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EMPLOYEES' RETIREMENT SYSTEM
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FINANCIAL ADMINISTRATION DIVISION
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TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 2384, H.D. 2, S.D. 1

April 4, 2024
10:15 a.m.
Room 211 and Videoconference

RELATING TO THE SCHOOL FACILITIES SPECIAL FUND

The Department of Budget and Finance (B&F) offers comments on this Administration bill.

House Bill (H.B.) No. 2384, H.D. 2, S.D. 1, is an emergency appropriation bill which amends Act 257, SLH 2022, as amended by Act 175, SLH 2023, to: 1) repeal the appropriation of \$200,000,000 in general funds for deposit into the School Facilities Special Fund (Special Fund) in Section 1; 2) repeal the appropriation of \$200,000,000 out of the Special Fund to expand access to pre-kindergarten; and 3) makes a new general obligation (G.O.) bond appropriation of \$100,000,000 to the Department of Education (DOE) in FY 24 for deposit into the Special Fund. H.B. No. 2384, H.D. 2, S.D. 1, also replaces the School Facilities Authority (SFA) with DOE as the administrator of the Special Fund.

It is noted that this version of the bill eliminates \$100,000,000 from the original \$200,000,000 general fund appropriation authorized in Act 257, SLH 2022, as amended by Act 175, SLH 2023. It is our understanding that approximately \$100,000,000 has already been released to SFA, and that SFA has or is currently in the process of encumbering and expending these funds.

Additionally, this version of the bill eliminates the \$200,000,000 Special Fund ceiling which would be required for DOE to expend the funds deposited into the Special Fund for the purposes of Act 257, SLH 2022, as amended by Act 175, SLH 2023.

B&F prefers the text of the bill in its original form, which is necessary to help balance the State financial plan by reducing the amount of general funds appropriated for deposit into the Special Fund for FY 24 by \$100,000,000 and replacing it with an appropriation of the same amount in G.O. bond funds. The original bill also extended the lapse date to June 30, 2025, to provide sufficient time to allow SFA to encumber the amended general fund and new G.O. bond fund appropriations, and also extended the lapse dates on the appropriation out of the Special Fund until June 30, 2025, to allow SFA sufficient time to expend the funds for the purposes of Act 257, SLH 2022, as amended by Act 175, SLH 2023.

Thank you for the opportunity to provide testimony in support of this bill.



STATE OF HAWAII
SCHOOL FACILITIES AUTHORITY
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Senate Committee on Ways and Means

Thursday, April 4, 2024
10:15 a.m.
Hawai'i State Capitol, Room 211

House Bill 2384, House Draft 2, Senate Draft 1, Relating to the School Facilities Special Fund

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The School Facilities Authority (SFA) has comments on House Bill 2384, Senate Draft 1, which would repeal all of the \$200 million in general funds appropriated to the school facilities special fund by Act 257, Session Laws of Hawaii 2022, as amended by Act 175, Session Laws of Hawaii 2023; replace it with \$100 million in general obligation bond funds, which would no longer be dedicated to the expansion of pre-kindergarten capacity; and make the Department of Education the administrator of the school facilities special fund rather than the SFA.

The original draft of this measure converted only \$100 million of general funds to bond funds, and the SFA understands this conversion in the means of financing is necessary for access to more general revenue funds to balance the state budget. The Department of Budget and Finance (B&F) has offered its assistance in the expenditure of general obligation bond funds. We appreciate B&F's solution-oriented approach to both balancing the state budget and ensuring accessible funding for the important task of expanding pre-kindergarten access.

However, the current draft of this measure takes away the full \$200 million appropriation of general funds, a portion of which the SFA has already expended or encumbered, and replaces only half of the amount with bond funds. We are concerned that this will delay progress toward meeting the goals of the Ready Keiki initiative, especially with the removal of language that explicitly dedicates the appropriation toward the expansion of pre-kindergarten capacity. SFA prefers the original draft of this measure as provided in the governor's legislative package.

Thank you for this opportunity to testify.

Sincerely,

Riki Fujitani
Interim Executive Director