

SB2349

Relating to the State Educational
Facilities Improvement Special Fund;

ConAm

EDU, JDL/WAM

Date: 02/15/2012

Committee: Senate Education

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: SB 2349 PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF HAWAII RELATING TO THE STATE EDUCATIONAL FACILITIES IMPROVEMENT SPECIAL FUND.

Purpose of Bill: Proposes an amendment to the Hawaii state constitution that would repeal the state educational facilities improvement special fund's exemption from the requirement the appropriated moneys be lapsed after 3 years.

Department's Position:

The Department is **opposed** to this bill.

This measure proposes a State Constitutional amendment to strike the exemption for legislative appropriations for school facility improvement projects made in either year of any biennium budget, made through the state educational facilities improvement special fund, from lapsing at the end of the first year of the following biennium.

SEFI funds school facility development and improvements projects appropriated by the Legislature and allocated by the Governor. The Legislature has shown its support of school facility improvements by committing at least \$45 million of bond proceeds or tax revenues into this fund. For several biennium now the source of funds deposited into the fund have been general obligation bond proceeds. This fund has afforded the Department both greater funding predictability that supports long-range planning and greater flexibility in maximizing the use of appropriated funds via the SEFI project adjustment fund. In 1996 both the Legislature and voting public supported efforts to improve school facilities by inserting into Article VII, Section 11 of the State Constitution the following, "appropriations from the state educational facilities improvement special fund may be made for periods exceeding three years to allow for construction or acquisition of public school facilities." This extension to the life of SEFI appropriation helps avoid the need to reappropriate funding for projects that may experience delays in encumbering appropriated funds under contract. The Department asks that these commitments to support school facility development and improvement be maintained by retaining this exemption.

Thank you for the opportunity to testify on this measure.

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON EDUCATION
ON
SENATE BILL NO. 2349

February 15, 2012

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF
HAWAII RELATING TO THE STATE EDUCATIONAL FACILITIES IMPROVEMENT
SPECIAL FUND

Senate Bill No. 2349 proposes an amendment to the Hawaii Constitution to repeal the exemption from the three-year lapsing requirement for appropriations in the State Educational Facilities Improvement Special Fund. This bill would be required upon passage of Senate Bill No. 2348, Relating to the State Educational Facilities Improvements Special Fund, which would repeal the fund effective July 1, 2013.

The Department of Budget and Finance supports this bill. We recognize there are operational advantages for the Department of Education to maintain the fund, but the Department of Budget and Finance takes the position that the original intent and financial benefit of the Fund no longer exists.

Over the years, capital improvement projects appropriated for education facilities have generally been authorized and funded with State Educational Facilities Improvement Special Funds, which are then 100% supported through general obligation bond funds. We recognize the need to address the maintenance and upgrades of educational facilities; however, given the economic condition of the State and concerns on national funding support levels, we must address our funding

requirements within available funding resources. Thus, capital improvement project requests by departments should be reviewed on a statewide basis and allocated to programs based on statewide priorities.

As the Department of Education's capital improvement project requests are generally supported 100% with general obligation bonds, the Department of Education's capital improvement projects should be funded directly with general obligation bonds rather than through the State Educational Facilities Improvement Special Fund. Thus, the purpose of the State Educational Facilities Improvement Special Fund is no longer necessary. For this reason, the Department of Budget and Finance supports the repeal of this fund and the constitutional amendment.