

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON EDUCATION
ON
HOUSE BILL NO. 2794

February 1, 2008

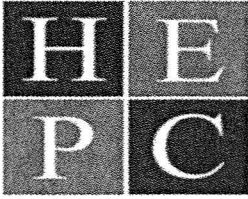
PROPOSING AMENDMENTS TO THE HAWAII CONSTITUTION RELATING TO THE
ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.

House Bill No. 2794 proposes to amend article VII, section 12, and article X, section 1, of the Constitution of the State of Hawaii to authorize the State to issue special purpose revenue bonds, and use the proceeds from those bonds, to assist nonprofit corporations supporting one or more charter schools, community development financial institutions benefiting one or more public charter schools, and charter schools.

We wish to point out that there may be federal tax implications in using tax-exempt Special Purpose Revenue Bonds (SPRB) to provide assistance to charter schools. Traditionally, SPRB tax-exempt financing is used to assist private entities such as private hospitals, industries, and utilities. Charter schools are statutorily considered to be “public schools” and fall under auspices of the State’s Department of Education. More expensive, taxable revenue bonds may be necessary to provide financing for charter schools if tax-exempt financing is not permitted.

In addition, charter schools must be able to generate sufficient revenues in order to repay the debt service associated with a bond issue. Currently, charter schools are not statutorily authorized to assess tuition. As such, it is uncertain as to what revenues would be used to repay the principal and interest on the bonds.

Furthermore, the issuance of SPRB tax-exempt financing by conduit entities (such as nonprofit organizations and community development financial institutions) does not eliminate the requirement that tax-exempt bond financing must be used to assist private entities, or the need for the charter schools to generate sufficient revenues to pay debt service.



HAWAI'I EDUCATIONAL POLICY CENTER
Informing the Education Community

Testimony Presented Before the
House Committee on Education

February 1, 2008, 2:15 pm, Room 309

by

Donald B. Young, Director
Hawai'i Educational Policy Center
University of Hawai'i at Mānoa

HB 2794: Relating to Education

Chair Takumi, Vice Chair Berg, and Members of the Committee:

The Hawai'i Educational Policy Center supports the intent of HB 2794, which authorizes the issuance of special purpose revenue bonds to not-for-profit organizations that support charter schools.

We encourage the committee to move this forward with a menu of options for consideration and discussion throughout this session.

Hawai'i's commitment to public school children should not be compromised by artificial arguments over whether or why charter school children deserve less funding support than regular public school children. However, this commitment does not mean that the vehicles for delivering a fair sense of equity needs to be the same. HB 2794 and the other bills listed below represent innovative and alternative strategies for meeting the State's obligations to all its public school children.

We would respectfully suggest that the committee move forward many of the concepts embodied in bills listed below, either through individual bills or as a number of alternative strategies within a single bill.

Other related charter school facilities bills that deserve examination include:

HB 2561 RELATING TO EDUCATION

Establishes the Hawai'i charter school facilities fund for funding the repair, maintenance, and other facilities needs of charter schools. Establishes a tax credit for certain individuals who make contributions to charter school repairs, maintenance, or development. Appropriates funds for the Hawai'i charter school facilities fund.

HB 2641 RELATING TO CHARTER SCHOOLS

Appropriates funds to charter schools for facilities. Gives charter schools first right to use underutilized or vacant state buildings.

Companion bills in the Senate include:

SB 2494 RELATING TO EDUCATION.

Establishes the Hawai'i charter school facilities fund for funding the repair, maintenance, and other facilities needs of charter schools. Establishes a tax credit for certain individuals who make contributions to charter school repairs, maintenance, or development. Appropriates funds for the Hawai'i charter school facilities fund.

SB 2164 RELATING TO EDUCATION

Establishes the Hawai'i charter school facilities fund for funding the repair, maintenance, and other facilities needs of charter schools. Establishes a tax credit for certain individuals who make contributions to charter school repairs, maintenance, or development. Appropriates funds for the Hawai'i charter school facilities fund

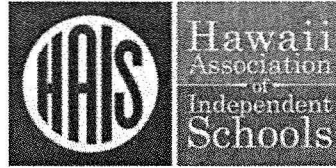
SB 2296 PROPOSING AMENDMENTS TO THE HAWAII CONSTITUTION

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS Proposes a constitutional amendment to authorize the State to issue special purpose revenue bonds to assist nonprofit corporations supporting one or more charter schools, community development financial institutions benefiting one or more public charter schools, and charter schools.

