

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2825

February 8, 2010

RELATING TO STATE FUNDS.

Senate Bill No. 2825 proposes to amend Section 36-21, Hawaii Revised Statutes, which directs the investment of money in the State treasury that is in excess of amounts necessary for meeting immediate requirements of the State.

We strongly disagree with the statement in Section 1 of the Bill that "...the State evidently construed the date of maturity on these student loan auction rate securities to be their date of auction, rather than their stated maturity dates...." as it implies that the State's investment in Student Loan Auction Rate Securities (ARS) was not done in compliance with Section 36-21, HRS. Act 47, SLH 1997, specifically authorizes the investment in ARS. The Department of Budget and Finance obtained concurrence from the Attorney General's office that investments in ARS were in compliance with the statutes, when the markets for these types of securities were functioning.

The Department of Budget and Finance supports S.B. 2825 to clarify that the five-year limitation for short-term investments also applies to the underlying securities in these types of investments.

Thank you for this opportunity to provide testimony on this bill.