

LATE TESTIMONY

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
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STATE OF HAWAII
TO THE HOUSE COMMITTEE ON HAWAIIAN AFFAIRS
ON
SENATE BILL NO. 602, S.D. 2

March 25, 2009

RELATING TO THE ARTS

Senate Bill No. 602, S.D. 2, Relating to the Arts, adds the use of general obligation bonds deposited in the Works of Art Special Funds to support operations of culture and art organizations. Specifically, the bill will provide financial assistance for Bishop Museum and Iolani Palace for the acquisition and costs associated with works of art. The bill also will include expenditures for live performing arts, to include performances such as live music, dance, drama, choreographed athletic or aerobatic performance, poetry readings, speeches, and lectures that can be made into a permanent display.

We have concerns with this bill. By including the culture and arts organizations and permanent display of performing arts, the proposed bill will allow the use of bond funds designated for the construction cost element of State buildings. Generally, tax-exempt general obligation bond proceeds must be used to fund capital expenditures. As such, the funding for Bishop Museum, Iolani Palace, and live performances generally will not qualify for tax-exempt bond financing. There are some exceptions to this federal statutory requirement such as if the culture and art purchases are determined to be a capital asset. Such a determination will need to be made by an accountant and concurred by bond counsel.