

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE

P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 3126, S.D. 1, Proposed S.D. 2

February 29, 2016
9:00 a.m.

RELATING TO PUBLIC SCHOOLS

Senate Bill (S.B.) No. 3126, S.D. 1, Proposed S.D. 2, appropriates \$100,000,000 in general funds in FY 15-16 and \$30,000,000 in general obligation (G.O.) bond funds in FY 15-16 to the Department of Education (DOE) to address air conditioning, heat abatement, and related energy efficiency measures at Hawaii's public schools. The bill also provides that funds shall not lapse at the end of the fiscal year, provided that all moneys unencumbered as of June 30, 2018 shall lapse as of that date.

The department strongly supports Senate Bill No. 3126, S.D. 1, and recommends that the Committee maintain this version of the bill.

S.B. No. 3126, S.D. 1, will allow DOE to expeditiously address heat abatement concerns, while employing energy efficiency measures to offset increased energy needs. S.B. No. 3126, S.D. 1, will allow such projects to be implemented as quickly as possible and with least disruption to the affected schools to provide improved learning and teaching environments for public school students and teachers.

S.B. No. 3126, S.D. 1, proposes to primarily utilize funds loaned from the Green Infrastructure Loan Program with G.O. bond funds also requested. Bond Counsel has also opined to us that DOE may be a borrower of a green infrastructure loan.

Using the Green Infrastructure Loan Program funds will allow the State to make the best use of its existing resources, as these funds are currently available. Although the terms of the loan are still being worked out, the funds will be loaned to DOE and the Department of Budget and Finance (B&F) at reasonable rates and those funds can be made available to DOE quickly through the requested emergency appropriations. Additionally, use of this alternative funding source will mean that these projects will not compete for the limited G.O. bond funds that must be used to address projects statewide.

B&F will provide support to this effort as co-borrower of the loan and will be responsible for the loan repayments. B&F will continue to work with DOE and the Hawaii Green Energy Infrastructure Authority, who oversees the Green Infrastructure Loan Program, to ensure proper implementation of this proposal.



STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

Date: 02/29/2016

Time: 09:00 AM

Location: 211

Committee: Senate Ways and Means

Department: Education

Person Testifying: Kathryn S. Matayoshi, Superintendent of Education

Title of Bill: SB 3126, SD2 Proposed RELATING TO PUBLIC SCHOOLS.

Purpose of Bill: Provides for air conditioning, heat abatement, and related energy efficiency measures at public schools by appropriating general funds and general obligation bonds to the DOE for these projects. (Proposed SD2)

Department's Position:

The Hawaii State Department of Education (Department) is pleased to testify in support of SB 3126, Proposed SD2. This measure aims to provide funding for air conditioning (AC), heat abatement and related energy efficiency measures at public school classrooms.

The \$130 million in proposed funding will allow the Department to reach the goal of installing AC in 1,000 classrooms, as well as boost efforts in implementing heat abatement and energy efficient measures towards cooling additional classrooms, while offsetting anticipated increases in energy use due to AC.

We defer to the Department of Budget and Finance to offer guidance on the best method to finance this worthwhile effort.

Thank you for the opportunity to testify in support of SB 3126, Proposed SD2.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

February 29, 2016
9:00 a.m.
State Capitol, Conference Room 211

in consideration of
SB 3126, Proposed SD2
RELATING TO PUBLIC SCHOOLS.

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB 3126, Proposed SD2, which provides for air conditioning, heat abatement and related energy efficiency measures at public schools using general funds.

DBEDT strongly supports the deployment of cost-effective energy efficiency, which helps ensure continued progress to our Energy Efficiency Portfolio Standards and the goals of the Hawaii Clean Energy Initiative.

DBEDT respectfully defers to the Department of Education on the implementation of the efficiency measures, and the Department of Budget and Finance on the use of general funds.

Thank you for the opportunity to offer testimony in support of SB 3126, Proposed SD2.



**STATE OF HAWAII
BOARD OF EDUCATION**
P.O. BOX 2360
HONOLULU, HAWAII 96804

Senate Committee on Ways and Means

Monday, February 29, 2016
9:00 A.M.
Hawaii State Capitol, Room 211

Senate Bill 3126, Proposed SD2, Relating to Public Schools

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

The Board of Education ("Board") voted to testify in support of the intent of Senate Bill 3126, proposed SD2, which would, among other things, provide funds for air conditioning, heat abatement, and related energy efficiency measures at public schools.

The Board has been actively monitoring the Department of Education's efforts to address heat abatement in Hawaii's schools and has been encouraging partnerships to bring relief to students, teachers, and staff as quickly as possible.

The Board supports any funding that will allow the Department of Education to reach the goal of installing air conditioning in 1,000 classrooms by the end of the 2016 calendar year and to continue its heat abatement efforts.

Thank you for this opportunity to testify on behalf of the Board.

Very truly yours,

A handwritten signature in cursive script that reads "Lance A. Mizumoto".

Lance A. Mizumoto
Chairperson



1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

Corey Rosenlee
President
Justin Hughey
Vice President
Amy Perruso
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE SENATE COMMITTEE ON
WAYS AND MEANS

RE: SB 3126, SD1 (PROPOSED SD2) - RELATING TO PUBLIC SCHOOLS.

MONDAY, FEBRUARY 29, 2016

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Tokuda, Chair Inouye, and Members of the Committees:

The Hawaii State Teachers Association **strongly supports SB 3126, SD1, proposed SD2**, relating to public schools.

It's getting hot in Hawai'i. According to the National Weather Service, our state set over 50 high temperature records this summer, with the heat and humidity lingering well into the start of fall. In our schools, children and teachers alike became ill from the blistering conditions. Kalaheo High School science teacher Micah Pregitzer recorded temperatures as high as 108 degrees inside his classroom last August, telling reporters, "You're dripping in sweat when you're just sitting there grading papers by yourself with no students in the room. You get the room packed with 36, 38, sometimes 40 students, and it just boosts that temperature up even higher."

A recent study conducted by University of California at Los Angeles researchers showed that the percentile gap between students learning in air conditioned and non-air-conditioned environments can reach as much as 17 percent on achievement tests, clearly evincing the impact of a comfortable classroom environment on student success. In a longitudinal analysis contained in "Effects of the Physical Environment on Student Learning," moreover, Glen I. Earthman of Virginia Polytechnic Institute and State University found that students between 4th and 9th grade at demographically similar schools showed increased gains in reading vocabulary, total math, problem solving, math procedures, pre-writing, and editing at schools with air conditioning, as compared with peers from non-cooled schools.



1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

Corey Rosenlee
President

Justin Hughey
Vice President

Amy Perruso
Secretary-Treasurer

Wilbert Holck
Executive Director

Earthman demonstrated that the longer and more consistently students are exposed to classroom cooling, the better and more stable their performance gains tend to be. Conversely, students exposed to thermal conditioning for only short or intermittent periods of time achieved less than their peers. These findings are supported by U.S. Department of Education sponsored research, which claims that proper cooling systems lead to better attitudes toward learning, fewer disciplinary problems, and sustained achievement.

We applaud Gov. David Ige's call to cool 1,000 classrooms within the next two years. While previous department of education estimates put the cost of comprehensive air conditioning at \$1.5 billion, that figure has been fallen as investments in experiments with renewable energy technology have proven fruitful. Furthermore, in conversations with photovoltaic companies, advocates for cool schools have learned that employing off-grid DC-powered air conditioners, operated entirely from photovoltaic modules that store energy in power-saving batteries, could cost between \$15,000 to \$30,000 per classroom, a savings of approximately 70 percent from earlier departmental projections (discounting a monthly lease per-classroom payment that could be offset by the department's ongoing and all-encompassing renewable energy savings). Accordingly, **we strongly support this measure's appropriation of \$100 million in general revenue and \$30 million in general obligation bonds for air conditioning installation at our state's public schools this fiscal year. In your committee report, we urge you to request that members of the Hawai'i State House of Representatives fast track this measure, so that it can be signed into law as soon as possible.**

School should be cool. To improve air conditioning facilities and, in turn, boost student learning, the Hawaii State Teachers Association asks your committee to **support** this bill.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Use of GEMS Money to Fund Public School Heat Abatement

BILL NUMBER: SB 3126, SD-1

INTRODUCED BY: Senate Committees on Education and Transportation and Energy

EXECUTIVE SUMMARY: Allows the Department of Education to borrow \$100 million from the GEMS loan program to cool the schools. Such action must be taken with great care to be sure that the legitimate expectations of bond holders and electric rate payers are not violated. Proposed SD-2 replaces the loan with a general fund appropriation, which appears to be a better approach.

BRIEF SUMMARY: Authorizes the Department of Education, with the approval of the governor, to borrow \$100 million from the green infrastructure loan program, for capital improvement program equipment and installation costs for air conditioning, energy efficient lighting and other energy efficiency measures related to heat abatement at public schools. Appropriates \$7 million of general fund money for the initial loan repayment. An additional \$30 million of general obligation bond proceeds is appropriated for the same costs.

Proposed SD-2 notes that on January 7, 2016, the department of budget and finance reported to the council on revenues that the State will receive approximately \$170 million of increased reimbursements from the federal government, primarily for Medicaid; the \$170 million increased reimbursement was not anticipated by the administration when it prepared the executive supplemental budget request for fiscal year 2016-2017; and that the reimbursement is a realization of the general fund. The proposed draft then appropriates the \$100 million directly to the department of education.

EFFECTIVE DATE: Upon approval, except that the \$7 million appropriation takes effect on July 1, 2016.

STAFF COMMENTS: This bill is sponsored by the Department of Budget and Finance, and is designated BUF-16 (16).

This bill concerns GEMS, which stands for Green Energy Market Securitization, a program adopted by our state government in Act 211, SLH 2013. It is codified in Hawaii Revised Statutes chapter 196, part IV.

The idea behind GEMS is that the state wanted to facilitate the buildout of “clean energy infrastructure,” which was seen as a necessary step to reaching a goal of 70% clean energy by 2030. (This was under Gov. Abercrombie’s administration, before the current goal of 100% clean energy by 2045 was signed by Gov. Ige.) GEMS is a financing program that provides low-cost capital to finance solar photovoltaic systems and other clean energy improvements for those who may otherwise have difficulty obtaining financing for these projects. Low-credit

homeowners and renters, as well as nonprofits, are among those who qualify for project financing through GEMS. The “securitization” part refers to how this money was going to be raised. The plan was for the State to raise \$150 million on the bond market. Those dollars would then be loaned to these individuals and business entities so they could purchase renewable energy systems or other energy efficiency paraphernalia.

Remember that “raising the money in the bond market” means borrowing it. That money needs to be paid back, with interest. That’s where ordinary folks who get an electric bill every month come in. Buried in the electric bill is a “Green Energy Infrastructure Fee” collected by the utility and passed on to DBEDT. For residential customers, the fee was \$1.29 per month from December 2014 through June 2015. It went up to \$1.42 per month through December 2015, and is anticipated to be \$1.30 per month for the first half of 2016. Commercial customers, of course, pay more.

This fee pays for principal, interest, and other charges. According to “Revenue Requirements Certificates” filed by DBEDT with the PUC in Docket 2014-0134, principal and interest on the bonds exceeds \$6.5 million every six months, and there are other financing costs, most of which were expended in the beginning to set up and market the bond issue. Now, according to official filings with the Public Utilities Commission in Docket 2014-0135, through September 30, 2015, exactly zero was deployed. We understand that to date, only a handful of consumer loans have been approved.

Apparently the loan program took a while to set up. Although the bonds were sold in November 2014 and the \$150 million was ready to be deployed then, the program didn’t even begin taking applications until March 2015 for nonprofits and June 2015 for individuals. As of September 30, there were around 250 applications received. There were some denials and some prequalification, but no final approvals were granted and no money went out. Meanwhile, over \$750,000 was spent on administrative costs since program launch, which doesn’t include the millions in upfront legal, accounting, financing, and marketing costs necessary for the bond issue.

Apparently GEMS is an attractive target for raiding because most of the \$150 million raised in the bond issue is still there. But three things need to be remembered: First, it’s a financing program, not a grant program. Second, it’s been established for specific purposes. Third, it is funded by all users of electricity through a “green infrastructure fee” on our electric bills.

The first point, that it is a financing program rather than a grant program, means that if we are using GEMS money we are borrowing it. If we use this \$100 million of GEMS money, we need to pay it back in the future. The Legislatures of tomorrow, then, will need to appreciate and provide for payment of this debt. Some would call this “kicking the can down the road.”

The second point is that the financing program is for specific purposes, namely to fund green infrastructure costs. This means clean energy technology like solar and wind; demand response technology; and energy use reduction and demand side management infrastructure. To fund the program, \$150 million was borrowed on the bond market. Now it is proposed that two-thirds of this, \$100 million, be used to cool the schools. Existing investors bought into the program to

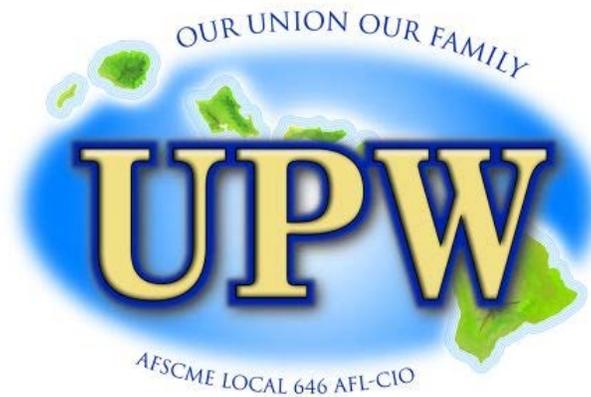
support saving the planet, and now we are tweaking the program so that most of the money goes to save school kids. Even if the money is loaned to the Department of Education at “affordable rates,” whatever those are, investors might not be happy about a significant deployment of the capital for purposes other than those mentioned in the GEMS statute. At a minimum we had better make sure that we are loaning the money at institutional market rates, and are not breaching covenants in the bond indenture.

Finally, the principal and interest on the GEMS bonds were and are being paid by a surcharge on utility bills. Does being an electric company customer have anything to do with classroom conditions in the public schools? If this is a problem affecting taxpayers in general, then it should not be funded by a raid on ratepayer money. And we already spend more than one out of every five State dollars on education, to the tune of \$1.5 billion dollars a year. Why isn't that enough to keep our children from roasting?

For these reasons, it would appear that the approach in Proposed SD-2 is preferable.

In addition, the Board of Education or the Legislature may want to conduct a thorough investigation on what has caused this tragedy, for the results of the investigation to be thoroughly understood by lawmakers so they can fix the problems, and to focus the many good, hard-working people in our educational system on managing infrastructure competently.

Digested 2/23/2016



THE HAWAII STATE SENATE

The Twenty-Eighth Legislature
Regular Session of 2016

COMMITTEE ON WAYS AND MEANS

The Honorable Jill Tokuda, Chair
The Honorable Donovan M. Dela Cruz, Vice Chair

DATE OF HEARING: Monday, February 29, 2016

TIME OF HEARING: 9:00 a.m.

PLACE OF HEARING: State Capitol, 415 South Beretania Street
Conference Room 211

TESTIMONY IN SUPPORT OF SB3126, SD1 RELATING TO PUBLIC SCHOOLS

By DAYTON M. NAKANELUA,
State Director of the United Public Workers (UPW),
AFSCME Local 646, AFL-CIO

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME, Local 646, and AFL-CIO. The UPW is the exclusive bargaining representative for approximately 12,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

SB3126, SD1 provides for air conditioning, heat abatement, and related energy efficiency measures at public schools by appropriating general funds and general obligation bonds to the DOE for these projects. (Proposed SD2).

The UPW **supports** this measure.

Thank you for the opportunity to submit this testimony.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: dylanarm@hawaii.edu
Subject: *Submitted testimony for SB3126 on Feb 29, 2016 09:00AM*
Date: Thursday, February 25, 2016 9:17:00 PM

SB3126

Submitted on: 2/25/2016

Testimony for WAM on Feb 29, 2016 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan Armstrong	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: kauaihale@gmail.com
Subject: *Submitted testimony for SB3126 on Feb 29, 2016 09:00AM*
Date: Friday, February 26, 2016 12:01:55 PM

SB3126

Submitted on: 2/26/2016

Testimony for WAM on Feb 29, 2016 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Louisa Wooton	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

Nicole Woolsey
2909 Oahu Ave, Honolulu, Hawaii 96822
Woolsey2@hawaii.edu

February 29, 2016

To: Senator Jill Tokuda, Chair
Senator Donovan Dela Cruz, Vice Chair
And members of the Senate Committee on Ways and Means

RE: SB 3216 SD 1, Relating to Public Schools – OPPOSE

Hearing Date and Time: February 29, 2016 9:00 am

Hearing Room: Conference Room 211

Chair, Vice-Chair, and members of the Senate Committee on Ways and Means, I am testifying in opposition of SB 3126 SD 1.

My name is Nicole Woolsey. I am a student at the University of Hawaii at Manoa. This is the first time I am testifying.

As a student. Though I can relate to the belief that the classroom environment can affect the learning process, I do not think that installing air conditioning units in 1,000 classrooms will create an environment that students will feel encouraged and more comfortable to learn. I believe that installing such units will only be a poor use of appropriated funds. I attended school when air conditioning was viewed as a privilege, not a necessity and though I may not be the smartest amongst my peers, I believe that I coped just fine during the days that the weather seemed unbearable.

According to the National Center for Education Statistics, students in Hawaii perform at a lower level than those of the continental U.S. While nationally, students tested to have proficiency levels of 29% in math and 27% in science, Hawaii's percentages were 18 and 15 respectively. Such performance was not credited to the lack of air conditioning in the classrooms. In the 2012-2013 school year, Hawaii's eighth graders had tested the lowest and therefore had the lowest percentage of students who scored at or above the reading proficiency. A mere 28% of eighth graders during this school year, were meeting the national standards.

Instead of using general funds to provide classrooms with air conditioning and the efficient lighting and other energy efficient measures, I believe that the state's public school system should seek to make changes thrive within the school setting. I think that with the \$170,000,000 that the state will be receiving, could be used for better purposes such as maintenance and upkeep of public schools, funding for special programs, and similar projects.

Again, I stand in opposition to this bill.

Thank you for the opportunity to testify.

Sincerely,

Nicole Woolsey