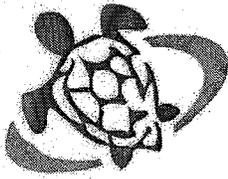


HB 1686

LATE TESTIMONY



**HAWAII
TECHNOLOGY ACADEMYSM**

Hawaii Public Charter School #551

*94-810 Moloalo Street
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April 2, 2009

Honorable Donna Mercado Kim, Chair
Honorable Shan Tsutsui, Vice Chair
Senate Committee on Ways and Means

Re: HB 1686, HD2 SD1 - Relating to Charter Schools - Support with Amendments
WAM Committee - Conference Room 211- Thursday, April 2, 2009 – 9:30 AM

Aloha Chair Kim, Vice Chair Tsutsui and Members of the Committee:

On behalf of the Hawaii Technology Academy, one of 31 of Hawaii's charter schools that are part of the state's public school system, thank you for the opportunity to testify in support of the intent of HB 1686, HD2 SD1.

Hawaii's public charter schools are part of the state public school system. So, there is no tuition to attend any public charter school. Like traditional public schools, public charter schools rely on the same funding sources, which is why we are respectfully asking for more equity in the distribution of funding for all public charter school students.

Over the past five years there is significant growth in enrollment in public charter schools, but per pupil, charters have not experienced an increase in funding. Concurrently, although enrollment in traditional public school slightly decreased, per pupil funding has increased and is significantly higher than it is for public charter school students.

In his speech on education issues last month, President Barack Obama touched upon the considerable friction over charter schools, which are publicly funded but operate independently, free from some of the rules that constrain regular schools. Obama said state limits on numbers of charter schools aren't "good for our children, our economy or our country." He said many of the innovations in education today are happening in charter schools.

Hawaii Technology Academy is one of those innovators. We feature a combination of online learning facilitated by a parent or other responsible adult with weekly face-to-face interaction with a state-certified teacher and activities. We utilize a combination of both online curriculum and offline materials, including textbooks, CDs, videos, and hands-on manipulatives, to complement interactive online elements to address different learning styles and maximize the learning experience for all students. We believe that this approach helps to build on the previous grades' teaching and to weave an ever-richer tapestry of knowledge to meet each individual student's needs. This approach also inspires and cements the importance of the 'Ohana to the educational outcomes expected of the children. The tradition of involving the 'Ohana in the student's education is important and leads to the improved education of all who are involved.

Since the first public charter schools were established in 2003, we have seen a rapid growth and strong demand for the individualized education a public charter school can provide. But public charter schools continue to struggle to establish funding parity with traditional public schools.

Therefore, we support the following amendments recommended by the CSAO, which is supported by the majority of our stakeholders:

- Although the “**board policies/department directives**” language is unnecessary and redundant, we understand that the board feels compelled to include it. In order for this to work, there must be a means to agreeing which policies and directives are included. The charter schools need this clarity. Therefore, we propose all language regarding BOE policies and DOE directives include:
“as agreed upon in a separate Memorandum of Agreement, for a period of one year, between the board and the panel, identifying those policies and directives, and applicable federal and state laws[, [and] has]; and”
- Regarding the “facilities funding” “budget item” in **Section 4** of the bill, we recommend revising it so that the facilities funding mechanism be placed in Section 302B-12, Hawaii Revised Statutes (“HRS”), rather than Section 302B-8, HRS.
- Because of President Obama’s desire to encourage Charter Schools, recently released federal guidelines (U.S. DOE) concerning competitive grants indicate that states will be given negative scores for having statutory caps on the number of charter schools allowed in the state. We request that the caps be removed to allow Hawaii to be more competitive in receiving educational grants by repealing Section 302B-4, HRS.
- Remove the “on a portion” language from the facilities funding formula (page 8, line 20). This language creates an undefined quantity in the facilities funding formula that will only lead to confusion.
- Regarding SD2 **Section 5** (page 12 etc.) amending Section 302B-12, HRS, the following issues must be addressed:
 1. While charters willingly pay for administrative services provided by the department for administrative support of federal funds, the language of this draft would mandate a ___% tax on every federal dollar received by the charters, even when the department provides no administrative support. In addition, this would leave little or no administrative support for the charters to administer their federal grants. Most importantly, this proposed change to the charter statute would violate federal law when applied to many federal grant programs that specify that less than ___% of a grant may be applied to administrative support.
 2. Only applying the formula to “general funds” of the department excludes large sums of money (in special, revolving funds, etc.) that the state spends on public school students’ education, approximately \$1200 per-pupil in the current year. This limitation is inequitable for public charter school students and must be removed.For these reasons, we recommend that the following language be inserted to replace Section 5 of HB496 SD2:

“SECTION 5. Section 302B-12, Hawaii Revised Statutes, is amended to read as follows:

"§302B-12 Funding and finance. (a) Beginning with fiscal year [2006-2007,] 2009-2010, and each fiscal year thereafter, [~~the office shall submit a request for general fund~~

