

DAVID Y. IGE  
GOVERNOR



CATHERINE PAYNE  
CHAIRPERSON

STATE OF HAWAII  
**STATE PUBLIC CHARTER SCHOOL COMMISSION**  
**(‘AHA KULA HO‘ĀMANA)**

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DATE: January 12, 2018

TO: Sylvia Luke, Chair  
House of Representatives Committee on Finance

Justin Woodson, Chair  
House of Representatives Committee on Education

FROM: Sione Thompson, Executive Director  
State Public Charter School Commission

SUBJECT: 2018 Budget Briefing Testimony

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Chair Luke, Chair Woodson, and members of the Committees:

The State Public Charter School Commission (“Commission”) appreciates this opportunity to submit this testimony on its budget.

#### **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.

#### **ECONOMIC AND FISCAL CONDITIONS**

Hawai‘i’s 36 public charter schools currently enroll 11,343 students, which represents an increase of over 700 students (approximately seven percent) from the 2016-2017 school year. Not only did the enrollment at individual schools increase, but two new charter schools opened on Oahu this school year: Kamalani Academy, located in Wahiawa and serving students in kindergarten through grade 8, and the Kapolei Charter School by Goodwill Hawaii, located in Kapolei and serving students in grade 9.

Most of the charter schools' state funding is provided on a per-pupil basis based on the operating appropriation to the Hawai'i Department of Education (DOE) and the schools' pro rata enrollment compared to the total public education enrollment. Utilizing this methodology, the per-pupil amount for the current school year is \$7,323.

During the 2016-2017 school year, the Commission fulfilled one of its primary duties as an authorizer by renewing the contracts of 33 of the 34 charter schools that were in operation at the time. This marked the first time that existing charter schools in Hawaii had been subject to renewal. The length of contract term a charter school received on its renewed charter contract was based on a charter school's performance on the Commission's academic, organizational, and financial performance frameworks. Contract terms ranged from 2 years to five years; two charter schools received contract terms of two years, eleven charter schools have a three-year term, twelve charters have four year contracts, and eight charters received five year contracts, the longest term contract awarded by the Commission.

## **FEDERAL FUNDS**

### **Federal education program funds**

Charter schools receive federal funding through the DOE, as the DOE is the state education agency (SEA). These federal education programs include: Title I, Part A; Title II, Part A; Title III; IDEA, Part B; and Impact Aid. For the 2016-2017 school year, the Commission distributed federal funds in the amount of \$7,238,982 to charter schools.

### **Preschool Development Grant**

On January 1, 2015, the Commission was awarded a four-year federal Preschool Development Grant to support statewide efforts to build, develop and expand voluntary, high-quality pre-kindergarten programs for four-year-olds from low-and moderate-income families. The grant, totaling \$14,881,368 over the four years, will serve a potential 920 children. This school year, Hawai'i was awarded a supplemental grant in the amount of \$1,375,218 to further strengthen Hawai'i's early childhood workforce, bringing the total grant funds to \$16,256,568. Hawai'i is the only grantee in the nation whose award focused solely on charter schools.

Thirteen charter schools in Hawai'i have opened 18 pre-kindergarten classrooms. The schools enrolled 241 students into their pre-kindergarten programs in the 2017-2018 school year. Five of these classrooms are Hawaiian immersion early learning programs. The grant will fund these vital early learning opportunities through the end of the 2018-2019 school year. The Commission will be looking to the Legislature for its support in continuing these high quality pre-kindergarten programs, and early learning in Hawai'i as a whole, during the 2020 legislative session.

## **BUDGET REQUEST**

In October 2017, the Commission submitted the original budget request to the Department of Budget and Finance. As the sole authorizer of charter schools in the state, the Commission oversees the budgetary process, not only for itself (program ID- EDN 612), but also for the per-pupil amount allocated to charter schools (program ID- EDN 600).

### **School Operations**

Pursuant to the per-pupil funding formula that is based on DOE appropriations and relative enrollment, an increase of approximately \$1.31 million for fiscal year 2018 and 2019, is included in the Governor's supplemental budget package to equalize the per-pupil funding formula.

