NEIL ABERCROMBIE
GOVERNOR

DONALD G. HORNER
CHAIRPERSON

STATE OF HAWAI'I
BOARD OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAI'I 96804

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 the preceding calendar year. The annual report shall include:

(1) A comparison of the performance of public charter school students with the performance of comparable groups of students in public schools governed by chapter 302A;[1]
(2) 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;
(3) A line-item breakdown of all federal funds received by the Department of Education (the "Department") and distributed to authorizers;
(4) Any concerns regarding equity and recommendations to improve access to and distribution of federal funds to public charter schools; and
(5) 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: Section 302D-21, Hawaii Revised Statutes ("HRS")[2]

ACTION REQUESTED: Report to the 2014 Legislature.

DOE REPORT: This is the second annual report provided by the Board pursuant to Act 130 (2012), section 21, codified as HRS 302D-21. The goal of Act 130 (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 the new law is increased oversight and accountability of the charter schools. Measures related to academic performance, financial performance and sustainability and operational viability are the focus of the new law.

The annual report required by HRS 302D-21 was designed to meaningfully assess and support the provisions of the law. The first

[1] Act 159 (2013) amended Section 21 of Act 130 as follows "[a] comparison of the performance of public charter school students with the performance of [~~academically, ethnically, geographically, and economically comparable groups~~] comparable subgroups of students in public schools governed by chapter 302A[.]"
[2] HRS 302D-21 is the codification of Act 130, Session Laws of Hawaii 2012, Section -21.

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. This year's report provides more information on meaningful comparative data.

FINDINGS

(1) A comparison of the performance of public charter school students with comparable subgroups of students in public schools governed by chapter 302A.

The Hawaii Public Charter School Commission (the "Commission") has accomplished a great deal in the last year including putting charter contracts in place for all charter schools which holds charter schools accountable for their students' academic performance. The performance of charter school students were shared with the Legislature and the Board in the Commission's 2012-13 Annual Report.[3] The charter school students' performance with additional information comparing charter school students with Department students is attached as Exhibit A.

(2) 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.

The Board is pleased that the Commission has been able to implement the charter contracts which is a cornerstone of the law and which promises to increase accountability. One of the challenges is certainly the delay in developing the Commission's academic performance framework, which had to be deferred pending federal approval of Hawaii's Elementary and Secondary Education Act (ESEA) Flexibility Waiver and finalization of the Strive HI Performance System and which will be key to assessing the individual strengths and weaknesses of the schools. This is, however, a priority for the Commission during this school year. There are always areas of improvement, but the Board believes that the Commission is proactively identifying these areas as they continue to work with stakeholders to improve understanding of charter school funding and reviewing and refining the charter contract and performance frameworks.

With regard to the sufficiency of funding, the Commission's assessment of the financial performance of the charter schools based on available fiscal year 2012-13 data is that there is reason for concern over the adequacy of funding and particularly over the sustainability of the schools over time. The Commission reported that many schools appeared to have depleted their reserves in recent years and that start-up charter schools that are not primarily online programs continue to struggle with the most obvious inadequacy of the current state funding system for charter schools: the unavailability of funding for their facility needs.

Accordingly, the Commission is pursuing the following requests to the Legislature, which are an outgrowth of a working group on charter school funding organized by Senate Education Committee Chair Jill Tokuda that has included participation by the Board:

[3] The Commission's annual report is available on their website and linked here: http://media.wix.com/ugd/448fc8_c7ceb99020e84f39bba8132d7820d3e7.pdf

(1) A clarification to the statutory funding formula for charter schools specifying that the Commission's budget is to be appropriated separately from, and in addition to, the per pupil funding for the charter schools, rather than deducted from per pupil funding; and
(2) The establishment of a Commission charter school facilities program, which the Commission will be piloting using federal Impact Aid funds and which would make project awards to charter schools on the basis of school need and performance as well as project viability.

The Board of Education believes that these proposals will help to strengthen the State's charter schools as it will provide for necessary administrative costs and resources for facilities funding.

The Board notes that its transition coordinator, the National Association of Charter School Authorizers ("NACSA"), recommended several substantive changes to the law which were adopted by the Legislature in 2013. These changes included (1) stating the charter schools' conflict of interest disclosure requirements, (2) requiring charter school authorizers follow national best practices, and (3) requiring charter schools complete financial audits annually.

