

NEIL ABERCROMBIE
GOVERNOR



BRUCE A. COPPA
Comptroller

RYAN OKAHARA
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

TESTIMONY
OF
BRUCE A. COPPA, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
CULTURE AND THE ARTS
ON
February 17, 2011

H.B. 1378

RELATING TO THE STATE OF HAWAII ENDOWMENT FUND

Chair Wooley and members of the Committee, thank you for the opportunity to testify on H.B. 1378.

The Department of Accounting and General Services (DAGS) opposes H.B. 1378.

We oppose this bill because it is not in the core mission of DAGS to cultivate music production, performances, and music education. The main role of DAGS is to provide support functions to the Executive Branch departments in the form of building design, construction, and maintenance, accounting, land survey, records management, computer and communication services, and audit services. DAGS has no technical expertise in administering an endowment fund with the objectives previously stated. The administrative responsibilities of this fund would be better placed in a department or agency which has the expertise (in culture and the arts) to manage the endowment fund to meet its legislative purpose. If a qualified agency cannot be

found, we would recommend that the endowment fund be liquidated and the proceeds deposited to the general fund.

Thank you for the opportunity to testify on this matter.



HAWAII
STATE FOUNDATION on
CULTURE and the ARTS

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Honolulu, HI 96813

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**TESTIMONY OF
STATE FOUNDATION ON CULTURE AND THE ARTS
TO THE
HOUSE COMMITTEE ON CULTURE AND ARTS
ON February 17, 2011**

H.B. 1378

Chair Wooley and members of the committee, I am Ronald Yamakawa, executive director of the State Foundation on Culture and the Arts. The SFCA opposes this measure.

Having met earlier this month with representatives from the Symphony Foundation and the State Legislature, the Symphony Foundation's investment counselor, and attorneys for the State, where we discussed the intent of Section 40-88, HRS and subsequent amendments, I believe that broadening the language of this measure would not effectively serve the intent of the original statute.

The original legislation was conceived to provide support for the Honolulu Symphony, and later changed to support the "production of music by an Oahu-based symphony orchestra." Symphony musicians were compensated with wages set by the musicians' union and virtually all of the revenues from the fund's investment were used to pay musicians' fees during the concert seasons.

State attorneys have reviewed the status of the fund and are of the opinion that the current pledge agreement between the State and the Honolulu Symphony Foundation is valid until February 8, 2013. As the SFCA is currently in charge of the fund, our recommendation is to

take no action to change the conditions of the contract until the contract is officially expired.

Thank you for the opportunity to testify on this matter.

CUAtestimony

From: Ian Cooke [ian@pbrc.hawaii.edu]
Sent: Tuesday, February 15, 2011 5:43 PM
To: CUAtestimony
Subject: Opposition to HB1378

Committee on Culture and the Arts

Honorable Representatives:

It is my impression that this bill has been introduced to change the mission of what I have known as the Honolulu Symphony Foundation. As I read it, the bill would change the mission of the Foundation from support of the production of music by an Oahu based symphony orchestra to a mission absent of any reference to supporting an orchestra resident on Oahu.

I write to register my strong opposition to the changes proposed in this bill. My standing to make objection to this bill stems from my consistent support of the Honolulu Symphony Orchestra and as a financial contributor to support the mission of the Honolulu Symphony Foundation as defined in the documents creating this Foundation under the leadership of Lynne Johnson.

I hope the committees considering this bill will defer action until the many supporters of an Oahu-based professional orchestra gain knowledge of this bill and have the opportunity to submit comments.

Respectfully yours,

Ian M. Cooke

~~XXXXXXXXXXXXXXXXXXXX~~
~~XXXXXXXXXXXXXXXXXXXX~~

CUAtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 16, 2011 8:48 AM
To: CUAtestimony
Cc: robin4@hawaii.edu
Subject: Testimony for HB1378 on 2/17/2011 10:30:00 AM
Attachments: HB1378 Testimony.doc

Testimony for CUA 2/17/2011 10:30:00 AM HB1378

Conference room: 329
Testifier position: support
Testifier will be present: No
Submitted by: Robin Shiroma
Organization: Individual
Address:
Phone:
E-mail: robin4@hawaii.edu
Submitted on: 2/16/2011

Comments:

Aloha Representatives,

I strongly support the idea of having the State of Hawaii endowment fund be used to promote music production, performances and education. Many talented musicians and performers, especially students do not receive many music opportunities and this will immensely benefit them.

Also, since the Honolulu Symphony is no longer in existence, this would be an optimal use for the existing fund. This will be able to provide for those who otherwise would not be able to afford any type of music instruction or education during this tough economic time.

Please support our local and promising musicians!

Best Regards,
Robin Shiroma

Musicians' Association of Hawaii

LOCAL No. 677, American Federation of Musicians

BRIEN MATSON
President

JAMES F. MOFFITT
Vice President

MARSHA SCHWEITZER
Secretary-Treasurer



LATE TESTIMONY

February 16, 2011

TO: COMMITTEE ON CULTURE & THE ARTS

RE: HB 1378 RELATING TO THE STATE OF HAWAII ENDOWMENT FUND

DATE: Thursday, February 17, 2011 10:30 am – State Capitol, Conference Room 329

Dear Chair Wooley, Vice-Chair Au Belatti, and Members of the Committee

On behalf of the Musicians' Association of Hawaii, Local 677, I would like to submit testimony against HB 1378. The broadening of the purpose of the State of Hawaii Endowment Fund from supporting "the production of music by and Oahu based symphony orchestra" to "cultivating music production, performances, and music education" could mean that the funds would no longer be used to support a resident professional orchestra at a time where the re-emergence of an orchestra would be better served by having those funds available.

"Music production, performances, and music education" are what a symphony orchestra does. Taking the words "Oahu based symphony orchestra" out of the endowment fund language might advance the concept of not having an orchestra in the future. Hawaii needs and deserves a professional orchestra, and the State of Hawaii Endowment Fund is essential to making that possible.

Historically, a larger number of orchestras have come back after bankruptcy than have not. Even though the Honolulu Symphony closed down and the assets are being liquidated, it is very likely that a new orchestra will emerge. The wording of the original purpose takes this possibility into account.

Time, money, confidence, and vision are needed in order for a new orchestra to be allowed to come into being. It would seem that to leave the Endowment fund as it is, would keep time, money, and confidence on the table.

Thank you,

Brien Matson
President



LATE TESTIMONY

February 16, 2011

Jessica Wooley, Chair
Della Au Belatti, Vice-Chair
Culture and Arts Committee

RE: HB1378 Regarding the State of Hawaii Endowment

I'm writing in opposition to HB 1378. Even though I am the General Manager of Chamber Music Hawaii, an organization that it seems could be a beneficiary of broadening the use of the State of Hawaii Endowment, I do not believe HB1378 will benefit Chamber Music Hawaii in the long run.

Chamber Music Hawaii was founded in 1982 by Honolulu Symphony musicians and has presented world-class chamber music and educational programs to the entire state for nearly three decades. The possibility of an additional funding source would do CMH very little good if there were no professional musicians to staff our ensembles. The recent loss of the Honolulu Symphony has already had an impact on our programs. Like many other performing arts organizations, our future will benefit more by the presence of a professional orchestra than by diverting funding away from that purpose.

The State of Hawaii Endowment Fund was intended to support "an Oahu based symphony orchestra." This specific wording took into account the possibility that the Honolulu Symphony might one day cease to exist and that another orchestra might be formed. When this happens it will be important that the new professional orchestra receive the full and exclusive support of the State of Hawaii Endowment Fund as originally intended.

Thank you for the opportunity to be heard on this important matter.

Jonathan Parrish
General Manager

Board of Directors

James F. Moffitt, President
Robert Nathanson, Vice President
Jane Campbell, Secretary
Paul Lemcke, Treasurer
Robert Bessenbrugge
Jackie Mahi Erickson

Sue Haas
Kenneth Hafner
Claire Sakai Hazzard
Edward Hope
Evelyn Lance
Peter Lewis

Anne McKay
Judith R. Neale
Norma Nichols
Alex Pickens
Rochelle Uchibori

Galliard String Quartet • Honolulu Brass • Spring Wind Quintet

Box Office - 808.489.5038
P. O. Box 61939 Honolulu, HI 96839
www.chambermusicahawaii.com

CUAtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 17, 2011 8:07 AM
To: CUAtestimony
Cc: thedgduo@hotmail.com
Subject: Testimony for HB1378 on 2/17/2011 10:30:00 AM

Testimony for CUA 2/17/2011 10:30:00 AM HB1378

LATE TESTIMONY

Conference room: 329
Testifier position: oppose
Testifier will be present: No
Submitted by: Darel
Organization: Individual
Address:
Phone:
E-mail: thedgduo@hotmail.com
Submitted on: 2/17/2011

Comments:
February 17, 2011 7:45 am

TO: COMMITTEE ON CULTURE & THE ARTS
RE: HB 1378 RELATING TO THE STATE OF HAWAII ENDOWMENT FUND
DATE: Thursday, February 17, 2011 10:30 am- State Capitol, Conference Room 329

Dear Chair Wooley, Vice-Chair Au Belatti, and Members of the Committee:

I am submitting testimony against HB 1378. The broadening of the purpose of the State of Hawaii Endowment Fund from supporting "the production of music by an Oahu based symphony orchestra" to "cultivating music production, performances, and music education" could mean that the funds would no longer be used to support a resident professional orchestra at a time where the reappearance of an orchestra would be better served by having those funds available.

I am a local musician and music educator. I teach violin, viola and chamber music at the Iolani School. Additionally, I teach third, fourth, and fifth grade orchestra classes and private violin/viola lessons at the Honolulu Waldorf School. At the Punahou School, I am a chamber music coach. I have also served as a mentor to the Roosevelt High School Orchestra and been a mentor/teacher to numerous public school students for over 15 years. A symphony orchestra not only provides the great concerts to the community but also provides the backbone to music education in the entire state of Hawaii. It is an invaluable resource to music education providing teachers, coaches and mentors of a high standard who would not be here without a resident professional orchestra. Without professional role models to demonstrate for students, young aspiring musicians would have no one to look to for guidance, inspiration, etc.

Hawaii needs and deserves a professional orchestra, and the State of Hawaii Endowment Fund is essential to making that possible. The majority of orchestras in the U.S. that have gone into bankruptcy have in fact reemerged. Even though the Honolulu Symphony shut down and the assets are being liquidated, we are hopeful that a new orchestra will emerge from the ashes. I fear that any change to the State of Hawaii Endowment fund jeopardizes the possibility of a professional symphony orchestra once again serving the community.

Thank you for your time,

Darel Stark
1296 Kapiolani Blvd. #4406
Honolulu, HI 96814

PAUL J. SCHWIND
2033 Nuuanu Avenue, Apt. 22-B
Honolulu, Hawaii 96817
schwang1@hawaii.rr.com

LATE TESTIMONY

February 17, 2011

The Honorable Jessica Wooley, Chair, and Members
Committee on Culture and the Arts
The House of Representatives
Hawaii State Capitol
415 South Beretania Street, Room 327
Honolulu, Hawaii 96813

BY E-MAIL: repwooley@capitol.hawaii.gov

Dear Chair Wooley and Members:

Re: House Bill No. 1378 Relating to the State of Hawaii Endowment Fund

I am a long-time (35 years) subscriber and donor to the Honolulu Symphony. I am testifying in opposition to House Bill No. 1378 Relating to the State of Hawaii Endowment Fund.

The stated purpose of HB 1378 is to “*enhance and broaden* the purposes of the State of Hawaii endowment fund, which is a separate fund of the Honolulu symphony trust [to be] used for *music production, performances, and music education*, in addition to [*sic*] the current *limited purpose of the production of music by an Oahu-based symphony orchestra*” (emphasis added).

As a retired attorney I have participated in the bankruptcy proceedings of the Honolulu Symphony Society as a creditor *pro se* and supporter (through declarations filed in court) of the Honolulu Symphony Musicians in their efforts, both in and out of court, to encourage Symphony management to submit a timely and viable reorganization plan under Chapter 11. Regrettably, our best efforts were unsuccessful and the Symphony is now in the process of Chapter 7 liquidation, resulting in a tragic and unimaginable loss to the entire community.

