

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2598

February 28, 2012

PROPOSING AMENDMENTS TO THE HAWAII STATE CONSTITUTION RELATING TO
THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.

Senate Bill No. 2598 proposes to amend Article VII, Section 12, and Article X, section 1, of the Hawaii State Constitution, to authorize the State to issue Special Purpose Revenue Bonds (SPRB) and use the proceeds from those bonds, to assist charter schools, not-for-profit corporations that support charter schools, and community development financial institutions that support charter schools.

The Department has several concerns with this bill. There may be federal tax implications in using tax-exempt SPRBs to provide assistance to charter schools. Tax-exempt SPRB financing may be used to assist private entities such as private hospitals, industries, utilities, and private schools. As charter schools are statutorily considered to be “public schools” and fall under auspices of the State’s Department of Education, they may not be eligible for SPRB financing. Secondly, it is unclear as to what are “not-for-profit corporations that support charter schools” and “community development financial institutions that support charter schools.” Further clarification is needed to determine whether such organizations, under their specific unique situations, qualify under federal tax law for tax-exempt financing. Finally, there appears to be no existing funding mechanism to ensure adequate debt coverage for the issuance of special

purpose revenue bonds on behalf of charter schools. Charter schools are currently appropriated general funds for operating costs, which cannot be used to pay for debt service.

Thank you for opportunity to provide testimony on this measure.



SB 2598
RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS
Senate Committee on Ways and Means

February 28, 2012

9:00 a.m.

Room 211

The Office of Hawaiian Affairs submits testimony in **SUPPORT** of SB2598, which proposes a constitutional amendment to authorize the State to issue special purpose revenue bonds to assist charter schools, not-for-profit corporations that support charter schools, and community development financial institutions that support charter schools. The proposed amendments will begin to resolve long-neglected problems and issues with financing charter school facilities.

In the National Alliance for Public Charter Schools (NAPCS) model law, one of several key components for supporting public charter school facility needs is a bonding authoring. The NAPCS model law states that “Public charter schools should have equal access to all of the relevant tax-exempt bonding authorities in a state or have their own bonding authority (2009, p. 24).” OHA supports SB2598 because it will assist public charter schools and their governing boards, non-profit corporations that support charter schools, and community development institutions that support equal access to charter schools. This bill brings parity to the efforts of public charter schools to provide quality public education to our communities.

Mahalo for this opportunity to provide testimony. OHA, again, strongly supports SB2598.