~~appropriations for each charter school based upon;~~ the non-facility per-pupil funding request for charter school students shall not be less than the per-pupil amount to the department in that same year, as set forth in paragraph (2); provided that:

- (1) ~~The [actual and] per-pupil funding request shall include funding for projected enrollment figures [in the current school year] for each charter school; and~~
- (2) ~~[A] The per-pupil request [amount] for each regular education and special education student, [which shall be equivalent to the total per-pupil cost based upon average enrollment in] shall:~~
 - (A) Include all regular education cost categories, including comprehensive school support services, but excluding special education services[;]; provided that special education services are provided and funded by the department;
 - (B) Include all means of financing except federal funds, as reported in the most recently-approved executive budget recommendations for the department; provided that in preparing the budget the executive director shall include an analysis of the proposed budget in relationship to the most recently published department consolidated annual financial report[; provided further that the legislature may make an adjustment to the per-pupil allocation for the purposes of this section]; and
 - (C) Exclude fringe benefit costs and debt service.

~~[(3) These fringe] (b) Fringe benefit costs [requested] for charter school employees, regardless of the payroll system utilized by a charter school, shall be included in the department of budget and finance's annual budget request. No fringe benefit costs shall be charged directly to or deducted from the charter school per-pupil allocations [unless they are already included in the funds distributed to the charter school].~~

The legislature shall ~~[make an appropriation based upon the budget request;] provide funding for charter schools based upon the requirements of this section;~~ provided that the legislature ~~[may] shall~~ make additional appropriations for fringe, workers' compensation, and other employee benefits[;] and facility costs[; and]. The legislature may make additional appropriations for other requested amounts[-] that benefit charter schools.

The governor, pursuant to chapter 37, may impose restrictions or reductions on charter school appropriations similar to those imposed on other public schools.

~~[(b)] (c)~~ Charter schools shall be eligible for all federal financial support to the same extent as all other public schools. The department shall provide the office with all state-level federal grant proposals submitted by the department that include charter schools as potential recipients and timely reports on state-level federal grants received for which charter schools may apply or are entitled to receive. Federal funds received by the department for charter schools shall be transferred to the office for distribution to charter schools in accordance with the federal requirements. If administrative services related to federal grants and subsidies are provided to the charter school by the department, the charter school shall reimburse the department for the actual costs of the administrative services in an amount that shall not exceed ~~[six and one-half]~~ five per cent of the charter school's federal grants and subsidies[-]

Any charter school shall be eligible to receive any supplemental federal grant or award for which any other public school may submit a proposal, or any supplemental federal grants limited to charter schools; provided that if department administrative services, including funds management, budgetary, fiscal accounting, or other related services, are provided with respect to these supplemental grants, the charter school shall reimburse the department for the actual costs of the administrative services in an amount that shall not exceed ~~[six and one-half]~~ five per cent of the supplemental grant for which the services are used.

All additional funds generated by the local school boards, that are not from a supplemental grant, shall be held separate from allotted funds and may be expended at the discretion of the local school boards.

~~[(e)]~~ (d) To enable charter schools to access state funding prior to the start of each school year, foster their fiscal planning, and enhance their accountability, the office shall:

- (1) Provide fifty per cent of a charter school's per-pupil allocation based on the charter school's projected student enrollment no later than July 20 of each fiscal year; provided that the charter school shall have submitted to the office a projected student enrollment no later than May 15 of each year;
- (2) Provide an additional forty per cent of a charter school's per-pupil allocation no later than November 15 of each year; provided that the charter school shall have submitted to the office:
 - (A) Student enrollment as verified on October 15 of each year; provided that the student enrollment shall be verified on the last business day immediately prior to October 15 should that date fall on a weekend; and
 - (B) An accounting of the percentage of student enrollment that transferred from public schools established and maintained by the department; provided that these accountings shall also be submitted by the office to the legislature no later than twenty days prior to the start of each regular session; and
- (3) Retain the remaining ten per cent of a charter school's per-pupil allocation to be provided no later than January 1 of each year as a contingency balance to ensure fiscal accountability[;] and compliance;

provided that the panel may make adjustments in allocations based on noncompliance with [federal and state reporting requirements,] board policies and department directives made in the board's and the department's role as state education agency, as agreed upon in a separate Memorandum of Agreement, for a period of one year, between the board and the panel, identifying those policies and directives, the office's administrative procedures, and board-approved accountability requirements.

~~[(d)]~~ (e) The department shall provide appropriate transitional resources to a conversion charter school for its first year of operation as a charter school based upon the department's allocation to the school for the year prior to the conversion.

~~[(e)]~~ (f) No start-up charter school or conversion charter school may assess tuition."

We appreciate the ideas offered in HB1686, HD 2 SD1 to set aside the funding formula and to reconstruct the current formula so that it is equitable for students. With additional amendments to provide more equity in resources and to clarify the relationship between the SEA and LEAs, this is the best solution that we have going forward to ensure that public charter school inequity issues are addressed.

For these reasons, we respectfully urge members of your committee to support the passage of this bill with the amendments offered by the CSAO.

