

NEIL ABERCROMBIE
GOVERNOR



KAREN STREET
CHAIRPERSON

STATE OF HAWAII
STATE PUBLIC CHARTER SCHOOL COMMISSION
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DATE: November 8, 2012

TO: The Honorable Senator Shan Tsutsui, President
Hawaii State Senate

The Honorable Representative Calvin Say, Speaker
Hawaii State House of Representatives

CC: The Honorable Donald Horner, Chair
Board of Education

FROM: Karen Street, Chairperson
State Public Charter School Commission

SUBJECT: The 2012 State Public Charter School Commission Annual Report

Dear Honorable President Tsutsui, Speaker Say, and Members of the Legislature,

The State Public Charter School Commission ("Commission") is pleased to present its first annual report, pursuant to Act 130, Session Laws of Hawaii 2012. Act 130 overhauled the charter school law, including the creation of the Commission, constituted July 1, 2012, and the charter school system is currently in the process of transition. The Commission and other affected stakeholders, including the Board of Education ("BOE"), the Charter School Administrative Office ("CSAO"), and the charter schools, have been working diligently to implement the changes brought forth by Act 130, with the assistance of the National Association of Charter School Authorizers ("NACSA"), the implementation and transition coordinator contracted by the BOE. This report addresses, pursuant to § -7 of Act 130:

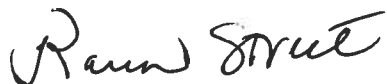
1. The Commission's strategic vision for chartering and progress toward achieving that vision (page 3);
2. The academic and financial performance of all operating public charter schools overseen by the Commission, according to the performance expectations for public charter schools set forth in Act 130 (page 3);
3. The status of the Commission's public charter school portfolio, identifying all public charter schools in each of the following categories: approved (but not yet open), not approved, operating, renewed, transferred, revoked, not renewed, voluntarily closed, or never opened (page 5);

4. The authorizing functions provided by the Commission to the public charter schools under its purview, including the Commission's operating costs and expenses detailed in annual audited financial statements that conform with generally accepted accounting principles (page 6);
5. The services purchased from the Commission by the public charter schools under its purview (page 6);
6. A line-item breakdown of the federal funds received by the DOE and distributed by the Commission to public charter schools under its control (page 7); and
7. Any concerns regarding equity and recommendations to improve access to and redistribution of federal funds to public charter schools (page 7).

The Commission and the CSAO are working closely with the BOE and NACSA to expeditiously and effectively implement Act 130 and look forward to being able to submit a more robust annual report in 2013 with the transition completed.

We are committed to work with the charter schools and other stakeholders to improve Hawaii's public education. Our keiki deserve it.

Sincerely,

A handwritten signature in cursive script that reads "Karen Street".

Karen Street, Chairperson
State Public Charter School Commission

Legislative Report

Fiscal Year 2011-12

(1) The Commission’s strategic vision for chartering and progress toward achieving that vision

The Commission is a newly created charter school authorizer, replacing the Charter School Review Panel (“CSRP”), its predecessor. As such, the Commission, with the assistance of NACSA, the charter school implementation and transition coordinator, is in the process of developing a comprehensive strategic vision and plan.

As stated in statute, the Commission's mission is to “authorize high-quality public charter schools throughout the State.” The Commission and NACSA are working together to establish the organizational and operational framework to carry out its mission.

(2) The academic and financial performance of all operating public charter schools overseen by the Commission, according to the performance expectations for public charter schools set forth in Act 130

Under Act 130, performance expectations are established by charter contracts. The Commission will be a party to each contract along with the respective charter school. A charter contract template is currently being developed by NACSA. Therefore, for the purposes of this report and due to the interim nature of developing the performance expectations under Act 130, prior academic and financial performance data being shared includes: (1) Annual Yearly Progress (AYP), (2) Hawaii State Assessment (HSA), (3) Accreditation data, and (4) Charter school fiscal year 2011-12 unaudited financial statements.

