

Linda Lingle
Governor

Vanelle Maunalei Love
Executive Director



Charter School Administrative Office

1111 Bishop Street, Suite 516
Honolulu, Hawaii 96813
Tel: 586-3775 Fax: 586-3776

FOR: HB2267 HD1 Proposed SD1...Relating to Charter Schools
DATE: Tuesday, March 30, 2010
TIME: 9:30 a.m.
COMMITTEE(S): Ways and Means
ROOM: Conference Room 211
FROM: Maunalei Love, Executive Director

Testimony in support of the intent of HB2267 HD1 Proposed SD1

Chair Donna Mercado-Kim
Vice Chair Shan Tsutsui
Members of the Committee

Aloha Kakou,

Aloha, I am Maunalei Love, executive director of the Charter School Administrative Office ("CSAO"). I want to thank the chair and the entire committee for the time and effort being spent to remedy the issue of adequately providing needed resources to all public schools and making Hawaii more competitive for the Race to the Top grant. The CSAO supports providing a supportive environment for all DOE and public charter schools to better position Hawaii in competition for U.S. Department of Education's Race to the Top (RTT) initiative. States with policies in place supporting equitable funding and facilities for all public school students are at greater competitive advantage to qualify for RTT and other federal grant programs.

The CSAO supports the intent of HB2267 HD1 Proposed SD1, requiring the Charter School Review Panel (CSRP) to determine a clear process with rigorous criteria for charter schools to be reauthorized on a regular basis; allowing the Charter School Administrative Office (CSAO) to directly withhold funds from the EDN 600 allocation for its operational expenses; providing transparent accountability for charter schools; repealing the cap on the number of charter schools; and ensuring that charter school students receive equitable funding along with facilities funding and access...However, we still have concerns that left as is, the language and approach in this bill will not resolve the inequitable funding and accountability of finances issues.

Specifically, the CSAO has these comments and concerns regarding this bill:

- (1) Require the charter school review panel to adopt a clear process with rigorous criteria for charter schools to be reauthorized;
- (2) Require the charter school review panel to have a process for reevaluation in order to reauthorize a charter school no later than four years following the initial issue of the charter and every four years thereafter;

We support requiring the Charter School Review Panel (CSRP) to determine a clear process with rigorous criteria for charter schools to be reauthorized on a regular basis. This is the standard across the country and acknowledges that charter schools are intended to be lab schools, trying new and innovative ways to educate our children. Reauthorization should not be used as an obstacle to schools that are doing a good job teaching our children. The number of years for reauthorization does vary from state to state. We recommend charters be authorized for a period of four years when first approved for charter and every six years thereafter.

The CSAO agrees that all schools need to be transparent and accountable, both on a state and federal level and a clear process for reauthorization is needed and understood. However, we recommend that the language should include “evaluate schools for reauthorization.”

- (3.) Require the charter school administrative office to withhold not more than two per cent of the annual general fund allocation for its operational expenses, including salaries for staff and the executive director;

Funding for the CSAO off the top of the allocation rather than cutting checks, issuing invoices, and then having schools reimburse the CSAO is really a mechanical adjustment to procedures that can already be done by the CSAO without a change in statute. However, state funded offices, as a rule, do not process their funding stream in the way that has been done by the CSAO for the past several years. The legislature wants to ensure that the CSAO, as a state office, not process its funding as if it's a vendor to the schools.

- (4) Require the charter school administrative office to report annually to the charter school review panel individual and aggregate expenditures of charter schools, clearly distinguishing between expenditures for operational and instructional purposes;

Reporting expenditures individually and in the aggregate is something that the legislature is asking for. We are trying to be proactive in creating standardized financial statements to enable the schools and the office to collect and submit this information according to GAAP, along with schedules enabling timely responses to requests during session (and the middle of the school year).

- (5) Require per-pupil allocation checks paid by the charter school administrative office to individual charter schools to be co-signed by the executive director of the charter school administrative office and an agent of the charter school review panel to encourage more intentional and well-informed financial decision-making;

We believe that this idea is tied to concerns about accountability and transparency along with the desire to link expenditures with an accountability entity with the authority to enforce compliance. Although we support the concept, we do not believe that just having another entity signing checks will help and as is will only create an inefficient process that adds no accountability.

