



LATE

STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 04/16/2026

Time: 03:05 PM

Location: 309 VIA VIDEOCONFERENCE

Committee: EDN/HED

Department: Education

Person Testifying: Keith T. Hayashi, Superintendent of Education

Title of Bill: SCR140, URGING THE DEPARTMENT OF EDUCATION AND UNIVERSITY OF HAWAII AT MANOA TO ADOPT ENERGY SAVINGS PERFORMANCE CONTRACTING AS A PRIMARY STRATEGY TO ADDRESS DEFERRED MAINTENANCE AND INFRASTRUCTURE MODERNIZATION AND IMPROVE ENERGY EFFICIENCY STATEWIDE.

Purpose of Bill: Urging The Department Of Education And University Of Hawaii At Manoa To Adopt Energy Savings Performance Contracting As A Primary Strategy To Address Deferred Maintenance And Infrastructure Modernization And Improve Energy Efficiency Statewide.

Department's Position:

The Hawaii State Department of Education (Department) supports SCR 140, SD 1, and appreciates the Legislature's focus on identifying effective strategies to address the State's significant deferred maintenance needs.

The Department acknowledges the significant challenges posed by aging public infrastructure and the escalating costs of deferred maintenance. Traditional capital improvement and repair approaches alone have not been sufficient to address these needs in a timely or sustainable manner.

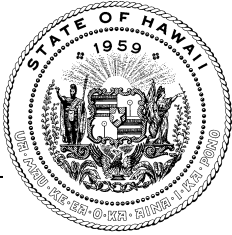
Energy Savings Performance Contracting (ESPCs) authorized under section 36-41 of the Hawaii Revised Statutes provides a viable alternative by enabling infrastructure and energy-efficiency improvements without upfront capital investment, with project costs repaid through guaranteed energy and operational savings.

ESPC projects typically include upgrades to lighting, heating, ventilation, and air conditioning systems, water conservation measures, and renewable energy integration. These improvements support long-term operational savings while enhancing facility reliability, performance, and overall conditions for students and staff. Other state agencies, including the Department of Transportation and the University of Hawaii Community Colleges, have successfully used ESPCs to reduce deferred maintenance and achieve substantial long-term savings. Their experience

demonstrates the potential value of this model when implemented strategically and with appropriate oversight.

The Department is currently soliciting Energy Savings Performance Contracts and is committed to working with relevant state agencies and qualified energy service companies to evaluate and implement projects that deliver meaningful savings and facility improvements. The Department will comply with the reporting requirements of this measure and provide the Legislature with information on planned or implemented projects, projected savings, and anticipated impacts on the deferred maintenance backlog.

Thank you for the opportunity to provide testimony on this measure.



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Testimony of
MARK B. GLICK, Chief Energy Officer

before the
**HOUSE COMMITTEES ON EDUCATION
AND
HIGHER EDUCATION**

Thursday, April 16, 2026
3:05 PM

State Capitol, Conference Room 3099 and Videoconference

Providing Comments on
SCR 140, SD1

**URGING THE DEPARTMENT OF EDUCATION AND UNIVERSITY OF HAWAII AT
MANOA TO ADOPT ENERGY SAVINGS PERFORMANCE CONTRACTING
PURSUANT TO SECTION 36-41, HAWAII REVISED STATUTES, AS A PRIMARY
STRATEGY TO ADDRESS DEFERRED MAINTENANCE AND INFRASTRUCTURE
MODERNIZATION AND IMPROVE ENERGY EFFICIENCY STATEWIDE.**

Chairs Woodson and Garrett, Vice Chairs La Chica and Amato, and Members of the Committees, the Hawai'i State Energy Office (HSEO) offers comments on SCR 140, SD1, which urges the Department of Education and University of Hawai'i at Mānoa to adopt energy savings performance contracting pursuant to section 36-41, Hawai'i Revised Statutes, as a primary strategy to address deferred maintenance and infrastructure modernization and improve energy efficiency statewide.

Since the energy savings performance contracting (ESPC) program was introduced by HSEO in 1996, state and local government agencies in Hawai'i have saved an estimated \$1.1 billion in energy costs over the life of the contracts. In recognition of this success, Hawai'i has been recognized by the Energy Services Coalition (ESC) Race to the Top competition as the state with the highest per capita investment in ESPC projects, demonstrating national leadership and a strong track record of effective implementation.¹

¹ Energy Services Coalition. "ESPC Race to the Top Tally." <https://www.energyservicescoalition.org/esp/table>

Pursuant to section 36-41, Hawaii Revised Statutes, ESPC provides an innovative financing mechanism that enables agencies to implement energy efficiency and infrastructure improvements without significant upfront capital investment. By leveraging guaranteed energy savings, ESPC allows agencies to modernize facilities, improve system performance, and achieve long-term cost savings while ensuring fiscal accountability.

