

SB2598

Charter Schools; SPRB;

ConAm

EDU/JDL, WAM

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON EDUCATION AND
JUDICIARY AND LABOR
ON
SENATE BILL NO. 2598

February 3, 2012

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

Senate Bill No. 2598 proposes to amend Article VII, Section 12, and Article X, section 1, of the Hawaii State Constitution, to authorize the State to issue Special Purpose Revenue Bonds (SPRB) and use the proceeds from those bonds, to assist charter schools, not-for-profit corporations that support charter schools, and community development financial institutions that support charter schools.

The Department has several concerns with this bill. There may be federal tax implications in using tax-exempt SPRBs to provide assistance to charter schools. Tax-exempt SPRB financing may be used to assist private entities such as private hospitals, industries, utilities, and private schools. As charter schools are statutorily considered to be “public schools” and fall under auspices of the State’s Department of Education, they may not be eligible for SPRB financing. Secondly, it is unclear as to what are “not-for-profit corporations that support charter schools” and “community development financial institutions.” Further clarification is needed to determine whether such organizations qualify under federal tax law for tax-exempt financing. Finally, there appears to be no existing funding mechanism to ensure adequate debt coverage for the issuance of special purpose revenue bonds on behalf of Charter Schools. Charter Schools are

currently appropriated general funds for operating costs, which is not used to pay for debt service.

Thank you for opportunity to provide testimony on this measure.

NEIL ABERCROMBIE
GOVERNOR



ROGER MCKEAGUE
EXECUTIVE DIRECTOR

STATE OF HAWAII
CHARTER SCHOOL ADMINISTRATIVE OFFICE
1111 Bishop Street, Suite 516, Honolulu, Hawaii 96813
Tel: 586-3775 Fax: 586-3776

FOR: SB2598 Proposing Amendments to the Hawaii State Constitution Relating to the Issuance of Special Purpose Revenue Bonds

DATE: Friday, February 3, 2012

TIME: 2:15 p.m.

COMMITTEE(S): Senate Committee on Education
Senate Committee on Judiciary and Labor

ROOM: Conference Room 225

FROM: Roger McKeague, Executive Director
Charter School Administrative Office

Testimony in support of the intent of SB2598

Chairs Tokuda and Hee, Vice Chairs Kidani and Shimabukuro, and Members of the Committees:

Aloha, I am Roger McKeague, Executive Director of the Charter School Administrative Office (CSAO).

SB2598 will allow charter schools to receive the leverage backing of Special Purpose Revenue Bonds. We support this measure to allow charter schools additional options for funding facilities.

Thank you for this opportunity to testify.



Board Chair

Roberta Chu

Testimony as of February 2, 2012
SB 2598

Board Treasurer

Taffi Wise

Education Committee
Judiciary and Labor Committee

Friday, February 3, 2012 at 2:15p
Conference Room 225

Board Member

Charlene Ho

Aloha Chair Tokuda, Chair Hee, Vice Chair Kidani, Vice Chair Shimabukuro and Members of the Committee:

Board Member

Nancy Levenson

My name is Will Hancock, the Executive Director of Lei Ho'olaha- a Community Development Financial Institution (CDFI) whose mission is to provide loans and financial education support to charter schools.

Board Member

Lauren Nahme

We are in support of SB2598 which authorizes the issuance of special purpose revenue bonds to not for profit organizations that support charter schools.

Loan Committee:

Katie Benioni

Brant Chillingworth

Roberta Chu

Facilities and the ability to fund them are one of the charter schools greatest needs. Our children are going to school in facilities that in many cases are below those available at the nearby DOE school. Often classes are held in areas and facilities that leave much to be desired to optimize a child's education.

Lauren Nahme

This bill allows the school non profits' to use a public/private partnership through Special Purpose Revenue Bonds to develop better facilities for charter schools. The bonds are an alternate method of financing that can allow a faster more efficient building process.

Executive Director

Will Hancock

Special Purpose Revenue Bonds among other financing alternatives are used to facilitate charter school construction in many states. Before bonds are issued the organizations go through an underwriting process that only allows those with the ability to repay to



Board Chair

Roberta Chu

borrow. In other states, charter schools that have bonds have had a very low default rate (3.1%).

Board Treasurer

Taffi Wise

Mahalo for the opportunity to testify today.

Will Hancock

Board Member

Charlene Ho

Board Member

Nancy Levenson

Board Member

Lauren Nahme

Loan Committee:

Katie Benioni

Brant Chillingworth

Roberta Chu

Lauren Nahme

Executive Director

Will Hancock



KANU O KA 'ĀINA LEARNING 'OHANA

Grows womb-to-tomb models of education that advance Hawaiian culture for a sustainable Hawai'i

Testimony as of February 2, 2012
SB2598
Education Committee

WEDNESDAY, FEBRUARY 3, 2011
Conference Room 225, 2:15pm

Aloha Chair Tokuda, Vice Chair Michelle Kidani, and members of the committee:

We are Taffi Wise, Katie Benioni and Ka'iulani Pahio of KALO, testifying on behalf of Kanu o ka 'Aina NCPCS a member of Na Lei Na'auao.

