

SB2517

Charter School Commission;
GO Bond Authority
EDU, WAM

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON EDUCATION
ON
SENATE BILL NO. 2517

February 3, 2014

RELATING TO CHARTER SCHOOLS

Senate Bill No. 2517 authorizes the State Public Charter School Commission to request the issuance of general obligation bonds from the Director of Finance for the planning, construction, repair, and maintenance of public charter school facilities and provides an unspecified appropriation for this purpose.

The Department of Budget and Finance does not take any position on the policy of issuing general obligation bonds for this purpose. For your information, charter schools already have the ability to request capital funding as part of the budget process through the proposed charter school programs budget submittal. The availability of general obligation bonds and/or funds for capital projects is competitive across all programs of the State - including, the Department of Education, the State Library System and the University of Hawaii, and every other program in the State.

In determining the appropriateness of general obligation bonds to any charter school, the Legislature should consider the following issues related to startup charter schools: a) the issuance of long-term debt (general obligation bonds) and the site control aspects of occupancy of a property consistent with the duration of this long-term debt; b) disposition of buildings and land back to State ownership should a

public charter school discontinue its operations; c) with limited general obligation bond capacity, the policy of giving priority to charter schools over other state programs; and d) the major financial commitment of funding capital improvements for start-up public charter schools as well as the recurring repair and maintenance costs associated with these facilities.

NEIL ABERCROMBIE
GOVERNOR



CATHERINE PAYNE
INTERIM 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: SB 2517, Relating to Charter Schools
DATE: Monday, February 3, 2014
TIME: 1:15 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 is pleased to submit this testimony in strong support of this measure, which would authorize the Commission to request the issuance of general obligation bonds from the Director of Finance and to allocate the proceeds for public charter school facilities needs. The Commission expresses its appreciation to Chair Tokuda, Vice Chair Kidani, and the other members of the Committee, Senators Ruderman, Solomon, and Sлом, for their introduction and sponsorship of this measure.

The need to address facilities costs is arguably the single greatest unaddressed challenge for Hawaii’s chartering system. Currently, start-up charter schools must pay for the costs of their facilities from out of their already stretched operational funds.

The Commission currently is implementing a Facilities Pilot Program for the awarding of funds to charter schools for relatively small-scale facilities projects and has allocated approximately \$680,000 of federal Impact Aid funds to this program from out of a temporary but sizable increase in such funds for the current fiscal year. Funds for the pilot program are planned for distribution around the beginning of the 2014 academic year.

This initiative by the Commission has engendered considerable controversy among some of the charter schools, which are anxious about the adequacy of their operating funds, as well as

concern that the precedent not be misperceived by the Legislature as a sign that the Commission somehow can address the facilities challenge using existing resources. Despite these concerns, the Commission has seized this opportunity to move ahead with the initiative, in an attempt to demonstrate that a program of investing in charter school facilities will prove a sound investment for the public, and to allow the system to work through any legal and practical issues before any additional state funds are invested.

This legislation is the outgrowth of discussions by an informal interagency working group convened by Chair Tokuda after the 2013 legislative session to explore funding options for charter schools. The Commission is grateful for the contributions of legislative members and staff, the Office of Governor, the Departments of Education and Budget and Finance, the Hawaii Charter Schools Network, and the charter schools, among others, to those discussions.

We note that this year, as in past years, the Commission also submitted on the schools' behalf capital improvement project (CIP) requests totaling some \$31 million. Eligibility for these requests is limited to start-up charter schools located on state land. We believe these projects to be meritorious, but, as in past years, they have been categorically rejected rather than considered on their merits. The Commission recognizes that there are some questions regarding CIP funding for charters and welcomes the opportunity to identify and work through those questions with the Legislature, the Department of Budget and Finance, and others.

In that regard, we particularly welcome the provisions of this legislation that (1) would create a charter school facilities funding working group, including the Director of Finance and the Chairs of the Senate Committee on Ways and Means and the House Committee on Finance, to determine criteria for and to prioritize the allocation of the bond proceeds to the schools, and (2) stipulate that public charter school facilities funded in whole or in part through the bond proceeds shall be owned by the State.

The Commission notes that another measure before this Committee, SB 2516, Relating to Facilities Funding for Charter Schools, would make a general fund appropriation for charter schools. We address this proposal in separate testimony, but to the extent that general obligation bond financing would be unavailable for certain types of compelling charter school facilities costs, we would request that the Legislature consider these two proposals complementary, rather than mutually exclusive.

