

ACT 20

S.B. NO. 1743-86

A Bill for an Act Relating to Capital Authorizations.

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

SECTION 1. This Act is recommended by the Governor for immediate passage in accordance with Article VII, Section 9 of the Constitution of the State of Hawaii.

SECTION 2. The purpose of this Act is to appropriate money to allow the department of social services and housing to begin construction immediately to increase the bedspace available at the Oahu community correctional center and the Hawaii women's correctional facility, and minimize, if not avoid, the likelihood of the State being found in contempt of the consent decree entered in Spear v. Ariyoshi, Civil No. 84-1104 (U.S.D. Haw.), by amending Act 300, Session Laws of Hawaii 1985.

SECTION 3. Part IV, section 136, of Act 300, Session Laws of Hawaii 1985, is amended by adding to the authorized public safety capital improvement projects an additional capital improvement project at the Oahu community correctional center (SOC407) to read as follows:

“5A. CD8704 OCCC KEEHI ANNEX ADDITION
 PLAN, DESIGN, CONSTRUCT AND EQUIP A NEW INMATE
 RESIDENCY FACILITY AT THE KEEHI ANNEX, OCCC

	FY 1985-86
PLANS	56
DESIGN	250
CONSTRUCTION	1,734
EQUIPMENT	1
TOTAL FUNDING	2,041C”

SECTION 4. Part IV, section 136, of Act 300, Session Laws of Hawaii 1985, is amended by adding to the authorized public safety capital improvement projects a capital improvement project at the Hawaii women’s correctional facility (SOC409) to read as follows:

“SOC409 - HAWAII WOMEN’S CORRECTIONAL FACILITY

5B. CD8705 WCCC CANOE HOUSE RENOVATION RENOVATE CA-
 NOE HOUSE TO PROVIDE A RESIDENCY FACILITY FOR IN-
 MATES AT THE HAWAII WOMEN’S CORRECTIONAL FACILITY
 (WOMEN’S COMMUNITY CORRECTIONAL CENTER)

	FY 1985-86
PLANS	1
DESIGN	3
CONSTRUCTION	57
TOTAL FUNDING	63C”

SECTION 5. 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 issued and 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 per cent 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 per cent 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 1985-86 and estimated for each fiscal year from 1986-1987 to 1988-1989, is as follows:

Fiscal Year	Net General Fund Revenues	Debt Limit
1982-83	1,218,675,016	
1983-84	1,320,280,833	
1984-85	1,439,541,519	
1985-86	1,489,497,000	245,340,671
1986-87	1,590,993,000	262,041,360
1987-88	1,677,370,000	278,735,277
1988-89	(NOT APPLICABLE)	293,401,367

For fiscal years 1985-86, 1986-87, 1987-88, and 1988-89 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 1982-83, 1983-84, and 1984-85 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, 1985, dated November 27, 1985. The net general fund revenues for fiscal years 1985-86 to 1987-88 are estimates, based on general fund revenue estimates made as of January 10, 1986 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 most recent Certificate of the Debt Limit of the State of Hawaii dated March 20, 1986, 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 1986-87 to fiscal year 1992-93:

Fiscal Year	Principal and Interest
1986-87	213,920,056
1987-88	213,649,061
1988-89	211,633,856
1989-90	200,417,174
1990-91	191,216,198
1991-92	178,341,579
1992-93	166,163,803

The Certificate of Debt Limit as of March 20, 1986, 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 1993-94 to fiscal year 2011-12 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, 1985, adjusted for appropriations to be funded by general obligation bonds and reimbursable general obligation bonds as provided in Act 169, Session Laws of Hawaii 1985 (Judiciary Appropriations Act of 1985) and Act 300, Session Laws of Hawaii 1985 (General Appropriations Act of 1985) to be expended in the fiscal year 1986-87 and for the \$75,000,000 general obligation bonds dated March 1, 1986, Series BE, the total amount of authorized but unissued general obligation bonds is \$412,399,691. The total amount of general obligation bonds authorized by this Act is \$2,104,000. The total amount of general obligation bonds previously authorized and unissued and the general obligation bonds authorized by this Act is \$414,503,691.

