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

12	Fiscal	Net General	
13	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>

14 For fiscal  
 15 years - , - , - , - ,  
 16 and - , respectively, the debt limit is derived  
 17 by multiplying the average of the net general fund  
 18 revenues for the three preceding fiscal years by  
 19 eighteen and one-half per cent. The net general fund  
 20 revenues for fiscal years - , - ,  
 21 and - are actual, as certified by the director



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

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

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



1           general obligation bonds within the debt limit as  
 2           of April 1,           , is as follows for fiscal  
 3           year       -       to fiscal year       -       :

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

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

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



1 (4) Amount of authorized and unissued general obligation  
2 bonds and guaranties and proposed bonds and  
3 guaranties.

4 (A) As calculated from the state comptroller's bond  
5 fund report as of , , adjusted for:

6 (i) Appropriations to be funded by general  
7 obligation bonds or reimbursable general  
8 obligation bonds as provided in Act 164,  
9 Session Laws of Hawaii 2023 (the General  
10 Appropriations Act of 2023) to be expended  
11 in fiscal year - , adjusted for  
12 additional appropriations provided in House  
13 Bill No. (the Supplemental  
14 Appropriations Act of 2024);

15 (ii) Lapses as provided in House Bill  
16 No. (the Supplemental Appropriations  
17 Act of 2024);

18 (iii) Appropriations to be funded by general  
19 obligation bonds or reimbursable general  
20 obligation bonds as provided in Act 70,



1                    Session Laws of Hawaii 2023 (the Judiciary  
2                    Appropriations Act of 2023); and  
3                    (iv) Lapses as provided in                    Bill  
4                    No.                    (the Judiciary Supplemental  
5                    Appropriations Act of 2024);  
6                    the total amount of authorized but unissued  
7                    general obligation bonds is \$                    . The  
8                    total amount of general obligation bonds  
9                    authorized in this Act is \$                    . The total  
10                    amount of general obligation bonds previously  
11                    authorized and unissued, as adjusted, and the  
12                    general obligation bonds authorized in this Act  
13                    is \$                    .  
14                    (B) As reported by the department of budget and  
15                    finance the outstanding principal amount of bonds  
16                    constituting instruments of indebtedness under  
17                    which the State may incur a contingent liability  
18                    as a guarantor is \$                    , all or part of  
19                    which is excludable in determining the power of  
20                    the State to issue general obligation bonds,



1                   pursuant to article VII, section 13, of the state  
2                   constitution.

3           (5) Proposed general obligation bond issuance. As  
4           reported therein for the fiscal  
5           years       -       ,       -       ,       -       ,       -       ,  
6           and       -       , the State proposes to issue  
7           \$               in general obligation bonds during the  
8           first half of fiscal year       -       , \$               in  
9           general obligation bonds during the second half of  
10          fiscal year       -       , \$               in general  
11          obligation bonds semiannually during fiscal  
12          years       -       and       -       , and \$               in  
13          general obligation bonds semiannually during fiscal  
14          years       -       and       -       . Generally, it has been  
15          the practice of the State to issue twenty-year serial  
16          bonds with principal repayments beginning in the third  
17          year, the bonds payable in substantially equal annual  
18          installments of principal and interest payment with  
19          interest payments commencing six months from the date  
20          of issuance and being paid semi-annually thereafter.



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1           It is assumed that this practice will continue to be  
2           applied to the bonds that are proposed to be issued.

3           (6) Sufficiency of proposed general obligation bond  
4           issuance to meet the requirements of authorized and  
5           unissued bonds, as adjusted, and bonds authorized by  
6           this Act. From the schedule reported in paragraph  
7           (5), the total amount of general obligation bonds that  
8           the State proposes to issue during the fiscal  
9           years       -       to       -       is \$               . An  
10          additional \$               is proposed to be issued in  
11          fiscal year       -       . The total amount of  
12          \$               that is proposed to be issued through  
13          fiscal year       -       is sufficient to meet the  
14          requirements of the authorized and unissued bonds, as  
15          adjusted, the total amount of which is  
16          \$               reported in paragraph (4), except for  
17          \$               . It is assumed that the appropriations to  
18          which an additional \$               in bond issuance needs  
19          to be applied will have been encumbered as of  
20          June 30,       . The \$               that is proposed to be  
21          issued in fiscal year       -       will be sufficient to



1 meet the requirements of the June 30, ,  
 2 encumbrances in the amount of \$ . The amount  
 3 of assumed encumbrances as of June 30, , is  
 4 reasonable and conservative, based upon an inspection  
 5 of June 30 encumbrances of the general obligation bond  
 6 fund as reported by the state comptroller. Thus,  
 7 taking into account the amount of authorized and  
 8 unissued bonds, as adjusted, and the bonds authorized  
 9 by this Act versus the amount of bonds proposed to be  
 10 issued by June 30, , and the amount of  
 11 June 30, , encumbrances versus the amount of bonds  
 12 proposed to be issued in fiscal year - , the  
 13 legislature finds that in the aggregate, the amount of  
 14 bonds proposed to be issued is sufficient to meet the  
 15 requirements of all authorized and unissued bonds and  
 16 the bonds authorized by this Act.

