



GOV. MSG. NO. 1368

EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

7/8/2022

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Thirty-First State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirty-First State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on 7/8/2022, the following bill was signed into law:

HB1540 SD1 CD1

RELATING TO STATE BONDS.
ACT 265

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

ORIGINAL

Approved by the Governor

on JUL 08 2022

HOUSE OF REPRESENTATIVES
THIRTY-FIRST LEGISLATURE, 2022
STATE OF HAWAII

ACT 265
H.B. NO. 1540
S.D. 1
C.D. 1

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 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 state constitution also provides
12 that in determining the power of the State to issue
13 general obligation bonds, certain bonds are
14 excludable, including "reimbursable general obligation
15 bonds issued for a public undertaking, improvement or
16 system but only to the extent that reimbursements to
17 the general fund are in fact made from the net
18 revenue, or net user tax receipts, or combination of
19 both, as determined for the immediately preceding
20 fiscal year" and bonds constituting instruments of
21 indebtedness under which the State incurs a contingent



1 liability as a guarantor, but only to the extent the
 2 principal amount of those bonds does not exceed seven
 3 per cent of the principal amount of outstanding
 4 general obligation bonds not otherwise excluded under
 5 said article VII, section 13, of the state
 6 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 2021-2022
 10 and estimated for each fiscal year from 2022-2023 to
 11 2024-2025, is as follows:

	<u>Fiscal</u> <u>Year</u>	<u>Net General</u> <u>Fund Revenues</u>	<u>Debt Limit</u>
12	2018-2019	\$7,910,649,595	
13	2019-2020	7,631,208,089	
14	2020-2021	8,249,554,335	
15	2021-2022	9,526,366,000	\$1,467,137,075
16	2022-2023	10,057,426,000	1,566,772,919
17	2023-2024	10,528,025,000	1,716,389,691
18	2024-2025	(not applicable)	1,856,895,382

19 For fiscal years 2021-2022, 2022-2023, 2023-2024, and
 20 2024-2025, respectively, the debt limit is derived by
 21 multiplying the average of the net general fund
 22 revenues for the three preceding fiscal years by
 23
 24
 25

1 eighteen and one-half per cent. The net general fund
2 revenues for fiscal years 2018-2019, 2019-2020, and
3 2020-2021 are actual, as certified by the director of
4 finance in the Statement of the Debt Limit of the
5 State of Hawaii as of July 1, 2021, dated November 18,
6 2021. The net general fund revenues for fiscal years
7 2021-2022 to 2023-2024 are estimates, based on general
8 fund revenue estimates made as of March 10, 2022, by
9 the council on revenues, the body assigned by article
10 VII, section 7, of the state constitution to make such
11 estimates, and based on estimates made by the
12 department of budget and finance of those receipts
13 that cannot be included as general fund revenues for
14 the purpose of calculating the debt limit, all of
15 which estimates the legislature finds to be
16 reasonable.

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

19 (A) According to the department of budget and
20 finance, the total amount of principal and
21 interest on outstanding general obligation bonds,



1 after the exclusions permitted by article VII,
 2 section 13, of the state constitution, for
 3 determining the power of the State to issue
 4 general obligation bonds within the debt limit as
 5 of April 1, 2022, is as follows for fiscal year
 6 2022-2023 to fiscal year 2028-2029:

7	Fiscal	Principal
8	<u>Year</u>	<u>and Interest</u>
9	2022-2023	\$961,807,272
10	2023-2024	947,275,975
11	2024-2025	906,779,067
12	2025-2026	910,349,924
13	2026-2027	754,861,768
14	2027-2028	728,500,735
15	2028-2029	697,424,189

16
 17 The department of budget and finance further
 18 reports that the amount of principal and interest
 19 on outstanding bonds applicable to the debt limit
 20 generally continues to decline each year from
 21 fiscal year 2029-2030 to fiscal year 2041-2042
 22 when the final installment of \$56,940,537 shall
 23 be due and payable.