The Department of Education's estimated \$2.4 billion deferred maintenance backlog underscores the urgent need for scalable and sustainable solutions. Traditional capital improvement funding has not kept pace with increasing repair and maintenance demands. ESPC offers a practical and proven pathway to accelerate facility modernization, reduce lifecycle costs, and systematically address deferred maintenance across public facilities.

HSEO, in partnership with ESC under the U.S. Department of Energy's ESPC Campaign, is currently assisting the Department of Education with the development of an Invitation for Proposals (IFP) for ESPC projects serving the Maui, Kea'au, and Kealakehe Complex Areas, which is anticipated to be issued at the end of April 2026.

In addition, HSEO and ESC are supporting the John A. Burns School of Medicine (JABSOM) in the development of a Request for Proposals (RFP) for an ESPC project. While a release date has not yet been determined, this effort further demonstrates the expanding use of ESPC as a strategy for addressing deferred maintenance and infrastructure modernization needs within state facilities.

The Department of Education previously initiated an Invitation for Proposals (IFP) for an ESPC project in 2024; however, the procurement was canceled due to the expiration of the State Procurement Office (SPO) Vendor List Contract for ESPC. A new SPO Vendor List Contract took effect on January 6, 2025, enabling agencies to move forward with ESPC procurements. Similarly, the University of Hawai'i issued a Request for Proposals for an ESPC project at the Mānoa campus. While that procurement did

not result in a contract due to changes in the selected energy services company, it provided valuable insights that can inform future solicitations and strengthen subsequent efforts.

Given its demonstrated success, scalability, and ability to address large-scale deferred maintenance challenges, HSEO supports the adoption of ESPC as a primary strategy for modernizing public infrastructure and improving energy efficiency across state agencies, including the Department of Education and the University of Hawai'i at Mānoa.

Thank you for the opportunity to testify.



UNIVERSITY OF HAWAII SYSTEM

‘ŌNAEHANA KULANUI O HAWAII

Legislative Testimony

Hō'ike Mana'o I Mua O Ka 'Aha'ōlelo

Testimony Presented Before the
House Committee on Education
and
House Committee on Higher Education
April 16, 2026 at 3:05 p.m.
By
Jan Gouveia
Vice President for Administration
University of Hawai'i System

SCR 140 SD1 – URGING THE DEPARTMENT OF EDUCATION AND UNIVERSITY OF HAWAII AT MANOA TO ADOPT ENERGY SAVINGS PERFORMANCE CONTRACTING AS A PRIMARY STRATEGY TO ADDRESS DEFERRED MAINTENANCE AND INFRASTRUCTURE MODERNIZATION AND IMPROVE ENERGY EFFICIENCY STATEWIDE.

Chairs Woodson and Garrett, Vice Chairs La Chica and Amato, and Members of the Committees:

The University of Hawai'i ("University") supports the intent of SCR 140 SD1, which encourages the University to adopt energy savings performance contracts into its portfolio as a strategy for addressing deferred maintenance.

There are many advantages to having energy savings performance contracts ("ESPC") as part of an energy management portfolio. The primary one being the ability for campuses to complete energy and water efficiency projects without any upfront capital expenditures. The ESPC structure also guarantees a defined amount of savings, which if not materialized will result in payment from the ESCO to the campus.

There are, however, downsides to ESPCs. Typically, interest rates on ESPC financing are often higher than municipal or general obligation bonds. There are often additional costs incorporated into the ESPC model where companies may build a risk premium into their pricing to cover the cost of the performance guarantee. Most importantly, however, it may limit the campus's ability to make operational changes that change the use of a space (e.g., turning an office into a lab, closing a space, changing hours of use, etc.), because such changes may result in a financial penalty or liability to the energy savings company.

Finally, ESPCs are limited to projects that result in energy savings. By incorporating deferred maintenance into the scope of such projects, it is highly unlikely that energy savings alone will cover the cost of the capital renewal and deferred maintenance portion of the project. To that end, ESPCs may not sufficiently serve as the primary strategy for reducing deferred maintenance. On the other hand, hybrid models, where government

funding supplements the private financing under ESPC projects to extend the overall useful life of subsystems within a building, might prove to be the optimum approach.

Thank you for the opportunity to support the intent of SCR 140 SD1 with comments.