

A Bill for an Act Relating to State Bonds.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Declaration of findings with respect to the general obligation bonds authorized by this Act. Pursuant to the clause in Article VII, Section 13, of the State Constitution which states: "Effective July 1, 1980, the legislature shall include a declaration of findings in every general law authorizing the issuance of general obligation bonds that the total amount of principal and interest, estimated for such bonds and for all bonds authorized and unissued and calculated for all bonds outstanding, will not cause the debt limit to be exceeded at the time of issuance.", the legislature finds and declares as follows:

- (1) **Limitation on general obligation debt.** The debt limit of the State is set forth in Article VII, Section 13, of the State Constitution, which states in part: "General obligation bonds may be issued by the State; provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds to exceed: a sum equal to twenty percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance until June 30, 1982; and thereafter, a sum equal to eighteen and one-half percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance." Article VII, Section 13, also provides that in determining the power of the State to issue general obligation bonds, certain bonds are excludable, including "reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the general fund are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the

immediately preceding fiscal year.”

- (2) Actual and estimated debt limits. The limit on principal and interest of general obligation bonds issued by the State, actual for fiscal year 1980-81 and estimated for each fiscal year from fiscal year 1981-82 to 1984-85, is as follows:

Fiscal Year	Net General Fund Revenues	Debt Limit
1977-78	\$ 792,058,521	
1978-79	915,099,052	
1979-80	1,056,696,544	
1980-81	1,158,900,000	\$184,256,941
1981-82	1,214,600,000	208,713,040
1982-83	1,341,700,000	211,528,787
1983-84	1,484,800,000	229,104,000
1984-85	Not applicable	249,201,167

For fiscal years 1980-81 and 1981-82, the debt limit is derived by multiplying the average of the net general fund revenues for the three preceding fiscal years by twenty per cent. For fiscal years 1982-83, 1983-84, and 1984-85, respectively, the debt limit is derived by multiplying the average of the net general fund revenues for the three preceding fiscal years by eighteen and one-half per cent. The net general fund revenues for fiscal years 1977-78, 1978-79, and 1979-80 are actual, as certified by the director of finance in the Statement of the Debt Limit of the State of Hawaii as of July 1, 1980, dated November 18, 1980. The net general fund revenues for fiscal years 1980-81 to 1983-84 are estimates, based on general fund revenue estimates made as of January 10, 1981, by the council on revenues, the body assigned by Article VII, Section 7, of the State Constitution to make such estimates, and based on estimates made by the department of budget and finance of those receipts which cannot be included as general fund revenues for the purpose of calculating the debt limit, all of which estimates the legislature finds to be reasonable.

- (3) Principal and interest on outstanding bonds applicable to the debt limit. As certified by the director of finance in the Statement of the Debt Limit of the State of Hawaii as of July 1, 1980, the total amount of principal and interest on outstanding general obligation bonds for determining the power of the State to issue general obligation bonds within the debt limit is as follows for fiscal year 1981-82 to fiscal year 1987-88:

Fiscal Year	Principal and Interest
1981-82	\$134,276,592
1982-83	136,127,234
1983-84	131,441,372
1984-85	126,282,397
1985-86	120,574,415
1986-87	115,241,560
1987-88	110,075,727

The Statement of the Debt Limit as of July 1, 1980 further shows that the amount of principal and interest on outstanding bonds applicable to the debt limit continues to decline each year from fiscal year 1988-89 to fiscal year 2012 when the final installment of \$15,347 shall be due and payable.

- (4) Amount of authorized and unissued general obligation bonds and bonds authorized by this Act. As calculated from the state comptroller's bond fund report as of December 31, 1980, the total amount of authorized but unissued general obligation bonds, as of December 31, 1980, is \$495,893,012. The total amount of general obligation bonds authorized by this Act is \$161,311,000. The total amount of general obligation bonds previously authorized and unissued and the general obligation bonds authorized by this Act is \$657,204,012.
- (5) Proposed general obligation bond issuance. As reported in the Multi-Year Program Plan and Executive Budget, dated December 1980, as it applies to the remainder of fiscal year 1980-81 and the fiscal biennium 1981-83, and as reported by the department of budget and finance for fiscal years 1983-84 and 1984-85, the State proposes to issue \$75,000,000 in each of two issues of general obligation bonds in the remainder of fiscal year 1980-81, and \$75,000,000 semi-annually in each fiscal year from fiscal year 1981-82 to fiscal year 1984-85. It has been the practice of the State to issue twenty-year serial bonds with principal repayments beginning the third year, the bonds maturing in substantially equal installments of principal, and interest payments commencing six months from the date of issuance and being paid semi-annually thereafter. It is assumed that this practice will continue to be applied to the bonds which are proposed to be issued.
- (6) Sufficiency of proposed general obligation bond issuance to meet the requirements of authorized and unissued bonds and bonds authorized by this Act. From the schedule reported in paragraph (5), the total amount of general obligation bonds which the State proposes to issue in the remainder of the current fiscal year and in fiscal years 1981-82 to 1983-84 is \$600,000,000. An additional \$150,000,000 is proposed to be issued in fiscal year 1984-85. The total amount of \$600,000,000 which is proposed to be issued through fiscal year 1983-84 is sufficient to meet the requirements of the authorized and unissued bonds and the bonds authorized by this Act, the total amount of which is \$657,204,012, as reported in paragraph (4), except for \$57,204,012. It is assumed that the appropriations to which an additional \$57,204,012 in bond issuance needs to be applied will have been encumbered as of June 30, 1984. The \$150,000,000 which is proposed to be issued in fiscal year 1984-85 will be sufficient to meet the requirements of the June 30, 1984 encumbrances in the amount of \$57,204,012 with the remaining amount being applied to such other appropriations as the Legislature may subsequently authorize. The amount of assumed encumbrances as of June 30, 1984 is reasonable and conservative, based upon an inspection of June 30 encumbrances of the general obligation bond fund which discloses that the assumed amount of June 30, 1984 encumbrances is lower than the encumbrances for each of

the past five fiscal years. Thus, taking into account the amount of authorized and unissued bonds and the bonds authorized by this Act versus the amount of bonds which is proposed to be issued by June 30, 1984 and the amount of June 30, 1984 encumbrances versus the amount of bonds which is proposed to be issued in fiscal year 1984-85, the Legislature finds that in the aggregate, the amount of bonds which is proposed to be issued is sufficient to meet the requirements of all authorized and unissued bonds and the bonds authorized by this Act.

- (7) Bonds excludable in determining the power of the State to issue bonds. As noted in paragraph (1), certain bonds are excludable in determining the power of the State to issue general obligation bonds. General obligation reimbursable bonds can be excluded under certain conditions. It is not possible to make a conclusive determination as to the amount of reimbursable bonds which are excludable from the amount of each proposed bond issuance because:

- (A) It is not known exactly when projects for which reimbursable bonds have been authorized in prior acts and in this Act will be implemented and will require the application of proceeds from a particular bond issue; and
- (B) While at the present time, all of the special funds which are required to make reimbursements to the general fund on bonds issued are in a condition to qualify all of the reimbursable bonds for exclusion, it cannot be stated with certainty that such a condition will continue.

However, the legislature notes that with respect to the principal and interest on outstanding general obligation bonds, as reported in the Statement of the Debt Limit of the State of Hawaii as of July 1, 1980, the average proportion of principal and interest which is excludable each year from calculation against the debt limit is 17.37 per cent for the ten years from fiscal year 1981-82 to fiscal year 1990-91. For the purpose of this declaration, the assumption is made that 10 per cent of each bond issue will be excludable from the debt limit, an assumption which the legislature finds to be reasonable and conservative.

- (8) Determination whether the debt limit will be exceeded at the time of issuance. From the foregoing and on the assumption that all of the bonds identified in paragraph (5) will be issued at the average interest rate of twelve per cent, the maximum allowable by law, it can be determined from the following schedule that the bonds which are proposed to be issued, which include all authorized and unissued bonds previously authorized and the bonds authorized by this Act, will not cause the debt limit to be exceeded at the time of each bond issuance:

Time of Issue and Amount of Issue to be Counted Against Debt Limit	Debt Limit at Time of Issuance	Greatest Amount & Year of Principal & Interest
1st issue remainder FY 1980-81 \$67,500,000	\$184,256,941	\$144,227,234 (FY 1982-83)

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Time of Issue and Amount of Issue to be Counted Against Debt Limit	Debt Limit at Time of Issuance	Greatest Amount & Year of Principal & Interest
2nd issue remainder FY 1980-81 \$67,500,000	184,256,941	155,147,372 (FY 1983-84)
1st half FY 1981-82 \$67,500,000	208,713,040	163,247,372 (FY 1983-84)
2nd half FY 1981-82 \$67,500,000	208,713,040	172,568,497 (FY 1984-85)
1st half FY 1982-83 \$67,500,000	211,528,787	180,668,497 (FY 1984-85)
2nd half FY 1982-83 \$67,500,000	211,528,787	188,768,497 (FY 1984-85)
1st half FY 1983-84 \$67,500,000	229,104,000	196,868,497 (FY 1984-85)
2nd half FY 1983-84 \$67,500,000	229,104,000	204,968,497 (FY 1984-85)
1st half FY 1984-85 \$67,500,000	249,201,167	212,839,895 (FY 1985-86)
2nd half FY 1984-85 \$67,500,000	249,201,167	220,939,895 (FY 1985-86)

- (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 by this Act and for all bonds authorized and unissued and calculated for all bonds issued and outstanding, will not cause the debt limit to be exceeded at the time of issuance.

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

SECTION 3. Authorization for issuance of general obligation bonds. General obligation bonds may be issued as provided by law to yield the amount that may be necessary to finance projects authorized in H.B. No. 1 and H.B. No. 2, 1981 first special session, and designated to be financed from the general obligation bond fund and from the general obligation bond fund with debt service costs to be paid from special funds; provided that the sum total of the general obligation bonds so issued shall not exceed \$161,311,000.

SECTION 4. Section 37-71, Hawaii Revised Statutes is amended by amending subsection (d) to read as follows:

"(d) The summaries of the state receipts and revenues shall more specifically include:

- (1) Financial summaries displaying the State's financial condition, to-wit:
 - (A) A display of the proposed, total state expenditures, by cost categories, the total state resources anticipated from existing taxes and non-tax sources at existing rates, by resource categories (including the available fund balances or deficits and anticipated bond receipts), and the fund balance or deficit resulting therefrom for the biennium in progress, for the ensuing biennium, and for each of the two fiscal years of the ensuing biennium.
 - (B) The changes proposed to the existing tax and non-tax rates, sources, or structure, and the estimated cumulative increases or reductions, and the estimated fund balance or deficit in the ensuing biennium and in each of the two fiscal years of the biennium as a result of such proposed changes. Proposals for changes in the existing tax and non-tax rates, sources, or structure shall be made in every case where the proposed, total state expenditures exceed the total state resources anticipated from existing tax and non-tax sources at existing rates.

Such financial summaries shall be prepared for the total state expenditures and resources and for the general fund and special fund portions thereof.

- (2) A summary of the balances of each special fund, actual for the last completed fiscal year and estimated for the fiscal year in progress and for each of the two fiscal years in the ensuing biennium.
- (3) A summary of the State's total bond fund required to carry out the recommended programs and the kinds of bonds and amounts thereof through which such requirements are to be met in the biennium in progress and in each of the two fiscal years in the ensuing biennium. The summary shall detail for the biennium in progress and for each of the two years of the ensuing biennium:
 - (A) Of the total requirements, the amount, by cost categories, requiring new bond issuance authorization and the kinds and amounts of bonds planned for issuance under such new authorization.
 - (B) By bond categories, the total, cumulative balance of bonds authorized in prior years but unissued and the amount thereof planned to be issued.
 - (C) A recapitulation of the total bonds, both new authorizations and prior authorizations, by bond categories, proposed to be issued.
- (4) A tentative schedule by quarter and fiscal year of the amount of general obligation bonds and the amount of revenue bonds proposed to be issued in the ensuing fiscal biennium.
- (5) A schedule of projected debt service charges for general obligation bonds outstanding at the time of the submission of the budget and to be issued by the close of the budget biennium in progress and the close of the

ensuing budget biennium. The projection shall be separately stated for:

- (A) Bonds currently outstanding.
- (B) Bonds to be issued during the remainder of the fiscal biennium in progress and during the ensuing fiscal biennium.
- (C) The total bonds currently outstanding and to be issued.

In each case, the projection shall be categorized into debt service to be paid directly from the general fund, debt service to be paid through reimbursements, and total debt service. The projection shall extend at least five years beyond the close of the ensuing fiscal biennium. An explanation shall be appended to the schedule, which shall include among other things, the amount of bonds to be issued during the fiscal year in progress and in each of the two fiscal years of the ensuing biennium, the maturities of the bonds to be issued, the method of retirement, and the interest rate assumed in the projection.

- (6) A schedule of the current state funded debt, legal debt limit, and the legal debt margin, including the details thereof. In any budget which proposes appropriations for which the source of funding is general obligation bonds, the schedule shall include a declaration by the director of finance and computations showing that the total amount of principal and interest, estimated for such proposed appropriations and for all bonds authorized and unissued and calculated for all bonds issued and outstanding, will not cause the debt limit to be exceeded at the time of issuance.
- (7) Separately for general fund tax revenues, special fund tax revenues, general fund non-tax revenues, and special fund non-tax revenues:
 - (A) By kinds of taxes or sources, the amount of revenue from existing, authorized taxes or sources at existing rates received in the last completed fiscal year and estimated to be received in the fiscal year in progress and in each of the two fiscal years in the ensuing biennium, with appropriate totals for the two bienniums.
 - (B) A summary of the proposed changes in the existing taxes or sources or rates, and the estimated increases or reductions in revenues in each of the two years in the ensuing fiscal biennium resulting from such changes.
 - (C) The total estimated revenues with and without the proposed changes."

SECTION 5. Section 37-72, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Not less than twenty days before the legislature convenes in regular session in an even-numbered year, the governor may submit to the legislature a supplemental budget to amend any appropriation for the current fiscal biennium. The supplemental budget shall reflect the changes being proposed in the State's program and financial plan and shall be submitted as applicable, in the manner provided in section 37-71. In any supplemental budget which proposes appropriations for which the source of funding is general obligation bonds, the budget shall include the schedule, declaration, and computations specified in section 37-71(d)(6)."

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

SECTION 7. In printing this Act, the revisor of statutes shall substitute in Section 3 the corresponding act numbers for the bills identified therein.

SECTION 8. New statutory material is underscored.*

SECTION 9. This Act shall take effect on July 1, 1981.

(Approved June 29, 1981.)

*The text has been edited pursuant to HRS §23G-16.5, authorizing omission of the brackets, bracketed material, and underscoring.