

DAVID Y. IGE
GOVERNOR



LANCE A. MIZUMOTO
CHAIRPERSON

**STATE OF HAWAII
BOARD OF EDUCATION**
P.O. BOX 2360
HONOLULU, HAWAII 96804

December 8, 2015

The Honorable Ronald D. Kouchi, President
and Members of the Senate
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki, Speaker
and Members of the House of
Representatives
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the annual report on the State's public charter schools, pursuant to Section 302D-21, Hawaii Revised Statutes. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at:

<http://www.hawaiiboe.net/reports/Pages/LegislativeReports.aspx>.

Very truly yours,

A handwritten signature in cursive script that reads "Lance A. Mizumoto".

Lance A. Mizumoto
Chairperson

cc: Legislative Reference Bureau
Office of the Superintendent, Department of Education

Enclosures



STATE OF HAWAII
BOARD OF EDUCATION
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LEGISLATIVE REPORT

SUBJECT: Requesting the Board of Education (the "Board") provide the Governor, Legislature and the public an annual report on the State's public charter schools, drawing from the annual reports submitted by every authorizer as well as any additional relevant data compiled by the Board, for the school year ending in 2015. The annual report shall include:

- (1) The Board's assessment of the successes, challenges, and areas for improvement in meeting the purposes of Hawaii Revised Statutes ("HRS") Chapter 302D, including the Board's assessment of the sufficiency of funding for public charter schools, and any suggested changes in state law or policy necessary to strengthen the State's public charter schools;
- (2) A line-item breakdown of all federal funds received by the Department of Education (the "Department") and distributed to authorizers;
- (3) Any concerns regarding equity and recommendations to improve access to and distribution of federal funds to public charter schools;
- (4) A summary of the criteria used by the charter school facilities funding working group, established pursuant to HRS §302D-29.5, in allocating facilities funding;
- (5) A detailed breakdown of the allocation of funding through general funds and bond funds;
- (6) A detailed list of the projects funded by general funds and bond funds;
- (7) The status of funding for projects previously awarded; and
- (8) A discussion of all Board policies adopted in the previous year, including a detailed explanation as to whether each policy is or is not applicable to charter schools.

REFERENCE: HRS §302D-21

ACTION REQUESTED: Report to the 2016 Legislature.

DOE REPORT: This is the fourth annual report provided by the Board pursuant to Act 130, Session Laws of Hawaii ("SLH") 2012, section 21, codified as HRS §302D-21 and subsequently amended by Act 159, SLH 2013, section 13; Act 99, SLH 2014, section 14; Act 114, SLH 2015, section 8; and Act 234, SLH 2015, section 3. The goal of Act 130, SLH 2012, is to strengthen the Hawaii charter school governance structure by establishing clear lines of authority that ensures accountability of the charter school system. A key aspect of HRS Chapter 302D is increased oversight and accountability of charter schools. Measures related to academic performance, financial performance and sustainability, and operational viability are a focus of the law.

The annual report required by HRS §302D-21 is designed to meaningfully assess and support the provisions of the law. The first report in 2012 provided a status report on the implementation of the new law that was ongoing at the time and certain key data points. The past two reports provided more information on meaningful comparative data and the status of the charter schools as well as an update on the implementation of the accountability measures in fulfilling the purpose of the law. This year's report continues that work and also provides new information related to charter school facilities funding and a status report on the implementation of Act 234, SLH 2015.¹

FINDINGS

(1) The Board's assessment of the successes, challenges, and areas for improvement in meeting the purposes of this chapter, including the Board's assessment of the sufficiency of funding for public charter schools, and any suggested changes in state law or policy necessary to strengthen the State's public charter schools.

As noted in last year's report, the State Public Charter School Commission (the "Commission") has accomplished much since its creation in 2012, and in 2014-2015, the Commission continued the work of implementing the charter school accountability system envisioned by HRS Chapter 302D. Contract year 2014-2015 marked the first year of the inaugural multiyear charter school performance contracts ("charter contracts"), which will be up for renewal or nonrenewal based on performance for the first time at the end of the 2016-2017 contract year. The Commission has been developing the process, application, criteria, and guidance for charter contract renewal. The Board looks forward to reviewing the implementation of the charter contract renewal process in the next two years.

