



# KANU O KA 'ĀINA

New Century Public Charter School

*Kūlia i ka nu'u - Strive to reach you highest*

November 24, 2020

Aloha e Commissioner Alencastre, Ikeda and Staff,

Mahalo for the listening sessions and the opportunity to share mana'o. Please find my comments and questions on the proposed Financial Framework below.

1. There are substantial changes to the entire contract to include the frameworks. The only section that isn't changed is are the indicators which should be amended significantly to accommodate the current COVID-19 crisis.
2. We have been notified that our per-pupil for next year will begin with a 15% budget cut = \$6,661.45 per-pupil, less furlough cuts of 10% = 5,995 which may come this school year. Will the Commission be addressing the Financial Framework in the current contract 3.0 and 4.0 to account for Hawaii's financial crisis?
3. All three year "look back" trends should be eliminated. Any cut will automatically negatively impact the Sustainability Indicators of Debt to Asset Ratio, Cash Flow, Total Margin, and Near-Term Indicators of Current Ratio and Unrestricted Days Cash.
4. Indicators that are impacted by issues outside the school's control should be eliminated during budget cuts/restrictions/reductions/furloughs and the current economic crisis.
5. It is in the schools' control to manage their expenses effectively which will be reflected in the Current Ratio and Unrestricted Days Cash.
6. An external audit is THE measure of valid financial health in business. This should be the main indicator of financial health.
7. The "budget variance" measure should allow for a school budget revision after each and every cut, restriction, reduction, or furlough.
8. By removing the three-year look back ratio's the commission will still have the budget variance, enrollment variance, debt to asset ratio, current ratio,

unrestricted days cash on hand, and audit to determine a school's financial health.

9. The Annual Aggregate Financial Risk Assessment should only use current school year data on budget variance, enrollment variance, debt to asset ratio, current ratio, unrestricted days cash on hand, and audit. Any 3-year trend measurements will be negatively impacted by the proposed budget cuts slated for the next school year. The purpose of this Risk Assessment should be reviewed with other measures to communicate to the legislature that the schools are worthy of the public dollar investment.
10. Reserves are meant to be used in a crisis – this is a crisis and schools need to focus on student success and teacher morale and should be allowed to utilize a reasonable amount of reserves without having it negatively impact their Financial Risk Assessment.
11. Will the commission be taking a formal position on the allowable reserves to be used during this crisis?
12. Schools should have proper Financial Management and Oversight, but the Commission should be held to the same standards.
13. With the content of HRS302D-5 below in mind, the bilateral mandate is missing.
14. The audit findings of the last few Commission Audits are unacceptable. There were findings with major federal award cash management, questionable costs, not following allowable cost principles, and procurement issues. Clarity regarding cleaning up these issues, transparency, disbursement of all federal funds to the school without diversion are critical to the movement. They should be included in the contract as a commitment from the commission.

#### Comments on Exhibit B Organizational Performance Framework:

1. By adding “Material” to all components of Exhibit B means the contract could reasonably be expected to have a Material **Adverse Effect** on performance, cancellation, or failure to renew.
2. The education and financial aspects should be eliminated from the “Organizational Performance Framework”.
3. The following impositions and new criteria in Exhibit B usurp the Governing Boards Authority as clarified in statute and are beyond the intended scope of authorizers’ duties:
  - Instructional days
  - Implementation of mandated programs



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- Access to all financial records – this language was put in HB622 session 2019 and did not pass because it is inappropriate. Now putting it in the contract undermines the legislature's intent.
  - Board composition
  - LEA requests, the Commission is to be the liaison with the DOE and provide information to them as needed. Currently, it is passed off to the schools not dealt with by the Commission though they have the information, and many times put in epi-center as a compliance task when it should not be. Often the DOE is asking for information that is not relevant or appropriate i.e. social security numbers of our employees, identifying information of staff and students that are beyond their scope.
  - It was the intent of the legislature to *“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....” (SB 1502 C.D.1, 1999, p. 15).”*
  - Fire inspections and related records – general health and safety guidelines are what the commission should be looking at, details and “interpretation” of county rules and regulations is out of the commission staffs’ scope.
  - “Viable certificate of occupancy or other required building use authorization” is too broad
  - Student transportation
  - “Additional obligations” is much too vague
4. Section 1(c) disabilities needs to be rewritten to ensure the schools are accountable for what is within their control. The conflict in the HRS SPED law should be clarified with the contract, currently it makes it more confusing.
  5. The bilateral component of the disabilities sections which outlines the responsibilities of the Commission in dealing with the DOE need to be clarified.
  6. Commission performance expectations need to be added to all components that are outlined in HRS302D.

The changes in this section are not consistent with the spirit of Hawaii's legislative intent. The lack of changes in this section are a clear indication of disconnect between the commission and school's reality and validate a unreceptive regulatory environment.

The statutes I recall are below for your ease of reference:

**§302D-1 Definitions.** *Whenever used in this chapter, unless the context otherwise requires:*

*"Charter contract" or "charter" means a fixed-term, bilateral, renewable contract between a public charter school and an authorizer that outlines the roles, powers, responsibilities, and performance expectations for each party to the contract.*

*"Governing board" means the independent board of a public charter school that is party to the charter contract with the authorizer that:*

*(1) Is responsible for the financial, organizational, and academic viability of the charter school and implementation of the charter;*

*(2) Possesses the independent authority to determine the organization and management of the school, the curriculum, and virtual education;*

*(3) Has the power to negotiate supplemental collective bargaining agreements with exclusive representatives of their employees and is considered the employer of charter school employees for purposes of chapters 76, 78, and 89; and*

*(4) Ensures compliance with applicable state and federal laws.*

**§302D-5 Authorizer powers, duties, and liabilities.** *(a) Authorizers are responsible for executing the following essential powers and duties: (4) Negotiating and executing sound charter contracts with each approved charter applicant and with existing public charter schools;*

*(1) Act as a point of contact between the department and a public charter school it authorizes;*

*(2) Be responsible for and ensure the compliance of a public charter school it authorizes with all applicable state and federal laws, including reporting requirements;*

*(3) Be responsible for the receipt of applicable federal funds from the department and the distribution of funds to the public charter school it authorizes; and*

*(e) Regulation by authorizers shall be limited to the powers and duties set forth in this section, and shall be consistent with the spirit and intent of this chapter.*



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It is imperative that the stakeholders be intimately involved in the creation and detail of the contract wording so Commissioners understand how the details will impact school success and the Governing Boards ability to honor the contract. We look forward to understanding how the feedback gathered will be addressed, and the timeline to revisit changes made.

Kanu o ka Aina formally requests individual school negotiations in accordance with HRS 302D-5(a)(4).

Taffi Wise,  
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