



# KALO

## KANU O KA 'ĀINA LEARNING 'OHANA

*Honors the Past, Addresses the Present, Serves the Future*

February 1, 2008

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For the House Committee on Education  
February 1, 2008 hearing, 2:15 p.m., room 309

### **Testimony in strong support of HB 2561 RELATING TO EDUCATION with proposed amendments**

Chair Takumi and members of the committee:

Facility financing is one of the most important challenges facing charter schools in Hawaii. Except for 2006 when charters received a one-time per pupil facilities appropriation of \$660, charters don't receive any state funding for facilities (except for the five conversions). Instead, they are forced to pay for their occupancy costs out of a per pupil allocation that is already significantly lower than that provided to Department of Education-operated schools.

Having said that (and in spite of a clear obligation under Article X, section 1 of the State Constitution to provide equitable funding for charter school facilities), let's focus on what is achievable and what we can do now to support the big-ticket repair, maintenance and capital improvement needs of all charter schools without partiality by developing the fiscal, administrative and statutory infrastructure needed to facilitate innovative public-private partnerships that can attract robust, diverse and sustainable resource streams from a wide variety of state and national players.

The Hawaii Charter School Facilities Fund is modeled after the successful Hawaii 3Rs program (and national best practices in charter school facility finance), although expanded to include capital improvement projects as well as repair and maintenance. The language in the bill tracks that of the existing Hawaii 3Rs statute (HRS 302A-1502.4) and tax credit (HRS 235-110.2).

Proposed amendment language follows.

Sincerely,

Taffi Wise  
Executive Director

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**HB 2561 RELATING TO EDUCATION**

(From Section 1)

~~[Furthermore, presently, all Hawaii 3R's projects must be selected from the department of accounting and general services repair and maintenance backlog unfunded list, which only includes conversion charter schools.]~~

"Furthermore, presently, all Hawaii 3R's projects must be selected from the department of education repair and maintenance backlog unfunded list, which only includes department of education-operated conversion charter schools."

Rationale: corrects factual error.

~~[The legislature further finds that this program aligns well with another measure under consideration this legislative session to authorize the State to issue special purpose revenue bonds, and use the proceeds from those bonds, to assist nonprofit corporations benefiting one or more charter schools, community development financial institutions benefiting one or more charter schools, or charter schools.]~~

"The legislature further finds that this program aligns well with another measure under consideration this legislative session to authorize the State to issue special purpose revenue bonds, and use the proceeds from those bonds, to assist charter schools, not-for-profit corporations supporting charter schools, and community development financial institutions supporting charter schools."

~~[The purpose of this Act is to support the funding of charter school facilities by creating the Hawaii charter school facilities fund, a program comparable to Hawaii 3R's, except that the fund would only support charter schools and nonprofit organizations that support charter schools.]~~

"The purpose of this Act is to support the funding of charter school facilities by creating the Hawaii charter school facilities fund, a program comparable to Hawaii 3R's, except that the fund would only support charter

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schools, not-for-profit corporations supporting charter schools, and community development financial institutions supporting charter schools."

Rationale: aligns with relevant constitutional language and language of proposed constitutional amendment.

~~[(B) Goods, including but not limited to environmentally friendly ones.]~~

"(B) Goods, including but not limited to environmentally-sustainable ones."

Rationale: clarity and style.

(From Section 2)

~~[(g) Kanu o ka aina learning ohana shall maintain records of the names of taxpayers eligible for the credit and the total value of in-kind goods and services contributed for the repair, maintenance, acquisition, predevelopment, rehabilitation, construction, and other capital improvements of charter schools provided by the licensed taxpayer in Hawaii, or facilities administered, operated, or developed by nonprofit corporations for the benefit of charter schools for the taxable year; provided that the taxpayer has expressed interest to kanu o ka aina learning ohana in receiving the tax credit. All contributions shall be verified by kanu o ka aina learning ohana. Kanu o ka aina learning ohana shall keep an accurate total of all contributions that they verify. Upon each determination, kanu o ka aina learning ohana shall issue a certificate to the taxpayer certifying:~~

- ~~\_\_\_\_\_ (1) The amount of the contribution;~~
- ~~\_\_\_\_\_ (2) That the taxpayer:~~
  - ~~\_\_\_\_\_ (A) Is licensed under chapter 444, 448E, 454, 460J, 464, 466K, or 467;~~
  - ~~\_\_\_\_\_ (B) Is a member of the Hawaii state bar association;~~
  - ~~\_\_\_\_\_ (C) Is an employee of entities regulated under Title 22; or~~
  - ~~\_\_\_\_\_ (D) Provides environmentally-sustainable goods or services, including but not limited to the sale, installation, and service of renewable energy technology systems and solar or wind energy systems, and other goods and services consistent with prevailing industry~~

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~~standards in green building or sustainable construction, rehabilitation, repair, and maintenance; and~~

- ~~(3) That the taxpayer has obtained a current and valid certificate signed by the director of taxation, showing that the taxpayer does not owe the State any delinquent taxes, penalties, or interest.~~

~~The taxpayer shall file the certificate from kanu o ka aina learning ohana with the taxpayer's tax return with the department of taxation. When the total amount of certified contributions for each taxable year reaches \$2,500,000, kanu o ka aina learning ohana shall immediately discontinue certifying contributions and notify the department of taxation. In no instance shall the total amount of certified contributions exceed \$2,500,000 for each taxable year.]~~

"(g) The charter school review panel shall maintain records of the names of taxpayers eligible for the credit and the total value of in-kind goods and services contributed for the repair, maintenance, acquisition, predevelopment, rehabilitation, construction, and other capital improvements of charter schools provided by the licensed taxpayer in Hawaii, or facilities administered, operated, or developed by nonprofit corporations for the benefit of charter schools for the taxable year; provided that the taxpayer has expressed interest to the charter school review panel in receiving the tax credit. All contributions shall be verified by charter school review panel. charter school review panel shall keep an accurate total of all contributions that they verify. Upon each determination, charter school review panel shall issue a certificate to the taxpayer certifying:

(1) The amount of the contribution;

(2) That the taxpayer:

(A) Is licensed under chapter 444, 448E, 454, 460J, 464, 466K, or 467;

(B) Is a member of the Hawaii state bar association;

(C) Is an employee of entities regulated under Title 22; or

(D) Provides environmentally-sustainable goods or services, including but not limited to the sale, installation, and service of renewable energy technology systems and solar or wind energy systems, and other goods and services

consistent with prevailing industry standards in green building or sustainable construction, rehabilitation, repair, and maintenance; and

- (3) That the taxpayer has obtained a current and valid certificate signed by the director of taxation, showing that the taxpayer does not owe the State any delinquent taxes, penalties, or interest.

The taxpayer shall file the certificate from the charter school review panel with the taxpayer's tax return with the department of taxation. When the total amount of certified contributions for each taxable year reaches \$2,500,000, the charter school review panel shall immediately discontinue certifying contributions and notify the department of taxation. In no instance shall the total amount of certified contributions exceed \$2,500,000 for each taxable year."

Rationale: transfers tax reporting function from kanu o ka aina learning ohana (a private nonprofit corporation) to the charter school review panel (a state panel) to enhance accountability.

(From Section 3)

~~[(3) Federal funding that passes through any agency, board, or panel of the State; and]~~

"(3) Federal funding that passes through any agency, board, panel, or other subdivision of the State; and"

Rationale: clarifies intent.