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WRITTEN ONLY

TESTIMONY BY SETH S. COLBY
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 2547

April 9, 2026
10:31 A.M.
Conference Room 211 and Videoconference

RELATING TO CORPORATE BONDS.

The Department of Budget and Finance strongly supports House Bill No. 2547 H.D.1, which proposes to authorize the Director of Finance to invest in short-term investment-grade corporate bonds. Section 36-21, HRS authorizes the Director of Finance to invest cash in excess of immediate needs in certain investment types with maturities of five years or less. This bill proposes adding investment-grade corporate bonds to the list of authorized investments that the Director may consider. Short-term investment-grade corporate bonds historically carry yields exceeding U.S. treasury or agency type securities, would provide diversification, and can be a positive addition to the portfolio.

The department recommends requiring a minimum rating of AA- or its equivalent, by a nationally recognized rating agency for the corporate bonds to be eligible for investment of state treasury funds to minimize credit risk. The primary objectives, in priority order, for the investment of state treasury funds are safety, liquidity and yield.

This minimum rating emphasizes that safety of principal is of utmost priority when investing state funds.

In closing, the Department supports this effort to increase options for appropriate investment types in which the Director of Finance may invest public funds. Thank you for the opportunity to testify on this bill.