

JAN 27 2010

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# A BILL FOR AN ACT

RELATING TO FUNDING OF CHARTER SCHOOLS.

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

1           SECTION 1. The legislature finds that the sharing of per  
2 pupil funds between charter and public schools in Hawaii becomes  
3 problematic when a student transfers from a public school in  
4 Hawaii to a charter school in Hawaii, or vice versa, subsequent  
5 to the charter school completing its annual student enrollment  
6 verification. Consequently, that scenario leads to an  
7 inequitable sharing in the costs to educate transfer students  
8 during the academic year.

9           The purpose of this Act is to create a mechanism to  
10 alleviate or rectify the unfairness in per pupil funding that  
11 arises when a student transfers from a public school in Hawaii  
12 to a charter school in Hawaii, or vice versa, after the charter  
13 school has completed its annual student enrollment verification.

14           SECTION 2. Section 302B-12, Hawaii Revised Statutes, is  
15 amended to read as follows:

16           "**§302B-12 Funding and finance.** (a) Beginning with fiscal  
17 year 2009-2010, and each fiscal year thereafter, the non-  
18 facility per-pupil funding request for charter school students



1 shall not be less than the per-pupil amount to the department in  
2 the most recently approved executive budget recommendation for  
3 the department, as set forth in paragraph (2); provided that:

4 (1) The per-pupil funding request shall include funding  
5 for projected enrollment figures for each charter  
6 school; and

7 (2) The per-pupil request for each regular education and  
8 special education student shall:

9 (A) Include all regular education cost categories,  
10 including comprehensive school support services,  
11 but excluding special education services;  
12 provided that special education services are  
13 provided and funded by the department;

14 (B) Include all means of financing except federal  
15 funds, as reported in the most recently-approved  
16 executive budget recommendations for the  
17 department; provided that in preparing the budget  
18 the executive director shall include an analysis  
19 of the proposed budget in relationship to the  
20 most recently published department consolidated  
21 annual financial report; and

22 (C) Exclude fringe benefit costs and debt service.



1 (b) Fringe benefit costs for charter school employees,  
2 regardless of the payroll system utilized by a charter school,  
3 shall be included in the department of budget and finance's  
4 annual budget request. No fringe benefit costs shall be charged  
5 directly to or deducted from the charter school per-pupil  
6 allocations.

7 The legislature shall make an appropriation based upon the  
8 budget request; provided that the legislature may make  
9 additional appropriations for fringe, workers' compensation, and  
10 other employee benefits and facility costs. The legislature may  
11 make additional appropriations for other requested amounts that  
12 benefit charter schools.

13 The governor, pursuant to chapter 37, may impose  
14 restrictions or reductions on charter school appropriations  
15 similar to those imposed on other public schools.

16 (c) Charter schools shall be eligible for all federal  
17 financial support to the same extent as all other public  
18 schools. The department shall provide the office with all  
19 state-level federal grant proposals submitted by the department  
20 that include charter schools as potential recipients and timely  
21 reports on state-level federal grants received for which charter  
22 schools may apply or are entitled to receive. Federal funds



1 received by the department for charter schools shall be  
2 transferred to the office for distribution to charter schools in  
3 accordance with the federal requirements. If administrative  
4 services related to federal grants and subsidies are provided to  
5 the charter school by the department, the charter school shall  
6 reimburse the department for the actual costs of the  
7 administrative services in an amount that shall not exceed six  
8 and one-half per cent of the charter school's federal grants and  
9 subsidies.

10 Any charter school shall be eligible to receive any  
11 supplemental federal grant or award for which any other public  
12 school may submit a proposal, or any supplemental federal grants  
13 limited to charter schools; provided that if department  
14 administrative services, including funds management, budgetary,  
15 fiscal accounting, or other related services, are provided with  
16 respect to these supplemental grants, the charter school shall  
17 reimburse the department for the actual costs of the  
18 administrative services in an amount that shall not exceed six  
19 and one-half per cent of the supplemental grant for which the  
20 services are used.

