

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2825, S.D. 1

March 17, 2010

RELATING TO STATE FUNDS.

Senate Bill No. 2825, S.D. 1, proposes to amend Section 36-21, Hawaii Revised Statutes, which directs the investment of money in the State Treasury that is in excess of amounts necessary for meeting immediate requirements of the State.

We strongly disagree with the statement in Section 1 of the Bill that "...the State evidently construed the date of maturity on these student loan auction rate securities to be their date of auction, rather than their stated maturity dates...." as it implies that the State's investment in Student Loan Auction Rate Securities (ARS) was not done in compliance with Section 36-21, HRS. Act 47, SLH 1997, specifically authorizes the investment in ARS. The Department of Budget and Finance has a written opinion from the Attorney General's Office stating that the Department's investments in ARS were in compliance with the statutes, when the markets for these types of securities were functioning.

The Department of Budget and Finance opposes S.B. 2825, S.D.1, as the placement of the additional language within the section increases the ambiguity of the section and will therefore make it difficult to administer. The department however supports the intent to clarify the five-year term limitation and recommends the following language: "...provided that [the investments] for authorized investments with stated maturity dates, the investment, as well as the underlying securities of those investments, are due to mature not more than five years from the date of investment."

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