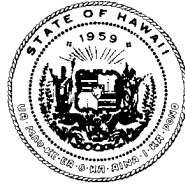


DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO:

Statement of
Craig K. Hirai
Hawaii Housing Finance and Development Corporation
Before the

HOUSE COMMITTEE ON HOUSING

February 2, 2015 at 8:30 a.m.
State Capitol, Room 329

In consideration of
H.B. 705
RELATING TO NON-GENERAL FUNDS

The HHFDC **supports** H.B. 705, which would reclassify the Housing Loan Program Revenue Bond Special Fund – Rental Housing System, Housing Loan Program Revolving Bond fund, and Housing Project Bond Special Fund as revolving funds, and repeal the Fee Simple Residential Revolving Fund.

The HHFDC concurred with the Legislative Auditor's findings on these specific funds, and therefore has no objections to this measure.

Thank you for the opportunity to testify.



**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR,
ON HOUSE BILL NO. 705,
RELATING TO NON-GENERAL FUNDS**

House Committee on Housing

February 2, 2015

Chair Hashem and Members of the Committee:

I am Jan Yamane, Acting State Auditor. Thank you for the opportunity to testify in **support** of House Bill No. 705 (HB705), which would reclassify as revolving funds various housing loan special funds established under Section 201H-80, Hawai'i Revised Statutes, and repeal a revolving fund in the Department of Business, Economic Development and Tourism.

The impetus for this bill stems from our Report No. 14-13, *Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Departments of the Attorney General and Business, Economic Development and Tourism*. Our review of these funds includes an evaluation of the original intent and purpose of each fund, including the degree to which each fund continues to serve its intended purpose. We also evaluate whether each fund meets statutory criteria for its respective fund type (i.e., special, revolving, or trust). The funds we listed in Report No. 14-13 that serve the purpose for which they were originally created but function as revolving funds (not special funds) and would be reclassified by this bill are:

1. Housing Loan Program Revenue Bond Special Fund – Rental Housing System (Sections 4 and 5);
2. Housing Loan Program Revolving Bond Fund (Section 6); and
3. Housing Project Bond Special Fund—Multi Family (Section 7).

The measure would also repeal the Fee Simple Residential Revolving Fund, which we concluded no longer serves the purpose for which it was created and does not meet the criteria for a revolving fund.

Thank you for the opportunity to testify in support of HB 705. I am available to answer any questions you may have.

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Reclassification of special funds

BILL NUMBER: HB 705

INTRODUCED BY: Jordan, Ichiyama, Kobayashi, Say, Yamashita and 1 Democrat

EXECUTIVE SUMMARY: Implements the state auditor's recommendation to reclassify various housing loan special funds as revolving funds.

BRIEF SUMMARY: Reclassifies the following special funds as revolving funds:

- Housing finance revolving fund; bond special fund
- Housing loan program revenue bond special fund - rental housing system
- Housing loan program revolving fund (single family mortgage purchase revenue bond fund)
- Housing project bond special fund - multi family special fund

Repeals HRS section 516-44, the fee simple residential revolving fund.

All balances in the funds reclassified as revolving funds shall remain in their respective funds.

On July 1, 2015, all unencumbered balances remaining in the fee simple residential revolving fund shall lapse into the general fund.

EFFECTIVE DATE: July 1, 2015

STAFF **COMMENTS**: This measure implements the state auditor's recommendation in the auditor's report No. 14-13 that reviewed the special funds, revolving funds, trust funds, and trust accounts of the departments of the Attorney General and business, economic development and tourism. The special funds reclassified by this measure were found to be essential to the respective program areas, but the fee simple residential revolving fund did not meet statutory criteria for a revolving fund.

Digested 1/30/15