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# A BILL FOR AN ACT

RELATING TO STATE BONDS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Declaration of findings with respect to the  
2 general obligation bonds authorized by this Act. Pursuant to  
3 article VII, section 13, of the Hawaii State Constitution, which  
4 states: "Effective July 1, 1980, the legislature shall include  
5 a declaration of findings in every general law authorizing the  
6 issuance of general obligation bonds that the total amount of  
7 principal and interest, estimated for such bonds and for all  
8 bonds authorized and unissued and calculated for all bonds  
9 issued and outstanding, will not cause the debt limit to be  
10 exceeded at the time of issuance", the legislature finds and  
11 declares as follows:

12           (1) Limitation on general obligation debt. The debt limit  
13 of the State is set forth in article VII, section 13,  
14 of the state constitution, which states in part:  
15 "General obligation bonds may be issued by the State;  
16 provided that such bonds at the time of issuance would  
17 not cause the total amount of principal and interest



1 payable in the current or any future fiscal year,  
2 whichever is higher, on such bonds and on all  
3 outstanding general obligation bonds to exceed: a sum  
4 equal to twenty percent of the average of the general  
5 fund revenues of the State in the three fiscal years  
6 immediately preceding such issuance until June 30,  
7 1982; and thereafter, a sum equal to eighteen and  
8 one-half percent of the average of the general fund  
9 revenues of the State in the three fiscal years  
10 immediately preceding such issuance." Article VII,  
11 section 13, of the Hawaii State Constitution also  
12 provides that in determining the power of the State to  
13 issue general obligation bonds, certain bonds are  
14 excludable, including "[r]eimburseable general  
15 obligation bonds issued for a public undertaking,  
16 improvement or system but only to the extent that  
17 reimbursements to the general fund are in fact made  
18 from the net revenue, or net user tax receipts, or  
19 combination of both, as determined for the immediately  
20 preceding fiscal year" and bonds constituting  
21 instruments of indebtedness under which the State



1 incurs a contingent liability as a guarantor, but only  
 2 to the extent the principal amount of those bonds does  
 3 not exceed seven per cent of the principal amount of  
 4 outstanding general obligation bonds not otherwise  
 5 excluded under article VII, section 13, of the Hawaii  
 6 State Constitution.

7 (2) Actual and estimated debt limits. The limit on  
 8 principal and interest of general obligation bonds  
 9 issued by the State, actual for fiscal year 2020-2021  
 10 and estimated for each fiscal year from 2021-2022 to  
 11 2024-2025, is as follows:

12	Fiscal	Net General	
13	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
14	2017-2018	\$7,656,001,540	
15	2018-2019	7,910,649,595	
16	2019-2020	7,631,208,089	
17	2020-2021	8,058,234,000	\$1,430,534,652
18	2021-2022	7,479,503,000	1,455,338,987
19	2022-2023	7,767,188,000	1,428,751,614
20	2023-2024	8,065,417,000	1,437,137,042
21	2024-2025	(not applicable)	1,437,579,993

22  
 23 For fiscal years 2020-2021, 2021-2022, 2022-2023,  
 24 2023-2024, and 2024-2025, respectively, the debt limit  
 25 is derived by multiplying the average of the net  
 26 general fund revenues for the three preceding fiscal



1 years by eighteen and one-half per cent. The net  
2 general fund revenues for fiscal years 2017-2018,  
3 2018-2019, and 2019-2020 are actual, as certified by  
4 the director of finance in the Statement of the Debt  
5 Limit of the State of Hawaii as of July 1, 2020, dated  
6 November 19, 2020. The net general fund revenues for  
7 fiscal years 2020-2021 to 2023-2024 are estimates,  
8 based on general fund revenue estimates made as of  
9 March 8, 2021, by the council on revenues, the body  
10 assigned by article VII, section 7, of the Hawaii  
11 State Constitution to make these estimates, and based  
12 on estimates made by the department of budget and  
13 finance of those receipts that cannot be included as  
14 general fund revenues for the purpose of calculating  
15 the debt limit, all of which estimates the legislature  
16 finds to be reasonable.

- 17 (3) Principal and interest on outstanding bonds applicable  
18 to the debt limit.



1 (A) According to the department of budget and  
 2 finance, the total amount of principal and  
 3 interest on outstanding general obligation bonds,  
 4 after the exclusions permitted by article VII,  
 5 section 13, of the Hawaii State Constitution, for  
 6 determining the power of the State to issue  
 7 general obligation bonds within the debt limit as  
 8 of April 1, 2021, is as follows for fiscal year  
 9 2021-2022 to fiscal year 2027-2028:

10	Fiscal	Principal
11	<u>Year</u>	<u>and Interest</u>
12	2021-2022	\$942,978,733
13	2022-2023	905,460,017
14	2023-2024	890,840,266
15	2024-2025	850,362,631
16	2025-2026	903,170,962
17	2026-2027	704,256,367
18	2027-2028	676,904,175

19 The department of budget and finance further  
 20 reports that the amount of principal and interest  
 21 on outstanding bonds applicable to the debt limit  
 22 generally continues to decline each year from  
 23 fiscal year 2028-2029 to fiscal year 2040-2041



1 when the final installment of \$102,695,623 shall  
2 be due and payable.

