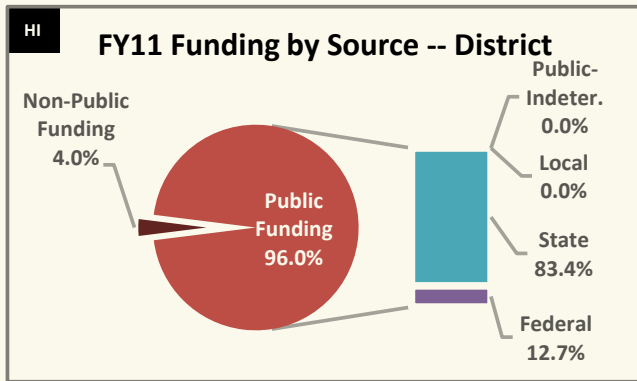
- Hawaii charter schools do not have LEA status. Hawaii is both a single statewide LEA and the SEA, and therefore all traditional "LEA" services remain with the DOE. Thus, like traditional schools in Hawaii, charter schools receive services and "on behalf-of payments" by the DOE for services such as special education and fringe benefits.
- Although not a cause of the disparity but a causality of the disparity, Hawaii statute requires that all teachers are a part of the state's collective bargaining unit and that charter schools must pay teachers on the same salary schedule as DOE schools.<sup>3</sup> With \$5,411 less to work with in State funds than district schools in FY11 (Figures 3, 4 & 5), charters must use a large portion of State pupil funding to cover salaries alone. In a recent article, Jim Shon, Director of the Hawaii Educational Policy Center, looked at FY 2009-10 education expenditure data from the U.S. Department of Education and determined that salaries at DOE schools represented about 40 percent of total expenditures whereas charter school salary expenditures represented approximately 79 percent of total expenditures – nearly double.<sup>4</sup>

Figure 3

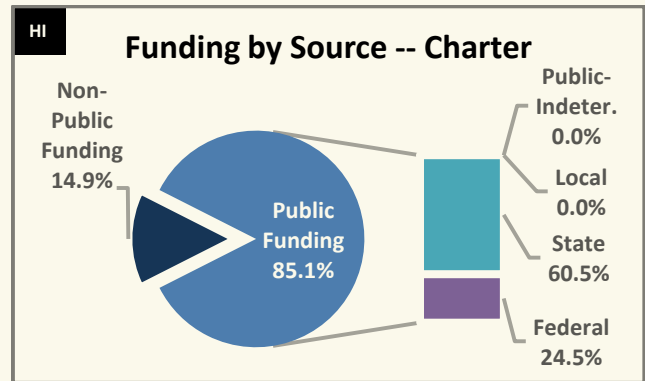
HI Summary Data Table		
FY2010-11	Statewide	
<b>Per Pupil Revenue</b>		
District	\$14,161	
Charter	\$10,562	
Difference	(\$3,599)	
% of District	(25.4%)	
<b>Per Pupil Revenue by Source</b>		
	District	Charter
Federal	\$1,795	\$2,592
State	\$11,805	\$6,394
Local	\$0	\$0
Other	\$560	\$1,576
Public-Indeter.	\$0	\$0
Indeterminate	\$0	\$0
Total	\$14,161	\$10,562
<b>Enrollment</b>		
District	178,189 95.6%	
Charters	8,202 4.4%	
Total Enrollment	186,391	
Charter Schools	31	
<b>Revenue</b>		
District	\$2,523,248,529 96.7%	
Charter	\$86,627,164 3.3%	
Total Revenue	\$2,609,875,693	
<b>Percentage of Revenue by Source</b>		
	District	Charter
Federal	12.7%	24.5%
State	83.4%	60.5%
Local	0.0%	0.0%
Other	4.0%	14.9%
Public-Indeter.	0.0%	0.0%
Indeterminate	0.0%	0.0%
<b>Magnitude of Disparity = Total Funding Difference x District Enrollment (see above)</b>		
	(\$641,267,582)	

\*All charter schools operating in FY11 are included in this analysis.

**Figure 4**



**Figure 5**



**Analysis of Revenues by Funding Source**

\*Note ~ This is the first time Hawaii has been included in this series of revenue studies. Therefore, no longitudinal data are available and Figures 6-9 will not appear in this chapter.

