
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
8 one-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:

Fiscal	Net General	Debt Limit
<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 250,
9 Session Laws of Hawaii 2025 (the General
10 Appropriations Act of 2025) to be expended
11 in fiscal year 2025-2026, adjusted for
12 additional appropriations provided in House
13 Bill No. (the Supplemental
14 Appropriations Act of 2026);

15 (ii) Lapses as provided in House Bill No. ,
16 (the Supplemental Appropriations Act of
17 2026);

18 (iii) Appropriations to be funded by general
19 obligation bonds or reimbursable general
20 obligation bonds as provided in Act 227,
21 Session Laws of Hawaii 2025 (the Judiciary



1 Appropriations Act of 2025), adjusted for
2 additional appropriations provided
3 in Bill No. (the Judiciary
4 Supplemental Appropriations Act of 2026);
5 and
6 (iv) Lapses as provided in Bill
7 No. , (the Judiciary Appropriations Act
8 of 2026);
9 the total amount of authorized but unissued
10 general obligation bonds is \$. The
11 total amount of general obligation bonds
12 authorized in this Act is \$. The total
13 amount of general obligation bonds previously
14 authorized and unissued, as adjusted, and the
15 general obligation bonds authorized in this Act
16 is \$.
17 (B) As reported by the department of budget and
18 finance the outstanding principal amount of bonds
19 constituting instruments of indebtedness under
20 which the State may incur a contingent liability
21 as a guarantor is \$, all or part of



1 which is excludable in determining the power of
 2 the State to issue general obligation bonds,
 3 pursuant to article VII, section 13, of the state
 4 constitution.

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



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



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

18 (7) Bonds excludable in determining the power of the State
19 to issue bonds. As noted in paragraph (1), certain
20 bonds are excludable in determining the power of the
21 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
 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



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 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>
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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 2026), and Bill No. (the
13 Judiciary Supplemental Appropriations Act of 2026); passed by
14 the legislature during this regular session of 2026 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
21 section 39-16, Hawaii Revised Statutes, in such principal amount



1 as may be required to refund any general obligation bonds of the
2 State 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 acts identified therein.

10 SECTION 6. This Act shall take effect on July 1, 2050.



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. Effective 7/1/2050. (SD1)

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