

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 105, S.D. 1

**LATE**

March 19, 2015

RELATING TO THE BUDGET

Senate Bill No. 105, S.D. 1, amends Section 37-68, HRS, "Responsibilities of agencies," to require that information on the projected debt service for bonds intended to finance capital improvement projects (CIP) proposed in the biennium and supplemental budgets must be included in the budget documents. The bill also requires the Judiciary to provide similar information for CIP in its budget documents.

We continue to have concerns with this bill. CIP are usually funded by the sale of bonds whose proceeds are put into the bond fund; we do not generally issue bonds for specific projects or programs. Funds from the bond fund are disbursed for projects as needed. Therefore, we do not know beforehand which bond issuance will be used for a specific project or program and will not be able to provide information on annual debt service costs for each project or each program.

As an option, we could provide an illustration of debt service costs by using an example of a \$100 million bond issuance and providing a generic 20-year general obligation debt service schedule. The debt service costs of a project or program could then be calculated based on the project's or program's cost as a percentage of the \$100 million. However, if you need to show the first through last debt service payments, you will need to estimate when the project will start and the disbursement schedule because all the funds would not be disbursed upfront but over a period of time.