

**SB 119**

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 119, S.D.1

February 24, 2011

RELATING TO PUBLIC BUILDINGS

Senate Bill No. 119, S.D.1, authorizes the Department of Accounting and General Services (DAGS) to sell and lease-back public buildings to the public.

The Department has a technical comment on this bill.

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 bond issue no longer qualifying for federal tax exemption. 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.

NEIL ABERCROMBE  
GOVERNOR



BRUCE A. COPPA  
Comptroller

RYAN OKAHARA  
Deputy Comptroller

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WRITTEN TESTIMONY  
OF  
BRUCE A. COPPA, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
SENATE COMMITTEE  
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S.B. 119, S.D. 1

RELATING TO PUBLIC BUILDINGS

Chair Ige and members of the Committee, thank you for the opportunity to submit written testimony on S.B. 119, S.D. 1.

The Department of Accounting and General Services (DAGS) opposes S.B. 119, S.D. 1 for the following reasons:

1. The intent of this bill needs to be clarified.
2. The feasibility of selling public buildings without any interest in the underlying property is questionable.

Thank you for the opportunity to submit written testimony on this matter.