

**HB 1592**

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON EDUCATION AND HOUSING  
AND COMMITTEE ON LABOR  
ON  
HOUSE BILL NO. 1592, H.D. 1

March 23, 2009

RELATING TO HOUSING.

House Bill No. 1592, H.D. 1, proposes to amend Part III of Chapter 201H, Hawaii Revised Statutes, by adding a new subpart to authorize the leveraging of Union financing for housing projects.

The Department opposes the language contained in Section 2 of the bill beginning on page 3, line 1 which states:

“When the corporation is required to guarantee the investment, the department of budget and finance shall maintain a balance of state funds equaling the investment on deposit with the private financial institution. The department shall be required to maintain that balance until the private financial institution receives income from the project in an amount equivalent to its investment in the project; except that, if the investment was in the form of a loan, the required balance shall be maintained until the loan is fully amortized.”

Requiring the Department to maintain investments in a particular private financial institution for an unknown period of time would be disadvantageous to the State in investing for the purpose of yield maximization and liquidity. For example, if the private financial institution’s interest rates were substantially below other competitors, the Department would

not have the ability to invest elsewhere and maximize the yield on the investment of State funds. Furthermore, the Department would not be able to liquidate this investment should the State require liquidity to meet its cash flow needs.

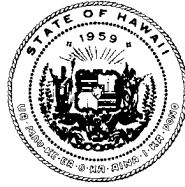
The Department recommends that the aforementioned section of the bill be amended as follows:

“When the corporation is required to guarantee the investment, the corporation shall establish and maintain a reasonable reserve fund as an appropriate reserve for the loan guaranty. The aggregate maximum amount of investments guaranteed by the corporation shall not exceed \$ \_\_\_\_\_~~department of budget and finance shall maintain a balance of state funds equaling the investment on deposit with the private financial institution. The department shall be required to maintain that balance until the private financial institution receives income from the project in an amount equivalent to its investment in the project; except that, if the investment was in the form of a loan, the required balance shall be maintained until the loan is fully amortized.~~”

The corporation must establish and fund at a reasonable level, a reserve fund to back their guaranty in order for the amount of the investment or loan guaranty to be excluded from being counted against the debt limit of the State.

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

Linda Lingle  
GOVERNOR



KAREN SEDDON  
EXECUTIVE DIRECTOR

**STATE OF HAWAII**

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
677 QUEEN STREET, SUITE 300  
Honolulu, Hawaii 96813  
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of  
**Karen Seddon**  
Hawaii Housing Finance and Development Corporation  
Before the  
**SENATE COMMITTEE ON EDUCATION AND HOUSING**  
**SENATE COMMITTEE ON LABOR**

March 23, 2009, 1:30 p.m.  
Room 225, State Capitol

In consideration of  
**H.B. 1592, H.D. 1**  
**RELATING TO HOUSING.**

The Hawaii Housing Finance and Development Corporation (HHFDC) **opposes** H.B. 1592, H.D. 1 because it does not have sufficient funds available to provide the necessary matching funds for this program. We defer to the Department of the Attorney General and the Department of Budget and Finance with respect to specific legal and fiscal issues raised by this bill.

Thank you for the opportunity to testify.



## HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO

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March 22, 2009

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President  
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Vice President  
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**MALCOLM K. AHLO**  
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Local 1298

**REGINALD CASTANARES**  
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**MADDEUS TOMEI**  
Elevator Constructors Local 128

**JOSEPH BAZEMORE**  
Drywall, Tapers, & Finishers  
Local 1944

**RICHARD TAGGERE**  
Millwrights, Architectural Metal &  
Ironworkers Local Union 1889

**AUGUST HONG**  
Roofers, Waterproofers & Allied  
Workers United Union of Roofers  
Local 221

**MARY AYCOCK**  
Cabinetmakers, Ironship Builders  
Local 627

**FRANK KINNEY**  
District Council 50  
Painters & Allied Trades  
Local 1781

**ALANI MAHOE**  
Mechanical Engineers Local 3

**EDWARD SEBRESOS**  
International Assoc. of  
Refrigeration & Frost Insulators  
Allied Workers Local 132

Honorable Senator Norman Sakamoto, Chair  
Honorable Senator Michelle Kidani, Vice Chair  
Honorable Senator Dwight Y. Takamine, Chair  
Honorable Senator Brian T. Taniguchi, Vice Chair  
Members of the Senate Committees on Education and Housing & Labor  
Hawaii State Capital  
415 South Beretania Street  
Honolulu, HI 96813

RE: **IN SUPPORT OF HB 1592, HD1**  
RELATING TO HOUSING

Hearing: Mon., March 23, 2009, 1:30 p.m., Room 225

Dear Chair Sakamoto, Vice Chair Kidani, Chair Takamine, Vice Chair Taniguchi, and the Senate Committees on Education and Housing & Labor:

For the Record my name is Buzz Hong the Executive Director for the Hawaii Building & Construction Trades Council, AFL-CIO. Our Council is comprised of 16-construction unions and a membership of 26,000 statewide.

The Council **SUPPORTS** the passage of HB 1592, HD1 establishing provisions for the leveraging of union financing for affordable housing projects.

Thank you for the opportunity to submit this testimony in support of HB 1592, HD1.

Sincerely,

*W. Hong dg*

William "Buzz" Hong  
Executive Director

WBH/dg