

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 849, S.D. 1

March 2, 2015

RELATING TO CHARTER SCHOOLS

Senate Bill No. 849, S.D. 1, 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 Facilities Funding Working Group," and provides an unspecified appropriation for this purpose.

The Department of Budget and Finance would like to make several technical comments on this bill. 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.

DAVID IGE
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: 808-586-3775 Fax: 808-586-3776

FOR: SB849 SD1 Relating to Public Charter Schools
DATE: Monday, March 2, 2015
TIME: 9:00 a.m.
COMMITTEE(S): Senate Committee on Ways and Means
ROOM: Conference Room 211
FROM: Tom Hutton, Executive Director
State Public Charter School Commission

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

The State Public Charter School Commission (“Commission”) appreciates the opportunity to submit this testimony in support of Senate Bill 849 SD1, “Relating to Charter Schools,” 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.

SB849 SD1 is a proposal reintroduced from the 2014 Session that would provide temporary general obligation bond authority to support charter school facilities needs. The bill would establish a charter school facilities funding working group, which would include the Director of Finance and the chairs of this Committee and the House Committee on Finance, to advise the

Commission in determining the criteria for and allocation of proceeds of the general obligation bonds.

We note that another proposal in motion in the House, House Bill 1251 HD1, would establish a charter school facilities funding working group that would include the Director of Finance, the Comptroller, the Superintendent, and two Commission appointees with expertise in real estate and finance, and that would to prioritize the allocation of funds and bond proceeds for charter school facilities based on the criteria established by the Commission, taking into account considerations identified in that bill. We also note that the Department of the Attorney General recommended that the working group proposed in HB 1251 be administratively attached to the Department of Education. We are prepared to work with any model for ensuring that this important effort benefits from the expertise and assistance of other key institutional stakeholders.

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.

SB849

Submitted on: 2/27/2015

Testimony for WAM on Mar 2, 2015 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

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