

Date: 01/31/2011

Committee: House Education

Department: Education

Person Testifying: Kathryn Matayoshi, Superintendent of Education

Title of Bill: HB 1058 RELATING TO CAPITAL INVESTMENTS.

Purpose of Bill: Amends chapter 37, Hawaii Revised Statutes, to include agency-wide technology and computer systems with an estimated useful life of greater than seven years as capital investments to allow all costs to be financed with bond funds and depreciated as capital investments.

Department's Position: The Department **supports** this bill. Passage of this measure would clarify the Legislature's support of the concept of bond financing of large technology and computer system projects and advance discussion on the need to replace the Department's Financial Management System (FMS).

The Department needs to upgrade, improve, or replace its technology and computer systems infrastructure to become more efficient and productive. However, the cost of large-scale new technology or computer systems is prohibitively expensive when trying to budget for the project within a biennium budget, even with phased implementation. A large-scale project designed to have a useful life of multiple years should be able to be funded as a capital investment over a longer period of time. For example, the Department of Accounting and General Services (DAGS) uses FAMIS, which is approximately 20 years old. The DOE is currently using FMS, which is also approximately 20 years old, and other systems that are based on antiquated technologies. Replacement of these systems would result in improved efficiencies, greater accountability and transparency in the use of public funds, and improved reporting for

decision makers and stakeholders at all levels.

The development and implementation of large information systems is costly but essential to provide efficient and accurate program execution. Allowing the cost of such systems to be classified as capital investment costs is realistic and recognizes their long-term importance to state agencies. The Department has been pro-active in planning for the replacement of its financial management systems, and now has a request for proposal (RFP) ready to proceed. However, the main road block to proceeding is funding.

It should be noted that this concept was supported in the January 2010 report of the Task Force on Reinventing Government, which stated on page 12, "We do strongly recommend, however, that investments in technology should be considered as capital improvements by the executive and legislative branches. The corporate sector regularly capitalizes such purchases, and government would do well to do the same."