

DAVID Y. IGE
GOVERNOR



JOHN S.S. KIM
CHAIRPERSON

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

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FOR: SB 864 Relating to Charter Schools
DATE: February 8, 2021
TIME: 3:00 P.M.
COMMITTEE: Committee on Education
ROOM: Conference Room 229
FROM: Yvonne Lau, Interim Executive Director
State Public Charter School Commission

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

The State Public Charter School Commission (“Commission”) appreciates the opportunity to submit this testimony providing **COMMENTS on SB 864** which amends HRS §302D-32 to require that two of the three independent auditors selected by the authorizer have offices on the neighbor islands.

The Commission respectfully suggests that the amendment to HRS §302D-32 proposed in **SB 813** would address the concerns raised in this legislation by allowing the authorizer to approve more than three independent auditors.

In order to meet the current requirements of HRS §302D-32, the Commission has already conducted a Request for Qualifications (RFQ) process to identify three approved independent auditors. However, based on concerns and feedback from charter schools, particularly neighbor island charter schools, on the availability of these audit services on the neighbor islands, the proposed amendment in **SB 813** was requested. Should the statute be amended, the Commission would reopen the RFQ process to review and approve any additional qualified auditors, which could include auditors on the neighbor islands, that complete and meet the requirements of the RFQ process.

The Commission looks forward to collaborating with the committee, other interested stakeholders, and public charter schools in moving this legislation forward. Thank you for the opportunity to provide this testimony.

**Hawaii Public Charter School Network
Legislative Committee**

February 6, 2021

Aloha Chair Kidani, Vice Chair Kim and Committee Members,

SUPPORT SB864 WITH AMENDMENTS

Please consider amendments that would **Repeal Charter School Commission Auditor Selection** – empowering the school to select the auditor of its choice and ensure outer island auditor representation and a larger pool of auditors. Since 302D-32’s passage that gave control of the auditors to the commission the law has not been followed, there are not enough auditors in Hawaii to meet the required timeline to ensure charter audits are included in the Consolidated Annual Financial Report. Additionally, Oahu centric auditor selection will require outer island charter schools, which are the majority to incur additional expenses and time.

Per HRS 302D defines a "Governing board" as the independent board of a public charter school that is party to the charter contract with the authorizer that is responsible for the financial, organizational, and academic viability of the charter school and implementation of the charter;...

According to the [U.S. Securities and Exchange Commission](#), “ensuring auditor independence is as important as ensuring that revenues and expenses are properly reported and classified. If the auditor's independence is impaired, then the company has not satisfied the requirement to file financial statements audited by an independent accountant.” With the commission controlling and limiting auditor selection in Hawaii in the form of narrowing the competition, auditor independence is compromised.

The Hawaii Charter School Network agrees all schools should be audited by a neutral party through a truly independent auditor selection process that is not controlled or monopolized by the Commission.

Our members, having participated in all task forces in Hawaii formal and informal (2002, 2003, 2005, 2010, 2011, 2012), are clear about the role an authorizer should play. The statues were recodified in 2012 utilizing the National Alliance for Public Charter Schools Model Law which required that schools and authorizers adhere to national best practice.

The National Association of Charter School Authorizers (NACSA) clarifies in its publication, What is Charter School Authorizing, "*When authorizers overregulate schools, they create the same box-checking, red tape, and one-size-fits-all directives that sparked the creation of charter schooling in the first place...* "

Charter School communities are so thankful for the legislative intent of ACT 62, Session Law 1999 authorizing the creation of charter schools in Hawaii "*To nurture the ideal of more*

autonomous and flexible decision-making at the school level, the legislature supports the concept of new century charter schools. The legislature finds that this concept defines a new approach to education that is free of bureaucratic red tape and accommodating of the individual needs of students to allow the State to dramatically improve its educational standards for the twenty-first century....the implementation of alternative frameworks with regard to curriculum; facilities management; instructional approach; length of the school day, week, or year; and personnel management....”

Prior to the 2011 Task Force NACSA was contracted to evaluate Hawaii's charter system. In that report they clarified what would happen if there was no additional authorizer; "The Route to a Second Authorizer - In the long run, Hawaii would benefit from the presence of two high-quality authorizers. Once the CSRP/CSAO arrangement is functioning well, the purpose of creating a second high-quality authorizer is to minimize the tendency of all bureaucracies to slowly and continuously generate new regulations. Under a single authorizer model, as more charter schools are established, more funds flow to the authorizer, who hires more staff – because the money is there, not because they are needed. More staff people generate more requirements for schools and before long charter schools lose the freedom to be innovative and to excel."

