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Governor

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Executive Director



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January 13, 2010

TO: Senate Committee on Ways and Means
Senator Donna Mercado Kim, Chair
Senator Shan Tsutsui, Vice Chair

FROM: Maunalei Love, Executive Director CSAO

RE: Budget Briefing Testimony

Chair Kim, Vice Chair Tsutsui and members of the committee, Aloha, I am Maunalei Love, Executive Director of the CSAO. I want to thank the chair and the entire committee for the time and effort being spent to address the issue of adequately funding education and the public charter schools.

Mission Statement:

The mission of the Charter Schools Administrative Office is to provide advocacy, assistance and support for the development, growth, progress and success of charter schools and the charter school system in Hawai'i in accordance with applicable state and federal laws.

Economic Impact

The effects of the economic downturn have impacted the charter schools in fiscal year 2009-10 in several ways. First, the amount of the per pupil funding to the charter schools has declined every year after fiscal year 2007-08. In 2008-09 the per pupil funding decreased by 6.9% and by another 24.2% in 2009-10. The overall impact over these two years was a decline in per pupil funding from \$8,149.83 in 2007-08 to \$5,753.18 (excluding federal ARRA funding) in 2009-10, a 29.4% decrease. When federal ARRA funding is added in 2009-10 the per pupil amount is revised to \$6,258.02 which represents a one year decrease in funding of 17.5% and a two year decrease of 23.2%.

The decline in per pupil funding will continue and become more severe in the supplemental budget year if the funding for charter schools remains unchanged from the Governor's budget request of \$51,335,783 (after adjustments for furlough savings and ARRA Part A funding). Under this scenario overall funding for charter schools will decrease by \$1,692,489 while enrollments for charter schools are projected to increase from the current level of 8,098 to 9,668 an increase of 1,570 students. The resulting change in per pupil funding (including ARRA Part A funding) is a projected decrease to \$5,210.00 a decrease of more than 16.75% from the 2009-10 per pupil amount (\$6,258.02) or a combined two year decrease of 31.34%. See the chart in Attachment A for details regarding these amounts.

The funding decreases are felt most acutely by charter schools with stable enrollments. This is the case because for these schools the per pupil funding has decreased, as it has with all charter schools, and none of the per pupil funding decreases are offset by increases in enrollment.

It is for these reasons, and in order to maintain the education programs at the charter schools that the funding for the items listed in Attachment A are requested. Without adequate funding in fiscal year 2010-11 charter schools will be forced to further cut educational programs or close their doors. In summary the requested additional funding is as follows:

Description	MOF	Amount
Operational (per pupil) funds per formula:	A	\$9,162,916
Facilities funds per formula	A	\$11,024,130
Restoration of School Service Coordinators	A	\$1,871,565
Full funding for SPED	A	\$216,000
Funding for CSR	A	\$150,000
Charter School CIP Projects	C	\$10,000,000

Revised in 2009, HRS 302B-12 states: "Beginning with fiscal year 2009-2010, and each fiscal year thereafter, the non-facility per-pupil funding request for charter school students shall not be less than the per-pupil amount to the department in the most recently approved executive budget recommendation for the department..."

The statute further clarifies that the charter school funding request should be based on projected enrollments and include all regular education cost categories, but exclude fringe benefit costs which are ascribed to the Department of Budget and Finance. The same statute requires that charter schools also be eligible for all federal financial support to the same extent as all other public schools...HRS302b-12(c)

In addition, newly revised HRS 302B-8 (b) provides explicit language requiring that per pupil funding for charter school facilities, based on an educational debt service

formula, be provided to charter schools, along with CIP requests, in the executive budget request. The importance of funding the schools pursuant to the revised law cannot be understated, both in terms of school survival and federal funding opportunities for the state.

The future federal funding support for the entire K-12 program will be dependent on the equity of funding for all public schools across the state, including public charter schools. For example, under the Department of Education's Race to the Top Application, competitive points are dependent on the state demonstrating that the State's charter schools receive equitable funding compared to traditional public schools, and a commensurate share of local, State, and Federal revenues. This is a challenging part of the application as there is longstanding contention on the disparity in the funding between charter and department school funding. In addition, the State must show that it provides charter schools with funding for facilities (for leasing facilities, purchasing facilities, or making tenant improvements), assistance with facilities acquisition, access to public facilities, the ability to share in bonds and mill levies, or other supports. Again, there is little evidence of financial support for charters, CIP support for charters, and access to state facilities. These issues need to be addressed to provide charter students with adequate support and to make Hawaii more competitive in the Race to the Top and for other Federal Grants.

For instance, it should also be noted that the Charter School Administrative Office, in collaboration with the Charter Schools, submitted an application to the U.S Department of Education for the State Charter School Facilities Incentive Grant Program this year. Unfortunately, Hawaii's application was not funded. The criticisms in the technical review of our application included:

1. That, despite the change in the law, no funding for facilities had been provided on a per-pupil basis to date.
2. That the State Budget Request for CIP was not funded.
3. That there has been an overall decline in per-pupil state support over the last few years.

Alternatives Considered:

Reflecting the independent and autonomous nature of charter schools, the cuts in funding have been addressed with various, individual solutions. Some of the charter schools foresaw that the economic situation could change in earlier years and have relied on funds saved for economic uncertainties in prior years to help balance their budgets this year. Some have used funds earmarked for other purposes (e.g. building funds) to balance their budgets. Most have cut staff. These are short-term solutions. Others have not been able to save for this "rainy day" due to inadequate per pupil amounts and all of Hawaii's charters have been impacted greatly by these funding cuts.

All of the charter schools have had to cut their spending. For most this meant cutting their labor costs by reducing the number of positions (teachers, support staff and others). During the 2009-10 school year, the charter schools have self reported staffing reductions equal to 137.75 FTE positions. Some of the charter schools have implemented some or all of the 17 furlough days. Other charter schools have continued to operate on furlough days and have found their costs have increased because of SPED personnel costs, an obligation of the DOE, are being charged to charter schools that elect to continue to teach on DOE's furlough days.

Estimated cash donations to charter schools have been self reported by 20 of the 31 charter schools for a total of \$8,289,883 for fiscal year 2009-10. Sixteen of the charter schools reported receiving financial support from Kamehameha Schools. While this support is helpful it also comes with strings attached. While this support has been a substantial element of survival for these charter schools for many years, fourteen charter schools do not receive Kamehameha's support and must seek other means of survival, which most have not been able to garner.

Charter schools have also shifted costs to other programs where appropriate (e.g. when supplanting is allowed). The most striking example of this is the use of the American Recovery and Reinvestment Act funding appropriated by the legislature in 2009-10. \$4,088,212 in personnel costs were shifted from state funding sources to federal funding. In fiscal year 2010-11, assuming no change in the ARRA Part A funding proposed for charter schools, another \$2,835,696 in personnel costs will be shifted to this program.

On behalf of the Public Charter Schools, mahalo for the opportunity to discuss these issues with you and mahalo for your continuing support for public charter schools of Hawaii.

Department of Education - Charter Schools
Department-wide Budget Summary

Table 1

Fiscal Year (FY) 2010					
Act 162/09 Appropriation (a)	Restriction (b)	Emergency Appropriation (c)	Total FY10 (d)	MOF	
52,732,012	(3,791,952)		48,940,060	A	
			-	B	
			-	N	
			-	T	
			-	U	
			-	W	
4,088,212			4,088,212	V	
56,820,224	(3,791,952)	-	53,028,272	Total	
Fiscal Year (FY) 2011					
Act 162/09 Appropriation (e)	Reductions (f)	Additions (g)	Total FY11 (h)	MOF	
52,746,554	(4,246,467)	22,424,611	70,924,698	A	
			-	B	
			-	N	
			-	T	
			-	U	
			-	W	
2,835,696			2,835,696	V	
55,582,250	(4,246,467)	22,424,611	73,760,394	Total	

Department of Education - Charter Schools
 Priority List of Functions

Table 2

<u>Pri #</u>	<u>Description of Function</u>	<u>Activities</u>	<u>Prog ID(s)</u>	<u>Statutory Reference</u>
1	K-12 Educational Services	Classroom instruction and related pupil & administrative services	EDN600	302B
2	Charter School Review Panel	Oversight, accountability & advocacy	EDN600	302B
3	Charter Schools Administrative Office	Advocacy & Administrative Support	EDN600	302B

Department of Education - Charter Schools
Resources by Program ID

Table 3

<u>Prog ID/Org</u>	<u>Program Title</u>	<u>As budgeted in Act 162/09 (FY11)</u>			<u>Governor's Submittal (FY11)</u>			<u>MOF</u>
		<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	
EDN600/JA	Charter Schools Per Pupil Funding	n/a	n/a	52,746,554	n/a	n/a	48,500,087	A
EDN600/JA	Charter Schools ARRA	n/a	n/a	2,835,696	n/a	n/a	2,835,696	V
	Totals			55,582,250			51,335,783	

Department of Education - Charter Schools
 Current Year (FY10) Restrictions

Table 4

Prog ID	Restriction \$\$\$	Impact	MOF
EDN600/JA	3,791,952	Furlough Savings: The immediate impact of this restriction was the reduction of charter school funding by \$504.85 per pupil (from \$6,548.32 to \$6,043.47). The charter schools have reacted to this reduction by a variety of means including staff layoffs, furlough days, reductions in other areas of their budgets and other cost savings strategies.	A

Department of Education - Charter Schools
Proposed FY11 Reductions

Table 5

<u>Type</u> (CB / RIF/ OA)	<u>Description of Reduction</u>	<u>Impact of Reduction</u>	<u>Prog ID</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	<u>MOF</u>	<u>Carry-over? (Y/N)</u>
OA	Governor's Furloughs	Reduction in the per pupil funding for charter schools. The impact of this reduction will be a decrease in the funding to charter schools estimated to equal \$439.23 per pupil. It is anticipated that the charter schools will absorb this decrease through staff layoffs, suspending school on the furlough days, cuts to other instructional, pupil support and administrative services programs and other cost savings measures decided by each school.	EDN600/JA	n/a	n/a	4,246,467	A	N

Department of Education - Charter Schools
Proposed FY 11 Additions

Table 6

<u>Description of Addition</u>	<u>Prog ID</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	<u>MOF</u>
Statutory Funding Formula Adjustment	EDN600/JA	n/a	n/a	9,162,916	A
Facilities funding per formula	EDN600/JA	n/a	n/a	11,024,130	A
Restoration of SSC positions	EDN600/JA	n/a	n/a	1,871,565	A
Restoration of SPED cuts - furlough days	EDN600/JA	n/a	n/a	216,000	A
Funding for CSRP	EDN600/JA	n/a	n/a	150,000	A
Total				22,424,611	A
CIP Projects Various				53,954,000	C

Department of Education - Charter Schools
Non-general funds (excluding Federal Funds)

Table 7

<u>Name of Fund</u>	<u>Unencumbered Cash Balance</u>	<u>MOF</u>	<u>Statutory Reference</u>
NONE			

Department of Education - Charter Schools
Emergency Appropriation Requests

Table 8

<u>Prog ID</u>	<u>Description of Request</u>	<u>FTE</u>	<u>\$\$\$</u>	<u>MOF</u>
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Department of Education - Charter Schools
Budget Decisions

Table 9

Prog ID/Org	Description	MOF	Department Request			Budget & Finance			Governor's Decision		
			Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$
EDN600/JA	Statutory Funding Formula Adjustment	A	-	-	9,162,915	-	-	0	-	-	0
EDN600/JA	Facilities funding per formula	A	-	-	11,024,130	-	-	0	-	-	0
EDN600/JA	Restoration of SSC positions	A	-	-	1,871,565	-	-	0	-	-	0
EDN600/JA	Restoration of SPED cuts - furlough days	A	-	-	216,000	-	-	0	-	-	0
EDN600/JA	Funding for CSRP	A	-	-	150,000	-	-	0	-	-	0
EDN600/JA	CIP projects at various charter schools	C			53,954,000			10,000,000			10,000,000