24 (B) The department of budget and finance further
 25 reports that the outstanding principal amount of



1 bonds constituting instruments of indebtedness
2 under which the State may incur a contingent
3 liability as a guarantor is \$233,500,000, all or
4 part of which is excludable in determining the
5 power of the State to issue general obligation
6 bonds, pursuant to article VII, section 13, of
7 the state constitution.

8 (4) Amount of authorized and unissued general obligation
9 bonds and guaranties and proposed bonds and
10 guaranties.

11 (A) As calculated from the state comptroller's bond
12 fund report as of February 28, 2022, adjusted
13 for:

14 (i) Appropriations to be funded by general
15 obligation bonds or reimbursable general
16 obligation bonds as provided in Act 88,
17 Session Laws of Hawaii 2021 (the General
18 Appropriations Act of 2021), to be expended
19 in fiscal year 2022-2023, adjusted for
20 additional appropriations provided in House



1 Bill No. 1600, H.D. 1, S.D. 2, C.D. 1 (the
2 Supplemental Appropriations Act of 2022);
3 (ii) Lapses as provided in House Bill No. 1600,
4 H.D. 1, S.D. 2, C.D. 1 (the Supplemental
5 Appropriations Act of 2022);
6 (iii) Appropriations to be funded by general
7 obligation bonds or reimbursable general
8 obligation bonds as provided in Act 127,
9 Session Laws of Hawaii 2021 (the Judiciary
10 Appropriations Act of 2021) to be expended
11 in fiscal year 2022-2023, adjusted for
12 additional appropriations provided in House
13 Bill No. 1536, H.D. 2, S.D. 2, C.D. 1 (the
14 Judiciary Supplemental Appropriations Act of
15 2022);
16 (iv) Lapses as provided in House Bill No. 1536,
17 H.D. 2, S.D. 2, C.D. 1 (the Judiciary
18 Supplemental Appropriations Act of 2022);
19 (v) Lapses as provided in Senate Bill No. 3334,
20 S.D. 2, H.D. 1, C.D. 1 (Relating to
21 Government Operations); and



1 (vi) Appropriations to be funded by general
2 obligation bonds as provided in House Bill
3 No. 2240, H.D. 1, S.D. 2, C.D. 1 (Relating
4 to Other Post-Employment Benefits);
5 the total amount of authorized but unissued
6 general obligation bonds is \$3,387,596,129. The
7 total amount of general obligation bonds
8 authorized in this Act is \$1,668,715,000. The
9 total amount of general obligation bonds
10 previously authorized and unissued, as adjusted,
11 and the general obligation bonds authorized in
12 this Act is \$5,056,311,129.

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



1 (5) Proposed general obligation bond issuance. As
2 reported therein for the fiscal years 2021-2022, 2022-
3 2023, 2023-2024, and 2024-2025, the State proposes to
4 issue \$685,000,000 in general obligation bonds during
5 the second half of fiscal year 2021-2022,
6 \$685,000,000 in general obligation bonds semiannually
7 during fiscal years 2022-2023 and 2023-2024, and
8 \$835,000,000 in general obligation bonds semiannually
9 during fiscal year 2024-2025. The State anticipates
10 issuing a combination of twenty-year serial bonds with
11 principal repayments beginning the third year and ten-
12 year serial bonds with principal repayments beginning
13 the first year, payable in substantially equal annual
14 installments of principal and interest payment with
15 interest payments commencing six months from the date
16 of issuance and being paid semi-annually thereafter.
17 It is assumed that this practice will continue to be
18 applied to the bonds that are proposed to be issued.

19 (6) Sufficiency of proposed general obligation bond
20 issuance to meet the requirements of authorized and
21 unissued bonds, as adjusted, and bonds authorized by



1 this Act. From the schedule reported in paragraph
2 (5), the total amount of general obligation bonds that
3 the State proposes to issue during the fiscal years
4 2021-2022 to 2023-2024 is \$3,425,000,000. An
5 additional \$1,670,000,000 is proposed to be issued in
6 fiscal year 2024-2025. The total amount of
7 \$5,095,000,000 that is proposed to be issued through
8 fiscal year 2024-2025 is sufficient to meet the
9 requirements of the authorized and unissued bonds, as
10 adjusted, the total amount of which is \$5,056,311,129
11 reported in paragraph (4), except for \$1,631,311,129.
12 It is assumed that the appropriations to which an
13 additional \$1,631,311,129 in bond issuance needs to be
14 applied will have been encumbered as of June 30, 2024.
15 The \$1,670,000,000 that is proposed to be issued in
16 fiscal year 2024-2025 will be sufficient to meet the
17 requirements of the June 30, 2024, encumbrances in the
18 amount of \$1,631,311,129. The amount of assumed
19 encumbrances as of June 30, 2024, is reasonable and
20 conservative, based upon an inspection of June 30
21 encumbrances of the general obligation bond fund as



1 reported by the state comptroller. Thus, taking into
2 account the amount of authorized and unissued bonds,
3 as adjusted, and the bonds authorized by this Act
4 versus the amount of bonds proposed to be issued by
5 June 30, 2024, and the amount of June 30, 2024,
6 encumbrances versus the amount of bonds proposed to be
7 issued in fiscal year 2024-2025, the legislature finds
8 that in the aggregate, the amount of bonds proposed to
9 be issued is sufficient to meet the requirements of
10 all authorized and unissued bonds and the bonds
11 authorized by this Act.

12 (7) Bonds excludable in determining the power of the State
13 to issue bonds. As noted in paragraph (1), certain
14 bonds are excludable in determining the power of the
15 State to issue general obligation bonds.

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



1 (i) It is not known exactly when projects for
2 which reimbursable bonds have been
3 authorized in prior acts and in this Act
4 will be implemented and will require the
5 application of proceeds from a particular
6 bond issue; and

7 (ii) Not all reimbursable general obligation
8 bonds may qualify for exclusion.

9 However, the legislature notes that with respect
10 to the principal and interest on outstanding
11 general obligation bonds, according to the
12 department of budget and finance, the average
13 proportion of principal and interest that is
14 excludable each year from the calculation against
15 the debt limit is 0.54 per cent for approximately
16 ten years from fiscal year 2021-2022 to fiscal
17 year 2030-2031. For the purpose of this
18 declaration, the assumption is made that 0.50 per
19 cent of each bond issue will be excludable from
20 the debt limit, an assumption that the



1 legislature finds to be reasonable and
2 conservative.
3 (B) Bonds constituting instruments of indebtedness
4 under which the State incurs a contingent
5 liability as a guarantor can be excluded, but
6 only to the extent the principal amount of those
7 guaranties does not exceed seven per cent of the
8 principal amount of outstanding general
9 obligation bonds not otherwise excluded under
10 subparagraph (A) of this paragraph; provided that
11 the State shall establish and maintain a reserve
12 in an amount in reasonable proportion to the
13 outstanding loans guaranteed by the State as
14 provided by law. According to the department of
15 budget and finance and the assumptions presented
16 herein, the total principal amount of outstanding
17 general obligation bonds and general obligation
18 bonds proposed to be issued, which are not
19 otherwise excluded under article VII, section 13,
20 of the state constitution for the fiscal years



1 2021-2022, 2022-2023, 2023-2024, and 2024-2025
2 are as follows:

3	Total amount of	
4	General Obligation Bonds	
5	not otherwise excluded by	
6	Article VII, Section 13	
7	<u>Fiscal Year</u>	<u>of the State Constitution</u>
8	2021-2022	9,386,078,064
9	2022-2023	10,749,228,064
10	2023-2024	12,112,378,064
11	2024-2025	13,774,028,064

12

13 Based on the foregoing and based on the assumption

14 that the full amount of a guaranty is immediately due

15 and payable when such guaranty changes from a

16 contingent liability to an actual liability, the

17 aggregate principal amount of the portion of the

18 outstanding guaranties and the guaranties proposed to

19 be incurred, which does not exceed seven per cent of

20 the average amount set forth in the last column of the

21 above table and for which reserve funds have been or

22 will have been established as heretofore provided, can

23 be excluded in determining the power of the State to

24 issue general obligation bonds. As it is not possible

25 to predict with a reasonable degree of certainty when

1 a guaranty will change from a contingent liability to
2 an actual liability, it is assumed in conformity with
3 fiscal conservatism and prudence, that all guaranties
4 not otherwise excluded pursuant to article VII,
5 section 13, of the state constitution will become due
6 and payable in the same fiscal year in which the
7 greatest amount of principal and interest on general
8 obligation bonds, after exclusions, occurs. Thus,
9 based on such assumptions and on the determination in
10 paragraph (8), all of the outstanding guaranties can
11 be excluded.

12 (8) Determination whether the debt limit will be exceeded
13 at the time of issuance. From the foregoing and on
14 the assumption that all of the bonds identified in
15 paragraph (5) will be issued at an interest rate not
16 to exceed 5.75 per cent in fiscal years 2022 through
17 2025, it can be determined from the following schedule
18 that the bonds that are proposed to be issued, which
19 include all authorized and unissued bonds previously
20 authorized, as adjusted, general obligation bonds, and
21 instruments of indebtedness under which the State



1 incurs a contingent liability as a guarantor
2 authorized in this Act, will not cause the debt limit
3 to be exceeded at the time of such issuance:

4	5	6	7	8
	Time of Issuance and Amount to be Counted Against <u>Debt Limit</u>	Debt Limit at Time of <u>Issuance</u>	Greatest Amount and Year of Highest Principal and Interest <u>on Bonds and Guaranties</u>	
9	2nd half FY 2021-2022			
10	\$681,575,000	1,467,137,075	1,027,837,482	(2022-2023)
11	1st half FY 2022-2023			
12	\$681,575,000	1,566,772,919	1,072,819,265	(2023-2024)
13	2nd half FY 2022-2023			
14	\$681,575,000	1,566,772,919	1,136,200,503	(2025-2026)
15	1st half FY 2023-2024			
16	\$681,575,000	1,716,389,691	1,195,681,640	(2025-2026)
17	2nd half FY 2023-2024			
18	\$681,575,000	1,716,389,691	1,255,799,015	(2025-2026)
19	1st half FY 2024-2025			
20	\$830,825,000	1,856,895,382	1,328,343,184	(2025-2026)
21	2nd half FY 2024-2025			
22	\$830,825,000	1,856,895,382	1,401,620,621	(2025-2026)

23
24
25
26 (9) Overall and concluding finding. From the facts,
27 estimates, and assumptions stated in this declaration
28 of findings, the conclusion is reached that the total
29 amount of principal and interest estimated for the
30 general obligation bonds authorized in this Act, and
31 for all bonds authorized and unissued, and calculated
32 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 such
11 matters must 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. 1600, H.D. 1, S.D. 2, C.D.
16 1 (the Supplemental Appropriations Act of 2022); House Bill No.
17 1536, H.D. 2, S.D. 2, C.D. 1 (the Judiciary Supplemental
18 Appropriations Act of 2022); and House Bill No. 2240, H.D. 1,
19 S.D. 2, C.D. 1 (Relating to Other Post-Employment Benefits);
20 passed by the legislature during this regular session of 2022
21 and designated to be financed from the general obligation bond



1 fund and from the general obligation bond fund with debt service
2 cost to be paid from special funds; provided that the sum total
3 of general obligation bonds so issued shall not exceed
4 \$1,668,715,000.

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

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

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

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

APPROVED this 8th day of July , 2022



GOVERNOR OF THE STATE OF HAWAII



HB No. 1540, SD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 3, 2022
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-First Legislature of the State of Hawaii, Regular Session of 2022.



Scott K. Saiki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAI‘I

Date: May 3, 2022
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirty-First Legislature of the State of Hawai‘i, Regular Session of 2022.


President of the Senate


Clerk of the Senate