

Honolulu, Hawaii

Feb 13, 2007

RE: H.B. No. 1879

H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Economic Development & Business Concerns,
to which was referred H.B. No. 1879 entitled:

"A BILL FOR AN ACT RELATING TO MANAGEMENT OF STATE FUNDS,"

begs leave to report as follows:

The purpose of this bill is to authorize the Director of Finance to invest up to ten per cent of the State's short-term investment moneys in linked investments.

Specifically, this measure authorizes the Director of Finance to invest in certificates of deposit with a lending institution at an interest rate of not more than two per cent below current market rates. The lending institution then makes loans based on the deposit at a rate of not more than the prime rate or seven and one-half per cent, whichever is less to eligible entrepreneurs or business enterprises.

Your Committee received testimony from the Department of Budget and Finance who expressed concerns with the measure.

Your Committee finds that the State's short-term investment moneys are moneys that are in excess of the amounts necessary for meeting the immediate requirements of the State and that their use in short-term investments will not impede or hamper the necessary financial operations of the State. This measure will authorize the State to use its excess funds to promote the growth of



eligible private enterprises in the State by enabling these businesses to obtain loans at below-market rates.

Your Committee has amended this measure by changing the effective date from July 1, 2007 to July 1, 2034 to promote continued discussion on this matter.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business Concerns that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1879, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1879, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business
Concerns,



KYLE T. YAMASHITA, Chair



