



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: HB2576 HD1 – Strong Support

Mahalo for the opportunity to testify on HB2576 HD1 Relating to Education. Hawaii Public Charter Schools Network (HPCSN) is committed to quality education for all public school students in Hawaii through our support of, and work with, Hawaii's public charter schools. The number one priority for HPCSN this legislative session is to help make progress to address the financial challenges, most especially with facilities, that exist for Hawaii's public charter schools. Our objectives are:

- 1) to gain facilities funding/support for charter schools in a variety of scenarios;
- 2) to reassure legislators that the charter accountability system is fair, strong and getting stronger;
- 3) to make reasonable and incremental progress on facilities funding; and,
- 4) during the process, to provide transparency and good data to help inform decisions.

This bill creates a special fund and tax credit program that supports charter school facilities and incentivizes another private/public partnership opportunity. HPCSN is open to amendments to address concerns that have been mentioned to include:

- 1) addressing language that potentially gives donors double tax benefits;
- 2) for predictability purposes, adding language that states a total tax credit limit for this program; and,
- 3) clarifying language that the program will only exist if taxpayers choose to participate.

In 2005 the Legislative Reference Bureau in its report entitled, *On the Level? Policy, Law and the Charter School Movement* stated, "Unlike their public school, conversion school, and school-within-school counterparts, start-up schools must rent or build facilities, or ask the public to donate facilities, or both.

The cost of building public schools is usually spread out over twenty years through the issuance of general obligation bonds. Neither the BOE, the HIDOE, nor individual public schools are responsible for debt service—or the payment of principal and interest on these bonds. These bonds are the responsibility of the State, and are backed by it's the full faith and credit (i.e., taxing power).” Some charter schools have facilities on state land and have access through the normal CIP process - others do not (see attachment).

Solutions are not easy given the state’s many priorities for funding. This bill is one part of a small group of bills to address funding and facilities support for charter schools. Previously, stumbling blocks would be identified during discussions that would stop progress instead of work toward solutions. Now, the DOE, BOE, Dept. of Budget and Finance, State Public Charter School Commission and charter schools, through an informal working group, expressed their willingness to work through these challenges.

HPCSN strongly supports the following bills as they relate to funding and facilities support:

- SB2516/HB2438 is funded by general funds and has the flexibility to provide facilities funding to charter schools that are currently not on state land. This solution also moves from previous efforts to obtain per pupil facilities funding to all charter schools to a more nuanced process that considers charter school performance and need.
- SB2517 proposes to address a more consistent way to fund charter school facilities for charter schools on state land.
- SB2518/HB1789 adds a line item to the state budget separate from the charter school per pupil funding to acknowledge the significant and growing responsibilities of each and every charter school governing board since the passing of Act 130 SLH of 2012. The charter school governance structure is very different from the HIDOE model. This will allow charter schools additional funds to start to build a shared system of supports that charter schools lost when the Charter School Administrative Office was eliminated.
- HB2576 proposes a special fund and a tax credit system to support charter school facilities.

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



Lynn Finnegan
Executive Director

Attachments

Charter Schools Facilities Bills

Disclosure: Confirmation of data is in progress with schools.

			SB2517	SB2516/ HB2438	HB2576
			CIP (G.O. Bond)	Facilities Pilot (Gen Funds)	Tax Credit/ Special Fund
On state land	Lease	Kawaikini, Kekaha+, Kanuikapono, Halau Ku Mana, ULS, Hakipuu, Ka Waihona,	P	A	A
	USDA loan	Kamakau, WHEA~+, Kanu o ka Aina, Volcano ~+	P	A	A
	Conversions	Kualapuu, Lanikai^, Waialae^, Kamaile, Waimea Middle^, Lapahoehoe	P	A	A
Not on state land	Lease	Kihei, KANAKA, MBTA, HTA, Voyager, Halau Lokahi, Connections+, Na Wai Ola, Kua o ka La, HAAS, SEEQS		P	A
	USDA loan	Kona Pacific, Innovations.		P	A
Facilities are on both on state land and not on state land		Nawahi	A	P	A
Checking status		Ka Umeke, Laahana		A	A

Note: Leases could be held by non-profit, school enters lease with non-profit

Blue = Checking/verifying with schools

P = Priority

A = Applies

+ Received GIA

^ Received CIP and/or upgrades through the DOE system

~ USDA in process

McKeague and Roberts. Memo to Karen Street – Chair Hawaii Public Charter Schools Commission, CSAO, Honolulu, HI 11 October 2012.

Attachment 2

Lump-sum Funding Request For Facilities

Act 130 Section 3(b)(1) provides the following with respect to a needs based facilities funding request:

“... in preparing the budget request with regard to needs-based facilities funding, the executive director shall ensure that, as a budget item separate from other operating costs, the request is accompanied by a detailed explanation of the formula used and a funding request breakdown by school;”

On September 17, 2012 the CSAO distributed an email to all charter schools requesting that they submit to the CSAO their projected facilities related expenses for FB13-15. The email included a spreadsheet for each charter school to use in providing their projected facilities expenses to the CSAO. The CSAO requested that charter schools provide all projected facilities related expenses, including utility costs, maintenance costs, custodial costs, etc.

The following table summarizes the data that was submitted by the charter schools. Four schools did not respond to the CSAO's request, for those four schools their projected facilities related expenses were estimated by the CSAO using actual FY11-12 facilities costs. The data was summarized into three different columns for each year: Projected lease/rental of building and grounds costs; adjusted projected facilities expenses and total projected facilities expenses. The CSAO has based the lump-sum facilities budget request on the adjusted facilities expenses columns.