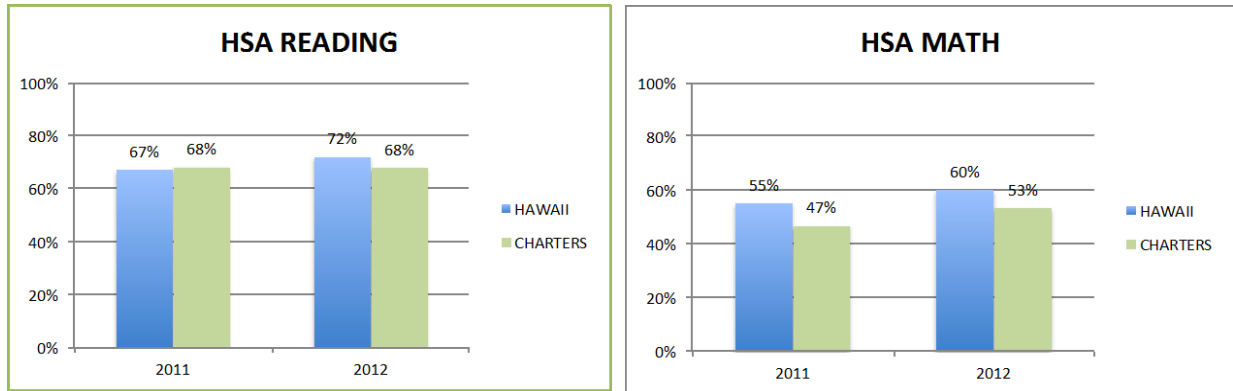
Academic Performance of Charter Schools

AYP Data

Overall data results for School Year 2011-12 on the Accountability Resource Center Hawaii (ARCH) site show that out of thirty-one (31) charter schools, eleven (11) charter schools met AYP. Nine (9) of those schools exceeded the AYP threshold in both Reading and Math. Five (5) charter schools made safe harbor in one subject area. The safe harbor provision means that a school that has made a ten point or greater proficiency gain over the previous year. While not yet meeting the accountability threshold, the school is designated as “Met” for the particular subject area.

Further, five (5) charter schools missed AYP either by less than three percentage (3%) points or in the category of graduation rate. The data also shows that ten (10) charter schools have shown an AYP growth percentage of greater than 10% over the last three years.

HSA Data



• **Complex Area Comparisons**

To show comparative data for students of similar demographics and geographic regions, the HSA results of charter schools were compared to the results of the DOE complex area in which the charter school resides. Charter schools categorized as performing similar to complex area schools had HSA results within three percentage points of the DOE school within its complex; whereas, charter schools categorized as outperforming complex area schools had HSA results five points or more above the DOE school within its complex. The data showed a total of eighteen (18) charter schools performed similarly or exceeded the results of DOE schools in their geographic complex area in one or both content areas. Fifteen (15) schools performed similarly or exceeded the results in Reading; ten (10) schools performed similarly or exceeded the results in Math; and seven (7) schools performed similarly or exceeded the results in both Reading and Math.

Number of Charter Schools Performing Similar to or Outperforming Complex Area Schools Results		
Reading	Math	Both Reading & Math
15	10	7

• **Significant Gains in Reading and Math**

Several schools made significant gains on the HSA from 2011 to 2012 as follows:

- In Reading, Kanu o ka ‘Āina increased by 16% from 2011 to 2012, Hawaii Technology Academy by 11%, and Ka Waihona o ka Na‘auao by 10%
- In Math, Waters of Life increased by 38% from 2011 to 2012, Innovations by 17%, Kawaikini by 15%, Kanu o ka ‘Āina by 14%, Kanuikapono by 14%, Volcano School of Arts & Sciences by 9%, Hawaii Technology Academy by 8%, and Ka Waihona o ka Na‘auao by 8%.

Accreditation Data

Currently, ten (10) schools have received full accreditation from Western Association of Schools and Colleges (WASC). An additional eleven (11) schools are candidates for accreditation. **Appendix A** provides a detailed list of accreditation status for each charter school.

Financial Performance of Charter Schools

Fiscal Year 2011-12 Unaudited Financial Statements

All charter schools have submitted complete fiscal year 2011-12 unaudited financial statements to the Commission. **Appendix B** summarizes the data that has been submitted by the charter schools. Overall, while the charter schools reported a decrease in total net assets of \$4,187,620, an analysis of the reports reveals that all 31 of the charter schools reported positive net assets as of June 30, 2012. All of the charter schools reported positive cash positions as of June 30, 2012.

(3) The status of the Commission’s public charter school portfolio, identifying all public charter schools in each of the following categories: approved (but not yet open), not approved, operating, renewed, transferred, revoked, not renewed, voluntarily closed, or never opened

Please note that the Commission has not authorized any charter schools to date but plans to enter into the charter contracts in 2013. As such, the following table shows the thirty-two (32) schools that are currently operating as public charter schools.

Public Charter School		
Connections	Hawaii	K-12
Education Laboratory	Oahu	K-12
Hakipu’u Learning Center	Oahu	4-12
Hālau Kū Māna	Oahu	6-12
Hālau Lōkahi	Oahu	K-12
Hawaii Academy of Arts & Science	Hawaii	K-12
Hawaii Technology Academy	Oahu	K-12
Innovations	Hawaii	1-8
Ka ‘Umeke Kā’eo	Hawaii	K-10
Ka Waihona Na’auao	Oahu	K-8
Kamaile Academy	Oahu	PreK-9
Kanu o ka ‘Āina	Hawaii	K-12
Kanuikapono Learning Center	Kauai	K-12
Kawaikini	Kauai	K-12
Ke Ana La’ahana	Hawaii	7-12
Ke Kula ‘o Nāwahīokalani’opu’u Iki Laboratory	Hawaii	K-8
Ke Kula ‘o Samuel M. Kamakau Laboratory	Oahu	K-12
Ke Kula Ni’ihau o Kekaha Learning Center	Kauai	K-12
Kihei Public Charter School	Maui	K-12
Kona Pacific	Hawaii	K-8

Kua o ka Lā	Hawaii	K-3, 6-12
Kualapu'u Elementary	Molokai	PreK-6
Kula Aupuni Niihau A Kahelelani Aloha	Kauai	K-12
Lanikai Elementary	Oahu	K-6
Laupahoe Community Public Charter School *	Hawaii	K-12
Myron B. Thompson Academy	Oahu	K-12
Volcano School of Arts & Sciences	Hawaii	K-8
Voyager	Oahu	K-8
Waialae Elementary	Oahu	K-5
Waimea Middle	Hawaii	6-8
Waters of Life	Hawaii	K-7
West Hawaii Explorations Academy	Hawaii	6-12

*Laupahoe Community PCS is in its first year of operating as a charter school. Because it is a conversion charter school, it is funded by the DOE for the 2012-2013 school year as the conversion year.

(4) The authorizing functions provided by the Commission to the public charter schools under its purview, including the Commission’s operating costs and expenses detailed in annual audited financial statements that conform with generally accepted accounting principles

Authorizing Functions

The Commission is required to perform certain essential authorizing functions, pursuant to Act 130, section -5(a). The major authorizing functions are the application process and decision making, performance contracting, ongoing oversight and evaluation, and revocation and renewal decision making. Again, since this is the transition year, NACSA, the implementation and transition coordinator, is in the process of developing templates, guidelines, and processes for the Commission to effectively deploy its authorizing functions.

Authorizer Operating Costs and Expenses

The Commission has only been in operation since July 2012. As such, it does not yet have audited financial statements to report on. In lieu of the Commission’s operating costs and expenses, please find attached **Appendix C**, the CSAO’s 2011-12 unaudited financial statement. The CSAO was previously responsible for CSRP expenses and currently serves that role for the Commission through July 1, 2013, at which time the CSAO will cease to exist. As of this report, the CSAO’s 2011-12 financial audit is in process and completion is expected by December 2012.

(5) The services purchased from the Commission by the public charter schools under its purview

Section -10 of Act 130 allows for charter schools to purchase services from an authorizer. The evaluation of the authorizer functions and the identification of the needs of the charter schools are currently being

completed by NACSA, the implementation and transition coordinator. As such, it has not yet been determined what services, if any, would be available for purchase from the Commission. However, please note that to date no services have been purchased from the Commission by charter schools in the current fiscal year 2012-13, and no services were purchased from the Commission’s predecessor, the CSRP, by charter schools in fiscal year 2011-12.

(6) A line-item breakdown of the federal funds received by the DOE and distributed by the Commission to public charter schools under its control

As previously noted, the Commission was constituted in July 2012 and as such no federal funds have, as of yet, been received or distributed by the Commission. Rather, historically, the CSAO has had responsibility for receiving and distributing federal funds to the public charter schools. As such, the following table summarizes the federal funds that the CSAO had a role in distributing to the charter schools. Please note, federal funding from certain sources are received directly by the charter schools without the involvement of the CSAO. For example, most of the charter schools receive National School Lunch Program reimbursements directly from the DOE without the involvement of the CSAO.

Federal Program	Funds distributed* to Charter Schools in Fiscal Year 2011-12
Federal/DOD Impact Aid	\$2,258,491
Federal Education Jobs Act Funds (distributed in 2011-12, earned in 2010-11)	\$1,973,177
Grants to LEAs Title I	\$1,257,678
Federal ARRA Title I	\$1,180,085
NCLB SIG	\$700,000
Improving Teacher Quality (Title IIa)	\$364,624
Language Instruction for LEP and Immigrant Students (Title III)	\$36,834
NCLB Migrant Education	\$33,221
Federal IDEA	\$48,383
Federal Extended Learning Opportunities	\$5,501
Total	\$7,857,994

*The method for determining the amount of federal funds distributed to individual charter schools is dependent upon the federal program and its requirements.

(7) Any concerns regarding equity and recommendations to improve access to and redistribution of federal funds to public charter schools

Historically, charter schools have believed there to be a lack of transparency and a lack of notification from the DOE regarding the availability of certain federal funds. The Commission intends to act as a bridge between the DOE and charter schools and to work with both parties to identify equity concerns and develop and deploy improvements in access to and distribution of federal funds for charter schools.

Conclusion

The Commission views Act 130 as a good foundation for improving governance, accountability, and transparency in the charter school system, enabling the growth of high quality, innovative public education in Hawaii. The Commission appreciates the transition year afforded to the implementation of Act 130, pursuant to Act 131. This transition period is critical in enabling the careful development of the tools, processes, guidance, and procedures necessary for future charter school success.

Appendix A
Hawaii Charter Schools Accreditation Status

School Name	Accreditation Status
Connections	Not seeking accreditation in 2012
Education Laboratory	Accredited Term: Feb. 13, 2012 - Jun 30, 2015
Hakipu'u Learning Center	Candidate for Accreditation
Halau Ku Mana	Candidate for Accreditation
Halau Lokahi	Discussion stage with Kamehameha Schools' Ho'olako Like
Hawaii Academy of Arts & Science	Accredited Term: Jul 1, 2011 - Jun 30, 2014
Hawaii Technology Academy	Accredited Term: Jul 1, 2010 - Jun 30, 2013
Innovations	Not seeking accreditation in 2012
Ka 'Umeke Ka'eo	Candidate for Accreditation
Ka Waihona o ka Na'auao	Candidate for Accreditation
Kamaile Academy	Candidate for Accreditation
Kanu o ka 'Aina	Accredited Term: Jun 30, 2010 - Jun 30, 2016
Kanuikapono Learning Center	Submitted accreditation application
Kawaikini	Candidate for Accreditation
Ke Ana La'ahana	Discussion stage with Kamehameha Schools' Ho'olako Like
Ke Kula Ni'ihau O Kekaha Learning Center	Candidate for Accreditation
Ke Kula 'o Nawahiokalani'opu'u Iki Laboratory	Candidate for Accreditation
Ke Kula 'o Samuel M. Kamakau Laboratory	Candidate for Accreditation
Kihei	Accredited Term: Jul 1, 2009 - Jun 30, 2015
Kona Pacific	Considering applying for accreditation
Kua o ka La	Submitted accreditation application
Kualapu'u Elementary	Submitted accreditation application
Kula Aupuni Niihau A Kahelelani Aloha	Submitted accreditation application
Lanikai Elementary	Accredited Term: Jun 2010 - Jun 30, 2013
Laupahoehoe Community	Accredited Term: Jul 31, 2010 - Jun 30, 2014
Myron B. Thompson Academy	Accredited Term: May 11, 2011 - Jun 30, 2014
Volcano School of Arts & Sciences	Accredited Term: Jun 30, 2011 - Jun 30, 2014
Voyager	Considering applying for accreditation
Wai'alaie Elementary	Accredited Term: Jul 1, 2012 - Jun 30, 2018
Waimea Middle Public Conversion	Candidate for Accreditation
Waters of Life	Considering applying for accreditation
West Hawaii Explorations Academy	Accredited Term: May 31, 2011 - June 30, 2017