SB 3186 RELATING TO CHARTER SCHOOLS

Allows charter schools to acquire facilities through lease purchase financing agreements.

Thank you for the opportunity to testify today.



February 1, 2008
2:15 p.m.
Conference Room 309

TESTIMONY TO
THE HOUSE COMMITTEE ON EDUCATION

RE: HB 2794 – Proposing Amendments to the Hawaii Constitution
Relating to the Issuance of Special Purpose Revenue Bonds

Dear Chair Takumi, Vice Chair Berg, and Members of the Committee:

My name is Robert Witt, executive director of the Hawaii Association of Independent Schools (HAIS), which represents approximately 100 private and independent schools and educates over 30,000 students statewide.

Our association supports the intent of House Bill 2794, which proposes a constitutional amendment that will authorize the State of Hawaii to issue special purpose revenue bonds to assist nonprofit corporations supporting one or more charter schools, community development financial institutions benefiting one or more public charter schools, and charter schools.

Our association works closely with both charter schools and nonprofit organizations that support them. Particularly in the areas of school governance and finance, we have found that we are able to engage in beneficial dialogue with the many fairly new charter schools here in Hawaii, and share with them a useful body of knowledge regarding our many shared concerns.

In addition, HAIS is familiar with charter schools' need to secure capital funding for campus development, and to such ends we agree that in addition to public funding, additional private funding will likely be required to address the needs of these schools regarding the renovation of existing campuses and the construction of new facilities and 21st century learning environments.

HAIS has experience and knowledge concerning campaigning for the approval of constitutional amendments, as well as special purpose revenue bonds, both of which we are prepared to share with charter schools should this measure be approved, which we hope it will be in this session.

Thank you for the opportunity to testify on this measure today.



KAMEHAMEHA SCHOOLS

Testimony to the House Committee on Education
Hearing Date: Friday, February 1, 2008
2:15p.m. – Conference Room 309

Shawn Malia Kana'iaupuni, PhD
Director, Public Education Support (PEdS) Division

Thursday, January 31, 2008

Re: HB 2794, PROPOSING AMENDMENTS TO THE HAWAII CONSTITUTION RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS

Good afternoon Chair Takumi, Vice Chair Berg and members of the House Committee on Education. My name is Shawn Malia Kana'iaupuni, PhD, Director, Public Education Support (PEdS) Division of Kamehameha Schools. Thank you for this opportunity to testify in support of HB 2794.

We believe that funding for charter schools is critically important for their success and that charter schools serve an essential role in the education of Hawaii's children.

Kamehameha Schools has been a collaborator in the charter school movement for more than six years now. As part of our Education Strategic plan, KS hopes to significantly impact more Hawaiian children ages 0-8 and grades 4-16+, and their families/ caregivers over the next five years, in collaboration with others whenever possible.

Currently, Kamehameha Schools collaborates with nonprofit tax-exempt organizations, including `Aha Pūnana Leo, OHA, KALO and Ho`okāko`o Corporation, to assist a total of 14 start-up and 3 conversion charters. Kamehameha Schools believes that this collaboration provides more positive educational choices and ultimately academic achievement for Hawaiian students. Through these collaborations, Kamehameha Schools currently assists more than 3,000 students in 13 communities statewide within the public education system.

In a recent report released entitled, "Longitudinal Outcomes for Hawaiian-focused charter schools," the Kamehameha Schools research team concluded that Hawaiian-focused charter schools are implementing viable educational strategies, making significant gains over time for the lowest-achieving students. Supporting and replicating the successful strategies found in Hawaiian-focused charter schools may generate a promising return on investment for Hawaiian education throughout the public school system.

Kamehameha Schools supports the intent of HB 2794 which is to provide a greater measure of support for charter schools.

We appreciate this opportunity to submit comments on HB 2794 and support the initiatives of the legislature to further enhance charter schools.