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DATE: 2/3/2026

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TO: Senator Jarrett Keohokalole
Chair, Committee on Commerce and Consumer Protection

Senator Stanley Chang
Chair, Committee on Housing

FROM: Tiffany Yajima

RE: **SB 2180 – Relating to Deposits of Public Funds**
Hearing Date: Tuesday, February 3, 2026 at 9:31 a.m.
Conference Room: 229

Dear Chair Keohokalole, Chair Chang, and Members of the Joint Committees:

We submit this testimony on behalf of the Hawaii Bankers Association (HBA). HBA represents seven Hawai‘i banks and one bank from the continent with branches in Hawai‘i.

HBA submits these **comments** on S.B. 2180, which requires the Director of Finance to consider, before the selection of a depository for the state treasury, the beneficial effects to the State of using depositories within the State, including but not limited to lending at favorable terms for the creation of certain affordable housing units.

HBA is uncertain what this measure attempts to accomplish and has concerns with respect to the consideration of a bank's loans for affordable housing at below-market value as a criterion to receiving state funds. This bill does not define "below market price" and it is unclear how the state would weigh the amount of affordable housing financing deployed by each financial institution. For example, would the state calculate a weighted average based on each bank's asset size or would the determination of state fund deposits be based on the amount of lending for affordable housing that is kept in a financial institution's portfolio.

It is additionally unclear what the intent is behind the requirement that the loans be used for housing that is reserved "exclusively for residents of the State who are occupants and own no other real property." If the intent of this measure is to increase loans for affordable housing, HBA has concerns that this bill could run counter to the presumable intent because a resident who owns and resides in only one property in the state and who owns no other real property could define a wide range of residents outside of the definition of "affordable."

The measure is also unclear on what lending information would be required of banks during the pre-selection process and we have concerns that it could create an unlevel

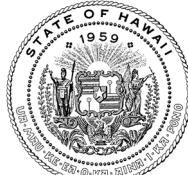
playing field between financial institutions who have interests in state deposits. Banks are already examined with respect to their services to low- and moderate-income individuals, which includes lending and investment in affordable housing. For these reasons, HBA believes that this measure is unnecessary.

Thank you for the opportunity to submit these comments.

JOSH GREEN, M.D.
GOVERNOR

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LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM
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WRITTEN ONLY

TESTIMONY BY SETH S. COLBY
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEES ON COMMERCE & CONSUMER PROTECTION
AND HOUSING
ON
SENATE BILL NO. 2180

**February 3, 2026
9:31 A.M.
Room 229 and Videoconference**

RELATING TO DEPOSITS OF PUBLIC FUNDS

The Department of Budget and Finance has serious concerns on Senate Bill No. 2180, which proposes to amend HRS section 38-2 (d) to require the Director of Finance to consider, prior to the selection of a depository for the state treasury funds, the beneficial effects to the State of using depositories within the State, "including but not limited to the amount that the depository has lent at favorable terms to create housing that is available at below market price or housing that is available exclusively for residents of the State who are occupants and who own no other real property".

The Department provides concerns on this bill to include the following:

1. The new requirement in this bill would be the first special consideration specified in law that must be made by the Director of Finance prior to selecting a depository and may open the door to the requirement of more special considerations in the future; and

2. The State has a fiduciary responsibility to protect public funds and to prudently manage its treasury to achieve the investment objectives of safety, liquidity, and yield, in priority order. Any selection of a depository should be based on these primary objectives.

In closing, the Department supports the efforts to increase housing for residents but believes its fiduciary responsibility to prudently manage the treasury must remain the paramount objective. Thank you for your consideration of our comments.