

DAVID Y. IGE  
GOVERNOR



CATHERINE PAYNE  
CHAIRPERSON

STATE OF HAWAII  
**STATE PUBLIC CHARTER SCHOOL COMMISSION**  
**(‘AHA KULA HO‘ĀMANA)**

1111 Bishop Street, Suite 516, Honolulu, Hawaii 96813  
Tel: (808) 586-3775 Fax: (808) 586-3776  
<http://www.CharterCommission.Hawaii.gov>

**RECOMMENDATION SHEET**

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DATE: March 25, 2015

TO: Catherine Payne, Chairperson

FROM: Tom Hutton, Executive Director

RE: Revocation of Charter Contract for Hālau Lōkahi Charter School

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I. DESCRIPTION

Recommendation that the Commission revoke the Charter Contract of Hālau Lōkahi Charter School (“Hālau Lōkahi”).

II. BACKGROUND

This hearing is the culmination of nearly a year of Commission proceedings involving the financial failure of Hālau Lōkahi. The Commission voted on January 8, 2015, to initiate the revocation process and direct Commission staff to release only such funds as were deemed essential for orderly school closure and dissolution and transition. Hālau Lōkahi exercised its option under Hawaii Administrative Rules Section 8-505-20(c) to request this hearing in order to have a last opportunity to oppose the grounds for revocation and support the continuation of Hālau Lōkahi Charter School.

As of May 20, 2014, Hālau Lōkahi had exhausted all of its funds for the Fiscal Year (FY) 2014-15 and had stopped paying staff and other obligations. In response to pleas from the school community, and based on what at that time was the third financial recovery plan to be offered by the school since its insolvency, the Commission offered Hālau Lōkahi a new three-year State Public Charter School Contract (“Charter Contract”) for school years 2014-15 through 2017-18, subject to special conditions, including requiring the resignations of the then-serving school director and governing board members. The Commission approved the new Charter Contract, including Hālau Lōkahi’s Educational Program, Exhibit A, on June 26, 2014. The Commission also required Hālau Lōkahi to submit information monthly regarding the status of its finances.

Hālau Lōkahi's first financial report, for the two months ending on August 31, 2014, was submitted to Commission staff and then presented to the Commission at its General Business Meeting on October 9, 2014. The information submitted caused staff to become concerned, since already in early October the school's cash balance was only approximately \$238,000. This was what remained of the \$662,000 first per pupil funding allocation to the school, which represented 60% of the school's annual allocation, an amount that in turn had been calculated based on a school projection of enrollment that turned out to be higher than actual enrollment. School operating expenses had not been adequately adjusted; monthly expenses for the school averaged \$110,000 per month for the first two months. Commission staff was concerned that at this rate, the school would exhaust its remaining funds in early November.

Responding to these concerns, the Commission at its October 9, 2014 General Business Meeting required Hālau Lōkahi to:

1. Provide to the Commission a detailed listing of any Fiscal Year ("FY") 2014 obligations not yet paid as part of its monthly monitoring report due by October 15, 2014; and
2. Present to the Committee on Performance and Accountability at its October 23, 2014 meeting:
  - a. Its school improvement plan;
  - b. A cash flow forecast showing the school would be able to sustain operations through June 30, 2015; and
  - c. A contingency plan to address the \$270,000 shortfall resulting from the decision by Kamehameha Schools to discontinue the school's funding, as well as any other material changes to the financial assumptions underlying the financial recovery plan that previously had been approved by the Commission.

At the Performance and Accountability meeting on October 23, 2014, the school presented its school improvement plan, which addressed all aspects of school operations including student recruitment/retention, curriculum, fiscal management and governance. A cash flow forecast was also provided that showed a deficit of approximately \$200,000 at the end of the fiscal year. According to the forecast, the school would run out of funds in March. The school's cash balance as of October 23, 2014 was approximately \$57,000, with two-thirds of the school year left to go. Hālau Lōkahi indicated it would come back to the full Commission with another plan for sustaining operations through the academic and fiscal year.

The Commission staff received the school's next restructuring plan and cash forecast the evening before the Commission's General Business Meeting on November 13, 2014. Under this plan, the school planned to temporarily suspend school operations during the Christmas Break from December 19, 2014 to January 5, 2015, laying off all staff members and rehiring a staff based on

available resources and professional teaching qualifications. The Governing Board was also to review various school policies, including those for human resources and governance, as well as facility and curriculum needs.

Because of the seriousness of the financial situation and the challenge of successfully implementing such an ambitious new restructuring plan to meet it, the Commission voted to release only 50% of the school's second per pupil allocation as scheduled on November 30, with the balance to be released once Hālau Lōkahi had satisfactorily implemented the restructuring as outlined in its plan and reduced expenses as outlined in the cash flow forecast. To expedite the release of funds at such a time, the Commission authorized Commission staff to release them upon determining that the restructuring had been executed satisfactorily.

In order to be able to prepare for the Commission's January 8, 2015 General Business Meeting, the Commission staff required Hālau Lōkahi to provide status and results of the school's restructuring efforts no later than Friday, January 2, 2015, so that staff could evaluate the implementation of the restructuring plan and take into account any subsequent developments to determine whether there was a reasonable likelihood that the school could successfully sustain operations through the end of the 2014-15 school year.

The restructuring plan Hālau Lōkahi submitted on January 2 did not address the lack of qualified teachers for core subjects. The school failed to hire a single qualified mathematics teacher for any grade level. This plan was predicated on the use of Department of Education (DOE) special education teachers, who under the plan were the school's only licensed teachers, to deliver core instruction for the general education population. Commission staff notified Hālau Lōkahi that this was improper and gave the school an additional last opportunity to restructure the staff based on remaining funding and professional qualifications, as had been proposed.

In response, Hālau Lōkahi proposed a new model of instruction under a new arrangement with K12, Inc., an online curriculum provider and charter school management company, to deliver the curriculum virtually with remote, licensed teachers. Hālau Lōkahi would obtain a "grant" from K12 upon execution of a memorandum of understanding that would call for K12 to receive a multi-year contract entitling it to receive a percentage of the school's gross revenues. According to the school and K12 representatives, this new model for the school was first discussed days before the start of the semester.

At its January 8, 2015 meeting, the Commission rejected the latest plan due to the academic risk to students, the financial risk due to the plan's dependence of a cash infusion of \$150,000 from K12, and the lack of due diligence days before the semester was to start. The staff submittal for that meeting setting forth the recommended action is attached as **Exhibit 1**. A representative of K12 stated that the cash infusion from the company was dependent on the proposed MOU regarding the management contract for the remainder of the school's Charter Contract term. The Commission

voted to issue Hālau Lōkahi a Notice of Prospect of Revocation and to withhold further funding, except such funds as were essential for orderly school closure and dissolution and transition.

On January 9, 2015, the Commission issued to Hālau Lōkahi the formal, written Notice of Prospect of Revocation, attached as **Exhibit 2**. The Notice cited significant concerns over material and substantial violations of the terms, conditions, standards, and/or procedures required under Hawaii Revised Statutes §302D and the school's Charter Contract, its failures to meet generally accepted standards of fiscal management, and its substantial violations of material provision of law from which the school is not exempted, including the following:

- Failure to promptly and adequately adjust payroll, rent, and other expenditures to reflect the constraints of past obligations and available revenues, not only during the last fiscal year but also after being afforded another opportunity to do so when granted a new charter contract in spite of past failures;
- Failure to properly process employee payroll and withholdings;
- Failure to adhere to the school's own financial management procedures and to exercise prudent internal fiscal controls, including, but not limited to, purchasing authorization and safeguarding the school's bank accounts; and
- Other circumstances at Hālau Lōkahi discussed at the Commission's January 8, 2015 General Business meeting, as well as previous public meetings that occurred since June 2014, the proceedings of which will be or are memorialized as part of the Commission's official minutes.

### III. DECISION STATEMENT

Hālau Lōkahi's failures to meet generally accepted standards of fiscal management and its resulting legal and contractual violations are amply demonstrated in the events and documents described above, as well as in the Commission's March 18, 2015 letter to Hālau Lōkahi, attached as **Exhibit 3**, further highlighting some of the continuing failures that were discussed in Commission proceedings from June 2014 through January 2015.

In its Response to the Notice of Prospect of Revocation, attached as **Exhibit 4**, Hālau Lōkahi requested this hearing and provided some responses to the grounds for revocation. Hālau Lōkahi's responses generally do not dispute the grounds for revocation. Rather, they represent more promises for more school turnaround efforts to attempt to address the school's systemic financial and operational shortcomings. These promises and efforts are premised on a school model and business arrangement that the Commission expressly rejected at its January 8, 2015 meeting.

A chart providing an update on Hālau Lōkahi’s latest financial situation is attached as **Exhibit 5**. Since the Commission took control of the school’s funds after the January 8 Commission meeting, approximately \$96,000 was expended to meet certain past obligations and to fund payroll through January 31, 2015 to allow more time for student and staff transitions. Claims by the landlord and vendors known at this time of outstanding obligations, including rent estimated by Commission staff through March 31, 2015 based on correspondence from the landlord to the school, total about \$234,000. The Commission also has received notice of certain additional claims that funds may be owed by Hālau Lōkahi. Assuming all of the funds that had been originally allocated to Hālau Lōkahi for the current school year were released to the school, even though approximately two-thirds of the students on which that funding level was based have transferred to other schools, and even assuming no additional past claims emerge and no additional costs would be deemed to have been incurred since January 31 were the school to continue, these funds would be inadequate to meet these obligations.

The Commission acted upon very solid grounds when it initiated the revocation process on January 8, 2015 and set in motion necessary measures to protect student and public interests. Those grounds are as valid today as they were then.

#### IV. RECOMMENDATION

Proposed Motion:

**“Moved that the Commission revoke the Charter Contract of Hālau Lōkahi Charter School and that Commission staff implement the closure protocol that the Commission approved as a contingency on March 12, 2015.”**

DAVID Y. IGE  
GOVERNOR



CATHERINE PAYNE  
CHAIRPERSON

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**RECOMMENDATION SHEET**

---

DATE: January 8, 2015

TO: Catherine Payne, Chairperson

FROM: Tom Hutton, Executive Director

AGENDA ITEM: Action on Hālau Lōkahi Charter School's November 2014 Monthly Report for Commission's Financial Monitoring, and Hālau Lōkahi Charter School's Financial Sustainability Plan, and Staff Restructuring

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I. DESCRIPTION

Review of the financial reports of Hālau Lōkahi Charter School ("Halau Lokahi") for the month ended November 30, 2014, assessment of the school's ability to sustain operations for the remainder of the 2014-2015 school year, analysis of new proposed financial and academic plan involving for-profit service provider, and recommended action to withhold funding and initiate revocation.

II. BACKGROUND

The Commission has required Hālau Lōkahi to submit information monthly regarding the status of the school's finances until such time the Commission deems such financial monitoring no longer necessary. This is the fourth month information is being provided.

At the Commission's December 11, 2014 General Business Meeting, the Commission decided to withhold funding from the school until staff had analyzed the results of the school's proposed end-of-semester restructuring so that the Commission could determine whether there is a reasonable likelihood that the school could successfully continue operations through the end of the 2014-2015 school year and the release of this funds. Under the restructuring plan, the school was to lay off all employees at the end of the semester and assemble a new, smaller staff based on professional qualifications for the remainder of the school year.

Since that meeting, there have been numerous developments at the school:

- Commission staff began assisting with registrar responsibilities, as we had offered in July. Some student transfers had languished since then.
- Fay Uyeda and Kilinahe (“Nahe”) Nohoi resigned from the Governing Board.
- Tiane McNeill, a teacher at the school, was designated as Interim Executive Director of the school.
- The school’s enrollment continued to drop, including virtual students who were invited and encouraged to transfer to Myron B. Thompson Academy. As of this morning the system shows an enrollment of 121, with seven more withdrawals to be processed tomorrow. Of the remaining 114, 11 reside on neighbor islands and are enrolled in the virtual program. The remaining 103 are fairly well distributed across grades and across Oahu.
- Tiane McNeill returned to the classroom instead of serving as interim director and consultant Elizabeth Blake became acting executive director.
- The staff restructuring was completed with nine previous staff members rehired. The eight teachers rehired include five who are unlicensed, some of whom have not earned undergraduate degrees.

### III. DECISION MAKING STATEMENT

#### Financial information

Commission staff has reviewed the financial information provided by the school as of the January 2, 2015b deadline. In this submittal we first analyze this information, without accounting for new information provided yesterday based on a cash infusion from K12. This is so that the Commission can understand the situation if the proposed K12 arrangements were not to work out.

The financial information provided covered the period from July 1, 2014 through December 19, 2014. Due to the lack of records, the financial statements were based on information contained on the bank statements. The financial statements will be made available to the Commissioners for their further review, if desired. Highlights of the information include:

1. Net Income at December 19, 2014, year to date: \$61,678  
Net income for the year to date period decreased by \$184,615, a significant decrease from the net income reported for October 31 of \$246,293. This decrease appears to be high when considering the historical expense run rate of approximately \$100,000 per month and that 50% of the second per pupil allocation, or \$120,318, had been provided to the school.

Total expenses for the more than five-month period came to \$720,792. Personnel costs of \$467,246 for the period represent approximately 65% of total expenses. Salary expense includes adjustments for terminated teachers as their ten-month salaries are paid over twelve months. This cost will decrease as the staffing has been reduced by half, and of the eight teachers on staff, three are funded by the Department of Education (“DOE”).

Occupancy cost is \$156,375 for the year to date period. This amount includes a “rent holiday” for four months starting in November, 2014 which reduced monthly rents by approximately \$10,000. Utilities expense for the comparable period totals \$19,326. This amount does not include all expenses for the year to date period. Utilities expense is budgeted at \$7,644 per month. For the year to date period, occupancy expense accounts for approximately 22% of total expenses.

Monthly expenses currently average approximately \$120,000. Based on this run-rate, unless expenses are significantly scaled back, the school will exhaust funds by February, 2015.

2. Cash Balance as of December 22, 2014: \$33,089

Cash balance includes 50% of the second per pupil released to the school at the end of November. Cash balance as of January 7, 2015 is reported at \$12,928.

The remaining amount of funds due to the school of \$255,519.79—comprising the remaining 50% second per pupil, third per pupil, and balance of targeted federal Impact Aid funding—will need to sustain the school through the rest of the year. At this point in time, the school has spent 75% of its annual per pupil allocation, or \$753,060. The school’s ability to meet its financial obligations for the remainder of the fiscal year is in question as it will have approximately one third of funds spent in the first half of the year to cover expenses for the second half of the year.

The cash flow forecast, which reflects the lower payroll expense, provided by the school shows a shortfall of approximately \$10,000 at Mid-July, 2015. However, due to the timing of cash inflows, the school will not be able to make payroll in March and April, and then again in July. Additional forbearances from the landlord, although helpful in the past, will not help the school make payroll, as the monthly shortfalls for those months are significantly in excess of \$10,000 monthly rent payments.

Governing Board status

November Governing Board resignations caused the Board to come into conflict with the conflict of interest provision in the state charter school law, Section 302D-12, Hawaii Revised Statutes, which limits employees, relatives, and vendors to not more than one-third of a governing board’s voting membership. The Commission issued the school a Notice of Deficiency to that effect on December

2, 2014, to give the Governing Board an opportunity to respond with its plan for resolving the situation.

Of the four new members added in November, member Kilinahe Nahoi resigned effective December 23, 2014, and member Shakil Ahmed has been out of state since mid-December and is expected to return on January 21.

As of yesterday the Governing Board added new members and is now comprised of:

- Kari Kalima – former employee of school;
- Leila Sagarang – employed by property management company for school’s building complex;
- Krista Oldham – employed by property management company for school’s building complex;
- Shakil Ahmed – community business owner;
- John Thatcher – director of Connections Charter School and former Hālau Lōkahi governing board member at time board required by Commission to resign in June; and
- Steven Sullivan – Vice Principal of KANAKA.

Academic Plan and Revised Plan with New Proposed Role for K12

The Academic Plan presented by the school by the January 2 deadline required the three licensed teachers to teach all classes for grades kindergarten through 12. However, two of the three teachers are special education teachers funded by the Department of Education (DOE). The DOE indicated that these teachers are required to serve special needs children as required by their Individualized Education Programs, over and above a school’s general education teaching staff.

This was communicated to the school, and a revised plan was submitted to staff yesterday. This plan includes curriculum and teachers provided by K12, a for-profit provider of online education and administrative and technological services. The first meeting between the school and K12 occurred on Tuesday, January 6. K12 met with Commission staff later that day to describe the potential working relationship. Yesterday afternoon, representatives from the school and K12 met again with staff to present more details on the plan; a non-binding Memorandum of Understanding (MOU); a revised cash flow forecast based on a \$150,000 grant to a nonprofit affiliated with the school; and an agreement from the property manager to restructure again the repayment of back rent.

With the grant, the cash position of the school significantly improves and the school is able to make payroll for the rest of the fiscal and academic year through receipt of its first allocation of 2015-2016 per pupil funding in July.

Under the proposed academic plan, the core subjects in grades 7 through 12 would be delivered by computer with onsite support from educational assistants. K12 expresses confidence that it can provide Hawaii-based and Hawaii-credentialed teacher promptly. K12 would provide certain educational products as well and would provide support for the school's delivery of special education.

As set forth in the non-binding MOU, K12 would provide administrative services and technological services, including personnel recruiting and hiring (or hiring recommendations) and management, teacher training, administrative support, and IT support services.

Payment for K12's educational services would be based on a national price list, but salaries would be school expenses not paid out of K12's fees. Payment for administrative and technological services would not exceed 15% of all federal, state, and local funding, including special education funding, grants, appropriations, and contributions.

K12 would guarantee that the school maintains a balanced budget, provided K12 is the exclusive provider of educational products and services for the online/virtual programs unless otherwise agreed, the school does not adopt a budget or policy requiring K12 to increase financial credit above that it initially proposes each year, and does not subsequently modify budgets to materially increase the level of services provide or the financial risk to K12.

K12 would cover any deficits and would be paid only after salaries, facility costs, and other budgeted costs. It would provide cash advances to maintain the school and will postpone payments for its own services until funds are available.

Under certain circumstances K12 could terminate the agreement if there were a material reduction in school revenues used to calculate its fees or material increase in K12's costs and responsibilities.

#### Staff analysis

Staff has serious concerns with the proposed solution for the school's latest academic plan and financial plan supported by K12, which has been provided the week before the start of the semester and under uncertain circumstances and thus is not capable of being carefully considered even by the school, its staff, and families, let alone by the Commission. In the end, we cannot conclude that this is an acceptable way for a public school or the Commission to fulfill its responsibilities to students.

#### 1. Academic risk to students.

Four days remain before students return to school. Despite the non-binding MOU and verbal representations made by the school and K12, it is highly unlikely that the school can deliver quality instruction now to its students under the plan submitted. How credentialed qualified and properly licensed teachers will be hired and prepared to deliver K12

curriculum to this student population, and how the faculty and staff training necessary to implement an abrupt shift to an online curriculum can be accomplished immediately is unclear. How students would make such a significant transition is a serious concern.

The instructional, operational, and technological outlook for this immediate and drastic retooling of the delivery of instruction would be questionable under the best of circumstances in a highly functioning school. That is not the situation here. This school has been in a state of operational turmoil and deep and systemic dysfunction. As for technology, the school reports that it has been unable to process even routine electronic student transactions because a modem is out somewhere and cannot be located.

2. Financial risk.

The school will not be able to sustain operations for the balance of the year without cash infusions from K12. The cash forecast provided without this grant showed the school unable to make payroll in March, April, and July. If for any reason the proposed arrangements or relationship do not work out, the terms required by K12 are not approved by the Attorney General, or the challenges of the school make the arrangement unworkable, the school not only will be incapable of delivering its academic program to students with qualified instructors but will have to cease operations altogether mid-semester.

3. Arrangements with K12.

Staff has concerns about the nature of the proposed relationship between the school and K12 and its broader policy implications. The role proposed is much more significant, operationally and financially, than that of an ordinary vendor relationship for services. The academic operations of the school—and indeed its very financial existence—are entirely dependent on this business relationship with a for-profit company. The long-term implications of business terms arrived at under such duress are unclear and cannot be properly evaluated now as school reconvenes and students return.

On a broader level, entering into the management services and curriculum agreement under these circumstances affords K12, as its representative has indicated, with the opportunity to reestablish a stronger presence in the Hawaii market without having to go through the rigor of the Commission's normal application process for a new school. A hallmark of that process is the due diligence for proposed relationships of precisely this nature and this significance between a local public charter school and an outside entity.

The shift to such a relationship and the shift to online delivery of instruction by an existing school necessitate revision of a school's Charter Contract. This process too would require significant due diligence by the Commission.

IV. RECOMMENDATION

In light of the latest developments at the school, the staff recommends that the Commission withhold further funding of the school, except as necessary for orderly transition to closure, and to notify the school, staff, and families of its intent to commence the contract revocation process.

Staff has been in communication with other charter schools, DOE and Complex Area Superintendents, and DOE contacts for the DOE Kaiapuni schools about the possibility of closure and additional student transfers, applications, and inquiries. We are prepared for immediate notifications to families, staff, schools, and other stakeholders and to provide information and resources on the process and on student transfer options.

**Proposed motion:**

**“Moved that:**

- 1. The Commission staff issue to Hālau Lōkahi Charter School a notice of prospect of revocation; and**
- 2. The Commission withhold further funding of Hālau Lōkahi Charter School, provided that staff be authorized to release such funds as it deems essential for orderly school closure and dissolution and transition.”**

DAVID IGE  
GOVERNOR



CATHERINE PAYNE  
CHAIRPERSON

STATE OF HAWAII  
**STATE PUBLIC CHARTER SCHOOL COMMISSION**  
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Tel: 808-586-3775 Fax: 808-586-3776

January 9, 2015

VIA EMAIL and CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Elizabeth Blake, Acting Executive Director  
Governing Board  
Hālau Lōkahi Charter School  
401 Waiakamilo Road, Unit 1A  
Honolulu, Hawaii 96817

Re: **Notice of Prospect of Revocation**

Dear Elizabeth and the Governing Board of Hālau Lōkahi:

We write to you today, after a painful decision yesterday, with this formal Notice of Prospect of Revocation pursuant to §8-505-16, Hawaii Administrative Rules (HAR), and in accordance with the action taken yesterday at the State Public Charter School Commission’s General Business Meeting. But just as important, we write to you in the hopes that the Commission and Hālau Lōkahi Charter School can work together to effectuate a smooth and cooperative closure and dissolution, which we strongly feel is in the best interest of the school’s students.

Under §302D-18(g), Hawaii Revised Statutes (HRS), the Commission took action to initiate the revocation of Hālau Lōkahi’s charter contract due to significant concerns over material and substantial violations of the terms, conditions, standards, and/or procedures required under HRS §302D and its charter contract, its failures to meet generally accepted standards of fiscal management, and its substantial violations of material provision of law from which the school is not exempted, including but not limited to:

- Failure to promptly and adequately adjust payroll, rent, and other expenditures to reflect the constraints of past obligations and available revenues, not only during the

Elizabeth Blake, Acting Executive Director

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January 9, 2015

last fiscal year but also after being afforded another opportunity to do so when granted a new charter contract in spite of past failures;

- Failure to properly process employee payroll and withholdings;
- Failure to adhere to the school's own financial management procedures and to exercise prudent internal fiscal controls, including, but not limited to, purchasing authorization and safeguarding the school's bank accounts; and
- Other circumstances at Hālau Lōkahi discussed at the Commission's January 8, 2015 General Business meeting, as well as previous public meetings that occurred since June 2014, the proceedings of which will be or are memorialized as part of the Commission's official minutes.

Under HAR §8-505-16, Hālau Lōkahi has until February 10, 2015, to respond to this Notice of Prospect of Revocation, although it can, of course, respond more promptly. While we would hope the Governing Board will consider very carefully under these circumstances whether this would be in the best interest of its students, staff, and community, the school also has the option of requesting a hearing on this matter in accordance with HAR §8-505-20 and may request legal representation subject to Section 28-8.3, HRS. For more details, we refer you to HAR §8-505, Subchapters 4 and 5.

We will follow up with you on closure and dissolution, but right now our most urgent, immediate priority is helping the families make smooth and prompt transitions to other schools, now at the beginning of the semester. While we have notified parents of the Commission's decision yesterday, we would encourage the school to be open to families on Tuesday in case by then some students have not yet begun the process of enrolling elsewhere. We think it would make sense if the school would assist families onsite that day with the process of reviewing their options at other schools, and we will assist the school and the families directly with that process. We have been in touch with Department of Education, the Hawaiian focus charter schools, the DOE Kaiapuni schools, and other charter schools about their openings and special consideration for transfers from Hālau Lōkahi. So far those schools with any space available have demonstrated great compassion and aloha in offering to do their best to accommodate transfers, even though at this point there is unlikely to be any funding associated with these new enrollments. We also could attempt next week to get representatives of other schools to be present at Hālau Lōkahi.

Elizabeth Blake, Acting Executive Director

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January 9, 2015

Similarly, we are prepared to assist the school's staff members with transition to the best of our ability. We urge you to contact the Labor and Employment Division of the Department of the Attorney General as to procedures for the employees going forward, but we have begun making quiet inquiries to other schools and stakeholders on behalf of the school's kumu.

We know that emotions are raw and anxieties high under these circumstances, and we are committed to working diligently with you to address the needs of your students and their families, as well as your staff, through this closure process. We feel it is important to share with you the mana'o we have received from charter schools and authorizers in other states, which is that a fight over a revocation decision among the adults, like a bitter divorce, inevitably exacts the most terrible toll on the very ones whose interests both sides strongly feel they are advocating: the children. For this reason, we are told, the trend nationally has been toward cooperative rather than disputed closures, as difficult as this understandably can be for the school emotionally. It is our sincere hope that we all can achieve this kind of responsible kokua in the best interest of the children.

Again, we will follow up or await your response when your school community has had an opportunity to reflect upon its next steps. In particular we will want to know your plans for next week. In the meantime, for procedural questions, please contact Organizational Performance Manager Yvonne Lau ([Yvonne.Lau@spcsc.hawaii.gov](mailto:Yvonne.Lau@spcsc.hawaii.gov) or (808) 586-3781), and for financial questions, please contact Financial Performance Manager Leila Shar ([Leila.Shar@spcsc.hawaii.gov](mailto:Leila.Shar@spcsc.hawaii.gov) or (808) 586-3780).

Sincerely yours,



Catherine Payne  
Chairperson



Thomas E. M. Hutton  
Executive Director

DAVID IGE  
GOVERNOR



CATHERINE PAYNE  
CHAIRPERSON

STATE OF HAWAII  
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Tel: (808) 586-3775 Fax: (808) 586-3776

March 18, 2015

VIA E-MAIL AND CERTIFIED MAIL

Peter Terry, Governing Board Chair  
Hālau Lōkahi Charter School  
401 Waiakamilo Road, Unit 1A  
Honolulu, HI 96817

RE: Revocation hearing proceedings

Dear Mr. Terry:

This letter is to inform you of the proceedings for Monday, March 30, 2015, that the Commission will be following pursuant to the Hālau Lōkahi Charter School’s request for a hearing on the revocation of its Charter Contract.

The hearing will convene at 9:00 a.m. in Room 404 of the Queen Liliuokalani Building, 1390 Miller St. in Honolulu. The Commission Executive Director and Financial Performance Manager first will review the facts and circumstances leading up to Commission’s January 8, 2015 vote to initiate revocation and to release only such funds as were necessary for transition to closure; review the grounds for revocation as cited in the Commission’s January 9, 2015 Notice of Prospect of Revocation and cite details; and address points raised by Hālau Lōkahi in its February 10, 2015 Response to that Notice. The Commission staff’s presentation may address the points set forth for the school’s benefit in Attachment A to this letter. Any written documentation that staff will provide to the Commissioners for the hearing will be provided to the school by noon on Wednesday, March 25, 2015 via email. Once the Commission staff has completed its presentation, Hālau Lōkahi, through its representative(s) and/or legal counsel, will be given an opportunity to ask questions about the information presented.

Then Hālau Lokāhi’s representative(s) and/or legal counsel will have the opportunity to present its challenge to rationale for closure and support for continuation of the school. The school has the option of submitting written documents supporting its position; any such documents must be received by the Commission via email at [commission.mail@spscsc.hawaii.gov](mailto:commission.mail@spscsc.hawaii.gov) or delivered in hard copy to the Commission office at 1111 Bishop St., Suite 516, Honolulu, no later than noon

Hālau Lōkahi Charter School Governing Board

March 18, 2015

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on Friday, March 27, 2015. As this is a special proceeding, no public testimony will be taken, but the school also has the option of calling witnesses to testify on its behalf; the list of any witnesses to be called must be submitted to the Commission no later than noon on Wednesday, March 25, 2015. Once any witnesses for Hālau Lōkahi have testified, the Commission Executive Director and/or Financial Performance Manager will have the opportunity to ask questions about the information presented.

The Commissioners may choose to ask questions of either the Commission staff or Hālau Lōkahi's representatives, legal counsel, and witnesses during or after the respective presentations.

After the presentations and any questioning by the Commissioners, the Commissioners will enter into executive session to consult with legal counsel on the Commission's powers, duties, privileges, immunities and liabilities relating to the revocation of the Charter Contract of Hālau Lōkahi Charter School. Upon reconvening after executive session, the Commissioners may ask additional questions. The Commission will invite the Commission staff and Hālau Lōkahi's representative(s) and/or legal counsel to offer any final comments. The Commission will deliberate and then take action on the proposed revocation.

The hearing may be recorded.

Should you have questions concerning the hearing, please contact Yvonne Lau, Chief Operations Officer, at (808) 586-3777 or [Yvonne.lau@spcsc.hawaii.gov](mailto:Yvonne.lau@spcsc.hawaii.gov).

Aloha,



Thomas E. M. Hutton  
Executive Director

Attachment

cc: Governing Board members, Hālau Lōkahi Charter School  
Elizabeth Blake  
Carter Siu, Deputy Attorney General for Hālau Lōkahi Charter School

## ATTACHMENT A

To

### Letter to Hālau Lōkahi Governing Board re. Hearing Proceedings

As indicated in the Commission's January 9, 2015 Notice of Prospect of Revocation, the grounds for revocation of Hālau Lōkahi Charter School's Charter Contract are the following:

- Failure to promptly and adequately adjust payroll, rent, and other expenditures to reflect the constraints of past obligations and available revenues, not only during the last fiscal year (2013-2014) but even after being afforded another opportunity to do so when granted a new charter contract (2014-2015) in spite of past failures;
- Failure to properly process employee payroll and withholdings;
- Failure to adhere to the school's own financial management procedures and to exercise prudent internal fiscal controls, including, but not limited to, purchasing authorization and safeguarding the school's bank accounts and implementing internal controls; and
- Other circumstances at Hālau Lōkahi discussed at the Commission's January 8, 2015 General Business meeting, as well as previous public meetings that occurred since June 2014, the proceedings of which will be or are memorialized as part of the Commission's official minutes.

The Commission staff's presentation at the hearing may include the following points related to these grounds for revocation and/or responding to points raised in Hālau Lōkahi's Response to the Notice of Prospect of Revocation:

- Failure to promptly and adequately adjust payroll, rent, and other expenditures to reflect the constraints of past obligations and available revenues, not only during the last fiscal year (2013-2014) but even after being afforded another opportunity to do so when granted a new charter contract (2014-2015) in spite of past failures:
  - The school failed to adjust expeditiously enough the amount of space rented to reflect a smaller student body. The school rented space based on prior year's enrollment of 224 students, despite the fact that the school's budget only provided funding based on SY 2014 actual enrollment of 178 students.
    - Total space leased April 17, 2013: 22,162 square feet for 237 students (93.5 sq ft/student)
    - Total space leased July 29, 2014: 15,836 square feet for 159 students (99.6 sq ft/student)

- Per correspondence from the school's landlord's attorney, school reducing space to 8,408 sq ft effective March 1, 2015 for 60 students (140.1 sq ft/student)
  - The school failed to reduce the administrative staff of three FTE's as a result of lower enrollment. The school finally reduced the number of administrative staff on December 19, 2014 with layoffs as part of school restructuring, but by this time the school had already exhausted 75% of the funding originally allocated to the school for the current fiscal year.
  - The school's rental of storage units at Public Storage were not investigated until after the Commission issued the Notice of Prospect of Revocation, while monthly rents of \$1,243 continued to accumulate. Commission staff had to contact Public Storage to determine how school staff could gain access to space, as it had been rented under, and was still under the name of, the former school director.
  - A \$4,150 per month, part-time accounting services contract with Charter School Management Corporation has never been terminated, from July until December and even now, after the January 8, 2015 Commission action to issue the Notice of Prospect of Revocation. At this monthly rate, an experienced, full-time accountant could have been hired by the school.
  - Many of the proposed corrective actions enumerated in the school's Response to Notice of Prospect of Revocation make clear that these prudent steps were not taken.
- Failure to properly process employee payroll and withholdings:
  - Despite funding being provided to school at the end of July 2014, school payroll was not processed by the school's payroll provider until the pay period ending 10/15/14. As a result, employee contribution information for pension (to ERS) was not reported and various premiums (to EUTF and other third party providers) were not paid for more than three months. This created an accounting nightmare for both employees and affected insurance and state agencies.
- Failure to adhere to the school's own financial management procedures and to exercise prudent internal fiscal controls, including, but not limited to, purchasing authorization and safeguarding the school's bank accounts and implementing internal controls:
  - Changes to the signatories on the school's Bank of Hawaii accounts were not made until December 5, 2015, after several promptings by Commission staff. Up until this date, the previous school director, who was no longer employed by the school, and other former employees who had been separated from the school for over seven years were still signatories on the Bank of Hawaii account.
  - As of January 29, 2015, changes to the signatories on the school's First Hawaiian Bank account still had not been made, even though the school had represented and informed Commission staff that these changes were made. Signatories on

this account included the previous school director and former employees who had been separated from the school for over eight years.

- Through the end of November 2014, check disbursements for the school still were being signed by the previous school director, who had been required to resign as a condition for the school's new Charter Contract and was no longer employed by the school. Other individuals who were not even authorized signers, including the previous governing board chair who also had been required to resign, continued to sign school checks for various payments.
  - The school's Response to the Notice of Revocation, by proposing various corrective actions, highlights the school's failure to develop and implement internal control, and procedures for financial reporting, accounting, and procurement procedures.
  - In the school's Response to the Notice of Prospect of Revocation—even in the school's financial situation—the new governing board proposes to begin reviewing financial reports only at least quarterly and to require prior governing board approval only of purchases amounting to \$2,500 or more.
  - The school failed to maintain payroll records from July 1, 2014 thru December 19, 2015, despite the school's own audit report for fiscal year ending June 30, 2014. The school is responsible for maintaining proper records of employees' vacation earned since any unused amount is payable to the employee upon separation. Additionally, accrued sick time not used can be converted to service time for an employee.
  - There are no staff attendance records at the school, which was confirmed by the school's independent auditor during field work for fiscal year ending June 30, 2014 audit report. This was still the case when staff was laid off in December 2014 and no vacation payouts could be made since there were no records documenting vacation pay due to staff.
  - The school has failed to this date to provide a list of fixed assets as originally requested on July 29, 2014. The school's Accounting Policies and Procedures include a section on Fixed Assets, which states "The School should keep a detailed listing of fixed assets which shows each asset individually."
- Other circumstances at Hālau Lōkahi discussed at the Commission's January 8, 2015 General Business meeting, as well as previous public meetings that occurred since June 2014, the proceedings of which will be or are memorialized as part of the Commission's official minutes:
    - Continuous failure to provide information to Commission staff within a reasonable amount of time. For example, for the financial monitoring of the school for the month of August, 2014, staff requested a list of fiscal year 2014 obligations not yet paid. This information was finally provided, in a sense, to Commission staff in January 2015 in the form of invoices submitted for payment by the Commission.

- Despite being given more than eight months to address the school's serious financial and operational issues, the school failed to provide a viable plan to continue fiscally viable and lawful operations.
  - Despite restructuring and staff reductions, the restructuring plan initially proposed by the school still did nothing to address the lack of qualified teachers for core subjects. The school failed to hire a single qualified mathematics teacher for any grade level. This plan was predicated on the improper use of DOE-funded special education teachers, who were the only licensed teachers. The primary duty of DOE-funded special education teachers is to provide special education services to the school's special education students, not to provide the core instruction for the general education population.
  - It was not until Commission staff informed the school that this restructuring plan was flawed that the school proposed, days before the start of the semester, a new arrangement with K12, a for-profit online curriculum provider and charter school management company, to deliver the curriculum virtually with remote licensed teachers and obtain a grant from K12 upon the execution of an MOU that would call for a K12 management contract.
  - According to information the school submitted to the Hawaii Teacher Standards Board, all of the teachers of grades K-6 teachers are virtual or are unlicensed, which is not what the school had represented in its latest plan.

DAVID IGE  
GOVERNOR



CATHERINE PAYNE  
CHAIRPERSON

STATE OF HAWAII  
**STATE PUBLIC CHARTER SCHOOL COMMISSION**  
**('AHA KULA HO'ĀMANA)**  
<http://CharterCommission.Hawaii.Gov>  
1111 Bishop Street, Suite 516, Honolulu, Hawaii 96813  
Tel: 586-3775 Fax: 586-3776

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Enclosed are the materials regarding the Hālau Lōkahi revocation hearing proceedings for Deputy Attorney General Carter Siu.

Please confirm receipt of the enclosed materials:

Date: 3/14/15  
Time: 9:15 AM

Print Name: Kari Naborikawa

Signature: Ki N

DAVID Y. IGE  
GOVERNOR



RUSSELL A. SUZUKI  
ATTORNEY GENERAL

**STATE OF HAWAII**  
**DEPARTMENT OF THE ATTORNEY GENERAL**  
425 QUEEN STREET  
HONOLULU, HAWAII 96813  
(808) 586-1500

February 10, 2015

**Via Hand Delivery and E-Mail**

State Public Charter School Commission  
c/o Tom Hutton, Esq., Executive Director  
1111 Bishop Street, Suite 516  
Honolulu, Hawaii 96813  
E-Mail: [tom.hutton@spcsc.hawaii.gov](mailto:tom.hutton@spcsc.hawaii.gov)

Re: Hālau Lōkahi's Response to Notice of Prospect of Revocation

Hālau Lōkahi Charter School (Hālau Lōkahi ) submits the following letter in response to the State Public Charter School Commission's January 9, 2015 Notice of Prospect of Revocation, in accordance with §302D-18(h), Hawai'i Revised Statute (HRS) and §8-505-16, Hawai'i Administrative Rules (HAR).

