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# A BILL FOR AN ACT

RELATING TO THE BUDGET.

**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 direct the department of  
14 education to enter into a financing agreement for the planning  
15 and design of the Royal Kunia elementary school II using  
16 certificates of participation and to appropriate general funds  
17 for the necessary payments on the certificates of participation.

18 SECTION 2. Pursuant to section 36-32, Hawaii Revised  
19 Statutes, the department of education is directed to enter into  
20 a financing agreement with a private developer for the planning  
21 and design of the Royal Kunia elementary school II at Kunia,



1 Oahu, Hawaii, using certificates of participation, meeting the  
2 requirements of chapter 37D, Hawaii Revised Statutes.

3 SECTION 3. There is appropriated out of the general  
4 revenues of the State of Hawaii the sum of \$ or so  
5 much thereof as may be necessary for fiscal year 2010-2011 for  
6 any necessary payments required by the use of certificates of  
7 participation in the planning and design of the Royal Kunia  
8 elementary school II, pursuant to this Act.

9 The sum appropriated shall be expended by the department of  
10 budget and finance for the purposes of this Act.

11 SECTION 4. This Act shall take effect on July 1, 2010.

12



**Report Title:**

Public School Facilities; Financing Agreement; Certificate of Participation; Appropriation

**Description:**

Directs the DOE to enter into a financing agreement for the planning and design of Royal Kunia elementary school II using certificates of participation. Appropriates funds to be expended by the department of budget and finance for necessary payments on the certificates of participation for the project.  
(SD1)

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