Since not all aspects of the performance frameworks set forth in the law have been finalized, at this time, the Board currently does not have any additional suggested changes to state law or policy which are necessary to strengthen the State's public charter schools, other than the Commission's proposals described above. Only after the requisite charter school data is obtained and analyzed, will the Board best be in a position to identify any additional policy and statutory changes that the Board believes need to be made. However, the Board understands that the Commission is developing proposed legislation to make certain revisions to HRS 302D.

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

Please note that due to its recent constitution in July 2012, the Commission, currently, the only authorizer in the state, has not received federal funds for the purposes of this report. Rather, federal funds were distributed to the Charter School Administrative Office (the "CSAO") who received and distributed federal funds to the charter schools for fiscal year 2013. The CSAO ceased to exist as of July 1, 2013.

Please see attached Exhibit B.

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

The Commission noted in its report that there has been a perceived lack of transparency regarding the availability of certain federal funds. The Commission is working with the Department to identify specific equity concerns and develop recommendations for improvement. Thereafter, if necessary, the Commission will provide recommendations for

improvement to communications about access to and distribution of federal funds to charter schools.

(5) 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.

The Board continues to review all of its policies and within this process it will determine the applicability of policies to charter schools. Upon NACSA's recommendation, the Board has approved administrative rules pursuant to HRS 302D-15 related to charter school appeals that will supersede the current Board Policy 8100 which covers the same topic. We anticipate that the new administrative rules will be in place in early 2014.

FUTURE ACTIONS

Much has been accomplished as the charter school law has been implemented. We look forward to the next year when the Commission will put into place multi-year charter contracts and develop and implement the academic performance frameworks which will provide increased academic achievement accountability for each school while considering the unique educational aspects of charter schools.

ADDENDUM

The data in the report submitted to the Legislature last year initially was limited to the extent that we were able to only compare the charter schools with all schools (including charter schools and Department schools). We noted that we would update the data to provide the comparison between the charter schools and Department schools rather than all schools. That data is contained herein and updated in the academic, ethnic and economic comparisons.

Please see attached Exhibit C.

	Statewide	HRS 302A Schools – DOE Schools	Charter Schools
ACHIEVEMENT			
Math Proficiency (%)	60	61	45
Reading Proficiency (%)	72	73	65
Science Proficiency (%)	34	34	28
SUBGROUP ACHIEVEMENT: Free & Reduced Lunch (FRL)[1]			
Math FRL Proficiency (%)	51	52	40
Reading FRL Proficiency (%)	63	64	64
Science FRL Proficiency (%)	24	24	23
English Language Learner (ELL)[2]			
Math ELL Proficiency (%)	41	20	25
Reading ELL Proficiency (%)	46	19	30
Science ELL Proficiency (%)	15	3	0
SPECIAL EDUCATION[3]			
Math Special Education Proficiency (%)	18	16	18
Reading Special Education Proficiency (%)	27	24	32
Science Special Education Proficiency (%)	12	10	14
GROWTH[4]			
Math Median Student Growth Percentile (SGP)	52	51	47
Reading Median SGP	52	51	46
READINESS			
Chronic Absenteeism (%)	18	18	N/A[5]
Median 8th Grade EXPLORE	14	14	N/A[6]
Percent Scoring at or Above 19[7] on 11th grade ACT (%)	34	34	20
Graduation Rate Used for 2012 HS Readiness Calculation (%)	81	81	66
Class of 2011 16-month College Enrollment Rate (%)	63	63	58
ACHIEVEMENT GAP[8]			
2012-13 Non High-Needs Proficiency (%)[9]	83	83	66
2012-13 High-Needs Proficiency (%)[10]	55	56	49
Current Gap Rate (%)	33	33	26
Two-Year Gap Reduction Rate (%) [11]	12	21	-21

[1] The FRL student subgroup shows the performance of students who are economically disadvantaged.

[2] The ELL student subgroup is made up of students with limited English proficiency.

[3] The special education student subgroup includes students who have been evaluated as "deaf, hard of hearing, having an intellectual disability, a developmental delay, a speech or language disability, a visual disability (including blindness), an emotional disability, an orthopedic disability, autism spectrum disorder, traumatic brain injury, a specific learning disability, deaf-blindness, multiple disabilities, or other health disability, and who, by reason thereof, needs special education and related services." Hawaii Administrative Rules §80-60-2.

[4] For individual students, the Student Growth Percentile ("SGP") is used to compare students to their academic peers (students who are in the same grade with similar Hawaii State Assessment ("HAS") score histories for a given content area).