As always, mahalo for the opportunity to share our views with you.

Sincerely,

Jeff Piontek
Head of School
Hawaii Technology Academy

Linda Lingle
Governor



Vanelle Maunalei Love
Executive Director

Charter School Administrative Office
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Honolulu, Hawaii 96813
Tel: 586-3775 Fax: 586-3776

LATE

FOR: HB1686 SD1, Relating to Charter Schools
DATE: Thursday, April 2, 2009
TIME: 9:30 a.m.
COMMITTEE(S): Committee on Ways and Means
ROOM: Conference Room 211
FROM: Maunalei Love, Executive Director

Comments in **support** of H.B. No. 1686 S.D. No. 1

Chair Kim, Vice Chair Tsutsui, and Members of the Committee:

Aloha, I am Maunalei Love, executive director of the Charter School Administrative Office. I want to thank the chair and the entire committee for the time and effort being spent to remedy the issue of properly funding the public charter schools. In all my years advocating for the charters, the statutory formula for funding the Public Charter Schools has never been thoroughly applied when making the Charter Schools' appropriation.

This bill seeks to remedy this problem (and equitably fund the charter schools) by clarifying the per-pupil formula, adding another separate formula to provide facilities support for the charter schools and adds a CIP enabling provision. The stakeholders in the charter school community continue to work collaboratively to make these legislative changes in support of the charter schools. **The majority of the stakeholders, including the charter schools, would prefer the funding formula in place be followed, but being as there is still disagreement on how this formula should be interpreted, we are agreeable to this bill's "dual formula" approach to the funding mechanism.** However, I recommend the following amendments with the reasons noted below:

- Although the **"board policies/department directives"** language is unnecessary and redundant, we understand that the board feels compelled to include it. In order for this to work, there must be a means to agreeing which policies and directives are included. The charter schools need this clarity. Therefore, we propose all language regarding BOE policies and DOE directives include:
"as agreed upon in a separate Memorandum of Agreement, for a period of one year, between the board and the panel, identifying those policies and directives,"
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in the state. We request that the caps be removed to allow Hawaii to be more competitive in receiving educational grants by repealing Section 302B-4, HRS.

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 2. Only applying the formula to “general funds” of the department excludes large sums of money (in special, revolving funds, etc.) that the state spends on public school students’ education, approximately \$1200 per-pupil in the current year. This limitation is inequitable for public charter school students and must be removed.For these reasons, we recommend that the following language be inserted to replace Section 5 of HB496 SD2:

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- (1) The [~~actual and~~] per-pupil funding request shall include funding for projected enrollment figures [in the current school year] for each charter school; and
- (2) [~~A~~] The per-pupil request [amount] for each regular education and special education student, [which shall be equivalent to the total per-pupil cost based upon average enrollment in] shall:
 - (A) Include all regular education cost categories, including comprehensive school support services, but excluding special education services[~~5~~];

provided that special education services are provided and funded by the department;

- (B) Include all means of financing except federal funds, as reported in the most recently-approved executive budget recommendations for the department; provided that in preparing the budget the executive director shall include an analysis of the proposed budget in relationship to the most recently published department consolidated annual financial report[; ~~provided further that the legislature may make an adjustment to the per-pupil allocation for the purposes of this section;~~]; and

- (C) Exclude fringe benefit costs and debt service.

~~[(3) Those fringe]~~ (b) Fringe benefit costs [requested] for charter school employees, regardless of the payroll system utilized by a charter school, shall be included in the department of budget and finance's annual budget request. No fringe benefit costs shall be charged directly to or deducted from the charter school per-pupil allocations [~~unless they are already included in the funds distributed to the charter school~~].

The legislature shall [~~make an appropriation based upon the budget request;~~] provide funding for charter schools based upon the requirements of this section; provided that the legislature [~~may~~] shall make additional appropriations for fringe, workers' compensation, and other employee benefits[;] and facility costs[; and]. The legislature may make additional appropriations for other requested amounts[-] that benefit charter schools.

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apply or are entitled to receive. Federal funds received by the department for charter schools shall be transferred to the office for distribution to charter schools in accordance with the federal requirements. If administrative services related to federal grants and subsidies are provided to the charter school by the department, the charter school shall reimburse the department for the actual costs of the administrative services in an amount that shall not exceed [~~six and one-half~~] five per cent of the charter school's federal grants and subsidies[.]

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provided that the panel may make adjustments in allocations based on noncompliance with ~~[federal and state reporting requirements,]~~ board policies and department directives made in the board's and the department's role as state education agency, as agreed upon in a separate Memorandum of Agreement, for a period of one year, between the board and the panel, identifying those policies and directives, the office's administrative procedures, and board-approved accountability requirements.

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~~[(e)]~~ (f) No start-up charter school or conversion charter school may assess tuition."

I continue to support the proper funding for the public charter schools and maintaining their independence and innovation with accountability and commend the committee for its attention and support to ensuring that these issues be addressed. As always, the CSAO is ready, willing, and able to help with any and all revisions. Thank you for this opportunity to comment.