3 (B) The department of budget and finance further  
4 reports that the outstanding principal amount of  
5 bonds constituting instruments of indebtedness  
6 under which the State may incur a contingent  
7 liability as a guarantor is \$233,500,000, all or  
8 part of which is excludable in determining the  
9 power of the State to issue general obligation  
10 bonds, pursuant to article VII, section 13, of  
11 the Hawaii State Constitution.

12 (4) Amount of authorized and unissued general obligation  
13 bonds and guaranties and proposed bonds and  
14 guaranties.

15 (A) As calculated from the state comptroller's bond  
16 fund report as of February 28, 2021, adjusted  
17 for:

18 (i) Appropriations to be funded by general  
19 obligation bonds or reimbursable general  
20 obligation bonds as provided in House Bill



1                   No. 200, H.D. 1, S.D. 1, C.D. 1 (the General  
2                   Appropriations Act of 2021);  
3                   (ii) Lapses as provided in House Bill No. 200,  
4                   H.D. 1, S.D. 1, C.D. 1 (the General  
5                   Appropriations Act of 2021);  
6                   (iii) Appropriations to be funded by general  
7                   obligation bonds or reimbursable general  
8                   obligation bonds as provided in House Bill  
9                   No. 185, H.D. 1, S.D. 2, C.D. 1 (the  
10                   Judiciary Appropriations Act of 2021);  
11                   (iv) Lapses as provided in House Bill No. 185,  
12                   H.D. 1, S.D. 2, C.D. 1 (the Judiciary  
13                   Appropriations Act of 2021);  
14                   (v) Appropriations to be funded by general  
15                   obligation bonds or reimbursable general  
16                   obligation bonds as provided in House Bill  
17                   No. 54, H.D. 1, S.D. 1, C.D. 1; and  
18                   (vi) Lapses as provided in House Bill No. 54,  
19                   H.D. 1, S.D. 1, C.D. 1;



1 the total amount of authorized but unissued  
2 general obligation bonds is \$3,227,451,750. The  
3 total amount of general obligation bonds  
4 authorized in this Act is \$1,291,787,000. The  
5 total amount of general obligation bonds  
6 previously authorized and unissued, as adjusted,  
7 and the general obligation bonds authorized in  
8 this Act is \$4,519,238,750.

9 (B) As reported by the department of budget and  
10 finance, the outstanding principal amount of  
11 bonds constituting instruments of indebtedness  
12 under which the State may incur a contingent  
13 liability as a guarantor is \$233,500,000, all or  
14 part of which is excludable in determining the  
15 power of the State to issue general obligation  
16 bonds, pursuant to article VII, section 13, of  
17 the Hawaii State Constitution.

18 (5) Proposed general obligation bond issuance. As  
19 reported therein for the fiscal years 2020-2021,  
20 2021-2022, 2022-2023, 2023-2024, and 2024-2025, the  
21 State proposes to issue \$525,000,000 in general



1 obligation bonds during the second half of fiscal year  
2 2020-2021, and \$500,000,000 in general obligation  
3 bonds semi-annually during fiscal years 2021-2022,  
4 2022-2023, 2023-2024, and 2024-2025. The State  
5 anticipates issuing a combination of twenty-year  
6 serial bonds with principal repayments beginning the  
7 fifth year and ten-year serial bonds with principal  
8 repayments beginning the first year, payable in  
9 substantially equal annual installments of principal  
10 and interest payment with interest payments commencing  
11 six months from the date of issuance and being paid  
12 semi-annually thereafter. It is assumed that this  
13 practice will continue to be applied to the bonds that  
14 are proposed to be issued.

15 (6) Sufficiency of proposed general obligation bond  
16 issuance to meet the requirements of authorized and  
17 unissued bonds, as adjusted, and bonds authorized by  
18 this Act. From the schedule reported in  
19 paragraph (5), the total amount of general obligation  
20 bonds that the State proposes to issue during the  
21 fiscal years 2020-2021 to 2023-2024 is \$3,525,000,000.



