

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. 333, S.D. 2

L A T E

February 24, 2011

RELATING TO HISTORIC PRESERVATION

Senate Bill No. 333, S.D. 2, requires one per cent (1%) of all state funded appropriations designated for the construction and renovation of state buildings to be deposited into the Hawaii historic preservation special fund; adds the costs related to site modifications, display, and interpretive work necessary to enhance the visitor experience for the Bernice Pauahi Bishop Museum, Iolani Palace, and Washington Place to the uses of the fund; and requires reports to the Governor and legislature.

The Department has a technical comment on this bill.

Federal tax regulations allow the use of tax-exempt bond proceeds to finance capital expenditures and prohibit the use of tax-exempt proceeds to fund operating expenses, except under limited circumstances. The 1% of all state funded appropriations for capital improvement projects to be transferred into the Hawaii historic preservation special fund is problematic as Chapter 6E, HRS, allows the monies in the Hawaii historic preservation special fund to be expended for administrative and operational expenses. As the State generally issues tax-exempt general obligation bonds to fund capital improvement projects, the use of these tax-exempt proceeds for operating expenses is prohibited. In order to assure compliance with the federal requirements, the Department recommends that the one percent (1%) be deposited into

a newly created special fund to be used solely for capital improvement projects to enhance the visitor experience for the Bernice Pauahi Bishop Museum, Iolani Palace, and Washington Place.