

Linda Lingle
Governor

Reshela DuPuis, Ph.D.
Executive Director



Charter School Administrative Office

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Date: January 9, 2008

To: House Committee On Finance
Representative Marcus R. Oshiro, Chair

Representative Marilyn B. Lee, Vice Chair

From: Reshela DuPuis, Executive Director
Charter School Administrative Office

A handwritten signature in black ink, appearing to read "Reshela DuPuis".

Subject: Charter Schools Informational Briefing

Aloha kākou,

Thank you for your continuing commitment to public education and for continuing to address issues that concern Hawai'i's Charter School System. The signing of Act 115 last legislative session has brought significant structural and operational changes to the system and, in the past year, committed advocates from across the educational, civic and business sectors have begun building a stronger, more responsive support system for Hawai'i's charter schools. We commend our Legislators, the Governor, and other support groups for the courageous leap of faith taken in the passing of Act 115 and assure this committee that Hawai'i's charter school community and the this office look forward to strengthening our partnership with you as we collectively seek to sustain and build Hawai'i's Charter School system.

HAWAII'S CHARTER SCHOOLS: CURRENT STATUS

- Hawai'i's Charter School system currently consists of twenty-nine (29) operating charter schools, including five conversion schools and twenty-four start-ups, on five (5) islands; Kamaile Elementary in Wai'anae is our newest conversion charter, having received their charter approval for the 2007-08 school year.
- The Charter School Review Panel (CSRP) approved two (2) applicants for new start-up charters for the 2008-09 school year. These include Kona Pacific on the Big Island and Kawaikini New Century Public Charter School on Kaua'i.

- In SY2007-08, Charter School enrollment grew to 6,131 students (official count); our projected enrollment for SY08-09 is 7,358
- Eighteen (18) of Hawai'i's charter schools met Annual Yearly Progress (AYP) in SY06-07.

IMPACTS OF ACT 115

Positive Developments:

- Created the Charter School Review Panel (CSRP) as the new charter school authorizer with oversight of the Charter School Administrative Office (CSAO) and all charter schools;
- Directed that appeals to CSRP decisions rests with the Board of Education (BOE);
- Updated the current charter school funding formula to include the most recently approved executive budget recommendations and required the responsible agencies (CSAO, BOE) present recommendations during this session for a fully rationalized, equitable and permanent funding formula;
- Allows 10% of each charter school's per-pupil allocation may be retained no later than January 1 of each year as a contingency balance to ensure fiscal accountability;
- Includes charter schools as among those to whom the CSRP is accountable;
- Stabilizes CSRP membership at twelve (12) appointees and requires fifty (50) percent of members be from support systems outside of the charter school community.

Remaining Critical Concerns:

- **Funding for the CS Review Panel:** The CSAO provides administrative support to the CSRP. For FY07-08, no funding was appropriated for the CSRP's operational and administrative costs. The CSAO set aside \$250,000 from our operating funds to cover these costs and current estimates for FY2008-09, including staff, transportation, logistical support and other operating expenses, remain at that figure. We continue to recommend that funding for the CSRP be provided to the CSAO.
- **Per-pupil Funding Formula:** The Budget Proviso Working Group mandated by the last legislative session includes representative from the CSAO, BOE and the Governor's office. After much hard work and continued negotiations by all parties, we believe the working group will provide appropriate recommendations to the Legislature for a reasonable and equitable funding formula. Current recommended language includes provisions for Charter school funding to be appropriated at levels no less than those appropriated for Department of Education (DOE) levels. We urge this committee to consider the Working Group's proposals carefully and in the spirit of continuing your support for Hawai'i's Charter Schools.
- **Facilities Funding:** Providing adequate CIP funding for start-up charters and R&M funding for both start-ups and conversion charters will require that the Legislature consider multiple methods of funding. The Working Group continues to consider these

issues carefully and we expect our recommended funding proposal to include facilities funding based on DOE debt service costs and R&M costs at levels equal to DOE per-pupil allocations. CIP costs, however, remain a critical concern and we expect that both the Working Group and others in the Charter School community will be asking you to consider various CIP funding mechanisms. These approaches may involve general funds, approval of bonds, and changes to the law to allow charter schools to enter into agreements with non-profits, community development organizations and agencies, and commercial lenders.