21 All additional funds generated by the local school boards,  
22 that are not from a supplemental grant, shall be held separate



1 from allotted funds and may be expended at the discretion of the  
2 local school boards.

3 (d) To enable charter schools to access state funding  
4 prior to the start of each school year, foster their fiscal  
5 planning, and enhance their accountability, the office shall:

6 (1) Provide fifty per cent of a charter school's per-pupil  
7 allocation based on the charter school's projected  
8 student enrollment no later than July 20 of each  
9 fiscal year; provided that the charter school shall  
10 have submitted to the office a projected student  
11 enrollment no later than May 15 of each year;

12 (2) Provide an additional forty per cent of a charter  
13 school's per-pupil allocation no later than  
14 November 15 of each year; provided that the charter  
15 school shall have submitted to the office:

16 (A) Student enrollment as verified on October 15 of  
17 each year; provided that the student enrollment  
18 shall be verified on the last business day  
19 immediately prior to October 15 should that date  
20 fall on a weekend; and

21 (B) An accounting of the percentage of student  
22 enrollment that transferred from public schools



1 established and maintained by the department;  
2 provided that these accountings shall also be  
3 submitted by the office to the legislature no  
4 later than twenty days prior to the start of each  
5 regular session; and

6 (3) Retain no more than ten per cent of a charter school's  
7 per-pupil allocation no later than June 30 of each  
8 year as a contingency balance to ensure fiscal  
9 accountability and compliance;

10 provided that the panel may make adjustments in allocations  
11 based on noncompliance with board policies made in the board's  
12 capacity as the state education agency, department directives  
13 made in the department's capacity as the state education agency,  
14 the office's administrative procedures, and board-approved  
15 accountability requirements.

16 (e) The department shall ensure that a charter school  
17 receives a pro rata share of per pupil funds from a public  
18 school when a student transfers from a public school in Hawaii  
19 to a charter school in Hawaii subsequent to the annual charter  
20 school student enrollment verification by depositing the pro  
21 rata share of per pupil funds into an escrow account by March 31  
22 of each year. The per pupil funds shall be transferred from the



1 escrow account to the appropriate charter school by April 30 of  
2 each year. The pro rata share shall be calculated based on the  
3 numerator being the number of school days remaining in the  
4 charter school's academic year on the date the student transfers  
5 to the charter school and the denominator being the total number  
6 of school days in the charter school's full academic year.

7 (f) The office shall ensure that a public school receives  
8 a pro rata share of per pupil funds from a charter school when a  
9 student transfers from a charter school in Hawaii to a public  
10 school in Hawaii subsequent to the annual charter school student  
11 enrollment verification by depositing the pro rata share of per  
12 pupil funds into an escrow account by March 31 of each year.  
13 The per pupil funds shall be transferred from the escrow account  
14 to the appropriate public school by April 30 of each year. The  
15 pro rata share shall be calculated based on the numerator being  
16 the number of school days remaining in the public school's  
17 academic year on the date the student transfers to the public  
18 school and the denominator being the total number of school days  
19 in the public school's full academic year.

20 [~~e~~] (g) The department shall provide appropriate  
21 transitional resources to a conversion charter school for its  
22 first year of operation as a charter school based upon the



1 department's allocation to the school for the year prior to the  
2 conversion.

3 [~~(f)~~] (h) No start-up charter school or conversion charter  
4 school may assess tuition."

5 SECTION 3. Statutory material to be repealed is bracketed  
6 and stricken. New statutory material is underscored.

7 SECTION 4. This Act shall take effect upon its approval.

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**Report Title:**

Funding Charter Schools; Per Pupil Funds; Student Enrollment

**Description:**

Provides a charter school, or public school as applicable, with a pro rata share of per pupil funds when a student transfers from a public school to a charter school, or vice versa, subsequent to the annual charter school student enrollment verification.

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