## A BILL FOR AN ACT

RELATING TO PUBLIC CHARTER SCHOOLS.

## BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1	PART I
2	SECTION 1. Chapter 302D, Hawaii Revised Statutes, is
3	amended by adding two new sections to be appropriately
4	designated and to read as follows:
5	"§302D- Federal investigations; charges; public funds.
6	(a) Upon the filing of federal criminal charges against any
7	employee of a charter school for actions taken in the course of
8	employment at the charter school, control of any public funds
9	that have been disbursed to the charter school shall transfer to
10	the commission.
11	(b) The commission shall establish a procedural reporting
12	framework for all funds transferred to the commission pursuant
13	to this section.
14	§302D- Legislative appropriations; state treasury. All
15	funds appropriated to charter schools by the legislature shall
16	remain in the state treasury until requested for disbursement
17	pursuant to section 302D-28(f) or, if a charter school closes,

1 shall be expended after approval of the authorizer or order of 2 the court." 3 SECTION 2. Section 302D-17, Hawaii Revised Statutes, is 4 amended by amending subsection (a) to read as follows: 5 "(a) An authorizer shall continually monitor the 6 performance and legal compliance of the public charter schools 7 it oversees, including collecting and analyzing data to support 8 ongoing evaluation according to the charter contract. Every 9 authorizer shall have the authority to conduct or require 10 oversight activities that enable the authorizer to fulfill its 11 responsibilities under this chapter, including conducting 12 appropriate inquiries, audits, and investigations, so long as 13 those activities are consistent with the intent of this chapter 14 and adhere to the terms of the charter contract." 15 SECTION 3. Section 302D-28, Hawaii Revised Statutes, is 16 amended by amending subsection (f) to read as follows: 17 "(f) Each authorizer shall develop and maintain a system 18 of banking accounts that charter schools shall exclusively use 19 to receive and expend state and federal funds; provided that the 20 commission and the authorizer shall be primary parties to all 21 accounts created pursuant to this subsection. To enable charter

1	schools to access state funding prior to the start of each			
2	school ye	ar, foster their fiscal planning, enhance their		
3	accountab	ility, and avoid over-allocating general funds to		
4	charter schools based on self-reported enrollment projections,			
5	authorizers shall:			
6	(1)	Provide sixty per cent of a charter school's per-pupil		
7		allocation based on the charter school's projected		
8		student enrollment no later than July 20 of each		
9		fiscal year; provided that the charter school shall		
10		have submitted to its authorizer a projected student		
11		enrollment no later than May 15 of each year;		
12	(2)	Provide an additional thirty per cent of a charter		
13		school's per-pupil allocation no later than December 3		
14		of each year, based on the October 15 student		
15		enrollment, as reviewed and verified by the		
16		authorizer[, only to schools]; provided that the		
17		school is in compliance with all financial reporting		
18		requirements; and		
19	(3)	Retain no more than the balance of the remaining ten		
20		per cent of a charter school's per-pupil allocation,		
21		as a contingency balance to ensure fiscal		

1	accountability and compliance[ <del>, no later than</del> ] until		
2	June 30 of each year;		
3	provided that authorizers may make adjustments in allocations		
4	based on noncompliance with charter contracts and the board may		
5	make adjustments in allocations based on noncompliance with		
6	board policies made in the board's capacity as the state		
7	education agency, department directives made in the department		
8	capacity as the state education agency, the board's		
9	administrative procedures, and board-approved accountability		
10	requirements."		
11	SECTION 4. Section 302D-32, Hawaii Revised Statutes, is		
12	amended to read as follows:		
13	"§302D-32 Annual audit [or financial review]. Each		
14	charter school shall annually complete an independent financial		
15	audit that complies with the requirements of its authorizer and		
16	the department[; provided that the authorizer shall have the		
17	discretion to allow a financial review in lieu of an independent		
18	financial audit]. The authorizer shall be responsible for the		
19	selection of independent auditors to fulfill the requirement of		
20	this section."		

PART II

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1	SECT	TON 5. Section 302A-122, Hawaii Revised Statutes, is
2	amended t	o read as follows:
3	" [ <del>†</del> ]	§302A-122[] Board of education; eligibility. (a)
4	Except as	otherwise provided by law, state officers shall be
5	eligible	for appointment and membership to the board.
6	<u>(b)</u>	No person shall be eligible for appointment to the
7	board:	
8	(1)	Under section 302A-121(a)(1) through (4) unless the
9		person is a resident of the county from which the
10		person is to be appointed; $[\Theta \hat{r}]$
11	(2)	Under section 302A-121(a)(5) unless the person is a
12		resident of the State[+]; or
13	(3)	If the person was affiliated with any public charter
14		school within four years preceding appointment to the
15		board. For the purposes of this paragraph,
16		"affiliated" means attached or connected as a current
17		or previous employee, governing board member, vendor,
18		contractor, agent, or representative."
19	SECT	ION 6. Section 302D-8, Hawaii Revised Statutes, is
20	amended t	o read as follows:

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1	"§302D-8 Conflict of interests. (a) A member of the
2	state public charter school commission shall not be eligible to
3	serve on the commission if the member was affiliated with any
4	public charter school within four years preceding appointment to
5	the commission.
6	For the purposes of this subsection, "affiliated" means
7	attached or connected as a current or previous employee,
8	governing board member, vendor, contractor, agent, or
9	representative.
10	$\underline{\text{(b)}}$ [No] An employee, trustee, agent, or representative of
11	an authorizer [may] shall not simultaneously serve as an
12	employee, trustee, agent, representative, vendor, or contractor
13	of a public charter school authorized by that authorizer.
14	Authorizer members shall disclose to the authorizer a list of
15	all charter schools in which the member has previously been an
16	employee, governing board member, vendor, contractor, agent, or
17	representative."
18	PART III
19	SECTION 7. This Act does not affect rights and duties that

matured, penalties that were incurred, and proceedings that were

begun before its effective date.

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- 1 SECTION 8. Statutory material to be repealed is bracketed
- 2 and stricken. New statutory material is underscored.
- 3 SECTION 9. This Act shall take effect on July 1, 2050.

### Report Title:

Charter Schools; Authorizers; Audit; Federal Investigation; Funding; Banking Account System

#### Description:

Transfers control of public funds disbursed to a charter school to the State Public Charter School Commission upon filing of criminal charges against an employee of the charter school for actions taken in the course of employment at the charter school. Requires establishment of a banking account system to pay charter school expenses. Requires authorizers to select the independent auditors. Prohibits individuals from serving as Board of Education or Charter School Commission members if the individual was affiliated with a charter school within four years preceding appointment. Effective 7/1/2050. (SD1)

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