

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 1260, S.D. 1

March 23, 2011

RELATING TO PUBLIC FINANCE

Senate Bill No. 1260, S.D. 1, sets forth the State's allocation of the limit on the principal amount of bonds that may be issued by issuers within Hawaii, including tax exempt interest, tax credits, interest subsidies or other benefits under the Internal Revenue Code (IRC), which is limited by federal law.

The Department strongly supports this administration measure.

The federal American Recovery and Reinvestment Act of 2009 (ARRA) created several new types of tax-exempt bonds and tax credit bonds which resulted in new and expanded allocations to states and local governments. The Office of the Attorney General advised the Department that statutory authorization is necessary for the State to distribute the ARRA allocations of tax-exempt bond authority and tax credit authorization received from the federal government. Although most of the ARRA provisions expired in 2010, the State can utilize the bond and tax credit authorization in 2011 and subsequent years. As such, this legislation will allow the use of the existing ARRA allocation, as well as any other (i.e. non-ARRA) future federal allocations.

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