

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE**

Date: August 16, 2010
To: Members, Charter Schools Funding Task Force
From: Maunalei Love, Executive Director
Subject: Charter Schools Funding Task Force Proposed Agenda

1. Call to Order (5 minutes)
2. Member Introductions (5-7 minutes)
 - a. James Brese- DOE CFO;
 - b. Bob Roberts- CSAO CFO;
 - c. Senator Donna Mercado-Kim- Senate Finance Chair;
 - d. Representative Marcus Oshiro- House Finance Chair;
 - e. Georginna Kawamura- Budget & Finance Director;
 - f. Carl Takemura- Charter School Review Panel;
 - g. Megan McCorriston- Ho'okako'o;
 - h. Alapaki Nahale'a- Hawai'i Charter School Network
3. Task Force Organization (25 minutes)
 - a. Election of Officers
 - i. Selection of a Task Force Chair
 - ii. Selection of a Task Force Vice Chair
 - b. Schedule of Future Meetings
 - c. Discussion Regarding Task Force Meeting Protocols (facilitator, form, content, open to public, public input, subject to sunshine law, expectations of CSAO support, etc.)

4. Presentation and Discussion Regarding the Provisions of S.C.R. #108-
Brief History and Convening of Task Force (20 minutes)
 - a. Purpose
 - b. Goals
 - c. Outcomes
5. Presentation and Discussion on Senator Takamine's Budget Work
Group Findings- KALO Funding Comparison Study (Including HRS
302B-12, SLH 2010) (1 hour)
6. Agenda Items for Next CSFTF Meeting (5 minutes)
7. Other Items (5 minutes)
8. Adjournment

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE**

Date: September 1, 2010

Time: 10:00 am

Place: Conference Room 309
State Capitol
415 South Beretania Street

To: Members, Charter Schools Funding Task Force

From: Maunalei Love, Executive Director

Subject: Charter Schools Funding Task Force Proposed Agenda

1. Call to Order

2. Members

- a. Chair of the Task Force: Representative Marcus Oshiro- House Finance Chair;
- b. Vice Chair of the Task Force: Senator Donna Mercado Kim- Senate Ways and Means Chair;
- c. James Brese- DOE CFO;
- d. Bob Roberts- CSAO CFO;
- e. Georgina Kawamura- Budget & Finance Director;
- f. Carl Takamura- Charter School Review Panel;
- g. Megan McCorriston- Ho'okako'o;
- h. Alapaki Nahale-a- Hawai'i Charter School Network

3. General Business

- a. Approval of Minutes of August 16, 2010 Meeting
- b. Approval/Changes to the Agenda
- c. Report/Update Status of Recommendations from the KALO Report
- d. Discussion RE: Budget Request & Appropriation: Formula v. Process

- e. Impacts of Act 180, SLH, 2010 budget proviso language and Act 144, SLH 2010 amendments to §302B-12 funding and finance
 - f. Determine a Regular Schedule for all CSFTF Meetings
 - g. Agenda Items for Next CSFTF Meeting
- 4. New Business
 - a. Other Items
- 5. Next Meeting
- 6. Adjournment

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE**

Date: September 28, 2010

Time: 10:00 am

Place: Conference Room 437
State Capitol
415 South Beretania Street

To: Members, Charter Schools Funding Task Force

From: Maunalei Love, Executive Director

Subject: Charter Schools Funding Task Force Proposed Agenda

1. Call to Order

2. Members

- a. Chair of the Task Force: Representative Marcus Oshiro- House Finance Chair;
- b. Vice Chair of the Task Force: Senator Donna Mercado Kim- Senate Ways and Means Chair;
- c. James Brese- DOE CFO;
- d. Bob Roberts- CSAO CFO;
- e. Georgina Kawamura- Budget & Finance Director;
- f. Carl Takamura- Charter School Review Panel;
- g. Megan McCorriston- Ho'okako'o;
- h. Alapaki Nahale-a- Hawai'i Charter School Network

3. General Business

- a. Approval of Minutes of September 1, 2010 Meeting
- b. Approval/Changes to the Agenda
- c. CIP Funding
- d. Facilities Funding and Private Resources
- e. CSRP's Reauthorization Process
- f. Overview of State Bond Funding

- g. Research on How Other States Handle Charter Schools' Facilities Funding
- h. Overview of Specific Recommendations and Options
- i. Determine Date for Next CSFTF Meeting
- j. Agenda Items for Next CSFTF Meeting

4. New Business

- a. Other Items

5. Next Meeting

6. Adjournment

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE**

Date: October 26, 2010

Time: 1:30 pm

Place: Conference Room 437
State Capitol
415 South Beretania Street

To: Members, Charter Schools Funding Task Force

From: Maunalei Love, Executive Director

Subject: Charter Schools Funding Task Force Proposed Agenda

1. Call to Order

2. Members

- a. Chair of the Task Force: Representative Marcus Oshiro- House Finance Chair;
- b. Vice Chair of the Task Force: Senator Donna Mercado Kim- Senate Ways and Means Chair;
- c. James Brese- DOE CFO;
- d. Bob Roberts- CSAO CFO;
- e. Georgina Kawamura- Budget & Finance Director;
- f. Carl Takamura- Charter School Review Panel;
- g. Megan McCorriston- Ho'okako'o;
- h. Alapaki Nahale-a- Hawai'i Charter School Network

3. General Business

- a. Approval of Minutes of September 28, 2010 Meeting
- b. Approval/Changes to the Agenda
- c. Presentation from Kanu o ka 'Āina: Public-Private Partnership case study – Taffi Wise
- d. Presentation of other examples of Public-Private Partnerships: Alapaki Nahale-a

- e. Presentation: Public-Private Partnerships as potential solution to charter school facilities in Hawai'i
- f. Determine Date for Next CSFTF Meeting
- g. Agenda Items for Next CSFTF Meeting

4. New Business

- a. Other Items

5. Next Meeting

6. Adjournment

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE**

Date: November 15, 2010

Time: 1:30 pm

Place: Conference Room 437
State Capitol
415 South Beretania Street

To: Members, Charter Schools Funding Task Force

From: Maunalei Love, Executive Director

Subject: Charter Schools Funding Task Force Proposed Agenda

1. Call to Order
2. Members
 - a. Chair of the Task Force: Representative Marcus Oshiro- House Finance Chair;
 - b. Vice Chair of the Task Force: Senator Donna Mercado Kim- Senate Ways and Means Chair;
 - c. James Brese- DOE CFO;
 - d. Bob Roberts- CSAO CFO;
 - e. Georgina Kawamura- Budget & Finance Director;
 - f. Carl Takamura- Charter School Review Panel;
 - g. Megan McCorriston- Ho'okako'o;
 - h. Alapaki Nahale-a- Hawai'i Charter School Network
3. General Business
 - a. Approval of Minutes of October 26, 2010 Meeting
 - b. Approval/Changes to the Agenda
 - c. General discussion regarding a timeline for developing and finalizing the task force's report to the Legislature, including logistics of drafting the report and any proposed legislation
 - d. General discussion regarding proposals for an equitable charter school funding formula

- e. General discussion regarding recommendations and/or any proposed legislation that will be contained in the report
 - f. Determine Date for Next CSFTF Meeting
 - g. Agenda Items for Next CSFTF Meeting
- 4. New Business
 - a. Other Items
- 5. Next Meeting
- 6. Adjournment

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE**

Date: November 29, 2010

Time: 1:30 pm

Place: Conference Room 437
State Capitol
415 South Beretania Street

To: Members, Charter Schools Funding Task Force

From: Maunalei Love, Executive Director

Subject: Charter Schools Funding Task Force Proposed Agenda

1. Call to Order
2. Members
 - a. Chair of the Task Force: Representative Marcus Oshiro- House Finance Chair;
 - b. Vice Chair of the Task Force: Senator Donna Mercado Kim- Senate Ways and Means Chair;
 - c. James Brese- DOE CFO;
 - d. Bob Roberts- CSAO CFO;
 - e. Georgina Kawamura- Budget & Finance Director;
 - f. Carl Takamura- Charter School Review Panel;
 - g. Megan McCorriston- Ho'okako'o;
 - h. Alapaki Nahale-a- Hawai'i Charter School Network
3. General Business
 - a. Approval of Minutes of November 15, 2010 Meeting
 - b. Approval/Changes to the Agenda
 - c. General discussion regarding draft CSFTF report
 - d. Amendments to draft CSFTF report
 - e. Determine Date for Next CSFTF Meeting
 - f. Agenda Items for Next CSFTF Meeting

4. New Business

a. Other Items

5. Next Meeting

6. Adjournment

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE**

Date: December 13, 2010

Time: 1:30 pm

Place: Conference Room 437
State Capitol
415 South Beretania Street

To: Members, Charter Schools Funding Task Force

From: Maunalei Love, Executive Director

Subject: Charter Schools Funding Task Force Proposed Agenda

1. Call to Order
2. Members
 - a. Chair of the Task Force: Representative Marcus Oshiro- House Finance Chair;
 - b. Vice Chair of the Task Force: Senator Donna Mercado Kim- Senate Ways and Means Chair;
 - c. James Brese- DOE CFO;
 - d. Bob Roberts- CSAO CFO;
 - e. Georgina Kawamura- Budget & Finance Director;
 - f. Carl Takamura- Charter School Review Panel;
 - g. Megan McCorriston- Ho'okako'o;
 - h. Alapaki Nahale-a- Hawai'i Charter School Network
3. General Business
 - a. Approval of Minutes of November 29, 2010 Meeting
 - b. Approval/Changes to the Agenda
 - c. General discussion regarding draft CSFTF report
 - d. Amendments to draft CSFTF report
 - e. Determine Date for Next CSFTF Meeting
 - f. Agenda Items for Next CSFTF Meeting

4. New Business

a. Other Items

5. Next Meeting

6. Adjournment

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE**

Date: December 20, 2010

Time: 1:30 pm

Place: Conference Room 437
State Capitol
415 South Beretania Street

To: Members, Charter Schools Funding Task Force

From: Maunalei Love, Executive Director

Subject: Charter Schools Funding Task Force Proposed Agenda

1. Call to Order
2. Members
 - a. Chair of the Task Force: Representative Marcus Oshiro- House Finance Chair;
 - b. Vice Chair of the Task Force: Senator Donna Mercado Kim- Senate Ways and Means Chair;
 - c. James Brese- DOE CFO;
 - d. Bob Roberts- CSAO CFO;
 - e. Kalbert Young- Budget & Finance Interim Director;
 - f. Carl Takamura- Charter School Review Panel;
 - g. Megan McCorriston- Ho'okako'o;
 - h. Alapaki Nahale-a (Steve Hiramami in place of)- Hawai'i Charter School Network
3. General Business
 - a. Approval of Minutes of December 13, 2010 Meeting
 - b. Approval/Changes to the Agenda
 - c. Presentation of Revised Recommendations – Needs-based facilities formula
 - d. General discussion regarding draft CSFTF report
 - e. Amendments to draft CSFTF report

- f. Determine Date for Next CSFTF Meeting
 - g. Agenda Items for Next CSFTF Meeting
- 4. New Business
 - a. Other Items
- 5. Next Meeting
- 6. Adjournment

**STATE OF HAWAII
CHARTER SCHOOL FUNDING TASK FORCE
MONDAY, AUGUST 16, 2010
10:12 AM – 11:21 AM
1390 Miller Street
Queen Liliuokalani Building
Fourth Floor
Room 404**

Attendance:

James Brese – DOE CFO
Bob Roberts – CSAO CFO
Senator Donna Mercado Kim – Senate Ways and Means Chair
Representative Marcus Oshiro – House Finance Chair
Georgina Kawamura – Budget & Finance Director
Carl Takamura – Charter School Review Panel
Megan McCorriston – Ho’okako’o
Alapaki Nahale-a – Hawaii Charter School Network

Facilitators:

Roger McKeague – Meeting Facilitator
Maunalei Love – Meeting Facilitator

Presenters:

Kanu O Ka Aina Learning Ohana:

Taffi Wise – Executive Director
Katie Benioni – CFO

1. Call to Order

The first meeting of the State of Hawaii Charter School Funding Task Force was called to order at 10:12 AM.

2. Member Introductions

The members of the Task Force introduced themselves.

3. Task Force Organization

a. Election of Officers:

Senator Kim moved to nominate Representative Oshiro as Task Force Chair. Mr. Roberts seconded the motion. The motion passed unanimously. Representative Oshiro moved to nominate Senator Kim as

Vice Chair. Mr. Roberts seconded the motion. The motion passed unanimously.

b. Schedule of Future Meetings:

The Task Force agreed to postpone scheduling future meetings pending today's discussion and/or consensus regarding the other items on the agenda.

c. Discussion Regarding Task Force Meeting Protocols (facilitator, form, content, open to public, public input, subject to sunshine law, expectations of CSAO support, etc.)

Discussion:

Members discussed the merits of open Task Force Meetings, publication of agenda items prior to Meetings, the scheduling of public input time as a standard Meeting agenda item, the Task Force's reliance on Charter Schools Administrative Office research to complement public input, the Task Force's need for staffing to facilitate meetings and to conduct research, and the role of current budgetary restrictions in CSFTF recommendations.

The Task Force determined that the CSAO's Web portal is an effective venue for publication of Task Force Meeting schedules and/or Meeting agenda items. Task Force Meeting Minutes are to be used as a record of Task Force action, and will also serve to enhance the flow of Task Force ideas regarding the implementation of agenda items, legislative directives, and public input. Members of the Task Force agreed that Task Force meetings would be open to the public and that the Task Force would accept public input when agenda items are presented.

Task Force members also discussed the need to adopt language that will address the intent of S.C.R. # 108. The Task Force will draft findings implementing that intent and provide the resulting recommendations to the Legislature.

4. Presentation and Discussion of the Provisions of S.C.R. #108 – Brief History and Convening of Task Force

CSAO shared with the Task Force their proposed purpose, goals, and outcomes.

a. Purpose:

The purpose of S.C.R. #108 and of the convening of the Hawaii Charter Schools Funding Task Force is to resolve possible discrepancies in the parity of per-pupil funding to charter schools and of per-pupil funding to non-charter public schools.

b. Goals:

The primary goal of the Hawaii Charter Schools Funding Task Force is to provide clarity to the Hawaii State Legislature and all State of Hawaii educational stakeholders regarding parity of per-pupil finding between charter schools and non-charter public schools as mandated by S.C.R. #108.

Secondary goals include recommendations that will ensure funding parity between charter school pupils and non-charter school public school pupils, as well as an examination of all funding sources, State statutory provisions, and current funding formulas in achieving statewide per-pupil parity.

c. Outcomes

The Task Force will identify all factors impacting funding parity between charter school pupils and non-charter public school students, and will determine the extent of any funding discrepancies. After a thorough review of all pertinent matters, the Task Force will adopt a report of its findings and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the 2011 Regular Session.

5. Presentation and Discussion on Senator Takamine's Budget Work Group Findings – KALO Funding Comparison Study (including HRS 302B-12, SLH 2010).

Presenters:

Kanu O Ka Aina Learning Ohana:

Taffi Wise – Executive Director

Katie Benioni – CFO

Ms. Benioni and Wise walked members of the committee through a Power Point presentation that summarized the work of the work group. This Power Point Presentation is a compilation of documents received from the Department of Education, and analyzed in a series of meetings with Senator Dwight Takamine. Supplementing each document included in this Presentation is a summary of findings and graphs comparing DOE and Charter funding for FY 2009 – 2010.

The goals of Senator Takamine's Budget Work Group were to clarify the distribution for K-12 in Hawaii; to identify any areas of inequity; to develop solutions that ensure equity to all public school students; and, to collaborate with the Department of Education to increase funding for all public schools in Hawaii.

Budget Work Group analysis of HB 2200 State Budget examined the role of an array of State, Federal, and Department funds used in FY 2009-2010 to fund Hawaii public schools. These funds included, but were not limited to, school-based budgeting, SPED funds, Retirement Benefits, Debt Service Payments, SOH Hawaii General Funds, Federal Funds, and Trust Funds.

A preliminary analysis resulted in a charter school per pupil funding total of \$6,043 in general funds versus a public school per pupil funding total of \$5,270 in general funds.

Subsequent analysis of these totals after including EDN150 SPED funding, Federal Funding, Non-General Funds, and Construction In Progress (CIP), and Debt Service in statewide per pupil funding produced a total of \$7,066 spent in non-charter school per pupil funding versus a total of \$6,734 spent in charter school per pupil funding.

After review of this data, the Budget Work Group concluded that equity was not achieved with \$547 million in Federal & EDN150 funding, that a \$332 per pupil difference existed between the DOE and PCS, that Charter Schools need access to Impact Fees, and that Charter Schools had no mechanism to access \$225 M in facilities financing (CIP).

The Budget Work Group recommended:

- That a reliable system be created to allow Charter Schools to access federal competitive grant opportunities;
- That services provided to Charter Schools in lieu of funding are equitable;
- That Non-SPED funding within EDN150 be moved to EDN100;
- That Charter Schools be established as an LEA to access federal funding;
- That Charter Schools be given a proportionate share of facilities funding;
- That a mechanism be created for post school that opens funding adjustments;
- That Legislators and Budget & Finance Committees be educated on how funding formulas function in relation to budget appropriations; and,
- That Legislators, Budget & Finance Committees, and Charter Schools collaborate with the Department of Education in advocating for adequate per pupil funding throughout the State of Hawaii.

Several members of the Task Force brought up items related to the presentation:

- Amounts do not take into consideration enrollment and artificial caps (Alapaki Nahale-a);
- Request from Senator Kim for the presenters to look into their claim that Drivers Ed programs turn away charter school students;
- Presentation is unclear about the role of debt service (Senator Kim);
- An explanation of the next step in providing competitive funding (Representative Oshiro);
- James Brese noted that the DOE is working on improving the relationship/communication between DOE and CSAO; and

- Thoughts regarding the presentation's reference to CIP funds access, since non-conversion schools do not necessarily sit on state lands (Georgina Kawamura).

6. Agenda Items for Next CSFTF Meeting:

- Status of Recommendations from the KALO Report (Senator Takamine Work Group)
- Discussion regarding the pros and cons of future appropriations to charter schools being made on a formula basis or using the same process as other State Departments.
- Discussion regarding the Budget Proviso language (Act 180) pertaining to charter schools and impacts due to that language.
- To determine a regular schedule for all CSFTF meetings
- Update on information requested from previous meeting

7. Other Items:

- The next CSFTF Meeting will be held at 10:00 a.m., September 1, 2010, at the State Capitol. The CSFTF Meeting Room location at the Capitol is as yet undetermined.

8. Adjournment:

The meeting was adjourned at 11:21 PM

State of Hawaii
Charter School Funding Task Force
General Meeting
Wednesday, September 1, 2010
10:04 AM – 11:40 AM
415 South Beretania Street
State Capitol
Third Floor
Conference Room 309

Attendance:

Chairperson Marcus Oshiro – Chair of the Task Force; House Finance Chair
Senator Donna Mercado Kim – Vice Chair of the Task Force, Senate Ways and Means
Chair – arrived 10:40 AM
James Brese – Department of Education (DOE) CFO
Bob Roberts – Charter School Administrative Office (CSAO) CFO
Carl Takamura – Charter School Review Panel (CSRP)
Megan McCorriston – Ho’okako’o
Alapaki Nahale-a – Hawaii Charter School Network
Neil Miyahira – Budget & Finance Budget Administrator (appearing for Georgina
Kawamura – Budget & Finance Director)

Absent:

Georgina Kawamura – Budget & Finance Director

Charter School Administrative Office:

Maunalei Love – Executive Director

I. Call To Order

Chair Marcus Oshiro called the meeting to order at 10:04 AM

II. General Business

a.) Approval of the Minutes of the Charter School Task Force August 16, 2010 Meeting

Chair Oshiro asked if Task Force members had reviewed the proposed draft of the August 16 Meeting Minutes, and, if so, asked that there be a motion to approve the Minutes. Mr. Takamura moved; Mr. Nahale-a seconded.

Before a vote on approval was cast, Task Force members cited an omission on Page 5, Item 6, Bullet No. 6. Chair Oshiro asked that this Item be adjusted to reflect Vice Chair Kim’s request for an answer to her question as to whether State and DOE funding that grants State of Hawaii students access to the State’s Driver’s Education Program includes non-Public School students.

Chair Oshiro moved that the Charter School Funding Task Force (CSFTF) August 16, 2010 Meeting Minutes be approved as so adjusted. The motion passed unanimously.

b) Approval / Changes to the Agenda

No changes were made to today's agenda.

c) Report/Update on Status of Recommendations from the KALO Report

Chair Oshiro announced Task Force review and discussion of the eight KALO Recommendations presented on Page 4 of the August 16, Meeting Minutes.

Mr. Roberts reiterated the Recommendations, and distributed three documents that addressed the Recommendations. These documents were:

- 1) State of Hawaii Charter School Funding Task Force Status of Recommendations Outlined in "Understanding Public School Funding Fiscal Year 2009 – 2010" (2 pages; addresses all 8 KALO Recommendations; hereafter referred to as "*Status of 8 KALO Recommendations*") prepared by James Brese
- 2) Status/Update on Recommendations from the Understanding Public School Funding Fiscal Year 2009 –2010" Report (1 page; addressed KALO Recommendation # 5; hereafter referred to as "*Status of KALO #5*") prepared by Bob Roberts
- 3) Status/Update on Recommendations from the Understanding Public School Funding Fiscal Year 2009 –2010" Report (1 page; addressed KALO Recommendation # 6; hereafter referred to as "*Status of KALO #6*") prepared by Bob Roberts

Mr. Brese identified "*Status of 8 KALO Recommendations*" as the DOE's response to each of the 8 Recommendations.

DISCUSSION:

- 1) Mr. Roberts initiated discussion KALO Recommendation #1: "Create a reliable system to allow Charters access to federal competitive opportunities."
 - a) In response, Mr. Brese directed the Task Force to the text addressing Recommendation #1 in *Status of 8 KALO Recommendations*: "... under US DEregulations, Charter Schools are entitled to equal access to federal funds and/or the benefits of those federal funds," and that DOE Program Managers alert Charter Schools to all federal funding opportunities.
 - b) Chair Oshiro asked how school eligibility for competition for federal grants is determined.
 - c) Mr. Brese responded school eligibility is determined by the status of the federal grant in question, e.g., "formulaic", or "discretionary."
 - d) Chair Oshiro asked if it is the DOE's responsibility to determine such federal grant status eligibility; and, if so, it is then the DOE's responsibility to alert each Charter School regarding that particular school's corresponding grant eligibility.

- e) Mr. Roberts stated that this is the DOE's responsibility, and that the Takamine Study examined the process for notifying Charter Schools and awarding federal grants within the DOE system. Mr. Roberts stated that Charter Schools have a good track record securing "eligibility" grants (e.g., Title I, Title II), but that if a federal grant is "competitive", Charter Schools experience barriers in competition for federal funds.
- f) Chair Oshiro asked who notifies the Charter Schools that certain federal grants are available. Mr. Brese answered that DOE Program Managers are responsible to notify all eligible candidates, and stated that "there is not a good system" to inform Charter Schools about competitive federal grants.
- g) Task Force members mentioned other problems regarding Recommendation #1:
 - 1) The DOE has the discretion to go after federal grants, and often chooses not to do so.
 - 2) If a Charter School wishes to compete for a federal grant as a member within the body of the DOE, the DOE must compete as a Local Education Agency.
 - 3) Regarding Charter Schools' access to discretionary funds, there is no crucial dialog between Charter Schools and the DOE regarding competition for the funds, and administration of same.
 - 4) DOE Program Managers tend to consider Charter Schools late in the grant application process, which prevents Charter Schools from completing timely grant applications.
 - 5) DOE notification of Charter Schools through Lotus Notes is ineffective, given that many Charter Schools do not use Lotus Notes. In response, Mr. Brese stated that the DOE notifies the Charter School Administrative Office (CSAO) through hard-copy communication such as FAX and/or courier service.
- h) Chair Oshiro requested further clarification regarding the process of Charter School notification within the DOE system for access to all federal funding opportunities, "formulaic" and "competitive."
- i) Specifically, Chair Oshiro asked whether or not DOE Program Managers directly contact the CSAO, and, if so, does the CSAO then directly contact each Charter School principal with requisite information regarding federal funding formats and application deadlines. Chair Oshiro asked if during this process, the CSAO and Charter School principals are specifically alerted as to whether or not the DOE must "front" their funding application to the federal government.
- j) Mr. Nahale-a cited the lack of communication provided to Charter Schools as regards the DOE "fronting" Charter School federal grant applications as the "real bottleneck" in the current system. Chair Oshiro concluded that at times the DOE chooses not to pursue certain

- federal grant opportunities that the Charter Schools wish the DOE to pursue.
- k) Other Task Force members added that DOE federal grant proposals can also inadvertently exclude Charter Schools from consideration owing to the proposal's design.
 - l) Mr. Roberts noted that these problems relate to an LEA designation.
 - m) Mr. Miyahira noted that setting up an additional LEA would require setting up an entirely new administrative structure, and thus may require modification of applicable HRS Statutes.
 - n) Chair Oshiro concluded the Task Force review of Recommendation #1, stating that while some problems with notification exist, notification per se is not a major problem.
- 2) The Task Force moved on to discussion of KALO Recommendation #2: "Ensure that services provided in lieu of funding are equitable."
- a) In response, Mr. Brese directed the Task Force to the text addressing Recommendation #2 in *Status of 8 KALO Recommendations*, and referenced current DOE Leadership Meetings that address service equity.
 - b) Mr. Takamura asked why service equity between Public Schools and Charter Schools is still an issue since the establishment of Hawaii's Charter Schools 10 years ago. Mr. Roberts confirmed that Charter Schools get services sometimes, sometimes not, but said he couldn't cite specific locations or timelines relating to lack of service.
 - c) Mr. Takamura and Mr. Nahale-a discussed the history of Charter School service inequity as an attitudinal lapse that categorized Charter Schools as an afterthought and stalled service provision. Mr. Nahale-a stated that currently service inequity in the Charter Schools is on a "case by case basis," and doesn't affect the Charter Schools as a whole.
 - d) In response to Mr. Takamura's question regarding process of official notification when services are not provided to Charter Schools, Mr. Roberts stated that in those cases, the School Superintendent should be notified, and that while overall some attitudinal change needs to occur, in most cases the services are then provided.
 - e) Ms. Love clarified an additional issue relating to inequity of service provision: automatic access of Department schools to larger Department resources, and the Charter Schools' corresponding lack of access to those larger Department resources. Ms. Love provided the example of a Charter School's SPED funding reduced to 0 owing to "weight" calculations that occur when as few as 2 SPED students leave a Charter School.
 - f) Mr. Nahale-a stated that a formula driven process dictates Charter School receipt of basic SPED services, a formula that is also used in the provision of SPED services to Public Schools. Mr. Nahale-a stated, however, that Charter School receipt of parallel SPED services such as therapy is more problematic, owing to a question as to whether or not

an on-site SPED evaluation team is automatically provided to a Charter School, and if that evaluation team is provided, whether or not that team possesses the skills necessary to adequately assess the SPED requirements of a particular Charter School. Mr. Nahale-a noted that Public Schools in remote locations like Hana experience this same problem, and that while in the past Charter Schools may have felt that DOE resistance to answering their requests for funding was attitudinally driven, today service equity between Public and Charter Schools has improved significantly. Mr. Nahale-a emphasized that every school should have the personnel in place to do mandated assessments; nationally, he said, the courts have ruled that parents have the right to provide their child with every educational option.

- g) Chair Oshiro asked if there is not now a system in place to do an automatic assessment of all students in every Charter School at the beginning of the school year.
 - h) Ms. Love responded that evaluations are conducted based on the timelines contained in individual program parameters. Mr. Nahale-a emphasized that needs are discovered in the course of instruction, and Charter Schools thus need SPED and SEC teams in place, on site, to do adequate assessments as symptoms appear. Mr. Nahale-a noted that, technically, Charter Schools are not now provided with SEC personnel.
 - i) Chair Oshiro noted that in DOE schools, such assessments are prompt, automatic, and comprehensive. Students with no prior assessments who arrive in Charter Schools are thus not able to access the assessment process until later in the year. Task Force members noted that when a Charter School discovers a particular need, the School can then call the District Office for help and support, but that support is not always forthcoming.
 - j) Mr. Takamura asked if this service inequity was exclusive to Charter Schools, or was also experienced by smaller, remote Public Schools.
 - k) Mr. Nahale-a responded that this service inequity was more or less unique to Charter Schools.
 - l) Mr. Takamura stated that if this is so, then the particular processes and individuals that prevent service equity should be identified. Mr. Roberts suggested that every Charter School Director determine whether or not he/she can pick up the phone and gain effective access to help in this situation.
 - m) Senator Kim observed that exceptions exist in every option, and that at present, the Charter School Funding Task Force needs to look at what the big problems are, and that it might be best to defer questions regarding phone call access to later meetings.
- 3) In review of KALO Recommendations # 3, #4, and #5, Mr. Brese observed that the DOE response as outlined in *Status of 8 KALO Recommendations* was self-explanatory, and referred Task Force members to the DOE response regarding KALO Recommendation #6: “The HIDEOE and Charter Schools

agree on the comparison of similar funding sources (general funds and EDNs 100 – 400 included, all other methods of financing and SPED funds in EDN 150 excluded) for inclusion in per pupil funding, with the two primary discussion points remaining being EDN 500 (Adult Education) and facilities funding. Again, both of these are policy determinations.”

- a) Mr. Brese stated that this issue was the heart of discussions regarding Charter School per pupil funding, and boils down to whether or not the Charter Schools are going to continue with a funding formula.
- 4) Mr. Roberts parenthetically added that he would like to add some clarification to KALO Recommendations # 4, # 5, and #6, and distributed a document entitled “Why Charter Schools Should Be Their Own Independent LEA” which was prepared by the Center for Education Reform.
- a) Mr. Roberts stated that this report addressed issues arising from KALO Recommendation #4, “Establish Charters as an LEA to access federal funding.” Mr. Roberts said that this report incorporates various national opinions on this issue, and addresses the Charter School LEA background. Mr. Roberts also has a report that concentrates exclusively on the LEA issue as it relates to an island state, and will distribute this report via scan/email to interested Task Force members. Mr. Roberts stated that a LEA system is feasible, but that some changes have to be made to it before a decision is made whether or not to institute this structure.
 - b) Mr. Roberts conducted a poll of several Charter Schools following the August 16, 2010 Task Force Meeting regarding the feasibility of an LEA, and received 7 or 8 responses to the question. Mr. Roberts characterized these responses as generally favorable, but said that they contained Charter School concerns relating to issues of “capacity.” Specifically: “What kinds of structures would be created to support an LEA for Charter Schools?”
 - c) Mr. Roberts then addressed the issues covered in the two documents entitled in these Minutes as *Status of KALO Recommendation #5* and *Status of KALO Recommendation #6*.
 - 1) With regard to KALO Recommendation #5 asking for a proportionate share of facilities funding, Mr. Roberts noted that there is language in the budget proviso that carves out \$1,900,000 for Charter School facilities funding out of operational funds in the FY 2010-2011 Budget, as well as \$754,000 in CIP funding apportioned for two specific Charter Schools.
 - 2) Mr. Roberts noted that as the \$1,900,000 available for Charter Schools facilities funding is taken from Charter Schools operational funding for the budget year, Charter Schools perceive it as restrictive. As KALO Recommendation #5 does not specify what funding entities are to be used as a yardstick when measuring “a proportionate share of facilities funding,” Mr. Roberts directed Task Force attention to a table on this

document that compares Charter School FY 2010 –2011 facility funding allocations to various Departmental funding bases. Mr. Roberts concluded his review of Status of KALO Recommendation #5 by stating that Charter Schools facilities funding is a policy issue, and thus has to be resolved on many different levels, both legal and operational, and with respect to many different funding structures.

- 3) With regard to KALO Recommendation #6 asking that a mechanism for post school opening funding be created, Mr. Roberts stated that a current mechanism does exist for making post school opening funding adjustments, that being the October 15 enrollment figures that are submitted by all Charter Schools. Operational funding for Charter Schools are thus adjusted based on their actual October 15 enrollments. Mr. Roberts noted, however, that there are two additional issues that should be addressed.
 - A) The first issue is the “money following the child” concept, in that allocations change as enrollment changes. No mechanism currently exists to make intra-year funding adjustments for Charter Schools that are presently growing.
 - 1) Mr. Roberts suggested that Charter Schools incorporate the DOE’s methodology that surveys school enrollment four times during the school year, and adjusts funding accordingly by accessing a pool of funds. This pool not only provides increased funding to growing schools, but also holds declining schools “harmless” by not withholding funds per se.
 - B) The second issue pertains to when the projected Charter School enrollment is exceeded by the actual Charter School enrollment. This situation is addressed in the methodology of the budget provisos that limit the per pupil amount that is allocated to the schools. Essentially, this proviso accesses operational funds and establishes a per pupil funding allocation of \$ 5363.00. This amount is based on average projected enrollment figures of 9,668 students. If the actual enrollment figures are less than projected, the surplus funds are deposited into a Charter School account within the State Treasury. Since the proviso is silent regarding the disposition of these funds after deposit in the Charter School account, Mr. Roberts suggested that these excess funds be used to address the increased allocations indicated by a rise in enrollment.

- 5) Mr. Miyahira noted that the opening of new Charter Schools must be timed with regards to the Legislature's budgetary schedule, and noted that the DOE doesn't open a new DOE school until the Legislature has approved and allocated all school funds. Mr. Miyahira suggested that these new charter startups be submitted to the Budget Appropriations process.
- 6) Mr. Roberts noted that one of the functions of the Charter School Review Panel is to evaluate and approve new startups, and that this year the ruling statute has been modified to increase the ratio of new startups to 3-to-1.
- 7) Vice Chair Kim requested that the Task Force concentrate on the status of recommendations as outlined on today's agenda, and not necessarily all issues raised by each recommendation.
- 8) Chair Oshiro asked if there were any further questions regarding the status of the KALO Recommendations. Regarding Charter School access to services, Vice Chair Kim requested clarification regarding DOE funding for the State Of Hawaii (SOH) Driver's Education Program and corresponding Charter School access to the Program..
 - a) Mr. Brese reported that he had spoken with the Driver's Education Program Manager, and that all SOH secondary school students up to age 19 have access to the Program. They must first submit a \$10 fee, and then are enrolled in the Program in a first-come, first-served basis. This access applies to Hawaii Public Schools, Hawaii private schools, Hawaii Charter Schools, and Hawaii home schools.
 - b) Mr. Brese added that access to the funds for the Program as requested by Charter Schools may have to be addressed by a modification of the existing HRS Statute, as the Statute explicitly states that "the Department"(of Education) "shall determine access" to the Program.

d) Discussion: RE: Budget Request & Appropriations: Formula v. Process

Chair Oshiro introduced Item (d) on the Agenda

- 1) Mr. Roberts said that Budget & Finance Director Georgina Kawamura had added this item, and that nothing has as yet been prepared to address it.
- 2) Task Force members asked why the Charter School Budget set up as its own program account, why it is that Charter Schools are not part of regular schools, and why does Charter School money go in a program ID.
- 3) Mr. Roberts and Mr. Brese said that these processes had been established before either of them came on board. Mr. Roberts suggested that interdepartmental reasons may have resulted in the original applicable statutes mandating that the State Auditor determine Charter School appropriations; after this period, the DOE was allowed to determine allocations.

- 4) In response to Mr. Takamura's questions as to whether having a separate EDN was helpful to Charter Schools, Ms. Love provided the Task Force with a short history of the development of the Charter School EDN, which originally came about subsequent to Charter School request for line item privileges.
- 5) Task Force members discussed the alleged mistrust between Charter Schools and the Department, and how this may have affected funding designations.
- 6) Mr. Nahale-a stated that DOE supervision of Charter School operations were detrimental to the Charter Schools because the Charter Schools did not have the autonomy necessary to control and direct operations such as payroll and other vital functions.
- 7) Mr. Miyahira suggested that autonomy raises difficult issues related to direct budget allocations to each Charter School. Mr. Miyahira added that the current Charter School practice of formula based allocations might yield better results if Charter Schools submitted a yearly budget request as recommended by Budget & Finance Director Georgina Kawamura.
- 8) Mr. Nahale-a observed that requiring the Charter Schools to submit a yearly line-item request for State Budget appropriations will put the Charter Schools in the position of building a political base to facilitate yearly funding, a task that Charter Schools are not equipped to handle.
- 9) Mr. Roberts observed that in order for the Charter Schools to initiate and pursue a line-item State Budget request, a new hierarchical structure needs to be added to the Charter Schools. Without such a hierarchical structure, there is no equality between individual Charter Schools as per their ability to assess individual and collective funding needs.
- 10) Regarding the conflicting demands of Charter School independence and Department mandates, Vice Chair Kim commented that "therein lies the Task Force dilemma: the Task Force is trying to create new equity, but has to preserve differences that are essential to the Charter School identity" The Charter School Funding Task Force has to recognize that the Task Force overall aim is to ensure Charter School equity to the degree that it is possible, but equity cannot be held to a 100% standard because inequity is part and parcel of Charter School structure.
- 11) Mr. Miyahira noted that in general, Charter Schools are smaller schools. He stated that weighted formulas have a great deal of complexity built in to them, which addresses this fact to a certain degree. The DOE formula appropriates additional weight for smaller schools; the DOE had many discussions regarding the best means by which to avoid penalizing both smaller public schools and Charter Schools. When discussing this in regard to Charter Schools facilities needs, Mr. Miyahira noted that this discussion is especially

appropriate as facilities funding for DOE schools is contained within the general DOE budget.

- 12) Mr. Nahale-a presented formula-based funding and process funding as two poles of a funding spectrum that encompasses many Island educational complexities, and maintained that facilities funding is a separate issue. Mr. Nahale-a said that it does not make sense to try to fund Charter Schools less than public schools, because then you cannot measure their results. Student performance accountability is one issue, but pitting Public Schools against Charter Schools is a slippery slope.
- 13) Mr. Miyahira said that Act 144 has made a positive difference; whatever the DOE gets in per pupil funding, Charter Schools get the same amount. Federal funds, he said, are all program specific, so must go where they are intended to go. Also, he said, the DOE holds funds that it uses to address rises in student enrollment.
- 14) Vice Chair Kim said that funding is by its nature touch-and-go, and provided the example of a public school with an active parent base that lobbies for additional funding and gets it, and a public school that does not get additional funding because it lacks activist parents.
- 15) Mr. Takamura asked for clarification from the Task Force: is the Task Force function to provide a major overhaul of the existing DOE/Charter School structures, or is the Task Force going to make smaller, timely adjustments to the existing structures. Task Force members agreed that the Task Force function at this juncture is provide fine-tuning to the existing structures. Mr. Nahale-a noted that Hawaii's "Race To The Top" award is formula driven, and that the procedural issues related to formulas need to be worked out.
- 16) Mr. Takamura raised the EDN issue, and asked how many schools will be removed from pre-existing caps, and how many schools can thus be authorized. Mr. Takamura also wondered if the establishment of new schools poses a funding risk to existing schools.
- 17) Vice Chair Kim observed that fiscal considerations must rule current Charter School decisions. The carrying capacity of Public Schools and Charter Schools must be determined; at this point, it isn't possible to fund all the Charter Schools that we might want.
- 18) Mr. Takamura stated that the CSRP is lifting a long-standing moratorium on Charter School applications, and thus new charters are now available. Mr. Miyahira observed that there are a finite number of students in the State, and while enrollment is steady at Public Schools, Charter School enrollment is growing, and deserves serious attention.

- 19) Mr. Nahale-a stated that from a Charter School perspective, every school age child has the right to attend a Charter School, and that all children in the State are the State's responsibility. Mr. Nahale-a also suggested that Charter Schools help raise the performance bar for Public Schools.
- 20) Vice Chair Kim observed that the size of public schools, due to their funding structure, are not adversely affected by the loss of one or two students, while Charter Schools can lose their foundation of services and facilities with minor changes in enrollment.
- 21) Mr. Miyahira expressed concern that an increase in Charter Schools will result in many smaller schools located all over the Islands, which will be difficult to adequately fund and staff. Unlike Public Schools, Charter Schools do not offer economies of scale: a Charter School may serve the same number of students as a Public School, but because of Charter School funding structure, growth in enrollment can provoke drastic increases in overhead.
- 22) Acknowledging the problems that Charter School experience because they do not offer economies of scale, Mr. Nahale-a stated that weighted formulas can offer a base for Charter School improvement and expansion, and can lead to the development of excellent educational packages.
- 23) Mr. Miyahira reiterated that Act 144 has accomplished a great deal in ensuring Charter School and Public School equity, and noted that no school can predict per pupil funding before all budget funding in the Legislature is completed.

e) Impact of Act 180, SLH 2010 Budget Proviso Language and Act 144, SLH 2010 Amendments to §302B-12 Funding and Finance.

- 1) Chair Oshiro noted that the Task Force touched on Item 3(e) when Task Force examined the need to improve proviso language and methodology, but stated that the improvements in language and methodology may be moot because all funding proposals end up in the Legislature, where funding allocations are unpredictable.

f) Determine a Regular Schedule for all CSFTF Meetings

- 1) Chair Oshiro asked the Task Force what specific changes need to be made to funding formulas and processes.
- 2) Vice Chair Kim responded that the Task Force should concentrate on the funding formula that the Legislature uses, because in the final analysis, the Legislature's formula is the deciding funding formula. The Legislature's formula is thus available for the Task Force to examine, and revise before enactment. In response to Mr. Roberts request for specific proposals that the Task Force can examine, Vice Chair Kim suggested that the Task Force

should consider EDN 150 and EDN 100 as a basis for making those determinations.

- 3) Mr. Brese stated that at the next Task Force meeting, additional funding considerations will parallel those decisions made by the Legislature as described in the text of the DOE's response to KALO Recommendation #6 as presented in Status of 8 KALO Recommendations. Mr. Brese stated that facilities funding considerations and EDN 500 are the two biggest issues that the Task Force will need to consider for inclusion or exclusion.
- 4) Mr. Takamura suggested that CIP funding should also be addressed at the next Meeting.
 - a. Mr. Miyahira requested that the task force refer to this as "facilities funding" rather than "CIP funding".
- 5) Mr. Nahale-a suggested that facilities funding should be addressed, and how private dollars can be brought into the funding mix.
- 6) Mr. Nahale asked that access to federal and SPED funding be considered in relation to how those funding dollars are spent in supporting the administrative office effort to secure and administer funding, and whether federal fund proposals should be done collectively or independently by Charter Schools.
- 7) Mr. Takamura noted that it is the Panel's responsibility to examine fiscal accountability and to determine possible re-authorization of particular charters, and proposed that this issue be considered at the next meeting.
- 8) Mr. Miyahira said that an overview of State bond funding should be examined in regards to its role in supporting in-state educational facilities.
- 9) Mr. Takamura asked that specific recommendations and options be presented to the Task Force at its next meeting. The Task Force determined that this task would be addressed during the next meeting.
- 10) Vice Chair Kim asked that a volunteer determine how other states are handling the facilities funding issue, and to present this at the next meeting. CSAO stated that they would report on this issue.

III Next Meeting:

Tuesday, September 28, 10 AM, State Capitol, Conference Room 437.

IV Adjournment

The Meeting was adjourned at 11:40 AM.

**State of Hawaii
Charter School Funding Task force
General Meeting
Tuesday, September 28, 2010
10:15 AM – 11:39 AM
415 South Beretania Street
State Capitol
Fourth Floor
Conference Room 437**

Attendance:

Chairperson Marcus Oshiro – Chair of the Task Force; House Finance Chair
Senator Donna Mercado Kim – Vice Chair of the Task Force, Senate Ways and Means Chair
James Brese – DOE CFO
Bob Roberts – CSAO CFO
Carl Takemura – Charter School Review Panel
Megan McCorriston – Ho’okako’o
Alapaki Nahale-a – Hawaii Charter School Network (arrived 10:20 AM)
Neil Miyahira – Budget & Finance Budget Administrator (appearing for Georginna Kawamura – Budget & Finance Director; arrived 10:20 AM)

Absent:

Georginna Kawamura – Budget & Finance Director

Charter School Administrative Office:

Maunalei Love – Executive Director

Charter School Review Panel

Ruth Tschumy – Charter School Review Panel Chair
Amy Vorderbruegge – CSRP Accountability Committee Chair

Kanu O Ka Aina Learning Ohana:

Taffi Wise – Executive Director

1. Call To Order

Chair Marcus Oshiro called the meeting to order at 10:15 AM

2. Members

Chair Oshiro determined that CSFTF Members Alapaki Nahale-a and Neil Miyahira (for Georginna Kawamura) would arrived at today’s meeting after the meeting began.

3. General Business

3.a. Approval of the Minutes of the Charter School Task Force September 1, 2010 Meeting

Chair Oshiro asked if Task Force members had reviewed the proposed September 1, 2010 Meeting Minutes, and asked if there was a motion to approve the Minutes. Mr. Brese moved to approve the Minutes; Mr. Takemura seconded. A vote was taken, and the motion passed unanimously.

3.b. Approval/Changes to the Agenda

Chair Oshiro asked if there were any proposed changes to the agenda. Mr. Takemura suggested that CSRP Chair Ruth Tschumy and Accountability Chair Amy Vorderbruegge complete their presentation regarding the CSRP's Reauthorization Process, and members of the Task Force agreed. Agenda Item 3.g., "CSRP's Reauthorization Process," thereby became Agenda Item 3.c., with original Agenda items renumbered in succession.

3.c. CSRP's Reauthorization Process

CSRP Chair Ruth Tschumy provided the Task Force with an overview of the CSRP Reauthorization Process, with Amy Vorderbruegge to follow and address specific CSRP Reauthorization procedures and Task Force questions. Ms. Tschumy provided the following observations:

- a. The Charter School /Review Panel is comprised of 12 members. CSRP members include the chair of a start-up charter school, the chair of a conversion charter school, a teacher from a start-up charter school and a teacher from a conversion charter school, members of the business community, and a representative from the University of Hawaii. The CSRP is thus constituency-based.
- b. Each CSRP member donates his or her time and does not receive compensation.
- c. As Charter Schools reflect the hopes and dreams of their constituency, the heart of the the Charter School system is a strong education program that is embedded in strong cultural values, which makes Hawaii's Charter Schools unique in the county.
- d. Each of Hawaii's 31 charter Schools are responsible for:
 1. Establishing strong educational goals that lead to increased student achievement.
 2. Using state funds wisely.
- e. By statute (HRS 302(a), the Charter School Review Panel's responsibilities include, but are not limited to:
 1. Review and analysis of Charter School applicants' Implementation Plans
 2. Approving amendments to Charter School applicants' enacted Implementation Plans
 3. Adopting reporting requirements for Charter Schools Reauthorizing Charter Schools
 4. Investigating any aspect of a Charter School that may concern the CSRP,, and taking appropriate action, including probation and revocation of the school's charter.

- f. In short, Hawaii's Charter Schools are educational institutions as well as multi-million dollar businesses.
- g. Charter School Goals include:
 - 1. Prepare for undergoing accreditation, a process that focuses on continuous school improvement.
 - 2. Sound fiscal management
 - A. Most Charter Schools have a solid business plan.
 - B. The CSRP requires that all Charter Schools undergo an independent annual audit, beginning in SY 2009-2010, that must be completed by this coming January, 2011. Many, but not all, CS are already undergoing these audits.
 - C. The CSRP requires that each CS submit a balanced annual budget using standardized financial forms which have been analyzed by the CSAO CFO:
 - D. Current statutes do not require the rigorous practices outline above, but the CSRP has decided to take these accountability measures.

Ms. Tschumy introduced Amy Vorderbruegge to the CSFTF.

Ms. Vorderbruegge noted that in addition to her position as CSRP Accountability Chair, she is a teacher at Voyager Charter School in Kakaako, in Honolulu. She then distributed the document "Reauthorization/Multi Year Review Template (Draft) September 2010," hereafter referred to as "Reauthorization Review," to the CSFTF. Referring to Page 2 of this document, Ms. Vorderbruegge noted that all CS are responsible for 4 Key Areas:

- a. The viability of their respective Foundation Charter
- b. Their Educational Viability
- c. Their Organization and Administrative Viability; and
- d. Their Financial Viability.

Furthermore, all CS documentation must address the 4 Key Areas of viability listed above. Ms. Vorderbruegge then outlined the CSRP's "Avenues for Accountability" that address the 4 Key Areas. These Avenues include:

- a. An annual self-evaluation as mandated by statute that is completed by each Charter School, reviewed by the CSRP, and returned to the school with appropriate feedback.
- b. A "Set of Assurances" that line up with the 4 Key Areas as outlined above. These Assurances include:
 - 1. A Pre-opening Assurance.
 - 2. A 1st year Assurance that includes an on-site Assurances visit by the CSRP that is repeated in the following years.
 - 3. A Multi-Year Review by the CSRP that includes addressing Reauthorization issues as well as completion of a Financial Template, a form which is described later in the meeting by the CSAO CFO Bob Roberts.
 - 4. A CSRP Fact-Finding Committee that investigates CS concerns that can't be handled by the Local School Board (LSB).
 - 5. The rigorous CS application process itself.

6. The scoring system used by the CSRP, and contained in the document "Reauthorization Review" on its last page and titled, "Scoring the Reauthorization Multi-Year Review." This review has been distributed to all qualifying CS, and is due to be submitted to the CSRP on October 1, 2010.

Additionally, accountability is ensured by:

- a. A list of CS that determines their evaluation position in the 4-year reauthorization cycle.
- b. Documentation submitted by all CS addressing Reauthorization requirements and the 4 Key Areas as outlined above.
- c. Public input, open to all members of a CS community who can write to the CSRP in support or with concerns regarding their respective CS.
- d. A CSRP Review Team which reads and scores a CS Reauthorization Report, and which follows up with an on-site visit to the CS. This visit includes interviews with all CS stakeholders. Following this visit, the Review Team makes its recommendation to the CSRP.
- e. An appeal process is needed in the event that the CSRP does not recommend Reauthorization. Currently, there is no formal means by which a CS can address this issue with the CSRP.
- f. A Standardized Financial Template, as explained further in this meeting my CSAO /CFO Bob Roberts.

Discussion:

A CSFTF member asked how often CS are submitted to the Reauthorization process. Mr. Vorderbrugge stated that a CS must undergo Reauthorization every 4 years, but that since currently 27 CS are scheduled for Reauthorization, this schedule must be staggered to accommodate this large number of evaluations.

Chair Oshiro asked if the Reauthorization scoring percentages as listed on the last page of the document "Reauthorization Review" are mandated by statute. Ms. Vorderbruegge said these percentages were not mandated by statute, and noted that the percentages are adjusted to meet higher educational standards as the school matures.

Regarding Reauthorization appeals by CS, Chair Oshiro asked for clarification regarding the CSRP "Report for Reconsideration," which is completed by CS and returned to the CSRP. Ms. Vorderbruegge explained that after the CSRP reviews a CS "Report for Reconsideration," the CSRP either reauthorizes the CS or has the option to close it.

Mr. Takemura pointed out that the CSRP also has the authority to revoke the CS charter, in which case the CS option is to appeal to the DOE Board of Education, which then places the CS on probation. Mr. Takemura stated that CS should have formal appeal procedures to the CSRP, otherwise a BOE decision can be appealed by the CS in Court.

Ms. Tschumy noted that the CSRP is currently seeking the Attorney General's opinion on this issue.

Charter School – Standardized Reporting Model, Fiscal Year 2010 – 2011Instructions: distributed and explained by CSAO CFO Bob Roberts.

- a. The Task Force was given the Standardized Reporting Model, Fiscal Year 2010 – 2011 by Mr. Roberts, who explained that this document, hereafter refereed to as the “Standardized Reporting Model,” is the financial template used by all CS in their Reauthorization evaluations as previously noted by Mr. Vorderbruegge.
- b. Furthermore, Mr. Roberts noted that “This document is the instruction and forms that the CS are now required to complete for their budget and financial reporting” in compliance with Act 144 in the last Legislative session.
- c. Mr. Roberts directed the Task Force to Page 1 of this document, which outlined the financial reporting timeline that must be followed by all CS,, and whose mandated information and documentation is also in compliance with recent legislative Budget Provisos.
- d. Mr. Roberts noted that all financial information and documentation submitted using these forms must be certified by an independent financial authority.
- e. Mr. Roberts noted that the “Enrollment Report” deadline was previously on October 22, 2010, but has since been rescheduled for October 15, 2010. Mr. Roberts stated that CS will submit their projected enrollments on this form, and record their actual enrollments later.

Discussion:

In response to Vice-Chair Kim’s question regarding the verification of actual CS enrollments, and the necessity to determine those CS enrollments with absolute certainty, Mr. Roberts and Ms. Love stated that two State of Hawaii electronic enrollment mechanisms, the DOE’s VAC and the E-SYS, ensure by means of a unique student number that no DOE enrollments are duplicated at a CS. This verification is supplemented by a rigorous CS head-count conducted by the CSAO.

In response to Chair Oshiro’s question regarding facilities funding as reported by the CS in the Standardized Reporting Model, Mr. Roberts noted that for 2009-2010, facilities expenses are reported in Item 400 of the Schedule of Functional Expenses, and that projections of facilities expenses are reported on a different page of the Report, and reported in both Items 400 and 500 of that page.

In response to Mr. Nahale-a’s concern that the Standardized Reporting Model would lead to misleading comparisons between CS, Mr. Roberts noted that CS have the authority to spend their funds as they see fit, and that the CSAO does not analyze the Report for relative departmental expenditures, but only for financial viability.

3.d. CIP Funding

- a. Mr. Roberts cited two CIP projects recently funded through the State Budget, the \$500 k Lanikai Elementary photovoltaic system and another \$274 k sewer project on another CS campus,

b. Mr. Roberts stated that the CSAO is actively encouraging CS to submit CIP proposals to meet their needs, particularly their facilities funding needs. Mr. Roberts stated two main issues relating to CIP funding of CS:

1. Whether the CS is located on public or private land, and thus disqualified from CIP funding.
2. Whether the CIP proposal has merit.

Discussion:

In response to Mr. Nahale-a's observation that CS don't have the option of securing CIS funding automatically, and that the CSAO can't always assist CS effectively, Mr. Roberts stated that the CSAO is advising CS to submit their CIP proposals on schedule, but to also vigorously lobby their respective legislators. Mr. Roberts further suggested that a pool of CIT funds be established which is available for all schools so that CS are not automatically excluded by legislative directives that favor DOE schools.

Mr. Brese noted that 40% of CIT proposals that make the final legislative cut result from legislative priorities and not from DOE priorities.

Chair Oshiro noted that since CIT funding is so often a result of legislative priorities, it is difficult to construct a rigid formula that would equitably address the CIT funding needs of both DOE and CS schools.

3.e. Facilities Funding and Private Resources

a. Mr. Nahale-a opened the presentation regarding Facilities Funding and Private Resources with a call for a multi-pronged funding approach that uses per-pupil or other fixed State funding allocations as a basis to leverage private and federal funding sources. Mr. Nahale-a noted that there is a "federal purse of dollars for State Charter School facilities if they are providing some sort of match." Mr. Nahale-a also noted that using this approach, CS have applied for and been denied access to federal and other private funds over the years.

b. Mr. Nahale-a stated that he feels that CS are now in a better position to compete for federal and private funding, and offered the successful funding package recently devised by CS Kanu O Ka Aina Learning Ohana as an example.

c. Tammy Wise, Kanu O Ka Aina Learning Ohana Executive Director, stated that \$1.1 b in direct financial support has been offered to CS by private funding sources from 1999 – 2010, and that CS have a default rate of only .1 %.

d. Mr. Nahale-a stated that a stable pool of public money, such as per-pupil allocations, are crucial for CS to secure private and federal funding. Mr. Nahale-a added that this funding for CS facilities is crucial for the success of every CS, as education cannot proceed when school facilities are non-existent, substandard, or in disrepair, and that 80% of Hawaii's CS cannot fund their own facilities.

e. Citing the sources of per-pupil funding, CIT funds, and SOH bonds, Mr. Nahale-a asked that the CSFTF construct grant application language that increases the chances for successful CS funding.

d. Mr. Nahale-a stated that he has investigated funding opportunities at Kamehameha Schools, the Bill Gates Foundation, and the Charter Movement, and their response, while positive, hinges on initial public funding by the SOH.

Discussion:

Ms. Love stated that the CSAO would like to get a federal CS facilities grant, but that the last time the CSAO applied for the grant, the grant was denied because at that time, CS had not received any State facilities funding portion.

In response to Chair Oshiro's question regarding other U.S. states that may possess a revolving facilities fund, Ms. Wise stated that 29 states receive facilities funding, and distributed a document from the National Charter Schools Alliance that outlined the funding sources and allocation schedules for the top 13 charter schools that receive this funding.

Mr. Roberts noted that he emailed a copy of this document to CSFTF members this morning, and then handed out an Executive Summary from this document to all CSFTF members. Mr. Roberts stated that this Executive Summary demonstrates that in 2010, states are providing a means and a schedule by which their CS can receive their own low-interest loans and financing for facilities.

Mr. Nahale-a noted that both CS and DOE schools are short-changed when under-utilized DOE facilities are not freed up for public use, and that often new DOE construction projects can be adapted to include CS populations in their design. Doing so, Mr. Nahale-a said, allows participating CS to use the funding of a particular DOE construction project as a basis for the funding application of the participating CS school.

3.f. Overview of State Bond Funding

a. Mr. Miyahira distributed a document, "Observations of the Issue of Charter School Facilities Costs," to CSFTF members.

b. Mr. Miyahira stated that the many issues and challenges facing SOH bond funding for CS include:

1. Repair and Maintenance facilities costs are already factored into DOE budgets and funding, but not in CS funding.
2. Start-up CS are not on public land, and so are not on SOH-owned and administered properties.
3. The DOE has a very complicated process of developing their own capital improvement projects.
4. The legislative process adds another layer of complexity to funding bond initiatives.
5. Bond issues are funded through General Operating funds that are tax-exempt. The IRS stipulates that these GO initiatives must be used for public purposes. Non tax-exempt bond issues thus raise a host of problems for investors and for the SOH.

Discussion:

Mr. Miyahira suggested that one solution might be to give "green" start-up CS an initial, one-time grant of \$50 - \$100 k that the CS could use for facilities or whatever other needs the CS may have.

Chair Oshiro raised the debt issue related to all CS funding, and stated that capital improvements of any kind require a sustained presence on a given property.

Mr. Miyahira noted that CIP funding, or any funding, for capital improvements is very expensive, but added that should a CS direct CIP funding towards under-utilized DOE facilities on public lands, that the State would then have an interest and thus a rationale for making those capital improvements.

Mr. Nahale-a cited the use of USDA funding to make substantial capital improvements in mainland CS, and noted that Kanu O Ka Aina Learning Ohana had successfully accessed that source of funding.

Ms. Love stated that in a recent conversation with Randy Moore, Mr. Moore stated that any currently under-utilized DOE facilities cannot be accessed by CS because the DOE uses those facilities for its own departmental needs.

Ms. Wise stated that the major issue that needs to be resolved with joint private/public CS funding partnerships is how to resolve the debt issue.

Mr. Miyahira cited the debt issue as a rationale for pursuing rents as a component of CS funding, and stated that “rents are supposed to take care of the debt.” Mr. Miyahira added that for the State, the cheapest borrowing sources are General Operating bonds.

Vice-chair Kim stated that any funding proposal for CS must also address ongoing Repair and Maintenance costs.

Mr. Miyahira noted that the SOH has currently allocated \$500 m for DOE Repair and Maintenance costs, but that the funding breakdown shows that even this amount is often insufficient to meet the needs of DOE schools.

3.g. Research on How Other States Handle Charter School Facilities Funding

a. Chair Oshiro asked Ms. Wise to address this issue at the CSFTF next meeting, and to provide two comprehensive examples of successful CS facilities funding, and that Mr. Nahale-a provide CS funding schema developed by national CS organizations. Ms. Wise and Mr. Nahale-a agreed to do so.

3.h. Overview of Specific Recommendations and Options

a. Recommendations and options are pending presentations by Ms. Wise and Mr. Nahale-a.

3.i. Determine Date for Next CSFTF Meeting.

a. Chair Oshiro set the next CSFTF Meeting for Tuesday, October 26, 10:30 AM, at the State Capitol, Fourth Floor, Room 437.

3.j. Agenda Items for Next CSFTF Meeting

a. Agenda items for next CSFTF Meeting will be headed by funding presentations by Ms. Wise and Mr. Nahale-a.

3.k. Adjournment

a. Chair Oshiro adjourned the Meeting at 11:39 AM

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE
Tuesday, October 26, 2010
1:30 pm – 3 p.m.
State Capital Building
415 S. Beretania Street
Conference Room 437**

Subject: Charter Schools Funding Task Force Proposed Agenda

Attendance

Marcus Oshiro – Chair of the Task Force; House Finance Chair
Donna Mercado Kim – Vice Chair of the Task Force; Senate Ways and Means Chair
James Brese – Chief Financial Officer, Department of Education
Bob Roberts – Chief Financial Officer, Charter School Administrative Office
Georgina Kawamura – Director, Department of Budget and Finance
Julie Upton for Megan McCorriston - Ho‘okako‘o Corporation
Alapaki Nahale-a – Hawaii Charter School Network

Absent

Carl Takamura – Charter School Review Panel

Minutes

I. CALL TO ORDER

Chair Oshiro called the meeting to order at 1:35 p.m.

II. GENERAL BUSINESS

A. APPROVAL OF SEPTEMBER 28, 2010 MEETING MINUTES

Mr. Breese proposed the following corrections:

- Page 5: referred is misspelled; substitute VAX for VAC
- Page 8, paragraph 5: GO bonds has an extra "s".

Motion to accept the minutes of September 28, 2010 meeting as amended. Mr. Roberts moved to accept and Mr. Brese seconded. The motion passed unanimously.

B. APPROVAL/CHANGES TO THE AGENDA

Mr. Nahale-a proposed the following amendments to the agenda:

1. To let Kauhale ‘Oiwī O Pu‘ukapu Charter School presentation be followed by a presentation by the Ke Kula ‘O Samuel M. Kamakau Laboratory Public Charter School.
2. He also asked Mr. Roberts to exchange agenda order with him, so that Mr. Roberts would present first and Mr. Nahale-a afterwards.

Mr. Roberts moved to approve the changes, and Ms. Kawamura seconded. The motion

passed unanimously.

C. PRESENTATIONS BY KAUAHALE ‘OIWI O PU‘UKAPU (TAFFI WISE) AND KE KULA ‘O SAMUEL M. KAMAKAU LABORATORY (MARCI SARSONA) PUBLIC CHARTER SCHOOLS.

- Objective:
- 1) To demonstrate the efficacy of public/private partnerships for public charter schools.
 - 2) To demonstrate need and feasibility for state facilities funding.

Kauhale ‘Oiwī O Pu‘ukapu Charter School

Taffi Wise presented as a case study the struggles and progress of Kauhale ‘Oiwī O Pu‘ukapu Charter School (KOOP). She provided a handout to accompany the slide presentation.

Ms. Wise said that, for the last 10 years, KOOP has been operating in an underused Department of Agriculture warehouse at UH Hilo. KOOP’s goal is to be housed in a permanent facility.

KOOP began looking for property in 2002, and eventually received permission to use a 30-acre property under the Department of Hawaiian Homelands (DHHL). Ms. Wise stated that it was a long process to obtain permits, loans, etc and that Francis Oda of Group 70 helped complete the community charrette process over a five-year period and is designing the facility plan.

KOOP obtained a short-term loan from Bank of Hawaii, who will finance the construction, and a 40-year loan of \$2.6 million at 3.8%. KOOP also received funding from a combination of public and private sources (covered briefly in the handout). The school is still under construction.

When finished, the school, in addition to being an educational center for up to 500 students, plans to offer free evening classes for kupuna, and host community family events on the weekends.

While KOOP has received some private funding, it isn’t enough. Ms. Wise stated that KOOP has faced real challenges getting sufficient private and community support. She said that projected support has not met expectations, and that private donors typically only commit donation for classroom use and not for the facility. The crux, she says, is that private donors do not want to fund public schools.

Ke Kula ‘O Samuel M. Kamakau Laboratory Public Charter School

Marci Sarsona said that Kamakau Charter School had to move twice in the last six years. They’d been sharing space with other tenants, holding classes in room that were only 420 sq. ft, and had closed the library and given up administrative offices to make more class

space. Under these circumstances, Ms. Sarsona says, they were finding it impossible to achieve their vision and mission.

Kamakau was happy to receive a 28-acre, 55-yr lease from DHHL next to the “Stairway to Heaven that will enable them to better serve the student population. The existing building, however, had been vandalized, was covered in graffiti, and the grounds overgrown and littered with mounds of trash.

Kamakau turned to families and the community for help and, together, they spent 20 days cleaning up the property. They received some private funding and managed to refurbish the building. They currently pay no rent on the land and have a 40-year United States Department of Agriculture Rural Development loan for \$2.5 million at 3.5%, as well as some private funding. However, the school has no cafeteria, gym, library, student parking, covered walkways, or gathering areas inside or out, due to insufficiency.

Kamakau expects to move to the new school by the next school year, but they have tapped out their private funding sources. Their debt service is \$138,000 annually and, currently, Ms. Sarsona spends 50% of her time on fund development.

To leverage any more funding from private donors, Kamakau needs state funding, Ms. Sarsona says.

D. BOB ROBERTS PRESENTATION ON FACILITIES FUNDING

Mr. Roberts said that while private/public partnerships can pay for many upfront costs, they don’t pay for construction.

The pros are that they are efficient, innovative, and generate leverage (through matching programs). The con is that they create obligation to service debt.

Other sources such as private and federal grants, leases, certificates of participation, GO bonds, new market tax credits, and special purpose revenue bonds don’t pay for construction or repair and maintenance. Thus, the formula isn’t complete without state per pupil facilities funding, to provide for debt servicing.

Mr. Roberts also stated that SPP/PPV partnerships reflect bond rates of 30 years ago, not current rates, making them a bargain.

Q&A:

Vice Chair. Kim: What if the school closes before the 30-year debt is paid?

Mr. Roberts: If the school closes before 30 years, the property is used as security against the bonds. Nonprofit owns the property.

Vice Chair. Kim: Would the state have interest in the property?

Mr. Nahale-a: Charter service is a lease, not debt. If the loan goes bad, nonprofit is at risk, not state.

Ms. Kawamura: But what assurance does the state get that the facility will exist in perpetuity if public monies are set aside?

Vice Chair. Kim: When the charter schools started, they said there would be no cost to the state.

Ms. Wise: Public school students at these public charter schools need appropriate facilities. How can we work together to create appropriate facilities for kids?

Vice Chair. Kim: But what happens to our investment 20-30 yrs from now if they close? If public schools get smaller because the charter schools are operating, and then the charters fail, how will it affect the community and the state's investments?

Ms. Wise: If they don't succeed, people won't send their kids. With charter schools, if students go elsewhere, the state's not at risk on the debt. The current system isn't working either.

Mr. Nahale-a: Long-term monitoring is needed. Checks and balances are necessary to hold charters accountable.

A member: Charters are growing, enrollment increasing 5% to 10% nationally.

Chair Oshiro: You're asking for an expenditure of public funds. How does the state protect its investment?

Ms. Wise: It's an investment in the community and economy; it will create construction jobs.

Chair Oshiro: The debt service is entered into by the private nonprofit, but if public funds are used ...

Mr. Nahale-a: Use of public funds needs to be monitored in all cases. Some state funds are already going to facilities rent, but less than for debt service. If we increase state support, it won't increase risk. We looked at this issue.

Vice Chair Kim: How can we justify giving state funding to charters without giving to other private schools?

Mr. Nahale-a: We're not private. We're public.

Vice Chair Kim: Whether the child goes to a private, public or charter school, we're responsible for that kid. There's not enough money to promise every kid everywhere.

Ms. Wise: The difference is socioeconomic class.

E. ALAPAKI NAHALE-A'S PRESENTATION ON THE POLITICS OF CHARTER SCHOOL FACILITIES FUNDING

Mr. Nahale-a began by saying charter schools elevate success for all students. They offer innovative options, educate underserved populations, and create choice in public education.

ChairOshiro: Is UH Lab School a charter school?

Mr. Nahale-a: Yes.

Mr. Nahale-a continues:

The community can't get the benefit of charters if the playing field isn't level. What's level? "Adequate" means equitable. Charter schools should get the same resources as public schools. Hawaii made that commitment in Race to the Top 2. Hold us accountable.

Mr. Nahale-a stated that the State expects charters to:

- Serve all students
- Facilitate high academic achievement; and
- Meet State testing requirements for collective bargaining, health and safety, and other compliance measures, plus provide data and info on request.

A positive aspect of charter schools is autonomy, in hiring, curriculum, budget planning, and freedom from bureaucracy. But the per pupil funding is less than for public schools. And the federal and SPED system is weighted against small schools and charters. Not all schools are getting their fair share. Hawaii has committed to equity.

Mr. Nahale-a further stated that the start-ups and conversion schools are different. Start-ups have no guaranteed support; they have access to state property, but struggle to leverage support.

The conversions have more supports. As for per pupil funding, it's inaccurate to say that charters are only \$300 away. Only the charters who get all the federal and SPED support are that close.

Are charter schools getting facility support this year? Yes and no.

Yes:

We need clarity. We need to know what will charters get, and make it stable. Per pupil funding is the only manageable solution. Other facility supports are enhancements only. Providing clear facility support will improve accountability.

No:

We're expected to meet State's expectations and requirements *and* handle our own facility costs. Are our students entitled to facility support or not? We need to eliminate confusion over whether charter students are entitled.

Per pupil facilities funding will create an entire industry of organizations who do due diligence, oversight, etc. -- and that's all they do. Not all charters should or can become facility developers. The organizations with the experience and desire to play this role need state commitment.

Q&A

Vice Chair Kim: There never was facilities funding. "Won't take much" -- what does that mean? When will charters be satisfied?

A member: That's just the way it was. We always wanted facilities funding, but didn't have it. As far as charters coming later asking for more funding, we can't stay static. It will adjust with economy.

Mr. Nahale-a: It's a policy decision. We need assurance that we're going to have what we need to educate kids. Many agencies will always ask for more, housing, etc.

Vice Chair Kim: What schools would have grown if they were told no facilities funding?

A member: They've grown. We were told that and they have grown.

Mr. Nahale-a: Right now, we don't know what the law clearly says. In most other states, charter schools are free from many requirements, including collective bargaining. We must meet all the same requirements as public schools. There has to be give and take. We can't "just do more with less." Plus, these schools are working hard in the hardest places to work. Part of the challenge is telling these guys what they have to work with. We don't have commitment from funders, because many say, "Why should I invest in public facilities?"

Ms. Kawamura: Any conditions?

Ms. Sarsona: Not one private funder said they would build infrastructure. It has had to be for classrooms, the educational piece.

Mr. Brese: As the DOE rep, I believe all students should have adequate funding. It's a policy call. We would support transparency in formulas. I look at small DOE schools and think some of them should be closed. But if you have two underutilized schools, one public, one charter, what will happen if the State has committed? I'm all for competition, but at what point do small schools not make sense financially?

Mr. Roberts: We have criteria for viability. Most small charter schools came about before there was a review panel. There is a body who is responsible.

Vice Chair Kim: That's not the point. If we close a small public school for 200 students, for example, and then a charter school comes in with 200 students and takes over facility. If we've closed it because it's not financially feasible, and then fund your 200 students, how does that make sense?

Mr. Nahale-a: The DOE no longer has to maintain the building. You'll still hold the footprint, but we just saved you a ton of money. With small charter start-ups, make sure they meet your requirements.

Mr. Roberts: The per pupil cost of running small public schools is higher than charters' per pupil costs. Public schools cost \$9500 per year. The charters are getting \$5300.

Mr. Nahale-a: If schools were assured they would get x%, they could use that when seeking funding, as leverage.

Ms. Wise: We need to get back to main thing: All public education is underfunded, and I know there's no money, but we need to create a tax or something, because it's not been working for the past 40 years. How can we give more money for public education?

Vice Chair Kim: \$2.1 billion out of \$5 billion budget goes to fund education.

Ms. Wise: It goes to the unions, not the kids.

Vice Chair Kim: Maybe we should allow charters at the bargaining table.

Chair Oshiro announces that it's time to end the meeting and asks to meet again to hear and discuss charter schools' proposal of a formula that would include facilities funding.

Vice Chair Kim tells the charter school representatives to be prepared to quantify how much is "not much."

Attendees agree to meet again on November 15, 2010 at 1:30 p.m., and the meeting adjourns.

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE**

November 15, 2010

1:39 pm

Conference Room 437

State Capitol

415 South Beretania Street

Honolulu, Hawaii

1. Call to Order:

Task Force Chair Marcus Oshiro called the meeting to order at 1:39 PM.

2. Members:

- a. Chair of the Task Force: Representative Marcus Oshiro-
House Finance Chair
- b. Vice Chair of the Task Force: Senator Donna Mercado Kim-
Senate Ways and Means Chair
- c. James Brese- DOE CFO
- d. Bob Roberts- CSAO CFO
- e. Karen Matsunaga (for Georgina Kawamura- Budget & Finance Director)
- f. Carl Takamura- Charter School Review Panel
- g. Megan McCorriston- Ho'okako'o
- h. Alapaki Nahale-a- Hawai'i Charter School Network

Guests:

- a. Ruth Tschumy – Chair: Charter School Review Panel
- b. Marci Wai'ale'ale Sarsona – Director: Ke Kula 'O S. M. Kamakau

3. General Business

a. Approval of Minutes of October 26, 2010 Meeting:

- 1. Mr. Brese asked that the above Minutes be amended so that his last name is spelled with just one “e”.
- 2. Mr. Roberts asked that the first full paragraph at the top of page 3 be amended so that the phrase “Stairway to Heaven” is enclosed with full quotation marks.
- 3. Mr. Roberts also asked that the final paragraph on page 3 before the Questions and Answers Section be amended to read: “Mr. Roberts also stated that current debt service amounts reflect building costs of 30 years ago, and not current costs, making them a bargain.”

4. Mr. Takemura moved to approve the Minutes as amended. Mr. Brese seconded. Chair Oshiro asked for further discussion; no discussion ensued. Chair Oshiro asked to approve the Minutes as amended; the motion passed unanimously.

b. Approval/Changes to the Agenda:

No changes were made to today's agenda.

c. General discussion regarding a timeline for developing and finalizing the task force's report to the Legislature, including logistics of drafting the report and any proposed legislation:

1. Chair Oshiro stated that the submission deadline for the Task Force Report is December 17, 2010, which gives the Task Force five weeks to draft and produce the Report.
2. Mr. Roberts stated that the Report must be reviewed by all Task Force members before a final draft is produced.
3. Mr. Na'hale'a stated that the final draft should be completed by December 13; Mr. Roberts stated that the Task Force's final meeting should also be on December 13.
4. Mr. Takemura stated that the Report's background facts and other findings, including the Report's language and terminology, should be finalized at today's meeting. This will provide Task Force members with a basis and consensus for ongoing recommendations.
5. Mr. Roberts proposed the following report format:
 - A. Executive Summary
 - B. Background
 - C. Findings
 - D. Recommendations
 - E. Remaining/Unresolved Issues
 - F Appendices.
6. Mr. Roberts proposed that he would draft the initial Report using the above format, and would release sections of this draft to Task Force members as soon as he completes them. Chair Oshiro approved this process.
7. Mr. Na'hale'a stated that a preliminary draft should be completed with input by all Task Force members by December 6, and recommended that a single version of this draft be posted online as a Google.doc so that all Task Force members can have simultaneous input and review of the same document.
8. Chair Oshiro approved the posting of the draft as a Google.doc, and of December 6 as the deadline for completion of the preliminary Report.

d. General discussion regarding proposals for an equitable charter school funding formula; and:

e. General discussion regarding recommendations and proposed legislation that will be contained in the Report.

1. Chair Oshiro requested that the Task Force begin a general discussion of proposals for an equitable charter school (CS) funding formula.
2. Mr. Roberts stated that at the last Task Force meeting, it was proposed that CS and community partnerships, coupled with a reliable revenue stream from the State, would create a solution for CS facility funding.
3. Mr. Na'hale'a stated that he hoped the Task Force supports the current position, which is equitable per-pupil and equitable Federal funding, and that formally adopting this position as a long-term policy will do much to reassure CS stakeholders.
4. Mr. Brese asked if the foundation of the funding formula would be the same as that which is in the current statute, with the addition of CIP policy.
5. In answer, Mr. Na'hale'a recalled that CS stakeholders added the term "General Funds" during the past Legislative session. Mr. Na'hale'a stated that if all education spending is in the General Fund, then there is "no issue." He added that this fact should be referenced in the CSFTF Report.
6. Mr. Brese asked if the current amendments reference the General Fund as well as the Fund's purpose of providing comprehensive education spending.
7. Mr. Na'hale'a replied that this is the case, and added that from "a charter school perspective, this meant that a lot of dollars weren't included."
8. Expanding Mr. Na'hale'a's point, Mr. Roberts stated that CS inclusion in the General Fund also excludes debt service from calculation, and that Mr. Na'hale'a was looking past the General Fund to the issue of equitable funding between the systems.
9. Mr. Roberts then referenced facilities funding, and noted that language in Statute 302B-8 can be included in CS requests for facilities funding that "relates back to the debt service issue."
10. Mr. Roberts suggested that the CSFTF consider benchmarks that can be used as a basis for determining an amount for per-pupil funding and for facilities funding.
11. Mr. Brese agreed that to be equitable, additional funding in the form of CIP or other funds should balance the amounts received by the DOE and CS, but said that in statute language, General Funds should be identified as "General Funds," and that other portions, such as trusts, should be left out of the "General Funds" designation.
12. Mr. Roberts agreed, and said that apart from facilities funding, General Funds cover most DOE and CS expenses.

13. Mr. Na'hale'a agreed that CS funding within the General Funds designation has brought CS significantly closer to an equitable standing with the DOE.

14. Mr. Takemura asked if Task Force agreement that facilities funding should be included in the CS funding formula was a major finding that should be presented in the Task Force Report to the Legislature.

15. Mr. Roberts suggested that including facilities funding in the CS funding formula should be presented as a recommendation in the Task Force Report.

16. Chair Oshiro stated that the current agreement on per-pupil funding as expressed in Act 144 excludes adult education, special education, and other programs, such as after-school enrichment, but stipulates that those services are available.

17. Mr. Roberts stated that the committee preceding the CSFTF worked with the DOE to move some specific SPED programs out of the "EDN-150" category and into the "EDN-100" category.

18. Mr. Na'hale'a said that the CSFTF should reference the work of the preceding committee and recommend that this work is the "right path".

19. Mr. Roberts stated that the CSFTF should recommend that there should be a provision within a funding formula that stipulates that if a specific service is not included within that formula, amounts necessary to fund this service should not be automatically excluded from the formula.

20. Mr. Takemura summarized the CSFTF position on this matter by saying that the CSFTF should state in the CSFTF Report to the Legislature that the changes made in the last legislative session helped to address some of the concerns facing CS, and that the CSFTF is focusing on those concerns that are still outstanding.

21. Mr. Na'hale'a cautioned that the CSFTF should remember that in the past, identical legislative language has resulted in varying legislative funding allocations, depending on which legislative body was considering the funding request. And while recent changes have resulted in greater clarity regarding funding allocations, the CSFTF should recommend that there is a proviso for continued monitoring of the funding process.

22. In preparation for the initial draft of the CSFTF Report, Mr. Roberts summarized one of the Task Force's current findings as follows:

- *Changes that were made in the last legislative session helped clarify the funding formula for CS per-pupil calculations and operations.*

Mr. Roberts noted that the use of the term "operations" is significant, because "operations" funding does not include "facilities" funding.

23. Chair Oshiro agreed, noting that "operations" do not include funding for leases and rentals.

24. Mr. Takemura stated that this indicates that the CSFTF should now try to clarify the issue of facilities funding.

25. Elaborating further, Mr. Na'hale'a noted that provisions for facilities funding is a component of the Federal grant process.

26. Mr. Takemura and Mr. Na'hale'a discussed whether the issue of facilities funding, as a separate funding category from operations funding, should be presented in the CSFTF Task Force Report to the Legislature as a finding, a recommendation, or as a reference.

- Mr. Na'hale'a noted that there are biases that complicate CS applications for Federal funding, and that these are considerations when deciding how to address the issues of facilities funding in the CSFTF Report to the Legislature.
- Mr. Roberts observed that these biases don't exclusively apply to CS, and in fact are applicable to small schools and rural schools, and thus are applicable generally to any educational funding finding.
- Mr. Roberts then asked the Task Force if the issue of facilities funding as a component of Federal grant application biases should be included as a specific finding in the CSFTF Report to the Legislature.
- Chair Oshiro agreed with Mr. Roberts' proposal that facilities funding as a component of Federal grant applications should be included in the Task Force Report as a finding.
- Mr. Takemura agreed with Chair Oshiro, and noted that these concerns should be highlighted as findings in the Report, as the function of the Report is to present specific concerns that should be addressed.

27. Ms. Love observed that while the CSFTF is addressing CS concerns, Task Force findings are applicable to the entire State of Hawaii educational system.

28. Mr. Takemura requested further clarification regarding CS funding formulas, and asked the Task Force if there are in fact two funding formulas that must be addressed in the Report, one funding formula that covers operational funding, and one formula that covers facilities funding; Mr. Takemura stated that he felt that CS should have one formula that addresses both operational and facilities funding.

29. Mr. Na'hale'a stated that general education funding, general Federal funding are in agreement, but that per-pupil funding, facilities support, CIP options must still be thought out.

30. Mr. Takemura said that two separate formulas make more sense, and stated that he has concerns regarding facilities funding that need to be addressed.

31. Mr. Na'hale'a stated that Federal funding is separated out.

32. Chair Oshiro stated that there are two separate funding "pots": one pot is "operational"; one pot is "facilities."

33. Mr. Takemura asked if maintenance costs are included in facilities funding.
34. Mr. Na'hale'a asked if repair and maintenance (R & M) are in the facilities funding formula.
35. Mr. Roberts answered that R & M funding is included in DAGS on the neighbor islands. Mr. Roberts then addressed Mr. Takemura's question regarding whether or CS facility funding was addressed in current CS funding formulas, and stated that a specific formula for funding CS facilities isn't part of the regular funding formula.
36. Mr. Roberts asked the Task Force if the CSFTF Report to the Legislature should include a finding regarding the necessity of establishing a separate facilities funding formula for CS.
37. Mr. Takemura stated that such a finding must include a rationale as to why facilities funding is being proposed as a separate funding formula, and Mr. Roberts agreed.
38. Chair Oshiro observed that the facilities funding question is further complicated by the fact that CS include different types of schools, such as start-up CS and conversion CS.
39. Chair Oshiro stated that with such pivotal definitions of CS facilities recipients as yet unresolved, that the CSFTF can perhaps reference these definitions in its Report, with the recommendation that these definitions be addressed in the near future.
40. Vice-Chair Kim stated that the Legislature has been working on the issue of per-pupil funding for many years, and that legislative action last year was crucial in clarifying this issue for the first time. This gradual legislative process will also likely characterize the clarification of the issue of CS facilities funding.
41. With this further input, Mr. Roberts summarized the CSFTF finding regarding facilities funding as follows:
- *Changes that were made in the last legislative session helped to clarify the calculation of the per-pupil funding for CS operations.*
- Mr. Roberts then asked Vice-Chair Kim for additional input regarding this finding.
42. Vice-Chair Kim stated that the finding should note that the Legislature, over a period of time and by reconciling many differing viewpoints, has succeeded in clarifying the process by which CS per-pupil funding concerns have been addressed, and will apply this same focus to clarifying stakeholder concerns regarding CS facilities funding.
43. Mr. Na'hale'a added the Legislature has likewise been successful in clarifying the actual dollar amount of funding available, so that each CS has equitable funding regardless of differences in year-to-year CS enrollment totals.
43. Ms. McCorriston, noting that she had not been at the CSFTF meeting when Mr. Roberts provided a summary of the distinctions between differing types of CS, asked for the definition of the different facilities funding formulas for start-up CS and conversion CS.

44. Chair Oshiro said that from an operational standpoint, Vice-Chair Kim's remarks regarding how equitable funding formulas came about after many years of effort by the Legislature, affirms that 2010 was a watershed year for clarifying funding concerns.
45. Ms. McCorriston asked for clarification regarding the different facilities funding formulas for start-up CS and conversion CS.
46. Mr. Na'hale'a asked Ms. McCorriston if she had received his emailed PowerPoint presentation regarding the differences between start-up CS and conversion CS. Ms. McCorriston had not received it, so Mr. Na'hale'a summarized these differences by first noting that conversion CS get access to facilities funding because some conversion CS are on State property. Other CS do not have this access. Mr. Na'hale'a stated that this requires the State to demonstrate its commitment to CS facilities funding in some way, and represents a policy decision. A consequence of not knowing the status of CS facilities funding will be no lobbying efforts by CS. Since at this point the different legal and funding definitions of CS prevent the outright award of facilities funding, currently the only equitable CS funding solution is through per-pupil funding. If the State provides a guaranteed pool of CS facilities funds, individual CS can access those funds and use those funds as leverage in securing matching funds from the community. Mr. Na'hale'a stated that these various aspects of CS facilities funding need to be discussed further.
47. Mr. Takemura noted that funds received by conversion CS represent State income, while other CS do not provide this income and thus may be excluded by the State in certain CS funding allocations.
48. Mr. Na'hale'a disagreed, noting that funds are invested in all State school facilities, but those schools are not required to repay those funds.
49. Chair Oshiro noted that a recent change in the law ensures that State fiscal interest is protected when certain non-profit organizations, including CS, are liquidated, or when the non-profit's interest is transferred to another organization. This law would apply when a CS's fund-raising efforts fail.
50. Mr. Na'hale'a noted that this law would not apply to CS per-pupil funding, but might apply in CIP or facilities funding.
51. Chair Oshiro said that the law would emphatically apply in cases of CS CIP and CS bond financing, and Mr. Na'hale'a agreed.
52. Mr. Na'hale'a then advocated that CS requests for 100% equity with DOE schools in per-pupil and facilities funding, as well as debt service, should be tied to measurable CS academic performance.
53. Mr. Roberts noted that part of the changes in the last legislative session was to require a reauthorization process for CS no later than every 6 years, so the steady academic improvement advocated by Mr. Na'hale'a could be part of the process of re-evaluation and reauthorization of CS through the CSCRP.
54. Mr. Takemura agreed, noting that data verifying CS academic performance and progress is a key component of CS reauthorization.

55. Mr. Na'hale'a asked if equitable funding in all CS fiscal areas was guaranteed, would CS academic reauthorization standards likewise be raised.
56. Mr. Takemura said he did not think this would occur, because currently CS reauthorization and academic standards are not tied to funding, but to statute.
57. Mr. Na'hale'a stated that anecdotal reports from CS administrators indicate that CS academic progress is dependent on equitable funding.
58. Other Task Force members noted that arguments linking academic performance to State funding have been under consideration for many years.
59. Mr. Na'hale'a asked the Task Force if it is possible to compare DOE academic gains with those of CS if CS do not receive the same facilities funding as DOE schools.
60. Mr. Takemura stated that the first question to determine is whether or not CS academic gains are being made.
61. Ms. McCorriston noted that CS administrators do not have the same options as their public school counterparts because CS administrators are constantly required to raise funds for their schools. Ms. McCorriston cited the example of a Maile CS that was originally an elementary school, but now has enrollment requiring a high school, and does not have the funds to construct or provide high school facilities.
62. Mr. Takemura stated that if a CS shows growth in enrollment, then the question of contingent issues is raised.
63. Ms. McCorriston noted that CS are so different in structure and educational philosophy that a uniform measure of academic progress applying to all CS is inherently unworkable.
64. Mr. Roberts stated that the CSFTF is not currently charged with determining CS academic benchmarks.
65. Mr. Na'hale'a stated that since nationally, the mission of CS is to improve public education overall, such improvements are not feasible without equitable funding.
66. Ms. Tschumy agreed that CS funding has not been equitable. Ms. Tschumy noted that over the years many CS have testified that they cannot meet the standards mandated by the CSRP due to inadequate funding, but that the CSRP has consistently held otherwise. Ms. Tschumy stated that Linda Smith recently said that the CSRP will be judged by how many charters it grants, but the CSRP feels that it will be judged by how many quality CS it grants.
66. Mr. Roberts asked the Task Force to determine if there is a finding in the preceding discussion?
67. Mr. Na'hale'a stated that the finding is that equitable funding for CS is good for all children.
68. Chair Oshiro noted that Neil (Georginna Kawamura's representative from Budget & Finance) had provided 4 points in reference to CS facilities funding. Those 4 points are:

- DOE schools receive CIP funding, but the amount varies widely year to year.
- Debt service is a transfer of an operative budget of a bond-funded CIP rolled out over 20 years.
- It is challenging to develop a CIP budget for CS that would be equitable among the CS, due to widely varying facilities and situations among the CS. Some CS rent space, some own their facilities free and clear, and some operate rent-free, and some have borrowed facilities and have debt to service.
- It would be equitable for the start-up CS to receive an annual per-student allocation for facilities equal to the per-student debt service that is allocated to the DOE. Because the DOE debt service covers the converted CS facilities and because the DOE continues to be responsible for the converted CS facilities, the per-student allocation of facilities funds would be for start-up CS only. The formula Neil came up with is the DOE budget for debt service divided by the sum of DOE students plus the sum of all conversion CS students. The start-up CS could use the resulting funds for rent, or to save for future purchases, or for the construction of facilities for cash, or to pay for debt service on loans incurred in the construction of facilities. (Chair Oshiro directed that copies of the above Budget & Finance observations regarding CS be copied and distributed to Task Force members.)

69. Mr. Roberts stated that the above proposal captured 90% of the CS facilities funding issues.

70. Ms. Matsunaga (from Budget & Finance) observed that while Budget & Finance recognizes that CS need additional funding, the task at hand is to develop the mechanism by which those needs can be addressed.

71. Mr. Roberts stated that the conversion CS would argue that while everything in the above B&F observations are true, the major omission is that the above provisions do not address the issue of CS facilities repair and maintenance (R & M) which are currently addressed by the DOE. Conversion CS feel that this fact puts them in a vulnerable position, and would like to see a mechanism in the per-pupil formula that would address this need.

72. Ms. Love noted that of the per-pupil amount mentioned in the B&F observations, 70% would go to start-up CSs. Ms. Love stated that the fairest way to deal with the issue is to look at the start-up CS debt service amount, which would equal 70%, with 30% remaining.

73. Chair Oshiro noted that the bulk of facilities funding is needed by start-up CS, which have the most acute needs. Chair Oshiro also noted that like per-pupil funding, the CS facilities funding proposal contained in the above B&F observations will not solve all facilities funding issues at once, but will move the process forward significantly.

74. Mr. Roberts noted that the CSFTF also consider that hybrid conversion CS are now in operation, which adds another layer of budgetary complexity. Hybrid conversion CS, such as Kamaile, contain

grade levels that include all students within an attendance area, and other grade levels that are “chosen to be operated by the charter school and include students that choose to attend.

75. Ms. Matsunaga asked if certain aspects of education funding, such as collective bargaining, are different for the DOE and CS.

76. Mr. Na’hale’a said that CS are not exempt from any collective bargaining constraints, which adds to the funding problems faced by CS.

77. Chair Oshiro noted that in regards to collective bargaining constraints placed on CS, that CS don’t get a better deal.

78. Mr. Na’hale’a stated that CS often end up paying more money than DOE schools.

79. Ms. Love said the all of the unions negotiate a Master Agreement with all CS, and then negotiate a separate Supplemental Agreement with each CS. The union agreements with CS stipulate that CS have to meet the minimum requirements of DOE contracts.

80. Both Ms. Love and Mr. Na’hale’a said most CS collective bargaining agreements center on “operational” issues, such as length of work day and grievance procedures.

81. Marci Wai’ale’ale Sarsona, Director of Ke Kula ‘O S. M. Kamakau CS, related how collective bargaining at her school was challenging because a new supplemental agreement could not be negotiated before a Master Agreement with the school’s union could be finalized, resulting in a 2-year delay in program delivery.

82. Vice-Chair Kim asked if CS could make changes to the Master Agreement, and was told the changes were not allowed, and that CS teachers are not always invited to vote on collective bargaining issues.

83. Mr. Takemura stated that this year, the HSTA made an effort to include CS teachers and administrators in proceedings.

84. Vice-Chair Kim suggested that the CSFTF might consider recommending a pilot program that would exempt CS from certain collective bargaining requirements.

85. Mr. Takemura lauded Vice-Chair Kim’s suggestion, but noted that the CSFTF had to keep its focus narrow for the time being in regards to its specific considerations to the Legislature, and for that reason should concentrate on facilities funding, and avoid those areas that may be viewed as controversial.

86. Vice-Chair Kim stated that the issue of CS facilities funding will probably not be resolved in the foreseeable future. Vice-Chair Kim observed that since this is the case, CS should examine all options that present cost-saving opportunities.

87. Mr. Na’hale’a agreed that CS need to look at all options, and speculated that those CS that don’t adapt to current funding restrictions will be weeded out. Mr. Na’hale’a expressed the hope that while the issue of equitable CS facilities funding may not be completely resolved immediately, concrete steps taken by the CSFTF toward resolution, especially if coupled with suggestions like Vice-Chair Kim’s that present

the Legislature with a “dual approach”, may reassure the CS community that significant progress is being made.

88. Mr. Takemura asked if equitable CS per-pupil facilities funding is then a starting point for the Report’s findings.

89. Mr. Roberts agreed that equitable CS per-pupil facilities funding is a starting point for the Report’s findings.

90. Ms. Matsunaga suggested that B&F totals, especially those based on past-years’ estimates, may need to be adjusted.

91. Mr. Na’hale’a observed that this may adjust B&F totals unfavorably upward. Mr. Na’hale’a stated that the current B&F funding formula is a simple formula, and so will be easily understood during Budget Session, whereas a more complex formula will make any facilities funding approval less likely.

92. Mr. Takemura noted that any funding formula will be modified by legislative and State fiscal input during Budget Session, so trying to fix a perfect funding formula at the CSFTF recommendation level is futile.

93. Chair Oshiro stated that equitable CS per-pupil facilities funding is one of the major objectives of the CSFTF. Chair Oshiro said that the B&F observations as presented in this meeting are a significant starting point towards meeting that objective.

94. Mr. Brese asked for clarification of the B&F observations that addressed equitable CS per-pupil facilities funding. Specifically, Mr. Brese asked if this amount, the second part of the formula, the amount that would be available for rent and other expenses, would be restricted to start-up CS. In particular, Mr. Brese asked if the four or five conversion CS in Hawaii would not have access to this amount.

95. Chair Oshiro said that Mr. Brese’s statement was correct. Chair Oshiro then asked Mr. Roberts how many start-up CS were currently operating, and Mr. Roberts said that 26 start-up CS are currently operating in the State of Hawaii.

96. Ms. Love stated that she would like to see some B&F provision that would address the issue of conversion CS’ R&M expenses.

97. Mr. Roberts observed that new hybrid CS also need to have this same issue addressed.

98. Ms. Love repeated her earlier observation that if the start-up CS use the B&F facilities funding formula as stipulated by statute, start-up CS will have access to 70% of equitable facilities funding, and the remaining 30%, as stipulated by statute, will “go to the schools that need it,” Ms. Love stated that this remaining 30% might be used to address conversion CS R&M.

99. Mr. Na’hale’a requested clarification of the rationale for the percentages presented by Ms. Love.

100. Mr. Roberts stated that the percentages presented by Ms. Love are written into the statute.

101. Mr. Roberts further explained that the statute and CS policy mandate that this facilities funding percentage is based on a comparison of total start-up CS enrollment to total CS enrollment. If the total start-up CS

enrollment is greater than 70%, then that percentage ---- a percentage number that is greater than 70% --- will be the percentage of the facilities funds that will go to start-up CS. If the total start-up CS enrollment is less than 70%, then 70% ---- which is the percentage floor for the start-ups --- will go to the start-up CS. The remaining 30% goes to all of the schools equally on a per-pupil basis.

101. Ms. McCorriston requested that a definition for start-up CS and conversion CS be provided, and asked if there is such a thing as a hybrid conversion CS. Mr. Roberts said that there is no such thing as a hybrid conversion CS.

102. Ms. McCorriston stated that therefore a definition of what constitutes a start-up CS is crucial. Ms. McCorriston stated that this definition should be consistent even in the case of a conversion CS that defines its CS program as a start-up.

103. Mr. Roberts said that there are no current working definitions that distinguish a start-up CS from a hybrid CS to a conversion CS.

104. Mr. Na'hale'a provided his observations on the distinguishing characteristics of conversion CS and start-up CS. In general, said Mr. Na'hale'a, conversion CS in Hawaii are:

- Larger
- Have a different structure
- Have better access to SPED and Federal money
- Have more external support

Mr. Na'hale'a stated that he did not want to appear indifferent to the needs of conversion CS, but said that the "issue of the facilities gap for them is not a per-pupil, but a facilities issue, an R&M issue."

105. Mr. Na'hale'a said that these issues must be kept separate because a small rural start-up CS with no facilities, a CS with no roof over the heads of its students, should be the school that has receives first priority when it comes to per-pupil facilities funding.

106. Ms. Love cited the example of Kamaile CS, which is a conversion school, but is a start-up CS in that it has added a high school program and has no facilities to house its high-school students.

107. Mr. Roberts stated that increased enrollment at conversion CS occurs because the conversion CS are adding grade levels that are not part of part of their original DOE program.

108. Mr. Brese said he wanted to amend the legislative recommendations and formula for facilities funding to include the neighbor island regular school costs that are effective in the DAGS budget, 808 and 807. This will allow CS to take advantage of DIP provisions, which are equitable funding - based.

109. Mr. Roberts noted that R&M funding will go into the operational side of the CS funding formula.

110. Ms. Love stated that she would like to see some funding allocations for the larger conversion CS since their R&M costs are correspondingly larger.

111. Ms. Love, Mr. Na'hale'a, Mr. Roberts, and other Task Force members discussed various facilities funding and per-pupil funding alternatives in an attempt to address the competing demands of start-up CS and conversion CS, but no consensus was reached.

112. Mr. Takemura stated that a Task Force consensus should be reached regarding findings and formula recommendations by the end of today's meeting.

113. Mr. Roberts summarized the history of the 70%/30% CS facilities funding formula for the Task Force.

114. After further discussion of how the Task Force would phrase their recommendation of the CS facility funding formula, Chair Oshiro asked the Task Force if consensus could be reached.

115. The Task Force agreed that it would recommend the current CS facilities funding formula provided that there was a caveat stipulating that the terms of the formula warrant further consideration, and that the formula may be modified in response to additional findings.

f. Determine Date for Next CSFTF Meeting

The Task Force agreed to meet at 1:30 PM on November 29.

g. Agenda Items for Next CSFTF Meeting

Agenda items for the next CSFTF Meeting were not discussed.

4. New Business

The Task Force had no new business to discuss.

a. Other Items

The Task Force had no other items to discuss.

5. Next Meeting

Further details of the next meeting were not discussed.

6. Adjournment

The meeting adjourned at 3:10 PM.

**STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE**

December 13, 2010
2:03 PM – 3:20 PM
Conference Room 437
State Capitol
415 South Beretania Street
Honolulu, Hawaii

1. Call to Order:

Task Force Chair Marcus Oshiro called the meeting to order at 2:03 PM.

2. Members:

- a. Chair of the Task Force: Representative Marcus Oshiro-
House Finance Chair *
 - b. James Brese- DOE CFO
 - c. Bob Roberts- CSAO CFO
 - d. Neil Miyahira (for Georgina Kawamura- Budget & Finance Director)
 - e. Ruth Tschumy – Chair, Charter School Review Panel (for Carl Takamura –
CSRP)
 - f. Megan McCorriston- Ho'okako'o Corporation
 - g. Steve Hirakami – (for Alapaki Nahale-a- Hawai'i Charter School Network)
- * (Chair Oshiro's future tenure as House Finance Chair is to be determined. Former CSFTF Vice-Chair Donna Mercado Kim is no longer Chair of Senate Ways & Means Committee, and has ended her service on the CSFTF.)*

Guests:

- a. Patti Conan – Chair, Halau Ku Mana Charter School

3. General Business

a. Approval of Minutes of November 29, 2010 Meeting:

Mr. Roberts said that the November 29 CSFTF Meeting did not include all Task Force members. Mr. Roberts said the notes from this meeting are still being prepared, and will be emailed along with the November 15, 2010 Meeting Minutes as soon as they are completed.

b. Approval/Changes to the Agenda

Mr. Roberts moved to begin Agenda Item c., “General discussion regarding the draft CSFTF report”. Chair Oshiro seconded. The motion passed unanimously.

c. General discussion regarding draft CSFTF report (Preliminary Review)

Mr. Roberts distributed the December 13, 2010 CSFTF Report Draft of the *Charter Schools Funding Task Force Final Report To the Hawaii State Legislature* (hereinafter referred to as the “Report Draft”) to the Task Force members, and provided the following clarifications regarding specific passages in the Report Draft:

1. Clarifications Regarding the Report Draft

A. RE: “Executive Summary – Background –SCR 108 Creating the Task Force” pg. 1:

Mr. Roberts observed that Neil Miyahira of SOH Dept. of Budget & Finance would be needed at today’s meeting to provide appropriate language to address the Dept. of Budget & Finance’s methodology regarding the DOE’s per-pupil calculation and Charter Schools (CS) per-pupil calculation.

