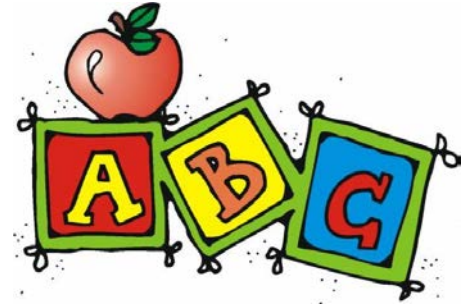


HB1745

HD2



Measure Title: RELATING TO EDUCATION.

Report Title: Education; Charter Schools

Description: Authorizes the State Public Charter School Commission to assess fees on non-state entities and individuals to help offset its operating costs. Makes various amendments to the charter school law for clarity and consistency. Effective July 1, 2030. (HB1745 HD2)

Companion: [SB2518](#)

Package: None

Current Referral: EDU, WAM

Introducer(s): TAKUMI, OHNO

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON EDUCATION
ON
HOUSE BILL NO. 1745, H.D. 2

March 17, 2014

RELATING TO EDUCATION

House Bill No. 1745, H.D. 2, authorizes the State Public Charter School Commission to assess fees through the promulgation of administrative rules to help offset its operating costs and makes various other amendments to clarify the existing public charter school statute.

While the Department of Budget and Finance does not take any position on this bill, the Legislature should consider: 1) the broad language which allows the assessment of fees for unspecified purposes; and 2) the need to assess fees for the State Public Charter School Commission's operations, as it seems to circumvent the budget review process.

NEIL ABERCROMBIE
GOVERNOR



CATHERINE PAYNE
CHAIRPERSON

STATE OF HAWAII
STATE PUBLIC CHARTER SCHOOL COMMISSION
(‘AHA KULA HO‘ĀMANA)

<http://CharterCommission.Hawaii.Gov>
1111 Bishop Street, Suite 516, Honolulu, Hawaii 96813
Tel: 586-3775 Fax: 586-3776

FOR: HB 1745 HD2 Relating to Education
DATE: Monday, March 17, 2014
TIME: 3:00 p.m.
COMMITTEE(S): Senate Committee on Education
ROOM: Conference Room 414
FROM: Tom Hutton, Executive Director
State Public Charter School Commission

Testimony in support

Chair Tokuda, Vice Chair Kidani, and members of the Committee:

The State Public Charter School Commission (“Commission”) supports this bill, which incorporates the Commission’s request to the Legislature for various revisions to Hawaii’s charter school statute, Hawaii Revised Statutes (“HRS”) Chapter 302D.

Among other changes, this bill would:

- Clarify that the Commission’s budget shall be appropriated separately from, and in addition to, appropriations made to charter schools—this was the expectation when the new charter school law, Act 130 of 2012, was enacted and replaced the previous formula under which the Charter School Administrative Office (“CSAO”) had been funded with two percent of the per-pupil funds appropriated for schools;
- Expressly allow the Commission to reconstitute a charter school’s governing board under certain exigent circumstances, including unlawful or unethical conduct by governing board members or school personnel or other circumstances that raise serious

doubts about the current board's ability to fulfill its statutory, contractual, or fiduciary duties;

- Authorize the Commission to assess fees of non-state entities as may help cover operating costs;
- Strengthen certain provisions relating to potential conflicts of interest on charter school governing boards, including by providing for "cooling off" periods and addressing vendors and contractors that provide goods or services to the school; and
- Clarify the legal status of an approved charter applicant before the school opens to students.

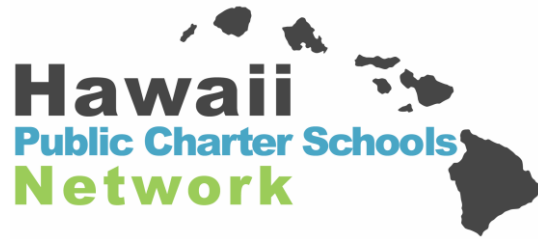
As a result of some new developments in the Commission's ongoing revamping of Hawaii's chartering system, we respectfully request some revisions to the bill, which we have submitted to Committee staff. Among other things, these changes would:

- Replace the current draft of the new section on the start-up period for a newly approved school, to provide that the new state entity is created before the school opens. The Department of the Attorney General advises the Commission that this is desirable to enable the school to engage in transactions necessary for a successful start-up, such as entering into employment agreements, leases, etc., with the advice of that department. The new proposed provision would stipulate that the new entity shall draw no charter school funds nor employ state employees during this start-up period.
- Reconcile contradictory provisions in the current statute as to Commissioner conflicts of interest by merging them into one provision applicable to trustees of all authorizers. Under this new provision, employees, trustees, and vendors of charter schools authorized by the authorizer would not be eligible to serve as trustees of that authorizer, and trustees who formerly had such roles would be required to disclose them.
- Revise the proposed "cooling-off" period before which a past vendor to a charter school may serve on the school's governing board, to avoid inadvertently subjecting private vendors to the state Ethics Code.
- Clarify the intent of language related to the academic performance framework for charter schools.

- Clarify the intent of current language related to the timeframe for a charter school's contract renewal process.
- Clarify that a 1935 state statute that could be interpreted as restricting hitherto allowable uses of federal funds by authorizers and charter schools never was intended to do so, as authorizers and charter schools generally enjoy greater flexibility in spending but higher-stakes accountability for the results of their spending decisions. This would resolve a legal question that has been raised as to the Commission's intended allocation to charter schools of some federal Impact Aid funds for their facilities needs.
- Clarify that for purposes of certain statutorily allowed delegations of authority intended to reduce administrative burdens, the executive director of the Commission shall be deemed the department head for the Commission and the charter schools unless otherwise specifically provided. The current lack of such a designation in the charter sector has left the Commission and charter schools unable to make use of these delegations of authority.
- Clarify that express statutory authorization to submit budget requests for charter school facilities is not intended to restrict the Commission's ability to support the schools' facilities needs in other ways.

In addition, the Hawaii Public Charter Schools Network (HPCSN) will be proposing a revision to the current statutory requirement that each charter school be audited annually. The Commission's financial performance staff has worked with HPCSN on this revision and supports its adoption.

Thank you for the opportunity to provide this testimony.



Hawaii State Senate
Committee on Education

DATE: Monday, March 17, 2014
TIME: 3:00 p.m.
PLACE: Conference Room 414, Hawaii State Capitol

Chair Tokuda, Vice Chair Kidani, and members of the Senate Education Committee,

Re: HB1745 HD2 – Support

Hawaii Public Charter Schools Network (HPCSN) is committed to quality education for all public school students in Hawaii through our work with Hawaii’s public charter schools. This bill proposes a variety of changes to 302D, the charter school statute.

HPCSN is in STRONG SUPPORT of Section 4, Subsection (k) - Funds the commission separate from, and in addition to, the charter school per pupil calculation. The legislature partnered with the charter school community to recodify the charter school law in 2012. The changes were focused on governance, authority and accountability. The charter school governance system is very different in that charter schools are accountable to their governing boards. The Governance, Accountability and Authority Legislative Task Force of 2011 anticipated additional costs that would be associated with their proposal for sweeping changes to the charter school law. The addition of this section will help to provide the needed funding to assist schools with the many added responsibilities and obligations charter schools are now subject to since the passing of Act 130 of 2012.

Annual Audits (Suggestion for amendment to bill)

Charter schools cumulatively spend upwards of half a million dollars on annual financial independent audits. Approximately ninety percent of charter schools do not have material weaknesses in their audits and demonstrate financial capacity and soundness. There is potential to save money and time for charter schools if the legislature allows the Commission the discretion to require reviews instead of audits.

[§302D-32] Annual audit or review. Each charter school shall annually complete an independent financial audit that complies with the requirements of its authorizer and the department. [L 2013, c 159, pt of §1]

The authorizer shall have the discretion to allow a financial review in lieu of an independent financial audit.

Mahalo for your support of Hawaii's public students, their families and public charter schools.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lynn Finnegan', with a long horizontal flourish extending to the right.

Lynn Finnegan
Executive Director

From: mailinglist@capitol.hawaii.gov
To: [EDU Testimony](#)
Cc: nataliachambers2008@yahoo.com
Subject: *Submitted testimony for HB1745 on Mar 17, 2014 15:00PM*
Date: Sunday, March 16, 2014 1:00:38 PM

HB1745

Submitted on: 3/16/2014

Testimony for EDU on Mar 17, 2014 15:00PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Natalia Chambers	Volcano School of Arts & Sciences	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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