

STAND. COM. REP. NO. 171

Honolulu, Hawaii

FEB 15 2011

RE: S.B. No. 119
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committee on Public Safety, Government Operations, and Military Affairs, to which was referred S.B. No. 119 entitled:

"A BILL FOR AN ACT RELATING TO PUBLIC BUILDINGS,"

begs leave to report as follows:

The purpose and intent of this measure is to authorize the Department of Accounting and General Services to sell and lease-back public buildings to the public, not including title to the land upon which the building or its grounds are situated. This measure also exempts from the Hawaii Public Procurement Code the operation and maintenance of public buildings sold under a lease-back arrangement.

Your Committee received testimony in support of this measure from one entity. Your Committee received comments on this measure from one state department.

Your Committee finds that in the face of declining revenues, the State needs the authority to sell state buildings and to lease those buildings back from the buyer. The sell and lease-back arrangement is a means to free up cash or remove debt.

Your Committee notes the testimony of the Department of Budget and Finance indicating that the sale of public buildings previously financed with general obligation bonds that are currently outstanding may trigger a "change of use" of the bond financed building, as the owner of the building for federal tax purposes will be a private entity. This may result in a pro-rated



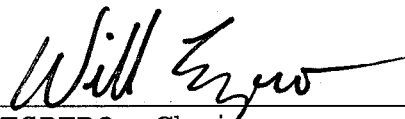
portion of the bond issue that no longer qualifies for federal tax exemption.

Your Committee notes that there are long-term financial considerations that could be either beneficial or detrimental to the State as the landowner and occupant of the building. Each transaction or building would pose different considerations. Any such transactions should be undertaken with diligent care to ensure future state interests are preserved.

Your Committee has amended this measure by making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Public Safety, Government Operations, and Military Affairs that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 119, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 119, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Public Safety,
Government Operations, and
Military Affairs,



WILL ESPERO, Chair



