

#### IV. JUSTIFICATION OF REQUEST

##### 1. Justification of Request

As stated by the Charter School Governance, Accountability and Authority Task Force and the Auditor, Hawaii's charter schools have not been subject to adequate oversight and accountability. Mainland experts in charter school authorizing evaluated Hawaii's charter school system and concluded, while Hawaii has historically been very strong on giving autonomy to charter schools, it is severely lacking in the area of accountability, resulting in serious questions about the integrity of school operations and the quality of student outcomes. The Auditor found that the Charter School Review Panel minimized its role in the system's accountability structure resulting in ineffective oversight of the charter schools. Because of this, the Panel was unable to hold charter schools accountable for performance standards. Moreover, the Panel could not ensure public funds are spent wisely.

Based on the Task Force findings and in response to the Auditor's report, the Legislature passed Act 130, SLH 2012, establishing a new charter school law that created the State Public Charter School Commission responsible for ensuring high quality charter schools and improved student outcomes. Charter schools will now be required to enter into a performance-based charter contract that clearly sets forth academic, operational and financial performance measures. The Commission is required to monitor and report on compliance, determine contract renewals and revocations, and apply a rigorous process for new applications.

The proposed operating budget request reflects the positions and other expenses necessary to implement Act 130, SLH 2012, and the additional work of the Commission's authorizing and accountability functions. This proposal fulfills A New Day objective "Innovation in schools, including public charter schools." As stated in A New Day, "Charter schools have an important role in this mix, so the cap will be lifted on their numbers, funding will be realistic and fair, and they will be treated like all other public schools -- held accountable for results and expected to share and replicate successes."

##### 2. Provide back-up data on:

- Current resources (funding and staffing)
- Expenditures in prior years
- Workload (fiscal biennium and out-years)
- Other relevant factors

Currently, the Charter School Administrative Office (CSAO) is responsible for the internal organization, operation, and management of the charter school system. Pursuant to Act 130, SLH 2012, the statutory language establishing the CSAO will be repealed on

July 1, 2013. A newly established Commission office will take its place with altered functions, focusing primarily on authorizing duties and ensuring accountability.

Currently, the CSAO is allowed to retain 2% of the per pupil funding allocated to the charter schools. CSAO's fiscal year 2013 general fund budget totals \$1,445,053 with 13.25 fte general funded positions (one is partially paid through federal funds) and two federally funded positions (see Attachment 1a). Please note that this budget has not yet been approved by the Commission.

CSAO actual expenditures in prior fiscal year 2012 is included in Attachment 1a.

The workload for the Commission in fiscal year 2014 and beyond will dramatically increase from the prior work of the CSAO due to the addition of authorizing functions. These functions were previously performed by the Charter School Review Panel (Panel) made up of volunteers. As noted by the Auditor, the Panel was not effective in ensuring accountability.

To clarify roles and responsibilities and to align the charter school governance structure with best practices, the Commission staff will now be administering the authorizing functions, including soliciting and processing applications, executing contracts, monitoring compliance and taking enforcement action when necessary. This workload will involve overseeing 32 charter contracts (which may increase based on the processing of seven current new applications), about 10,000 charter school students and approximately 750 State charter school employees.

3. Discuss impact on program performance measures (current approved measures): measures of effectiveness, target group size, activity indicators.

Program performance measures have not been developed for charter schools. Commission staff will submit these as required for the next biennium update.

4. Alternatives

Act 130, SLH 2012, establishes the State Public Charter School Commission and eliminates the statutory authority to utilize any portion of the charter school per pupil for its administrative purposes. Therefore, there are no legally authorized alternatives to implement the requirements of Act 130, SLH 2012.

## V. RELATIONSHIP OF THE REQUEST TO STATE PLAN OR FUNCTIONAL PLAN

While the Hawaii State Functional Plan for Education was written in 1989 when charter schools did not yet exist, many of the policies, goals, and implementing actions still apply to charter schools today:

Implementing Action A(1)(e): Establish learning centers to expand educational opportunities for students with special talents and interests, to provide public school

parents with new choices on the kinds and quality of education they want for their children and to share models of educational excellence in the community. The charter schools provide innovative educational choices.

Implementing Action A(1)(f): Establish regional outdoor environmental education centers that will enable students to develop environmental literacy through direct interaction with dynamic ecosystems. Some of the charter schools focus on environmental education in an outdoor setting.

Implementing Action A(1)(i): Continue the Hawaiian language immersion program. Currently, there are several Hawaiian immersion charter schools.

Implementing Action B(2)(a): Initiate the process of giving schools and communities discretionary authority through school-community based management (SCBM). Charter schools take this policy of promoting greater autonomy and flexibility of public schools to a further degree than SCBM by freeing the charter schools from many of laws, rules and policies the regular public schools are subject to.

## VI. ELECTRONIC DATA PROCESSING

Two information systems positions are being requested (Information Systems Manager and Information Systems Specialist). No equipment or software is being requested. Funds (\$4,000) are being requested for payroll processing services which are necessary as the Department of Education (DOE) payroll system cannot accommodate the charter school requirements and payroll data must be properly reported to the Employee Retirement System and the Employer-Union Health Benefits Trust Fund. Future cost requirements will include salary costs for the two positions and any equipment, software or consultant services that may be needed based on future information technology upgrades and needs.

This request has not been coordinated with the Department of Accounting and General Services, Information and Communications Services Division (ICSD) as the Commission's systems are separate and no ICSD services are utilized. This request has been coordinated with the DOE as the Commission and charter schools utilize DOE data systems.

## VII. IMPACT ON OTHER STATE PROGRAMS/AGENCIES

This budget request does not directly impact other agencies. However, the charter school functions are intertwined with the DOE. This request was developed and coordinated with the DOE, as well as the Governor's Office education policy analyst and the Transition Advisory Committee which consists of charter school representatives. This request was approved by four committees (Commission Operations and Administration Committee, full Commission, Board of Education Finance and Infrastructure Committee and full Board of Education) at public meetings with no testimony expressing any concerns.

VIII. IMPACT ON FACILITY REQUIREMENTS (R&M, CIP)

There is no anticipated impact on facility requirements. Currently, CSAO rents private office space in downtown Honolulu. The three additional positions can be accommodated in the existing office space.

IX. EXTERNAL CONFORMANCE REQUIREMENTS

This budget request implements Act 130, SLH 2012, which eliminated the statutory authority allowing deduction of up to 2% of the charter schools' per pupil funding for the administration of the charter school program.

X. REQUIRED LEGISLATION

No additional legislation is required for implementation of this request.

XI. OTHER COMMENTS

None.