A recent study from the Wisconsin Institute for Law and Liberty indicates charter schools that receive more independence when it comes to important policy decisions see their students perform at a higher level. The Center for Education Reform reached a similar conclusion.

Thank you all for the opportunity to testify and for your service to our communities,

Hawaii Public Charter School Network Legislative Committee

SB-864

Submitted on: 2/6/2021 4:45:01 PM

Testimony for EDU on 2/8/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Steve Hirakami	Testifying for Hawaii Academy of Arts & Science PCS	Support	No

Comments:

This clause is unnecessary as evidenced by the past two years where charters were able to continue completing their statutory audits with an auditor that was familiar with the school and who already had gone through the selection process with their governing boards. Please strike out ~~and the department. The authorizer shall select three independent auditors, from which the charter school shall select one independent auditor to comply with this section. At a minimum, two of the three independent auditors selected by the authorizer shall have offices on the neighbor islands.~~ The phrase: "§302D-32 Annual audit. Each charter school shall annually complete an independent financial audit that complies with the requirements of its authorizer" is sufficient.

SB-864

Submitted on: 2/7/2021 8:07:49 AM

Testimony for EDU on 2/8/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
DJ Adams	Testifying for Alaka'i O Kaua'i Charter School	Comments	No

Comments:

Aloha kakahiaka and mahalo for this opportunity to share some thoughts on behalf of Alaka'i O Kaua'i Charter School and Hawai'i Charter Schools related to SB864. We recognize and appreciate the process of communicating to find a positive path ahead. As a relatively new charter school we can share the perspective of the early challenges especially in the middle of a pandemic. Charter schools provide a quality education unique to each of it's mandates and are growing significantly in popularity on the island of Kaua'i as verified by expanding enrollments and interest in our charter schools. We humbly ask for expanded support of our Charter Schools on behalf of our keiki and ohana in our learning community as we provide data driven top notch education and serve the needs of many on our island. Mahalo for the gift of your time and consideration.

SB-864

Submitted on: 2/7/2021 10:48:41 AM

Testimony for EDU on 2/8/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Marion K A Kapuniai	Testifying for Governing Board Kanu O Ka 'Aina NCPCS	Support	No

Comments:

Support!

SB-864

Submitted on: 2/6/2021 9:29:24 AM

Testimony for EDU on 2/8/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Patricia Bergin	Individual	Support	No

Comments:

I am in full support of this bill

SB-864

Submitted on: 2/7/2021 12:47:43 PM

Testimony for EDU on 2/8/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Katie Benioni	Individual	Support	No

Comments:

Aloha Chairs and Committee,

I support the passage SB864 to address the issue of an Oahu centric audit pool that charters have been subjected to since the passage of the original legislation requiring the Charter School Commission office to choose and approve auditors. Outer island charter schools should at least be able to choose an auditor on their own island which would be more cost effective. Ideally, however, the law to have the Commission select auditors should be repealed entirely, thus promoting a truly independent environment for charter audits to take place. Auditors should be selected by a Charter Schools Governing Board who is charged with financial responsibility for the school. The imposition by the Charter School Commission to create an approved list of auditors reduces the amount of independence within the audit process. Note that independence is one of the key components to a healthy audit. I strongly advocate for the repeal of the law that established the Commissions authority to select and approve auditors but if that is not possible, I at least hope that the law could be ammended to ensure outer island representation. Mahalo.

LATE

To: Honorable Michelle Kidani, Chair, Education Committee
From: Wanda Villareal, School Director
Date: February 8, 2021

RE: SB 864, Relating to Charter Schools

Kapolei Charter School is in strong support for SB 864, Relating to Charter Schools.

Recently a new requirement was passed for charter schools to select its independent financial auditor from a list of 3 approved by the commission. What became evident in the process of implementing this, was that there was a lack of approved firms who were able to conduct audits for neighbor island charter schools. We support SB 864, which would require at least 2 of the 3 firms selected to be able to conduct audits for neighbor island charter schools.

We hope that you will support SB 864 to strengthen all charter schools and the financial audit process.

Mahalo,



Dr. Wanda Villareal | School Director
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