Estimated grants and donations to charter schools were self-reported by 26 of the 34 charter schools for fiscal year ended June 30, 2017, for a total of approximately \$8,551,170. Grants were provided during the year by other institutions, notably including Kamehameha Schools and the Office of Hawaiian Affairs. While this support is helpful and has been an element of support for these charter schools for many years, it also comes with many conditions, and private funders often are reluctant to provide funding to meet the basic needs of schools to ensure sustainability.

Though the Commission's request for approximately \$6.2 million for facilities funding was not included in the supplemental budget request, this remains a top priority for the Commission. In regards to funding, one of the Commission's Standing Advocacy Principles is that charter schools must be funded and supported adequately to be able to meet the needs of their students and to fulfill their role as a strategy for system-wide improvement.

The Commission would like to highlight the following items that have been included in the Governor's supplemental budget request.

1. **Teacher Incentives Awards (\$667,050 for the hard-to-staff incentive) (\$95,000 for National Board Certified teachers):** During the past three legislative sessions, the Commission had requested funding for hard-to-staff incentive pay for teachers and National Board Certified Teacher awards on behalf of charter schools affected by these mandated teacher incentives. This year, the Commission is pleased and appreciative of the inclusion of both the hard-to-fill and National Board Certified Teacher incentives in the Governor's supplemental budget package.

Teachers working in hard-to-staff areas are eligible for a \$3,000 incentive payment. Teacher who have earned National Board Certification are eligible for incentive payments up to \$10,000. While both teacher incentive awards affect a limited number of charter schools, due to the per-pupil funding structure, the funding that charter schools received was based on the DOE budget, not on the true cost of providing the incentives, and these per-pupil funds were spread across all charter schools, not just those that employ teachers eligible for these incentives. The Commission believes these separate appropriations emphasize the Legislature's intent of providing incentives to our teachers working in these hard-to-staff areas and those that distinguished themselves with National board certification.

### **Commission Operational Expenses**

1. **Fiscal Support (\$50,000):** The Commission is responsible for the receipt of applicable federal funds from the DOE and the distribution of funds to the public charter school it authorizes. The

Commission office is also responsible for the receipt of per-pupil funding from the Department of Budget and Finance and distribution of the other state funding to the schools.

In FY17, the Commission distributed over \$81 million in general and federal funds to 34 charter schools. Due to the unique funding structure of charter schools, the Commission acts as the primary pass-through of all federal and state funds. This is an extremely paper-intensive process, and two staff, who were originally hired to perform authorizer's duties, also completed thousands of transactions in the receipt and distribution of these funds. The Governor's supplemental budget request provides the Commission with a 1.0 FTE position to support the fiscal operations of the Commission office to meet its statutory requirements.

2. **Travel Expenses for the Commission and Commission Office (\$10,000):** The Governor's supplemental budget request provided the Commission funding to cover travel expenses to cover travel and related costs associated with the Commission holding neighbor islands meetings to better serve charter school families. In addition, the request included the travel and related costs for a commissioner from Hawai'i Island to attend Commission meetings on O`ahu.

## **CONCLUSION**

The State Public Charter School Commission appreciates the opportunity to discuss this year's budget with your Committee this Session and thanks the Chair and Members of the Committee for your continuing support of Hawai'i's 36 public charter schools and their 11,343 students. The Commission remains prepared to work with the Legislature and other stakeholders to find additional innovative ways to improve learning options and opportunities for Hawai'i's students.

Department of Education- Charter Schools  
Functions

Table 1

<u>Division</u>	<u>Description of Function</u>	<u>Activities</u>	<u>Prog ID(s)</u>	<u>Statutory Reference</u>
SPCSC	Authorize high-quality public charter schools throughout the state.	Solicit and evaluate charter applications; approve quality charter applications and decline weak or inadequate applications; and negotiate and execute sound charter contracts with each approved charter applicant and with existing public charter schools.	EDN 600 EDN 612	HRS 302D-3(b) HRS 302D-5
		Act as a point of contact between the department and a public charter school it authorizes; ensure compliance of a public charter school it authorizes with all applicable state and federal laws, including reporting requirements; receive and distribute applicable federal funds from the department to the public charter school; and receive and distribute per-pupil funding from the department of budget and finance to the public charter school it authorizes.	EDN 612	HRS 302D-3(b) HRS 302D-5
SPCSC	Continually monitor the performance and legal compliance of the public charter schools.	Monitor, in accordance with charter contract terms, the performance and legal compliance of public charter schools; determine whether each charter contract merits renewal, nonrenewal, or revocation.	EDN 612	HRS 302D-5(a) HRS 302D-17(a)
		Annually publish and provide, as part of its annual report to the Board of Education and the Legislature, a performance report for each public charter school it oversees.	EDN 612	HRS 302D-17(b)

Department of Education- Charter Schools  
Department-Wide Totals

Table 2

Fiscal Year 2018				
Act 49/17 Appropriation	Restriction	Emergency Appropriations	Total FY18	MOF
\$ 85,247,456.00			\$ 85,247,456.00	A
\$ 1,892,000.00			\$ 1,892,000.00	N
\$ 550,000.00			\$ 550,000.00	C
			\$ -	
			\$ -	
			\$ -	
\$ 87,689,456.00	\$ -	\$ -	\$ 87,689,456.00	Total
Fiscal Year 2019				
Act 49/17 Appropriation	Reductions	Additions	Total FY19	MOF
\$ 86,118,793.00	\$ (291,681.00)	\$ 2,889,880.00	\$ 88,716,992.00	A
\$ 1,892,000.00			\$ 1,892,000.00	N
			\$ -	
			\$ -	
			\$ -	
			\$ -	
\$ 88,010,793.00	\$ (291,681.00)	\$ 2,889,880.00	\$ 90,608,992.00	Total

Department of Education- Charter Schools  
 Program ID Totals

Table 3

<u>Prog ID</u>	<u>Program Title</u>	<u>MOF</u>	<u>As budgeted in Act 49/17 (FY19)</u>			<u>Governor's Submittal (FY19)</u>			<u>Percent Change of \$\$\$\$</u>
			<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	
EDN 612	Charter Schools Commission and Administration	A	16.12		\$ 1,500,000	17.12		1,550,000	0.033333
EDN 612	Charter Schools Commission and Administration	N	1.88		415,700	1.88		415,700	

Department of xxx  
Budget Decisions

Table 4

Prog ID	Sub-Org	Description of Request	MOF	Initial Department Requests			Budget and Finance Recommendations			Governor's Decisions		
				FY19			FY19			FY19		
				Pos (P)	Pos (T)	\$\$\$		Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$
EDN 600		Per Pupil Funding Adjustment	A									1,317,937
EDN 600		Per-pupil adjustment for Alakai O Kauai Public Charter School for FY 19 due to not opening in FY19	A									-291,681
EDN 600		To provide funding for DreamHouse, a newly approved public charter school.	A			749,893						749,893
EDN 600		Hard to Staff Incentive	A									\$ 667,050
EDN 612		FY19 Collective Bargaining Adjustments	A			\$ 1,773,297						
EDN 612		Funding for National Board Certified Teachers Incentive	A			\$ 95,000						95,000
EDN 612		Facilities Funding	A			\$ 6,211,043						
EDN 612		Travel Expenses for Commission Meetings	A			\$ 26,532						
EDN 612		Fiscal Support	A	2.00		\$ 100,000				1		50,000
EDN 612		Human Resources Support Services	A			\$ 7,284						
EDN 612		Payroll Services	A			\$ 10,000						
EDN 612		Charter School Authorizer	A			\$ 19,590						
EDN 612		Personnel Services Adjustments	A			\$ 120,000						
EDN 612		New Charter School Start-Up Support	A			\$ 100,000						
EDN 612		Travel Expenses for Commission and Commission Office	A									10,000



Department of Education- Charter Schools  
Proposed Budget Reductions

Table 5

Prog ID	Sub-Org	Description of Reduction	Impact of Reduction	MOF	FY18			FY19			FY18
					Pos (P)	Pos (T)	\$\$\$\$	Pos (P)	Pos (T)	\$\$\$\$	Restriction (Y/N)
EDN 600		Per-pupil adjustment for Alakai O Kauai Public Charter School for FY 19 due to not opening in FY19	None	A						-291,681	N

Department of Education- Charter Schools  
Proposed Budget Additions

Table 6

Prog ID	Sub-Org	Addition Type	Prog ID Priority	Dept- Wide Priority	Description of Addition	Justification	MOF	FY19		
								Pos (P)	Pos (T)	\$\$\$
EDN 600		AR			Per Pupil Funding Adjustment		A			1,317,937
EDN 600		AR			To provide funding for DreamHouse, a newly approved public charter school.		A			749,893
EDN 600		AR			Hard to Staff Incentive		A			667,050
EDN 612		AR	2		Funding for National Board Certified Teachers Incentive	There is no funding or a statutory mechanism for public charter school teachers to receive this collectively bargained incentive.	A			95,000
EDN 612		AR	5		Establish a fiscal officer at the Commission office	This request will support the fiscal operations at the Commission office to meet statutory requirements.	A			50,000
EDN 612		NR			Travel Expenses for Commission and Commission Office	Request for Travel and Related Costs for a commissioner from the Big Island to attend Commission general business meeting Oahu	A			10,000

Department of Education- Charter Schools  
 FY18 Restrictions

Table 7

<u>Prog ID</u>	<u>Sub-Org</u>	<u>MOF</u>	<u>Budgeted by Dept</u>	<u>Restriction</u>	<u>Difference Between Budgeted &amp; Restricted</u>	<u>Percent Difference</u>	<u>Impact</u>
							None

Department of Education- Charter Schools  
 Emergency Appropriation Requests

Table 8

<u>Prog ID</u>	<u>Description of Request</u>	<u>Explanation of Request</u>	<u>MOF</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>
		None				

Department of Education- Charter Schools  
Expenditures Exceeding Appropriation Ceilings in FY17 and FY18

Table 9

<u>Prog ID</u>	<u>MOF</u>	<u>Date</u>	<u>Appropriation</u>	<u>Amount Exceeding Appropriation</u>	<u>Percent Exceeded</u>	<u>Reason for Exceeding Ceiling</u>	<u>Legal Authority</u>	<u>Recurring (Y/N)</u>	<u>GF Impact (Y/N)</u>
None									

Department of Education- Charter Schools  
 Intradepartmental Transfers in FY17 and FY18

Table 10

<u>Actual or Anticipated Date of Transfer</u>	<u>MOF</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	<u>From Prog ID</u>	<u>Percent of Program ID Appropriation Transferred From</u>	<u>To Prog ID</u>	<u>Percent of Receiving Program ID Appropriation</u>	<u>Reason for Transfer</u>	<u>Recurring (Y/N)</u>
							None			

Department of Education- Charter Schools  
 Vacancy Report as of November 30, 2017

Table 11

<u>Prog ID</u>	<u>Sub-Org</u>	<u>Date of Vacancy</u>	<u>Expected Fill Date</u>	<u>Position Number</u>	<u>Position Title</u>	<u>Exempt (Y/N)</u>	<u>SR Level</u>	<u>BU Code</u>	<u>Perm Temp (P/T)</u>	<u>FTE</u>	<u>MOF</u>	<u>Budgeted Amount</u>	<u>Actual Salary Last Paid</u>	<u>Authority to Hire (Y/N)</u>	<u>Occupied by 89 Day Hire (Y/N)</u>	<u># of 89 Hire Appts</u>	<u>Describe if Filled by other Means</u>	<u>Priority # to Retain</u>
612		11/15/2017	1/30/2018	7344001	Financial Performance Manager	Y		56	P	1.00	A	\$ 85,746	\$ 36,580	Y	N	0		1