<u>DESCRIPTION</u>	<u>FY 2008-09 Original CSAO Request</u>	<u>DESCRIPTION</u>	<u>FY2008-09 Approved Proposal (B&F)</u>	<u>DESCRIPTION</u>	<u>FY 2008-09 Amended CSAO Request</u>
<p>Current Operating Budget Ceiling: This is the current funding level for charter schools in fiscal year 2007-08. B&F has not yet established budget ceilings for fiscal year 2008-09. Therefore, the amount requested as the 2008-09 budget ceiling amount is the amount estimated by the CSAO.</p>	\$51,635,990		\$51,635,990		\$51,635,990
<p>Current Service Adjustment: Applying the provisions of law, Section 302B-12(a) for estimated enrollment increases and changes in the funding base based on the most recently approved executive budget recommendations for the department (2008-09 DOE) yields the increase in funding requested. The revised funding equates to a per pupil funding amount of \$8,738.51 for 2009. The</p>	5,339,095		- 0-		5,339,095

<u>DESCRIPTION</u>	<u>FY 2008-09 Original CSAO Request</u>	<u>DESCRIPTION</u>	<u>FY2008-09 Approved Proposal (B&F)</u>	<u>DESCRIPTION</u>	<u>FY 2008-09 Amended CSAO Request</u>
current per pupil funding amount is \$8,008.75.					
<p>Funding Adjustment for New Schools: There are currently three open slots for new start-up charter schools. In addition the Charter School Review Panel has approved the application of Kamaile Elementary School, a new conversion charter school. The total increased enrollment for these new schools has been estimated by combining the enrollment projections for the three applicant schools with the highest projected enrollment in 2008-09 with the projected enrollment for Kamaile Elementary Schools in 2008-09. This total, 1,341 additional students, multiplied by the same per pupil amount as requested for existing charter schools (\$8,738.51)</p>	9,086,930	CSAO request less amount to be subtracted from DOE for transfer of Kamaile	4,464,705	<p>Funding Adjustment for New Schools: The CSRP has approved the applications of two new start-up charter schools. In addition the Charter School Review Panel has approved the application of Kamaile Elementary School, a new conversion charter school. The total increased enrollment for these new schools has been calculated by combining the enrollment projections for the two approved new start-up schools in 2008-09 (117 and 80) with the projected enrollment for Kamaile Elementary School in 2008-09 (641). This total, 838 additional students, multiplied by the same per pupil amount as requested for existing charter schools (\$8,738.51) yields the</p>	4,691,459

<u>DESCRIPTION</u>	<u>FY 2008-09 Original CSAO Request</u>	<u>DESCRIPTION</u>	<u>FY2008-09 Approved Proposal (B&F)</u>	<u>DESCRIPTION</u>	<u>FY 2008-09 Amended CSAO Request</u>
yields the overall increased funding requested for this item of \$11,718,342. This overall amount is then reduced by the amount reported as transfer to EDN 600 by the DOE in their budget request (\$2,631,412) due to the conversion of Kamaile Elem.				overall increased funding requested for this item of \$7,322,871. This overall amount is then reduced by the amount reported as a transfer to EDN 600 by the DOE in their budget request (\$2,631,412) due to the conversion of Kamaile Elem.	
Facilities Funding Request: This request will reestablish funding for start-up charter schools at a per pupil funding level equal to that provided in fiscal year 2006-07. In fiscal year 2006-07 the legislature and Governor allocated and approved funding equal to a total of \$3,174,000 to partially offset the costs of leasing and improving facilities and facilities related costs for start-up charter schools. This equaled \$756.80 per pupil. This funding was	4,207,051		- 0 -	Facilities Funding Request: This request will reestablish funding for start-up charter schools at a per pupil funding level equal to that provided in fiscal year 2006-07. In fiscal year 2006-07 the legislature and Governor allocated and approved funding equal to a total of \$3,174,000 to partially offset the costs of leasing and improving facilities and facilities related costs for start-up charter schools. This equaled \$756.80 per pupil. This funding was	3,826,380

