



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 11, 2017

GOV. MSG. NO. 1272

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

I am transmitting herewith SB1073 SD1 HD1 CD1, without my approval and with the statement of objections relating to the measure.

SB1073 SD1 HD1 CD1

RELATING TO THE STATE FOUNDATION ON
CULTURE AND THE ARTS

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

EXECUTIVE CHAMBERS

HONOLULU

July 11, 2017

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 1073

Honorable Members
Twenty-Ninth Legislature
State of Hawai'i

Pursuant to Section 16 of Article III of the Constitution of the State of Hawai'i, I am returning herewith, without my approval, Senate Bill No. 1073, entitled "A Bill for an Act Relating to the State Foundation on Culture and the Arts."

The purpose of this bill is to appropriate funds to the State Foundation on Culture and the Arts to support its artist fellowship program, which awards fellowships to promising artists.

The bill is objectionable because the funding source of the appropriation is the Works of Art Special Fund, and expenditures from the special fund for artist fellowships may adversely affect the State's financial interests. The Works of Art Special Fund is established by section 103-8.5, Hawaii Revised Statutes, and consists of one percent of the cost element of all state fund appropriations for the construction and renovation of state buildings. In turn, the one percent amount generally consists of proceeds from tax-exempt bonds. Under the Internal Revenue Code, federally tax-exempt bonds may be used to finance capital projects, but should not be used to finance operating expenses, except under limited circumstances. Federally tax-exempt bond proceeds, subject to the de minimus exceptions described in Treasury Regulation Section 1.148-6(d)(3)(ii), may only be used for capital projects that are subject to depreciation or are depreciable. Violations of this provision may subject the State to adverse tax consequences, such as the loss of the federal tax-exemption on the bonds, and may: (1) expose the State to lawsuits from bond purchasers whose interest income from the bonds have become taxable; (2) adversely affect the State's bond rating; and (3) cause the State to issue taxable bonds for which the State would pay higher interest than for tax-exempt bonds. The artist fellowships are not capital projects, but are

STATEMENT OF OBJECTIONS
SENATE BILL NO. 1073
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monetary prizes awarded to artists, for which in return the artist must hold an exhibition or give a performance.

For the foregoing reasons, I am returning Senate Bill No. 1073 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read "David Y. Ige". The signature is fluid and cursive, with a large, sweeping flourish at the end.

DAVID Y. IGE
Governor of Hawai'i

P R O C L A M A T I O N

WHEREAS, under Section 16 of Article III of the Constitution of the State of Hawai'i, the Governor is required to give notice, by a proclamation, of the Governor's plan to return with the Governor's objections any bill presented to the Governor less than ten days before adjournment sine die or presented to the Governor after adjournment sine die of the Legislature; and

WHEREAS, Senate Bill No. 1073, entitled "A Bill for an Act Relating to the State Foundation on Culture and the Arts," passed by the Legislature, was presented to the Governor within the aforementioned period; and

WHEREAS, Senate Bill No. 1073 is unacceptable to the Governor of the State of Hawai'i;

NOW, THEREFORE, I, DAVID Y. IGE, Governor of the State of Hawai'i, do hereby issue this proclamation, pursuant to the provisions of Section 16 of Article III of the Constitution of the State of Hawai'i, giving notice of my plan to return Senate Bill No. 1073 with my objections thereon to the Legislature as provided by said Section 16 of Article III of the Constitution.

DONE at the State Capitol, Honolulu,
State of Hawai'i, this 11
day of July, 2017.



DAVID Y. IGE
Governor of Hawai'i

A BILL FOR AN ACT

RELATING TO THE STATE FOUNDATION ON CULTURE AND THE ARTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to appropriate funds
2 to the state foundation on culture and the arts artist
3 fellowship program for the awarding of one-time fellowships to
4 promising artists in the amount of not less than \$25,000.

5 SECTION 2. There is appropriated out of the works of art
6 special fund established by section 103-8.5, Hawaii Revised
7 Statutes, the sum of \$200,000 or so much thereof as may be
8 necessary for fiscal year 2017-2018 for the state foundation on
9 culture and the arts artist fellowship program for the awarding
10 of one-time fellowships to promising artists in the amount of
11 not less than \$25,000.

12 The sum appropriated shall be expended by the state
13 foundation on culture and the arts for the purposes of this Act.

14 SECTION 3. This Act shall take effect on July 1, 2017.


APPROVED this day of , 2017

THE SENATE OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the
Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017.


President of the Senate

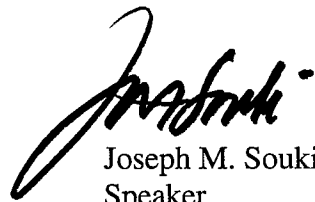

Clerk of the Senate

SB No. 1073, SD 1, HD 1, CD 1

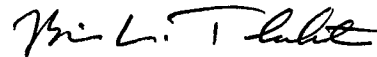
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017.



Joseph M. Souki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives