

Honolulu, Hawaii

FEB 12 2010

RE: S.B. No. 2143
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committees on Economic Development and Technology and
Judiciary and Government Operations, to which was referred S.B.
No. 2143 entitled:

"A BILL FOR AN ACT RELATING TO THE STATE FOUNDATION ON
CULTURE AND THE ARTS,"

beg leave to report as follows:

The purpose of this measure is to enhance the fiscal
stability of the State Foundation on Culture and the Arts by
authorizing use of the Works of Art Special Fund to fund position
costs of the Executive Director and any other employee of the
State Foundation on Culture and the Arts for a five-year period.

Testimony in support of this measure was submitted by the
Hawaii Arts Alliance and two individuals. The Department of
Budget and Finance submitted testimony in opposition. The State
Foundation on Culture and the Arts, the Chairperson and two of the
Commissioners submitted comments.

Written testimony presented to the Committees may be reviewed
on the Legislature's website.

Your Committees are gravely concerned about the stability of
the State Foundation on Culture and the Arts (SFCA) due to cuts of
eleven full time equivalent positions in late 2009. The agency
currently has no general-funded positions, and the National
Endowment for the Arts (NEA) has expressed strong concern about
continued federal funding of SFCA programs after these reductions



in staffing. Your Committees commend the SFCA and its Commissioners for their commitment to meeting the NEA obligations and their combined efforts to reorganize the agency in order to do so. However, your Committees believe this will be difficult unless the Works of Art Special Fund is also reevaluated.

In testimony, the SFCA noted that allocations of the one per cent bond revenues were quite low last year (compared against approximately \$2,900,000 annually), and allotment advice for 2010 have been cancelled. Fifteen of the agency's twenty staff positions are funded through the Works of Art Special Fund and a large part of programming and operations - approximately \$3,000,000 - are made possible through special fund support. The SFCA projects that under current conditions, the special fund will be completely depleted in two to three years.

Your Committees are troubled that the funding levels deposited into the Works of Art Special Fund are being reported at relatively low levels at a time that the Legislature has funded capital improvements at historic highs to stimulate greater activity within the local economy. Between 2008 and 2009, for example, the Legislature appropriated \$308,033,000 for capital improvement projects (CIP) for the Department of Education in fiscal year 2008, and \$320,293,000 in CIP for fiscal year 2009; yet the impact of this increased spending appears not to be reflected in the amounts allocated to the Works of Art Fund. Accordingly, if the one per cent calculation for new construction and renovations were applied, the Works of Art Fund could potentially have received close to \$3,000,000 in both fiscal year 2008 and fiscal year 2009, just by virtue of the Department of Education's CIP appropriation alone.

This week, the State of Hawaii successfully sold \$721,600,000 of general obligation bonds to fund various state capital projects, including public school facilities, University of Hawaii projects and other statewide capital projects. As such, your Committees believe that the Legislature must monitor the implementation of section 103-8.5, Hawaii Revised Statutes, requirements more closely to assure that (a) the one per cent amount is calculated at the time that an Executive Budget appropriation bill is signed into law, and (b) that funds are transferred into the Works of Art Special Fund upon availability of funds from the appropriations (e.g., at the time of bond sales).



Your Committees therefore pledge to assist the SFCA by insuring that the Works of Art Special Fund receives the correct amounts specified by Section 103-8.5, Hawaii Revised Statutes, and by exercising greater oversight over the agency's operations to prevent further deterioration of its purpose.

Your Committees have amended this measure accordingly, by:

- (1) Limiting personnel costs to administrative, grants, and contracts personnel;
- (2) Deleting the provision excluding items from the one per cent amount of an agency's capital improvement appropriations;
- (3) Requiring an annual report to the Governor and the Legislature on the amounts due from each agency under the one per cent requirement; and
- (4) Amending the effective date to July 1, 2050, for the purpose of encouraging further discussion; and to repeal only the amendments regarding personnel costs to be expended from the special fund on June 30, 2015.

As affirmed by the records of votes of the members of your Committees on Economic Development and Technology and Judiciary and Government Operations that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2143, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2143, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Development and Technology and
Judiciary and Government
Operations,

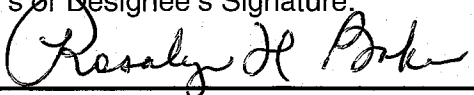

BRIAN T. TANIGUCHI, Chair


CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fifth Legislature
 State of Hawaii

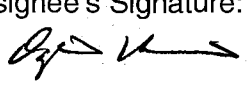
Record of Votes
Committee on Economic Development and Technology
EDT

Bill / Resolution No.:* SB 2143	Committee Referral: EDT/JGO, WAM	Date: 2-8-2010		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
BAKER, Rosalyn H. (VC)	✓			
HEE, Clayton				✓
IGE, David Y.	✓			
SLOM, Sam				✓
TOTAL	3	-	-	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Judiciary and Government Operations
JGO

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2143	EDT/JGO, WAM	2/9/10		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TANIGUCHI, Brian T. (C)	✓			
TAKAMINE, Dwight Y. (VC)	✓			
BUNDA, Robert				✓
GABBARD, Mike				✓
NISHIHARA, Clarence K.	✓			
SLOM, Sam		✓		
TOTAL	3	1	0	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes