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# A BILL FOR AN ACT

RELATING TO CHARTER SCHOOLS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 PART I

2 SECTION 1. The legislature finds that, given the State's  
3 limited resources, the lack of facilities funding is one of the  
4 biggest challenges facing Hawaii's charter schools. To help  
5 minimize the financial burden on the State to support  
6 facilities, scarce public resources may be leveraged through a  
7 public-private partnership similar to the Hawaii 3R's program.  
8 Like the Hawaii 3R's program, the partnership would:

- 9 (1) Be a public-private initiative;
- 10 (2) Be initially incubated under the fiscal agency of an  
11 existing 501(c)(3) or similar nonprofit organization;  
12 and
- 13 (3) Attract private investment through tax credit  
14 incentives, including federal tax credits.

15 While the Hawaii 3R's program focuses on repair and  
16 maintenance, the charter school facilities fund partnership  
17 would focus on providing below market loans to charter schools  
18 for buildings and capital improvements of their facilities. The



1 purpose of the partnership or financing "hui" would be to create  
2 and administer a revolving loan fund.

3 The Los Angeles charter school new market loan fund could  
4 serve as the model for Hawaii's initiative. The fund makes  
5 loans possible with funding from the private sector. As an  
6 added incentive, businesses, communities, and financial lenders  
7 are able to take advantage of federal community development and  
8 tax credits under the federal Community Reinvestment Act and the  
9 federal new markets tax credit program. The fund has also  
10 partnered with Excellent Education Through Charter Schools, a  
11 nonprofit research and development corporation, to underwrite  
12 and service each loan.

13 The Los Angeles fund initially focused on fostering  
14 investment in low-income areas, defined in the federal census  
15 tract as areas with eighty per cent or less of the state's  
16 median income. If Hawaii were to use the same criteria, eleven  
17 of Hawaii's twenty-seven existing charter schools could qualify  
18 for loans under this model. In addition to the low-income  
19 requirement, Hawaii could also permit schools with a  
20 concentration of native Hawaiians to be considered applicants in  
21 a pilot program of this nature.



1 Potential partners from the public and nonprofit sectors  
2 could include the office of the governor, the department of  
3 business, economic development, and tourism, the department of  
4 land and natural resources, the department of Hawaiian home  
5 lands, the office of Hawaiian affairs, the task force on charter  
6 school governance, and Kamehameha Schools. Private partners  
7 could include the Bank of Hawaii and American Savings Bank that  
8 have already expressed a preliminary, tentative interest in  
9 technical financial assistance to charter schools through the  
10 Kamehameha Schools' Hoolako Like program. Potential  
11 organizations that could serve as incubators include the Hawaii  
12 Charter School Network or the Hawaii Community Loan Fund.

13 For the purpose of ensuring the long-term viability of the  
14 charter school facilities fund partnership, the State may also,  
15 in the long run, provide ongoing support by:

16 (1) Requiring a designated individual within a state  
17 agency to facilitate the identification and assignment  
18 of vacant state lands and property for the purpose of  
19 establishing a facility for a new century charter  
20 school;



1 (2) Allowing the nonprofit organization administering the  
2 loan fund to issue municipal bonds to raise money for  
3 the loan fund; and

4 (3) Appropriating modest funding to help underwrite the  
5 cost of administering the fund.

6 The purpose of this part is to provide seed money to help  
7 establish the charter school facilities fund partnership, whose  
8 initial planning, organization, and development shall be  
9 undertaken by the charter school administrative office.

10 SECTION 2. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$ or so  
12 much thereof as may be necessary for fiscal year 2006-2007 as  
13 seed funds for the charter school administrative office to plan,  
14 organize, and develop the charter school facilities fund  
15 partnership.

16 The sum appropriated shall be expended by the charter  
17 school administrative office for the purposes of this Part.

18 SECTION 3. The charter school administrative office shall  
19 prepare and submit a progress report on its activities pursuant  
20 to section 2, including any proposed legislation, to the  
21 legislature no later than twenty days prior to the convening of  
22 the regular session of 2007.



## 1 PART II

2 SECTION 4. Public charter schools have great difficulty  
3 with leasing affordable land on which to locate schools due to  
4 prohibitive costs and zoning restrictions. As public schools  
5 and state agencies, charter schools should have access to  
6 state-held lands and buildings and enjoy comparable rates and  
7 conditions as those afforded other state agencies.

8 The purpose of this part is to encourage the State to enter  
9 into long-term leases of lands and buildings with charter  
10 schools for the location of school facilities.

11 SECTION 5. Chapter 171, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14 "§171- Lease to public charter schools. Notwithstanding  
15 any limitations to the contrary, the board may lease to new  
16 century charter schools, at nominal consideration, by direct  
17 negotiation and without recourse to public auction, public lands  
18 and buildings under the control of the department. Except as  
19 provided in this section, the terms and conditions of sections  
20 171-33 and 171-36 shall apply. The lands and buildings leased  
21 under this section shall be used by the charter schools for



1 educational purposes only. This section shall not apply to new  
2 century conversion charter schools."

3 SECTION 6. New statutory material is underscored.

4 SECTION 7. This Act shall take effect upon its approval,  
5 provided that section 2 shall take effect on July 1, 2006.



SB 3054 SD 2 HD 1

**Report Title:**

Education; Charter Schools

**Description:**

Provides seed money to establish the charter school facilities fund partnership. Allows the State to enter into leases with charter schools at rates comparable to other state agencies.

(SB3054 HD1)

