

SB-494

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Testimony for EDU on 2/7/2025 3:08:00 PM

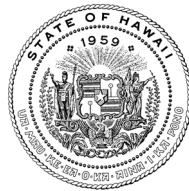
Submitted By	Organization	Testifier Position	Testify
Janice English	Testifying for Waimea Middle PCCS	Oppose	Written Testimony Only

Comments:

Aloha Senators.

As a charter school, we undergo annual auditing. Additional auditing if we pass the threshold of federal funds. Audits are submitted to the charter school commission to assess risk.

I opposed this bill.



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WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON EDUCATION
ON
SENATE BILL NO. 494

February 7, 2025
3:08 p.m.
Room 229 and Videoconference

RELATING TO CHARTER SCHOOLS

The Department of Budget and Finance (B&F) offers comments on this bill.

Senate Bill No. 494 requires B&F, in collaboration with the Auditor, to conduct a financial audit of the State's charter school system (CSS), including a list of financial expenditures for the past three years; financial information concerning faculty; and the school's cash on hand balance. This measure appropriates \$250,000 in general funds for FY 26 and FY 27 for B&F to complete the financial audit of the State's CSS.

B&F strongly recommends that this audit be assigned solely to the Auditor because we do not have the expertise or knowledge to conduct financial-type audits. The Auditor has certified public accountants and audit staff to conduct a financial audit of the State's CSS as proposed in this bill.

Thank you for your consideration of our comments.



SENATE COMMITTEE ON EDUCATION
The Honorable Michelle N. Kidani, Chair
The Honorable Donna Mercado Kim, Vice Chair

S.B. NO. 494, RELATING TO CHARTER SCHOOLS

Hearing: Friday, February 7, 2025, 3:08 p.m.

The Office of the Auditor offers comments on S.B. No. 494, which requires the Department of Budget and Finance “in collaboration with the Office of the Auditor” to conduct a financial audit of the State’s charter school system that includes, for each charter school, a list of financial expenditures for the past three years, financial information concerning faculty, and school’s cash on hand balance.

It is unclear what “collaboration” we would provide to the Department of Budget and Finance in conducting the charter school system audit. The scope of the audit – i.e., “the State’s charter school system” – is also unclear. It is our understanding that the State Public Charter School Commission oversees the public charter schools, which included 37 public charter schools in the 2023-2024 school year, but that each public charter school and its governing board are responsible for the school’s operations, including financial accounting.

We also note that Section 302D-32, Hawai‘i Revised Statutes, requires each charter school to annually complete an independent financial audit. Those financial audits may contain some of the financial information sought by the bill, specifically the school’s cash balance at the end of the audit period. However, a financial audit does not report “[a] list of financial expenditures for the past three years” or “[f]inancial information concerning faculty” sought by the bill. Financial audits do not look at every financial transaction of the entity during the period of the audit; rather, the auditor offers an opinion as to whether the entity’s financial statements fairly present the entity’s financial position. That opinion is intended to provide reasonable assurance – but not absolute assurance – about the accuracy of the financial position based on the transactions sampled by the auditor as well as an opinion about the entity’s controls over the financial reporting.



Testimony Commenting and Seeking Clarification Concerning SB 494

*EDU on Friday, 02-07-25 3:08PM
in Conference Room 229*

Aloha Chair Kidani, Vice Chair Mercado Kim, and members of the Senate Committee on Education,

The Hawaii Public Charter Schools Network (HPCSN) is writing to express our concerns and seek clarification regarding the intent of SB 494. This bill proposes a financial audit of the State's charter school system, including a list of financial expenditures for the past three years, financial information concerning faculty, and the school's cash-on-hand balance. While we understand the importance of financial oversight, we are perplexed by the timing and potential implications of this bill, especially in light of the Commission's ongoing struggles to access funds owed to charter schools and the recent introduction of HB 904, which would significantly reduce BOE oversight of the Commission.

Currently, the Commission faces a "wall of no communication" and inadequate responses from state agencies regarding funds owed to charter schools. Phone calls and inquiries go unanswered, creating significant obstacles to accessing essential resources. State agencies are allegedly failing to disburse allocated funds to charter schools in a timely manner, directly impacting the schools' ability to operate effectively and provide necessary services to students.

For instance, Kanu o ka 'Aina New Century Public Charter School is currently owed \$897,575 in outstanding reimbursements for various expenses, including fringe benefits, workers' compensation, unemployment compensation, and hazard pay. Similarly, Hawaii Academy of Arts & Science Public Charter School is owed an estimated \$1,191,688. These outstanding funds are essential for maintaining financial stability and ensuring compliance with state mandates. The introduction of SB 494, while these issues persist, raises questions about the bill's true intent. Is it aimed at addressing the systemic issues that hinder charter schools' access to funds, or is it intended to further scrutinize and control charter school finances?

Furthermore, we are concerned about the potential connection between SB 494 and HB 904, which would repeal the requirement for the BOE to issue an annual report on public charter schools. This report serves as a critical tool for BOE oversight of the Commission, ensuring transparency and accountability within the charter school system.

The repeal of this reporting requirement, coupled with the increased financial scrutiny proposed by SB 494, could significantly weaken BOE oversight and grant the Commission greater autonomy. This raises concerns about the potential for unchecked financial practices and reduced accountability within the charter school system.

In light of these concerns, we urge the Senate Committee on Education to consider the following:

- Clarify the intent of SB 494 and its potential connection to HB 904.
- Address the systemic issues that hinder charter schools' access to funds owed by state agencies.
- Ensure that any financial audit of the charter school system is conducted in a fair and transparent manner, with clear communication and collaboration with charter school stakeholders.
- Uphold the BOE's critical oversight role in ensuring quality education for all of Hawaii's charter school students.

We believe that open communication and collaboration between the Legislature, the BOE, the Commission, and charter school stakeholders are essential for addressing these concerns and ensuring a thriving and accountable charter school system in Hawaii.

Thank you for your time and consideration.