**Total Funding**

When all revenue sources are combined, district schools received \$14,161 per pupil and charter schools received \$10,562. It should be noted again, however, that district revenues include fringe benefits whereas charter school revenues do not. With 25.4% more revenue per pupil, however, the difference goes far beyond benefits alone (Figure 10).

**Figure 10**

HI Disparity as Percent of District -- Over Time			
Negative Disparities Mean Districts Receive More (red text)			
Focus Area	FY2003	FY2007	FY2011
Statewide	N/A	N/A	-25.4%

**Total Funding Less Other**

Our study includes total funding whether the funds originate from public or private sources. Other is comprised primarily of philanthropic dollars, which can play a significant role in the financing of charter schools. Public funding includes Local, State, Federal, Indeterminate-Public, and where we cannot determine the source, Indeterminate. In Figures 4 and 5 above, Other revenues – or Non-Public dollars – are broken out to determine if funding from public sources is distributed equitably to districts and to charter schools.

As Figures 4 and 5 above show, public revenues constituted 96.0 percent of district total per pupil revenues whereas public revenues were only 85.1 percent of charter school total revenues. This equates to \$13,601 per pupil for district schools and \$8,986 for charter schools in public revenues. Charter schools actually generated \$797 more in Federal revenues per student, which leaves the major source of the disparity in the realm of State funds. When we look at State dollars alone, district schools received \$5,411 more per student, which is 45.8 percent more than charter schools.

## Other Funding

Other revenues encompass all forms of revenue not originating from public revenue sources, such as returns on investments, charges for facility rentals, food service charges and philanthropy. Historically, Other revenues have played a significant role in shoring-up funding gaps for charter schools. Although we do not have longitudinal data to track Other revenues for Hawaii, this was certainly the case for Hawaii charters in FY11.

District school Other dollars comprised only 4.0 percent of total revenues or \$560 per pupil. Other revenues for charter schools, however, were 14.9 percent of total revenues or \$1,576 per student.

## Where the Money Comes From<sup>5</sup>

Hawaii is the only state in the union that is structured as a single school district. Likewise, Hawaii is also unique in that there are no local tax revenues that support public education; all public education revenues are funded through state, federal and other sources. Hawaii's local property taxes fund county and city government services only. State funding for public schools, including capital funding, is determined by the state legislature on a biannual basis and is dispersed by the Governor.

Public education in Hawaii is predominantly supported through the General Fund. The major sources of state taxes that fund schools are: personal and corporate income taxes, the general excise tax, and special taxes – inheritance, use taxes, liquor and licensing fees.

## How Hawaii Funds its Districts

Beginning with the 2006-07 school year, Hawaii transitioned to a weighted student funding formula to fund a significant portion of district public school allocations. Hawaii's formula starts with a base allocation for all students and then weights for district and student adjustments are added to the base amount. For FY11, district weights applied to the base amount included: (1) density/sparsity adjustments that either add money per pupil - if school enrollments fall below defined thresholds - or deduct funds per pupil for schools with enrollments that exceed thresholds (these weights were dropped for FY2012);<sup>6</sup> (2) weights for grade level differences; and (3) adjustments for declining or growing enrollments made at four different times over the course of a year. Capital outlay and debt service funds are also allocated based on legislative decisions through the Hawaii Department of Budget and Finance<sup>7</sup> and transportation funds are appropriated separately at the district level, as well.

Although Hawaii operates as one single district, schools are grouped into "Complex Areas" and these Complexes are funded and staffed with state and federal monies to provide services to district schools.

The major student-based weights to the funding formula follow student needs: (1) special education adjustments are assigned based on a comprehensive district-wide IEP tracking system that tailors the weights for each special education student based on the number of hours per week of support/instruction needed; (2) Adjustments for economically disadvantaged students using free or reduced-price lunch data that support additional education; (3) English Language Learners (ELL) and Bilingual education is adjusted for at the student level; and (4) Transience and Geographic isolation are both weighted to accommodate for students on the move and geographic isolation that can come with seven separate islands within one school district (weights for geographic isolation have since been removed from the formula)<sup>8</sup>.

In addition to the weighted formula, categorical funding is distributed for programs such as vocational education, athletics, Hawaiian language studies, etc.

