



STATE OF HAWAII
DEPARTMENT OF EDUCATION
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HONOLULU, HAWAII 96804

LATE

Date: 04/03/2013

Committee: House Finance

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: SB 0458,SD1,HD1 Proposed(sscr791) RELATING TO THE STATE EDUCATIONAL FACILITIES IMPROVEMENT SPECIAL FUND.

Purpose of Bill: Removes the requirement that general excise tax revenues be deposited to the credit of the state educational facilities improvement special fund. Limits expenditures from the special fund to projects authorized by the legislature for fiscal years ending prior to 07/01/2014. Limits lease payments required by financing agreements paid from the special fund to those entered into prior to 07/01/2013. Repeals the special fund on 07/01/2023.

Department's Position:

The Department is **opposed** to this bill SB 458 SD1 that seeks to eliminate the SEFI special fund authorized by Section 36-32; and the proposed HD1, which additionally seeks to eliminate the budget flexibility afforded by Section 37-74 and Section 302A-1116.

This bill proposes to repeal the State Educational Facilities Improvement Special Fund authorized by §36-32, HRS.

Per Act 368, SLH 1989, the impetus for the establishment of the State Education Facilities Improvement (SEFI) Special Fund was that the legislature had found that, "the quality of public education in the State is related to the condition of public school facilities. The physical facilities used by the department of education for public instruction require extraordinary amounts of funds for capital improvements and repairs to improve their condition."

Since 1989 the State Educational Facilities Improvement (SEFI) Special Fund has been used to fund school facility development and improvement projects appropriated by the Legislature and allocated by the Governor.

In 1996 both the Legislature and voting public reaffirmed their support of the use of this fund to improve school facilities by proposing and adopting an amendment to Article VII, Section 11 of the State Constitution, "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 fund has: demonstrated an extraordinary level of State commitment to finance school improvement projects that in turn support the Department's long-range planning efforts; reduced risk of project funds lapsing due to delays that may be outside of the control of the Department; and, afforded greater flexibility in maximizing the use of appropriated funds via the SEFI project adjustment fund.

Act 51, 2004, also known as the Reinventing Education Act, amended the portion of Section 37-74 that is being proposed for elimination. This Act was crafted to empower principals and communities with greater decision making ability and flexible control over funds, streamlining the process for schools to receive their allocations, and to support a system of accountability. The inherent ability for schools to shift allocated funds between cost elements is fundamental to the rigorous Academic and Financial Plan process each school undergoes the year prior to implementation. In addition, during the school year of implementation schools are authorized and encouraged to convert vacant positions back into non-payroll funds to maximize the benefit from limited resources to support student achievement. In addition, this budget flexibility has also helped ensure a comprehensive system of support was in place for special education students, which was a prerequisite to the lifting of the Felix Consent Decree. As part of this effort the Department continues to strive to provide more reliable, consistent, and quality special education services by moving when and where possible from a contract service model to an employee based model. This flexibility to move allocations has allowed the Department the ability to shift resources between payroll and non-payroll cost categories with a focus on efforts providing the services outlined in students' individual education plans (IEPs). The ability to establish temporary positions afforded by Section 302A-1116 has gone hand in hand with the budget flexibility for both regular and special education.

Thank you for the opportunity to testify on this measure.