



GOV. MSG. NO. 1149

EXECUTIVE CHAMBERS  
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA

June 1, 2023

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

The Honorable Scott K. Saiki  
Speaker, and Members of the  
House of Representatives  
Thirty-Second 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 June 1, 2023, the following bill was signed into law:

HB33 HD1 SD1 CD1

RELATING TO STATE BONDS.  
**ACT 049**

Sincerely,

Josh Green, M.D.  
Governor, State of Hawai'i

on JUN 1 2023

HOUSE OF REPRESENTATIVES  
THIRTY-SECOND LEGISLATURE, 2023  
STATE OF HAWAII

H.B. NO. 33  
H.D. 1  
S.D. 1  
C.D. 1

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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 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 "[r]eimbursable 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 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 2022-2023  
 10 and estimated for each fiscal year from 2023-2024 to  
 11 2026-2027, is as follows:

Fiscal Year	Net General Fund Revenues	Debt Limit
2019-2020	\$7,631,208,089	
2020-2021	8,249,554,335	
2021-2022	10,205,616,785	
2022-2023	10,313,714,000	\$1,608,660,051
2023-2024	10,698,355,000	1,774,081,249
2024-2025	11,064,917,000	1,925,090,623
2025-2026	11,439,630,000	1,978,080,803
2026-2027	(not applicable)	2,047,512,290

23 For fiscal years 2022-2023, 2023-2024, 2024-2025,  
 24 2025-2026, and 2026-2027, respectively, the debt limit  
 25 is derived by multiplying the average of the net  
 26



1 general fund revenues for the three preceding fiscal  
2 years by eighteen and one-half per cent. The net  
3 general fund revenues for fiscal years 2019-2020,  
4 2020-2021, and 2021-2022 are actual, as certified by  
5 the director of finance in the Statement of the Debt  
6 Limit of the State of Hawaii as of July 1, 2022, dated  
7 November 29, 2022. The net general fund revenues for  
8 fiscal years 2022-2023 to 2025-2026 are estimates,  
9 based on general fund revenue estimates made as of  
10 March 7, 2023, by the council on revenues, the body  
11 assigned by article VII, section 7, of the Hawaii  
12 State Constitution to make these estimates, and based  
13 on estimates made by the department of budget and  
14 finance of those receipts that cannot be included as  
15 general fund revenues for the purpose of calculating  
16 the debt limit, all of which estimates the legislature  
17 finds to be reasonable.

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

20 (A) According to the department of budget and  
21 finance, the total amount of principal and



1 interest on outstanding general obligation bonds,  
 2 after the exclusions permitted by article VII,  
 3 section 13, of the Hawaii State Constitution, for  
 4 determining the power of the State to issue  
 5 general obligation bonds within the debt limit as  
 6 of April 1, 2023, is as follows for fiscal year  
 7 2023-2024 to fiscal year 2029-2030:

8	Fiscal	Principal
9	<u>Year</u>	<u>and Interest</u>
10	2023-2024	\$1,011,707,878
11	2024-2025	971,212,418
12	2025-2026	974,784,421
13	2026-2027	819,294,680
14	2027-2028	792,931,828
15	2028-2029	761,856,165
16	2029-2030	715,205,173

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 2030-2031 to fiscal year 2041-2042  
 22 when the final installment of \$121,372,882 shall  
 23 be due and payable.



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

10 (4) Amount of authorized and unissued general obligation  
11 bonds and guaranties and proposed bonds and  
12 guaranties.

13 (A) As calculated from the state comptroller's bond  
14 fund report as of February 28, 2023, adjusted  
15 for:

16 (i) Appropriations to be funded by general  
17 obligation bonds or reimbursable general  
18 obligation bonds as provided in House Bill  
19 No. 300, H.D. 1, S.D. 1, C.D. 1 (the General  
20 Appropriations Act of 2023);



1 (ii) Lapses as provided in House Bill No. 300,  
2 H.D. 1, S.D. 1, C.D. 1 (the General  
3 Appropriations Act of 2023);  
4 (iii) Appropriations to be funded by general  
5 obligation bonds or reimbursable general  
6 obligation bonds as provided in House Bill  
7 No. 382, H.D. 1, S.D. 3, C.D. 1 (the  
8 Judiciary Appropriations Act of 2023); and  
9 (iv) Lapses as provided in House Bill No. 382,  
10 H.D. 1, S.D. 3, C.D. 1 (the Judiciary  
11 Appropriations Act of 2023);  
12 the total amount of authorized but unissued  
13 general obligation bonds is \$4,132,766,036. The  
14 total amount of general obligation bonds  
15 authorized in this Act is \$1,253,972,000. The  
16 total amount of general obligation bonds  
17 previously authorized and unissued, as adjusted,  
18 and the general obligation bonds authorized in  
19 this Act is \$5,386,738,036.  
20 (B) As reported by the department of budget and  
21 finance, 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 Hawaii State Constitution.

