



EXECUTIVE OFFICE ON EARLY LEARNING
HONOLULU

TERRY LOCK
DIRECTOR

Testimony Relating to
H.C.R. 119 / H.R. 90,
Requesting the Executive Office on Early Learning,
in Consultation with the Department Of Budget and Finance,
to Conduct a Study on the Feasibility of Using Social Impact Bonds
to Fund Early Learning Programs and Services in the State
By Terry Lock, Director

House Committee on Finance
April 10, 2013
3:00 p.m., Room 308

Chair Luke, Vice-Chair Nishimoto, Vice-Chair Johanson, and Members of the Committee:

Aloha, I am Terry Lock, Director of the Executive Office on Early Learning (EOEL).

House Concurrent Resolution 119 and House Resolution 90 would require EOEL, in conjunction with the Department of Budget and Finance, to conduct a study on the feasibility of using social impact bonds to fund early learning programs and services in the state.

We note that these types of bonds are new and do not have much information on the pros and cons of their use, but support looking at various resources to supplement general funds for early learning.

EOEL appreciates collaborating with the Department of Budget and Finance to study and execute this study. However, EOEL will require funding to conduct the study.

Thank you for the opportunity to testify.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE CONCURRENT RESOLUTION NO. 119 AND HOUSE RESOLUTION NO. 90

REQUESTING THE EXECUTIVE OFFICE ON EARLY LEARNING, IN
CONSULTATION WITH THE DEPARTMENT OF BUDGET AND FINANCE, TO
CONDUCT A STUDY ON THE FEASIBILITY OF USING SOCIAL IMPACT BONDS TO
FUND EARLY LEARNING PROGRAMS AND SERVICES IN THE STATE

April 10, 2013

House Concurrent Resolution No. 119 and House Resolution No. 90 requests that the Executive Office on Early Learning, in consultation with the Department of Budget and Finance, conduct a study to determine the feasibility of utilizing social impact bonds to fund early learning programs and services. The Department supports the exploration of new alternative or innovative funding mechanisms to finance the objectives of House Concurrent Resolution No. 119 and House Resolution No. 90. While social impact bonds are not widely utilized, there are examples of other municipal jurisdictions utilizing social impact bonds as a funding mechanism. Extensive and thorough due diligence analysis would be required to evaluate whether such bonds would be appropriate or reasonable as a funding strategy for this or any other type of program. A study of this nature contemplated in these resolutions is a good pre-cursor of the type of review that would be necessary. The Department is available to provide consultation assistance to the Executive Office on Early Learning and will work closely

with the Office as it conducts the feasibility study on the potential use of social impact bonds.

Thank you for the opportunity to provide testimony on this measure.

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Written Comments

HCR119 / HR90

**REQUESTING THE EXECUTIVE OFFICE ON EARLY LEARNING, IN
CONSULTATION WITH THE DEPARTMENT OF BUDGET AND FINANCE, TO
CONDUCT A STUDY ON THE FEASIBILITY OF USING SOCIAL IMPACT BONDS
TO FUND EARLY LEARNING PROGRAMS AND SERVICES IN THE STATE**

Comments by the Legislative Reference Bureau
Charlotte A. Carter-Yamauchi, Acting Director

Presented to the House Committee on Finance

Wednesday, April 10, 2013, 3:00 p.m.
Conference Room 308

Chair Luke and Members of the Committee:

Good afternoon Chair Luke and members of the Committee, my name is Charlotte Carter-Yamauchi and I am the Acting Director of the Legislative Reference Bureau. Thank you for providing the opportunity to submit written comments on H.C.R. No. 119 / H.R. No. 90, Requesting the Executive Office on Early Learning, in consultation with the Department of Budget and Finance, to conduct a study on the feasibility of using social impact bonds to fund early learning programs and services in the State.

The purpose of these measures are to request that:

- (1) The Executive Office on Early Learning, in consultation with the Department of Budget and Finance, conduct a study on the feasibility of using social impact bonds to fund early learning programs and services within the State;
- (2) The Executive Office on Early Learning, in consultation with the Department of Budget and Finance, also consider the feasibility of establishing a social impact bond pilot project and in determining the details of a pilot project, the Executive Office on Early Learning in consultation with the Department of Budget and Finance, is requested to consider the following elements:

- (A) The solicitation of donations from philanthropic organizations and other private sources;
 - (B) Bond contract terms and conditions, including predefined public sector savings thresholds; and
 - (C) Performance metrics to project and measure financial and social outcomes;
- (3) The Executive Office on Early Learning, in consultation with the Department of Budget and Finance, submit a report of its findings and recommendations, including any proposed legislation, to the Governor and the Legislature no later than twenty days prior to the convening of the Regular Session of 2014; and
- (4) The Legislative Reference Bureau assist the Executive Office on Early Learning in preparing the report, including recommendations and proposed legislation, if any; provided that the Executive Office on Early Learning is requested to submit its findings and recommendations, including recommendations for proposed legislation, to the Legislative Reference Bureau no later than November 1, 2013.

While the Legislative Reference Bureau takes no position on this measure, we submit the following comments for your consideration.

The Bureau believes that the services requested of the Bureau as contemplated under this measure are manageable and that the Bureau will be able to provide the services in the time allotted; provided that the draft work product is submitted to the Bureau by November 1, 2014, and the Bureau's interim workload isn't adversely impacted by too many other studies or additional responsibilities such as conducting, writing, or finalizing other reports, drafting legislation, or both, for other state agencies, task forces, or working groups that may be requested or required under other legislative measures.

Thank you again for this opportunity to provide written comments.