

HB 562

HD 1

TESTIMONY BY **KALBERT K. YOUNG**
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 562, H.D. 1

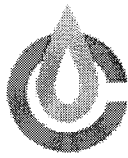
March 17, 2011

RELATING TO STATE MONEYS

House Bill No. 562, H.D. 1, enhances the State's authority to invest in state bonds and other instruments of indebtedness.

The Department has **technical comments**. First, there is a federal tax problem if the State invests in State of Hawaii General Obligation bonds as the State will be the issuer and owner of the bonds for federal tax purposes. General interpretation by various bond counsel firms of U.S. Treasury Regulations Section 1.1001-3 prohibits issuing entities from owning their own debt instruments as it may affect the tax exemption on the bonds. Second, it is our understanding that one of the purposes of this bill is to allow the Department to make loans or instruments of indebtedness from funds deemed to be in excess of current needs to fund the development of low/moderate income housing or other purposes. If this is the intent, the Department recommends that the bill specifically identify the types and purposes of such loans that may be originated. Also, we recommend that the loans be underwritten and originated from departments or agencies with such expertise and funded by excess non-general funds as identified in this bill.

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



Hawai'i State Center for Nursing

Testimony Presented Before the
Senate Committee on Ways and Means
March 17, 2011, 9:00 a.m.

By

Gail P. Tiwanak RN, MBA

Director

Hawaii State Center for Nursing

HB 562, HD1 RELATING TO STATE FUNDS

Chair Ige, Vice Chair Kidani, and members of the Senate Committee on Ways and Means, thank you for this opportunity to provide testimony on this bill, HB 562, HD1. The general intent of this Act is to provide funding for necessary state capital improvement projects by providing alternatives to the conventional method of selling state general obligation bonds. However, the Hawaii State Center for Nursing ("HSCFN") seeks clarification as to how the Director of the Department of Budget and Finance would define "non-general fund moneys" and specifically, whether the HSCFN fund would be impacted by the proposed Section 36, which states:

"~36- Non-general fund moneys; investments. In addition to any other provision with respect to investments by the State, the director of finance may invest non-general fund moneys, which in the director's judgment are in excess of the amounts necessary for meeting the immediate requirements of the State and wherein the director's judgment the action will not impede or hamper the necessary financial operations of the State, in any state issued general obligation bond or interest-bearing note or other obligation; provided that:

- (1) The non-general fund moneys invested shall be returned to their respective sources within a reasonable time period; and
- (2) A report shall be submitted to the legislature not later than thirty days after each investment is made that discloses all sources of non-general fund moneys and the amounts there from that were used as investments under this section."

HB 562, HD1 specifically identifies that these loans will be used for "state capital improvement projects". Act 198, Session Laws of Hawai'i 2003, established the HSCFN at

the University of Hawaii, to conduct research on workforce issues for nurses and other assistive healthcare personnel. The establishment of the HSCFN created a nursing special fund by requiring each nurse to pay an additional fee of \$40 upon the issuance of a new license and at each license renewal period. There are no state or federal funds in the HSCFN special fund.

Sweeping the balance of the HSCFN fund would in essence cause the demise of the HSCFN. The 21,000+ advanced practice registered nurses, registered nurses and licensed practical nurses would in effect have paid a form of taxation which is not required of any other profession in Hawaii. Decisions relating to health care in Hawai'i is at the critical point where accurate data of workforce issues for nurses and other healthcare personnel is more important than ever.

Therefore, HSCFN strongly opposes HB 562, HD1, and recommends that this measure be held.

We appreciate your continuing support of nursing and healthcare in Hawai'i. Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 15, 2011 11:20 PM
To: WAM Testimony
Cc: swartzg001@hawaii.rr.com
Subject: Testimony for HB562 on 3/17/2011 9:00:00 AM

Testimony for WAM 3/17/2011 9:00:00 AM HB562

Conference room: 211
Testifier position: oppose
Testifier will be present: No
Submitted by: gregory swartz
Organization: Individual
Address:
Phone:
E-mail: swartzg001@hawaii.rr.com
Submitted on: 3/15/2011

Comments:
Investing State funds in State bonds is improper.