While the true intent behind HB 1378 is unclear, its specific effect would be to divert what limited resources remain that might assist in the reestablishment of the Honolulu Symphony in the foreseeable future. For example, the Honolulu Symphony Foundation recommended in its “2010 Organizational Analysis” of the Symphony that the number of compensated musicians’ services be downsized from 272 to 70 annually, while “Pacific Orchestra Institute” apprenticeships for graduates of Asian music schools would be fully funded.

“[P]roduction of music by an Oahu-based symphony orchestra” is hardly a “limited purpose”. It is, in fact, the essence of what the Honolulu Symphony was all about -- a core group of highly trained professional musicians, capable of performing live orchestral music to world-class standards, while providing a vital resource for educating both audiences and music students throughout the State in the fine points of appreciating and performing the classical music repertory. Without the Symphony in the form in which it existed for some 110 years, its enormous legacy of expertise and tradition is rapidly and irretrievably being lost.

I therefore respectfully request that your Committee **hold** HB 1378, and retain the original purpose of HRS §40-88 supporting the Honolulu Symphony. Thank you for the opportunity to express my views on this matter.

CUAtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 16, 2011 11:28 PM
To: CUAtestimony
Cc: shshohetvln@aol.com
Subject: Testimony for HB1378 on 2/17/2011 10:30:00 AM

LATE TESTIMONY

Testimony for CUA 2/17/2011 10:30:00 AM HB1378

Conference room: 329
Testifier position: oppose
Testifier will be present: No
Submitted by: Sheryl Shohet
Organization: Waiiau Elementary School
Address:
Phone:
E-mail: shshohetvln@aol.com
Submitted on: 2/16/2011

Comments:

* Hawaii needs to have a professional orchestra and the State of Hawaii Endowment Fund is essential to making that possible. Schools across the islands have enjoyed field trips to the symphony as well as visits from symphony ensembles for decades, and their presence in our schools is sorely missed. The symphony MUST come back, and the endowment would make it a real possibility.

* It costs nothing to maintain the State of Hawaii Endowment Fund as it is, but any changes may discourage the possibility of having a professional orchestra again. Leave it alone.

* Many symphony supporters lobbied for the creation of the State of Hawaii Endowment Fund with the expectation that those funds would always be used to support a professional orchestra in Hawaii. It would seem like a criminal act to change the purpose at this point.

CUAtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 16, 2011 10:41 PM
To: CUAtestimony
Cc: geoff_stone@hotmail.com
Subject: Testimony for HB1378 on 2/17/2011 10:30:00 AM

LATE TESTIMONY

Testimony for CUA 2/17/2011 10:30:00 AM HB1378

Conference room: 329
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Geoffrey Stone
Organization: Individual
Address:
Phone:
E-mail: geoff_stone@hotmail.com
Submitted on: 2/16/2011

Comments:
To Whom it may concern,

Please take this testimony into consideration regarding my opposition to HB 1378.

I believe Hawaii needs to have a professional orchestra and the State of Hawaii Endowment Fund is essential to making that possible. Hawaii is currently the only state without a professional symphony orchestra.

Any changes may discourage the possibility of having a professional orchestra again. It is critical that these funds remain intact and reserved for the use of a resident professional orchestra.

Many symphony supporters lobbied for the creation of the State of Hawaii Endowment Fund with the expectation that those funds would always be used to support a professional orchestra in Hawaii.



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Phone (808) 220-3654
ublight@aloha.com

LATE TESTIMONY

February 17, 2011

TO: COMMITTEE ON CULTURE & THE ARTS

RE: HB 1378 RELATING TO THE STATE OF HAWAII ENDOWMENT FUND

DATE: Thursday, February 17th, 2011 10:30 am

Dear Chair Wooley, Vice-Chair Au Belatti, and Members of the Committee:

I wish to submit testimony against HB 1378. Honolulu deserves and needs a resident professional Symphony and the State of Hawaii Endowment Fund is essential to making this possible.

I grew up listening to the Honolulu Symphony as a child. On Sundays, our family of six always attended concerts at McKinley High School and the HIC, now known the NBC Concert Hall.

The presence of a professional Symphony Orchestra in Honolulu definitely had an impact throughout my life. At Waiālae Elementary School I began learning the violin with a Honolulu Symphony member. My private violin teachers were always members of the Honolulu Symphony. I have played with the Symphony as a part time member and teach over 50 violin students.

