

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
HOUSE BILL NO. 1186

February 13, 2015
9:30 A.M.

RELATING TO GENERAL OBLIGATION BONDS

House Bill No. 1186 allocates premiums from general obligation (GO) bonds to fund eligible capital expenditures, the other post-employment benefits trust fund, and accrued liability contributions to the pension accumulation fund instead of the general fund.

The Department opposes this bill as currently drafted. According to the State's general advice counsel, while the GO bond premium may be applied to eligible capital expenditures, federal tax law strictly prohibits the use of the premium to fund the other post-employment benefits trust fund (OPEB) and the pension accumulation fund, as they are not permitted uses of GO tax-exempt bond proceeds (which include the premium). As the proposed use of the GO bond premium is prohibited by federal tax laws, the Department recommends amending the bill to allow, in addition to the premium being deposited into the general fund, the GO premium to be used to fund capital expenditures. Below is the Department's recommended amendments to Section 39-6, HRS.

SECTION 1. Section 39-6, Hawaii Revised Statutes, is amended to read as follows:

“§39-6 Premiums [~~to general fund~~]. (a) The premiums received from the sale of any bonds issued pursuant to this part [~~shall~~] may be used for the purposes of section 39-2 or be a realization of the general fund of the State.”

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



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TESTIMONY BEFORE THE HOUSE COMMITTEE
ON LABOR & PUBLIC EMPLOYMENT

Wil Okabe
President
Joan Kamila Lewis
Vice President
Colleen Pasco
Secretary-Treasurer
Wilbert Holck
Executive Director

DATE: FRIDAY, FEBRUARY 13, 2015

RE: H.B. 1186 – RELATING TO GENERAL OBLIGATION BONDS

PERSON TESTIFYING: JOAN LEWIS, VICE PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

The Honorable Chair Mark Nakashima, Honorable Vice Chair Jarrett Keohokalole and Members of the Committee:

The Hawaii State Teachers Association (HSTA) **supports the intent of H.B. 1186**, relating to general obligation bonds.

HSTA is the exclusive representative of more than 13,500 public and charter school teachers statewide. HSTA supports post-employment benefits for public sector retirees which allocates premiums from general obligation bonds to fund eligible capital expenditures, the other post-employment benefits trust fund, and accrued liability contributions to the pension accumulation fund instead of the general fund.

Thank you for the opportunity to testify in **support of the intent of H.B. 1186**.