[5] Chronic absenteeism captures the percentage of students who were absent for fifteen days or more in a year. Elementary Chronic Absenteeism was not reported for any charter school in the original report of Strive HI index scores because charter school attendance data was initially deemed unreliable, although upon re-evaluation by the Department of Education and the State Public Charter School Commission, three schools' absentee data was included in their index scores. According to the State Public Charter School Commission, the issue with the reporting of Elementary Chronic Absenteeism will be addressed by the implementation of minimum data reporting requirements and by the Commission encouraging schools to participate in registrar trainings.

[6] EXPLORE is the 8th grade version of ACT, which measures college readiness. EXPLORE is scored on a scale of 1 to 25. Statewide, the median for 8th grade EXPLORE is 14. There are only seven charter schools categorized as middle schools under Strive HI and of these seven, only four charter schools participated in EXPLORE (8th grade) test. As such, the sparse information relating to EXPLORE does not provide an accurate picture of colleg readiness for all charter schools. With that caveat, the median for 8th grade EXPLORE among participating middle charter schools was 15, which surpasses the statewide average.

[7] A composite score of 19 is used because University of Hawaii research finds that students who receive an ACT composite score of 19 or higher are more likely to be successful in college courses in the University of Hawaii system. Thus, an ACT composite score of 19 or higher indicates college readiness.

[8] Achievement gaps are calculated in the current year and over time between High-Needs Students and Non High-Needs Students. The current gap rate compares HSA performance between High-Needs and Non High-Needs Students. The current gap rate is calculated by dividing the difference between the proficiency rates of Non High-Needs and High-Needs students by the Non High-Needs rate.

[9] A student who falls within the FRL, ELL or special education subgroup is considered a "High-Needs student." All students who do not fall into any of the subgroups are referred to as a "Non High-Needs student."

[10] See footnote 9.

[11] The two-year gap reduction rate measures how much the gap rate has closed over the past two years. For the two-year gap reduction rate, a positive gap rate indicates that a gap is shrinking and a negative gap rate indicates that a gap is growing.

Exhibit B – Summary of FY2012-13 Federal Fund Allocations to Charter Schools

Federal Program	Grant Purpose and Basis for Allocation	Funds distributed to the Charter Schools Administrative Office[1] in Fiscal Year 2012-13	Funds distributed directly to Charter Schools[2] in Fiscal Year 2012-13
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.	2,600,239	
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 35% 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.	1,315,074	17,537
ARRA Title I – School Improvement Grant	Grant provided to support competitive sub-grants to Title I eligible schools ranked in the bottom 5 percent. Schools must implement one of four school intervention models. Distribution based on evaluation of applications.	1,140,716	
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, funds required to clear		301,603

[1] Pursuant to Act 130, SLH 2012, the Charter School Administrative Office ceased to exist on July 1, 2013, and has been replaced with a staff office for the Charter School Commission.

[2] Allocations have been sent directly to some charter schools based on program manager allocation documents or transfers of allocation initiated by Complex Area offices. In the future efforts will be made to route allocations to charter schools through the Commission's staff office.

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Federal Program	Grant Purpose and Basis for Allocation	Funds distributed to the Charter Schools Administrative Office[1] in Fiscal Year 2012-13	Funds distributed directly to Charter Schools[2] in Fiscal Year 2012-13
	deficits, and funds for program rated costs. NOTE: IDEA funds are primarily allocated to Complex Areas to assist in supporting special education related services for all public school students, including charter school students.		
NCLB Title IIA Support for New Teachers and Principals	Grant provide for induction and mentoring activities for new teachers in their first three years of employment and principals, and vice principals in their first three years of their assignment. Distribution based upon approved Induction and Mentoring plan and memorandum of agreement.	175,000	
Native Hawaiian Pihana Na Mamo-UH FY10	Grant to improve education outcomes and support services for Native Hawaiian students and their families. Distribution to 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		169,000
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.	162,271	
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.	152,000	2
Native Hawaiian Piha Pono-UH FY13	Grant to improve education outcomes and support services for Native Hawaiian		135,000

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	students and their families. Distribution to 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.		
NCLB Title I LEA Grant – Professional Development	Grant to provide training and professional development to assist all teachers in Title I schools in becoming highly qualified by the end of SY2012-13 and assist paraprofessionals in Title I schools meet educational requirements of NCLB Act of 2001. Distribution based on Title I formula.	97,621	
NCLB Title I LEA Grant – School Improvement	Grant provided to support competitive sub-grants to Title I eligible schools ranked in the bottom 5 percent. Schools must implement one of four school intervention models. Distribution based on evaluation of applications.	84,177	
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.	73,600	
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 of approved written plans.	36,923	
Education Jobs Fund	Grant to assist States to save or create education jobs for early childhood, elementary, and secondary education.	29,159	

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	Original distribution based on proportion of total public school enrollment. This reflects balance not expended by CSAO in FY11-12.		
Statewide Longitudinal Data Systems (SLDS)	Grant to develop a robust, high-quality pre-school to workforce (P20W) SLDS. Distribution of funds to implement a Power School module allowing the automated transfer of charter school data to the State's data system.	25,000	
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.	22,712	
NCLB Title IIA Asst Non Highly Qualified Teacher (NHQT) to Highly Qualified Teachers (HQT)	Grant to support professional development and other activities that assist NQHTs become HQTs in core academic subjects assigned by the end of SY2012-13. Distribution is based on $150 for each (Tier I) NHQT as of June of the prior school year.	21,600	
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.	20,035	
NCLB Administration	Grant funds to support planning, implementation, and management of NCLB programs included in Hawaii's consolidated NCLB application. Distribution made based on proportion of statewide enrollment at	19,813	

Exhibit B – Summary of FY2012-13 Federal Fund Allocations to Charter Schools

Federal Program	Grant Purpose and Basis for Allocation	Funds distributed to the Charter Schools Administrative Office[1] in Fiscal Year 2012-13	Funds distributed directly to Charter Schools[2] in Fiscal Year 2012-13
	Title I eligible schools.		
Education for Homeless Children & Youth	Grant provided to support all homeless children have equal access to free and appropriate public education. Distribution is based on the cost of a homeless liaison position and related expenses.	18,875	
NCLB Assessment	Grant to support the development, administration, and maintenance of the three large scale assessments in the areas of Reading/Language Arts, Mathematics, and Science: Hawaii State Assessments, the Hawaii State Assessment Translated into Hawaiian, and the Hawaii State Alternate Assessment. Distribution made based on CSAO returning unused funds from a prior appropriation.		5,882
Title IIA: High Quality Professional Development FY11	Grant funds to pay for professional development of teachers of all subjects and grade levels, para-educators, educational specialists and schools. Distribution is based on the RTTT Project Plan and Highly Qualified Teacher (HQT) Plan, specifically to support charter schools implement the Common Core State Standards.	5,236	
Vocational Education – Program Improvement FY13	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 to provide Laupahoehoe PCS funds to support CTE program improvements.		3,103

