

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2771

January 31, 2008

RELATING TO THE RESPONSIBILITIES OF THE LEGISLATURE

Senate Bill No. 2771 would require the Legislature to make separate appropriations for each capital improvement project. The first appropriation would be for plans, design, and land acquisition, as necessary. Upon completion of the plans, design or land acquisition, the Legislature would appropriate funds for construction and equipment.

We oppose this bill. The Department of Budget and Finance believes that having to request separate construction appropriations would delay the implementation of capital improvement projects. For example, if funds are released in July and the design takes 14 months, it would be completed in the following September. A request for the construction fund would be submitted to the Legislature in the following year, and if approved, the funds would be available in July, resulting in a 10-month delay in the project.

Also, there are concerns on implementing projects if only design funds are appropriated, as there would be no assurances that construction funding would be appropriated after design is completed.

LATE TESTIMONY

Testimony Presented Before the
Senate Committee on Ways and Means
January 31, 2008 at 9:00 a.m.

by

Sam Callejo

Vice President for Administration, University of Hawai'i System

SB 2771 – Relating to the Responsibilities of the Legislature

Chair Baker, Vice Chair Tsutsui, and Members of the Committee:

Thank you for the opportunity to testify on SB 2771. We believe the intent of this bill is to provide for better estimates for the construction and equipment costs of projects in budget requests prior to appropriation. We support this intent. However, we wish to express our concern that this will significantly impact the timing of CIP project implementation by requiring a two step process. In many cases, this may add years and costs to projects.

The Board of Regents' CIP Budget for Supplemental Year 2008-2009 includes projects requiring construction funds; however, the design for many of the projects have not been completed. If SB 2771 is enacted, it will significantly affect the University's ability to implement projects on a timely basis. For example, the Board of Regents' CIP Budget includes a project for the University of Hawai'i at Mānoa for Women's Locker Room Improvements for Title IX Compliance. We have no prior appropriations for this project; however, we believe that we can complete the design of the project by March 2009, and complete the construction of the project by November 2009. If SB 2771 is enacted, appropriation of the construction funding would need to wait for the 2009 legislative session [or perhaps 2010 if the design isn't completed prior the start of the 2009 session], with bidding of the project deferred to September 2009 [or 2010], and final completion deferred to May 2010 [or 2011]. Such a delay would also likely result in increased costs due to construction escalation.

The example above also pertains to many smaller scale CIP projects such as those included in our Capital Renewal and Deferred Maintenance project category. Restricting construction funding for repairs and maintenance funding until the design is completed will have a significant impact on our ability to implement critical repairs to University campuses on a timely basis.

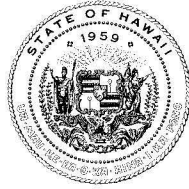
In addition, the separation of the planning and design from the construction on CIP projects would make it problematic to fund projects with revenue bonds, since it would be difficult to market such bonds to investors for only the planning and design portions of projects, without assurance that the construction portions will subsequently be funded and thus repayment would be uncertain.

It is important to note that project estimates included in our CIP requests are generated by our staff, who are comprised of registered professional architects and

engineers. Estimates are also generated by our consultants, who often use professional estimators. Nevertheless, the true construction cost can only be obtained at the time of bid opening; until that time, all estimates will be just that. Please note that the University generally makes adjustments in the project scope if necessary to deal with changes in estimates, rather than requesting additional funds.

Accordingly, because of the need to address our deferred maintenance backlog, we wish to express our concerns that this will make it harder to do so expeditiously.

Thank you for the opportunity to testify on this measure.



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January 31, 2008

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 2771

COMMITTEE ON WAYS AND MEANS

We appreciate the intent of this bill but we have concerns.

In order to provide more efficient, timely, and accurate capital improvement project appropriations, this bill seeks to split the authorization of funding for the various elements into two phases: The first appropriation would include plans, design, and land acquisition. Upon completion of the plans, design, and land acquisition; the construction appropriation would follow.

The Department of Transportation, Highways Division, currently spreads the appropriations out among the various elements of a project (e.g., planning, designing, land acquisition, and construction). This is done according to our implementation plan, which is constantly being revised to reflect current conditions. We feel that this measure would restrict this flexibility and hinder our ability to be current with these implementation plans.

Of concern is the requirement to appropriate construction funds only after plans, design, and land acquisition activities are completed. If completion of these pre-construction activities were after the end of the legislative session, it would result in construction delays. We would be required to wait another year before the appropriation for construction could be authorized by the Legislature.

Also of concern is the grouping of planning, design, and land activities. Due to the possibility of a lengthy planning phase, we may appropriate planning first, and in a later budget, request for the design and possibly land acquisition funds. The grouping of all three pre-construction elements means that the funding would not be based on the most current estimates possible. Accordingly, we feel that the proposed procedure will result in unintended inaccuracies and delays.