Charter Schools Administrative Office
Summary of Charter Schools Financial Statements
Fiscal Year 2011-12

ORGID	Charter Schools	P&L Summary			Balance Sheet Accounts						
		Total Revenues	Total Expenses	Change in Net Assets	Total Assets	Total Liabilities	Total Net Assets	Designated for Investment in Capital Assets	Other Designations	Undesignated	Total Liabilities & Net Assets
149	Waialae - PCS	3,657,798	3,881,930	(224,132)	1,737,721	18,340	1,719,381	903,178		816,203	1,737,721
275	Kamaile Academy	9,078,593	8,579,664	498,929	12,223,689	442,218	11,781,471	6,681,951	5,099,520	-	12,223,689
320	Lanikai - PCS	2,165,550	2,213,846	(48,296)	1,989,212	240,881	1,748,331	632,104	163,676	952,551	1,989,212
394	Waimea Mid - PCS	2,441,774	2,905,037	(463,263)	4,744,815	315,472	4,429,343	1,598,754	2,830,589	-	4,744,815
396	Connections - PCS	2,498,157	3,342,579	(844,422)	1,275,474	165,480	1,109,994	299,859		810,135	1,275,474
397	Kanu O Ka'aina - PCS	2,087,337	2,434,449	(347,112)	265,327	214,529	50,798	46,212		4,586	265,327
398	Waters of Life - PCS	771,577	869,734	(98,157)	205,205	196,613	8,592	143,245	17,679	(152,332)	205,205
399	West HI Explor - PCS	1,255,477	1,289,608	(34,131)	1,531,556	88,676	1,442,880	123,866		1,319,014	1,531,556
411	Kualapuu - PCS	3,552,864	4,570,006	(1,017,142)	8,310,296	318,332	7,991,964	5,266,200	2,725,764	-	8,310,296
466	KANAKA - PCS	636,092	716,210	(80,118)	463,952	53,078	410,874	49,890	198,782	162,202	463,952
540	Halau Ku Mana - PCS	837,332	1,206,539	(369,207)	2,266,172	380,618	1,885,554	494,860		1,390,694	2,266,172
541	Voyager - PCS	1,703,278	2,110,844	(407,566)	210,318	123,531	86,787	9,626		77,161	210,318
542	Halau Lokahi NC - PCS	1,923,243	1,839,427	83,816	229,560	184,525	45,035	17,070	12,278	15,687	229,560
543	Educ. Lab: A Hawaii NC - PCS	3,079,521	2,987,790	91,731	862,340	120,012	742,328	-		742,328	862,340
544	Myron Thompson Acad. - PCS	2,881,532	3,912,480	(1,030,948)	5,336,754	291,760	5,044,994	202,551	4,842,443	-	5,336,754
545	Ka Waihana O Ka Naauao - PCS	5,894,481	5,769,175	125,306	3,213,527	47,687	3,165,840	2,916,324		249,516	3,213,527
546	Hakipu'u Learning Ctr - PCS	1,002,008	964,387	37,621	384,540	299,095	85,445	73,990		11,455	384,540
547	Ke Kula O Kamakau Lab - PCS	1,845,070	1,626,610	218,460	1,571,083	263,269	1,307,814	24,065		1,283,749	1,571,083
548	Innovations - PCS	1,325,638	1,470,573	(144,935)	698,803	176,563	522,240	19,221	500,000	3,019	698,803
549	Ke Ana La'ahana - PCS	785,701	666,859	118,842	613,976	323,553	290,423	53,417		237,006	613,976
551	Hawaii Technology Academy	6,747,176	6,747,176	-	2,228,162	2,228,062	100	772,721		(772,621)	2,228,162
554	Kihei - PCS	3,692,523	3,907,541	(215,018)	1,755,602	123,472	1,632,130	9,509		1,622,621	1,755,602
556	Ke Kula Ni'ihau Kekaha - PCS	844,444	985,221	(140,777)	982,498	34,579	947,919	482,135		465,784	982,498
557	Kua O Ka La - PCS	1,667,615	1,725,479	(57,864)	613,815	93,091	520,724	74,229		446,495	613,815
560	Volcano School of A&S - PCS	1,403,260	1,359,111	44,149	666,820	63,601	603,219	39,740	41,657	521,822	666,820
561	HI Academy of A&S - PCS	3,775,300	4,105,286	(329,986)	1,784,796	259,014	1,525,782	244,653	1,281,129	-	1,784,796
562	Ka 'Umeke Ka'eo - PCS	3,030,565	3,013,301	17,264	2,543,008	240,054	2,302,954	458,238	121,429	1,723,287	2,543,008
563	Ke Kula Nawahi Iki Lab - PCS	2,630,602	2,197,993	432,609	1,998,354	131,145	1,867,209	118,812		1,748,397	1,998,354
564	Kanuikapono - PCS	932,718	1,035,995	(103,277)	87,226	28,908	58,318	16,169		42,149	87,226
565	Kawaikini	1,348,871	1,158,925	189,946	1,081,627	134,178	947,449	426,347	501,102	20,000	1,081,627
566	Kona Pacific	1,264,778	1,354,720	(89,942)	258,655	116,881	141,774	21,795		119,979	258,655
Totals		76,760,875	80,948,495	(4,187,620)	62,134,883	7,717,217	54,417,666	22,220,731	18,336,048	13,860,887	62,134,883