- (6) Repeal the cap on the number of start-up and conversion charter schools;

YES! We support this as one of the main criteria to be in a good position for RTT funding. RTT requires that states have no barriers to innovative education and recognizes charter schools as the one area where innovation is being realized on a large scale nationally. We also understand that RTT would like assurances regarding a process of accountability and transparency of all public schools. The Charter School Review Panel currently has a rigorous application process in place to ensure schools being authorized will adhere to this accountability.

- (7) Require the department of education to make available vacant school facilities or portions of school facilities for use by charter schools; provided that the facility is not used by the department to support education programs; and

We support this work in progress and will work to clear up this language and process. As many have stated, federal dollars are linked to states showing clear support for charter schools receiving equitable facility support. The CSAO applied for, but did not receive a grant for USDOE Charter School Facilities. Comments reflected that the state has not offered charter schools equitable facility support.

- (8) Make changes to charter school funding, including the establishment of the over-appropriation special fund, to further encourage fairness in funding and the availability of resources to charter schools.

In discussions with the legislature, we understand that the intent is to avoid providing funding for students that were projected but not realized. We all also understand that there are problems with this approach including, but not limited to: a) we have never been funded on a per pupil basis, but have been given a lump sum that the CSAO converted into a per pupil for distribution; b) the timing of withholding, reallocating these funds and the manner to make it work needs further clarification. If left as is, there are more questions that need to be answered.

The year the Charter School Review Panel was advised by the AG to approve three new charter schools, funding for those new students was not included in the lump sum appropriation. The ramifications were that the per pupil amount was reflective of the

additional enrollment count and all charter schools per pupil amount was drastically “cut”. That year, I came to the legislature and testified in support of funding these three schools by including their projected enrollment, but that did not happen.

The CSAO feels that the funding formula is fine the way it is stated in statute. The problem is that the formula has never truly been followed. I have often stated, “Perhaps we should just state in statute that the formula shall be followed.” I recommend that the formula remain intact as we have been working with the DOE and others to come to agreement on what should be included in each EDN along with specific line items. Conversations and meetings regarding this have been very productive and positive thanks to all who have been involved. Removing “all cost categories” from the language would exclude charter schools from receiving funding that they are entitled to and would create greater social and funding inequity for charter school students.

The CSAO understands the intent limiting the formula language to “general funds.” However only making this change to the formula language does not take into consideration many programs that charters do administer, however differently than the traditional method that is currently understood. As I have stated many times during testimony, charter schools do offer adult education and after-school programs. Another example of the need to clarify the formula language is in reference to the exclusion of “general funds” for Special Education. Currently, a “Charter School Funding Work Group” which includes the DOE, CSAO, several charter school administrators and a member of the State Senate are reviewing, program by program, the state sources of funding that are included by the DOE in EDN 150. This EDN has been excluded in its entirety from the charter school formula. Yet the group reviewing the individual programs within this EDN have identified ten programs that are not SPED and four others that need additional research. We also have to spend general fund dollars to assist with our Special Education programs where the services or funding has not been realized at our charter schools. There are many examples where Hawaii’s charter schools are assisting by offering critically needed services to Hawaii’s communities. Charter schools are an integral part of their community with community involvement being one of the main reasons we were created.

As the “Charter School Funding Work Group” has been having discussions regarding the charter school funding formula, I recommend that we allow this working group and the Charter School Funding Task Force be allowed to offer their recommendations and findings in regards to charter school equitable funding. I recommend for this session, that the funding formula remain intact as we work with the DOE and others to come to agreement on what should be included in each EDN along with specific line items. Conversations and meetings regarding this have been very productive and positive thanks to all who have been involved.

I also ask that the legislature support our charter schools by showing them that you will address the issue of equitable facilities funding. Last year, our lobbying efforts for facilities funding was passed and is now in statute. However, no funding for facilities has been included in the allocation to charter schools this year. This is an area that

needs to be addressed and is one of the items specified in Race To The Top.

The CSAO is ready, willing, and able to help with any revisions. Thank you for this opportunity to testify.