

JAN 20 2010

A BILL FOR AN ACT

RELATING TO THE BUDGET.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the certificate of
2 participation is a method of financing capital improvement
3 projects in which an investor buys a share of the lease revenues
4 of an agreement made between the government and the developer,
5 rather than the bond being issued by the government and secured
6 by those lease revenues. Specifically, under this method of
7 financing, the department of budget and finance enters into a
8 lease agreement with a developer to "front the financing,"
9 thereby enabling a capital improvement project to be designed
10 and built prior to the expending state agency's obtaining the
11 necessary capital improvement project appropriation from the
12 legislature. Certificates of participation have been used to
13 finance the building of the state office building at Kapolei and
14 to finance the purchase of the capitol district office building
15 (Hemmeter building).

16 The primary advantages of certificate of participation
17 financing are speed and lower costs. Projects will be completed
18 in a shorter period of time than under the traditional method of



1 financing a project through bond appropriation and the ensuing
2 allotment process over an incremental period of years.
3 Moreover, lower costs will entail because the design and
4 construction phases of a project can actually be packaged
5 together, rather than be separated by fiscal years. The primary
6 disadvantage is the complexity of the process, since it requires
7 coordination between the department of budget and finance, the
8 department of accounting and general services, the department of
9 the attorney general, the governor, and the legislature.
10 However, given the current dire state of Hawaii's economy, the
11 advantage of lower costs easily prevails over the disadvantage
12 of mere administrative complexity.

13 The legislature further finds that the department of
14 education is currently pursuing the use of certificates of
15 participation as a method to finance new school construction,
16 which will be built on land owned by a developer. There are
17 three new elementary schools in the board of education's capital
18 improvement project budget as top priority. They are the Royal
19 Kunia Elementary on the slope mauka of Waipahu on Oahu, the Maui
20 Lani Elementary sited in Kahului, Maui, and the Ocean Pointe
21 Elementary School in Ewa Beach, Oahu. All are in locations
22 where there is large population growth and the enrollments in



1 adjacent schools exceed capacity. Each of these potential
2 school sites is owned by developers who are interested in
3 building schools on their developments, not only because it
4 meets the need for capacity but because a new school is an
5 attractive marketing tool. The developers have expressed an
6 interest in joining with the State to enter into some form of
7 partnership so that they can jointly build schools with the
8 State.

9 SECTION 2. Pursuant to section 36-32, Hawaii Revised
10 Statutes, the department of education is directed to enter into
11 a financing agreement with a private developer for the planning
12 and design of the Royal Kunia Elementary School II at Kunia,
13 Oahu, Hawaii, using certificates of participation, meeting the
14 requirements of chapter 37D, Hawaii Revised Statutes.

15 SECTION 3. There is appropriated out of the state
16 educational facilities improvement special fund of the State of
17 Hawaii the sum of \$ or so much thereof as may be
18 necessary for fiscal year 2010-2011 for the purposes of this
19 Act.

20 The sum appropriated shall be expended by the department of
21 education for the purposes of this Act.



1 SECTION 4. This Act shall take effect on July 1, 2010.

2

INTRODUCED BY:

R. JOY
by request



Report Title:

Public School Facilities; Financing Agreement; Certificate of Participation

Description:

Directs the department of education to enter into a financing agreement for the planning and design of the Royal Kunia Elementary School II using certificates of participation.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