## How Hawaii Funds its Charters<sup>9</sup>

Every year the Charter School Administrative Office submits a general fund budget request to the legislature for

each charter school's appropriation. Funding for charter schools is appropriated through a line item in the state budget. Beginning in FY07, Hawaii statutes gave charter schools the option to, by group vote: (1) elect to receive funding based on the weighted per pupil funding system for DOE schools described above, (2) propose an alternate weighted formula, or (3) receive per pupil state revenues through an averaged cost calculation. To date, Hawaii charters have never voted to receive funding through the weighted system or proposed an approved alternate weighted funding system.

In 2012 Hawaii's statutes were amended and changes were made to the way charter schools are funded. Beginning with the 2012-13 school year, charter school funding requests are now made using the non-facility general fund per pupil amount. The general fund cost categories include comprehensive school support services but exclude all special education, adult education, and after-school program funding.

Instead, the budget request is based on the most recent non-facility general fund per pupil amount approved in the executive budget recommendation for the DOE. The funding requests are based on "reasonable" projected enrollment figures and include all general fund regular cost categories for each regular and special education student. These costs categories include comprehensive school support services but exclude the following: special education services, adult education, after-school plus program and fringe benefits. The excluded cost categories are paid for and provided by the DOE, like they are for all other traditional public schools.

For the first year of a conversion charter school's operations, the school receives funds based on its prior year's allocations as a BOE school to ensure appropriate transitional resources. In the second year of operations and thereafter, conversions are funded using the charter formula described above.

Hawaii statute provides that charter schools are "...eligible for all federal financial support to the same extent as all other public schools." Charter schools do not have LEA status in Hawaii and therefore must be considered for Federal funding under the application and distribution of the DOE. The DOE provides the charter schools office with a list of all state-level Federal grant applications submitted by the department under which charter schools may be eligible to receive potential funding.

### **Funding for Public School Facilities**

Traditional public schools in Hawaii receive capital and debt service funding through legislative allocations in the Capital Improvement Projects budget. Hawaii charter schools do not receive facilities funding. State statute does state that when the Department of Education considers closing a particular public school, the "department shall submit a notice of possible availability of a public charter school to the board."<sup>10</sup> Currently several bills are under consideration that would provide for some amount of facilities funding to charter schools going forward.

### **Select Enrollment Characteristics<sup>11</sup>**

Figure 11 below shows data for both charter and district school demographics. We include this data, if available, to look at possible differences in the types of students served to discern if high need student populations may be resulting in higher levels of funding for either charter or district schools.

Figure 11

HI	Select Enrollment Characteristics								
Student Group >>> Year >>>	Percentage of Total Enrollment								
	Free & Reduced Lunch			Title I			Special Education		
	FY03	FY07	FY11	FY03	FY07	FY11	FY03	FY07	FY11
Statewide District	N/A	N/A	46.9%	N/A	N/A	72.9%	N/A	N/A	10.1%
Statewide Charter	N/A	N/A	45.0%	N/A	N/A	61.3%	N/A	N/A	8.0%

Charter and district schools educate near identical percentages of free or reduced-price lunch eligible students and 11.6 percent fewer charter schools were Title I eligible than district schools. District schools served 2.1 percent more special education students but those differences are not reflected in funding because charter revenues include little to no special education revenues. Overall, the types of students served by both districts and charter schools are very similar and should not cause substantial differences in funding.

### State Practices Summary

We have assigned ratings to each state based on the quality of the data available, as well as to the extent charter schools have access to specific streams of revenue (Figure 12).

Figure 12

HI	Funding Practices Summary							
PURPOSE	GRADE			FUNDING				REF
	FY2 003	FY2 007	FY2 011	Federal Source	State Source	Local Source	Facilities Source	
This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.	N/A	N/A	F					
	Grade based on % of Actual Funding Disparity							
ACCESS TO FUNDING SOURCES								
Do charter schools have access to this funding source according to state statutes?	Yes	Yes	No	No				1
In practice, do charter schools have at least as much access to this funding source as districts have?	Yes	No	No	No				2
Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?	Yes	No	No	No				2
DATA AVAILABILITY								
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools?							Yes	3
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?							Yes	4
FUNDING FORMULA								
Are charter schools treated as LEAs for funding purposes?							Yes	5
Does the state provide funding for charter schools and districts based primarily on student enrollment?							Yes	

1~ Legislation is currently under consideration for some amount of facilities funding for charter schools.