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discontinued in the 2007-08 fiscal year. This item requests that this funding be restored for start-up charter schools at the same per pupil level. Currently estimated start-up charter school enrollments total 5,559, including three new start-up charter schools filling available slots.				discontinued in the 2007-08 fiscal year. This item requests that this funding be restored for start-up charter schools at the same per pupil level. Currently estimated start-up charter school enrollments total 5,056, including two new approved start-up charter schools.	
Charter School Review Panel: This item will provide specific funding for the operations and staffing of the charter school review panel. HRS 302B-3(k) previous to Act 115 provided that <i>"The board shall provide staff support and expenses of the panel. The board shall submit to the legislature annual appropriation requests to fund the panel."</i> Act 115 changed this language by substituting the CSAO for the BOE and striking the	250,000		50,000		250,000

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language regarding submitting to the legislature annual appropriation request to fund the panel. However, the CSAO does not have the financial capacity to fund the ongoing staffing and operations of the panel. In the CSRP's first year of operations the CSAO has provided funding to support the CSRP; however, providing this funding on an ongoing basis is beyond the CSAO's financial capacity.					
Grievance Process Funding: Section 302B-8(e)(4), Act 298, SLH 2006, requires the CSAO to include in its budget request additional funds to cover the costs of arbitration in the grievance process. The CSAO has been informed by the State Attorney General's Office that these costs are estimated to be \$40,000 per year.	40,000		- 0 -	Grievance Process Funding: Section 302B-8(e)(4), Act 298, SLH 2006, requires the CSAO to include in its budget request additional funds to cover the costs of arbitration in the grievance process. The CSAO has been informed by the State Attorney General's Office that these costs are estimated to be \$40,000 per year.	40,000

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Substitute Teacher Funding: Section 302B-8(e)(2), Act 298, SLH 2006, requires the CSAO to include in its budget request to the legislature additional funds to cover the costs of substitute teachers needed when a teacher is out on vacation or sick leave. This cost has been estimated by polling the schools regarding their most recent experience and extrapolating that data using projected enrollments.	350,000		- 0 -		350,000
Total: Charter Schools Budget Request	<u>\$70,909,066</u>		<u>\$56,150,695</u>	Total: Charter Schools Budget Request	<u>\$66,132,924</u>

Attachment 1
Department-Wide Summary Information
Totals for Proposed Department Budget Adjustments (by Method of Funding)

FY08				
MOF	Act 213/07	Restriction	Emergency	Total FY08
	Appropriation		Request	
	(a)	(b)	(c)	(a)+(b)+(c)
A	51,635,990		827,183	52,463,173
				-
				-
Dept. Totals	51,635,990		827,183	52,463,173

FY09				
MOF	Act 213/07	Reduction	Addition	Total FY09
	Appropriation		(f)	
	(d)	(e)	(f)	(d)+(e)+(f)
A	51,635,990		17,128,346	68,764,336
				-
				-
Dept. Totals	51,635,990		17,128,346	68,764,336

Please indicate restrictions and reductions as negative numbers, using brackets ()

Attachment 2
Department-Wide Summary Information
Fiscal Year 08 Proposed Emergency Requests

<u>Program ID</u>	<u>MOF</u>	<u>Title of Emergency Requests</u>	<u>FTE</u>	<u>\$ Amount</u>
EDN600	A	2006-07 FICA/Medicare Reimbursement		827,183
			-	827,183

Attachment 3
Department-Wide Summary Information
Fiscal Year 09 Proposed Budget Adjustments

<u>Program ID</u>	<u>MOF</u>	<u>Program ID Title</u>	<u>FTE</u>	<u>\$ Amount</u>
EDN600	A	Current Service Adjustment		5,339,095
EDN600	A	Funding Adjustment for New Schools		4,691,459
EDN600	A	Facilities Funding Request		3,826,380
EDN600	A	Charter School Review Panel		250,000
EDN600	A	Grievance Process Funding		40,000
EDN600	A	Substitute Teacher Funding		350,000
			-	14,496,934

Attachment 4
Fiscal Year 09 Proposed Budget Adjustments

<u>Program I.D.</u>	<u>Description of Adjustment</u>	<u>FTE</u>	<u>\$ Amount</u>	<u>MOF</u>
EDN600	Current Service Adjustment: Applying the provisions of law, Section 302B-12(a) for estimated enrollment increases and changes in the funding base based on the most recently approved executive budget recommendations for the department (2008-09 DOE) yields the increase in funding requested. The revised funding equates to a per pupil funding amount of \$8,738.51 for 2009. The current per pupil funding amount is \$8,008.75.		5,339,095	A
EDN600	Funding Adjustment for New Schools: The CSRP has approved the applications of two new start-up charter schools. In addition the Charter School Review Panel has approved the application of Kamaile Elementary School, a new conversion charter school. The total increased enrollment for these new schools has been calculated by combining the enrollment projections for the two approved new start-up schools in 2008-09 (117 and 80) with the projected enrollment for Kamaile Elementary School in 2008-09 (641). This total, 838 additional students, multiplied by the same per pupil amount as requested for existing charter schools (\$8,738.51) yields the overall increased funding requested for this item of \$7,322,871. This overall amount is then reduced by the amount reported as a transfer to EDN 600 by the DOE in their budget request (\$2,631,412) due to the conversion of Kamaile Elem.		4,691,459	A
EDN600	Facilities Funding Request: This request will reestablish funding for start-up charter schools at a per pupil funding level equal to that provided in fiscal year 2006-07. In fiscal year 2006-07 the legislature and Governor allocated and approved funding equal to a total of \$3,174,000 to partially offset the costs of leasing and improving facilities and facilities related costs for start-up charter schools. This equaled \$756.80 per pupil. This funding was discontinued in the 2007-08 fiscal year. This item requests that this funding be restored for start-up charter schools at the same per pupil level. Currently estimated start-up charter school enrollments total 5,559, including three new start-up charter schools filling available slots.		3,826,380	A
EDN600	Charter School Review Panel: This item will provide specific funding for the operations and staffing of the charter school review panel. HRS 302B-3(k) previous to Act 115 provided that "The board shall provide staff support and expenses of the panel. The board shall submit to the legislature annual appropriation requests to fund the panel." Act 115 changed this language by substituting the CSAO for the BOE and striking the language regarding submitting to the legislature annual appropriation request to fund the panel. However, the CSAO does not have the financial capacity to fund the ongoing staffing and operations of the panel. In the CSRP's first year of operations the CSAO has provided funding to support the CSRP; however, providing this funding on an ongoing basis is beyond the CSAO's financial capacity.		250,000	A
EDN600	Grievance Process Funding: Section 302B-8(e)(4), Act 298, SLH 2006, requires the CSAO to include in its budget request additional funds to cover the costs of arbitration in the grievance process. The CSAO has been informed by the State Attorney General's Office that these costs are estimated to be \$40,000 per year.		40,000	A
EDN600	Substitute Teacher Funding: Section 302B-8(e)(2), Act 298, SLH 2006, requires the CSAO to include in its budget request to the legislature additional funds to cover the costs of substitute teachers needed when a teacher is out on vacation or sick leave. This cost has been estimated by polling the schools regarding their most recent experience and extrapolating that data using projected enrollments.		350,000	A

Attachment 5
FY09 Capital Improvements Program Summary

<u>Priority</u>	<u>Project Title</u>	<u>FY09 \$ Amount</u>	<u>MOF</u>
1	None		
2			
3			
4			

**Attachment 7
Actions to Realize Savings**

<u>Program ID</u>	<u>MOF</u>	<u>Description of Action to Realize Savings</u>	<u>\$ Amount of Actual FY07 Savings</u>	<u>\$ Amount of Projected FY08 Savings</u>
		Not applicable to charter schools. Funding for charter schools is based on a formula.		
		Therefore, actions to generate savings would be realized at the school level.		