One person who inspired me to become involved in the Arts, was not a Symphony musician – it was Ah Quon MacElrath. She was a devoted Symphony concert goer. I am quite sure that she passionately lobbied for the State of Hawaii Endowment Fund with the expectation that those funds would always be used to support a professional orchestra in Hawaii.

I sincerely hope that someday soon, a new orchestra will emerge from the bankruptcy. Leaving the Endowment Fund as it is would be crucial for this process.

Thank you.

Helen Higa

CUAtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 17, 2011 8:53 AM
To: CUAtestimony
Cc: johnsonl008@hawaii.rr.com
Subject: Testimony for HB1378 on 2/17/2011 10:30:00 AM
Attachments: Testimony Bill 1378.pages

LATE TESTIMONY

Testimony for CUA 2/17/2011 10:30:00 AM HB1378

Conference room: 329
Testifier position: oppose
Testifier will be present: No
Submitted by: Lynne Johnson
Organization: Individual
Address:
Phone:
E-mail: johnsonl008@hawaii.rr.com
Submitted on: 2/17/2011

Comments:

This testimony is slightly revised to correct some mistakes and clarify the position.

LATE TESTIMONY

Testimony on Bill 1378

Jessica Wooley, Della Belatti and members of the Committee on Culture and the Arts. My name is Lynne Johnson. I am currently the Interim Director of the Honolulu Academy of Arts. I am also on the Board of the Honolulu Symphony Foundation, and I am a former Board member and former Chair of the Honolulu Symphony Society.

I want to give you some background on the Honolulu Symphony Foundation. I joined the Board of Governors the Honolulu Symphony Society in 1980 and then the Board of Directors in 1982. In the 1980s, the Board wiped out two endowments.

In 1998, we established the Honolulu Symphony Foundation. The idea was that the endowment of the Honolulu Symphony should be managed by a separate non-profit so that the management would not wipe out yet another endowment. The endowment at that time was between \$4 and \$5 million. We modeled the foundation after the Indianapolis Symphony Foundation. We established a Board of 9 members, one third of which were tied to the Honolulu Symphony Society, two Board members and a member of the orchestra. We later expanded the Board to 12 members, with 4 members affiliated with the Symphony Society and 8 members unaffiliated.

The idea was that we would give the society 5% of the corpus on an annual basis.

In Feb. 2008, we received \$4 million from the State as part of Act 156.

The cumulative rate of return from the the \$4 million is 19 1/2% since Feb. 2008.

The amount currently in the Act. 156 account is \$4,286,096. Deposited in Feb. 2008 at beginning of market crash. The account distributed \$538,200 to the symphony, since 2008.

However, in order to keep the symphony alive, the Foundation advanced future distributions up front, rather than be limited to 5% each year. The Society was to pay back the advance over time. This was funded by a line of credit from Merrill Lynch at 1%, a special deal for the Symphony Foundation. We are very grateful for this low rate.

The line of credit currently stands at \$3,728,589 million. It would take approximately 8 years to pay of the line of credit through 5 % distributions alone. What will probably happen is that we will pay, say 2% off each year so that around \$300,000 could be distributed.

The stated purpose of the Foundation is to support the Honolulu Symphony or, if that is not longer in existence, a Oahu based symphony orchestra. In other words, given the fragile financial status of the orchestra over many years, the Foundation was established to protect the endowment assets of the symphony, if the symphony were to go out of business. I guarantee you, that if we did not have the foundation, we would have no orchestra, and no endowment with which to support a new organization.

As we speak, there are at least two groups working to develop a new symphony. However, that won't happen tomorrow. If the Foundation were approached by a group of symphony musicians who wanted to launch a program for music education in the schools, we would certainly consider that, especially since at least one of our funds in the endowment is specifically for music education.

However, our long-term purpose remains to support a resident symphony orchestra on Oahu, that ideally would serve the entire State of Hawaii. Again the Honolulu Symphony Foundation was set for the situation that we find ourselves in right now. Bill 1378 would circumvent that purpose and hurt the chances of our bringing back a resident symphony orchestra for Hawaii. Therefore, I oppose it.