Department of Education - Charter Schools
Personnel Separations

Table 11

<u>Prog ID/Org</u>	<u>Position Number</u>	<u>Perm/Temp</u>	<u>MOF</u>	<u>Position Title</u>	<u>Budgeted FTE</u>	<u>Budgeted Salary</u>	<u>Actual FTE</u>	<u>Actual Salary</u>	<u>BU Code</u>	<u>SR Level</u>
					N/A					

Department of Education - Charter Schools
New Hires

Table 12

<u>New Hire Effective</u> <u>Date:</u>	<u>Prog ID/Org</u>	<u>Position</u> <u>Number</u>	<u>Perm/</u> <u>Temp</u>	<u>MOF</u>	<u>Position Title</u>	<u>Budgeted</u> <u>FTE</u>	<u>Budgeted</u> <u>Salary</u>	<u>Actual</u> <u>FTE</u>	<u>Actual Salary</u>	<u>BU Code</u>	<u>SR Level</u>
					N/A						

Department of Education - Charter Schools
Expenditures Exceeding Federal Fund Ceiling

Table 14

<u>Prog ID</u>	<u>Appropriation Ceiling</u>	<u>Ceiling Increase</u>	<u>Date of Increase</u>	<u>Reason for Exceeding Ceiling</u>	<u>Recurring (Y/N)</u>	<u>GF Impact (Y/N)</u>	<u>ARRA?</u>
				None			

Department of Education - Charter Schools
CIP Summary

Table 16

	Priority	Project Title	\$\$\$\$	MOF
1	1	KANUIKAPONO-PCS, BUILDING IMPROVEMENT, KAUAI	79,000	C
3	2	WHEA-PCS, RELOCATION OF WHEA CAMPUS, Planning & Design Phase	900,000	C
5	3	KA UMEKE KAEO-PCS, ELECTRICAL WIRING, HAWAII.	24,000	C
7	4	KANU O KA AINA NCPCS, CLASSROOM IMPROVEMENT, HAWAII	250,000	C
8	5	HALAU KU MANA-PCS, PORTABLE STAGING, OAHU	9,000	C
9	6	WAIMEA MIDDLE SCHOOL, ELETRICAL UPGRADES L2, HAWAII	30,000	C
14	7	KUALAPUU ELEMENTARY SCHOOL, CLASSROOM SPACE IMPROVEMENT, MOLOKAI.	5,000,000	C
18	8	HAKIPUU LEARNING CENTER, BUILDING, OAHU - Planning & Design	780,000	C
20	9	KUA O KA LA ELEMENTARY SCHOOL ELECTRIC SYSTEM INSTALLATION	345,000	C
24	10	WAIMEA MIDDLE SCHOOL, NIGHT LIGHT IMPROVEMENT, HAWAII	30,000	C
26	11	KA UMEKE KAEO-PCS, LIGHTING SYSTEM, HAWAII	22,000	C
27	12	KAWAIKINI-PCS, ROADWORK IMPROVEMENT, KAUAI.	59,000	C
33	13	WAIMEA MIDDLE SCHOOL, CAMPUS RAILING IMPROVEMENT, HAWAII	100,000	C
34	14	KA UMEKE KAEO-PCS, FLOORING, HAWAII	11,000	C
35	15	KAWAIKINI-PCS, ADMINISTRATION TRAILER IMPROVEMENT, KAUAI.	10,000	C
37	16	LANIKAI - ADA TRANSITION ACCESSIBILITY	375,000	C
38	17	WAIMEA MIDDLE SCHOOL, WINDOW IMPROVEMENT, HAWAII	80,000	C
39	18	KA UMEKE KAEO-PCS, EXTERIOR SIDING REPAIR & PAINTING, HAWAII	25,000	C
42	19	KAWAIKINI SEWER SYSTEM AND DETENTION BASIN	254,000	C
44	20	LANIKAI - ELECTRICAL UPGRADE	465,000	C
45	21	KA UMEKE KAEO-PCS, EXIT STAIRS, HAWAII	10,000	C
46	22	WAIMEA MIDDLE SCHOOL, GROUNDS REPAIRS, HAWAII	110,000	C
48	23	KAWAIKINI WATER SYSTEM	156,000	C
51	24	KA UMEKE KAEO-PCS, TERMITE REPAIR, HAWAII	28,000	C
54	25	KA UMEKE KAEO-PCS, ENTRY STAIRS, HAWAII	8,000	C
55	26	WAIMEA MIDDLE SCHOOL, RESTROOMS RENOVATION, HAWAII	60,000	C
56	27	KA UMEKE'S PURCHASE OF CLASSROOM MODULARS	750,000	C
57	28	KA UMEKE KAEO-PCS, ROOFING, HAWAII	18,000	C
59	29	KA UMEKE KAEO-PCS, WINDOWS , HAWAII	12,000	C
		Total	10,000,000	

Charter Schools Administrative Office
2010-11 Budget Request Planning
Per Pupil Funding Formula Request Pursuant to HRS 302B-12

Relevant statutory authority:

HRS 302B-12 (revised 2009):

Funding and Finance.

- (a) Beginning with fiscal year 2009-10, and each fiscal year thereafter, the non-facilities per-pupil funding request for the charter school students shall not be less than the per-pupil amount to the department in the most recently approved executive budget recommendation for the department, as set forth in paragraph (2); provided that:
 - (1) The per-pupil funding request shall include funding for projected enrollment figures for each charter school; and
 - (2) the per-pupil request for each regular education and special education student shall:
 - (A) Include all regular education cost categories, including comprehensive school support services, but excluding special education services; provided that special education services are provided and funded by the department
 - (B) Include all means of financing except federal funds, as reported in the most recently-approved executive budget recommendations for the department; provided that in preparing the budget the executive director school include an analysis of the proposed budget in relationship to the most recently published department of education consolidated annual financial report; and
 - (C) Exclude fringe benefit costs and debt service.
- (b) Fringe benefit costs for charter school employees, regardless of the payroll system utilized by a charter school, shall be included in the department of budget and finance's annual budget request. No fringe benefit costs shall be charged directly to or deducted from the charter school per-pupil allocations.

Application of the Statute:

	Amount	Source
A. Projected Charter School Enrollment October 2010:	9,668	Charter Schools enrollment projections obtained by CSAO Oct 2009
B. DOE's Total Budget	2,717,809,513	Executive Budget Recommendation (EBR - 2009) for DOE BY2010-11
C. less: Federal Funds	(257,139,558)	EBR for DOE BY2010-11
D. less: Special Education (net Federal Funds)	(370,497,794)	EBR for DOE BY2010-11
E. less: Fringe Benefit Costs	(473,933,548)	EBR for DOE BY2010-11
F. less: Debt Service	(204,995,708)	EBR for DOE BY2010-11
G DOE EBR Request Net Statutory Deducts	1,411,242,905	Sum of B - F
H less: CIP in Total DOE Budget	(257,978,000)	EBR for DOE BY2010-11
J. DOE EBR as Basis for Charter School Per Pupil	1,153,264,905	EBR for DOE BY2010-11
K. DOE Estimated 2010-11 Enrollment	172,210	Per Enrollment Projection Report Provided by Tom Saka
L. Calculated Unadjusted Charter School Per Pupil Amount	6,696.85	(J / K)
M. Total Operational Per Pupil Budget Funding per Formula	64,745,166	(A x L)
N. 2010-11 Budget Ceiling Amount - General Funds	52,746,554	2009 Budget Act
O. 2010-11 Budget Ceiling Amount - ARRA Funds (Federal)	2,835,696	2009 Budget Act
P. Difference between formula and budget ceiling	9,162,916	(M - N - O)

Charter Schools Administrative Office
 2010-11 Budget Request Planning
 Facilities Funding Formula Request Pursuant to HRS 302B-08

Relevant statutory authority:

HRS 302B-08 (revised 2009):

The executive director, under the direction of the panel and in consultation with the charter schools, shall be responsible for the internal organization, operation, and management of the charter school system, including:

- (1) Preparing and executing the budget and the capital improvement projects request for the charter schools, including submission of the all means of finance budget request that reflects all anticipated expenditures to the panel, the board, the governor, and the legislature; provided that, in preparing the budget request with regard to facilities funding, the executive director shall ensure that, as a budget item separate from other operating costs, the request provides:

- (A) Funding for projected enrollment for the next school year for each charter school;
- (B) A calculation showing the per-pupil funding based on the department of budget and finance's debt service appropriation for the department of education divided by the department of education's actual enrollment for that year; and
- (C) That no less than seventy percent of the amount appropriated shall be allocated by the office to start-up charter-schools on a per-pupil basis; provided that the funds remaining shall be allocated to charter schools with facilities needs as recommended by the office and approved by the panel;

Interpretation: Since the DOE's actual enrollment for that year, can only be known for the immediately preceding year the legislative intent was that this calculation be based on the immediately preceding fiscal year.

Application of the Statute:

Source

A.	Projected Charter School Enrollment October 2010:	9,668	Charter Schools enrollment projections obtained by CSAO Oct 2009
B.	DOE's 2009-10 debt service appropriation (per Act 162)	\$ 194,793,118	SLH, Act 162, Page 29
C.	DOE's Official Enrollment Count 2009-10	170,830	http://lilinode.k12.hi.us/STATE/COMM/DOEPRESS.NSF/a1d7af052e94dd120a2561f7000a037c/bf92e9138bd4410c0a25762c0002430b?OpenDocument
D.	Calculated Value: Debt service allocation per DOE enrolled student 2009-10	\$ 1,140.27	(B / C)
E.	Calculated Value: Requested formula based facilities funding for charter schools FY 2010-11 (A x D)	\$ 11,024,130	(D x A)

Requested Funding Additions:

Statutory Funding Formula Adjustment: This requested addition totals \$9,162,916. Applying the provisions of HRS Section 302B-12(a) for estimated enrollment increases and changes in the funding base using the most recently approved executive budget recommendations (2009) for the department (2010-11 DOE) yields the increase in funding requested (see the attached worksheet A-1 for the details of this calculation). The addition of this funding will result in a per pupil amount of \$6,257.62, including ARRA Part A funds, which is only slightly less than the 2009-10 per pupil funding amount of \$6,258.02 (after furlough savings and inclusive of ARRA Part A funding). This level of funding includes adjustment for the Governor's proposed furlough savings of \$4,246,467 in the supplemental budget year.

Chart of Recent Charter School Enrollments and Per Pupil Amounts:

<i>Year</i>	<i>Official Enrollment</i>	<i>State Per Pupil Amount</i>	<i>Federal ARRA Part A PP Amt</i>	<i>Total State & Federal</i>
<i>2006-07</i>	<i>5,812</i>	<i>\$7,331.78</i>	<i>n/a</i>	<i>\$7,331.86</i>
<i>2007-08</i>	<i>6,131</i>	<i>\$8,149.83</i>	<i>n/a</i>	<i>\$8,149.83</i>
<i>2008-09</i>	<i>7,603</i>	<i>\$7,588.52</i>	<i>n/a</i>	<i>\$7,588.52</i>
<i>2009-10</i>	<i>8,098</i>	<i>\$5,753.18</i>	<i>\$504.84</i>	<i>\$6,258.02</i>
<i>2010-11 Gov's Request</i>	<i>9,668 (est.)</i>	<i>\$4,916.69</i>	<i>\$293.31</i>	<i>\$5,210.00</i>

Funding Request for Facilities Formula: This requested addition totals \$11,024,130. Applying the provisions of HRS 302B-8 which provides a formula for the calculation of an amount to address the facilities needs for the charter schools yields the amount of funding requested. Funding for facilities for charter schools has only been provided in one year, FY 2006-07 when \$3,174,000 was appropriated. (See the attached worksheet A-2 for details regarding this calculation.)