Previous reports included information that compared the performance of charter school students with all public school students. However, as noted in last year's report, that has been discontinued because this information can be found in the Commission's report along with the cumulative and individual academic, organizational, and financial performance of all charter schools.²

Last year, the Commission reported it was improving its academic performance framework, which is one of three performance frameworks included in the charter contract, by incorporating school-specific measures for individual schools. These are optional measures that schools develop and propose and that the Commission reviews and uses to evaluate schools according to their individual mission and unique circumstances. However, it appears that these measures have had little impact thus far as the Commission has only approved the use of school-specific measures by two schools. The Commission reports one of its

¹ Act 234, SLH 2015, section 1 states that the purpose of the Act is "to provide: (1) A framework for providing facilities funding and support for public charter school facilities with adequate prioritization, oversight, and accountability; and (2) Public charter schools and early learning programs that are affiliated with a public charter school with the opportunity to secure the use of additional state facilities deemed vacant and appropriate for use."

² The Commission's annual report is available on its website here: <http://www.chartercommission.hawaii.gov/#!reports/c1mkt>.

priorities for the 2015-2016 year is to examine the school-specific measures review process and explore ways to assist schools in developing high-quality measures. The Board looks forward to reviewing the progress and impact of these measures next year.

With regard to the sufficiency of funding, the Commission's assessment of the financial performance of charter schools based on the 2014-2015 results on its financial performance framework—another performance framework included in the charter contract—indicates that the charter schools' financial status remains relatively stable, suggesting sound stewardship of public funds (with the exception of one school discussed later). However, there continues to be reason for concern over the financial sustainability of the schools over time, and long-term financial stability is a concern that continues to be highlighted year after year. The Commission again reported that there is concern that the charter schools may not be on firm financial footing for the long term if current levels of available funding remain essentially flat in coming years and/or schools are unable to realize cost savings.

Related to financial performance, the Commission and the charter school system learned hard lessons in 2014-2015 when the Commission closed a charter school, Halau Lokahi Charter School ("Halau Lokahi"), for the first time. Even though it was unable to meet its financial obligations at the end of Fiscal Year 2014 due to financial mismanagement, the Commission offered Halau Lokahi a conditional charter contract that required the governing board and leadership of Halau Lokahi to resign and a new governing board be appointed by the Commission. This set in motion a series of governing board and leadership changes throughout the school year and various proposals from the school for financial restructuring until the Commission finally decided to revoke Halau Lokahi's charter contract mid-year. The Commission allowed the school to complete the school year, but it fell largely on the Commission to conduct the actual closure activities. In the end, many student records from the school were not complete, and it is not clear at this point in time whether there are any remaining financial obligations for which the State may be liable.

As noted in previous years' reports, there are always areas for improvement, and the Board is beginning to take a more active role in identifying those areas. A few members of the Board have recently been conducting listening tour sessions to hear the concerns of charter school governing board members, administrators, and staff, especially in regards to the Board's oversight duties of charter school authorizers and interest in the creation of another authorizer. Since these members are still gathering information, the Board has not yet deliberated or taken action on these topics, but it is looking forward to starting the process of carrying out the Board's responsibilities as they relate to charter schools.

A major and ongoing challenge is the lack of funding for charter school facilities. Act 234, SLH 2015, takes another step toward addressing this perennial problem, although no general funds have been appropriated or bonds authorized for charter school facilities to date. This report addresses the reporting requirements of Act 234, but to date there are no facilities funds for charter schools. The Board recommends that the Legislature provide some form of facilities funding to charter schools to address this unmet need.

(2) A line-item breakdown of all federal funds received by the Department and distributed to authorizers.

Please see attached, Exhibit A.

(3) Any concerns regarding equity and recommendations to improve access to and distribution of federal funds to public charter schools.

As noted in last year's report, the Commission again reported that there remains a perceived lack of transparency regarding the availability of certain federal funds. The Department-Commission-charter school working group that was also in place last year continues to update informational guidance and resources on special education in charter schools, and the group has discussed the process by which the special education positions and resources are allocated to all public schools. If appropriate, the working group will make recommendations for improving the process or for improving the transparency and understanding of that process. If this approach is successful for clarifying the special education program area, the Commission suggests using this approach as a model for clarifying other federal program areas.

In the meantime, the Board recommends that the Commission work with charter schools and the Department to identify other federal program areas where schools perceive a lack of transparency and require clarification. If the special education working group is successful in providing greater transparency and clarification, the Commission should initiate a similar approach for any other identified program areas.

(4) A summary of the criteria used by the charter school facilities funding working group, established pursuant to HRS §302D-29.5, in allocating facilities funding.

The Charter School Facilities Funding Working Group has not yet convened and therefore has not developed criteria to allocate facilities funding.

(5) A detailed breakdown of the allocation of funding through general funds and bond funds.

The Legislature has not yet appropriated general funds or issued bond authorization to charter schools for facilities.

(6) A detailed list of the projects funded by general funds and bond funds.

There are currently no charter school facilities projects being funded by general funds or bond funds.

(7) The status of funding for projects previously awarded.

No charter school facilities projects have been awarded general funds or bond funds.

(8) A discussion of all board policies adopted in the previous year, including a detailed explanation as to whether each policy is or is not applicable to charter schools.

In 2011 the Board formed the Policy Audit Permitted Interaction Group (the “Policy Audit Group”), a task force charged with auditing the Board’s policies. On November 18, 2014, the Policy Audit Group presented to the Board a report and policy matrix that reorganized the policies to align with the Board and Department’s joint strategic plan, created “ends policies” that describe the outcomes the Board is seeking for the educational system, identified policies that may not be needed, and identified areas where new policies might be considered.

Currently, the Board is working on its policies, although the Board has already approved a large number of policies since the Policy Audit Group’s report. A list of policies the Board has approved up through November 17, 2015 is attached as Exhibit B. The list also indicates whether or not each approved policy is applicable to charter schools. However, it is important to note that the Board has not completed revisions to its policies, and the Board may develop a policy specific to charter schools that will more accurately describe the applicability of Board policies to charter schools.³

FUTURE ACTIONS The Board believes that, while it experienced some painful lessons during this past year, the Commission continues to make significant progress toward developing and implementing a strong accountability system. The Board looks forward to the next year and the outcome of the Department-Commission-charter school special education working group and the progress on the school-specific measures. After the information gathering from charter schools is complete, the Board will consider what actions it will take, if any, on its authorizer oversight duties and begin the process of developing administrative rules to allow for multiple authorizers. Last but not least, the Board encourages the Legislature to provide facilities funding and to consider other supports for charter schools.#

³ The Policy Audit Group’s report, a table showing the status of each of the Board’s policies, and links to the new policies are available on the Board’s website here: <http://www.hawaiiboe.net/Pages/pa2.aspx>.

Exhibit A – Summary of FY2014-2015 Federal Fund Allocations to Charter Schools

Federal Program	Grant Purpose and Basis for Allocation	Funds distributed to the Charter Schools Commission in Fiscal Year 2014-15	Funds distributed directly to Charter Schools ¹ in Fiscal Year 2014-15
U.S. DOE Impact Aid	Grant provided financial assistance to local education agencies affected by Federal presence. Distribution based on proportion of total public school enrollment.	2,225,214	
NCLB Title I LEA Grant – Schools	Grant provided to help disadvantaged students in school with the highest concentrations of poverty meet the same high standards expected of all students. Distribution made to only schools with 47.2% or more students receiving free or reduced-price meals. Distribution to these schools based on Title I formula using number of free or reduced-price eligible students multiplied by the per pupil amount for the school’s county.	1,791,495	
NCLB Title IIA High Quality Professional Development	Grant provided to improve teacher and principal quality and increase the number of highly qualified teachers in the classroom. Distribution based on an approved Title IIA Highly Qualified Plan.		2,123
Title VIB Special Education Project I (IDEA)	Grant provided special education and related services to eligible students in accordance with federal regulations. Distribution based on award for 100% input into the SPED information system and funds for program costs. NOTE: IDEA funds are primarily allocated to Complex Areas to assist in supporting special education related services for all public school students, including	11,250	

¹ Efforts will continue to be made to route all allocations to charter schools through the Commission’s staff office.

Exhibit A – Summary of FY2014-2015 Federal Fund Allocations to Charter Schools

Federal Program	Grant Purpose and Basis for Allocation	Funds distributed to the Charter Schools Commission in Fiscal Year 2014-15	Funds distributed directly to Charter Schools ¹ in Fiscal Year 2014-15
	charter school students.		
DoD Supplement to Impact Aid	Grant provided financial assistance to local education agencies affected by military presence. Distribution based on proportion of total public school enrollment.	193,717	
Native Hawaiian Pihana Hou-UH FY15	Grant to improve educational outcomes in reading for Native Hawaiian students in pre-kindergarten through grade three. Distribution to eleven elementary schools that serve high percentages of students of Hawaiian ancestry that have also submitted a proposed budget and signed an agreement to implement project activities.	60,000	
NCLB Title I LEA Grant – Resource Teachers	Grant is to provide technical support to Title I schools. Distribution for a Title I Linker to provide technical support to Title I charter schools.	87,828	
NCLB Title III Language Instruction	Grant to supplement efforts to improve the education of limited English proficient children. Distribution based on the number of ELL students enrolled in schools after submission and approval of written plans.	39,196	
NCLB Title I LEA-Trans & Supplemental Services	Grant to support school improvement/turnaround at the complex and school level with supplemental education supports and services for Priority, Focus, and low performing schools.	696,016	
NCLB Administration	Grant funds to support planning, implementation, and management of NCLB programs included in Hawaii’s consolidated NCLB application. Distribution made based	27,036	

Exhibit A – Summary of FY2014-2015 Federal Fund Allocations to Charter Schools

Federal Program	Grant Purpose and Basis for Allocation	Funds distributed to the Charter Schools Commission in Fiscal Year 2014-15	Funds distributed directly to Charter Schools ¹ in Fiscal Year 2014-15
	on proportion of statewide enrollment at Title I eligible schools.		
NCLB Title I LEA Grant – Parent Involvement	Grant to provide support for parent involvement activities, including but not limited to family literacy training, training to enhance parenting skills, etc. Distribution based on Title I formula.	25,554	
Education for Homeless Children & Youth	Grant provided to support all homeless children to have equal access to free and appropriate public education. Funds support staffing for personnel that provide technical assistance to various groups. Distribution is based on the cost of a homeless liaison position and related expenses.	18,875	
NCLB Migrant Education	Grant provided to support education programs that address the needs of migratory children. Distribution made based on a percentage formula incorporating at-risk factors and the number of migrant students at each school.	22,694	
Vocational Education – Program Improvement FY15	Grant to provide resource and services to identified project schools that are developing and implementing improved and expanded CTE programs during the school year. Distribution of funds based on SY14-15 CTE one-year plans that have been submitted and approved.	1,890	1,889
Vocational Education – Program Improvement FY14	Grant to provide resource and services to identified project schools that are developing and implementing improved and expanded CTE programs during the school year.		983

Exhibit A – Summary of FY2014-2015 Federal Fund Allocations to Charter Schools

Federal Program	Grant Purpose and Basis for Allocation	Funds distributed to the Charter Schools Commission in Fiscal Year 2014-15	Funds distributed directly to Charter Schools¹ in Fiscal Year 2014-15
	Distribution of funds based on SY13-14 CTE one-year plans that have been submitted and approved.		
Total		5,200,765	4,995

Exhibit B – Board of Education Policies Adopted in 2015 and Applicability to Charter Schools