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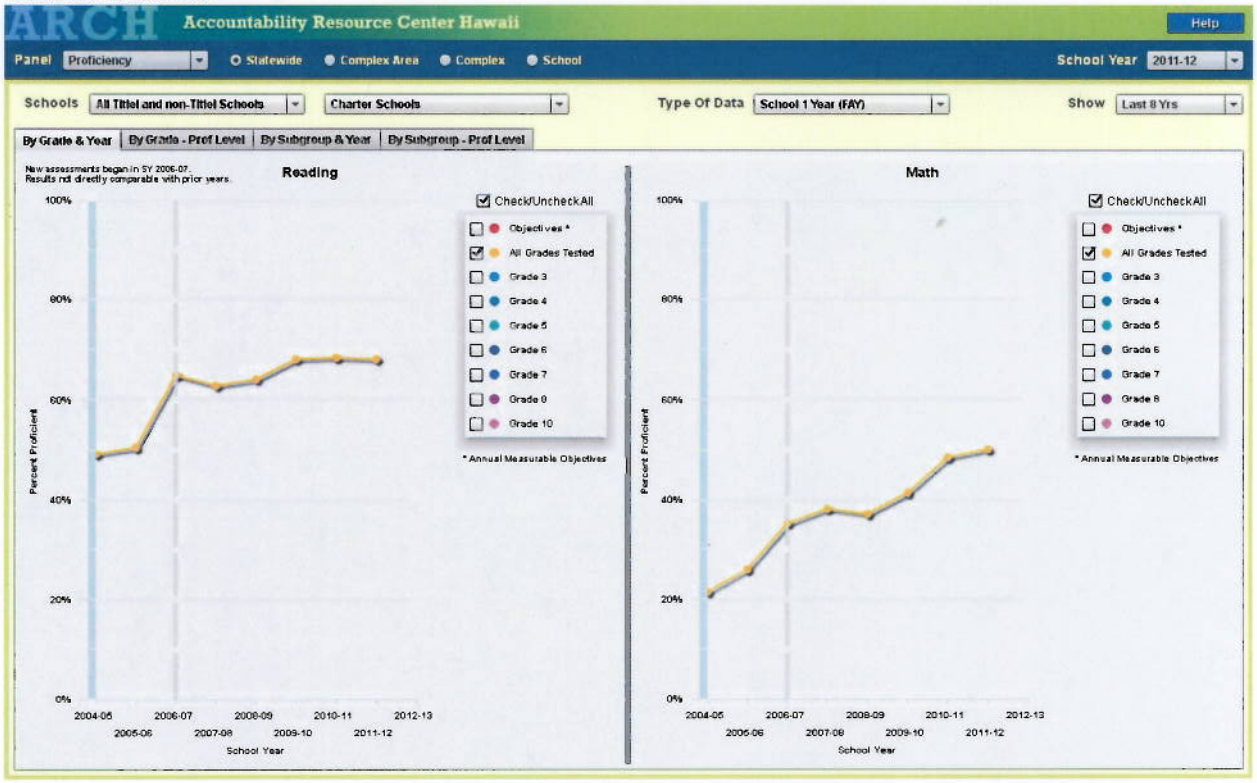
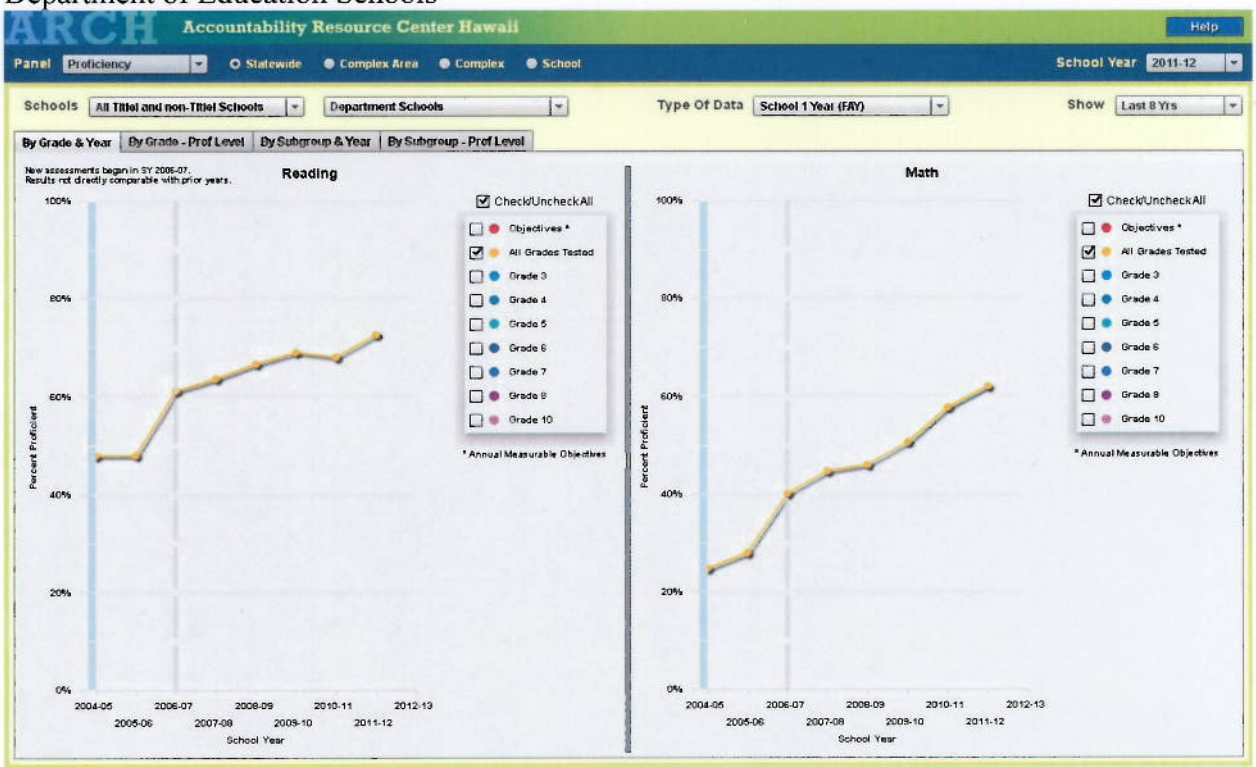
Federal Program	Grant Purpose and Basis for Allocation	Funds distributed to the Charter Schools Administrative Office[1] in Fiscal Year 2012-13	Funds distributed directly to Charter Schools[2] in Fiscal Year 2012-13
Vocational Education – Program Improvement FY12	Grant to provide resource and services to identified project schools that are developing and implementing improved and expanded CTE programs during the school year. Distribution to provide Laupahoehoe PCS funds to support CTE program improvements.		1,222
NCLB Math and Science Partnership FY13	Grant supports partnerships between institutions of higher education and local elementary and secondary schools to design and implement professional development models to increase subject matter knowledge of mathematics and science teachers. Distribution based on a competitive grant application process.	924	
Special Education Pre-School Grant	Grant to provide supplemental services to support the special education students with disabilities 3 to 5 years of age. Distribution to provide Kamaile and Laupahoehoe PCS funds to clear deficits.		855
DoD-EA-Expanding Virtual Learning Opportunities	Grant to support middle and high school military students via online learning opportunities. Distribution made to schools that have students enrolled in one of seven on-line E-School Advanced Placement courses who have also signed up to take the AP exam. Funds are to cover AP exam cost.		356
Total		6,000,975	634,560