**I. INTRODUCTION**

While the State Public Charter School Commission (Commission) may believe that it is following through with the statutory due process requirements prior to revoking Hālau Lōkahi's charter contract, its actions have already resulted in a *de facto* revocation.<sup>1</sup> The Commission, by actively telling students and families to leave the

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<sup>1</sup> "[T]he range of property interests protected by due process is not infinite. To have a property interest in a benefit, a person must clearly have more than an abstract need or desire for it. He must have more than a unilateral expectation of it. He must, instead, have a legitimate claim of entitlement to it. A person's interest in a benefit constitutes a

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school, followed by a decision to layoff all teachers and staff, is trying to force Hālau Lōkahi to declare that it will “voluntarily” close its doors before it is afforded its statutory right to contest revocation. The Commission’s actions, however, are not sanctioned in §302D-18 or §302D-19, Hawai‘i Revised Statutes and §8-505, Subchapter 4, Hawai‘i Administrative Rules, and are violative of Section 13 of the charter school contract.

Despite what has been occurring as a result of the Commission’s orders, Hālau Lōkahi humbly requests that this submission be reviewed objectively by the Commissioners.

## II. BRIEF FACTUAL BACKGROUND

In June of 2014, the Commission raised concerns about Hālau Lōkahi ’s financial viability and would not “offer” Hālau Lōkahi a charter contract unless and until certain stipulations were agreed to, including the resignation of the school director and then-current governing board.

On June 30, 2014, Hālau Lōkahi signed the current charter contract, which included as Exhibit “E” a document entitled “Governing Board Special Conditions.” One of the special conditions required Hālau Lōkahi’s governing board to implement a financial plan that called for the school to “pay its existing debts and for the School to be

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‘legitimate claim of entitlement’ if it is supported by contractual or statutory language that might be invoked in a hearing.”

In re ‘Iao Ground Water Mgmt. Area High-Level Source Water Use Permit Applications, 128 Haw. 228, 267, 287 P.3d 129, 168 (2012)(Citations and internal quotation marks omitted).

financially sustainable through the 2014-2015 school year.” In addition, the charter contract contains the following language with respect to school closure and dissolution:

In the event that the School ceases operation for any reason, including but not limited to non-renewal, revocation, or voluntary surrender of this Contract, the School agrees to continue to operate its educational program until the end of the school year; provided that if the School voluntarily surrenders this Contract due to lack of funds, the School shall cooperate with the Commission in scheduling cessation of operations. The School shall cooperate with the Commission in ensuring the orderly closure of the School and shall comply with the Commission’s closure policies and protocol.

*See* Section 13.2, Charter School Contract.

Shortly thereafter, on or about July 10, 2014, the Commission appointed a new governing board, consisting of Kama Hopkins, Keone Nunes, Andre Perez and Faye Uyeda. Kari Kalima was appointed by the Commission on July 30, 2014.

On that same date, July 30, 2014, the Commission found that Hālau Lōkahi had fulfilled the conditions imposed by the Commission and released funds to the school to allow it to remain open for the start of the 2014-2015 school year. The Commission also required Hālau Lōkahi to submit financial information on a monthly basis so that the Commission could monitor the situation.

The Commission, through various reports, was fully appraised of Hālau Lōkahi’s financial situation as the school’s financial situation was discussed at the following Commission meetings:

- September 23, 2014
- October 9, 2014
- October 23, 2014
- November 13, 2014
- December 11, 2014

- January 8, 2015

On January 8, 2015, the Commission voted to: (1) issue Hālau Lōkahi a notice of prospect of revocation and (2) withhold further funding, “provided that staff be authorized to release such funds as it deems essential for orderly school closure and dissolution and transition.” On that same day, the Commission Chairperson, Catherine Payne, and the Commission’s Executive Director Tom Hutton, sent a letter to the “Hālau Lōkahi ‘ohana” informing the Students and their parents of the decision to initiate revocation proceedings and providing the parents with school transfer options.

The following day, January 9, 2015, the Commission sent a Notice of Prospect of Revocation (Notice) to Hālau Lōkahi in which the Commission advocated for collaboration in order to “effectuate a smooth and cooperative closure and dissolution, which we strongly feel is in the best interest of the school’s students.” The Commission also made it known that they had previously contacted other schools and inquired about “their openings and special consideration for transfers from Hālau Lōkahi.” The Notice also stated the following reasons for initiating the revocation process:

- Failure to promptly and adequately adjust payroll, rent, and other expenditures to reflect the constraints of past obligations and available revenues, not only during the last fiscal year but also after being afforded another opportunity to do so when granted a new charter contract in spite of past failures;
- Failure to properly process employee payroll and withholdings;
- Failure to adhere to the school’s own financial management procedures and to exercise prudent internal fiscal controls, including, but not limited to, purchasing authorization and safeguarding the school’s bank accounts; and
- Other circumstances at Hālau Lōkahi discussed at the Commission’s January 8, 2015 General Business meeting, as well as previous public

meetings that occurred since June 2014, the proceedings of which will be or are memorialized as part of the Commission's official minutes.

According to the Notice, Hālau Lōkahi's response to the Notice was due on or before February 10, 2015 and that the school could request a hearing.

On January 14, 2015, the Commission issued a News Release, informing the public that the Commission would only release enough money to Hālau Lōkahi to pay teachers and staff through the end of January 2015 "in order to allow families and staff two more weeks to make transitions to new schools and new employers." The Commission also stated that the "school would continue to exist as a legal entity for purposes of the process, but even if the Commission were to release all of the funds the school normally would have received for the remainder of the school year – instead of trying to pay down some of the school's past debt -- the school would run out of money."

A week later, on January 22, 2015, the Commission's Executive Director sent letters to Hālau Lōkahi's teachers informing them that they would be laid off at the end of the month.

### **III. REQUEST FOR HEARING**

Hālau Lōkahi, pursuant to HRS §302D-18(h)(3),(4) and HAR §8-505-20, requests a hearing on this matter, with an opportunity to "call witnesses" and "submit documents and give testimony challenging the rationale for closure and supporting the continuation of the school at an orderly proceeding held for that purpose."

#### IV. **RESPONSE**

**In response to item 1:** The Governing Board (Board) of Hālau Lōkahi acknowledges that the school made mistakes concerning payroll, rent, and other financial matters in the past. However, the newly constituted Board and the acting-executive director Elizabeth Blake are firmly committed to the health and success of the school.

Although there was some recent instability and flux with recent versions of the governing board, the current Board is comprised of stakeholders in Hālau Lōkahi, namely parents and family. That is not to say that the current Board members have no relevant experience that would contribute to the future success of the school. To the contrary, the current chair has experience in non-profit governance as the president of the Papakōlea Community Development Corporation since 2013.

The vice-chair has extensive experience in nonprofit governance serving on the Board of Directors of the 100<sup>th</sup> Infantry Battalion Legacy Organization, an educational 501(c)(3) corporation since 2002 as both the treasurer (three years) and secretary (six years). The vice-chair also has experience in the academic arena having served as the director of admissions for Hawai'i Business College, and as a counselor and supervisor at Hawai'i Job Corps Center. He also has financial management experience as the manager of the Hawai'i Job Corps Outreach, Admissions, and Career Transition Services Agency, which had a federally funded annual budget in excess of \$1,000,000. Additional financial management experience includes time working as a program manager for EPIC 'Ohana Conferencing, where he wrote and administered private grants from the Hawai'i Community Foundation. In nine years of management experience, the vice-chair was responsible for supervision and oversight of finances and employees.

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All listing of the current Board member's educational and work background is attached hereto as Attachment "1."

The current Board acts in a transparent manner with active participation by the stakeholders of Hālau Lōkahi. All meetings since January 1, 2015 have seen attendance by parents and students with involvement by all stakeholders.

The current Board believes and hopes that the following corrective actions will ensure that there will be more consistent and trustworthy fiscal management of the school:

- The Board will adopt or modify existing "Accounting Policies and Procedures" and provide fiscal oversight, while adhering to approved policies moving forward.
- The Board will work together with the Executive Director to ensure fiscal responsibility moving forward.
- The Board will commit to identifying a list of future board meetings and topics of discussion to demonstrate appropriate governance of all necessary school functions.
- The Board will ensure that Highly Qualified Teachers will be hired to provide appropriate academic services.
- The Board has adopted new By-Laws, Conflict of Interest and Disclosure Policy, Expectations and Agreement for Governing Board members, and Governing Board Responsibilities.
- The Executive Director has developed a new budget and reduced rental space and employee costs to match current enrollment. This has reduced monthly expenses from over \$111,000 to \$30,000.

**In response to item 2:** In the future, employee payroll and withholdings will be processed in a correct and timely fashion. The Board, in collaboration with K12, will provide a qualified business manager who will ensure compliance with all federal and state labor and employment laws.

As the Commission may already be aware, K12 has offered to provide the school with \$150,000 in order to keep the school open through the end of the school year. The Board requests that the Commission allow this to occur, which would give the school time to demonstrate to the Commission its efforts to get the school back on track financially, academically and operationally.

In addition to the cash infusion, K12 has also submitted a non-binding memorandum of understanding (MOU) to the Board that would allow K12 to appointment a Business Manager to assist the school in complying with its financial obligations. This MOU is currently being re-negotiated and will be submitted to the Commission by the time of our requested hearing. K12 will also agree to comply with any applicable law, policy, or required guideline including any such provisions related to accountability. K12 will guarantee that the school will maintain a balanced budget during the term of any agreement with the school, provided that the conditions within the MOU are met. K12 will provide one full-time person focused on budgets, finances, HR and operations.

**In response to item 3:** The Board has and/or will ensure that its bank accounts are not accessible to former school officials. The bank signatories will be changed and will require two signatories. The Board pledges to manage all transactions appropriately moving forward, and will adopt and approve new financial and board governance policies. For instance the Board proposes to review financial reports at least quarterly and to require prior Board approval before purchases \$2,500 are made.

**In response to item 4:** The Commission raised numerous concerns over the last several Commission general meetings, and Hālau Lōkahi is unsure what “other circumstances” are of immediate concern that would justify revocation of its charter contract.

In an attempt to address these broad concerns, some of which are addressed above, Hālau Lōkahi states that it will comply with the requirements of the Educational Program, as noted in Exhibit “A” to the current Charter Contract. The school’s Executive Director will create an academic, cultural and operational plan that further outlines how the school will make changes to have a new beginning.

The Commission also raised a point of concern about the Hawaiian culture not being prevalent enough in Hālau Lōkahi and potentially not addressed within the K12 curriculum. The concern, however, is misplaced at Hālau Lōkahi has a plan in place to continue its Hawaiian focus in collaboration with K12, as described in the attachment “Delivery of Content Through A Digital Medium Collaborating with On Site Cultural Specialist.” See Attachment “2.” Hālau Lōkahi strives to retain its Hawaiian focus identity and requests the opportunity to prove that it can be sustained under the proposed model.

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V. **CONCLUSION**

Hālau Lōkahi believes that it has responded to all areas of concern outlined in the Commission's January 9, 2015 Notice of Prospect of Revocation and looks forward to presenting its case against revocation at the upcoming hearing.

Sincerely yours,



Randall T. Shiraishi  
Vice-Chair Governing Board  
Hālau Lōkahi



Carter K. Siu  
Deputy Attorney General  
State of Hawai'i

### Qualifications of Governing Board Members

Please reference the following information from the report “The Elements of a High Functioning Public Charter School Board” by the North Carolina Department of Public Instruction, November 2012.

“The Center for Education Reform, a charter school advocacy organization, found that 41 percent of U.S. charter schools closed as a result of financial deficiencies, 27 percent closed because of mismanagement, and 14 percent closed because of students' poor academic performance (Allen et al., 2009)” \*

“Diversity is the hallmark of an effective charter school board. Effective boards benefit from having members with varied expertise in areas such as education, human resource management, personnel management, finance, law, facility management, marketing, strategic planning, or fundraising. The board should also demonstrate diversity in the members' age, perspective, ethnicity, gender and socioeconomic background.”

“Every failure of a charter school can be traced back, in some form or fashion, to the board that governs the school. Charter school boards have many responsibilities and fiscal oversight of the school is a major charge of each charter's governing board. Since financial oversight is a critical responsibility of charter school board members, the failure of schools due to financial deficiency is directly related to governance as well.” \*

“Overall, charter schools are closed significantly more frequently due to board actions or misacting than because of a lack of student performance.” \*

The above statements indicate the importance of a Governing Board in the success of a charter school. Unfortunately, the Governing Board of Hālau Lōkahi PCS has not been stable enough to adequately provide the governance needed for the School to thrive. The previous By-Laws required consensus voting which allowed any individual to impede action by the Board. The current Governing Board meets the qualifications of the law, namely, Hawai'i Revised Statutes §302D-12 Charter school governing boards; powers and duties, which states that:

- (b) In selecting governing board members, consideration shall be given to persons who:
- (1) Provide the governing board with a diversity of perspective and a level of objectivity that accurately represent the interests of the charter school students and the surrounding community;
  - (2) Demonstrate an understanding of best practices of nonprofit governance; and
  - (3) Possess strong financial and academic management and oversight abilities, as well as human resource and fundraising experience.

In reference to item (1) Provide the governing board with a diversity of perspective and a level of objectivity that accurately represent the interests of the charter school students and the

surrounding community. The current Governing Board works in concert with the executive director, but is beholden to no one. The officers are composed entirely of parents, except for one officer who is an uncle of a Hālau Lōkahi student. The By-Laws have been revised to be more comprehensive and remove consensus voting to allow for varying perspectives on the Board, but still the opportunity to conduct business. The officers have a range of employment experience in finance, social services, military service, and retail sales.

In reference to item (2) Demonstrate an understanding of best practices of nonprofit governance. The current Board has officers who have served on the following non-profit boards in executive capacities: American Business Women's Association, Coalition for Native Hawaiian Advancement, O'ahu Intertribal Council, 100<sup>th</sup> Infantry Battalion Legacy Organization, and the Papakōlea Community Development Corporation.

In reference to item (3) Possess strong financial and academic management and oversight abilities, as well as human resource and fundraising experience. The current Board has officers who have experience in financial management (one officer has 46 years of experience in the finance industry and another has federal, state and private grant administration experience). The Board has an officer with human resources experience as well as another with supervisory and management experience.

Please reference the attached resumes for additional detail.

**Peter Terry**

**Oxford House Hawaii  
2006-2012**

**Oxford House International,  
World Council,  
Charter Chairman  
2010-2012**

**Papakolea Community Development Corporation  
Board Member,  
2011-2013**

**Papakolea Community Development Corporation  
President & Chairman of the Board of Directors,  
2013-Present**

**Coalition Native Hawaiian Advancement,  
Member-Present  
2011**

**Coalition Native Hawaiian Advancement  
Director, Board of Directors  
2012-2013**

**University of Phoenix,  
Honolulu Campus  
2010-2014  
Bachelors of Sciences Human Services**

**David Amina**

**1986-present traditional guardsman HiANG  
2000-present civil svc HiANG  
1987-1990 warehouseman for C LLOYD JOHNSON  
1990-1992 temp civil service HiANG  
1992-1995 3rd shift asst sup, receiving mgr Kmart nimitz  
1995-1998 auto/garden/home improvement mgr Kmart nimitz  
1998-2000 Local 293 sheetmetal apprentice Alakai Mechanical  
1998-2000 cust svc sup/front sup Kmart (part-time wknd) nimitz**

**RANDALL T. SHIRAISHI**  
99-121 Kihewa Place, 'Aiea, Hawai'i 96701  
(808) 864-3745  
[Randy.Shiraishi@gmail.com](mailto:Randy.Shiraishi@gmail.com)

**WORK EXPERIENCE:**

**NAVY FLEET & FAMILY READINESS/  
MORALE, WELFARE and RECREATION**  
850 Ticonderoga St, Ste 110 (JBPHH)  
Pearl Harbor, HI 96886-5101  
(808) 474-1846

Responsible for supervision of school-aged children (kindergarten through 6<sup>th</sup> grade) in a before and after school care program. Assist in curriculum planning.

***Child & Youth Program Assistant***  
August 2012 - present

**EPIC, Inc.**  
E Makua Ana Youth Circle  
1130 N. Nimitz Highway, Suite C210  
Honolulu, HI 96819  
(808) 838-7752  
**Arlyna Howell Livingston, Executive Director**

Supervised five staff. Was responsible for the overall management of the statewide program which facilitates transitional planning for foster teens from state custody to independence. Conducts outreach and training to other social service agencies, the Department of Human Services Child Welfare Division and the Department of Health, Child and Adolescent Mental Health Division. Participates in collaborative committees with other agencies. Coordinates and facilitates Youth Circles which developed transitional plans for current and former foster youth.

***Program Manager***  
October 2005 – August 2009

**STATE OF HAWAII JUDICIARY**  
Volunteer Guardians Ad Litem Program  
777 Punchbowl Street  
Honolulu, HI 96813  
(808) 538-5930  
**Jacqueline Phillips, VGAL social worker**

Independent advocate and fact-finder for Family Court in Child Protection cases ensuring the best interest of the child. Conducted field visits to youth, foster home, schools, etc. Attended meetings to advocate for youth. Wrote court report and attended hearings.

***Volunteer Guardian ad Litem***  
November 2006 – March 2009

**CHILD & FAMILY SERVICE**  
Youth Residential Care Program  
91-1841 Fort Weaver Road  
'Ewa Beach, HI 96706  
(808) 681-3500  
**Marci Lopes, Program Director**

Provided individual counseling and general client supervision in a residential setting for emotionally challenged male teens. Worked with a team of lead counselors, therapist and other residential counselors. Documented client behavior, assisted with client medication, wrote behavioral contracts. Trained in Crisis Prevention Intervention (CPI).

***Residential Counselor***  
April 2005 – May 2006

**100<sup>TH</sup> INFANTRY BATTALION  
LEGACY ORGANIZATION**

516 Kamoku Street, Apartment 205  
Honolulu, HI 96826

*Treasurer, Executive Board of Directors*  
November 2002 - October 2005

*Secretary, Executive Board of Directors*  
2008 - present

Was responsible for financial tracking of the non-profit organization, which has a mission to perpetuate the legacy of the 100<sup>th</sup> Infantry Battalion through education. Handled donations, wrote checks, prepared financial reports for the board of directors, voted on official business. As secretary, keep minutes of board meetings.

**HAWAI'I BUSINESS COLLEGE**

33 South King Street, 4<sup>th</sup> Floor  
Honolulu, HI 96813  
(808) 524-4014

**Anne Omori, President**

*Director of Admissions*  
June 2002 – December 2002

Supervised seven staff. Was responsible for management of all recruitment activities. Produced and monitored statistical reports. Involved in strategic planning, implementation and monitoring. Coordinated and conducted outreach events, presentations and tours. Maintained potential applicant data base and coordinated mail and telephone campaigns. Coordinated with Financial Aid, Academic and Job Placement Departments. Coordinated student registration.

**HAWAI'I JOB CORPS OUTREACH,  
ADMISSIONS & CAREER TRANSITION  
SERVICES AGENCY**

49 South Hotel Street, Suite 205  
Honolulu, HI 96813  
(808) 545-3816

**Tommy Troxell, Center Director**

*Manager*  
March 2000 - April 2002

Supervised nine staff on two islands. Was responsible for ensuring contract compliance. Agency provides recruitment, eligibility screening and job placement throughout Hawai'i and the Pacific island region. Interfaced with government liaisons in American Samoa, Guam, the Commonwealth of the Northern Marianas, the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau. Provided training to 130 staff regarding admissions eligibility, job placement services, and program. Part of management team responsible for developing and implementing programs to provide career training to eligible, low income youth. Monitored, produced and evaluated statistical reports on program performance. Developed web site and database. Managed \$750,000 annual budget. Coordinated and conducted outreach events, presentations and tours. Responsible for marketing strategy and campaign. Devised and revised operating procedures.

**HAWAI'I JOB CORPS**

41-467 Hihimanu Street  
Waimānalo, HI 96795  
(808) 259-6020

**S.F. Su'esu'e, Group Life Manager**

*Counseling Services Supervisor*

September 1997 - March 2000

Supervised four staff. Was responsible for implementation of student evaluation process. Provided training to other staff on counseling issues. Managed a caseload of 36 students, prepared behavior management contacts, assessed students' progress, and maintained contact with other staff to maintain comprehensive services. Developed and operated student civics/leadership program involving community service. Developed and implemented new Independent Living Program dormitory with specialized services to assist with transition from Job Corps to employment.

**HAWAI'I JOB CORPS**

41-467 Hihimanu Street  
Waimānalo, HI 96795  
(808) 259-6092

**Kekea Jones, Counseling Supervisor**

*Counselor*

December 1993 - Sept 1997

Managed a caseload of 64 students, prepared behavior management contacts, assessed students' progress, maintained contact with other staff to maintain comprehensive services, provides individual and group counseling. Developed and coordinated college program for students. Provided college counseling and assistance with application and financial aid processes.

**WINNERS' CAMP FOUNDATION**

888 Akiu Place  
Kailua, HI 96734  
(808) 263-0177

**Delorese Gregoire, Owner**

*Team Leader Coordinator*

August 1993 and August 1994

Supervised a staff of 12-14 team leaders in an accelerated learning program. Monitored and instructed staff on methods to facilitate growth among the teens. Conducted staff meetings and provided support to the staff.

**HAWAI'I DEPT. of HUMAN SERVICES**

Dependent Children's Unit I  
420 Waiakamilo Road, Suite 300B  
Honolulu, HI 96817  
(808) 832-5424

**Lynn Mirikidani, Supervisor**

*Social Worker I*

January 1993 - November 1993

July 1992 - November 1992

Conducted field visits, assessments of client's needs, assisted, wrote reports and case plans as needed, supervised visits, collateral contacts to arrange for client services. Client base was foster parents and adolescent foster children.

**WINNERS' CAMP FOUNDATION**

888 Akiu Place  
Kailua, HI 96734  
(808) 263-0177  
**Delorese Gregoire, Owner**

Supervised and facilitated a team of approximately 12 teens in an accelerated learning program. Goal was to build trust, enhance communication and to improve self esteem through team oriented activities such as ROPES course events.

***Team Leader***

June, August and October 1992

**HAWAI'I DEPT. of HUMAN SERVICES**

Dependent Children's Unit I  
420 Waiakamilo Road, Suite 300B  
Honolulu, HI 96817  
(808) 832-5424.  
**Lynn Mirikidani, Supervisor**

Performed administrative tasks, in addition to field work and outreach functions. Provided support services to social workers and acted as a liaison between the foster parents, foster children and the social worker when the social worker was not available. Determined eligibility for various Departmental programs and referred clients to other resources. Client base was foster parents and adolescent foster children.

***Social Services Assistant IV***

November 1992 - January 1993  
July 1991 - June 1992

**EDUCATION:**

High School Diploma: 'Iolani School, 563 Kamoku St, Honolulu, HI 96826

Bachelor of Arts (Psychology): Univ. of Washington, 1400 NE Campus Pkwy, Seattle, WA 98195

**SPEAKING ENGAGEMENTS:**

- Statewide Conference on Homelessness, Honolulu, November 15, 2006
- 'Ohana is Forever Conference, Kaneohe, March 27, 2008
- Institute on Violence, Abuse, and Trauma (IVAT): Preventing, Assessing & Treating Child, Adolescent & Adult Trauma 5th Annual Conference, Honolulu, April 3, 2008
- Children's Bureau 2009 Meeting for Agencies and Courts, "New Strategies for Changing Times", Washington, D.C., August 5, 2009

**MEMBERSHIPS:**

100<sup>th</sup> Infantry Battalion Legacy Organization, 2002 – present

American Mensa, 2012 - present

Nadine Maglasang  
363 Iliwai Drive  
Wahiawa, Hi 96786  
Phone: 387-0990  
Nadine@phfcu.com

**WORK EXPERIENCE: 46 Years in the Financial Industry**

**Bank of Hawaii: 1969-1982**

**Mail Clerk: 1969-1972, Records Clerk: 1972-1975 Auditor 1975- 1982**

Responsible for all aspects required in the mailing & receiving of all correspondence. Delivery of mail to its respective departments. Mailing of statements, billings, etc. Recording, filings & microfilming of all checks, banking documents concerning foreign Transactions & International banking. Auditing of all funds received from foreign banks doing investments or business in America and the daily funds being received through wired funds amounting to millions of dollars.

**Part Owner of Pacific Investigations and Pacific Recovery 1978- 2004**

**Office Manager, Human Resources, Investigator, Collector, Marketing & Sales.**

Responsible for the operation of business, Hiring & Termination of Employees.

Marketing the business and retaining clients.

Investigations for Insurance fraud, Investigations for Criminal Attorneys, Back Ground checks, Investigation for private citizens going through a divorce or legal custody of children. Field collecting for Credit unions, Banks and private businesses. Repossessions of autos, homes, real estates for Banks & Credit unions.

**Hawaii Federal Credit Union: 1983-1986**

**Loan Officer**

**Responsible for consumer loans and Promotion of membership**

**Pearl Harbor Federal Credit Union: 1987 to present**

**Loan Officer: 1987 to 1999**

**Responsible for Consumer and real estate loan**

**Collections Officer: 2000 to present**

**Responsible for recovery , loss mitigations, financial counseling, Bankruptcies, Garnishment of wages. Repossessions of vehicles, Foreclosures.**

Chairperson for Fund Raising Committee for ABWA (American Business Women's Association)

1990-1992

Scholarship fundraising for women wanting a career in their selective business world.

Vice President for ABWA (American Business Women's Association) 1993-1994

Promoting the organization and its Principles. Retaining guest speakers for numerous events including networking.

Foster Parenting: 1980-1987

Caring for teenage girls who had no stable environment or adult supervision. Raising these teens in my home as part of my family and ceased when the girls were of age.

Volunteer services:

Serving on the accounting committee of my church: 1970 to present

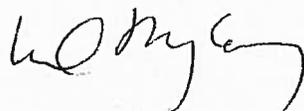
Leadership for boys & girls 5- 11 years of age: ( Elementary school)

Teaching arts, culture, faith 1977- 1987

Leadership for youth 12-18 years of age: ((Middle & High School)

Building future leaders with courage, confidence, respect, responsibility to become world class citizens. Awareness of the environment and current world situations that may effect our future. Stressing need of education and college.

Respectfully, Yours



Nadine Maglasang

# FEAH - STUDENT COMPLETION REPORT

<b>LastName</b>	<b>FirstName</b>	<b>FINANCIAL INSTITUTION</b>
<b>Maglasang</b>	<b>Nadine</b>	<b>PH FCU</b>

<b>COURSE</b>	<b>GRADE</b>	<b>COMPLETION</b>	<b>COMMENTS</b>
Expedited Funds Availability Act:	P	Sum 03	6 hrs.
Teller Operations	P	Spring 02	
Communication Skills For Business	P	Spring 01	20 hrs.
Retail Banking		Fall 04	20 hrs.
Oral Communication Skills		Spring 02	20 hrs.
Sales Excellence		Spring 02	20 hrs.
Consumer Lending Comp Workshop		Sum 04	6 hrs.
Effective Business Writing		Fall 01	20 hrs.
IRA Overview	P	Spr 04	8 hrs.
Impact of Customer Service	P	Sum 03	2 hrs.
Consumer Lending: From		Spr 02	
Constructive Conflict Resolution	P	Sum 04	4 hrs.
Fiduciary & Decedent Accounts	P	Fall 04	6 hrs.
Real Estate Law I		Summer 99	
Laying the Groundwork for Effective	P	Sum 03	6 hrs.
Techniques for Telephone	P	Fall 03	4 hrs.
Managing Performance & Productivity	P	Sum 04	4 hrs
Techniques for Motivating Your Staff	P	Sum 04	4 hrs.
Bank Secrecy Act	P	Spring 03	
Leadership Skills	P	Spring 03	

## FEAH - STUDENT COMPLETION REPORT

<b>LastName</b>	<b>FirstName</b>		<b>FINANCIAL INSTITUTION</b>
DiSC		P	Spring 07
Implementing Developmental		P	Spring 07
Intro To Financial Institutions		P	Spring 07
Domestic Violence & the Workplace			March 07
Lending Award			July 07
Financial Services Award			July 07
Financial Abuse of Elders (Seminar)			Nov 07
PRINCIPLES & QUALITIES OF		P	Spring 08
Reaching for Stellar Service		F	Spring 08
Closing the Sale & Following Through		P	Spr 04      4 hrs.