In addition, the Commission also believes that a third proposal for charter school facilities support that has been introduced in the House of Representatives is worthy of the Legislature's consideration. HB 2576, Relating to Education, would make an appropriation for a charter school facilities funding but also would establish an income tax credit for taxpayers who make contributions to the development of charter school facilities. That measure also would expressly authorize the use of funds for securing loans from private lending institutions for financially stable charter schools, another promising proposal.

Thank you for the opportunity to provide this testimony.



KAMEHAMEHA SCHOOLS®

The Senate
Twenty-Seventh Legislature 2014
State of Hawai'i

TO: Honorable Jill N. Tokuda, Chair
Honorable Michelle N. Kidani, Vice Chair
Members of the Committee on Education

DATE: Monday, February 3, 2014
TIME: 1:15 p.m.
PLACE: Conference Room 414
Hawai'i State Capitol

FROM: Kamehameha Schools

RE: SENATE BILL 2517, RELATING TO CHARTER SCHOOLS

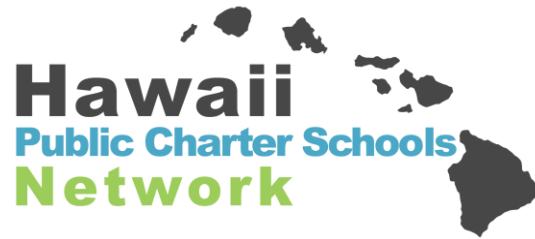
Chair Tokuda, Vice Chair Kidani, and members of the Committee,

Thank you for this opportunity to testify on SB 2517, relating to charter schools. Kamehameha Schools offers comments in support of authorizing the state public charter school commission to request the issuance of general obligation bonds from the director of finance and to allocate the proceeds for the design, planning, construction, repair, and maintenance of public charter school facilities. This bill creates a working group to determine criteria for and to prioritize the allocation of general obligation bond proceeds to the public charter schools. Further, this measure specifies that public charter school facilities funded through the proceeds of general obligation bonds are owned by the State and requires the state public charter school commission to report annually to the legislature. Additionally, this measure authorizes the issuance of general obligation bonds to the state public charter school commission.

Kamehameha Schools supports promoting the achievement and success of Hawai'i's public school students and, as such, has been a collaborator with the Hawai'i public charter schools for over a decade. Through our work with public charter schools, we hope to significantly impact more children and their families through education. We believe charter schools provide positive choices for education and ultimately enhance both achievement and engagement for students across Hawai'i.

Financial support for the charter school system is crucial in maintaining the services these schools provide. We ask that you help to provide our state's most innovative educators with the strong support and stable foundation they need continue their positive growth. We believe efforts to improve the public charter school system improve access to education and, ultimately, enhance education for all of Hawai'i's children.

Thank you for the opportunity to testify on this measure.



Hawaii State Senate
Committee on Education

DATE: Monday, February 3, 2014
TIME: 1:15 p.m.
PLACE: Conference Room 414, Hawaii State Capitol

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

Re: SB2517 – Strong Support

Mahalo for the opportunity to testify on SB2517 Relating to Charter Schools. 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 significant progress to address the financial challenges, most especially with facilities, that exist for Hawaii's public charter schools.

Hawaii governors and state legislatures have stated the importance of facilities for public school students. Currently, there is no funding for facilities for start-up charter schools and this has been a decade old problem. 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)."

This bill is one part of a package of efforts to address funding and facilities support for charter schools. These issues are complex. 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 are willing to work on it through the efforts described in this package of bills. SB2517, together with SB2516/HB2438, SB2518/HB1745 and HB2576 will help to address a variety of funding/facilities challenges with an array of methods that use different and creative funding mechanisms. 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 HDOE 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.
- SB2576 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.

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

Lynn Finnegan
Executive Director

SB2517

Submitted on: 2/1/2014

Testimony for EDU on Feb 3, 2014 13:15PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
Evelyn Zayas	Individual	Support	No

Comments: Please move to equalize charter school students!

Submitted By	Organization	Testifier Position	Present at Hearing
Juanita Kawamoto Brown	Individual	Support	No

Comments: Let's make this happen, please.