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# 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 states  
4 in relevant part: "Effective July 1, 1980, the legislature  
5 shall include a declaration of findings in every general law  
6 authorizing the issuance of general obligation bonds that the  
7 total amount of principal and interest, estimated for such bonds  
8 and for all bonds authorized and unissued and calculated for all  
9 bonds issued and outstanding, will not cause the debt limit to  
10 be 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 relevant  
15           part: "General obligation bonds may be issued by the  
16           State; provided that such bonds at the time of  
17           issuance would not cause the total amount of principal  
18           and interest payable in the current or any future



1 fiscal year, whichever is higher, on such bonds and on  
2 all outstanding general obligation bonds to exceed: a  
3 sum equal to twenty per cent of the average of the  
4 general fund revenues of the State in the three fiscal  
5 years immediately preceding such issuance until June  
6 30, 1982; and thereafter, a sum equal to eighteen and  
7 one-half per cent of the average of the general fund  
8 revenues of the State in the three fiscal years  
9 immediately preceding such issuance." Article VII,  
10 section 13, also provides that in determining the  
11 power of the State to issue general obligation bonds,  
12 certain bonds are excludable, including  
13 "[r]eimbursable general obligation bonds issued for a  
14 public undertaking, improvement or system but only to  
15 the extent that reimbursements to the general fund are  
16 in fact made from the net revenue, or net user tax  
17 receipts, or combination of both, as determined for  
18 the immediately preceding fiscal year" and "bonds  
19 constituting instruments of indebtedness under which  
20 the State or any political subdivision incurs a  
21 contingent liability as a guarantor, but only to the  
22 extent the principal amount of such bonds does not



1 exceed seven per cent of the principal amount of  
 2 outstanding general obligation bonds not otherwise  
 3 excluded" under article VII, section 13.

4 (2) Actual and estimated debt limits. The limit on  
 5 principal and interest of general obligation bonds  
 6 issued by the State, actual for fiscal year and  
 7 estimated for each fiscal year from to , is  
 8 as follows:

	Fiscal	Net General	
	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>

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20 For fiscal years , respectively, the debt limit is  
 21 derived by multiplying the average of the net general  
 22 fund revenues for the three preceding fiscal years by  
 23 eighteen and one-half per cent. The net general fund  
 24 revenues for fiscal years are actual, as  
 25 certified by the director of finance in the Statement  
 26 of the Debt Limit of the State of Hawaii as of  
 July 1, , dated November , . The net general



1 fund revenues for fiscal years to are  
2 estimates, based on general fund revenue estimates  
3 made as of March , , by the council on  
4 revenues, the body assigned by article VII, section 7  
5 of the state constitution, to make such estimates, and  
6 based on estimates made by the department of budget  
7 and finance of those receipts that cannot be included  
8 as general fund revenues for the purpose of  
9 calculating the debt limit, all of which estimates the  
10 legislature finds to be reasonable.

11 (3) Principal and interest on outstanding bonds applicable  
12 to the debt limit.

13 (A) According to the department of budget and  
14 finance, the total amount of principal and  
15 interest on outstanding general obligation bonds,  
16 after the exclusions permitted by article VII,  
17 section 13 of the state constitution, for  
18 determining the power of the State to issue  
19 general obligation bonds within the debt limit as  
20 of , is as follows for fiscal year  
21 to fiscal year :



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Fiscal  
Year

Principal  
and Interest

The department of budget and finance further reports that the amount of principal and interest on outstanding bonds applicable to the debt limit generally continues to decline each year from fiscal year to fiscal year when the final installment of \$ shall be due and payable.

(B) The department of budget and finance further reports that the outstanding principal amount of bonds constituting instruments of indebtedness under which the State may incur a contingent liability as a guarantor is \$ , all or part of which is excludable in determining the power of the State to issue general obligation bonds, pursuant to article VII, section 13 of 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 February , adjusted for:

6 (i) Appropriations to be funded by general  
7 obligations bonds or reimbursable general  
8 obligation bonds as provided in House Bill  
9 No. , H.D. , S.D. , C.D. (the  
10 General Appropriations Act of ), to be  
11 expended in fiscal year ;

12 (ii) Lapses as provided in House Bill No. ,  
13 H.D. , S.D. , C.D. (the General  
14 Appropriations Act of );

15 (iii) Appropriations to be funded by general  
16 obligation bonds or reimbursable general  
17 obligation bonds as provided in House Bill  
18 No. , H.D. , S.D. , C.D. (the  
19 Judiciary Appropriations Act of );

20 (iv) Lapses as provided in House Bill No. ,  
21 H.D. , S.D. , C.D. (the Judiciary  
22 Appropriations Act of ); and



1 (v) The issuance of \$ general  
2 obligations bonds of , series DI,  
3 the total amount of authorized but unissued  
4 general obligation bonds or reimbursable general  
5 obligation bonds is \$ . The total  
6 amount of general obligation bonds authorized by  
7 this Act is \$ . The total amount of  
8 general obligation bonds previously authorized  
9 and unissued and the general obligation bonds  
10 authorized in this Act is \$ .

11 (B) As reported by the department of budget and  
12 finance the outstanding principal amount of bonds  
13 constituting instruments of indebtedness under  
14 which the State may incur a contingent liability  
15 as a guarantor is \$ , all or part of  
16 which is excludable in determining the power of  
17 the State to issue general obligation bonds,  
18 pursuant to article VII, section 13 of the state  
19 constitution.

20 (5) Proposed general obligation bond issuance. As  
21 reported therein for the fiscal years , the  
22 State proposed to issue \$ in general



1 obligation bonds during the first half of fiscal year  
2 , \$ in general obligation bonds during  
3 the second half of fiscal year , \$ in  
4 general obligation bonds during the first half of  
5 fiscal year , \$ in general obligation  
6 bonds during the second half of fiscal year , and  
7 \$ in general obligation bonds semi-annually  
8 during fiscal year . It has been the practice of  
9 the State to issue twenty-year serial bonds with  
10 principal repayments beginning the fifth year, the  
11 bonds payable in substantially equal annual  
12 installments of principal and interest payment with  
13 interest payments commencing six months from the date  
14 of issuance and being paid semi-annually thereafter.  
15 It is assumed that this practice will continue to be  
16 applied to the bonds that are proposed to be issued.

17 (6) Sufficiency of proposed general obligation bond  
18 issuance to meet the requirements of authorized and  
19 unissued bonds, as adjusted, and bonds authorized by  
20 this Act. From the schedule reported in paragraph  
21 (5), the total amount of general obligation bonds that  
22 the State proposes to issue during the fiscal years





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



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

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

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

17 (i) It is not known exactly when projects for  
18 which reimbursable bonds have been  
19 authorized in prior acts and in this Act  
20 will be implemented and will require the  
21 application of proceeds from a particular  
22 bond issue; and



1 (ii) Not all reimbursable general obligation  
2 bonds may qualify for exclusion.

3 However, the legislature notes that with respect  
4 to the principal and interest on outstanding  
5 general obligation bonds, according to the  
6 department of budget and finance, the average  
7 proportion of principal and interest which is  
8 excludable each year from the calculation against  
9 the debt limit is per cent for the ten  
10 years from fiscal year - to fiscal year

11 - . For the purpose of this declaration,  
12 the assumption is made that one per cent of each  
13 bond issue will be excludable from the debt  
14 limit, an assumption the legislature finds to be  
15 reasonable and conservative.

16 (B) Bonds constituting instruments of indebtedness  
17 under which the State incurs a contingent  
18 liability as a guarantor can be excluded but only  
19 to the extent the principal amount of such  
20 guaranties does not exceed seven per cent of the  
21 principal amount of outstanding general  
22 obligation bonds not otherwise excluded under



1 subparagraph (A) of this paragraph and provided  
 2 that the State shall establish and maintain a  
 3 reserve in an amount in reasonable proportion to  
 4 the outstanding loans guaranteed by the State as  
 5 provided by law. According to the department of  
 6 budget and finance and the assumptions presented  
 7 herein, the total principal amount of outstanding  
 8 general obligation bonds and general obligation  
 9 bonds proposed to be issued, which are not  
 10 otherwise excluded under article VII, section 13,  
 11 of the state constitution for the fiscal years

12 are as follows:

	Total amount of General Obligation Bonds not otherwise excluded by Article VII, Section 13 of the State Constitution
<u>Fiscal year</u>	
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25 Based on the foregoing and based on the  
 26 assumption that the full amount of a guaranty is  
 27 immediately due and payable when such guaranty changes  
 from a contingent liability to an actual liability,



1 the aggregate principal amount of the portion of the  
2 outstanding guaranties and the guaranties proposed to  
3 be incurred, which does not exceed seven per cent of  
4 the average amount set forth in the last column of the  
5 above table and for which reserve funds have been or  
6 will have been established as heretofore provided, can  
7 be excluded in determining the power of the State to  
8 issue general obligation bonds. As it is not possible  
9 to predict with a reasonable degree of certainty when  
10 a guaranty will change from a contingent liability to  
11 an actual liability, it is assumed in conformity with  
12 fiscal conservatism and prudence, that all guaranties  
13 not otherwise excluded pursuant to article VII,  
14 section 13 of the state constitution will become due  
15 and payable in the same fiscal year in which the  
16 greatest amount of principal and interest on general  
17 obligation bonds, after exclusions, occurs. Thus,  
18 based on such assumptions and on the determination in  
19 paragraph (8), all of the outstanding guaranties can  
20 be excluded.

