



EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

July 12, 2006

The Honorable Robert Bunda, President
and Members of the Senate
Twenty-Third State Legislature
State Capitol, Room 003
Honolulu, Hawaii 96813

GOV. MSG. NO. 862

Dear Mr. President and Members of the Senate:

Re: House Bill No. 1891 HD2 SD2 CD1

On July 11, 2006, House Bill No. 1891, entitled "A Bill for an Act Relating to Education" became law without my signature, pursuant to Section 16 of Article III of the Constitution of the State of Hawaii.

This bill doubles the amount of General Excise Tax (GET) revenues to be deposited into the State Educational Facilities Improvement (SEFI) special fund from \$45 million to \$90 million.

House Bill No. 1891 HD2 SD2 CD1 is problematic because the automatic, mandatory diversion of GET revenues limits the State's ability to fund priorities, thereby negatively impacting the State's general fund financial plan. In essence, this measure guarantees the diversion of up to \$90 million dollars of general revenues into the SEFI if no general obligation bonds are authorized. A financially sound approach to manage the State's funds would include providing funding for public school capital improvement requirements on the basis of need, funding ability, and the consideration of statewide priorities. House Bill No. 1891 does not take these criteria into consideration.

The State Educational Facilities Improvement special fund was created to set aside State funds for school construction and repairs. Currently, the SEFI is funded from general obligation bond sales. Consequently, in essence, projects funded by the SEFI are funded by general obligation bonds. Thus, the SEFI may no longer be needed.

One of the priorities of my Administration is to foster a proper learning environment that I believe is critical to the education of Hawaii's students. For fiscal year 2005-2006, I released \$200 million to assist the Department of Education with repair and maintenance and other capital improvement program projects for Hawaii schools. In addition, on June 26, 2006, I signed Act 246, the Fix Hawaii Schools Act, which appropriates \$235 million to repair schools statewide. There is also \$170 million in capital improvement project funds in the supplemental budget for

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2007 (Act 160) and \$5 million for solar panels in schools in Act 96, Session Laws of Hawaii 2006. These amounts total \$610 million devoted to school construction.

My support for public school facilities is clear. However, the Department of Education should fund its capital improvement program needs directly with general obligation bond fund sales as do other State departments.

For the foregoing reasons, I allowed House Bill No. 1891 to become law as Act 304 effective July 11, 2006 without my signature.

Sincerely,



LINDA LINGLE

A BILL FOR AN ACT

RELATING TO EDUCATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the state
2 educational facilities improvement special fund is used to plan,
3 design, construct, maintain, and acquire lands for public school
4 facilities. The special fund finances projects that address
5 classroom necessities. However, the special fund is currently
6 overwhelmed with the demand for repairs. Years of under-funding
7 maintenance projects have culminated in a massive school repair
8 and renovation crisis. As recently as six months ago, asbestos
9 was found under twelve sinks at Haleiwa elementary school, which
10 disturbingly called to mind the incident a year ago when
11 asbestos was again found in the exterior walls of two buildings
12 at King intermediate school. Kailua intermediate school also
13 made headlines last year when a roof collapsed on its campus.
14 All of these potentially life-threatening situations required
15 immediate attention and disrupted classes. Presently, the
16 department of education major repair and maintenance backlog
17 totals \$525,000,000.



1 The purpose of this Act is to provide additional funds to
2 address this repair and maintenance backlog.

3 SECTION 2. Section 237-31, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§237-31 Remittances.** All remittances of taxes imposed by
6 this chapter shall be made by money, bank draft, check,
7 cashier's check, money order, or certificate of deposit to the
8 office of the department of taxation to which the return was
9 transmitted. The department shall issue its receipts therefor
10 to the taxpayer and shall pay the moneys into the state treasury
11 as a state realization, to be kept and accounted for as provided
12 by law; provided that:

13 (1) The sum from all general excise tax revenues realized
14 by the State that represents the difference between
15 [~~\$45,000,000~~] \$90,000,000 and the proceeds from the
16 sale of any general obligation bonds authorized for
17 that fiscal year for the purposes of the state
18 educational facilities improvement special fund shall
19 be deposited in the state treasury in each fiscal year
20 to the credit of the state educational facilities
21 improvement special fund[+] for public school capital
22 improvement program needs; and



1 (2) A sum, not to exceed \$5,000,000, from all general
2 excise tax revenues realized by the State shall be
3 deposited in the state treasury in each fiscal year to
4 the credit of the compound interest bond reserve
5 fund[~~and~~

6 ~~(3) A sum, not to exceed the amount necessary to meet the~~
7 ~~obligations of the integrated tax information~~
8 ~~management systems performance based contract may be~~
9 ~~retained and deposited in the state treasury to the~~
10 ~~credit of the integrated tax information management~~
11 ~~systems special fund. The sum retained by the~~
12 ~~director of taxation for deposit to the integrated tax~~
13 ~~information management systems special fund for each~~
14 ~~fiscal year shall be limited to amounts appropriated~~
15 ~~by the legislature. This paragraph shall be repealed~~
16 ~~on July 1, 2005]."~~

17 SECTION 3. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 2006;
20 provided that on June 30, 2008, section 2 of this Act shall be
21 repealed and section 237-31, Hawaii Revised Statutes, is



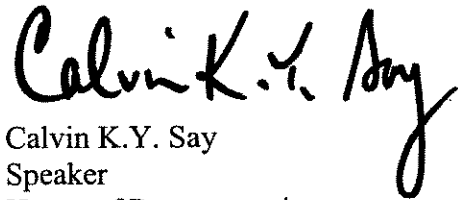
- 1 reenacted in the form in which it read on the day before the
- 2 effective date of this Act.

HB No. 1891 HD 2 SD 2 CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2006
Honolulu, Hawaii

We hereby certify that the foregoing Bill on this day passed Final Reading in the House of Representatives of the Twenty-Third Legislature of the State of Hawaii, Regular Session of 2006.



Calvin K.Y. Say
Speaker
House of Representatives



Patricia Mau-Shimizu
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAII

Date: May 2, 2006
Honolulu, Hawaii

We hereby certify that the foregoing Bill on this day passed Final Reading in the Senate of the Twenty-Third Legislature of the State of Hawaii, Regular Session of 2006.



Robert Bunda
President of the Senate



Paul Kawaguchi
Clerk of the Senate