Appendix C
CSAO 2011-12 Unaudited Financial Statement

	Adopted 2011- 12 Budget	Actual July 11 - June 12
Income		
1000 - State Funding	1,098,822	1,027,666
1210 - Federal Title I	469,400	192,318
1211 - Federal Title I C/O	225,000	164,109
1220 - Federal Title IIa	450,000	221,297
1221 - Federal Title IIa C/O	70,000	-
1241 - Federal Title III	-	10,455
1304 - NACSA Grant	-	7,500
1360 - Homeless Liason Funding	18,875	18,875
1368 - Fees, Registration	-	8,581
1385 - Interest Earnings	300	571
Total Income	2,332,397	1,651,372
Expense		
2xxx - Personnel Costs		
Total 2xxx - Personnel	813,195	836,360
3xxx - Supplies		
Total 3xxx - Supplies	64,700	125,601
4xxx - Travel		
Total 4xxx - Travel	124,650	213,412
5xxx - Utilities, Rents, R & M		
Total 5xxx - Utilities, Rents, R & M	96,210	120,610
71xx - Contracted Services		
Total 71xx - Contracted Services	265,700	305,522
72xx - Other Current Expenses		
Total 72xx - Other Current Expenses	17,500	86,561
77xx - Equipment	-	-
Total 77xx - Equipment	40,900	181,834
Total Expenses	1,422,855	1,869,900
Transfers		
Total 785x - Transfers In	1,828,732	60,246,541
Total 78xx - Transfers Out	1,828,732	60,246,541
Changes in Net Assets	909,542	(218,528)
Net Assets July 1, 20xx	986,973	986,973
Projected Net Assets - June 30, 20xy	1,896,515	
Actual Net Assets - June 30, 2012		768,445
Restricted Net Assets		
Federal Programs	1,113,400	-
Fixed Assets		
Unrestricted Net Assets	783,115	768,445