

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 105

February 6, 2015

RELATING TO THE BUDGET

Senate Bill No. 105 amends Section 37-69, HRS, "The six-year program and financial plan," and Section 37-71, HRS, "The budget," to require that information on the estimated future debt service for a proposed capital improvement project (CIP) must be included in the budget documents. The bill also amends Section 601-2, HRS, "Administration," to require the Judiciary to provide similar information for CIP in its budget documents.

We have serious concerns with this bill. CIP are usually funded by the sale of bonds whose proceeds are put into the bond fund; we do not issue bonds for specific projects. 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 and will not be able to provide information for each project on the term of the bonds, total debt service to amortize the bonds, and annual debt service costs by principal and interest.

As an option, we could provide an illustration of debt service costs by using an example of a \$100 million bond issuance and providing the future principal and interest costs. The debt service costs of a project could then be calculated based on the project's cost as a percentage of the \$100 million.

We are also unclear as to the meaning of the bill's addition to Section 37-69(d)(1)(K), HRS, of item (vii) that requires the six-year program and financial plan to include information for each project on the "annual debt service in each of the next six fiscal years under at least one alternative with different realistic assumptions from the bond financing plan." We are unsure as to the meaning of "different realistic assumptions." In any case, this would be a time consuming task; e.g., the FB 2015-17 Executive Budget includes approximately 170 projects.