Restoring School Service Coordinators (SSCs): This requested addition totals \$1,871,565. Per HRS 302B-12(a)(2)(A) DOE special education costs are excluded from the funding formula - "...provided that special education services are provided and funded by the department." At the beginning of BY2009-10 DOE changed the classification of SSCs from EDN150 (SPED) to EDN100 and then cut the funding to charter schools for 28 positions previously provided by the DOE per their obligation to fund SPED services at charter schools. The responsibilities of these positions, to support the SPED program, have not changed, only the accounting treatment has changed. This request, if funded, will provide funding to offset the costs borne by charter schools in order to continue to provide services to SPED students as provided by the School

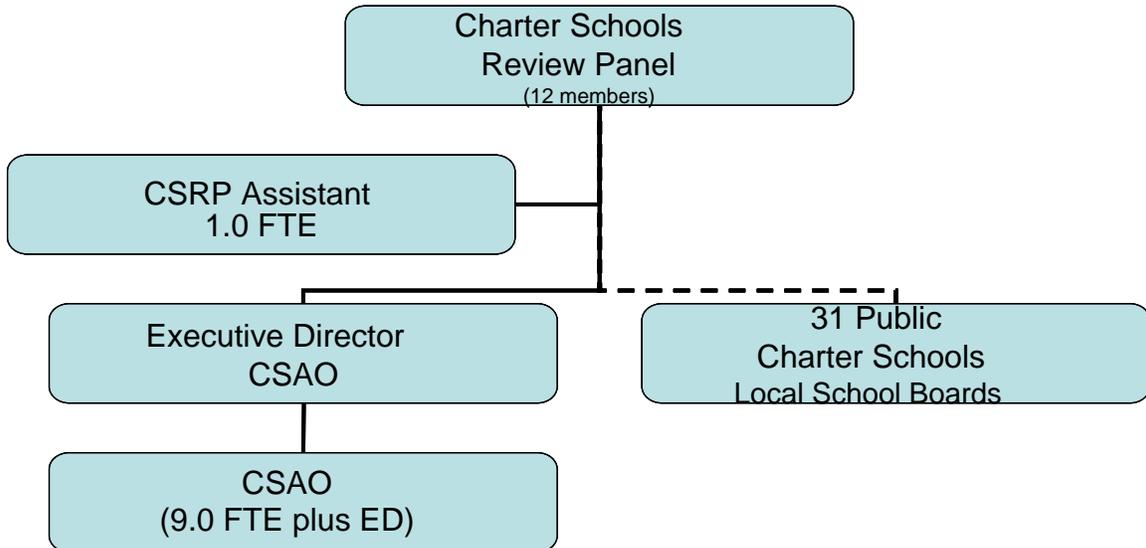
Service Coordinators (SSCs). Currently, despite statutory requirements, the DOE does not fund SPED services at charter schools for all the services required. DOE has cut SPED funding to charter schools for the payroll costs of the SSCs.

Funding for SPED Cuts to Charter Schools: This requested addition totals \$216,000. Similar to the SSC positions, the operation of the statutory language in HRS302B-12(a)(2)(A) provides that the formula for funding charter schools exclude DOE SPED costs provided that the DOE provide and fund SPED services in charter schools. In FY 2009-10, the DOE included SPED positions at charter schools in the furlough Fridays program. However, most of the charter schools chose to continue to serve all their students on furlough Fridays. As a result, and in order to continue to serve SPED students on those days, charter schools used general education operational funds (per pupil funding). This request is submitted to provide funding in the 2010-11 school year so that charter schools do not have to continue to have their funding reduced by SPED costs incurred by the DOE and not receive a full year of SPED services by the DOE.

Charter School Review Panel: This requested addition totals \$150,000. This item is requested to provide specific funding for the operations and staffing of the Charter School Review Panel (CSRP). HRS 302B-3(k) provides that *"The office shall provide staff support and expenses of the panel."* However, the CSAO does not have the financial capacity to fund the ongoing staffing and operations of the panel and provide for its other responsibilities under the statute. In the CSRP's first year of operations the CSAO has provided funding to support the CSRP. In its second year of operations the State provided \$50,000 to support the operations of the CSRP. However, even after making significant cuts to the normal needs of the CSRP the 2009-10 budget for the CSRP requires additional resources totaling \$141,164. Providing the additional funding to support the CSRP on an ongoing basis is beyond the CSAO's financial capacity.

Organizational Charts:

Charter Schools System Organizational Chart:



The dashed line linking the CSRP with the 31 Public Charter Schools is indicative of the autonomy of the charter schools. While the CSRP may hold the charter schools accountable for academic, administrative and financial success, the charter schools are largely autonomous in deciding how these goals are to be achieved.

CSAO Organizational Chart:

