



STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
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WRITTEN TESTIMONY
OF
DEAN H. SEKI, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEE
ON
WAYS AND MEANS
ON
APRIL 4, 2013

S.C.R. 64

REQUESTING THE DEPARTMENT OF BUDGET AND FINANCE AND THE
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES TO INVEST
SPECIAL FUND HOLDINGS INTO LOCAL FINANCIAL INSTITUTIONS

Chair Ige and members of the Committee, thank you for the opportunity to submit written testimony on S.C.R. 64.

The Department of Accounting and General Services (DAGS) supports the intent of S.C.R. 64, provided its passage does not replace or adversely impact priorities indicated in the Executive Budget, and offers the following comments.

Investing of moneys in excess of the amounts necessary for meeting the immediate requirements of the State is the responsibility of the Department of Budget and Finance (B&F) pursuant to section 36-21, Hawaii Revised Statutes. DAGS respectfully defers to B&F on the impact S.C.R. 64 has on their investment functions.

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



TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE CONCURENT RESOLUTION NO. 64

April 4, 2013

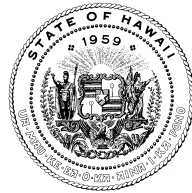
RELATING TO REQUESTING THE DEPARTMENT OF BUDGET AND FINANCE AND THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES TO INVEST SPECIAL FUND HOLDINGS INTO LOCAL FINANCIAL INSTITUTIONS.

Senate Concurrent Resolution No. 64 requests that the Director of Finance in cooperation with the Comptroller, review the state's inventory of special funds, revolving loan funds, revolving funds, bond holdings, and other state investments and identify stable, solvent funds that may be appropriate to be invested in accounts in small, locally-based financial institutions. Also if funds are identified as appropriate for investment in small, locally-based financial institutions, to ensure the equitable distribution of funds and some stability of the institutions, the Director of Finance and Comptroller work with the Chief Procurement Officer of the State to develop a special procurement process to assure funds will be deposited in these institutions for no less than ten years.

The Department of Budget and Finance invests state funds pursuant to Chapters 36 and 38, HRS. Section 38-2(a) in part reads "In selecting a depository the class of security shall be considered as the basis of selection and due regard shall be given to a depository doing business in the State". Section 38-2(d) directs the Director to consider the beneficial effects to the State of using depositories within the State. The Department

has worked with small and large financial institutions based in the State in the past and is open to working with all financial institutions operating in the State, whether large or small, provided that they can ensure the safety of State funds held on deposit. The State's funds have always been invested under three primary objectives, in order of priority: safety of principal is foremost; liquidity to meet operating requirements; and yield to maximize return.

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



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

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**TO THE
SENATE COMMITTEE ON
WAYS AND MEANS**

**THE TWENTY-SEVENTH STATE LEGISLATURE
REGULAR SESSION OF 2013**

**Thursday, April 4, 2013
9:00 a.m.**

**TESTIMONY ON S.C.R. No. 64
REQUESTING THE DEPARTMENT OF BUDGET AND FINANCE AND THE
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES TO INVEST SPECIAL
FUND HOLDINGS INTO LOCAL FINANCIAL INSTITUTIONS.**

**THE HONORABLE DAVID Y. IGE, CHAIR,
AND MEMBERS OF THE COMMITTEE:**

My name is Iris Ikeda Catalani, Commissioner of Financial Institutions
("Commissioner"), providing comments on behalf of the Department of Commerce and
Consumer Affairs ("DCCA") on Senate Concurrent Resolution No. 64 Requesting the

Department of Budget and Finance and the Department of Accounting and General Services to invest special fund holdings into local financial institutions.

The resolution seeks to have the Director of Finance and the Comptroller review the inventory of special funds, revolving loan funds, revolving funds, bond holdings, and other State investments and identify stable, solvent funds (collectively "funds") that may be appropriate to be invested in accounts in small, locally-based financial institutions. We note that H.B. 504 S.D.1 also asks the auditor to review the inventory of these same funds.

Investing State funds in local financial institutions is an attractive concept, provided that the investments satisfy sound and objective program investment objectives and criteria. The issues to consider include:

- There are no state chartered credit unions in Hawaii. All the credit unions operating in the state have national charters.
- The safety of principal is very important for the state. State law requires that financial institutions secure public funds with collateral or securities above any insured amount or \$250,000. The law requires that if the financial institution should fail to pay the deposits, the Director of Finance can convert the securities deposited into money for and on behalf of the State.
- State law requires liquidity and return on investment throughout budgetary and economic cycles. Return on investment is of secondary importance compared to

TESTIMONY ON S.C.R NO. 64
April 4, 2013, 9:00 a.m.
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safety and liquidity objectives. Consequently, it is likely that the core of the portfolio would be limited to relatively low risk investments, in anticipation of earning a fair return relative to the risk being assumed.

Thank you for the opportunity to provide comments on this Senate Concurrent Resolution No. 64. I would be pleased to respond to any questions you may have.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: tabraham08@gmail.com
Subject: Submitted testimony for SCR64 on Apr 4, 2013 09:00AM
Date: Wednesday, March 27, 2013 3:29:07 PM

SCR64

Submitted on: 3/27/2013

Testimony for WAM on Apr 4, 2013 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

Comments: i support passage of bill to allow local banks to hold and increase public and private investment accounts to yield a higher percentage gain on all accounts fairly

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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