

LATE

NEIL ABERCROMBIE
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STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
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TESTIMONY
OF
BRUCE A. COPPA, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEE
ON
WATER, LAND, AND HOUSING
ON
March 15, 2011

H.B. 1505, H.D. 2

RELATING TO PUBLIC FACILITIES

Chair Dela Cruz and members of the Committee, thank you for the opportunity to testify on H.B. 1505, H.D.2.

The Department of Accounting and General Services supports H.B. 1505, H.D. 2.

The timely repair and maintenance of state facilities leads to buildings that operate efficiently and provides a healthy work environment.

Because of the State's fiscal condition, repair and maintenance has been left to only the most critical repair needs which has left many repair projects languishing.

H.B. 1505, H.D. 2, tries to address this problem and come up with creative ways of financing the projects.

DAGS knows that there are legal and fiscal issues in this bill that may need to be addressed and DAGS looks forward to additional discussion.

Thank you for the opportunity to testify on this matter.

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WATER, LAND AND HOUSING
ON
HOUSE BILL NO. 1505, H.D. 2

MARCH 15, 2011

RELATING TO STATE FACILITIES

House Bill No. 1505, H.D. 2, establishes a State Facility Renovation Partnerships Program to be administered by the Department of Accounting and General Services (DAGS). It creates a State Facility Renovation Partnership special fund to be administered by DAGS. The special fund will receive moneys from the sale or lease of State facilities to be used to fund the operations of the State Facility Renovation Partnership Program.

The department recognizes the benefit of user fees to offset operational expenses and costs. However, as a matter of general policy, the Department of Budget and Finance expects the creation of any special fund would meet the requirements of Sections 37-52.3, Hawaii Revised Statutes. Special or revolving funds should:

1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 1505, H.D. 2, it is difficult to determine whether the State Facility Renovation Partnership special fund would be financially self-sustaining.

Further, the Department would like to note that the sale of public buildings that were 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 general obligation bonds outstanding to become taxable which will create a liability for the State. There may be options to address this issue by using a portion of the sales proceeds to pay off the outstanding bond debt associated with a building. As such, further discussions with bond counsel will be necessary to ensure compliance with federal tax requirements.

The strategy of selling public buildings and leasing them back is a fiscal practice that is used in other states and jurisdictions. There are long-term financial considerations that would be either beneficial or to the detriment of the State as landowner and the occupant of the building. Each transaction or building would pose different considerations. The Department would urge that authority to enter such transactions be given with diligent care to ensure future State interests are preserved. The Department would work with DAGS on implementing or reviewing any transaction.

Andres Albano, Jr. (B)
Senior Vice President

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TESTIMONY OF ANDRES ALBANO JR.

BEFORE THE SENATE COMMITTEE ON WATER, LAND AND HOUSING
HOUSE BILL 1505 HD 2
MARCH 15, 2011

Chair Donovan M. Dela Cruz, Vice Chair Malama Solomon and Members of the Committee:

As I have done before the House Committee on Water, Land & Ocean Resources and the House Committee on Finance, I am affirming my support of HB 1505 HD 2.

My company, CB Richard Ellis, Inc., is currently involved in 18 states and 2 provinces in Canada with the renovation and maintenance of existing public facilities and the construction of new public facilities under similar guidelines as outlined in this bill.

As a matter of interest, we are also employing similar models as contemplated under this bill to construct new facilities for universities, municipalities and healthcare organizations.

Thank you for allowing me to provide testimony and I would be happy to answer any questions.

Aloha!



Andres Albano Jr.
Senior Vice President

From: mailinglist@capitol.hawaii.gov
To: [WLH Testimony](#)
Cc: swansongbvi@yahoo.com
Subject: Testimony for HB1505 on 3/15/2011 1:15:00 PM
Date: Tuesday, March 15, 2011 8:28:02 AM

Testimony for WLH 3/15/2011 1:15:00 PM HB1505

Conference room: 225
Testifier position: oppose
Testifier will be present: No
Submitted by: Nancy Terrell
Organization: Individual
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Phone:
E-mail: swansongbvi@yahoo.com
Submitted on: 3/15/2011

Comments: