

1 "Department" means the department of budget and finance.

2 "Issuer" means any state or county department, board,
3 commission, authority or officer, or not-for-profit corporation
4 authorized to issue bonds under the laws of the State.

5 "State ceiling" means any annual or other limit on the
6 principal amount of bonds that may be issued by issuers, with
7 tax exempt interest, tax credits, interest subsidies or other
8 benefits under the Tax Code, which limit is imposed under or
9 pursuant to ARRA or any subsequent federal legislation.

10 "Tax Code" means the Internal Revenue Code of 1986, as it
11 may be amended from time to time.

12 **§ -2 Allocation of state bond ceiling.** (a) The
13 department, with the approval of the governor, may allocate all
14 or any part of the state ceiling to any issuer for a specific
15 calendar year or shorter period. At the request of the
16 department, any issuer to which any part of the state ceiling
17 has been allocated, and with respect to which bonds have not yet
18 been sold, shall return all or part of the allocation as the
19 department has requested, in which case the department shall
20 provide for its reallocation.

21 (b) In the event allocations of the state ceiling are made
22 directly to the issuers other than the State by federal statute

1 or by the United States Department of the Treasury or other
2 federal authority, including by requiring the State to make
3 specified allocations, to the extent permitted by federal law or
4 procedure, the department may require or request recipients of
5 such allocations to report any plans they may have to use such
6 allocation in such form and by such date as the department may
7 specify and to transfer to the State any allocation which the
8 recipients do not plan to use or which the department determines
9 is not reasonably expected to be used, in which case the
10 department may provide for its reallocation.

11 (c) Any issuer may request of the department an allocation
12 or additional allocation of the state ceiling or transfer or
13 return all or any portion of its allocation of the state ceiling
14 to the State.

15 § -3 **Application of allocation.** Any issuer that issues
16 bonds to which an allocation of state ceiling has been applied,
17 shall evidence and report such application by a certificate, a
18 copy of which shall be sent to the department. The department
19 shall maintain a record of all allocations of state ceiling made
20 by the department and copies of such certificates sent to or
21 retained by the department.

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1 § -4 **Carry forward.** In the event that federal tax law
2 permits all or any portion of the state ceiling or allocations
3 thereof to be carried forward for future use, the director of
4 finance of each county or any other issuer that has received
5 state ceiling allocations that have not been applied as of
6 December 15, or fifteen days prior to the end of the period
7 during which such allocation must be used or carried forward
8 under federal tax law, shall report to the department the amount
9 of allocation that has not been applied and will not be applied
10 by December 31 or such other deadline. Unless the director of
11 finance of the county or other issuer, by written certificate,
12 indicates to the department that it intends to carry forward all
13 or any part of its unapplied allocation, such unapplied
14 allocation shall revert to the state, and the department on
15 behalf of the state shall be entitled to carry forward such
16 unapplied allocation together with any unapplied allocation of
17 the state or state issuers for future allocation pursuant to
18 section -2(a)."

19 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:

Calvin K. H. Bay

BY REQUEST
JAN 24 2011

Report Title:

Public Finance

Description:

Sets forth the State's allocation of any annual or other limit on the principal amount of bonds that may be issued by issuers within Hawaii, including tax exempt interest, tax credits, interest subsidies or other benefits under the Internal Revenue Code, which is limited by federal law.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO PUBLIC FINANCE.

PURPOSE: The purpose of this bill is to set forth the State's allocation of any annual or other limit on the principal amount of bonds that may be issued by issuers within Hawaii, including tax exempt interest, tax credits, interest subsidies or other benefits under the Internal Revenue Code, which is limited by federal law.

MEANS: Add a new chapter to the Hawaii Revised Statutes.

JUSTIFICATION: The American Recovery and Reinvestment Act of 2009 ("ARRA") created several new types of tax exempt bonds and tax credit bonds under the Internal Revenue Code. Under ARRA, states and local governments received new and expanded bond allocations. Under this bill, the Department of Budget and Finance ("B&F") will lead the State's efforts to maximize the utilization of these allocations in Hawaii through the allocation and reallocation process of such amounts.

The reallocation process in this bill will transfer allocations from the counties that do not intend to use their full allocation amounts to B&F. B&F would then be able to reallocate such amounts to other entities that would then be able to utilize such amounts.

In addition, this bill makes B&F responsible for the allocation and reallocation of any limitation imposed by federal law that is placed on the principal amount of bonds that may be issued by issuers, with tax exempt interest, tax credits, interest subsidies or other benefits under the Internal Revenue Code, which is limited by federal law.

Impact on the public:

By maximizing the use of Hawaii's allocation of bonds and other benefits limited by federal law, the public benefits from the efficient use of such limited resources.

Impact on the department and other agencies:

This bill will allow for the efficient management of limited resources.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: Not applicable.

OTHER AFFECTED AGENCIES: All state departments, County of Kauai, City and County of Honolulu, County of Maui, and County of Hawaii.

EFFECTIVE DATE: Upon approval.