
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 one-
8 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 -
 10 and estimated for each fiscal year from - to
 11 - , is as follows:

12	<u>Fiscal</u>	<u>Net General</u>	<u>Debt Limit</u>
13	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
14			
15	For fiscal years	- , - , - ,	
16	- , and - ,		respectively, the debt limit
17			is derived by multiplying the average of the net
18			general fund revenues for the three preceding fiscal
19			years by eighteen and one-half per cent. The net
20			general fund revenues for fiscal years - ,
21	- , and -		are actual, as certified by
22			the director of finance in the Statement of the Debt

1 Limit of the State of Hawaii as of July 1, , dated
2 , . The net general fund revenues for
3 fiscal years - to - are estimates,
4 based on general fund revenue estimates made as of
5 , , by the council on revenues, the body
6 assigned by article VII, section 7, of the Hawaii
7 State Constitution to make these estimates, and based
8 on estimates made by the department of budget and
9 finance of those receipts that cannot be included as
10 general fund revenues for the purpose of calculating
11 the debt limit, all of which estimates the legislature
12 finds to be reasonable.

13 (3) Principal and interest on outstanding bonds applicable
14 to the debt limit.

15 (A) According to the department of budget and
16 finance, the total amount of principal and
17 interest on outstanding general obligation bonds,
18 after the exclusions permitted by article VII,
19 section 13, of the Hawaii State Constitution, for
20 determining the power of the State to issue
21 general obligation bonds within the debt limit as



1 of April 1, , is as follows for fiscal year
2 - to fiscal year - :

3	Fiscal	Principal
4	<u>Year</u>	<u>and Interest</u>

5
6 The department of budget and finance further
7 reports that the amount of principal and interest
8 on outstanding bonds applicable to the debt limit
9 generally continues to decline each year from
10 fiscal year - to fiscal year -
11 when the final installment of \$ shall
12 be due and payable.

13 (B) The department of budget and finance further
14 reports that the outstanding principal amount of
15 bonds constituting instruments of indebtedness
16 under which the State may incur a contingent
17 liability as a guarantor is \$, all or
18 part of which is excludable in determining the
19 power of the State to issue general obligation
20 bonds, pursuant to article VII, section 13, of
21 the Hawaii State Constitution.



1 total amount of general obligation bonds
 2 authorized in this Act is \$. The total
 3 amount of general obligation bonds previously
 4 authorized and unissued, as adjusted, and the
 5 general obligation bonds authorized in this Act
 6 is \$.

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

16 (5) Proposed general obligation bond issuance. As
 17 reported therein for the fiscal years - ,
 18 - , - , and - , the
 19 State proposes to issue \$ in general
 20 obligation bonds during the first half of fiscal year
 21 - , \$ in general obligation bonds



1 during the second half of fiscal year - ,
 2 \$ in general obligation bonds semiannually
 3 during fiscal years - and - , and
 4 \$ in general obligation bonds semiannually
 5 during fiscal years - and - .

6 Generally, it has been the practice of the State to
 7 issue twenty-year serial bonds with principal
 8 repayments beginning in the third year, the bonds
 9 payable in substantially equal annual installments of
 10 principal and interest payment with interest payments
 11 commencing six months from the date of issuance and
 12 being paid semi-annually thereafter. It is assumed
 13 that this practice will continue to be applied to the
 14 bonds that 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 paragraph
 19 (5), the total amount of general obligation bonds that
 20 the State proposes to issue during the fiscal years
 21 - to - is \$. An additional

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



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

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

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

17 (i) It is not known exactly when projects for
18 which reimbursable bonds have been
19 authorized in prior acts and in this Act
20 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 per cent for approximately
12 ten years from fiscal year - to fiscal
13 year - . For the purpose of this
14 declaration, the assumption is made that per
15 cent of each bond issue will be excludable from
16 the debt limit, an assumption that the
17 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; provided that
6 the State shall establish and maintain a reserve
7 in an amount in reasonable proportion to the
8 outstanding loans guaranteed by the State as
9 provided by law. According to the department of
10 budget and finance and the assumptions presented
11 herein, the total principal amount of outstanding
12 general obligation bonds and general obligation
13 bonds proposed to be issued, which are not
14 otherwise excluded under article VII, section 13,
15 of the Hawaii State Constitution for the fiscal
16 years - , - , - , - ,
17 and - are as follows:

18		Total amount of
19		General Obligation Bonds
20		not otherwise excluded by
21		Article VII, Section 13
22	<u>Fiscal Year</u>	<u>of the State Constitution</u>

23



1 Based on the foregoing and based on the assumption
2 that the full amount of a guaranty is immediately due
3 and payable when the guaranty changes from a
4 contingent liability to an actual liability, the
5 aggregate principal amount of the portion of the
6 outstanding guaranties and the guaranties proposed to
7 be incurred, which does not exceed seven per cent of
8 the average amount set forth in the last column of the
9 above table and for which reserve funds have been or
10 will have been established as heretofore provided, can
11 be excluded in determining the power of the State to
12 issue general obligation bonds. As it is not possible
13 to predict with a reasonable degree of certainty when
14 a guaranty will change from a contingent liability to
15 an actual liability, it is assumed in conformity with
16 fiscal conservatism and prudence, that all guaranties
17 not otherwise excluded pursuant to article VII,
18 section 13, of the Hawaii State Constitution will
19 become due and payable in the same fiscal year in
20 which the greatest amount of principal and interest on
21 general obligation bonds, after exclusions, occurs.



1 Thus, based on these assumptions and on the
2 determination in paragraph (8), all of the outstanding
3 guaranties can be excluded.

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

17			Greatest Amount
18	Time of Issuance		and Year of
19	and Amount to be	Debt Limit	Highest Principal
20	Counted Against	at Time of	and Interest
21	<u>Debt Limit</u>	<u>Issuance</u>	<u>on Bonds and Guaranties</u>

22



1 (9) Overall and concluding finding. From the facts,
2 estimates, and assumptions stated in this declaration
3 of findings, the conclusion is reached that the total
4 amount of principal and interest estimated for the
5 general obligation bonds authorized in this Act, and
6 for all bonds authorized and unissued, and calculated
7 for all bonds issued and outstanding, and all
8 guaranties, will not cause the debt limit to be
9 exceeded at the time of issuance.

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

19 SECTION 3. Authorization for issuance of general
20 obligation bonds. General obligation bonds may be issued as
21 provided by law in an amount that may be necessary to finance



1 projects authorized in Act (the General Appropriations Act
2 of 2021) and Act (the Judiciary Appropriations Act of 2021);
3 passed by the legislature during this regular session of 2021
4 and designated to be financed from the general obligation bond
5 fund and from the general obligation bond fund with debt service
6 cost to be paid from special funds; provided that the sum total
7 of general obligation bonds so issued shall not exceed
8 \$.

9 Any law to the contrary notwithstanding, general obligation
10 bonds may be issued from time to time in accordance with section
11 39-16, Hawaii Revised Statutes, in a principal amount as may be
12 required to refund any general obligation bonds of the State of
13 Hawaii heretofore or hereafter issued pursuant to law.

14 SECTION 4. The provisions of this Act are declared to be
15 severable and if any portion thereof is held to be invalid for
16 any reason, the validity of the remainder of this Act shall not
17 be affected.

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



1 SECTION 6. This Act shall take effect on July 1, 2050.



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. Effective 7/1/2050. (SD1)

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