

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON JUDICIARY
ON
HOUSE BILL NO. 804

January 21, 2014

PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 13, OF THE HAWAII
STATE CONSTITUTION

House Bill No. 804 proposes to amend Article VII, Section 13, of the Hawaii State Constitution to exempt refunding general obligation bonds from the requirement that all general obligation bonds for a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest.

The Department strongly supports this administration measure. Refunding general obligation bonds with level debt service often limits the State's ability to efficiently structure refunding bond issues. It is important to note the "new" money general obligation bonds would continue to be subject to the level debt service requirement which is conservative and appropriate for new money bonds. The proposed amendment will allow the State to refund those maturities that are strategically advantageous, and structure refunding bond issues that will enhance the State's overall debt profile rather than being limited to a level debt service requirement.

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