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(‘AHA KULA HO‘ĀMANA)

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TO: Senator Michelle Kidani, Chair
Senate Committee on Education

Representative Roy Takumi, Chair
House Committee on Education

FROM: Sione Thompson, Executive Director
State Public Charter School Commission

SUBJECT: Budget Briefing Testimony

Chairs Kidani and Takumi, Vice Chairs Kahele and Har, and members of the Committees:

The State Public Charter School Commission (“Commission”) appreciates this opportunity to submit this testimony on its supplemental budget requests.

MISSION STATEMENT

The statutory mission of the Commission is “to authorize high-quality public charter schools throughout the State.” (HRS 302D-3(b)). The Commission’s strategic vision for the chartering of these high-quality schools is that they provide excellent and diverse educational options for Hawai`i’s families, prepare our students for future academic or career success, and contribute meaningfully to the continued improvement of Hawai`i’s public education system as a whole.

ECONOMIC AND FISCAL CONDITIONS

Hawai`i’s 34 public charter schools currently enroll 10,792 students in school year 2016-2017, which represents an increase of 370 students (3.6%) from the previous school year. Last school year, Ka’u Learning Academy opened its doors to 99 students, bringing the total number of charter schools in Hawai`i back to 34 after the closure of one school, Hālau Lōkahi Charter School in May 2015.

Most of the charter schools’ state funding is provided on a per-pupil basis based on the operating appropriation to the Department of Education (DOE) and the schools’ pro rata enrollment compared to

the total public education enrollment. Per-pupil funding has increased from \$6,846 in fiscal year 2015-2016 to \$7,089 for the current fiscal year 2016-2017, but, as is detailed in the Commission's 2015-2016 Annual Report, the Commission's analysis of financial data submitted by the schools suggests that in the longer term, charter school funding will need to increase further and/or greater cost savings will need to be realized in order to meet the cost obligations of schools, especially when it comes to facilities.

Thirty-three charter schools are in the third year of the current three-year charter contract. The 34th and newest charter school, Ka'u Learning Academy, was awarded a five-year contract. All charter school contracts include performance frameworks which the Commission uses to evaluate their performance in three areas: academic, financial, and organizational. In November 2015, the Commission adopted the charter contract renewal process and criteria that will determine each school's eligibility for a subsequent charter contract based on school performance under these frameworks. The heightened expectations embodied in the Commission's performance frameworks and contract renewal criteria, while necessary and overdue; pose real administrative and related fiscal challenges to the charter schools, many of which are small and lightly-staffed.

The Commission has received notices of intent to apply for a charter from three eligible applicants in its current applications cycle. The Commission will be reviewing and evaluating the applicants to identify high quality applications for charter award. Any charter contract awarded to applicants this year will result in charter schools opening in school year 2018-2019.

FEDERAL FUNDS

Charter schools are included with the DOE's Federal programs since the DOE is the prime recipient. The first terms of the Continuing Appropriations Act of 2017 resulted in a 0.496 percent cut for non-defense discretionary funding from October 1, 2016 through December 9, 2016. It included most education programs such as Title I, Part A; Title II, Part A; Title III; IDEA, Part B; and Impact Aid. Under the second terms of the Act, a 0.1901 percent is applied to discretionary funding from December 10, 2016 through April 28, 2017.

On January 1, 2015, the Commission was awarded a four-year federal Preschool Development Grant to support statewide efforts to build, develop and expand voluntary, high-quality pre-kindergarten programs for children from low-and moderate-income families. The grant, totaling \$14,881,368 over the four years, will serve a potential 920 children. Hawai'i is the only grantee in the nation whose award focused solely on charter schools.

Six charter schools in Hawai'i have opened a pre-kindergarten classroom to income eligible four-year-olds. Four schools enrolled 78 students into their pre-kindergarten program in the 2015-2016 school year with two more additional classrooms opening in this school year. Two of these schools are Hawaiian immersion schools. In addition, annual early learning symposiums were held to build community capacity to support high quality preschools. Attendees included all schools that will eventually participate in the grant over its four-year term and other partnering agencies.

Due to the uncertainty of federal funding for the fourth year of the grant, sustainability efforts have begun. This will ensure that these high quality prekindergarten programs will be sustained for Hawai'i's keiki.

BUDGET REQUEST

In September 2016, the Commission submitted the original budget request to the Department of Budget and Finance (“B&F”). Thanks to legislation adopted by this body in 2014, the budget for the charter schools and Commission are separate and result in the funding of the Commission without impacting the charter schools’ per-pupil funding.

School Operations

Pursuant to the per-pupil funding formula that is based on DOE appropriations and relative enrollment, increases of approximately \$7.74 million and \$7.96 million in per-pupil funding for fiscal years 2018 and 2019, respectively, are included in the Governor’s biennial budget package to equalize the per-pupil funding formula.

Estimated grants and donations to charter schools were self-reported by 26 of the 34 charter schools for fiscal year ended June 30, 2016, for a total of approximately \$7,838,007. Grants were provided during the year by other institutions, notably including Kamehameha Schools. While this support is helpful and has been an element of support for these charter schools for many years, it also comes with many conditions, and private funders often are reluctant to provide funding to meet the basic needs of schools to ensure sustainability.

During the 2016 legislative session, the Commission requested funding for 1) facilities for charter schools; 2) hard-to-fill incentive pay for teachers; 3) National Board Certified Teacher awards; and 4) new charter school start-up. Despite clearing both the House and the Senate, Commission’s bills that would have provided these resources failed. This year, the Commission has requested funding of \$6,348,000 for these items to support charter schools that were excluded from the Governor’s biennial budget package.

1. **Facilities funding for charter schools (\$5,479,000):** Facilities funding for charter schools is the top priority of the Commission. As one of the Commission’s Standing Advocacy Principles state: charter schools must be funded and supported adequately to be able to meet the needs of their students and to fulfill their role as a strategy for system-wide improvement.

This funding request is not for the construction or purchase of charter facilities, rather this request would cover the rental or lease payments of currently operating charter schools. The per-pupil funding structure is intended to provide equity in public school funding in the State by providing a proportionate share of the public school system funding to charters for similar expenses and functions. However, since DOE schools do not pay rent for the use of their facilities while the majority of charters do, funding for this expense is not provided for in the per-pupil funding structure. The Commission believes that funding for charter school facilities (which exists primarily as rent and lease payments) is vital to achieving equity for charters in the public school system.

2. **Hard-to-fill incentive pay (\$579,000):** The Commission requests a separate appropriation for this collectively-bargained mandate. According to B&F, funding for collective bargaining items, including Hard-to-staff bonuses, is provided to charter schools through the per-pupil funding structure as it is the only existing funding mechanism for charter schools. However, this funding

structure is based strictly on student enrollment and does not account for specific expenses that may affect a limited number of charter schools.

Specifically, for the HSTA Hard-to-Staff bonuses, only nine charter schools are in areas that have been deemed hard-to-staff. However, due to the per-pupil funding structure, all 34 charter schools receive the funding provided for these bonuses. The effect of this is that charter schools that are required to pay these bonuses do not receive the full funding needed to pay these bonuses and must account for the difference on their own.

A budget proviso in the 2015 Executive Budget attempted to address this issue by separating the funds from the per-pupil funding by directing it to the schools that have to make these payments. However, the amount budgeted was based on the costs for DOE teachers only (even that budgeted amount was determined to be insufficient for DOE purposes). As a result, this proviso did not help charters as intended and charter schools that were required to pay this bonus had to cover these bonuses with their existing per-pupil funds. A separate appropriation would also ensure that this issue is permanently addressed and not dependent on recurring budget provisos.

3. **National Board Certified Teacher awards (\$90,000):** Statutorily mandated bonuses of up to \$10,000 for teachers who have earned National Board Certification present the same problem for public charter schools as does the hard-to-fill incentive pay. Those charter schools that employ these teachers presently must pay this incentive from out of their per-pupil funding. But, as with hard-to-fill incentive pay, the funding that charter schools receive is based on the DOE budget, not on the true cost of providing the bonuses, and these per-pupil funds are spread across all charter schools, not just those that employ National Board certified faculty members.

The relevant statutory provision is as follows:

§302A-706 Teacher national board certification incentive program.

(a) There is established within the department the teacher national board certification incentive program to recognize and support exemplary teaching practice by supporting public school teachers who have achieved national board certification under the certification program of the National Board for Professional Teaching Standards. The teacher national board certification incentive program shall provide:

- 1) A \$5,000 bonus per year for each public school teacher who maintains current national board certification;
- 2) \$1,500 upon completing all components of the certification program of the National Board for Professional Teaching Standards;
- 3) A reimbursement of the remainder of the national board certification application fee upon achievement of national board certification; and
- 4) An additional \$5,000 bonus per year for each public school teacher who maintains current national board certification and who teaches at:
 - a) A school in a focus, priority, or superintendent's zone, or other similar designation, as determined by the department;
 - b) A school with a high turnover rate, as determined by the department; or
 - c) A hard-to-fill school, as determined by the department.

(b) The incentive program shall include a mentoring component that encourages and enables national board-certified teachers to assist other teachers and share their teaching expertise. [L 2004, c 51, §38; am L 2007, c 228, §1; am L 2015, c 107, §1]

As with hard-to-fill incentives, the Commission is requesting a separate allocation of funds for this award, to be made to EDN 612 to enable the discrete distribution of these funds to those schools with teachers who have earned this distinction.

4. **New charter school start-up (\$200,000):** Start-up funding for newly-created pre-opening charter schools could provide important support to these schools in their start-up year before they become fully operational and are able to draw per-pupil and other state funding. This start-up funding would be provided to new charter schools through grants provided by the Commission.

Commission Operational Expenses

The Commission has also requested funding of \$112,000 for Commission staff salary adjustments that were excluded from the Governor's biennial budget package. The hiring of the Commission's staff commenced in February of 2013 and was complete by October of that year. The budget appropriation for the Commission, as with all state departments and agencies, is made on an incremental basis. The salary funding level for this agency has not been incrementally increased, since staffing level and positions have not changed since the Commission was first created in the 2013-2015 biennium budget. Further, it has come to the Commission's attention that the Commission's predecessor administration office, the Charter Schools Administration Office (CSAO), never provided salary information for consideration whenever HGEA contracts were up for collective bargaining renegotiations. As a result, since July of 2013 the Commission has not received additional funds for its staff salaries with the budget appropriations as have other state agencies.

The funding will cover salary adjustments to be equitable to collective bargaining appropriations had the staff information been provided for consideration when the HGEA contract was up for renegotiation. This will also help address the need for reasonably equitable compensation for positions of similar complexity and responsibility across the State. As a result of staff transfers to and from the Commission from other agencies, the Commission has learned that working for the Commission always entails greater responsibility, less pay, or both, when compared to like positions in other agencies. This correction represents a step toward addressing that problem and is one of basic fairness for all state employees.

CONCLUSION

The State Public Charter School Commission appreciates the opportunity to discuss this year's budget with your Committee this Session and thanks the Chair and Members of the Committee for your continuing support of Hawai'i's 34 public charter schools and their 10,792 students. The Commission remains prepared to work with the Legislature and other stakeholders to find additional innovative ways to improve learning options and opportunities for Hawai'i's students.