



WRITTEN ONLY

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. 458, S.D. 1

February 21, 2013

RELATING TO THE STATE EDUCATIONAL FACILITIES IMPROVEMENT SPECIAL FUND

Senate Bill No. 458, S.D. 1, repeals the State Educational Facilities Improvement Special Fund (SEFI) and provides that any funds remaining in the SEFI shall lapse to the general obligation bond fund on July 1, 2023. Additionally, Senate Bill No. 458, S.D. 1, proposes to remove the requirement that general excise tax revenues be deposited into the SEFI and limits expenditures from the SEFI to projects authorized by the Legislature for fiscal years ending prior to July 1, 2014. This bill also amends Sections 36-27, 36-30, and 37D-2, HRS, for consistency with the proposed repeal of Section 36-32, relating to the SEFI.

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

Act 368, SLH 1989, established the SEFI and provided \$90 million in general excise tax revenues each year from 1989 to 1995 to be deposited to the credit of the SEFI. Act 364, SLH 1993, subsequently allowed the SEFI to be funded with proceeds from the sale of general obligation bond funds in lieu of general excise tax receipts. Act 110, SLH 1999, reduced the amount to be deposited into the SEFI from \$90 million per fiscal year to \$45 million per fiscal year.

Over the years, capital improvement projects appropriated for education facilities have generally been authorized and funded with SEFI funds, which are then 100% capitalized through the issuance of general obligation bonds. 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 school 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 general excise tax revenues are no longer used to fund State educational facilities improvements, and the Department of Education's capital improvement project requests are 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 SEFI. The SEFI is no longer necessary and should be repealed.



**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [tabraham08@gmail.com](mailto:tabraham08@gmail.com)  
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Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

**Comments:**

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