

STAND. COM. REP. NO. **700**

Honolulu, Hawaii

**MAR 03 2017**

RE: S.B. No. 725  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2017  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 725 entitled:

"A BILL FOR AN ACT RELATING TO BONDS,"

begs leave to report as follows:

The purpose and intent of this measure is to expressly prohibit the use of general obligation or revenue bond proceeds to pay for the unfunded pension or other post-employment benefit liabilities accrued for state employees and retirees.

Your Committee received comments on this measure from the Department of Budget and Finance and the Department of the Attorney General.

Your Committee has serious reservations about using bond proceeds to pay down the State's unfunded liabilities, but has decided to move this measure forward in an amended form. This decision is based on the Department of Budget and Finance's belief that use of bond proceeds to fund, to some degree, the State's unfunded pension or healthcare liabilities should be retained as an option, because the bond market and counter-investment market may change in the future.



Accordingly, your Committee has amended this measure by:

- (1) Replacing references to a prohibition on the use of bond proceeds with language that restricts their use;
- (2) Specifying that bond proceeds shall not be used to pay for the unfunded pension or other post-employment benefit liabilities accrued for state employees and retirees, except by a bill approved on final reading by a two-thirds majority vote of the members to which each house of the legislature is entitled; and
- (3) Changing the effective date from July 1, 2017, to August 30, 2050, to facilitate further discussion on the measure.

Your Committee is aware that restricting future legislatures or requiring a supermajority vote for passage of legislation that authorizes a bond issuance may raise constitutional concerns. Despite this issue, your Committee has inserted the supermajority vote requirement for further discussion and, more importantly, to send a message on your Committee's serious reservations about using bond proceeds to pay unfunded liabilities.

Your Committee recommends that the Department of the Attorney General address the possible constitutional problem with the supermajority vote issue, should the measure be considered by subsequent committees.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 725, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 725, S.D. 1, and be placed on the calendar for Third Reading.

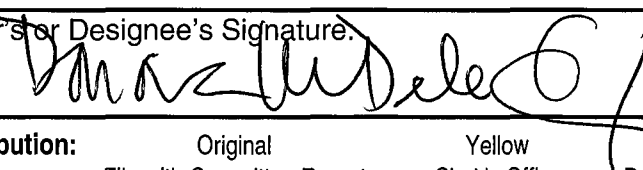
Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
\_\_\_\_\_  
JILL N. TOKUDA, Chair



The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SB 725</b>	Committee Referral: <b>WAM</b>	Date: <b>2/14/17</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	/			
DELA CRUZ, Donovan M. (VC)	/			
ENGLISH, J. Kalani	/			
GALUTERIA, Brickwood				/
HARIMOTO, Breene				/
INOUYE, Lorraine R.	/			
KAHELE, Kaiali'i				/
RIVIERE, Gil	/			
SHIMABUKURO, Maile S.L.	/			
TANIGUCHI, Brian T.	/			
WAKAI, Glenn	/			
<b>TOTAL</b>	<b>8</b>			<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes