



GOV. MSG. NO. 1365

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

July 10, 2024

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 July 10, 2024, the following bill was signed into law:

HB1801 SD1 CD1

RELATING TO STATE BONDS.
ACT 253

Sincerely,

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

on JUL 10 2024

HOUSE OF REPRESENTATIVES
THIRTY-SECOND LEGISLATURE, 2024
STATE OF HAWAII

H.B. NO. 1801
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 "[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 said article VII, section 13, of the
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 2023-2024
10 and estimated for each fiscal year from 2024-2025 to
11 2026-2027, is as follows:

	<u>Fiscal</u> <u>Year</u>	<u>Net General</u> <u>Fund Revenues</u>	<u>Debt Limit</u>
14	2020-2021	\$8,249,554,335	
15	2021-2022	10,205,616,785	
16	2022-2023	10,183,780,738	
17	2023-2024	10,455,097,000	\$1,766,068,698
18	2024-2025	10,909,594,000	1,902,077,162
19	2025-2026	11,377,683,000	1,945,489,091
20	2026-2027	(not applicable)	2,019,113,063

22 For fiscal years 2023-2024, 2024-2025, 2025-2026, and
23 2026-2027, respectively, the debt limit is derived by
24 multiplying the average of the net general fund
25 revenues for the three preceding fiscal years by



1 eighteen and one-half per cent. The net general fund
2 revenues for fiscal years 2020-2021, 2021-2022, and
3 2022-2023 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, 2023, dated November 14,
6 2023. The net general fund revenues for fiscal years
7 2023-2024 to 2025-2026 are estimates, based on general
8 fund revenue estimates made as of March 11, 2024, 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, 2024, is as follows for fiscal year
 6 2024-2025 to fiscal year 2030-2031:

	<u>Fiscal</u> <u>Year</u>	<u>Principal</u> <u>and Interest</u>
9	2024-2025	\$1,029,382,011
10	2025-2026	1,032,952,707
11	2026-2027	877,462,252
12	2027-2028	851,100,231
13	2028-2029	820,024,069
14	2029-2030	773,375,895
15	2030-2031	725,929,474

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 2031-2032 to fiscal year 2042-2043
 22 when the final installment of \$58,169,242 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 29, 2024, adjusted
13 for:

14 (i) Appropriations to be funded by general
15 obligation bonds or reimbursable general
16 obligation bonds as provided in Act 164,
17 Session Laws of Hawaii 2023 (the General
18 Appropriations Act of 2023), to be expended
19 in fiscal year 2024-2025, adjusted for
20 additional appropriations provided in House



1 Bill No. 1800 H.D. 1, S.D. 1, C.D. 1 (the
2 Supplemental Appropriations Act of 2024);
3 (ii) Lapses as provided in House Bill No. 1800,
4 H.D. 1, S.D. 1, C.D. 1 (the Supplemental
5 Appropriations Act of 2024);
6 (iii) Appropriations to be funded by general
7 obligation bonds or reimbursable general
8 obligation bonds as provided in Act 70,
9 Session Laws of Hawaii 2023 (the Judiciary
10 Appropriations Act of 2023) to be expended
11 in fiscal year 2024-2025, adjusted for
12 additional appropriations provided in House
13 Bill No. 1911, H.D. 2, S.D. 2, C.D. 1 (the
14 Judiciary Supplemental Appropriations Act of
15 2024);
16 (iv) Lapses as provided in House Bill No. 1911,
17 H.D. 2, S.D. 2, C.D. 1 (the Judiciary
18 Supplemental Appropriations Act of 2024);
19 the total amount of authorized but unissued
20 general obligation bonds is \$3,874,136,011. The
21 total amount of general obligation bonds



1 authorized in this Act is \$1,199,590,000. The
2 total amount of general obligation bonds
3 previously authorized and unissued, as adjusted,
4 and the general obligation bonds authorized in
5 this Act is \$5,073,726,011.

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

15 (5) Proposed general obligation bond issuance. As
16 reported therein for the fiscal years 2023-2024, 2024-
17 2025, 2025-2026, and 2026-2027, the State proposes to
18 issue \$1,150,000,000 in general obligation bonds
19 during the second half of fiscal year 2023-2024,
20 \$650,000,000 in general obligation bonds semiannually
21 during fiscal years 2024-2025 and 2025-2026, and



1 \$670,000,000 in general obligation bonds semiannually
2 during 2026-2027. The State anticipates issuing a
3 combination of twenty-year serial bonds with principal
4 repayments beginning the first year and seven-year
5 serial bonds with principal repayments beginning the
6 first year, payable in substantially equal annual
7 installments of principal and interest payment with
8 interest payments commencing six months from the date
9 of issuance and being paid semi-annually thereafter.
10 It is assumed that this practice will continue to be
11 applied to the bonds that are proposed to be issued.

12 (6) Sufficiency of proposed general obligation bond
13 issuance to meet the requirements of authorized and
14 unissued bonds, as adjusted, and bonds authorized by
15 this Act. From the schedule reported in paragraph
16 (5), the total amount of general obligation bonds that
17 the State proposes to issue during the fiscal years
18 2023-2024 to 2025-2026 is \$3,750,000,000. An
19 additional \$1,340,000,000 is proposed to be issued in
20 fiscal year 2026-2027. The total amount of
21 \$5,090,000,000 that is proposed to be issued through



1 fiscal year 2026-2027 is sufficient to meet the
2 requirements of the authorized and unissued bonds, as
3 adjusted, the total amount of which is \$5,073,726,011
4 reported in paragraph (4), except for \$1,323,726,011.
5 It is assumed that the appropriations to which an
6 additional \$1,323,726,011 in bond issuance needs to be
7 applied will have been encumbered as of June 30, 2026.
8 The \$1,340,000,000 that is proposed to be issued in
9 fiscal year 2026-2027 will be sufficient to meet the
10 requirements of the June 30, 2026, encumbrances in the
11 amount of \$1,323,726,011. The amount of assumed
12 encumbrances as of June 30, 2026, is reasonable and
13 conservative, based upon an inspection of June 30
14 encumbrances of the general obligation bond fund as
15 reported by the state comptroller. Thus, taking into
16 account the amount of authorized and unissued bonds,
17 as adjusted, and the bonds authorized by this Act
18 versus the amount of bonds proposed to be issued by
19 June 30, 2026, and the amount of June 30, 2026,
20 encumbrances versus the amount of bonds proposed to be
21 issued in fiscal year 2026-2027, the legislature finds



1 that in the aggregate, the amount of bonds proposed to
2 be issued is sufficient to meet the requirements of
3 all authorized and unissued bonds and the bonds
4 authorized by this Act.

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

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

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



1 (ii) Not all reimbursable general obligation
2 bonds may qualify for exclusion.
3 However, the legislature notes that with respect
4 to the principal and interest on outstanding
5 general obligation bonds, according to the
6 department of budget and finance, the average
7 proportion of principal and interest that is
8 excludable each year from the calculation against
9 the debt limit is 0.42 per cent for approximately
10 ten years from fiscal year 2023-2024 to fiscal
11 year 2032-2033. For the purpose of this
12 declaration, the assumption is made that 0.25 per
13 cent of each bond issue will be excludable from
14 the debt limit, an assumption that the
15 legislature finds to be reasonable and
16 conservative.

17 (B) Bonds constituting instruments of indebtedness
18 under which the State incurs a contingent
19 liability as a guarantor can be excluded, but
20 only to the extent the principal amount of those
21 guaranties does not exceed seven per cent of the



1 principal amount of outstanding general
 2 obligation bonds not otherwise excluded under
 3 subparagraph (A) of this paragraph; provided that
 4 the State shall establish and maintain a reserve
 5 in an amount in reasonable proportion to the
 6 outstanding loans guaranteed by the State as
 7 provided by law. According to the department of
 8 budget and finance and the assumptions presented
 9 herein, the total principal amount of outstanding
 10 general obligation bonds and general obligation
 11 bonds proposed to be issued, which are not
 12 otherwise excluded under article VII, section 13,
 13 of the state constitution for the fiscal years
 14 2023-2024, 2024-2025, 2025-2026, and 2026-2027
 15 are as follows:

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

1	2023-2024	\$ 9,872,538,305
2	2024-2025	11,169,288,305
3	2025-2026	12,466,038,305
4	2026-2027	13,802,688,305

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

1 and payable in the same fiscal year in which the
2 greatest amount of principal and interest on general
3 obligation bonds, after exclusions, occurs. Thus,
4 based on such assumptions and on the determination in
5 paragraph (8), all of the outstanding guaranties can
6 be excluded.

7 (8) Determination whether the debt limit will be exceeded
8 at the time of issuance. From the foregoing and on
9 the assumption that all of the bonds identified in
10 paragraph (5) will be issued at an interest rate not
11 to exceed 7.50 per cent in fiscal years 2024 through
12 2027, it can be determined from the following schedule
13 that the bonds that are proposed to be issued, which
14 include all authorized and unissued bonds previously
15 authorized, as adjusted, general obligation bonds, and
16 instruments of indebtedness under which the State
17 incurs a contingent liability as a guarantor
18 authorized in this Act, will not cause the debt limit
19 to be exceeded at the time of such issuance:
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	Time of Issuance and Amount to be Counted Against <u>Debt Limit</u>	Debt Limit at Time of Issuance	Greatest Amount and Year of Highest Principal and Interest <u>on Bonds and Guaranties</u>
6	2nd half FY 2023-2024		
7	\$1,147,125,000	1,766,068,698	1,193,011,648 (2025-2026)
8	1st half FY 2024-2025		
9	\$648,375,000	1,902,077,162	1,278,696,023 (2025-2026)
10	2nd half FY 2024-2025		
11	\$648,375,000	1,902,077,162	1,365,824,148 (2025-2026)
12	1st half FY 2025-2026		
13	\$648,375,000	1,945,489,091	1,390,138,211 (2025-2026)
14	2nd half FY 2025-2026		
15	\$648,375,000	1,945,489,091	1,390,138,211 (2025-2026)
16	1st half FY 2026-2027		
17	\$668,325,000	2,019,113,063	1,442,317,815 (2027-2028)
18	2nd half FY 2026-2027		
19	\$668,325,000	2,019,113,063	1,532,122,190 (2027-2028)

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



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

10 SECTION 3. Authorization for issuance of general
11 obligation bonds. General obligation bonds may be issued as
12 provided by law in an amount that may be necessary to finance
13 projects authorized in House Bill No. 1800, H.D. 1, S.D. 1, C.D.
14 1 (the Supplemental Appropriations Act of 2024) and House Bill
15 No. 1911, H.D. 2, S.D. 2, C.D. 1 (the Judiciary Supplemental
16 Appropriations Act of 2024) passed by the legislature during
17 this regular session of 2024 and designated to be financed from
18 the general obligation bond fund and from the general obligation
19 bond fund with debt service cost to be paid from special funds;
20 provided that the sum total of general obligation bonds so
21 issued shall not exceed \$1,199,590,000. The proceeds of the



1 general obligation bonds herein authorized are intended to be
2 applied to reimburse expenditures made after the effective date
3 of this Act for the purpose for which such bonds are
4 authorized. The foregoing statement of intent with respect to
5 reimbursement is made in conformity with Treasury Regulation
6 Section 1.150-2 of the United States Treasury Department.

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

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

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

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

APPROVED this 10th day of July , 2024



GOVERNOR OF THE STATE OF HAWAII



HB No. 1801, SD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 1, 2024
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 2024.



Scott K. Saiki
Speaker
House of Representatives

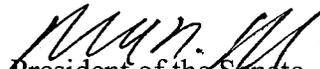


Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAI'I

Date: May 1, 2024
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 2024.


President of the Senate


Clerk of the Senate