Positions Established by Acts other than the State Budget as of November 30, 2017

<u>Prog ID</u>	<u>Sub-Org</u>	<u>Date Established</u>	<u>Legal Authority</u>	<u>Position Number</u>	<u>Position Title</u>	<u>Exempt (Y/N)</u>	<u>SR Level</u>	<u>BU Code</u>	<u>T/P</u>	<u>MOF</u>	<u>FTE</u>	<u>Annual Salary</u>	<u>Filled (Y/N)</u>	<u>Occupied by 89 Day Hire (Y/N)</u>
EDN 612		1/5/2015		7345008	Pre-K Grant Manager	Y		56	T	N	1.0	75,000	Y	N
EDN 612		6/1/2016		7345010	Pre-K Coach	Y		56	T	N	1.0	70,000	Y	N
EDN 612		6/1/2016		7345011	Pre-K Specialist	Y		56	T	N	1.0	65,000	Y	N
EDN 612		5/1/2017		7345012	Pre-K Coach	Y		56	T	N	1.0	70,000	N	N



Department of Education- Charter Schools  
Overtime Expenditure Summary

Table 13

				FY17 (actual)			FY18 (estimated)			FY19 (budgeted)		
<u>Prog ID</u>	<u>Sub-Org</u>	<u>Program Title</u>	<u>MOF</u>	<u>Base Salary</u> \$\$\$\$	<u>Overtime</u> \$\$\$\$	<u>Overtime</u> Percent	<u>Base Salary</u> \$\$\$\$	<u>Overtime</u> \$\$\$\$	<u>Overtime</u> Percent	<u>Base Salary</u> \$\$\$\$	<u>Overtime</u> \$\$\$\$	<u>Overtime</u> Percent
None												

Department of Education- Charter Schools  
Active Contracts as of December 1, 2017

Table 14

Prog ID	MOF	Amount	Frequency (M/A/O)	Max Value	Outstanding Balance	Term of Contract			Entity	Contract Description	Explanation of How Contract is Monitored	POS Y/N	Category E/L/P/C/G/S
						Date Executed	From	To					
612	A	\$ 7,797	M	\$ 467,878.00	\$257,045.00	11/23/2015	9/1/2015	8/31/2020	1103, LLC.	Office space lease	Monthly review of invoices	N	L
612	A	\$ 864	M	\$ 51,840.00	\$ 28,512.00	7/13/2015	9/2/2015	8/31/2020	Xerox Corporation	Office copier lease	Monthly review of invoices	N	E
612	A	\$ 1,731	M	\$ 62,316.00	\$ 53,661.00	7/1/2017	7/1/2017	8/31/2020	Net Enterprises	On-going network support services	Monthly review of invoices	Y	S
612	A	\$ 7,200	O (Qtrly)	\$ 28,800.00	\$ 21,600.00	6/30/2017	7/1/2017	8/30/2020	Epicenter Services	Web-based work flow management tool for charter school monitoring and reporting	Monthly review of invoices	Y	S

Department of Education- Charter Schools  
 Capital Improvements Program (CIP) Requests

Table 15

<u>Prog ID</u>	<u>Priority</u>	<u>Dept- Wide Priority</u>	<u>Senate District</u>	<u>Rep. District</u>	<u>Project Title</u>	<u>MOF</u>	<u>FY18 \$\$\$</u>	<u>FY19 \$\$\$</u>
None								

Department of Education- Charter Schools  
CIP Lapses

Table 16

<u>Prog ID</u>	<u>Act/Year of Appropriation</u>	<u>Project Title</u>	<u>MOF</u>	<u>Lapse Amount</u> \$\$\$\$	<u>Reason</u>
None					