17 (7) Bonds excludable in determining the power of the State  
 18 to issue bonds. As noted in paragraph (1), certain  
 19 bonds are excludable in determining the power of the  
 20 State to issue general obligation bonds.



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

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

13 (ii) Not all reimbursable general obligation  
14 bonds may qualify for exclusion.

15 However, the legislature notes that with respect  
16 to the principal and interest on outstanding  
17 general obligation bonds, according to the  
18 department of budget and finance, the average  
19 proportion of principal and interest that is  
20 excludable each year from the calculation against  
21 the debt limit is per cent for approximately



1           ten years from fiscal year       -       to fiscal  
2           year       -       . For the purpose of this  
3           declaration, the assumption is made that       per  
4           cent of each bond issue will be excludable from  
5           the debt limit, an assumption that the  
6           legislature finds to be reasonable and  
7           conservative.

8           (B) Bonds constituting instruments of indebtedness  
9           under which the State incurs a contingent  
10          liability as a guarantor can be excluded, but  
11          only to the extent the principal amount of those  
12          guaranties does not exceed seven per cent of the  
13          principal amount of outstanding general  
14          obligation bonds not otherwise excluded under  
15          subparagraph (A) of this paragraph; provided that  
16          the State shall establish and maintain a reserve  
17          in an amount in reasonable proportion to the  
18          outstanding loans guaranteed by the State as  
19          provided by law. According to the department of  
20          budget and finance and the assumptions presented  
21          herein, the total principal amount of outstanding



1                   general obligation bonds and general obligation  
 2                   bonds proposed to be issued, which are not  
 3                   otherwise excluded under article VII, section 13,  
 4                   of the state constitution for the fiscal  
 5                   years       -       ,       -       ,       -       ,       -       ,  
 6                   and       -       are as follows:

7		Total amount of
8		General Obligation Bonds
9		not otherwise excluded by
10		Article VII, Section 13
11	<u>Fiscal Year</u>	<u>of the State Constitution</u>

12                   Based on the foregoing and based on the assumption  
 13                   that the full amount of a guaranty is immediately due  
 14                   and payable when such guaranty changes from a  
 15                   contingent liability to an actual liability, the  
 16                   aggregate principal amount of the portion of the  
 17                   outstanding guaranties and the guaranties proposed to  
 18                   be incurred, which does not exceed seven per cent of  
 19                   the average amount set forth in the last column of the  
 20                   above table and for which reserve funds have been or  
 21                   will have been established as heretofore provided, can  
 22                   be excluded in determining the power of the State to  
 23



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

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



1           bonds previously authorized, as adjusted, general  
 2           obligation bonds, and instruments of indebtedness  
 3           under which the State incurs a contingent liability as  
 4           a guarantor authorized in this Act, will not cause the  
 5           debt limit to be exceeded at the time of such  
 6           issuance:

7	8	9	10	11
	Time of Issuance		Debt Limit	Greatest Amount
	and Amount to be		at Time of	and Year of
	Counted Against		Issuance	Highest Principal
	<u>Debt Limit</u>			and Interest
				<u>on Bonds and Guaranties</u>

12  
 13       (9) Overall and concluding finding. From the facts,  
 14       estimates, and assumptions stated in this declaration  
 15       of findings, the conclusion is reached that the total  
 16       amount of principal and interest estimated for the  
 17       general obligation bonds authorized in this Act, and  
 18       for all bonds authorized and unissued, and calculated  
 19       for all bonds issued and outstanding, and all  
 20       guaranties, will not cause the debt limit to be  
 21       exceeded at the time of issuance.

22       SECTION 2. The legislature finds the bases for the  
 23       declaration of findings set forth in this Act are reasonable.



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

8 SECTION 3. Authorization for issuance of general  
9 obligation bonds. General obligation bonds may be issued as  
10 provided by law in an amount that may be necessary to finance  
11 projects authorized in House Bill No. (the Supplemental  
12 Appropriations Act of 2024) and Bill No. (the  
13 Judiciary Supplemental Appropriations Act of 2024); passed by  
14 the legislature during this regular session of 2024 and  
15 designated to be financed from the general obligation bond fund  
16 and from the general obligation bond fund with debt service cost  
17 to be paid from special funds; provided that the sum total of  
18 general obligation bonds so issued shall not exceed \$ .

19 Any law to the contrary notwithstanding, general obligation  
20 bonds may be issued from time to time in accordance with section  
21 39-16, Hawaii Revised Statutes, in such principal amount as may



1 be required to refund any general obligation bonds of the State  
2 of Hawaii heretofore or hereafter issued pursuant to law.

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

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

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

11

INTRODUCED BY:



JAN 18 2024



# H.B. NO. 1801

**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.

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