EXHIBIT C

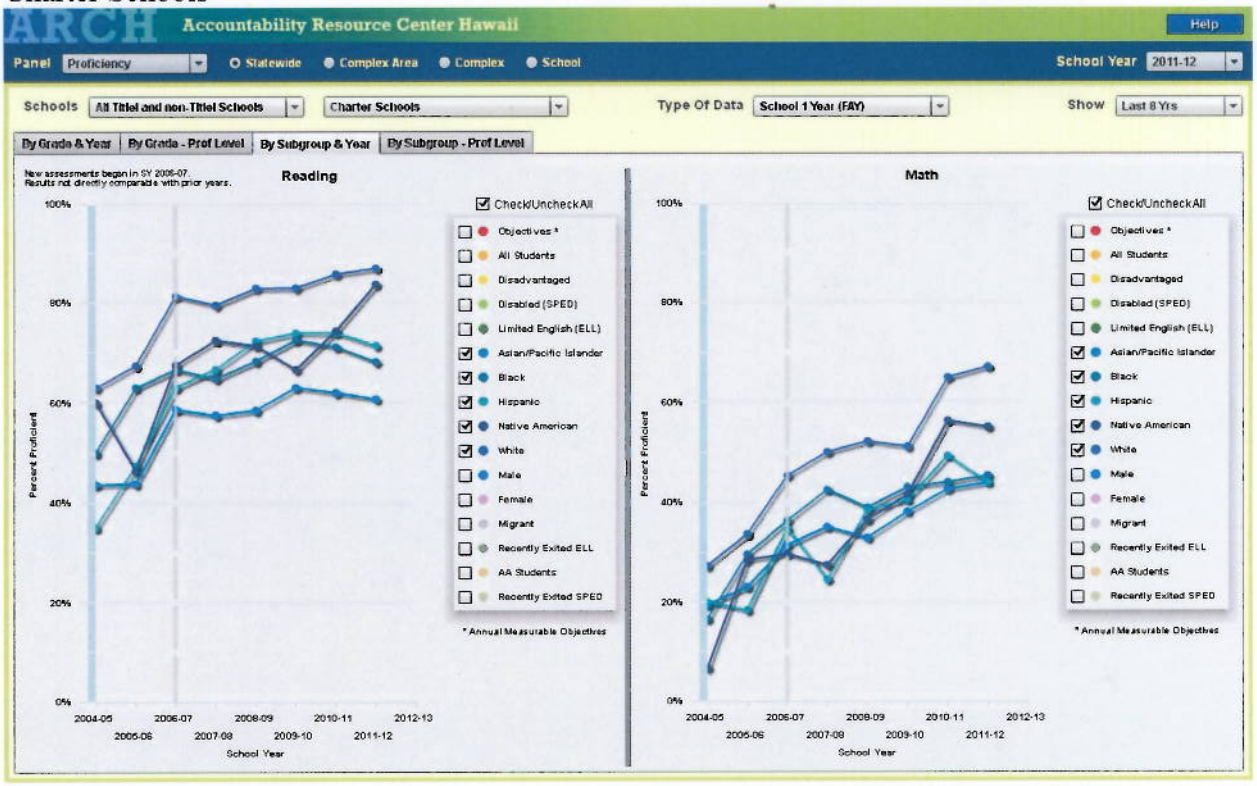
Academic comparison
Charter Schools



Department of Education Schools



Ethnic comparison
Charter Schools



Department of Education Schools

Economic comparison
Charter Schools

Department of Education Schools