8           (5) Proposed general obligation bond issuance. As  
 9           reported therein for the fiscal years 2022-2023, 2023-  
 10          2024, 2024-2025, 2025-2026, and 2026-2027, the State  
 11          proposes to issue \$775,000,000 in general obligation  
 12          bonds during the second half of fiscal year 2022-2023,  
 13          \$625,000,000 in general obligation bonds semi-annually  
 14          during fiscal year 2023-2024, \$575,000,000 in general  
 15          obligation bonds semi-annually during fiscal years  
 16          2024-2025 and 2025-2026, and \$550,000,000 in general  
 17          obligation bonds semi-annually during fiscal year  
 18          2026-2027. The State anticipates issuing a  
 19          combination of twenty-year serial bonds with principal  
 20          repayments beginning the first year and seven-year  
 21          serial bonds with principal repayments beginning the



1 first year, payable in substantially equal annual  
2 installments of principal and interest payment with  
3 interest payments commencing six months from the date  
4 of issuance and being paid semi-annually thereafter.  
5 It is assumed that this practice will continue to be  
6 applied to the bonds that are proposed to be issued.

7 (6) Sufficiency of proposed general obligation bond  
8 issuance to meet the requirements of authorized and  
9 unissued bonds, as adjusted, and bonds authorized by  
10 this Act. From the schedule reported in paragraph  
11 (5), the total amount of general obligation bonds that  
12 the State proposes to issue during the fiscal years  
13 2022-2023 to 2025-2026 is \$4,325,000,000. An  
14 additional \$1,100,000,000 is proposed to be issued in  
15 fiscal year 2026-2027. The total amount of  
16 \$4,325,000,000 that is proposed to be issued through  
17 fiscal year 2025-2026 is sufficient to meet the  
18 requirements of the authorized and unissued bonds, as  
19 adjusted, the total amount of which is \$5,386,738,036  
20 reported in paragraph (4), except for \$1,061,738,036.  
21 It is assumed that the appropriations to which an



1 additional \$1,061,738,036 in bond issuance needs to be  
2 applied will have been encumbered as of June 30, 2026.  
3 The \$1,100,000,000 that is proposed to be issued in  
4 fiscal year 2026-2027 will be sufficient to meet the  
5 requirements of the June 30, 2026, encumbrances in the  
6 amount of \$1,061,738,036. The amount of assumed  
7 encumbrances as of June 30, 2026, is reasonable and  
8 conservative, based upon an inspection of June 30  
9 encumbrances of the general obligation bond fund as  
10 reported by the state comptroller. Thus, taking into  
11 account the amount of authorized and unissued bonds,  
12 as adjusted, and the bonds authorized by this Act  
13 versus the amount of bonds proposed to be issued by  
14 June 30, 2026, and the amount of June 30, 2026,  
15 encumbrances versus the amount of bonds proposed to be  
16 issued in fiscal year 2026-2027, the legislature finds  
17 that in the aggregate, the amount of bonds proposed to  
18 be issued is sufficient to meet the requirements of  
19 all authorized and unissued bonds and the bonds  
20 authorized by this Act.



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

5 (A) General obligation reimbursable bonds can be  
6 excluded under certain conditions. It is not  
7 possible to make a conclusive determination as to  
8 the amount of reimbursable bonds which are  
9 excludable from the amount of each proposed bond  
10 issued because:

11 (i) It is not known exactly when projects for  
12 which reimbursable bonds have been  
13 authorized in prior acts and in this Act  
14 will be implemented and will require the  
15 application of proceeds from a particular  
16 bond issue; and

17 (ii) Not all reimbursable general obligation  
18 bonds may qualify for exclusion.

19 However, the legislature notes that with respect  
20 to the principal and interest on outstanding  
21 general obligation bonds, according to the



1 department of budget and finance, the average  
2 proportion of principal and interest that is  
3 excludable each year from the calculation against  
4 the debt limit is 0.47 per cent for approximately  
5 ten years from fiscal year 2023-2024 to fiscal  
6 year 2032-2033. For the purpose of this  
7 declaration, the assumption is made that 0.25 per  
8 cent of each bond issue will be excludable from  
9 the debt limit, an assumption that the  
10 legislature finds to be reasonable and  
11 conservative.

