
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 2025-2026
10 and estimated for each fiscal year from 2026-2027 to
11 2028-2029, is as follows:

	<u>Fiscal</u> <u>Year</u>	<u>Net General</u> <u>Fund Revenues</u>	<u>Debt Limit</u>
14	2022-2023	\$10,183,780,738	
15	2023-2024	10,629,766,311	
16	2024-2025	11,260,938,822	
17	2025-2026	11,026,900,000	\$ 1,977,926,629
18	2026-2027	10,609,520,000	2,029,918,983
19	2027-2028	10,821,218,000	2,028,670,461
20	2028-2029	(not applicable)	2,001,554,343

21
22 For fiscal years 2025-2026, 2026-2027, 2027-2028, and
23 2028-2029, 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 2022-2023, 2023-2024, and
3 2024-2025 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, 2025, dated December 1,
6 2025. The net general fund revenues for fiscal years
7 2025-2026 to 2027-2028 are estimates, based on general
8 fund revenue estimates made as of March 10, 2026, 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, 2026, is as follows for fiscal year
 6 2026-2027 to fiscal year 2032-2033:

	<u>Fiscal</u> <u>Year</u>	<u>Principal</u> <u>and Interest</u>
9	2026-2027	\$934,453,241
10	2027-2028	908,088,820
11	2028-2029	877,015,816
12	2029-2030	830,364,175
13	2030-2031	782,919,432
14	2031-2032	782,843,996
15	2032-2033	711,586,450

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 2033-2034 to fiscal year 2043-2044
 22 when the final installment of \$56,989,536 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, 2026, adjusted
13 for:

14 (i) Appropriations to be funded by general
15 obligation bonds or reimbursable general
16 obligation bonds as provided in Act 250,
17 Session Laws of Hawaii 2025 (the General
18 Appropriations Act of 2025), to be expended
19 in fiscal year 2026-2027, 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 2026);
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 2026);
6 (iii) Appropriations to be funded by general
7 obligation bonds or reimbursable general
8 obligation bonds as provided in Act 227,
9 Session Laws of Hawaii 2025 (the Judiciary
10 Appropriations Act of 2025) to be expended
11 in fiscal year 2026-2027, adjusted for
12 additional appropriations provided in House
13 Bill No. 2095, H.D. 2, S.D. 2, C.D. 1 (the
14 Judiciary Supplemental Appropriations Act of
15 2026);
16 (iv) Lapses as provided in House Bill No. 2095,
17 H.D. 2, S.D. 2, C.D. 1 (the Judiciary
18 Supplemental Appropriations Act of 2026);
19 the total amount of authorized but unissued
20 general obligation bonds is \$5,961,333,782. The
21 total amount of general obligation bonds



1 authorized in this Act is \$1,137,126,000. 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 \$7,098,459,782.

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 2025-2026, 2026-
17 2027, 2027-2028, and 2028-2029, the State proposes to
18 issue \$1,500,000,000 in general obligation bonds
19 during the second half of fiscal year 2025-2026,
20 \$975,000,000 in general obligation bonds during the
21 first half of fiscal year 2026-2027, \$950,000,000 in



1 general obligation bonds during the second half of
2 fiscal year 2026-2027 and semiannually during fiscal
3 year 2027-2028, and \$900,000,000 in general obligation
4 bonds semiannually during fiscal year 2028-2029. The
5 State anticipates issuing a combination of twenty-year
6 serial bonds with principal repayments beginning the
7 first year and ten-year serial bonds with principal
8 repayments beginning the first year, payable in
9 substantially equal annual installments of principal
10 and interest payment with interest payments commencing
11 six months from the date of issuance and being paid
12 semi-annually thereafter. It is assumed that this
13 practice will continue to be applied to the bonds that
14 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 2025-2026 to 2027-2028 is \$5,325,000,000. An



1 additional \$1,800,000,000 is proposed to be issued in
2 fiscal year 2028-2029. The total amount of
3 \$7,125,000,000 that is proposed to be issued through
4 fiscal year 2028-2029 is sufficient to meet the
5 requirements of the authorized and unissued bonds, as
6 adjusted, the total amount of which is \$7,098,459,782
7 reported in paragraph (4), except for \$1,773,459,782.
8 It is assumed that the appropriations to which an
9 additional \$1,773,459,782 in bond issuance needs to be
10 applied will have been encumbered as of June 30, 2028.
11 The \$1,800,000,000 that is proposed to be issued in
12 fiscal year 2028-2029 will be sufficient to meet the
13 requirements of the June 30, 2028, encumbrances in the
14 amount of \$1,773,459,782. The amount of assumed
15 encumbrances as of June 30, 2028, is reasonable and
16 conservative, based upon an inspection of June 30
17 encumbrances of the general obligation bond fund as
18 reported by the state comptroller. Thus, taking into
19 account the amount of authorized and unissued bonds,
20 as adjusted, and the bonds authorized by this Act
21 versus the amount of bonds proposed to be issued by



1 June 30, 2028, and the amount of June 30, 2028,
2 encumbrances versus the amount of bonds proposed to be
3 issued in fiscal year 2028-2029, the legislature finds
4 that in the aggregate, the amount of bonds proposed to
5 be issued is sufficient to meet the requirements of
6 all authorized and unissued bonds and the bonds
7 authorized by this Act.

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

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

18 (i) It is not known exactly when projects for
19 which reimbursable bonds have been
20 authorized in prior acts and in this Act
21 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 0.36 per cent for approximately
12 ten years from fiscal year 2025-2026 to fiscal
13 year 2034-2035. For the purpose of this
14 declaration, the assumption is made that 0.25 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 state constitution for the fiscal years
16 2025-2026, 2026-2027, 2027-2028, and 2028-2029
17 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>



1	2025-2026	9,420,177,085
2	2026-2027	11,340,367,085
3	2027-2028	13,235,617,085
4	2028-2029	15,031,177,085

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 2026 through
12 2029, 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:



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 2026) and House Bill
15 No. 2095, H.D. 2, S.D. 2, C.D. 1 (the Judiciary Supplemental
16 Appropriations Act of 2026); passed by the legislature during
17 this regular session of 2026 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 \$1,137,126,000. 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.



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. (CD1)

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