The column labeled Rental/Lease of Building and Grounds is the most restricted of the columns. It reports only projected lease/rental of facilities costs as reported by the charter schools. The column labeled Adjusted Proj. Facilities Expenses includes rental/lease of buildings and grounds plus rental/lease of building/grounds equipment, depreciation of equipment and buildings and maintenance of building and grounds. The total projected facilities expenses column also includes projected utilities, maintenance and operations salaries and custodial supplies expenses.

This request is described as a “lump-sum” request because many of the charter schools, should this item be funded, would like to further develop a more precise distribution methodology different from the projected expense amounts per the attached schedule. The charter schools, with the HPCSN and the CSAO have not developed a methodology at the time this request was prepared. However, there is precedence for this based on the distribution methodology used in FY 10-11 and 11-12 for the small carve out funding for facilities in those fiscal years. Any distribution methodology so developed would be subject to Commission approval.

School Name	ORGID	Reported Projected Facilities Expenses FY13-14			Reported Projected Facilities Expenses FY14-15		
		Rental/Lease of Building & Grounds	Adjusted Proj. Facilities Expenses FY 13-14	Total Projected Facilities Expenses FY 13-14	Rental/Lease of Building & Grounds	Adjusted Proj. Facilities Expenses FY 14-15	Total Projected Facilities Expenses FY 14-15
Waialae-PCS	149	\$0	\$3,500	\$316,634	\$0	\$3,710	\$335,632
Kamalei	275	-	50,000	705,000	-	50,000	750,000
*Lanikai-PCS	320	-	15,034	178,468	-	15,034	178,468
Laupahoehoe Community PCS	377	-	64,000	420,513	-	69,120	334,604
Waimea Mid-PCS	394	-	25,000	218,494	-	25,000	221,605
Connections-PCS	396	501,600	549,900	971,300	501,600	549,900	971,300
Kanu O Ka'aina-PCS	397	537,500	582,500	786,000	537,300	583,300	790,000
Waters of Life-PCS	398	29,050	64,050	119,595	29,050	65,396	125,990
West Hi Explor-PCS	399	10,000	29,000	221,869	70,000	110,000	393,369
Kualapuu-PCS	411	-	-	298,614	-	-	275,614
KANAKA - PCS	466	45,000	69,000	103,100	45,000	69,000	103,700
Halau Ku Mana-PCS	540	300	399,878	521,898	300	399,878	521,898
Voyager-PCS	541	643,600	697,300	717,500	669,800	724,800	746,000
Halau Lokahi NC-PCS	542	321,780	334,280	434,588	321,780	334,280	434,588
Educ Lab: A Hawaii NC-PCS	543	100,000	125,000	125,000	100,000	125,000	125,000
Myron Thompson Acad-PCS	544	371,798	442,298	481,298	385,487	455,987	494,987
*Ka Waihona O Ka Naaauo-PCS	545	-	298,257	895,247	-	298,257	895,247
Hakipu'u Learning Ctr-PCS	546	17,021	53,181	80,681	18,000	56,000	84,000
Ke Kula O Kamakau Lab-PCS	547	144,105	174,447	385,617	144,105	174,447	416,517
Innovations-PCS	548	360,000	395,000	560,000	360,000	395,000	560,000
Ke Ana La'ahana-PCS	549	15,000	29,000	127,000	17,250	33,450	142,150
Hawaii Technology Academy	551	295,000	598,800	830,800	309,750	615,350	833,250
Kihai-PCS	554	816,000	1,139,000	1,454,000	900,000	1,240,000	1,574,000
Ke Kula Ni'ihau Kekaha-PCS	556	-	42,200	96,555	-	43,500	272,450
Kua O Ka La-PCS	557	147,615	153,615	225,115	167,615	179,615	270,115
Volcano Sch of A&S-PCS	560	36,918	66,518	198,268	38,764	70,265	208,183
Hi Academy of A&S-PCS	561	365,000	469,000	803,000	385,000	496,000	850,500
Ka 'Umeke Ka'eo-PCS	562	207,420	231,420	379,965	207,420	231,420	391,815
*Ke Kula Nawahi Iki Lab-PCS	563	133,632	162,246	358,347	133,632	162,246	358,347
*Kanuikaponu-PCS	564	1,690	8,434	50,038	1,690	8,434	50,038
Kawaikini	565	72,000	95,400	132,400	72,000	95,400	132,400
Kona Pacific	566	167,100	189,100	243,178	167,100	189,100	243,178
TOTALS		\$5,339,129	\$7,556,758	\$13,440,082	\$5,582,643	\$7,868,889	\$14,084,945

* These schools did not submit estimated FY 14 & FY15 facilities related costs. Therefore, their estimated costs were based on actual FY11 facilities costs.

HB2576

Submitted on: 3/17/2014

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

Submitted By	Organization	Testifier Position	Present at Hearing
Jason Okamoto	Individual	Support	No

Submitted By	Organization	Testifier Position	Present at Hearing
Loretta Okamoto	Individual	Support	No

Submitted By	Organization	Testifier Position	Present at Hearing
Jaslyn Okamoto	Individual	Support	No

Submitted By	Organization	Testifier Position	Present at Hearing
Logan Okamoto	Individual	Support	No