## Mealii O. Prieto

1409 Kapalama Ave.  
Honolulu, Hawaii 96817

(808)392-4479  
maeprieto@hotmail.com

Objective

A position within the social services, mental health counseling or educational field that focuses on empowering families to improve the quality of their lives by identifying and building on their strengths and resources.

Work Experience

**Puyallup Tribal Health Authority - Kwawatchee Counseling Center** Tacoma, WA  
Client Advocate/Student Intern/Counselor 2/2006 - 10/2007

Provided client advocacy, case management, outreach, community education, counseling, and on-call crisis services to mental health clients within the Native American community.  
Provided one on one counseling services to identified client population and maintained client records.  
Conducted intake interviews of client's mental health and psychosocial history.  
Developed treatment plans and document client contacts.  
Co-facilitated and coordinated treatment groups for adults and adolescents.  
Worked collaboratively with staff in providing a multi-disciplinary approach to treatment.

**Department of Human Services** Honolulu, HI  
Social Worker III - Case Manager 5/2000 - 7/2001

Provided direct case management to families identified for child abuse and neglect within a cross-section of different programs (adoption, foster care, legal guardianship, etc.).  
Developed effective interventions and treatment plans to remedy immediate problems.  
File petitions with court as necessary and arrange placement of children in foster care.  
Evaluate family progress, document case files, and collaborate with other agencies.

**Department of Social Services** Fayetteville, N.C.  
Social Worker III - CPS Investigator 8/1998 - 12/1999

Investigated allegations of child abuse and neglect by conducting family interviews.  
Determine initial assessments, document findings, and file petitions with court as needed.  
Prepare treatment plans, evaluate, and monitor family progress.  
Arrange for foster placement of children and supervise family visits when appropriate.

Volunteer Experience

**Personal Home Caregiver** 10/2007 - 11/2013  
**Oahu Intertribal Council (501c3) – President** 10/2012 – present  
Provide leadership for the Native American community to help educate the general public about Native American Indians and Alaskan Natives through educational programs in the schools, community presentations, cultural celebrations (annual powwow event), community outreach, and cultural & arts.

Education

St. Martin's University Master of Arts (Counseling) 2007  
Lacey, WA Bachelor of Arts (Psychology) 1994

Delivery of Content Through A Digital Medium Collaborating with On Site Cultural Specialist

The proposed delivery of academic course work to the 7-12 grade students would be a combination of distance learning technology, traditional classroom instruction, and project-based learning. The content will be delivered via distance learning technology... a Hawai'i-licensed teacher will instruct the students via the Internet with the assistance of an onsite cultural specialist. This model addresses one of the weaknesses of distance learning, which is personal support and dependence upon the individual motivation of the student. The statistical outcomes for virtual schools are substandard because the model requires the student to be self-motivated to engage with the online content. In the case of Hālau Lōkahi PCS, the students will already be in class ready to learn. Additionally, there will be an instructor in the classroom to support the students and relate the learned material, where appropriate, to Hawai'i and it's culture. The student will, in effect, have two teachers to assist them with their acquisition of knowledge. The knowledge gained through the virtually delivered curriculum will be implemented in the project-based learning model (as stated in Essential Term #3, Learning by Doing). As modern educators are well aware, each child learns differently. This approach gives each child the best chance of being matched with the delivery modality that meets their style of learning.

What makes Hālau Lōkahi different from other public schools is the project and place-based instruction and Hawaiian cultural focus. In this model, the project is one method of evaluation used to demonstrate mastery of the content taught. The internet-based instruction is a tool utilized by the on-site instructor that will replace the text book. It is NOT, as stated by Tom Hutton, "a switch to reliance on online instruction." The on-site instructor is both a project manager and facilitator of learning. The assertion that this model will be significant transition to a new modality of instruction is invalid. The current students already utilize on-line instruction via Study Island, IXL, and Khan Academy. This partnership will allow for standardized curriculum. Also, this does not mean that all instruction will be through a digital medium. Hālau Lōkahi will continue to teach through place-based instruction at a site in Kalihi Valley and at other community partners.

This model has multiple benefits to the school and it's students. Firstly, the virtual curriculum fulfills a need in the school to provide a broader range of curriculum to meet the individual needs of the student. The school will be able to select from a menu of courses to offer in the classroom. Specifically, this means that a college-bound student will be able to take the required coursework that will make them eligible for acceptance into most institutions of higher learning.

Secondly, this model allows the student to gain greater familiarity to a modality of instruction that is gaining favor in higher education, distance learning. Most universities now offer some online coursework to supplement the traditional classroom. A student can earn a range of credentials from

universities such as the University of Maryland, Michigan State University, the University of Washington, etc. This early familiarity with distance learning will give the Hālau Lōkahi graduate experience in a form of educational instruction that will broaden their choice of curriculum and institution from which they want to learn.

Thirdly, this model will fulfill the State's requirement of licensed teachers as well as the federal requirement under the No Child Left Behind Act for Highly Qualified teachers in core academic areas. The teachers instructing the curriculum via the Internet will meet the state and federal requirements. Additionally, K12 and the School will develop a professional development plan to provide support to the currently unlicensed teachers at Hālau Lōkahi to earn those credentials.

Fourthly, this model provides the community with a choice in their education for their children. It provides a medium between the traditional educational model offered at the public schools and the education offered at the Hawaiian Immersion schools. This model allows those who embrace the Western education needed to be successful in a global society, yet also want their child to embrace the Hawaiian cultural traditions that are central to Hālau Lōkahi PCS.

It is our intent to establish community partnerships within the Hawaiian community to expand our culturally infused program. We envision people coming to the school to provide instruction on various topics of cultural and historical importance. The current administration and Governing Board are committed to being a part of a larger community working together towards common goals.

This model meets the requirements stated in Exhibit A "Educational Program" of the Charter Contract. Though the instruction is delivered digitally, it does not meet the definition of digital learning as specified in Exhibit A, which states "for the purposes of this Exhibit, digital learning is defined as learning facilitated by technology that gives students some element of control over time, place, path, or pace of learning." In our model, the time and place is controlled at our physical site. Path and pace of learning are controlled by the onsite cultural specialist.

We firmly believe that this model brings together cutting edge Western technology and educational methods, common core standards-based content and Hawaiian culture and values. Our students will have the knowledge and education to succeed in any institution of higher learning, as well as the cultural foundation and values to remain rooted to their history and community.

According to the Charter School contract, "2.1. The School's Governing Board is the independent board of the School that is responsible for the financial, organizational, and academic viability of the School; possesses the independent authority to determine the organization and management of the School, the curriculum, and the instructional methods." Additionally, the contract states "3.1. School's Control. Subject to the terms and conditions of this Contract, the School shall have control over and responsibility for the design and delivery of the educational program and for attaining the academic performance standards and

have the discretion to modify, amend, adapt, and otherwise change its educational program as it deems necessary to achieve the academic performance standards and targets." And, "3.3.2. The School shall retain the autonomy to select a particular curricular and/or instructional approach consistent with the Common Core or other applicable State academic standards." It is our assertion that the Governing Board has the authority to select our curriculum and instructional methods, not the Executive Director of the Charter School Commission.

We believe Hawaiian focused charter schools allow choice for Hawaiian children. It has been noted that Hawaiian children attending Hawaiian focused charter schools have improved attendance and learning outcomes. Closing Hālau Lōkahi removes a Hawaiian focused charter school option for those residing from the 'Ewa plain to central O'ahu to west Honolulu. The only other alternatives would be Wai'anae, Makiki, or Kāne'ohe.

The School has a stronger Governing Board comprised of individuals (parents) who are vested in the success of the School. The School has a new budget with reduced facility and staffing costs that has reduced monthly expenses from \$110,000 per month down to \$30,000. With the payment arrangement in place with the landlord, the School can operate and complete the School Year in a significantly stronger financial position than in previous years. If given the opportunity, we believe that the new leadership will institute a new era of accountability and growth for Hālau Lōkahi.

**Hawaii State Public Charter School Commission  
Halau Lokahi Public Charter School  
For the Fiscal Year Ended June 30, 2015**

Funds provided to School:

FY15 State Per Pupil Funding	783,361.00
FY14 Impact Aid Funds - distributed 10/29/14	23,079.84
FY15 Impact Aid Funds - distributed on per pupil basis	40,928.74
Total funds disbursed to School	<u>847,369.58</u>

Disbursements made by School	<u>(847,369.58)</u>
<b>Funds held by School</b>	<u><u>-</u></u>

Funds originally allocated to School but held by Commission:

FY15 State Per Pupil Funding	120,318.00
FY15 Impact Aid Funds - allocated on targeted basis	34,792.79
FY15 Second Quarter FICA/Medicare Reimb	29,238.28
Total funds held by Commission	<u>184,349.07</u>

Disbursements made by Commission on behalf of School since 1/9/15	<u>(95,876.57)</u>
<b>Funds held by Commission</b>	<u><u>88,472.50</u></u>

FY2015 Per Pupil funds originally allocated to School but not yet drawn down by Commission

FY15 Third Per Pupil Funding	100,409.00
<b>Funds Allocated but not drawn down</b>	<u><u>100,409.00</u></u>

Estimated outstanding obligations of School:

Invoices submitted by School but that School claims should not be paid	(17,656.66)
Rent and utilities Landlord claims is due through 1/4/15	(198,792.30)
<i>Estimated rent through 3/31/15, per landlord's attorney letter dated 2/20/15</i>	<u>(17,876.36)</u>
<b>Estimated outstanding School obligations</b>	<u><u>(234,325.32)</u></u>