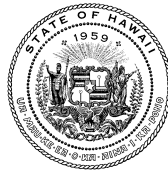


SB 602

EDT



**STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES**

P.O. BOX 119
HONOLULU, HAWAII 96810-0119

TESTIMONY
OF
RUSS K. SAITO, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEES
ON
ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND
JUDICIARY AND GOVERNMENT OPERATIONS
ON
February 9, 2009

S.B. 602

RELATING TO THE ARTS

Chair Fukunaga, Chair Taniguchi, and members of the Committees, thank you for the opportunity to testify on S.B. 602.

The Department of Accounting and General Services (DAGS) opposes this bill. By increasing the percentage that will be applied to CIP appropriations for transfer into the special fund, this bill would decrease the amount of funding that can be applied to CIP projects for construction or renovation of State buildings.

Providing funding for performing arts may be an artistically and culturally worthwhile objective. However, DAGS has concerns that creating the funding source by increasing the amounts subtracted from CIP projects for construction or renovation of State buildings will reduce the State's ability to address its needs for building space and functionality that State agencies need to function effectively and provide the services it is required to provide to its citizens. DAGS believes that funding for the performing arts

should come from another source, and that if such funding is sought, that it not adversely affect any programs in the Administration's Biennium Budget submittal.

Thank you for the opportunity to testify on this matter.

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON ECONOMIC DEVELOPMENT AND
TECHNOLOGY, AND JUDICIARY AND GOVERNMENT OPERATIONS
ON
SENATE BILL NO. 602

February 9, 2009

RELATING TO THE ARTS

Senate Bill No. 602 adds an unspecified percentage of capital improvement project funds to the Works of Art Special Funds for the purpose of live performing arts, to include performances such as live music, dance, drama, choreographed athletic or aerobic performance, poetry readings, speeches, and lectures that can be made into a permanent display.

We have concerns with this bill. By including the permanent display of performing arts in the definition of works of art, the proposed bill will allow the use of bond funds designated for the construction cost element of State buildings. Generally, tax-exempt general obligation bond proceeds must be used to fund capital expenditures. As such, the funding of live performances generally will not qualify for tax-exempt bond financing. There are some exceptions to this federal statutory requirement such as if the live performance and permanent display is determined to be a capital asset. Such a determination will need to be made by an accountant and concurred by bond counsel.

Further, some funds that are assessed for performing arts will not benefit from the assessment. For example, the assessments on Airport or Highway special fund projects may be an inappropriate diversion of Airport and Highway revenues for permanent displays of live performing arts.

TESTIMONY OF
LORI V. THOMAS

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT
AND TECHNOLOGY

ON
February 9, 2009

S. B. 602

RELATING TO THE ARTS

Chair Fukunaga and members of the committee, I am Lori Thomas, chairperson of the Hawaii State Foundation on Culture and the Arts Commission and I am testifying as an individual. Thank you for the opportunity to testify before you on S. B. 602.

The one percent for art law enacted in 1967 and the Works of Art Special Fund established in 1989 have long been the cornerstones of the State Foundation on Culture and the Arts' (SFCA) support for the visual arts. Over the years, the Art in Public Places Program has grown in curatorial integrity, programmatic value and the professional expertise of its staff. Today, the Art in Public Places Program is a model for at least 24 other state public art programs in the country and more than 300 public art programs at the federal, state and county levels. The basis for the one percent for art law is that art humanizes and beautifies the built environment. Art completes the architectural plan of a building and enhances the aesthetic vision of the design team. The law, in effect, reinforces the intrinsic relationship between the architect's creativity and how the building functions for the benefit of the public, not as a static construction, but as an aesthetic, educational and humanitarian statement.

The fact that more bond proceeds may be directed to the special fund as the result of the state's proposed economic stimulus package is welcomed with caution. Revenues

from construction and renovation of state buildings have averaged \$2.8 million per year. over the last 18 years. Not all repair and maintenance projects are assessed the 1% amount and therefore do not result in revenues to the fund.

Expenses for the fund have averaged approximately \$2.5 million per year, well below our \$4.4 million budget ceiling. This is due to a purposeful effort to manage the fund carefully in accordance with average yearly revenues.

The SFCA, through its Biennium Grants Program, has been distributing approximately \$500,000 to performing arts projects in communities statewide for a number of years. We realize that not all sources of funding are equal. May I suggest as an alternative to compromising the integrity of the Works of Art Special Fund, the Art in Public Places Program and the Hawaii State Art Museum, to undertake a study into alternative funding sources for the performing arts. This could possibly be applied to the Biennium Grants Program and its program areas of Arts Education, Community Arts, Heritage and Preservation, Presentation (that includes literary, visual and media arts), and Performing Arts. The SFCA has already commissioned a report on alternative funding sources from the Western States Arts Federation and proposes to update the 2004 findings. Also, the SFCA is currently considering alternatives to grantmaking as a possibility, a topic that arts leaders in the field are currently addressing.

The intent of S. B. 602 to enable the performing arts of Hawaii to thrive and prosper, especially during tough economic times, is commendable. However, crafting a new law by compromising the integrity of an existing one is not advisable because it pits supporters of one art form against another.

I propose reviewing the SFCA's study into alternative funding sources; updating it; applying a new revenue source to the performing arts and perhaps other arts disciplines as appropriate, and producing a report with recommendations to the Legislature prior to the convening of the FY 2010 session. For this purpose, the SFCA would take the lead in establishing a task force, which will review and update the funding study and formulate recommendations.

Thank you for your consideration and for the opportunity to testify before you on this matter.