1 An additional \$1,000,000,000 is proposed to be issued  
2 in fiscal year 2024-2025. The total amount of  
3 \$3,525,000,000 that is proposed to be issued through  
4 fiscal year 2023-2024 is sufficient to meet the  
5 requirements of the authorized and unissued bonds, as  
6 adjusted, the total amount of which is \$4,519,238,750  
7 reported in paragraph (4), except for \$994,238,750.  
8 It is assumed that the appropriations to which an  
9 additional \$994,238,750 in bond issuance needs to be  
10 applied will have been encumbered as of June 30, 2024.  
11 The \$1,000,000,000 that is proposed to be issued in  
12 fiscal year 2024-2025 will be sufficient to meet the  
13 requirements of the June 30, 2024 encumbrances in the  
14 amount of \$994,238,750. The amount of assumed  
15 encumbrances as of June 30, 2024, is reasonable and  
16 conservative, based upon an inspection of June 30  
17 encumbrances of the general obligation bond fund as  
18 reported by the state comptroller. Thus, taking into  
19 account the amount of authorized and unissued bonds,  
20 as adjusted, and the bonds authorized by this Act  
21 versus the amount of bonds proposed to be issued by



1 June 30, 2024, and the amount of June 30, 2024,  
2 encumbrances versus the amount of bonds proposed to be  
3 issued in fiscal year 2024-2025, the legislature finds  
4 that in the aggregate, the amount of bonds proposed to  
5 be issued is sufficient to meet the requirements of  
6 all authorized and unissued bonds and the bonds  
7 authorized by this Act.

8 (7) Bonds excludable in determining the power of the State  
9 to issue bonds. As noted in paragraph (1), certain  
10 bonds are excludable in determining the power of the  
11 State to issue general obligation bonds.

12 (A) General obligation reimbursable bonds can be  
13 excluded under certain conditions. It is not  
14 possible to make a conclusive determination as to  
15 the amount of reimbursable bonds which are  
16 excludable from the amount of each proposed bond  
17 issued because:

18 (i) It is not known exactly when projects for  
19 which reimbursable bonds have been  
20 authorized in prior acts and in this Act  
21 will be implemented and will require the



1 application of proceeds from a particular  
2 bond issue; and

3 (ii) Not all reimbursable general obligation  
4 bonds may qualify for exclusion.

5 However, the legislature notes that with respect  
6 to the principal and interest on outstanding  
7 general obligation bonds, according to the  
8 department of budget and finance, the average  
9 proportion of principal and interest that is  
10 excludable each year from the calculation against  
11 the debt limit is 0.58 per cent for approximately  
12 ten years from fiscal year 2021-2022 to fiscal  
13 year 2030-2031. For the purpose of this  
14 declaration, the assumption is made that  
15 0.50 per cent of each bond issue will be  
16 excludable from the debt limit, an assumption  
17 that the legislature finds to be reasonable and  
18 conservative.

19 (B) Bonds constituting instruments of indebtedness  
20 under which the State incurs a contingent  
21 liability as a guarantor can be excluded, but



1           only to the extent the principal amount of those  
2           guaranties does not exceed seven per cent of the  
3           principal amount of outstanding general  
4           obligation bonds not otherwise excluded under  
5           subparagraph (A) of this paragraph (7); and  
6           provided that the State shall establish and  
7           maintain a reserve in an amount in reasonable  
8           proportion to the outstanding loans guaranteed by  
9           the State as provided by law. According to the  
10          department of budget and finance and the  
11          assumptions presented herein, the total principal  
12          amount of outstanding general obligation bonds  
13          and general obligation bonds proposed to be  
14          issued, which are not otherwise excluded under  
15          article VII, section 13, of the Hawaii State  
16          Constitution for the fiscal years 2020-2021,  
17          2021-2022, 2022-2023, 2023-2024, and 2024-2025  
18          are as follows:



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<u>Fiscal year</u>	<u>Total amount of General Obligation Bonds not otherwise excluded by Article VII, Section 13 of the State Constitution</u>
2020-2021	\$ 8,928,593,064
2021-2022	10,123,593,064
2022-2023	11,118,593,064
2023-2024	12,113,593,064
2024-2025	13,108,593,064

Based on the foregoing and based on the assumption that the full amount of a guaranty is immediately due and payable when the guaranty changes from a contingent liability to an actual liability, the aggregate principal amount of the portion of the outstanding guaranties and the guaranties proposed to be incurred, which does not exceed seven per cent of the average amount set forth in the last column of the above table and for which reserve funds have been or will have been established as heretofore provided, can be excluded in determining the power of the State to issue general obligation bonds. As it is not possible to predict with a reasonable degree of certainty when a guaranty will change from a contingent liability to an actual liability, it is assumed in conformity with



1 fiscal conservatism and prudence, that all guaranties  
 2 not otherwise excluded pursuant to article VII,  
 3 section 13, of the Hawaii State Constitution will  
 4 become due and payable in the same fiscal year in  
 5 which the greatest amount of principal and interest on  
 6 general obligation bonds, after exclusions, occurs.  
 7 Thus, based on these assumptions and on the  
 8 determination in paragraph (8), all of the outstanding  
 9 guaranties can be excluded.

10 (8) Determination whether the debt limit will be exceeded  
 11 at the time of issuance. From the foregoing and on  
 12 the assumption that all of the bonds identified in  
 13 paragraph (5) will be issued at an interest rate not  
 14 to exceed 5.75 per cent in fiscal years 2021  
 15 through 2025, it can be determined from the following  
 16 schedule that the bonds that are proposed to be  
 17 issued, which include all authorized and unissued  
 18 bonds previously authorized, as adjusted, general  
 19 obligation bonds, and instruments of indebtedness  
 20 under which the State incurs a contingent liability as  
 21 a guarantor authorized in this Act, will not cause the



1 debt limit to be exceeded at the time of the bond  
2 issuance:

3	4	5	6	7
8	9	10	11	12
13	14	15	16	17
18	19	20	21	22
23	24	25	26	27
28	29	30	31	32
33	34	35	36	37
2nd half FY 2020-2021	\$522,375,000	1,430,534,652	994,966,602	(2021-2022)
1st half FY 2021-2022	\$497,500,000	1,455,338,987	1,022,488,072	(2025-2026)
2nd half FY 2021-2022	\$497,500,000	1,455,338,987	1,066,369,709	(2025-2026)
1st half FY 2022-2023	\$497,500,000	1,428,751,614	1,109,762,541	(2025-2026)
2nd half FY 2022-2023	\$497,500,000	1,428,751,614	1,153,646,566	(2025-2026)
1st half FY 2023-2024	\$497,500,000	1,437,137,042	1,197,065,047	(2025-2026)
2nd half FY 2023-2024	\$497,500,000	1,437,137,042	1,240,947,984	(2025-2026)
1st half FY 2024-2025	\$497,500,000	1,437,579,993	1,284,390,078	(2025-2026)
2nd half FY 2024-2025	\$497,500,000	1,437,579,993	1,328,271,328	(2025-2026)

27 (9) Overall and concluding finding. From the facts,  
28 estimates, and assumptions stated in this declaration  
29 of findings, the conclusion is reached that the total  
30 amount of principal and interest estimated for the  
31 general obligation bonds authorized in this Act, and  
32 for all bonds authorized and unissued, and calculated  
33 for all bonds issued and outstanding, and all



1           guaranties, will not cause the debt limit to be  
2           exceeded at the time of issuance.

3           SECTION 2. The legislature finds the bases for the  
4           declaration of findings set forth in this Act are reasonable.  
5           The assumptions set forth in this Act with respect to the  
6           principal amount of general obligation bonds that will be  
7           issued, the amount of principal and interest on reimbursable  
8           general obligation bonds that are assumed to be excludable, and  
9           the assumed maturity structure shall not be deemed to be  
10          binding, it being the understanding of the legislature that  
11          these matters shall remain subject to substantial flexibility.

12          SECTION 3. Authorization for issuance of general  
13          obligation bonds. General obligation bonds may be issued as  
14          provided by law in an amount that may be necessary to finance  
15          projects authorized in House Bill No. 200, H.D. 1, S.D. 1,  
16          C.D. 1 (the General Appropriations Act of 2021), House Bill  
17          No. 185, H.D. 1, S.D. 2, C.D. 1 (the Judiciary Appropriations  
18          Act of 2021), and House Bill No. 54, H.D. 1, S.D. 1, C.D. 1;  
19          passed by the legislature during this regular session of 2021  
20          and designated to be financed from the general obligation bond  
21          fund and from the general obligation bond fund with debt service



1 cost to be paid from special funds; provided that the sum total  
2 of general obligation bonds so issued shall not exceed  
3 \$1,291,787,000.

4 Any law to the contrary notwithstanding, general obligation  
5 bonds may be issued from time to time in accordance with  
6 section 39-16, Hawaii Revised Statutes, in a principal amount as  
7 may be required to refund any general obligation bonds of the  
8 State of Hawaii heretofore or hereafter issued pursuant to law.

9 SECTION 4. The provisions of this Act are declared to be  
10 severable and if any portion thereof is held to be invalid for  
11 any reason, the validity of the remainder of this Act shall not  
12 be affected.

13 SECTION 5. In printing this Act, the revisor of statutes  
14 shall substitute in section 1 and section 3 the corresponding  
15 act numbers for bills identified therein.

16 SECTION 6. This Act shall take effect upon its approval.



**Report Title:**

State Bonds; State Budget

**Description:**

Authorizes issuance of general obligation bonds. Makes findings required by Article VII, Section 13, of the Hawaii State Constitution to declare that the issuance of authorized bonds will not cause the debt limit to be exceeded. (CD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

