

ACT 163

H.B. NO. 2895

A Bill for an Act Relating to Bonds.

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

SECTION 1. The legislature finds and determines that it is in the best interest of the State that a reserve fund be created to set aside funds from time to time to be available to pay debt service on general obligation bonds issued by the State in the form known as "compound interest bonds." The existence of such a reserve fund will aid in fostering level budget requirements even though actual debt service requirements may vary greatly from year to year due to the nature of compound interest bonds. The purpose of this Act is to establish such a reserve fund.

SECTION 2. Chapter 39, Hawaii Revised Statutes, is amended by adding a new section, to be appropriately designated, and to read as follows:

"§39- Compound interest bond reserve fund. (a) There is hereby established the Hawaii compound interest bond reserve fund, as a trust fund in the state treasury for the benefit of the State, to be held and administered by the department of budget and finance. The director, from time to time, may transfer a portion of general excise tax revenues collected pursuant to section 237-31 to the credit of the compound interest bond reserve fund, up to but not in excess of \$5,000,000 during any fiscal year. Not fewer than thirty days before the convening of each regular session of the legislature, the director shall submit to the legislature a report of all funds transferred to the credit of the compound interest bond reserve fund.

(b) The moneys in the compound interest bond reserve fund shall be held exclusively for the payment of principal of and interest on compound interest bonds. The moneys shall be invested in such amounts and in a manner as will assure the availability to the State of moneys in an amount, together with other moneys available therefor, sufficient to make payments of principal of and interest on compound interest bonds as the same become due. The director of finance may invest and reinvest moneys deposited in the compound interest

bond reserve fund only in a manner that will not cause the interest on any series of compound interest bonds to be includable in gross income for federal income tax purposes for any reason, including, without limitation, by causing any compound interest bond to be subjected to treatment as an “arbitrage bond,” as defined in section 148(a) of the Internal Revenue Code of 1986, as amended, and applicable regulations.”

SECTION 3. Section 237-31, Hawaii Revised Statutes, is amended to read as follows:

“**§237-31 Remittances.** All remittances of taxes imposed by this chapter shall be made by money, bank draft, check, cashier’s check, money order, or certificate of deposit to the office of the department of taxation to which the return was transmitted. The department shall issue its receipts therefor to the taxpayer and shall pay the moneys into the state treasury as a state realization, to be kept and accounted for as provided by law; provided that on or about September 1 of each year from 1989 through 1995, the sum of [\$90 million] \$90,000,000 from all general excise tax revenues realized by the State shall be deposited in the state treasury in each fiscal year to the credit of the state educational facilities improvement special fund; provided further that a sum, not to exceed \$5,000,000, from all general excise tax revenues realized by the State shall be deposited in the state treasury in each fiscal year to the credit of the compound interest bond reserve fund; provided further that from July 1, 1981, to June 30, 1991, all taxes derived from the sale of liquid fuel under section 237-16, sold or used for operating motor vehicles upon the public highways of the State, shall be deposited into the state treasury to the credit of the state highway fund.”

The director of taxation with the approval of the governor shall establish by July 1 of each year from 1984 through 1990, a formula that will equitably establish the amount of taxes collected under section 237-16 in each fiscal year that are derived from the sale of liquid fuel sold or used for operating motor vehicles upon the public highways of the State which are to be deposited into the state treasury to the credit of the state highway fund.”

SECTION 4. Statutory material to be repealed is bracketed. New statutory material is underscored.¹

SECTION 5. This Act shall take effect upon its approval.

(Approved June 19, 1990.)

Note

1. Edited pursuant to HRS §23G-16.5.