Though our work with Senator Takamine on the "Equity Study" as well as the follow up recommendations of the Charter Schools Funding and Facilities Task Force last session **we strongly support charter schools being empowered to receive the leverage backing of SPRB's, we humbly ask for your support.**

Utilizing the authority as stated in Article X, section 1 of the, Hawaii State Constitution
"The State shall provide for the establishment, support and control of a statewide system of public schools free from sectarian control, a state university, public libraries and such other educational institutions as may be deemed desirable, including physical facilities therefor."

The following are a few excerpts of the numerous studies done assessing the relationship between educational performance, teacher moral and the students learning environment.

- *The Users in Mind: Utilizing Henry Sanoff's Methods in Investigating the Learning Environment.* (Salama, Ashraf), suggests the need to sensitize users about the value of the school environment in reaching the desired academic performance while increasing teachers productivity, directly supporting the assumption that school environment has a direct impact on the way in which teaching and learning takes place.
- *School Building Condition, School Attendance, and Academic Achievement in New York City Public Schools: A Mediation Model.* (*Journal of Environmental Psychology*) examines the role of school attendance as a mediator in the relationship between facilities in disrepair and student grades in city and state tests. Data on building condition and results from English Language Arts and Mathematics standardized tests were analyzed. This study provides empirical evidence of the effects of building quality on academic outcomes and considers the social justice issues related to this phenomenon.
- *Building Green for Better Education.* (Hoffman, Paul) Concludes the positive impact of sustainable school building features on learning, attitudes, staff morale, and attendance.
- *Association between Physical Environment of Secondary Schools and Student Problem Behavior: A National Study* (Kumar, Revathy.) This study asserts that an attractive physical environment is associated with less truancy,



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cigarette, alcohol, and marijuana use, whereas a negative physical environment is associated with higher levels of these behaviors.

Thank you for the opportunity to testify, respectfully submitted,


Taffi Wise


Katie Benioni


Ka'iulani Pahio

Key Facts:

- Charters cannot charge tuition
- Charters are bound by collective bargaining
- Charters are subject to NCLB and all State testing requirements
- Charters run only on the cash they have in-hand
- Charters must be in compliant safe facilities



HAWAII TECHNOLOGY ACADEMYSM

Hawaii Public Charter School #551

*94-810 Moloalo Street
Waipahu, Hawaii 96797
808-676-5444
808-676-5470 (Fax)*

February 3, 2012

Honorable Jill Tokuda, Chair
Honorable Michelle Kidani, Vice Chair
Senate Committee on Education

Honorable Clayton Hee, Chair
Honorable Maile Shimabukuro, Vice Chair
Senate Committee on Judiciary and Labor

Re: SB 2598 – Proposing Amendments to the Hawaii State Constitution Relating to the Issuance of Special Purpose Revenue Bonds – Support
Conference Room 225, 2:15 PM

Aloha Chairs Tokuda and Hee, Vice Chairs Kidani and Shimabukuro and Committee Members:

On behalf of the Hawaii Technology Academy (HTA), a public charter school with learning centers in Waipahu and Princeville serving students on Oahu, Kauai, Hawaii Island and Maui, thank you for the opportunity to testify in support of this bill. We support SB2598 to propose a constitutional amendment authorizing the State to issue special purpose revenue bonds (SPRBs) to assist charter schools.

SPRBs are proven and valuable tool for financing capital infrastructure improvements for school or leveraging the capital construction costs of schools. These have been used for a number of public-private purposes including independent schools, private hospitals, and energy and technology companies allowing these projects to qualify for interest rates well below the market rates; thereby, reaping significant savings in financing capital projects.

Hawaii's public charter schools experienced a growing chasm in funding, which has declined significantly since Fiscal Year 2007 by 34.5% from \$9,063 to \$5,933/per student for the current fiscal year. Moreover, most public charter schools, namely start-up schools, receive a significantly inadequate sum to "offset" facilities cost. For several start-up public charter schools that are not in public facilities, 1/5 of this overall per pupil funding is spent on facilities costs, leaving fewer dollars in the classroom.

We support initiatives that leverage investments toward high quality education by providing students and teachers a safe and comfortable learning environment.

For these reasons, we urge your strong support for the passage of this bill proposing a constitutional amendment authorizing SPRB funding for Hawaii's public charter schools.

Sincerely,

Leigh Fitzgerald
Executive Director, Hawaii Technology Academy

Erin Conner

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 02, 2012 12:13 PM
To: EDU Testimony
Cc: lcolbert@hawaii.rr.com
Subject: Testimony for SB2598 on 2/3/2012 2:15:00 PM

Testimony for EDU/JDL 2/3/2012 2:15:00 PM SB2598

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: Laura Colbert
Organization: Voyager School Foundation
E-mail: lcolbert@hawaii.rr.com
Submitted on: 2/2/2012

Comments:

On behalf of Voyager School Foundation, a 501(c)(3) non-profit organization established to support Voyager Public Charter School, I submit our testimony in strong support of Senate Bill SB2598. By amending article VII, section 12, and article X, section 1, of the Hawai'i State Constitution to authorize the State to issue special purpose revenue bonds, and use the proceeds from those bonds, to assist chart schools, not-for-profit corporations that support charter schools and community development financial institutions that support charter schools, the State of Hawai'i would help to ease the financial burden placed on all 31 charter schools. Voyager School Foundation commends the Hawai'i State Legislature for drafting this promising piece of legislation and for its steadfast support of public charter schools in Hawai'i.