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**FOR: SB 2589 SD2 Relating to Charter Schools**  
**DATE: Wednesday, March 10, 2010**  
**TIME: 2:30 p.m.**  
**COMMITTEE(S): Committee on Education**  
**ROOM: Conference Room 309**  
**FROM: Maunalei Love, Executive Director**

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Testimony on S.B. No. 2589, SD2

Chair Roy Takumi, Vice Chair Lyla Berg and 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 Hawaii's charter schools with access to all available resources including equitable funding and facilities, allowing our students to have the best educational opportunities that will enable them to succeed.

Although we support the intent of SB2589 SD2, 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...We have serious concerns that left as is, the language and approach in this bill will not resolve the inequitable funding issue.

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 and may be open to more discussion.**

**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 re-authorization.”**

(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 a standardized chart of accounts and/or financial statement to enable the schools and the office to collect and submit this information according to GAAP, along with a rational schedule enabling response to requests during session (and the middle of the school year). The current language of the draft re:”operational and instructional” expenditures is not precise.**

(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 they are trying to avoid providing funding for students that were projected but not realized. They 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. If left as is, charter schools may not receive their fair share of millions of dollars of resources and services.

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 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 has 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. We suggest that language changes to the formula be deferred until the work of the Task Force being created by Senate Concurrent Resolution 108 is completed.

Hawaii's charter school system is supportive of the need for compliance and transparency. Charter schools currently do independent audits and include financial information in their annual self evaluations. However, asking the CSAO or each school to do an annual audit without the fiscal resources would create an unfair comparison to other public schools. Funding for these audits should be provided if these audits will be required of ALL public schools annually, as the state does for other state mandated audits.

I ask that the legislature support our charter schools by showing them that you will address the issue of equitable 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 really needs to be addressed and I am hopeful that Hawaii's charters will see parity this coming year- as public schools deserving of their rightful and equitable share.

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



**HAWAII  
TECHNOLOGY ACADEMY<sup>SM</sup>**

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**LATE TESTIMONY**

March 10, 2010

Honorable Roy M. Takumi, Chair  
House Committee on Education

**Re: SB2589 SD2, Relating to Charter Schools - Support**  
Conference Room 309, March 10, 2010, 2:30 PM

Aloha Chair Takumi, Vice Chair Berg, and Committee Members:

On behalf of the Hawaii Technology Academy (HTA), a public charter school which serves students in Oahu, Kauai, Hawaii and parts of Maui, thank you for the opportunity to offer testimony in support of these bills.

We support legislation to improve educational opportunities for all of our state's public school students, including charter schools.

We support provisions in this to make vacant school facilities available to charter schools for use, to provide equitable resources and improve accountability and transparency, to establish a process for reauthorizing schools, and to remove the cap on the number of charter schools.

However, we do support further refinements in this bill to include other provisions to allow more parity for all of our public schools whether they be a charter or DOE school, including:

- Funding facilities support to charter schools that have gone into the market to find and renovate commercial space to accommodate classroom, library and other work space to support an environment for learning. Facilities are a high cost factor and must be balanced along with providing curriculum, personnel costs and other expenses required to run a school. Charter schools should be eligible for the same facilities funding DOE schools are provided.
- Allowing charter schools to grow. While student enrollment in DOE schools has been in decline, the interest in public charter schools is growing and is beyond our current enrollment capacity. In our current budgeting scheme, adding more students means slicing the fiscal pie into smaller and more meager sums which are not adequate for our schools to operate. This means schools must limit their enrollment to ensure enough resources are available. We do not subject DOE schools to the same treatment. Let's provide charter schools with parity so they can grow as the demand for charter education grows.

- Stabilizing fiscal support for charter schools so that funding indeed follows the student. Our goal ought to be creating a support environment in which there is no distinction or disparity between funding resources for DOE student and a charter school student.

HTA is one of Hawaii's 31 public charter schools that are part of the state public school system. Like the DOE schools, charters comply with federal and state education standards. We support efforts like this to improve the state's public education system.

Most of all, we endorse changes that create an equitable and 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 for all public school students are at greater competitive advantage to qualify for RTT and other federal grant programs.

For these reasons, we respectfully urge members to support our suggested changes in the passage of this bill.

Sincerely,

Jeff Piontek  
Hawaii Technology Academy Head of School