As of 11/17/15

Old Policy #	New Policy #	Policy	Applicable to Charter Schools?
(new)	E-3	Nā Hopena A'o	No
4010	101.1	Student Code of Conduct	No
2109	101.2	Character Education	No
1710-10	101.4	Community Sponsored Activities	No
2130	101.5	Guidance, Counseling and Related Services	No
2203	101.6	Comprehensive Student Support System	No
(new)	101.7	School Climate and Discipline	No
2255	101.8	Extended Learning Opportunities	No
4015	101.9	School-Sponsored Student Publications	No
4300	101.10	School Service	No
4520	101.12	Academic Requirements for Participation in Co-Curricular Activities	No
2210	101.13	Controversial Issues	No
2403	101.14	Family and Community Engagement/Partnership	No
2005	102.1	Effective Schools Reporting	No
2010	102.2	K-12 Literacy	No
2015	102.3	Content and Performance Standards	Yes
4550	102.4	Diverse Stakeholder Inclusion in the Development of Content and Performance Standards	No
2200	102.5	Comprehensive Assessment and Accountability System	No
2520	102.6	Public Access to Assessment Data	No
1710-12	102.7	Recruitment and Testing of Students by Private Schools and Other Agencies	No
2500	102.10	Educational Research and Evaluation	No
2510	102.11	Pilot and Innovative Projects	No
4530	102.13	Credits	No
2270	102.14	Homework	No
1710-14	103.3	Emergency Care for Sick or Injured Students	No
2110	103.5	Sexual Health Education	No
6800	103.6	School Food Services	No
6810	103.7	Competitive Food Sales	No
4540	104.1	Graduation and Related	Yes
2100	105.1	Academic Program	No
2030	105.2	Responsibility for Curriculum Development and Implementation	No
2101	105.3	Curriculum	No
2240	105.4	Instructional Materials	No
2104	105.7	Hawaiian Education Programs	Yes
2105	105.8	Ka Papahana Kaiapuni	Yes

Old Policy #	New Policy #	Policy	Applicable to Charter Schools?
2140	105.11	Pregnant/Parenting Students	No
	105.15	Seal of Biliteracy	No
2250	105.18	Field Trips and Student Travel	No
1710-3	106.1	School Calendar	No
4410	106.4	Dress Code and School Uniforms	No
4000	106.5	Focus on Students	No
5005	E-200	Staff Success	No
	E-201	High Performing Employees	No
5511	201.1	Ethics and Code of Conduct	Yes
1200-1.42	201.2	Accountability of Employees	No
1110-4	201.3	Collective Bargaining	Yes
5400	201.4	Leaves of Absence	No
(new)	E-202	Highly Effective School Administration (Strong, Visible School Leadership)	No
1700-1	202.1	School Leadership	No
1710-1	202.2	School Year for Principals	No
1710-2	202.3	School Year for Vice Principals	No
2055	202.4	Principal Performance Evaluation	No
1900-1	203.1	Duties and Responsibilities of Teachers	No
2235	203.2	Developmentally-Appropriate Teaching Strategies	No
2290	203.3	Classroom Management	No
2055	203.4	Teacher Performance Evaluation	No
1900-10	203.5	Substitute Teachers	No
	E-204	Hiring, Training and Retention of Employees	No
5100	204.1	Teacher Recruitment, Retention, and Employment	No
(new)	204.2	Educational Officer Appointment and Probation	No
5600	204.3	Personnel Development	No
5300	204.4	Employee Certification	No
5200	204.5	Compensation and Classification	No
6610	204.6	Department of Education Housing	No
1100-6	204.7	Department of Education New Employee Orientation Program	No
1100-7	204.8	Department of Education Employee Dress Code	No
1110-5	204.9	Strike Situation	No
5512	204.10	Personnel Relations	No
(new)	204.11	Student Teachers from Out-of-State Universities	No
	E-300	Effective Systems of Support	No
	E-301	Facilities and Technology	No
6700	301.1	Facilities Standards	No
6701	301.2	Creating Communities of Learners	No
6401	301.4	School Lavatories	No
1710-7-2	301.5	Use of School Equipment	No

Old Policy #	New Policy #	Policy	Applicable to Charter Schools?
2170		Internet Access	No
1110-12	301.6	Internet Use	No
1200-1.19	301.7	Employee Electronic Communication and Technology Use and Access	No
6750	301.8	Naming of Schools and School Facilities	No
6710	301.9	Sustainability and Environmental Stewardship	No
	E-302	Transportation	No
6600	302.1	Student Transportation	No
	E-303	Financial Systems, Business Processes and Organizational Resources	No
1200-1.12	303.1	DOE Budgets	No
1200-1.16	303.2	DOE's Budget Public Input Required	No
1200-1.17	303.3	DOE Program Evaluations	No
1200-1.18	303.4	Federal Funds	No
6760	303.5	Capital Improvement Program	No
1200-1.14	303.6	Carryover Funds	No
1200-1.13	303.7	Personal Services Contracts	No
6270	303.8	Real Estate Transaction	No
1710-11	303.9	Collecting Third Party Dues and Assessments	No
1200-3	303.10	Fee for service	No
4700	303.11	After School Plus (A+) Fees	No
6340	303.12	Commercialism	No
1710-7	303.13	Sale of Merchandise	No
6330	303.14	Inventory	No
6320	303.15	Disposals/Transfers	No
	E-304	Communications (Family and Community Engagement)	No
1110	304.3	Open Communication	No
1200-2	304.4	Department of Education Data information Availability and Access	No
1110-9	304.5	Public Complaints	No
	E-305	Safe Schools, Safe Students	No
4200	305.1	Student Safety and Welfare	No
1110-7	305.2	Safe workplace	No
(new) incorporating policies 1110-2 and 1710-9.	305.3	Safe Schools	No
1710-8	305.5	Cooperation with Law Enforcement Agencies	No
1710-13	305.6	Closing Schools in the Event of Disaster and/or other Emergencies	No
4220	305.7	Alcohol and Illicit Drug Use	No
4400	305.8	Youth Gangs	No
4210	305.9	Practice of Hazing Students	No
4211	305.10	Anti-Harassment, Anti-Bullying, and Anti-Discrimination Against Student(s) by Employees	No

Old Policy #	New Policy #	Policy	Applicable to Charter Schools?
2260	305.11	Classroom and Laboratory Safety	No
	E-400	Board of Education Governance	No
1200-1.5	400.1	BOE Roles & Responsibilities	No
1200-1.11	400.4	Budget Restrictions & Reductions	No
1200-1.9	400.5	Public Board of Education	No
	E-500	Department of Education	No
1310-1/ 1310-2/ 1310-3	500.3	Employment of the Superintendent of Education	No
1300-3	500.4	Duties and Responsibilities of Supt.	No
1310-4	500.6	Salaries of Subordinate Sups.	No
1300-5	500.7	Temporary Assumptions of the Supt's Office Due to Absence or Illness	No
4150	500.11	School Attendance Areas	No
4155	500.12	Geographic Exceptions to the Mandatory School Attendance Law	No
2404	500.14	Pre-Kindergarten and Kindergarten	No
2406	500.16	Middle Level Education	No
2407	500.17	High School Education	No
2410	500.18	Summer School Programs	No
2411	500.19	School Community Councils	No
2412	500.20	School Community Council Waivers and School Community Council Exceptions	No
4610	500.21	Student Information and Confidential Records	No
1710-4	500.22	School Visitations by non-School Personnel	No
1710-5	500.23	Solicitations by Department Personnel and Students	No
6640	500.24	Opening and Closing Hours of School	No
1300-6	500.25	Establishment of Articulated School Complexes	No
6705	500.27	[Multi-Track Year-Round Education]	No
2408	E-800	Adult Schools	No
2409	800.1	Content Standards for Adult Community Schools	No
	E-900	Legal Requirements, Implementation and Limitations	Yes
1110-11	900.1	Applicant and Employee Non-Discrimination	No
2525	900.2	Copyright	No
2230	900.3	Religion and Public Schools	No
1110-10	900.4	Gender Equity in Education	No
2205	900.5	Rights of Students Who Are Deaf, Hard of Hearing, or Deaf-Blind	No
4050	900.6	Student Rights and Due Process	No