

Status of Recommendations Provided by James Brese, CFO, DOE:

State of Hawaii

Charter School Funding Task Force

Status of Recommendations Contained in "Understanding Public School
Funding Fiscal Year 2009-2010"

No.	Recommendation	Status
1.	Create a reliable system to allow Charters access to federal competitive grant opportunities.	The Hawaii Department of Education (HIDOE) recently developed curriculum and implemented program manager training. We specifically determined to raise awareness of access to federal competitive grant opportunities with the program managers and DOE leadership. The program manager guidance materials include the following paragraph in the section on "Federal Programs - Special Considerations": Public Charter Schools Access to federal funds: IMPORTANT NOTE: Under USDOE regulations, charter schools are entitled to equal access to federal funds and/or the benefits of those federal funds. If schools are eligible to compete for a grant or other funding, be sure to send a hard copy of the invitation memo to the Public Charter School Administrative Office and all appropriate charter school principals (many of whom do not get Lotus Notes Memos & Notices). Training was held on June 23 and August 18 for program managers and DOE leadership.
2.	Ensure that services provided in lieu of funding are equitable.	The superintendent, the CFO, and the assistant superintendent for OCISS have emphasized to the DOE complex area superintendents, district educational specialists (DES), and state-level special education (SPED) personnel that they have a responsibility to ensure that special education services are provided to the Charter Schools in their complex areas equitably in lieu of funding.

3.	Move Non-SPED funding within EDN 150 to EDN 100.	Agreement has been reached within OCISS, OFS-Budget Branch, and superintendent's office to transfer non-SPED program IDs/funding within EDN 150 to EDN 100 in order to allow these program IDs/funds to be considered in Charter School per-pupil funding formula. These program IDs will be permanently transferred in the biennium budget process, and will be considered in any formula calculations for distribution of funds in the current fiscal year to ensure that Charter Schools have equitable access to these non-SPED funds.
4.	Establish Charters as an LEA to access federal funding.	This recommendation has both pros and cons. Unofficial HIDOE discussions with USDOE officials have resulted in statements of caution before proceeding to ensure that all federal government requirements can be met by the Charter School Administrative Office as expected of an LEA.
5.	Give Charters a proportionate share of facilities funding.	This is a policy determination that must be decided by the Legislature. One consideration is should Charter Schools be held to the same size/capacity standards as the HIDOE to ensure there is not a proliferation of small, non-fiscally viable schools.
6.	Create a mechanism for post school opening funding adjustments.	<p>The interim superintendent of the HIDOE supports the implementation of weighted student formula and the principle of "Funding follows the child." The HIDOE is willing to work with the Charter Schools and Legislature on a funding mechanism that grants equitable funding to both HIDOE and Charter Schools, if this is the decision of the Legislature. The HIDOE 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.</p> <p>Another significant issue of post school opening funding adjustments to be discussed is the accuracy/validation of statewide (both charter and non-charter school) student attendance/enrollment information and the timing of such enrollment counts, which will have a substantial impact on "funding follows the child." This is the challenge of having separate information systems as well as the inconsistency of some of the data.</p>
7.	Educate Legislators and B&F on how the	This recommendation is being accomplished through

	funding formula functions in relation to the budget appropriation.	participation of educational stakeholders in the Charter School Funding Task Force. In addition, a meeting was held on the Big Island of Hawaii on August 23, hosted by Senator Dwight Takamine and attended by the interim superintendent of HDOE, to inform Big Island legislators who have the highest concentration of Charter Schools in their districts about the results/recommendations contained in the "Understanding Public School Funding Fiscal Year 2009-2010"
8.	Collaborate with the DOE in advocating for adequate per pupil funding.	The HDOE is more than willing to collaborate with the Charter Schools in advocating at the Legislature for adequate per pupil funding for all students in Hawaii public schools. We have a common vision of student achievement and producing graduates that are career and/or college ready.

Status of Recommendations Provided by Bob Roberts, CFO, CSAO:

Status Update on Recommendations from the "Understanding Public School Funding Fiscal Year 2009-10" Report

The fifth recommendation of this report (page 23) is – *"Give Charters a proportionate share of facilities funding."*

The update to this recommendation is that in the Budget Act (Act 180, SLH 2010) Budget Proviso 39.1 did provide appropriations for facilities funding for charter schools. Both formula based funding and CIP funding was appropriated. The total amount of the formula based appropriation is \$1,909,049. This amount was calculated by multiplying the projected charter school enrollment (9,668) by the amount of facilities funding per pupil established in the proviso of \$197. Note that the math on this calculation does not total exactly to the amount of the appropriation.

Language in this proviso also establishes that the amount (of the appropriation) that exceeds \$197 multiplied by the actual October 15 enrollment shall lapse to the charter schools account within the state treasury. This proviso also contains language that the funds be distributed to the charter schools based on methodology developed by the CSAO and that the charter schools prepare a report that shall include a detailed breakout of actual facilities related expenditures for the last completed fiscal year and the method of funding. This report is required to be submitted by the CSAO to the legislature no later than twenty days prior to the start of the 2011 regular legislative session.

An important note to this update is the amount of this appropriation (\$1,909,049) was carved out of the operating funding appropriation calculation using the statutory formula for charter school operating funds. The formula used excluded DOE Debt Service and DOE CIP. The impact of this is that the carve out for charter school facilities came from a calculation that provided comparable funding for operations

between the two systems. By carving out \$1.9M of operating funds for charter school facilities the amount of operating funds to charter schools was reduced.

In addition, Act 180 included funding for two charter school CIP projects: One for a photovoltaic system for Lanikai Elementary School (\$500,000) and one for a sewer system upgrade for Kawaikini Charter School (\$274,000). These are the first CIP projects ever funded for charter schools.

The wording of the recommendation is vague in that it does not specify what the proportionate share of funding should be based upon. Referring to the details of the report the base could be reasonably interpreted to be either CIP or Debt Service appropriations to the DOE. This would continue the concept of “equitable” state funding of both systems. A sample formula for calculating a proportionate amount for charter schools using either CIP or debt service as the base follows:

Using CIP as the base:

2010-11 CIP Appropriations – DOE:	\$127,112,000
2009-10 Enrollment – DOE	170,830
Per Pupil Amount for CIP	\$744.08
Projected Charter Schools Enrollment (May 15 Revise)	9,298
Amount available for Charter school CIP Projects	\$6,918,400
2010-11 Charter School CIP Appropriations	\$754,000

Using Debt Service as the base:

2010-11 Debt Service Appropriations – DOE:	\$194,855,477
2009-10 Enrollment – DOE	170,830
Per Pupil Amount for Debt Service	\$1,140.63
Projected Charter Schools Enrollment (May 15 Revise)	9,298
Amount available for Charter School Facilities	\$10,605,500

Ultimately the question of providing facilities funding for charter schools is a policy decision. Certain questions exist that remain unresolved:

- 1) Should equitable funding be defined to include funding for the cost of charter school facilities?
- 2) If the answer to this question is yes, then how is this issue resolved:
 - a) Facilities funding appropriated to charter schools on a per pupil basis using debt service as a measure of state support for DOE facilities? Or...
 - b) Facilities funding appropriated to charter schools based on CIP projects requested by charter schools? And if this is the preferred method...

- i) How to address the issue of CIP projects for charter schools occupying non-public property?
- 3) Also, how should the State address the issue of inequality of facilities for charter schools stemming from conversion charters having state funded facilities while, in general, start-up charters do not have state funded facilities?
- 4) Should the state provide funding for facilities costs of charter schools regardless of the size of the school or the nature of the program (i.e. e-school) in the same manner as a “bricks and mortar” charter school?

Status Update on Recommendations from the “Understanding Public School Funding Fiscal Year 2009-10” Report

The sixth recommendation from this report (page 23) is *“Create a mechanism for post school opening funding adjustments.”*

The current process of distributing per pupil, and facilities funds, to charter schools does adjust the funding for charter schools based on October 15th enrollment numbers. Technically this is a post start of school funding adjustment mechanism. However, I believe this recommendation relates to two circumstances:

1. The current process of distributing charter school operating funding is based on a single measure of enrollment – as of October 15th of each year. In place of this a mechanism to provide a process that insures that as enrollments at charter schools change during the year that the amount of funding is also adjusted (money following the child concept).
2. The lack of a process to adjust the overall annual funding for charter schools when the total charter school enrollment differs from the projected enrollment used during the budget development process.

Inter-school Adjustments

If it is the intent of this recommendation that “funding follow the child,” between schools to reflect changing enrollments at charter schools during the school year, then changes in statute are necessary. Specifically, the language of 302B-12 (d) which determines the process for the distribution of per pupil funding to charter schools is based on projected enrollments in May and actual enrollments in October. In practice this has resulted in the per pupil funding for charter schools is based on a single measure of enrollment (October 15th).

A possible solution for the charter schools could be to use a model similar to the DOE model that bases funding distributions to charter schools using multiple enrollment dates during the year. For example, a preliminary funding amount could be based on May projected enrollments for a July distribution date (25% of annual per pupil). A second distribution could be made by September 30, based on the enrollment of each school on the tenth day of school (25% of annual per pupil). A third allocation by December 31, based on October 15 enrollments and a fourth distribution based on enrollments in

January paid no later than March could also be part of this funding distribution process. Each distribution would stand on its own with no adjustment, or “truing up” based on the latest enrollment data. In order for this process to work a “pool” of funds sufficient to address likely increases in enrollment at some schools, while not reducing funding at other schools, would be necessary. A potential source for this “pool” of funds is discussed below.

Overall or Systemic Adjustments

A mechanism for adjusting the total appropriation available for charter schools in years when the total enrollments of all charter schools exceeds the projected enrollment used in the state-wide budget development process should also be part of this solution. In some ways a partial solution to this issue has been created through new budget proviso language in Act 180:

SECTION 39: Provided that of the general fund appropriation for charter schools (EDN 600), the sum of \$52,732,012 or so much thereof as may be necessary for fiscal year 2009-2010 and the sum of \$51,852,459 or so much thereof as may be necessary for fiscal year 2010-2011 shall be expended by charter schools to fund their educational programs; provided further that the funds shall not be expended for any other purpose; provided further that for fiscal year 2010-2011, any general fund amount that exceeds the product derived from multiplying:

- (1) The actual charter school enrollment count on October 15, 2010, as reviewed and verified by the charter school administrative office by November 15, 2010; and
- 2) The sum of \$5,363;

shall lapse to the charter schools account within the state treasury;

Clearly this language addresses the situation when charter school enrollments are less than the estimates used in the budget development process. It is silent regarding the opposite situation, when actual enrollments exceed the estimates used during budget development. If language were added to this proviso to allow for the use of lapsed funds per this proviso for fully funding the operating per pupil amount in years when the total actual enrollment exceeds the projected enrollment used in budget development then a pool of funds would be available to address this issue. Further, these funds could also be used to fill in the gaps when adjustments are made under the “money following the child concept.”