
A BILL FOR AN ACT

RELATING TO SCHOOLS.

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

1 SECTION 1. The legislature finds that the certificate of
2 participation is a method of financing capital improvement
3 projects in which an investor buys a share of the lease revenues
4 of an agreement made between the government and the developer,
5 rather than the bond being issued by the government and secured
6 by those lease revenues. Specifically, under this method of
7 financing, the department of budget and finance enters into a
8 lease agreement with a developer to "front the financing,"
9 thereby enabling a capital improvement project to be designed
10 and built prior to the expending state agency's obtaining the
11 necessary capital improvement project appropriation from the
12 legislature. Certificates of participation have been used to
13 finance the building of the state office building at Kapolei and
14 to finance the purchase of the capitol district office building
15 (Hemmeter Building).

16 The primary advantages of certificate of participation
17 financing are speed and lower costs. Projects will be completed
18 in a shorter period of time than under the traditional method of



1 financing a project through bond appropriation and the ensuing
2 allotment process over an incremental period of years.
3 Moreover, lower costs will ensue because the design and
4 construction phases of a project can actually be packaged
5 together, rather than separated by fiscal years. The primary
6 disadvantage is the complexity of the process, since it requires
7 coordination between the department of budget and finance, the
8 department of accounting and general services, the department of
9 the attorney general, the governor, and the legislature.
10 However, given the current dire state of Hawaii's economy, the
11 advantage of lower costs easily prevails over the disadvantage
12 of mere administrative complexity.

13 The purpose of this Act is to:

14 (1) Clarify that the department of education is authorized
15 to enter into financing agreements or issue
16 certificates of participation for the acquisition of
17 public school facilities and any lands for these
18 facilities;

19 (2) Direct the department of education to consider, as the
20 preferred method of financing the planning, design,
21 and construction of the Royal Kunia elementary school
22 II, entering into a financing agreement with or



1 issuing certificates of participation to a private
2 developer; and

3 (3) Appropriate state educational facilities improvement
4 special funds for the purposes of this Act.

5 SECTION 2. Section 302A-1506, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§302A-1506 Public school facilities.** The department may
8 enter into [~~such~~] contracts, leases, lease-purchase agreements,
9 financing agreements or certificates of participation, pursuant
10 to chapter 37D and section 36-32, or other transactions as may
11 be necessary for the acquisition of public school facilities,
12 including any lands for these facilities, on such terms as it
13 may deem appropriate with the concurrence of the director of
14 finance."

15 SECTION 3. The department of education shall consider as
16 the preferred method of financing the planning, design, and
17 construction of Royal Kunia elementary school II at Kunia, Oahu,
18 Hawaii, entering into a financing agreement with or issuing
19 certificates of participation to a private developer, pursuant
20 to chapter 37D and section 36-32, Hawaii Revised Statutes.

21 SECTION 4. There is appropriated out of the state
22 educational facilities improvement special fund of the State of



1 Hawaii the sum of \$ or so much thereof as may be
2 necessary for fiscal year 2010-2011 for the planning, design,
3 and construction of Royal Kunia elementary school II at Kunia,
4 Oahu, Hawaii; provided that the remaining costs necessary to
5 complete the project shall also be eligible for funding through
6 a financing agreement or issuance of certificates of
7 participation.

8 The sum appropriated shall be expended by the
9 superintendent of education for the purposes of this Act.

10 SECTION 5. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 6. This Act shall take effect on July 1, 2050.

13



Report Title:

Public School Facilities; Royal Kunia Elementary; Certificate of Participation; Appropriation

Description:

Clarifies that the DOE is authorized to enter into financing agreements or issue certificates of participation for the acquisition of public school facilities and lands for these facilities. Directs the DOE to consider entering into a financing agreement or issuance of certificates of participation for the planning, design, and construction of Royal Kunia elementary school II and appropriates funds for the necessary payments. Effective July 1, 2050. (SD1)

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