

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
WATER, LAND, & OCEAN RESOURCES
ON
February 04, 2011

H.B. 1505

RELATING TO PUBLIC FACILITIES

Chair Chang and members of the Committee, thank you for the opportunity to testify on H.B. 1505.

The Department of Accounting and General Services (DAGS) opposes passage of this bill for the following reasons:

1. This proposed bill is unclear on the Legislative intent/scope/operational structure for the proposed "State Facility Renovation Partnership Program", which needs clarification on the following issues:
 - A. What are the overall goals and objectives of the "State Facility Renovation Partnership Program"? Is there a "target completion deadline" for accomplishment of the overall goals and objectives for the "State Facility Renovation Partnership Program"? What can be considered as a "facility"

under the proposed “State Facility Renovation Partnership Program”? What can be included as renovation and/or maintenance work for State-owned facilities under “facility lease-buy back” agreements?

B. How is DAGS sale of a State-owned facility and DAGS execution of a “facility lease-buy back” agreement with ground lease for the underlying State-owned property supposed to work? What are the funds deposited into the "State Facility Renovation Partnership Special Fund" account to be used for? What is the anticipated "source of funding" for payments tied to the DAGS "facility lease-buy back" agreement?

C. What happens if the amount of funds deposited into the "State Facility Renovation Partnership Special Fund" account is insufficient to accomplish the overall goals and objectives of the "State Facility Renovation Partnership Program"? Will the Legislature appropriate funding to address any DAGS budget shortfalls for this purpose?

2. Pursuant to Hawaii Revised Statutes, DAGS is responsible to provide maintenance support services for only State Office Buildings. However, under this proposed bill, it seems that DAGS will be made responsible for conducting annual assessments for all State agency facilities through the “State Facility Renovation Partnership Program”. DAGS does not have the resources needed to accomplish this responsibility (due to: staff vacancies; “furlough days”; and inadequate annual operating budget appropriations for just State Office Buildings) and there is no evidence to justify the proposed “State Facility Renovation Partnership Program” will be able to generate a suitable “revenue stream” (which will be deposited into the

“State Facility Renovation Partnership Special Fund” account) to address the maintenance needs and/or lease rental costs for all State facilities under the “State Facility Renovation Partnership Program” **without** any annual Legislative funding support.

3. **Prior to passage**, this proposed bill also needs further review and coordination with the following State agencies:

- A. The Department of Land and Natural Resources/Board of Land and Natural Resources (DLNR/BLNR) because any DAGS sale of a State-owned building or facility, subject to issuance of a ground lease for the underlying State-owned property (specifically if DLNR retains “fee title interest” for the State-owned property), will conflict with existing DLNR/BLNR jurisdictional authority under the Hawaii Revised Statutes.
- B. Other State agencies that are authorized under the Hawaii Revised Statutes to retain “fee title ownership interest” in State-owned property, such as (but not limited to): the Department of Transportation; the Office of Hawaiian Affairs/Department of Hawaiian Home Lands; the Hawaii Health Systems Corporation; and the University of Hawaii system.
- C. The Department of the Attorney General (AG) because the legal ramifications are unclear if DAGS were to enter into a “facility lease-buy back” agreement with a “private investor” that included a ground lease agreement (as “financing collateral” for building renovations and maintenance work financed by the “private investor” under a “facility lease-buy back” agreement with DAGS) when DAGS has “no fee title ownership interest” in the

___ DAGS would be solely responsible for re-payment of the “facility lease-buy back” agreement.

- D. The State Procurement Office (SPO) because the procurement process for DAGS selection of a “private investor” for the “State Facility Renovation Partnership Program“ is unclear.

Thank you for the opportunity to testify on this matter.

TO: Committee on Water, Land and Ocean resources
Feb 4th 2011
Chairs: Jerry Chang
Sharon Har

From: Dave Cooper

Testimony in opposition to HB1505

Selling of state owned facilities as this bill suggests is a dumb idea. In all cases where this has been tried in other states it has led to greater long term financial issues and tax payer burden. Is the State legislature really this short sighted to want this act to become law?

Are we as taxpayers supposed to stand by while the state privatizes its assets and then leases back the same asset? Can any of you explain how this is good for Hawaiians, our Kiki and theirs and theirs?