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DATE: January 13, 2023

TO: Justin Woodson, Chair
House Committee on Education

FROM: Yvonne Lau, Interim Executive Director
State Public Charter School Commission

SUBJECT: EDN 600 and EDN 612 Fiscal Biennium FY2023-2025 Biennium Budget Briefing
Testimony

Chair Woodson, Vice Chair Marten, and members of the Committee:

The State Public Charter School Commission (“Commission”) appreciates this opportunity to submit this testimony on its proposed budget for the fiscal biennium FY 2023-2025 for EDN 600 and EDN612. Section 1 of this testimony will focus on EDN 600-Charter Schools and Section 2 will cover EDN 612-Charter Schools Commission and Administration. As the sole authorizer of charter schools in the state, the Commission oversees the executive budgetary process for itself (program ID- EDN 612), and for all 37 operating public charter schools (program ID- EDN 600).

We appreciate your continuing support of Hawai‘i’s 37 public charter schools and over 12,100 students.

SECTION 1- EDN 600: CHARTER SCHOOLS

OVERVIEW

A. Mission Statement

Charter schools provide parents and students within the State of Hawaii an alternative to the traditional public school experience. Charter schools, while subject to the same State accountability requirements as all other public schools, serve as incubators of innovative approaches to educational, governance, financing, administration, curricula, technology, and teaching strategies.

37 public charter schools currently operate in the State of Hawaii: Kauai (5), Maui (1), Molokai (1), Hawaii (14) and Oahu (16).

Public charter school enrollment for the 2022-2023 fiscal year is **12,158 students**, which represents a slight increase from the previous year (129 students).

Strategic Objectives, Goals, and Performance Metrics

All public charter schools operate on individualized charter contracts that establish Academic, Organizational, and Financial Performance expectations, with the understanding that failure to meet those expectations and/or performance measures, may result in non-renewal of the charter contract and school closure.

The Commission is currently in the renewal process for twenty-three (23) charter school or sixty-two (62%) percent of its total portfolio of charter schools.

In addition, the Commission has implemented performance measurements for the first time for both itself and charter schools. The Commission worked with the Department of Budget & Finance to implement these performance measures for EDN 600 and EDN 612 for the upcoming fiscal biennium.

B. Current Statewide Conditions

The Commission and its 37 public charter schools have largely returned to a more normalized school year with some lingering cases of COVID-19 occasionally affecting schools and disrupting teaching and learning.

However, the public charter schools as a whole mirrored the broader public school system with some schools showing lower student proficiency in most of the areas of assessment, however, there are a number of schools that demonstrated incredible gains despite all of the challenges of the last few years. For example, about 20% of the schools in the portfolio met/exceeded both the State and Charter school proficiency rates in both math and language arts. These bright spots evidence the persistence and hard work of the schools no matter the challenges.

As a whole the charter schools are represented in all three categories: those exceeding the state average, those at or near the state average, and those far below the state average.

C. Federal Funds

In Hawai'i, the Department of Education (DOE) serves as both the State Educational Agency (SEA) and the Local Educational Agency (LEA) and is the sole recipient of most federal educational funding in the state. Public charter schools receive federal funding from the DOE for the major federal education programs such as Title I, Part A; Title II, Part A; Title III; and IDEA, Part B. This past fiscal year, approximately **\$9.9 million** was distributed to public charter schools for federally funded educational programs. The Schedule of Expenditures of Federal Awards (SEFA) from the Commission's Annual Audit for FY 2021-2022 can be found in the Commission's annual report [here](#) (SEFA is on page 361 of the PDF document).

In addition, charter schools received a pro-rata allotment of about **\$27.6 million** through the American Rescue Plan Act of 2021: Elementary and Secondary School Emergency Relief Fund (ESSER III). Charter schools received these funds in two separate allotments in fiscal years 2022 and 2023 from the DOE.

At this time, there are no programs that are at risk of losing federal funds; provided that the federal government will continue its support of the public school system.

D. Non-general Funds

EDN 600 (Charter Schools) does not have any non-general funds to report.

E. Budget Requests

	FY2023-2024	FY2024-2025
General Funds	\$128,538,061	\$131,127,080
Federal Funds	\$5,042,000	\$5,042,000
Other Means of Financing	\$0	\$0
Total Program Cost	\$133,580,061	\$136,169,080

The chart above provides the biennium allocations for EDN 600 (Charter Schools) as provided in the proposed executive budget for fiscal years 2024 and 2025.

The Executive Budget for the first year of the biennium, FY 2023-2024, provides for an increase in general funds to EDN 600; The adjustments that have been proposed in the Executive Budget are:

- **Per-pupil adjustments**
 - Increase in general (Per Pupil) funding: **(\$5,396,944)** for FY2024

Purpose of request: Statutory adjustment made to equalize per-pupil funding due to proposed adjustments to major DOE program IDs (EDN 100, EDN 200, EDN 300, and EDN 400).

- Increase in general (Per Pupil) funding: **(\$6,507,926)** for FY2025

Purpose of request: Statutory adjustment made to equalize per-pupil funding due to proposed adjustments to major DOE program IDs (EDN 100, EDN 200, EDN 300, and EDN 400).

Funding for public charter schools are determined by the operating appropriation to the Hawai'i Department of Education (DOE) program IDs (EDN 100, EDN 200, EDN 300, and EDN 400) and the schools' pro rata enrollment compared to the total public education enrollment.

F. Budget Adjustments

The budget adjustments/requests provided in the Executive Biennium budget result from the adjustments/additions to the DOE budget, pursuant to the charter school funding methodology provided in §302D-28, HRS.

Approval of these requests would result in an increase to the charter school per pupil amount, which is a lump sum funding allocation that is determined by individual charter school student enrollment.

SECTION 2- EDN 612: CHARTER SCHOOL COMMISSION AND ADMINISTRATION

OVERVIEW

A. Mission Statement

The statutory mission of the Commission is “to authorize high-quality public charter schools throughout the State.” (HRS 302D-3(b)). The Commission’s strategic vision for the chartering of these high-quality schools is that they provide excellent and diverse educational options for Hawai'i’s families, prepare our students for future academic or career success, and contribute meaningfully to the continued improvement of Hawai'i’s public education system as a whole.

Unlike the Superintendent of the Department of Education, the Commission and its staff are not the Superintendent of public charter schools, rather, the Commission is the contract holder for the state with each public charter school. Section 302D-3, HRS, establishes the Commission as an agency administratively attached to the Department of Education (DOE) that is empowered with statewide chartering jurisdiction and authority. As the charter school authorizer, the Commission:

1. Serves as the point of contact between the DOE and public charter schools;
2. Ensures the compliance of public charter schools with all applicable state and federal laws;

3. Serves as the pass-through for the distribution of federal funds provided to the DOE and allocated to public charter schools; and
4. Serves as the pass-through for the distribution of per-pupil funding received from the State and allocated to public charter schools.

Strategic Objectives, Goals, and Performance Metrics

This past year, the Commission implemented Budgetary Measures of Effectiveness for both itself and charter schools. These measures were developed to align with and complement the revisions to the Commission's strategic plan that has taken place over the past few years. The Commission has worked with the Department of Budget and Finance to implement and include these measures into the budget system and documents for the upcoming fiscal biennium.

The Commission's Measures of Effectiveness can be found in the document provided [here](#) (page 21 of the linked PDF document).

B. Current Statewide Conditions

The Commission continues to work on numerous issues and projects, acting in its authorizing, oversight, administrative, and advocacy role for the chartering system in Hawai'i.

The Commission continues to work closely with the DOE and the Department of Health (DOH) to gather and disseminate information and guidance on addressing and meeting the health and safety needs for our portfolio of schools. For example, the Commission has worked closely with the Keiki Nurse Program, an initiative with the Department of Health that provides both in-person and virtual health care to public charter school students.

C. Federal Funds

For the 2022-2023 fiscal year, the Commission received and administered approximately **\$10.3 million** in federal educational funds. Of those total federal funds, the Commission expended **\$429,007** or approximately four percent, of the funds received. The Schedule of Expenditures of Federal Awards (SEFA) from the Commission's Annual Audit for FY2021-2022 can be found in the Commission's annual report [here](#) (SEFA is on page 361 of the PDF document).

The Commission receives federal funding through the DOE for the major federal education programs such as Title I, Part A; Title II, Part A; Title III; and IDEA, Part B. These funds, specifically Title I funds, are used to provide direct support to schools identified for comprehensive support and improvement (CSI) and targeted support and achievement (TSI). This past fiscal year, the Commission initiated and administered programs intended to assist in academic growth and achievement, provide mentoring and coaching for charter school administrative leadership, and engage charter school governing boards in understanding its roles and responsibilities.

At this time, there are no programs that are at risk of losing federal funds; provided that the federal government will continue its support of the public school system.

D. Non-general Funds

EDN 612 (Charter School Commission and Administration) does not have any non-general funds to report.

E. Budget Requests

	FY2023-2024	FY2024-2025
General Funds	\$4,730,693	\$4,753,333
Federal Funds	\$1,800,000	\$1,800,000
Other Means of Financing	\$0	\$0
Total Program Cost	\$6,530,693	\$6,553,333

The general funding allocations for EDN 612 in the executive biennium budget request contains two distinct components- the operating funds for the Commission and the operating funds for the Early Education Learning program in charter schools.

For the Commission operating funds, the executive budget provides **\$1,631,019** for FY2024 and **\$1,653,659** for FY2025.

The proposed executive biennium budget provides **\$2,899,674** in general funds for the Early Education Learning program in charter schools for both FY2024 and FY2025. This school year, the charter school Early Education Learning programs are operating at about 87% capacity, which highlights the demand for quality pre-kindergarten education.

The Commission had requested **\$1,358,075** in general funds for the Early Learning program for both years of the upcoming biennium in its executive budget request. This funding would have restored the Early Learning program to the funding level provided pre-pandemic. The proposed executive biennium budget only provides **\$257,749** in restored Early Learning program funding for both years of the biennium.

F. Budget Adjustments

The proposed budget adjustments for EDN 612, the Charter School Commission, would come from the funding restored to the Early Learning program. These adjustments would provide an additional **\$257,749** in general funds.