

JAN 22 2010

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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           SECTION 1. Chapter 302B, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4           "§302B-A Financial records; annual financial audit;  
5 revocation of charter. (a) Each charter school shall maintain  
6 financial records on a fiscal year basis.

7           (b) A financial audit and report shall be conducted of  
8 each charter school annually by a certified public accounting  
9 firm. A copy of the audit report shall be submitted to the  
10 panel no later than December 31 of the following fiscal year.

11           (c) A charter school that fails to comply with subsection  
12 (a) or (b), or both, shall be immediately placed on probationary  
13 status and shall remain on probation until the panel votes to  
14 remove the charter school from probationary status or revoke its  
15 charter.

16           (d) On the day that the charter school is placed on  
17 probationary status for failure to comply with subsection (a) or



1 (b), or both, the panel shall send by certified mail written  
2 notice of the probation to the charter school. The notice shall  
3 contain the following information:

4 (1) A statement of the reason for the probation;

5 (2) That, pursuant to subsection (3), the charter school  
6 has thirty days to appeal the probation; and

7 (3) That the failure to appeal the probation shall result  
8 in an automatic revocation of the charter.

9 (e) A charter school that is placed on probationary status  
10 in accordance with subsection (c) shall have an opportunity to  
11 appeal the probation. The appeal shall be sent to the panel by  
12 certified mail and shall be received by the panel within thirty  
13 calendar days after the date of the notice. The failure to  
14 appeal the probation within the time period specified in this  
15 subsection shall result in an automatic revocation of the  
16 charter.

17 (f) Where a charter school appeals the probation, the  
18 panel shall conduct a hearing on the probation not later than  
19 thirty calendar days after the date the request for appeal was  
20 received. The charter school shall show cause why its charter  
21 should not be revoked for failure to comply with subsection (a)  
22 or (b), or both.



1       (g) The chair of the panel shall conduct the hearing and  
2 have authority to:

3       (1) Administer oaths;

4       (2) Receive and determine the relevance of evidence;

5       (3) Issue subpoenas; and

6       (4) Regulate the course and conduct of the hearing.

7 The chair and members of the panel shall have authority to  
8 examine witnesses and take testimony.

9       (h) A vote of two-thirds of the members to which the panel  
10 is entitled shall be required to revoke a charter.

11       (i) After a charter is revoked, the charter school shall  
12 be allowed to remain open for thirty calendar days to facilitate  
13 the orderly transfer of students, or until the school year ends,  
14 whichever comes first.

15       (j) If a charter is revoked pursuant to this section, the  
16 State shall have first right, at no cost to the State, to all  
17 the assets and facilities of the charter school, except as  
18 otherwise provided by law."

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

21       "**§302B-12 Funding and finance.** (a) Beginning with fiscal  
22 year 2009-2010, and each fiscal year thereafter, the non-



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

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

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

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

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



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

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

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

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

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



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

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



1 All additional funds generated by the local school boards,  
2 that are not from a supplemental grant, shall be held separate  
3 from allotted funds and may be expended at the discretion of the  
4 local school boards.

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

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

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

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



1           (B) An accounting of the percentage of student  
2           enrollment that transferred from public schools  
3           established and maintained by the department;  
4           provided that these accountings shall also be  
5           submitted by the office to the legislature no  
6           later than twenty days prior to the start of each  
7           regular session; and

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

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

18           (e) The department shall provide appropriate transitional  
19         resources to a conversion charter school for its first year of  
20         operation as a charter school based upon the department's  
21         allocation to the school for the year prior to the conversion.





1 (f) No start-up charter school or conversion charter  
2 school may assess tuition.

3 (g) Where a charter school has been placed on probationary  
4 status in accordance with section 302B-A:

5 (1) The department shall suspend the release of general  
6 fund appropriations to the charter school; and

7 (2) The charter school shall be ineligible for further  
8 general fund appropriations until the panel votes to  
9 remove the charter school from probation."

10 SECTION 3. In codifying the new sections added by section  
11 1 of this Act, the revisor of statutes shall substitute  
12 appropriate section numbers for the letters used in designating  
13 the new sections in this Act.

14 SECTION 4. New statutory material is underscored.

15 SECTION 5. This Act shall take effect upon its approval.

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**Report Title:**

Charter Schools

**Description:**

Requires charter schools to maintain accounting and financial records and conduct a financial audit annually. Requires that failure to maintain records and conduct the audit result in suspension of the school's charter. Establishes a process for appealing the suspension and for revoking a charter. Authorizes the department of education to suspend the release of general funds to a charter school and requires that the charter school be ineligible for further general funds until the panel votes to remove the charter school from probation.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

