



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2017**

ON THE FOLLOWING MEASURE:

H.B. NO. 1588, RELATING TO GENERAL OBLIGATION BONDS.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Tuesday, February 28, 2017 **TIME:** 11:00 a.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Douglas S. Chin, Attorney General, or
Randall S. Nishiyama, Deputy Attorney General

Chair Luke and Members of the Committee:

The Department of the Attorney General provides the following comments.

This bill may not achieve its purposes, which, among other things, are (1) to prohibit the Legislature from issuing general obligation bonds to finance the repair and maintenance of a capital asset with a depreciable life of less than ten years from the date the asset was first placed in service and (2) to mandate that the Legislature authorize only cash appropriations or the issuance of bonds other the general obligation bonds to finance the repair and maintenance of a capital asset with a depreciable life of less than ten years from the date the asset was first placed into service.

Absent a constitutional restriction on the legislative power, one legislature cannot restrict or limit the right of a succeeding legislature to exercise the power of legislation.

See State ex. rel. Stenberg v. Moore, 544 N.W.2d 344, 349 (Neb. 1996).

Thank you for the opportunity to testify on this matter.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 1588

February 28, 2017
11:00 a.m.
Room 308

RELATING TO GENERAL OBLIGATION BONDS

House Bill No. 1588: a) prohibits the Legislature from issuing general obligation (G.O.) bonds to finance repair and maintenance of a capital asset with a depreciable life of less than ten years from the date the asset was first placed into service; b) requires that financing repair and maintenance in such situations utilize instead cash appropriations or other types of bond issuances; and c) requires that procedures, rules, and regulations developed by the Department of Budget and Finance (B&F) reflect this. The measure also requires that B&F issue G.O. bonds with maturity dates of not more than ten years to finance repair and maintenance of a capital asset with a depreciable life of ten or more years from the date the asset was first placed into service.

The department has serious concerns with this measure. The restriction on issuing G.O. bonds with maturity dates of no more than ten years when financing the repair and maintenance of a capital asset with a depreciable life of ten or more years will reduce flexibility in structuring debt, increase debt service payments and increase operating appropriations for repair and maintenance. It should be noted that of the

\$1.49 billion G.O. bond appropriations proposed by the Executive Budget for FB 2017-19, over \$500 million is for capital improvement projects related to major repairs and maintenance which would be affected by this financing restriction.

Furthermore, the need to track capital assets affected by the requirements of this bill would create a significant administrative burden. Departments are not staffed nor do they have systems to perform such a task. Additional resources would be needed at the departmental level to provide proper and accurate information to help ensure compliance with the new requirements.

For these reasons, the department believes additional study of the full impacts of this bill's provisions is necessary.

Thank you for your consideration of our comments.