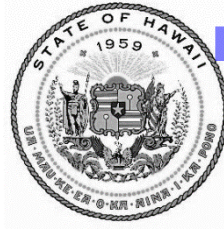


JOSH GREEN, M.D.
GOVERNOR



DEPT. COMM. NO. 196
CHAD K. FARIAS
EXECUTIVE DIRECTOR

STATE OF HAWAII
SCHOOL FACILITIES AUTHORITY
75 AUPUNI STREET, STE. BASEMENT
HILO, HAWAII 96720

December 22, 2023

The Honorable Ronald D. Kouchi, President
and Members of the Senate
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker
and Members of the House of
Representatives
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the School Facilities Authority's annual report as required by Section 302A-1707, Hawaii Revised Statutes. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at: <https://www.hisfa.org/sfa-annual-report/>.

Sincerely,

A handwritten signature in black ink that reads "Chad K. Farias".

Chad K. Farias
Executive Director

cc: Legislative Reference Bureau
Board of Education (via email)
Office of the Governor (via email)
Office of the Lieutenant Governor (via email)
Department of Budget and Finance (via email)
Office of the Auditor (via email)
Hawaii State Public Library System Publications Distribution Center (via email)

Enclosure

State of Hawaii School Facilities Authority

2023 Annual Report

About this Report

Pursuant to Section 302A-1707, Hawaii Revised Statutes (“HRS”), the School Facilities Authority (the “SFA”) must submit to the governor, Board of Education, and legislature a complete and detailed report of its activities during the prior fiscal year. This report covers the SFA’s activities from July 1, 2022, through June 30, 2023.

Pursuant to Section 302A-1706, HRS, this report must include a copy of the information contained in the report to the director of finance identifying the total amount of funds in the school facilities special fund that would carry over from Fiscal Year 2022-2023 (“FY23”) to Fiscal Year 2023-2024 (“FY24”). The SFA did not submit a report to the director of finance in FY23 because the school facilities special fund had not yet received an appropriation and had no amount that could carry over to FY24. Therefore, this report does not contain any information about the amount of funds in the school facilities special fund that would carry over from FY23 to FY24.

About the SFA

Act 72, Session Laws of Hawaii (“SLH”) 2020, established the School Facilities Agency, and the following year, Act 217, SLH 2021, changed the name of the agency to the School Facilities Authority and clarified its powers and responsibilities. The SFA is charged with the development, planning, and construction of public school capital improvement projects, and may acquire property, receive gifts and grants, and contract or partner with qualified parties, among other things, to accomplish this objective. The SFA also manages school impact fees paid by housing developers in certain designated school impact districts to offset the costs of expanding existing schools and building new schools.

The SFA is led by a five-member board appointed by the governor and an executive director appointed by the board.

Review of Activities in FY23

Pre-kindergarten classrooms. Act 257, SLH 2022, appropriated \$200 million from general funds to the SFA to expand access to pre-kindergarten to eligible children. In August 2022, the SFA initiated the development of criteria for the selection of projects. By April 2023, the SFA requested bids to renovate the first cohort of 11 classrooms. Construction for these classrooms began in May and June 2023.

Teacher housing. In anticipation of being assigned teacher housing projects, the SFA board's Teacher Housing Workgroup, which the board established in October 2021, continued to meet to consider possible methods and sites for teacher housing development. Act 172, SLH 2023, provided the SFA with powers necessary to develop housing projects on school lands and appropriated funds to the SFA to construct housing prioritized for teachers, educators, and staff.

While Act 172, SLH 2023, envisioned appropriating \$170 million to the SFA for this purpose, Governor Josh Green, M.D., used \$120 million from Act 164, SLH 2023, to help balance the state budget via line item veto, leaving the SFA with \$50 million for housing projects in FY24.

Operations. Act 248, SLH 2022, appropriated four positions and \$500,000 for payroll to the SFA for FY23. In addition to the executive director, the SFA hired an administrative services officer and a business management officer in October 2022. The SFA filled all four positions by May 2023 when it hired a project manager. Act 164, SLH 2023, appropriated an additional eight positions and \$696,192 for payroll (less \$300,000 in other miscellaneous operational expenses) to the SFA for FY24, and the SFA began working on position descriptions prior to the start of the new fiscal year to accelerate the hiring process.

The SFA started working with the Department of Accounting and General Services (“DAGS”) in September 2022 to secure office space for its staff and meeting space for its board. The SFA and DAGS explored several options. While DAGS was able to offer the SFA some limited, temporary office space in Hilo, as of June 30, 2023, the SFA was unable to secure long-term office space on Oahu in FY23.

Other operational activities in FY23 include the launching and continued development of a website for the SFA, continued work on administrative rules, and the initiation of strategic planning, including the selection of the Hawaii Institute for Public Affairs in April 2023 to assist the SFA in its strategic planning.