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**WRITTEN ONLY**

TESTIMONY BY LAUREL A. JOHNSTON  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2919, S.D. 1

**LATE**

**February 21, 2018  
10:08 a.m.  
Room 211**

**RELATING TO PUBLIC LIBRARIES**

Senate Bill (S.B.) No. 2919, S.D. 1, amends Chapter 312, HRS, by adding a new section to establish a pilot program for the lease of public library land, including facilities. The measure specifies that the State Librarian, in consultation with the Board of Education (BOE) and any other appropriate agency, serves as the facilitator of the pilot program. The measure also specifies that the BOE may lease public library land on terms it deems appropriate, including a leaseback of all or a portion of the improvements constructed.

S.B. No. 2919, S.D. 1, also establishes the Library Facilities Fund and provides that all proceeds from the leases, permits, interest income generated from public library lands, and other revenues generated from the nonpermanent disposition of public library lands, including facilities, shall be deposited into the libraries facilities sub-account. The measure provides that all moneys in the Libraries Facilities Fund shall be for State Library programs. In addition, the measure makes an unspecified appropriation of general funds for FY 19 for the pilot program to be expended by the Hawai'i State Public Library System.

With regards to S.B. No. 2919, S.D. 1, we offer the following comments. The measure is unclear if the Library Facilities Fund is being established as a special fund, and there is an additional reference to the libraries facilities sub-account into which revenues for the fund are to be deposited, which may or may not be attached to the Library Facilities Fund.

The Department of Budget and Finance, as a matter of general policy, does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to S.B. No. 2919, S.D. 1, it is difficult to determine if the proposed (special) fund would be self-sustaining.

Thank you for your consideration of our comments.