12 (B) Bonds constituting instruments of indebtedness  
13 under which the State incurs a contingent  
14 liability as a guarantor can be excluded, but  
15 only to the extent the principal amount of those  
16 guaranties does not exceed seven per cent of the  
17 principal amount of outstanding general  
18 obligation bonds not otherwise excluded under  
19 subparagraph (A) of this paragraph (7); and  
20 provided that the State shall establish and  
21 maintain a reserve in an amount in reasonable



1 proportion to the outstanding loans guaranteed by  
 2 the State as provided by law. According to the  
 3 department of budget and finance and the  
 4 assumptions presented herein, the total principal  
 5 amount of outstanding general obligation bonds  
 6 and general obligation bonds proposed to be  
 7 issued, which are not otherwise excluded under  
 8 article VII, section 13, of the Hawaii State  
 9 Constitution for the fiscal years 2022-2023,  
 10 2023-2024, 2024-2025, 2025-2026, and 2026-2027  
 11 are as follows:

12	Total amount of	
13	General Obligation Bonds	
14	not otherwise excluded by	
15	Article VII, Section 13	
16	<u>Fiscal year</u>	<u>of the State Constitution</u>
17	2022-2023	9,520,627,429
18	2023-2024	10,767,507,429
19	2024-2025	11,914,637,429
20	2025-2026	13,061,767,429
21	2026-2027	14,159,017,429

22 Based on the foregoing and based on the assumption  
 23 that the full amount of a guaranty is immediately due  
 24 and payable when the guaranty changes from a  
 25 contingent liability to an actual liability, the



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



1           (8) Determination whether the debt limit will be exceeded  
2           at the time of issuance. From the foregoing and on  
3           the assumption that all of the bonds identified in  
4           paragraph (5) will be issued at an interest rate not  
5           to exceed 6.75 per cent in fiscal years 2023 through  
6           2027, it can be determined from the following schedule  
7           that the bonds that are proposed to be issued, which  
8           include all authorized and unissued bonds previously  
9           authorized, as adjusted, general obligation bonds, and  
10          instruments of indebtedness under which the State  
11          incurs a contingent liability as a guarantor  
12          authorized in this Act, will not cause the debt limit  
13          to be exceeded at the time of the bond issuance:  
14



	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>
6	2nd half FY 2022-2023		
7	\$773,065,000	1,608,660,051	1,117,436,712 (2023-2024)
8	1st half FY 2023-2024		
9	\$623,440,000	1,774,081,249	1,159,621,994 (2025-2026)
10	2nd half FY 2023-2024		
11	\$623,440,000	1,774,081,249	1,240,116,181 (2025-2026)
12	1st half FY 2024-2025		
13	\$573,565,000	1,925,090,623	1,312,988,756 (2025-2026)
14	2nd half FY 2024-2025		
15	\$573,565,000	1,925,090,623	1,387,054,394 (2025-2026)
16	1st half FY 2025-2026		
17	\$573,565,000	1,978,080,803	1,406,412,212 (2025-2026)
18	2nd half FY 2025-2026		
19	\$573,565,000	1,978,080,803	1,406,412,212 (2025-2026)
20	1st half FY 2026-2027		
21	\$548,625,000	2,047,512,290	1,418,917,324 (2027-2028)
22	2nd half FY 2026-2027		
23	\$548,625,000	2,047,512,290	1,489,749,512 (2027-2028)

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  
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. 300, H.D. 1, S.D. 1, C.D.  
16          1 (the General Appropriations Act of 2023) and House Bill No.  
17          382, H.D. 1, S.D. 3, C.D. 1 (the Judiciary Appropriations Act of  
18          2023); passed by the legislature during this regular session of  
19          2023 and designated to be financed from the general obligation  
20          bond fund and from the general obligation bond fund with debt  
21          service cost to be paid from special funds; provided that the



1 sum total of general obligation bonds so issued shall not exceed  
2 \$1,253,972,000. The proceeds of the general obligation bonds  
3 herein authorized are intended to be applied to finance projects  
4 and/or to reimburse expenditures made for projects after the  
5 effective date of this Act for the purpose for which such bonds  
6 are authorized. The foregoing statement of intent with respect  
7 to reimbursement is made in conformity with Treasury Regulation  
8 Section 1.150-2 of the United States Treasury Department.

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 upon its approval.

APPROVED this 1st day of June , 2023



GOVERNOR OF THE STATE OF HAWAII



HB No. 33, HD 1, SD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 4, 2023  
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-Second Legislature of the State of Hawaii, Regular Session of 2023.



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 4, 2023  
Honolulu, Hawai'i 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirty-Second Legislature of the State of Hawai'i, Regular Session of 2023.

  
President of the Senate

  
Clerk of the Senate