

TESTIMONY BY KALBERT K. YOUNG
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 562

February 15, 2011

RELATING TO STATE MONEYS

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

The Department has technical comments. 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. Secondly, 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. As the Department is not currently staffed to underwrite and originate loans, we also recommend that the loans be 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.