21 (8) Determination whether the debt limit will be exceeded  
22 at the time of issuance. From the foregoing and on



1           the assumption that all of the bonds identified in  
2           paragraph (5) will be issued at an interest rate of  
3           not more than 6.0 per cent, it can be determined from  
4           the following schedule that the bonds which are  
5           proposed to be issued, which include all authorized  
6           and unissued bonds previously authorized, as adjusted,  
7           general obligation bonds, and instruments of  
8           indebtedness under which the State incurs a contingent  
9           liability as a guarantor authorized in this Act, will  
10          not cause the debt limit to be exceeded at the time of  
11          such issuance:



	<u>Debt Limit</u>	<u>Debt Limit at Time of Issuance</u>	<u>Greatest Amount and Year of Highest Principal and Interest on Bonds and Guaranties</u>
1			
2	Time of Issuance		
3	and Amount to be		
4	Counted Against		
5	<u>Debt Limit</u>		
6	1 <sup>st</sup> half FY		
7	\$		( - )
8	2 <sup>nd</sup> half FY		
9	\$		( - )
10	1 <sup>st</sup> half FY		
11	\$		( - )
12	2 <sup>nd</sup> half FY		
13	\$		( - )
14	1 <sup>st</sup> half FY		
15	\$		( - )
16	2 <sup>nd</sup> half FY		
17	\$		( - )
18	1 <sup>st</sup> half FY		
19	\$		( - )
20	2 <sup>nd</sup> half FY		
21	\$		( - )

23 (9) Overall and concluding finding. From the facts,  
 24 estimates, and assumptions stated in this declaration  
 25 of findings, the conclusion is reached that the total  
 26 amount of principal and interest estimated for the  
 27 general obligation bonds authorized in this Act, and  
 28 for all bonds authorized and unissued, and calculated  
 29 for all bonds issued and outstanding, and all  
 30 guaranties, will not cause the debt limit to be  
 31 exceeded at the time of issuance.

32 SECTION 2. The legislature finds the bases for the  
 33 declaration of findings set forth in this Act reasonable. The



1 assumptions set forth in this Act with respect to the principal  
 2 amount of general obligation bonds which will be issued, the  
 3 amount of principal and interest on reimbursable general  
 4 obligation bonds which are assumed to be excludable, and the  
 5 assumed maturity structure shall not be deemed to be binding, it  
 6 being the understanding of the legislature that such matters  
 7 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. , H.D. , S.D. ,  
 12 C.D. (the General Appropriations Act of ), and House Bill  
 13 No. , H.D. , S.D. , C.D. (the Judiciary  
 14 Appropriations Act of ), passed by this regular session of  
 15 , designated to be financed from the general obligation bond  
 16 fund and from the general obligation bond fund with debt service  
 17 cost to be paid from special funds; provided that the sum total  
 18 of general obligation bonds so issued shall not exceed  
 19 \$ .

20 Any law to the contrary notwithstanding, general obligation  
 21 bonds may be issued from time to time in accordance with section  
 22 39-16, Hawaii Revised Statutes, in such principal amount as may





1 be required to refund any general obligation bonds of the State  
2 of Hawaii heretofore or hereafter issued pursuant to law.

3 SECTION 4. If any provision of this Act, or the  
4 application thereof to any person or circumstance is held  
5 invalid, the invalidity does not affect other provisions or  
6 applications of the Act, which can be given effect without the  
7 invalid provision or application, and to this end the provisions  
8 of this Act are severable.

9 SECTION 5. In printing this Act, the revisor of statutes  
10 shall substitute in section 1 and section 3 the corresponding  
11 Act numbers for bills identified therein.

12 SECTION 6. This Act shall take effect upon its approval.



**Report Title:**

General Obligation Bond Authorization

**Description:**

Authorizes the issuance of general obligation bonds; Hawaii makes findings required by article XII, section 13 of the Hawaii State Constitution to declare that the issuance of authorized bonds will not cause the debt limit to be exceeded. (SD1)

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

