

**SB1215**

DAVID IGE  
GOVERNOR



CATHERINE PAYNE  
CHAIRPERSON

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

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FOR: SB 1215 Relating to Charter Schools  
DATE: Friday, February 6, 2015  
TIME: 1:15 p.m.  
COMMITTEE(S): Senate Committee on Education  
ROOM: Conference Room 229  
FROM: Tom Hutton, Executive Director  
State Public Charter School Commission

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

The State Public Charter School Commission (“Commission”) appreciates the opportunity to submit this testimony in support of Senate Bills 849 and 1215, “Relating to Charter Schools,” and Senate Bill 850, “Relating to Facilities Funding for Charter Schools,” each of which would provide much needed facilities support for charter schools.

The need to address facilities costs for start-up charter schools is arguably the 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.

We note that, as in past years, the Commission this year submitted proposed Capital Improvement Projects (“CIP”) as submitted from charter schools. The Commission has been instructed that eligibility for these requests is limited to start-up charter schools located on state land. These projects are not recommended for approval in the executive budget. If charter school CIP projects are not to be considered, in the Commission’s view it is all the more important that other means of providing at least some support for the charter schools’ facilities needs be considered.

In addition to the CIP requests from the schools, the Commission requested a \$5 million appropriation to provide commercial kitchens at six charter schools. Some charter schools lack kitchen facilities adequate to provide meals to students. Previously these schools were able to contract with the Department of Education (“Department”) for meals, but in response to an

internal audit of the overall school lunch program, the Department in 2013 discontinued this vending relationship. The Commission has been discussing with the Department the possibility of recommencing vending to at least some charter schools where the geographic and other considerations could make this cost-effective, but SB 1215 would provide funding for six of the schools should construction of a kitchen prove the more cost-effective and viable option or where larger community considerations than the school considerations for this community asset were an important factor.

Senate Bills 849 and 850 are proposals reintroduced from the 2014 Session that would provide temporary general obligation bond authority and general funds, respectively, to support charter school facilities needs.

Finally, the Commission acknowledges the State's fiscal challenges. Nevertheless, we remain hopeful that among the various proposals currently in motion in the Legislature, a way can finally be found to make a start in addressing this longstanding problem.

Thank you for the opportunity to provide this testimony.

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON EDUCATION  
ON  
SENATE BILL NO. 1215

February 6, 2015

RELATING TO CHARTER SCHOOLS

Senate Bill No. 1215 authorizes the State Public Charter School Commission to request the issuance of general obligation (G.O.) bonds from the Director of Finance for the planning, construction, repair, and maintenance of public charter school facilities; establishes the "Charter School Food Service Facilities Funding Working Group"; establishes a Charter Schools Fund Services Special Fund; and authorizes the Director of Finance to issue \$5,000,000 in G.O. bonds in FY 2016 for this purpose.

The Department of Budget and Finance (B&F) would like to make several technical comments on this bill with respect to issuing G.O. bonds for charter school facilities. First, 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 G.O. bonds and/or funds for capital projects is competitive across all programs of the State - including, the Department of Education, the Hawaii State Public Library System and the University of Hawaii, and every other program in the State.

Second, in determining the appropriateness of providing G.O. bonds to any charter school, the Legislature should consider the following factors with respect to startup charter schools: a) suitable site control arrangements of property occupancy that is consistent with the duration of long-term debt; b) disposition of buildings and land back to State ownership should a public charter school discontinue its operations; and

c) 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.

Third, federal tax law requires that tax-exempt G.O. bond proceeds be used only to finance projects that serve public purposes. Consequently, charter schools would need to ensure no private activity use of general bond funded facilities.

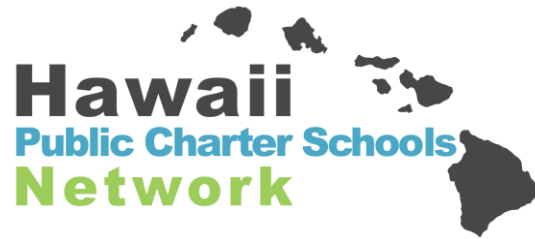
Finally, as funding for these projects is not included in the proposed Executive Budget, an amount for the corresponding annual debt service will need to be included in the Legislature's version of the budget should this bill pass the Legislature.

This bill also establishes the "Charter Schools Food Service Special Fund" for meeting the food service needs of State public charter schools. While B&F does not take any position on establishing the "Charter Schools Food Service Special Fund," as a matter of general policy, the department does not support the creation of special funds which do not meet the requirements of Section 37-52.3, HRS. Special funds should:

- 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program;
- 2) provide an appropriate means of financing for the program or activity; and
- 3) demonstrate the capacity to be financially self-sustaining.

In regards to Senate Bill No. 1215, it is difficult to determine whether the special fund will be self-sustaining.

Additionally, we are concerned that the bill allows the deposit of G.O. bonds into the "Charter Schools Food Service Special Fund" because the proposed special fund can also be used for food service operations. It is not appropriate to use G.O. bonds for operating costs. Further, as mentioned above, general bond funded food service facilities cannot be used for any private activity purposes.



Hawaii State Senate  
Committee on Education

DATE: Friday, February 6, 2015

TIME: 1:15 p.m.

PLACE: Conference Room 229, Hawaii State Capitol

Chair Kidani, Vice Chair Harimoto, and Members of the Education Committee,

Re: SB1215 Relating to Charter Schools

Mahalo for the opportunity to testify ***IN STRONG SUPPORT*** of SB1215 - 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.

This bill:

- 1) authorizes the state public charter school commission to request the issuance of general obligation bonds and to allocate the proceeds thereof for the design, planning, construction, repair, and maintenance of public charter school food service facilities;
- 2) establishes a charter schools food service special fund;
- 3) authorizes the issuance of general obligation bonds, and appropriates funds to be deposited in the charter schools food service special fund for the purpose of meeting the food service needs of the State's public charter schools;
- 4) requires the state public charter school commission to report annually to the legislature regarding the expenditure of funds from the charter schools food service special fund; and,
- 5) establishes a working group to determine criteria for and prioritize the expenditures from the charter schools food service special fund.

Balancing the charter school budget has been increasingly tougher to do each year. School expenses and state and federal mandates have increased over time while the charter school per pupil decreased and then stayed relatively flat over the same time period. Some charter schools struggled through the ultimate decision to completely cut their food programs.

This bill seeks to make it easier for charter schools to provide a food service program for their students, but also encourages schools to offer their kitchens to serve a larger community purpose. Charter schools

are positioned well to make dual purpose, cost saving projects like these a reality. Kona Pacific Public Charter School comes to mind as a charter school that was able to not only serve food to their students, but also built their program to serve Meals on Wheels seniors and Punana Leo 'o Kona preschoolers

Thank you for your attention to and consideration of this very important matter to charter schools. Your support of Hawaii's public students is greatly appreciated.

Mahalo Nui Loa,

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

Lynn Finnegan  
Executive Director

Attachment

## Charter Schools Facilities Bills

			GO Bond	General Funds
On state land	Lease	Kawaikini, Kekaha+, Kanuikapono, Halau Ku Mana, ULS, Hakipuu, Ka Waihona,	P	A
	USDA loan	Kamakau, WHEA+, Kanu o ka Aina, Volcano ~+	P	A
	Conversions	Kualapuu, Lanikai^, Waialae^, Kamaile, Waimea Middle^, Lapahoehoe	P	A
Not on state land	Lease	Kihei, KANAKA, MBTA, HTA, Voyager, Halau Lokahi, Connections+, Na Wai Ola, <a href="#">Kua o ka La</a> , HAAS, SEEQS, Malama Honua		P
	USDA loan	Kona Pacific, Innovations.		P
Facilities are on both on state land and not on state land		Nawahi	A	P
Checking status		<a href="#">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





**SB1215**  
**RELATING TO CHARTER SCHOOLS**  
Senate Committee on Education

February 6, 2015

1:15 p.m.

Room 229

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The Administration of the Office of Hawaiian Affairs (OHA) will recommend to the Board of Trustees a position of **SUPPORT** for SB1215, which seeks to alleviate the unique financial burdens borne by start-up public charter schools, in meeting their basic facilities needs.

Meeting start-up charter schools' facilities needs is arguably the single greatest unaddressed challenge for Hawai'i's public charter schools. Currently, start-up charter schools must pay for the costs of their facilities using their already-stretched operational funds. This is a cost that is not borne by conversion charter schools, or schools under the Hawai'i State Department of Education. Similarly, most start-up charter schools do not have their own cafeteria or food service facility, and find it necessary to also use their operational funds to contract outside vendors, to provide school meals.

SB1215 seeks to address these longstanding challenges, by authorizing the State Public Charter School Commission to request the issuance of general obligation bonds, the proceeds of which may be used to procure food service facilities for public charter schools.

OHA therefore urges the Committee to **PASS** SB1215.

Mahalo nui for the opportunity to testify on this measure.



KAMEHAMEHA SCHOOLS®

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

DATE: February 6, 2015  
TIME: 1:15 p.m.  
PLACE: Conference Room 229  
Hawai'i State Capitol

FROM: Kamehameha Schools

**RE: SENATE BILL 1215, RELATING TO CHARTER SCHOOLS**

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

Thank you for this opportunity to testify in support of SB 1215, 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 and to allocate the proceeds thereof for the design, planning, construction, repair, and maintenance of public charter school food service facilities. This bill establishes a charter schools food service special fund, authorizes the issuance of general obligation bonds, and appropriates funds to be deposited in the charter schools food service special fund for the purpose of meeting the food service needs of the State's public charter schools. It also requires the state public charter school commission to report annually to the legislature regarding the expenditure of funds from the charter schools food service special fund and establishes a working group to determine criteria for and prioritize the expenditures from the charter schools food service special fund.

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.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [EDU Testimony](#)  
**Cc:** [aandrea99@aol.com](mailto:aandrea99@aol.com)  
**Subject:** Submitted testimony for SB1215 on Feb 6, 2015 13:15PM  
**Date:** Thursday, February 05, 2015 7:58:13 PM

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**SB1215**

Submitted on: 2/5/2015

Testimony for EDU on Feb 6, 2015 13:15PM in Conference Room 229

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Andrea Quinn	Individual	Oppose	No

Comments: Please do not pass this bill. It has the potential of forcing taxpayers to pay for a student's enrollment in a religious school which, in addition being anathema to a good portion of the over 30% of Hawaii residents claiming no religion, would violate federal and state church/state guarantees thereby potentially spawning lawsuits at taxpayer expense.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)