B. RE: “Executive Summary – Background –SCR 108 Creating the Task Force” pg. 2:

Mr. Roberts said that the Report Draft erroneously lists a CSFTF Meeting as occurring on December 6, 2010. Mr. Roberts said he will delete this reference from the Report Draft.

C. RE: “Executive Summary – Background – Issues that were considered by the Task Force” pp. 3 - 5:

Mr. Roberts said that pending summaries of the November 29 and December 13 CSFTF Meeting Minutes will be inserted at the end of the Report Draft’s current short summaries of CSFTF Minutes, pp. 3 – 5.

In response to a request during the August 16, 2010 CSFTF Meeting, a status update of Senator Takamine’s Work Group Report (hereinafter referred to as the “Work Group Report”) was provided at the September 1, 2010 CSFTF Meeting.

The *State of Hawaii Charter School Funding Task Force Status of Recommendations* contained in “Understanding Public School Funding, Fiscal Year 2009 – 2010” is contained in the Appendix to the Report Draft. On page 4 is an additional list of follow-up issues arising during the September 1, 2010 CSFTF Meeting.

Regarding the September 28, 2010 CSFTF Meeting that requested reports which presented the ways in which other states were addressing the issue of CS facilities funding, the *2010 Charter Schools Facility Landscape (Local Initiatives Support Corporation, June, 2010)* will be included in the Appendices to the *Charter Schools Funding Task Force Final Report To the Hawaii State Legislature*.

Regarding the October 26, 2010 CSFTF Meeting, which discussed presentations delivered by CS stakeholders, Mr. Roberts will insert a summary of Mr. Nahale-a's PowerPoint presentation in space currently marked by the phrase "INSERT MORE HERE".

Mr. Roberts will then distribute this summary to CSFTF members. This summary will also be included in the Appendices to the *Charter Schools Funding Task Force Final Report To the Hawaii State Legislature*.

Regarding the November 15, 2010 CSFTF Meeting discussion of funding formulas as they affect conversion CS, Mr. Roberts will further summarize additional concerns raised on November 15 as well as those raised at today's meeting.

D. RE: "Executive Summary – Background – Survey of Facilities Funding for Charter Schools in Other States" pg. 5:

Mr. Roberts noted that the issues summarized on pp. 4-5 are very brief.

E. RE: "Executive Summary – Background – History of Facilities Funding for Charter Schools in Hawaii" pg. 6:

As per the two paragraphs contained in this section, Mr. Roberts noted that the State of Hawaii has provided direct facilities funding to CS in two fiscal years only: FY 2006 – 2007, and FY 2010 – 2011,

F. RE: "Executive Summary – Findings" pg. 6:

Regarding the use of the word "bias" in this section's second paragraph, Mr. Roberts reported that Mr. Brese suggested that the word "variation" be substituted for the word "bias". Mr. Roberts said he agreed with Mr. Brese's suggestion, and that the word "variation" will replace the word "bias" throughout this paragraph.

Regarding the third paragraph on pg. 6, Mr. Roberts stated that this paragraph is "new from the last time we met." Mr. Roberts further noted that he and Mr. Brese had discussed this finding at today's meeting prior to the Call to Order, and that this finding had likewise been thoroughly discussed during CSFTF Meetings on September 1 and September 28.

Mr. Roberts has drafted an additional Finding which does not appear in the Report Draft. This Finding reads as follows: "The Task Force finds that in the 2010 Legislative Session, Charter School operating funds, calculated per statutory formula, were redirected per Budget Proviso to provide a funding source for

Charter School facilities. This had the effect of decreasing the Charter School operating funding by a like amount.” Mr. Roberts stated that he will further refine the language of this Finding, but that the gist of this Finding is as per his current draft.

Mr. Roberts stated that this Finding addresses the fact that CS FY 2010 – 2011 facilities funding is coming out of the calculation of operating funds for CS FY 2010 – 2011.

F. RE: “Executive Summary – Recommendations” pg. 7:

As per Section (1), Mr. Roberts noted that no changes will be made to this Section.

As per Section (2), Mr. Roberts stated that routine DOE Repair and Maintenance budget for Neighbor Island public schools should be part of the per-pupil funding formula for CS operations. Mr. Roberts stated that he will further clarify the language of this paragraph.

G. RE:” Executive Summary – Remaining/Unresolved Issues” pg. 7:

Regarding this section, Mr. Roberts stated that most of the issues listed herein echo those concerns listed in the Work Group Report. Mr. Roberts stated that he will strike this paragraph’s reference to Driver’s Education Insurance Fees because “as Mr. Brese mentioned at an earlier meeting, charter school students do have access to that program.”

F. RE: “Signatures” (pg. 8) and “Appendices” (pg. 9):

Regarding the Appendices, Mr. Roberts stated that this Section will contain all the reports received by the CSFTF.

c. General discussion regarding draft CSFTF report (Open Discussion)

Before Mr. Roberts opened the floor to General Discussion of the Report Draft, Mr. Hirakami noted that CS student access to Driver’s Education programs is “severely limited” and that CS students are on a “long waiting list.” Mr. Roberts then formally opened the floor to discussion.

In response to Ms. Tschumy’s question as to whether or not he thought Driver’s Education Fees should be considered further in the Report Draft, Mr. Hirakami stated that there is an overwhelming demand for available Driver’s Education slots. Mr. Hirakami cited the example of Pahoa CS, where 700 drivers – age CS students have access to only one available slot.

After further CSFTF discussion regarding the availability of CS Driver's Education slots, Mr. Hiramami stated that there are "bigger issues" that warrant consideration. As an example, Mr. Hiramami cited the Report Draft, pg. 1, Item 2, which referenced the Department of Budget & Finance's methodology used in calculating CS budgets. Mr. Hiramami then recapped the

circuitous process of CS funding, beginning in the CSAO and ending in the Legislature.

Mr. Hiramami stated that since the purported aim of the CSFTF is consistency in CS funding, he would like to see a history of Budget & Finance CS calculations and resulting CS funding. Mr. Hiramami asked if a report of this nature has been submitted to the CSFTF. Mr. Roberts stated that such a report has not been submitted to the CSFTF, and that he hoped that CSFTF Budget & Finance member Neil Miyahira would attend today's meeting, and provide this additional clarification. Mr. Roberts said that if Mr. Miyahira did not attend today's meeting, that he would contact Mr. Miyahira in this regard.

Ms. Love stated that at the last CSFTF meeting, clarification of the above issue regarding Budget & Finance methodology regarding CS funding was one of two outstanding items requested by the CSFTF.

Mr. Hiramami reiterated that CS want a consistent comprehensive formula that CS can use to plan their budgets.

Regarding possible recommendations to be included in the Report Draft, Mr. Hiramami referenced federal funds that displace State of Hawaii general and operating funds. Mr. Hiramami stated that these funds should be "proportionate to the Department."

Mr. Roberts and Mr. Hiramami then discussed the fact that these federal funds will no longer be included in the State of Hawaii general funds.

Chair Oshiro referenced a legislative colleague who requested clarification regarding the Report Draft's recommended CS facilities funding formula. Chair Oshiro's colleague stated that the use of this facilities funding formula will result in a State of Hawaii commitment of \$7,000,000.00.

Chair Oshiro's colleague requested clarification regarding "conversion" CS. In particular, this colleague mentioned several CS, including Wailalae, Mamaile, Lanikai, and the U.H. Lab School.

Chair Oshiro asked if these schools are “DOE facilities”, and, if so, how will the Report Draft’s facilities funding formula affect these schools’ facilities budgets.

Mr. Roberts replied that the University of Hawaii is charging the U.H. Lab School to lease its facility, and said that the figure he had heard regarding the amount of this lease rent cost is \$ 100,000.00 per year.

In response to a question as to the reason why conversion CS budgets are carved out of the proposed CS facilities funding formula, Mr. Brese stated that conversion CS budgets are “taken care of” by the DOE. These DOE allocations are contained within the “EDN 400 bill to help with repairs and maintenance.”

Mr. Roberts added that allocations for conversion CS are also contained within DOE CIP budgets.

Ms. Love stated that she wants to include conversion CS in the last 30% of the statute allocations is because of conversion CS’s “substantial costs.” Ms. Love noted that conversion CS are generally large facilities and the DOE doesn’t pay for the cost of conversion CS’ grounds keeping and utilities costs. Ms. Love referenced the statutory provision that the 30% remaining after 70% of available funding is allocated to start-up CS “are to be used ‘as needed.’”

Chair Oshiro requested clarification regarding the facilities status of the following CS and CS learning sites:

Halepua Learning Center (at Windward Community College)

Halau Ku Mana (in Makiki Forest and at Atherton Center)

Hawaii Tech Academy (a “virtual school”) and a similar “virtual school” located on Kauai

Myron B. Thompson Virtual School & Classroom (a “virtual school”)

West Oahu Academy

Halepua Learning Center (at Windward Community College):

Ms. Love stated that Halepua occupies various locations. Halepua is partially located on the WUCC campus as well as on other sites. Regarding the school’s facilities status, Ms. Love stated that Halepua incurs facilities costs on all sites. Mr. Roberts provided a brief summary of the school’s eviction and financial history.

Halau Ku Mana (in Makiki Forest and at Atherton Center):

Ms. Tschumy directed Chair Oshiro’s question to CSFTF Guest Patti Conan, Chair of Halau Ku Mana CS.

Ms. Conan described Halau Ku Mana's current use of double-wide trailers with asbestos contamination, leaky roofs, and a one-year life expectancy. Ms. Conan stated that Halau Ku Mana is currently situated in the Makiki Forest on lands administered by the State of Hawaii Department of Land and Natural Resources.

Ms. Conan stated that Halau Ku Mana makes a yearly \$1 sublease payment for land use only, in addition to any rental costs for trailers that have market value.

Ms. Conan stated that Halau Ku Mana's yearly maintenance costs cannot currently be calculated, as those costs are tied to an ongoing search for a new instructional site and additional trailers.

Hawaii Tech Academy (a "virtual school") and a similar "virtual school" on Kauai:

Mr. Roberts and Ms. Tschumy stated that while Hawaii Tech Academy is a "virtual school" in some respects, the school also occupies and uses substantial office space in downtown Kakaako, and thus incurs lease-rent costs.

In regards to the Kauai "virtual school," Mr. Roberts and Ms. Tschumy said that like Hawaii Tech Academy, this "virtual school" also incurs lease-rent costs for its classroom site.

Myron B. Thompson Virtual School & Classroom (a "virtual school"):

Mr. Roberts and Ms. Tschumy stated that this CS likewise incurs significant lease-rent costs through the school's use of actual classroom space in downtown Honolulu.

West Oahu Academy:

Mr. Roberts and Ms. Tschumy stated that this CS likewise incurs significant lease-rent costs.

Chair Oshiro asked if the preceding information has been provided to the CSFTF. Mr. Roberts replied that this information has been compiled, and will be provided shortly to all Task Force members.

Chair Oshiro asked Mr. Roberts if Mr. Roberts has also compiled "all the costs" relevant to CS facilities funding issues.

Mr. Roberts stated that he is in the process of gathering this information. Mr. Roberts emphasized that this information is the requested "Budget Proviso" information. Mr. Roberts added that a "new element" in this Budget Proviso

information concerns the inclusion of CS “facilities, resources, and costs,” which will be the actual data from FY 2009 -2010.

Chair Oshiro asked if any additional CS occupy state-owned lands, such as those CS which are situated in Makiki Forest and on the WUCC campus. Mr. Roberts answered that he is unaware of any other additional CS that are likewise situated on state-owned land.

Chair Oshiro stated that the CSFTF and the *Charter Schools Funding Task Force Final Report to the Hawaii State Legislature* must address the following list of questions regarding the facilities status of each CS:

The location of the CS’s facilities (e.g., which island, which city, street address, etc.)

The owner of the land on which the CS facilities are located (e.g., federal, state, county, private, etc.)

The builder responsible for the construction of the CS facilities, and the nature of the CS facilities (e.g., brick-and-mortar, trailer, etc.)

The acquisition cost of the CS facility, the terms of the CS lease-rent or other contractual agreement, and the life expectancy of the facility.

Chair Oshiro requested information regarding CS student access to intramural sports programs at non-CS or DOE schools.

Mr. Hirakami responded that Myron B. Thompson CS does not have access to DOE intramural sports because this CS is not located in a school district. Mr. Hirakami added that CS on Neighbor Islands do not have access to all sports. Mr. Hirakami offered the example of Pahoa CS, which does not offer soccer, baseball, or football. Mr. Hirakami noted that lack of CS sports programs presents an obstacle to those Neighbor Island CS students whose only hope of attending college is through a sports scholarship.

Ms. Love added that the CSAO has worked “for a long time” to ensure CS student participation in sports. The solution that has evolved is that a CS student must play his or her chosen sport in the DOE school located closest to the CS student’s school.

Chair Oshiro asked if the above “solution” is a “rule or a law.”

Mr. Hirakami responded that the governing law is “brief”, and relates to CS inclusion in a “complex area”, which refers to a geographical area encompassing a DOE elementary, middle and high school.

Ms. Conan stated that an additional burden for CS regarding CS sports participation is the requirement that all CS pay for OIA Insurance yet excludes all CS from a share of OIA funds distributed to DOE schools.

Chair Oshiro and other CSFTF members discussed additional difficulties faced by CS in regards to sports participation, but did not reach a clear consensus on this issue other than the decision not to pursue the issue as a legal challenge.

Returning to the Budget Proviso developed in the last legislative session, and the resulting allocation of \$197 per child, Chair Oshiro asked Mr. Roberts if the CSAO has developed a distribution methodology for these funds.

Mr. Roberts replied that the CSAO has developed a policy and a procedure for distributing these funds. Mr. Roberts said the distribution method begins with the calculation of start-up CS enrollment, divided by total CS enrollment. If the resulting number is at least 70%, then this percentage goes to start-up CS in “the amount that is earned.” As an example, Mr. Roberts referred to the figure of \$1,949,000.00, and stated that this figure assumes an enrollment of 9,668 students. “Earnings” are calculated based on the actual October 15 CS enrollment figures, so if the actual October 15, 2010 enrollment is 9,026 students, the remaining amount is put aside. A new calculation takes the actual October 15, 2010 CS enrollment figure of 9,026 times the \$197 per child allocation. This results in approximately \$1,735,000.00. The next calculation divides start-up CS enrollment by total CS enrollment, which results in a start-up CS share of greater than 70%. The resulting figure of greater than 70% goes to the start-up CS as a per-pupil amount, and the remaining amount “that is earned” goes to all CS on a per-pupil basis. Mr. Roberts added that the CSRP has approved this methodology.

Chair Oshiro asked if the above methodology is similar to the CSFTF Report Draft facilities funding formula.

Mr. Roberts answered that the CSFTF Report Draft’s recommended facilities funding formula does not address distribution of CS facilities funds.

Chair Oshiro requested further clarification regarding the practicality of this funding formula, and indeed of all CS funding formulas, because these allocations are determined irrespective of actual CS funding needs.

Mr. Hirakami observed that extensive FRP review is required to adequately assess actual CS funding needs, and that there is no administrative personnel available to conduct this review.

Chair Oshiro stated that the subjectivity of standard needs-based assessment can be countered through the use of objective criteria such as CS facility lease rent costs on various sites. Mr. Roberts that these considerations might make CS needs-based funding more objective.

Chair Oshiro stated that greater CS accountability can be achieved using needs-base assessments rather than by using arbitrarily imposed formula-driven allocations.

Ms. Love and Mr. Roberts stated that CS administrators preferred the current 70%/30% funding allocations as an objective methodology for CS allocations. Mr. Roberts added that the 30% funding allocation is a needs-based

allocation. Ms. Love stated that CS administrators have long maintained that receipt of per-pupil funding is the basis for any other allocation system.

Chair Oshiro noted that his legislative colleagues will likely insist the CS funding be apportioned on a needs basis. Chair Oshiro added that formula funding may create a policy that ties the hands of the CSAO when it attempts to fund CS on a needs basis.

Mr. Roberts offered to include Chair Oshiro's observations as a recommendation.

Ms. Love stated that the allocation of CS funding on a needs basis can be reviewed by the CSRP. Mr. Roberts agreed that this could be presented as a recommendation, and that the methodology now is "not needs-based, but formula-based."

Mr. Miyahira observed that using the DOE budget for debt service as a component in the proposed CS facilities funding formula is inconsistent because the DOE's debt-service budget is "not a stable number."

Mr. Roberts noted that the CSFTF had considered using a 5-year average of DOE debt service amounts as a facilities formula component.

Mr. Miyahira reiterated that CS rent components, repair and maintenance costs, and other criteria are better ways of addressing CS facilities funding needs.

Mr. Roberts asked Mr. Miyahira if he was saying that CS funding should not be based on a formula for appropriations, but that all allocations rather be “needs-driven,”

Mr. Miyahira answered that CS costs variables can be standardized and projected by using general measurements of a given area’s average rent component, the average square footage requirements for a given educational facility, repair and maintenance costs which can include DAGS 808, and other similar measurements. Mr. Miyahira stated that these general measurements are estimates that can be factored into a facilities repair and maintenance formula.

Mr. Hirakami stated that CS CIP needs can be derived from typical classroom construction costs, a given area’s lease rent costs, and the resulting yearly per-pupil costs.

Mr. Miyahira stated that Mr. Hirakami’s example presented a measurable needs-based facilities funding rationale.

Mr. Roberts raised the issue of debt service, and bond payments. Mr. Roberts said bond payments represent a CS facilities costs over time.

Mr. Miyahira and Mr. Roberts discussed bond payments as CS facility debt-service proxy numbers. Mr. Roberts stated that any methodology addressing apportionment must be completed in 4 days in time to meet the deadline for completion of the *Charter Schools Funding Task Force Final Report To the Hawaii State Legislature*.

Chair Oshiro reminded the CSFTF that the new Abercrombie Administration is another factor to consider in submitted Task Force recommendations in the *Charter Schools Funding Task Force Final Report to the Hawaii State Legislature*.

As regards Items 1 – 4 listed on Page 2 of the Report Draft which must be addressed in the *Charter Schools Funding Task Force Final Report To the Hawaii State Legislature*, Mr. Roberts stated that the CSFTF has reviewed and addressed Items 1, 3, and 4, but has not addressed Item 2. Mr. Roberts asked Mr. Miyahira if Mr. Miyahira can draft a response from the Department of Budget & Finance that addresses Department methodology for calculating CS per-pupil allocations, and then submitting that response in the *Charter Schools Funding Task Force Final Report To the Hawaii State Legislature*.

Mr. Miyahira stated that there is not enough time available to prepare the requested draft.

Mr. Hirakami said that the Department of Budget & Finance should have copies of past submitted CS budgets, as well as records showing how these budgets were calculated.

Mr. Miyahira stated that the Department of Budget & Finance follows the statute in that regard. Mr. Miyahira stated that a Dept. formula component is official CS projected enrollments.

Mr. Hirakami noted that there is a discrepancy between historical budgets provided to the CSFTF by the CSAO and budgets provided by the Department of Budget & Finance.

Chair Oshiro stated that a legislative colleague requested an answer as to whether the CSFTF is going to make a specific recommendation “at this point in time.”

Chair Oshiro noted that this colleague raised the issue of a CSFTF recommendation because “people are going to react to it.”

Chair Oshiro observed that an aggressive proposal will be scrutinized and debated during legislative deliberations. Chair Oshiro said he could not predict whether such a proposal would be accepted by either House or Senate Education Chairs. Chair Oshiro also observed that the reaction of the incoming Administration, as well as that of a reconstituted Board of Education, is likewise difficult to predict.

Mr. Hirakami stated that CS want “a holding place”: a comprehensive CS funding formula that is “sustainable.” Mr. Hirakami reminded the CSFTF that this year, CS have been told to get their facilities funding from CS per-pupil funding. Mr. Hirakami stated that the Department of Budget & Finance CS funding appropriations have “hurt” CS because they are administered in lieu of a funding formula. Mr. Hirakami referenced \$3,500,000.00 in appropriation funds that are unavailable to CS without a funding formula. Mr. Hirakami stated that Budget & Finance appropriations to CS are acceptable as long as the CS have a predictable funding formula.

Chair Oshiro reminded CSFTF members that he is only one of 76 legislators. Chair Oshiro advised the Task Force to keep CS concerns on the forefront of

the legislative agenda, and that this might best be achieved by taking a low-key approach.

Ms. Tschumy reiterated Mr. Hirakami's concerns. Ms. Tschumy stated that the CSRP hears from CS administrators that they cannot run their multi-million dollar concerns without the ability to draw up funding plans. Ms. Tschumy stated that any CS funding formula, even if it is flawed, is preferable to no funding formula at all. Ms. Tschumy said that she could not speak for the CSRP, but that she "has no problem at all with needs-based facilities funding."

Ms. McCorriston agreed with Ms. Tschumy regarding the necessity of a CS funding formula, and stated that adequate public-school and CS funding is a "social justice issue."

Chair Oshiro stated that all politics are local, and observed that those legislators who have CS in their districts are more likely to champion CS concerns.

Mr. Roberts reminded the CSFTF that the bulk of the *Charter Schools Funding Task Force Final Report to the Hawaii State Legislature* must be completed at the end of today's meeting.

Chair Oshiro stated that report deadlines notwithstanding, it would be best if the *Charter Schools Funding Task Force Final Report to the Hawaii State Legislature* did not "overreach" its legislative audience. Chair Oshiro stated that he would like to have more time to adequately review the language of the *Charter Schools Funding Task Force Final Report to the Hawaii State Legislature* before it is submitted, and put the document in the context of who will be sitting at the legislative bargaining table.

Mr. Hirakami reiterated that CS need a "holding place" in the current depressed economic climate.

Ms. Love agreed that the *Charter Schools Funding Task Force Final Report to the Hawaii State Legislature* is a recommendation, and that the real battle for CS funding is in the recommendation's passage through the legislature. Ms. Love asked Chair Oshiro if there currently is "pushback" against such recommendations, and asked if different language or a different perspective used in the document might create a more favorable reception.

Ms. Love stated that regardless, the *Charter Schools Funding Task Force Final Report to the Hawaii State Legislature* must be submitted to the legislature on schedule. Ms. Love asked Chair Oshiro the best way to frame

the document, and the most advantageous way to submit the document's requested information to the Legislature.

Chair Oshiro stated that the *Charter Schools Funding Task Force Final Report To the Hawaii State Legislature* "shall be include, but not be limited to, detailed information" relating to actual CS facilities-related expenditures for the last considered Report Year, and the method of funding.

Mr. Roberts stated that this information was contained in the Budget Proviso.

After further discussion by the CSFTF regarding pending recommendations, Chair Oshiro said that he envisions the document as a spreadsheet itemizing CS costs, CS district locations, CS expenditures, CS lease-rent costs, and other payments.

Mr. Roberts confirmed that this information is just what the CSFTF is doing.

Mr. Roberts said that he has no other choice but to leave the recommendations as it is now formulated in the Report Draft. Mr. Roberts asked Chair Oshiro if the *Charter Schools Funding Task Force Final Report to the Hawaii State Legislature* should contain a CSFTF signature page. Chair Oshiro answered that a signature page was not indicated.

Chair Oshiro stated that the *Charter Schools Funding Task Force Final Report to the Hawaii State Legislature* should be completed in "another week," and requested that the CSFTF meet again in one week's time. Mr. Roberts scheduled the next meeting of the CSFTF for December 20th, 2010, at 1:30 PM, in Room 437 of the Hawaii State Capitol.

d. Amendments to draft CSFTF report

No amendments were proposed.

e. Determine Date for Next CSFTF Meeting

The next CSFTF Meeting is scheduled for December 20, 2010, at 1:30 PM, in Room 437 of the Hawaii State Capitol.

f. Agenda Items for Next CSFTF Meeting

No Agenda Items were proposed for the Next CSFTF Meeting.

g. New Business

No New Business was introduced.

a. Other Items

No Other Items were considered.

h. Next Meeting

The next CSFTF Meeting is scheduled for December 20, 2010, at 1:30 PM, in Room 437 of the Hawaii State Capitol.

i. Adjournment

The Meeting adjourned at 3:20 PM

STATE OF HAWAII
CHARTER SCHOOLS FUNDING TASK FORCE

December 20, 2010
1:38 PM – 2:24 PM
Conference Room 437
State Capitol
415 Beretania Street
Honolulu, Hawaii

1. Call to Order

Task Force Chair Representative Marcus Oshiro called the meeting to order at 1:38 PM.

2. Members:

- a. Chair of the Task Force: Representative Marcus Oshiro – House Finance Chair
- b. James Brese – DOE CFO
- c. Bob Roberts – CSAO CFO
- d. Neil Miyahira (in place of Kalbert Young) – Budget and Finance
- e. Carl Takamura – Charter School Review Panel
- f. Steve Hirakami (in place of Alapaki Nahale-a) – Hawai'i Charter School Network

3. General Business

- a. Approval of Minutes from December 13, 2010 Meeting
 - Page 4** – Change the school name to Pahoa High School instead of Pahoa Charter School
 - Strike the reference to the number of students at Pahoa High School – There are a TOTAL of 700 students, and one SLOT per semester out of about 20 available slots.
 - Page 6** –The Charter School named Hakipu'u is misspelled several three times on page 6 (see Halepu'u and Hakepu'u).
 - Mr. Roberts made a motion to accept the minutes with the revisions.
 - Mr. Takamura seconded the motion
- b. Approval/Changes to the Agenda
 - Representative Oshiro went over the following Agenda:
 - Presentation
 - General Discussion
 - Amendments to draft
 - Determine Date
 - Agenda Items

c. Presentation of Revised Recommendations – Needs-Based facilities formula

Mr. Hirakami presented his research, which can be found on the sheet titled, “Average Cost per Student.”

Mr. Hirakami stated that he conducted research off of the Internet and has used national averages to come up with a starting point.

In his research he could not find statistics for square foot per student in the State of Hawai’i.

Mr. Hirakami found the most statistics for Elementary School and Secondary School.

In regards to the spreadsheet titled “Average Cost per Student”

Mr. Hirakami used seven different samples from his research.

Mr. Hirakami used the lowest square footage statistics to illustrate the average cost per student (73 square feet for Elementary Schools and 95 square feet for Secondary Schools).

Mr. Hirakami also estimated the rental rates for rural and urban areas (\$1.50 and \$2.00 per square foot per month, respectively).

This is how he estimated the annual rate per student over 10 months (\$1,095.00 for rural students and \$1425.00 for urban students).

Also gave the statistics for HAAS: 16,200 square feet with the current rate of \$1.15 (note that HAAS’s lease for their land is for 12 months instead of 10 months).

However, if you use the average given of \$1.50 for rural land the annual cost is noted at the end of the spreadsheet.

Mr. Hirakami also noted that he compared the statistics with another Charter School on Maui and the annual cost per student was \$1,200 per year for 120 students.

This is an alternative formula – more needs based. The calculation would need to be done for each charter school. There would be to be some kind of standard square footage – someone would determine the baseline. Each Charter School would have a net unfunded square footage and then present that number.

In the last meeting – looked at a proposed formula (composition formula for non-charter school facilities divided by the number of students). Mr. Roberts described DOE budget which is a debt service driven formula. The new formula takes it more to a needs based approach – trying to standardize where they can. The new formula is looking at how many square feet are needed for the students and using average square footage rates. How many square feet do they need at the particular school? Make adjustments if the state is already providing money for square feet at that school.

The floor was open for discussion:

Summary:

The discussion was based around the new formula presented by Mr. Hirakami and how it could be used by the Charter Schools. There were questions brought up about how the formula would work for virtual schools and how this would impact the smaller schools. There was also the issue of figuring out the square footage – it was suggested to ask Randy Moore for those numbers. It was decided that they should describe their concerns and then the Charter School Review Panel could take those into account. Then leave it up to the Charter School Review Panel to deal with the specific resources. Then the Charter School and the Charter School Review Panel with the other stakeholders would make a decision. Mr. Roberts drafted wording to be used in the report that everyone agreed on. The discussion also covered whether or not this should be taken to the Legislature, a topic that has been part of previous discussions. It was reiterated that no departments are guaranteed money in the budget, however it was agreed that this is a good start for the 2011 session.

Verbatim:

Mr. Miyahira brought up the question of how virtual schools will be handled with the new formula

Mr. Roberts responded that both Myron B. Thompson and Hawaii Technology Academy are hybrid types of schools. Both are leasing square footage including classroom space.

Mr. Hirakami also explained that the formula could be adjusted for those particular schools.

Mr. Miyahira responded that the students needs to be taken into account with the square footage to get some kind of rate.

Mr. Roberts said that they would need to apply some kind of factor for the schools that have virtual classrooms.

Mr. Miyahira asked about how conversion schools would be handled?

Mr. Roberts explained that the needs based formula would still be used and then a net square footage would be calculated based on the facilities provided by the State of Hawai'i.

Mr. Takamura thought that there were standards for square footage and classroom development, standards for facilities.

Mr. Miyahira agreed that there are standards for classroom size.

Mr. Hirakami also agreed that there are standards for square footage; he just was unable to find them during his research.

Ms. Love recommended that they ask Randy Moore for those numbers.

Mr. Hirakami wanted to make sure that the square footage is not just for the classroom size and should include other facilities like the gymnasium.

Mr. Roberts also mentioned that this is more complicated than the previous formula because it takes into account the size of the school.

Mr. Takamura wanted to make sure that reflecting from the last meeting that this proposal addresses the needs based formula.

Representative Oshiro agreed that it addressed the physical plant and square footage. He suggested that the Charter School Administrative Office with the Review Panel should come up with an appropriate number.

- Mr. Takamura agreed that the review panel should come up with standards to give to the schools.
- Mr. Hiramami wanted everyone to keep in mind that there are 26 different types of schools and the funding for those different types of schools could be different depending on how the schools are set up. (ie. Virtual schools).
- Mr. Miyahira brought up the small school ratio again, saying that all this is going to do is add to the cost of Charter Schools. He also brought up the point that people are going to look at this and say that the DOE is closing schools of the same size as the Charter Schools.
- Mr. Roberts explained that the smaller Charter Schools are funded by the same formula as the larger Charter Schools and the DOE schools. The smaller DOE schools are being closed because their margin is higher.
- Mr. Takamura commented that this happens to both big and small DOE schools.
- Mr. Roberts also remarked that the cost of administration is the same at DOE schools no matter the size of the school.
- Mr. Takamura explained that the funding has to fit the need. The problem that the DOE is facing is that the small schools are in bigger facilities.
- Mr. Miyahira asked if a formula like this be enough to set the budget?
- Mr. Hiramami agreed that more research would need to be done on this issue, however this could be comprehensive and accountable enough.
- Mr. Miyahira added and from this we could make a decision on whether or not to lease.
- Representative Oshiro stated that some discretion has to be given to the Charter Schools.
- Mr. Takamura asked if they could describe their concerns and then the Charter School Review Panel could take those into account. Then leave it up to the Charter School Review Panel to deal with the specific resources. Then the Charter School and the Charter School Review Panel with the other stakeholders would make a decision. He also commented that this gives a good starting point instead of just talking about the different concepts.
- Mr. Hiramami also remarked that they could actually do a report to the Legislature.
- Mr. Roberts drafted the following for the report: "The Charter School Administrative Office and the Charter School Review Panel in consultation with other stakeholders will develop a needs based methodology. Describe the formula that refers to this process as the appropriation methodology. The Charter School Administrative Office and the Charter School Review Panel will decide how the funds will be distributed."
- There was agreement from all on the wording.
- Mr. Hiramami brought up the issue of legislation again.
- Mr. Roberts asked Representative Oshiro if there could be some kind of legislation drafted.
- Representative Oshiro stated that there had been no previous discussion about any kind of language.
- Mr. Hiramami asked even with a formula would the funding be a reality? He is afraid that the Legislature will not fund the Charter Schools. He asked if it could be part of the financing formula or made part of the budget.

- Representative Oshiro reminded everyone that no department is guaranteed any kind of budget, even the Department of Health. Just trying to be realistic and move this thing forward. Everyone would want better facilities; there is just no guarantee.
- Mr. Hiramami explained that health and safety is the reason that the Charter Schools want to get money, he told the story of how tents had to be put up at one school to teach the students. He also referred to Article 10, which says that schools should be supported adequately.
- Mr. Takamura said that if the law says “shall” then the Legislature only has to give back what they have. If there is not enough money, then it is not going to happen. Give out the formula.
- Mr. Hiramami asked if this would be enough to go into the Governor’s budget? Representative Oshiro replied that Mr. Miyahira said that they are a new administration so they are starting the budget new. This is not the end all, be all, this is a pretty good place to start for the 2011 session. He suggested that they come up with a strict formula so that no money is wasted.

d. General Discussion regarding draft CSFTF Report

There was agreement that it needs to be drafted by next week Tuesday, December 28, 2010.

Mr. Miyahira remarked that there is a lot of ambiguity; they will have a hard time.

Mr. Roberts suggested leaving the concepts in the report.

Representative Oshiro agreed to use broad language to get it in.

Ms. Love asked for Budget and Finance’s way of coming up with formulas. She asked that they send the committee members the way that they came up the figures last year.

Mr. Miyahira agreed to send out the spreadsheet with the numbers from last year.

e. Amendments to draft CSFTF report

Mr. Roberts will circulate the final draft by December 28, 2010

f. Determine Date for Next CSFTF Meeting

None; This is the last CSFTF Meeting

g. Agenda Items for Next CSFTF Meeting

None; This is the last CSFTF Meeting

4. New Business

None

5. Next Meeting

None; This is the last CSFTF Meeting

6. Adjournment

The meeting was adjourned at 2:24 pm by Representative Oshiro.