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STATE PUBLIC CHARTER SCHOOL COMMISSION
('AHA KULA HO'ĀMANA)

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FOR: SB 813 Relating to Charter Schools
DATE: February 8, 2021
TIME: 3:00 P.M.
COMMITTEE: Committee on Education
ROOM: Conference Room 229
FROM: Yvonne Lau, Interim Executive Director
State Public Charter School Commission

Chair Kidani, Vice Chair Kim, and members of the Committee:

The State Public Charter School Commission ("Commission") appreciates the opportunity to submit this testimony in strong **SUPPORT of SB 813** which amends HRS §302D-32 to allow charter school authorizers to provide a list of approved independent auditors instead of selecting three independent auditors.

The requested amendment would allow the Commission to approve more than three independent auditors to conduct audits for the 37 charter schools that operate on five islands across the state.

In order to meet the requirements of HRS §302D-32, the Commission has already conducted a Request for Qualifications (RFQ) process to identify three approved independent auditors. However, the Commission has requested this amendment based on concerns and feedback from charter schools, particularly neighbor island charter schools, on the availability of these audit services on their islands. Should this measure be passed, the Commission would reopen the RFQ process to review and approve additional auditors.

The Commission looks forward to collaborating with the committee, other interested stakeholders, and public charter schools in moving this legislation forward.

Thank you for the opportunity to provide this testimony.

**Hawaii Public Charter School Network
Legislative Committee**

February 6, 2021

Aloha Chair Kidani, Vice Chair Kim and Committee Members,

SUPPORT SB813 WITH AMENDMENTS

Please consider amendments that would **Repeal Charter School Commission Auditor Selection** – empowering the school to select the auditor of its choice and ensure outer island auditor representation and a larger pool of auditors. Since 302D-32’s passage that gave control of the auditors to the commission the law has not been followed, there are not enough auditors in Hawaii to meet the required timeline to ensure charter audits are included in the Consolidated Annual Financial Report. Additionally, Oahu centric auditor selection will require outer island charter schools, which are the majority to incur additional expenses and time.

Per HRS 302D defines a "Governing board" as the independent board of a public charter school that is party to the charter contract with the authorizer that is responsible for the financial, organizational, and academic viability of the charter school and implementation of the charter;...

According to the [U.S. Securities and Exchange Commission](#), “ensuring auditor independence is as important as ensuring that revenues and expenses are properly reported and classified. If the auditor's independence is impaired, then the company has not satisfied the requirement to file financial statements audited by an independent accountant.” With the commission controlling and limiting auditor selection in Hawaii in the form of narrowing the competition, auditor independence is compromised.

The Hawaii Charter School Network agrees all schools should be audited by a neutral party through a truly independent auditor selection process that is not controlled or monopolized by the Commission.

Our members, having participated in all task forces in Hawaii formal and informal (2002, 2003, 2005, 2010, 2011, 2012), are clear about the role an authorizer should play. The statues were recodified in 2012 utilizing the National Alliance for Public Charter Schools Model Law which required that schools and authorizers adhere to national best practice.

The National Association of Charter School Authorizers (NACSA) clarifies in its publication, *What is Charter School Authorizing*, "*When authorizers overregulate schools, they create the same box-checking, red tape, and one-size-fits-all directives that sparked the creation of charter schooling in the first place...* "

Charter School communities are so thankful for the legislative intent of ACT 62, Session Law 1999 authorizing the creation of charter schools in Hawaii "*To nurture the ideal of more*

autonomous and flexible decision-making at the school level, the legislature supports the concept of new century charter schools. The legislature finds that this concept defines a new approach to education that is free of bureaucratic red tape and accommodating of the individual needs of students to allow the State to dramatically improve its educational standards for the twenty-first century....the implementation of alternative frameworks with regard to curriculum; facilities management; instructional approach; length of the school day, week, or year; and personnel management....”

Prior to the 2011 Task Force NACSA was contracted to evaluate Hawaii's charter system. In that report they clarified what would happen if there was no additional authorizer; "The Route to a Second Authorizer - In the long run, Hawaii would benefit from the presence of two high-quality authorizers. Once the CSRP/CSAO arrangement is functioning well, the purpose of creating a second high-quality authorizer is to minimize the tendency of all bureaucracies to slowly and continuously generate new regulations. Under a single authorizer model, as more charter schools are established, more funds flow to the authorizer, who hires more staff – because the money is there, not because they are needed. More staff people generate more requirements for schools and before long charter schools lose the freedom to be innovative and to excel."

A recent study from the Wisconsin Institute for Law and Liberty indicates charter schools that receive more independence when it comes to important policy decisions see their students perform at a higher level. The Center for Education Reform reached a similar conclusion.

Thank you all for the opportunity to testify and for your service to our communities,

Hawaii Public Charter School Network Legislative Committee