2 ~ Hawaii public schools do not receive funding through local tax dollars, only from state tax revenue sources.

- 3 ~ Revenue data for the states' district schools are confusing and incomplete. We used multiple accounts of revenues to pull together a best guess scenario for total revenues that includes all sources.
- 4 ~ Charter school revenues are from the "Final Summary Budget Data" prepared for the state legislature. There is no detail and the totals do not include fringe benefits, which are appropriated separately and are not a part of per pupil funding allocations. This is an unknown additional amount that charter schools receive.
- 5 ~ Charter schools do receive all funding independent of Hawaii BOE schools but federal funds still flow through an intermediary, the Charter Schools Administrative Office, rather than directly to the schools. Although Hawaii charters have access to federal funds, they cannot apply independently.

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## Endnotes

- 1 Public schools in Hawaii are funded through State, Federal and Other sources; there are no local tax dollars that contribute to public school revenues. The Hawaii Department of Education was unable to provide the research team with a comprehensive revenue database for FY 2011 for Hawaii district schools. Therefore, several sources of FY11 financial data were used to build a picture of total district school revenues, which presents an imperfect estimate of total revenues. The "Annual Financial Report," which does not include charter school revenues, was used for state appropriation totals and other revenue totals. The "Annual Financial Report" was used for these two revenue sources because this report provides some program revenue detail that allows us to identify and include/exclude specific revenue streams to align with states across the country. The "FY 2011 Annual Financial Audit," which does include charter school revenues, was used to approximate Federal revenue totals, and therefore charter federal revenue totals were deducted from this amount. The "Federal Schedule of Expenditures" was used as a proxy for revenues because it reports a single year schedule of expenditures whereas the "Annual Financial Report" uses an accumulative schedule of expenditures based on the grant award date. Because the schedule in the audit provides program expenditure detail, we were able to identify specific expenditures for adult education and PreK and deduct these from totals. Total Federal expenditures were reported as \$345,141,336 in the "Annual Financial Audit" and NCES data for FY 2011 shows federal revenue totals for Hawaii at \$347,363,000 - much closer than the Annual Financial report which reports federal revenues at \$308.6 million.

The source of all charter school revenues is the "CSAO FY 2011 Actual Revenues and Expenditures," which provides revenues by major Fund and source but does not provide detail.

FY11 Enrollment data was provided by the Department of Education for both charter and district schools (Complex areas).

- 2 Charter school revenues are underestimated. Totals do not include fringe benefit payments and special education revenues. Fringe Benefits are paid directly by the state for all public employees but a FY11 "on behalf of" payment amount was not available from the state. By law, special education services and associated expenditures for charter school students are the responsibility of the department; no revenues flow through charter schools independently.
- 3 Statute does permit negotiated agreements between a charter school board and union representatives.
- 4 Shon, Jim. "How do you Measure Equal Funding for Schools?" *Huffpost Hawaii*, October 25, 2013. [http://www.huffingtonpost.com/jim-shon/how-do-you-measure-equal-funding\\_b\\_4158387.html](http://www.huffingtonpost.com/jim-shon/how-do-you-measure-equal-funding_b_4158387.html)
- 5 "Hawaii." <http://education.unlv.edu/centers/ceps/study/documents/Hawaii.pdf>.
- 6 Poythress, Katherine. "New Funding Formula for Hawaii Schools." *Honolulu Civil Beat*, September 23, 2011.
- 7 "Hawaii Department of Education Budget." *Honolulu Civil Beat*. February 10, 2014.
- 8 Poythress, Katherine. "New Funding Formula for Hawaii Schools." *Honolulu Civil Beat*, September 23, 2011.
- 9 Hawaii State Charter School Laws: §302B-12 Funding and Finance.
- 10 Hawaii State Charter School Laws: [§302D-24] Occupancy and use of facilities of public schools
- 11 FY11 Special Education data was calculated from Hawaii Department of Education "Official Enrollment Count, 2010-11 School Year" data; Title I data was calculated from Department of Education AYP status data for Title and non-Title district and charter schools for FY11; free or reduced-price lunch data was generated from NCES FY11 table-builder.