Department of Education- Charter Schools  
Program ID Sub-Organizations

Table 17

<u>Program ID</u>	<u>Sub-Org Code</u>	<u>Name</u>	<u>Objective</u>
		None	

Department of Education- Charter Schools  
Organization Changes

Table 18

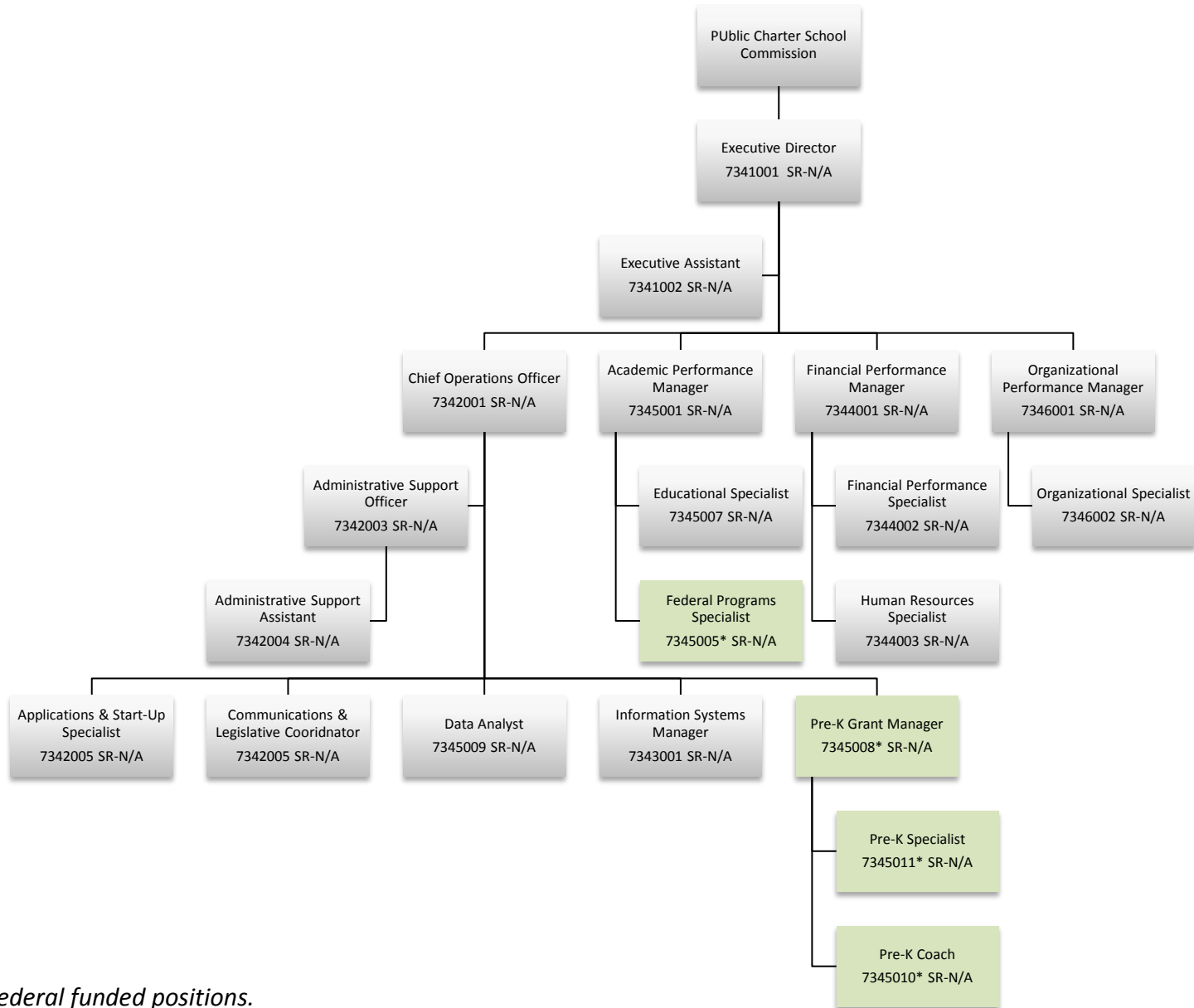
Year of Change

FY18/FY19

Description of Change

See attached

# State Public Charter School Commission Organization Chart



*\*Federal funded positions.*