



EXECUTIVE OFFICE ON EARLY LEARNING  
HONOLULU

TERRY LOCK  
DIRECTOR

Testimony Relating to  
H.C.R. 119 / H.R. 90,  
Requesting the Executive Office on Early Learning,  
in Consultation with the Department Of Budget and Finance,  
to Conduct a Study on the Feasibility of Using Social Impact Bonds  
to Fund Early Learning Programs and Services in the State  
By Terry Lock, Director

House Committee on Education and Ways and Means  
April 19, 2013  
1:30 p.m., Room 211

Chair Tokuda, Chair Ige, Vice-Chair Kidani, and Members of the Committee:

Aloha, I am Terry Lock, Director of the Executive Office on Early Learning (EOEL).

House Concurrent Resolution 119 and House Resolution 90 would require EOEL, in conjunction with the Department of Budget and Finance, to conduct a study on the feasibility of using social impact bonds to fund early learning programs and services in the state.

We note that these types of bonds are new and do not have much information on the pros and cons of their use. An in-depth study will provide suggestions for various resources that may supplement general funds to support early learning and other social service efforts that serve the neediest of communities.

EOEL appreciates collaborating with the Department of Budget and Finance to study and execute this study. However, EOEL will require funding to conduct the study.

Thank you for the opportunity to testify.

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## Written Comments

### HCR119

# **REQUESTING THE EXECUTIVE OFFICE ON EARLY LEARNING, IN CONSULTATION WITH THE DEPARTMENT OF BUDGET AND FINANCE, TO CONDUCT A STUDY ON THE FEASIBILITY OF USING SOCIAL IMPACT BONDS TO FUND EARLY LEARNING PROGRAMS AND SERVICES IN THE STATE**

Comments by the Legislative Reference Bureau  
Charlotte A. Carter-Yamauchi, Acting Director

Presented to the Senate Committees on Education and Ways and Means

Friday, April 19, 2013, 1:30 p.m.  
Conference Room 211

Chairs Tokuda and Ige and Members of the Committees:

Good afternoon Chairs Tokuda and Ige and Members of the Committees, my name is Charlotte Carter-Yamauchi and I am the Acting Director of the Legislative Reference Bureau. Thank you for providing the opportunity to submit written comments on H.C.R. No. 119, Requesting the Executive Office on Early Learning, in Consultation with the Department of Budget and Finance, to Conduct a Study on the Feasibility of Using Social Impact Bonds to Fund Early Learning Programs and Services in the State.

The purpose of this measure is to request that:

- (1) The Executive Office on Early Learning, in consultation with the Department of Budget and Finance, conduct a study on the feasibility of using social impact bonds to fund early learning programs and services within the State;
- (2) The Executive Office on Early Learning, in consultation with the Department of Budget and Finance, also consider the feasibility of establishing a social impact bond pilot project and in determining the details of a pilot project, the Executive Office on Early Learning in consultation with the Department of Budget and Finance, is requested to consider the following elements:

- (A) The solicitation of donations from philanthropic organizations and other private sources;
  - (B) Bond contract terms and conditions, including predefined public sector savings thresholds; and
  - (C) Performance metrics to project and measure financial and social outcomes;
- (3) The Executive Office on Early Learning, in consultation with the Department of Budget and Finance, submit a report of its findings and recommendations, including any proposed legislation, to the Governor and the Legislature no later than twenty days prior to the convening of the Regular Session of 2014; and
- (4) The Legislative Reference Bureau assist the Executive Office on Early Learning in preparing the report, including recommendations and proposed legislation, if any; provided that the Executive Office on Early Learning is requested to submit its findings and recommendations, including recommendations for proposed legislation, to the Legislative Reference Bureau no later than November 1, 2013.

While the Legislative Reference Bureau takes no position on this measure, we submit the following comments for your consideration.

The Bureau believes that the services requested of the Bureau as contemplated under this measure are manageable and that the Bureau will be able to provide the services in the time allotted; provided that the draft work product is submitted to the Bureau by November 1, 2013, and the Bureau's interim workload isn't adversely impacted by too many other studies or additional responsibilities such as conducting, writing, or finalizing other reports, drafting legislation, or both, for other state agencies, task forces, or working groups that may be requested or required under other legislative measures.