- (5) Proposed general obligation bond issuance. As reported by the department of budget and finance for fiscal years 1986-87, 1987-88, 1988-89, the State proposes to issue \$80,000,000 semiannually in each of fiscal years 1986-87, 1987-88, and 1988-89. 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 semiannually 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, as adjusted, 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 during the fiscal years 1986-87 and 1987-88 is \$320,000,000. An additional \$160,000,000 is proposed to be issued in fiscal year 1988-89. The total amount of \$320,000,000 which is proposed to be issued through fiscal year 1987-88 is sufficient to meet the requirements of the authorized and unissued bonds, as adjusted, and the bonds authorized by this Act, the total amount of which is \$414,503,691, as reported in paragraph (4), except for \$94,503,691. It is assumed that the appropriations to which an additional \$94,503,691 in bond issuance needs to be applied will have been encumbered as of June 30, 1988. The \$160,000,000 which is proposed to be issued in fiscal year 1988-89 will be sufficient to meet the requirements of the June 30, 1988, encumbrances in the amount of \$94,503,691. The amount of assumed encumbrances as of June 30, 1988 is reasonable and conservative, based upon an inspection of June 30 encumbrances of the general obligation bond fund as reported by the state comptroller. Thus, taking into account the amount of authorized and unissued bonds, as adjusted, and the bonds authorized by this Act versus the amount of bonds which is proposed to be issued by June 30, 1988, and the amount of June 30, 1988, encumbrances versus the amount of bonds which is proposed to be issued in fiscal year 1988-89, 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 issued 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 Certificate of Debt Limit of the State of Hawaii as of March 20, 1986, the average proportion of principal and interest which is excludable each year from calculation against the debt limit is 13.18 per cent for the ten years from fiscal year 1986-87 to fiscal year 1995-96. For the purpose of this declaration, the assumption is made that ten 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 an interest rate of 14 per cent through June 30, 1987, and 9.5 per cent thereafter, 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, as adjusted, 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 Issuance and Amount to be Counted Against Debt Limit	Debt Limit at Time of Issuance	Greatest Amount and Year of Highest Principal and Interest
1st half FY 1986-87 \$72,000,000	\$262,041,360	\$223,729,061 (FY 1987-88)
2nd half FY 1986-87 \$72,000,000	\$262,041,360	\$233,809,061 (FY 1987-88)
1st half FY 1987-88 \$72,000,000	\$278,735,277	\$238,633,853 (FY 1988-89)
2nd half FY 1987-88 \$72,000,000	\$278,735,277	\$245,473,853 (FY 1988-89)

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1st half FY 1988-89	\$293,401,367	\$248,818,139 (FY 1989-90)
\$72,000,000		
2nd half FY 1988-89	\$293,401,367	\$255,658,139 (FY 1989-90)
\$72,000,000		

- (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, will not cause the debt limit to be exceeded at the time of issuance.

SECTION 6. 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 7. Authorization for issuance of general obligation bonds. General obligation bonds may be issued as provided by law in an amount that may be necessary to finance projects authorized in Section 3 and Section 4 of this Act designated to be financed from the general obligation bond fund; provided that the sum total of the general obligation bonds so issued shall not exceed \$2,104,000.

SECTION 8. SEVERABILITY. If any portion of this Act or its application to any person or circumstances is held to be invalid for any reason, then the Legislature hereby declares that the remainder of the Act and each and every other provision thereof shall not be affected thereby. If any portion of a specific appropriation is held to be invalid for any reason, the remaining portion shall be independent of the invalid portion and such remaining portion shall be expended to fulfill the objective of such appropriation to the extent possible.

SECTION 9. In the event manifest clerical, typographical or other mechanical errors are found in this Act, the Governor is hereby authorized to correct such errors. All changes pursuant to this section shall be reported to the Legislature at its next session.

SECTION 10. New statutory material is underscored.¹

SECTION 11. EFFECTIVE DATE. This Act shall take effect upon its approval.

(Approved April 14, 1986.)

Note

1. Edited pursuant to HRS §23G-16.5.