Thank you again for this opportunity to provide written comments.



April 16, 2013

TO: Senator Jill Tokuda, Chair  
Senator Michelle Kidani, Vice-Chair  
Senate Committee on Education

Senator David Ige, Chair  
Senator Michelle Kidani, Vice-Chair  
Senate Committee on Ways and Means

FROM: Deborah Zysman, Executive Director  
Good Beginnings Alliance

RE: **Support for HCR 119:** REQUESTING THE EXECUTIVE OFFICE ON EARLY LEARNING, IN CONSULTATION WITH THE DEPARTMENT OF BUDGET AND FINANCE, TO CONDUCT A STUDY ON THE FEASIBILITY OF USING SOCIAL IMPACT BONDS TO FUND EARLY LEARNING PROGRAMS AND SERVICES IN THE STATE.

The Good Beginnings Alliance **supports HCR119**, which requests the Executive Office on Early Learning, in consultation with the Department of Budget and Finance, to oversee a study on the feasibility of using social impact bonds as a means to assist with funding early childhood learning in Hawaii. The Good Beginnings Alliance (GBA) is a policy and advocacy organization focused on ensuring that Hawaii's young children are healthy, safe, and ready for school. We strive to support our stakeholder community to this end, as well as provide relevant information to our families and fellow advocate community.

Social impact bond (SIB) financing is an alternative system of funding particular social services that normally are the exclusive responsibility of the state. The advantage being that the state is not contributing the upfront funding for investment and is instead benefiting from structured and regulated investment from private and philanthropic investors. The return on investment, in the case of education, comes in part from a state's savings from decreases in special education rates between Kindergarten and 12<sup>th</sup> grade.

Case studies exist that have employed SIBs effectively to address youth recidivism (New York), homelessness (Massachusetts), workforce development (Minnesota) and school performance (Pennsylvania). Two of the key advantages of this financing mechanism include: 1) it mobilizes private capital to scale up programs states cannot afford to expand themselves, reducing taxpayers' financial risk, and 2) it also requires rigorous measurement of results (Considerable research has been undertaken by ReadyNation, a partnership of business and education leaders, to develop SIBs financing specifically for early childhood programs).

We see the subject of this study as a creative and useful tool in the broader effort of funding a statewide early learning system, and are prepared to assist the EOEL in executing this measure to the extent it deems appropriate. Thank you for the opportunity to submit testimony in support of HCR119.



April 19, 2013  
1:30 p.m.  
Conference Room 211

TESTIMONY TO  
THE SENATE JOINT COMMITTEES ON  
EDUCATION AND WAYS AND MEANS

**RE: HCR 119**

Chairs Tokuda and Ige, Vice Chair Kidani and members of the committees,

My name is Robert Witt and I am executive director of the Hawaii Association of Independent Schools (HAIS), which represents 99 private and independent schools in Hawaii and educates over 33,000 students statewide.

**HAIS supports HCR 119** which requests the Executive Office on Early Learning, in consultation with the Department of Budget and Finance, to conduct a study on the feasibility of using social impact bonds to fund early learning programs and services in the state.

Research demonstrates that children who participate in early learning programs are more likely to succeed in kindergarten and beyond. Quality programs have immediate and long term benefits not only for the children, but also for the societies in which they live. Thus, it is important to provide an opportunity for all children to attend early learning programs. However, mostly due to economic constraints, not all families in Hawaii are able to send their children to early learning programs.

This measure may lead to another source to fund a state run early learning program in Hawaii. Currently, Hawaii is one of only 11 states that does not have a state-supported preschool program. Given the existing economic conditions, our state must look at innovative ways such as the funding mechanism in this resolution. For these reasons we strongly urge you to pass HCR 119 so that we may better understand the feasibility of using a social impact bond in order to fund an early learning program in Hawaii.

Thank you for the opportunity to testify.