A BILL FOR AN ACT

PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 13, OF THE HAWAII CONSTITUTION, TO AMEND THE TIMING OF MATURATION FOR GENERAL OBLIGATION BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Article VII, section 13, of the Constitution of the State of Hawaii is amended to read as follows:

"DEBT LIMIT; EXCLUSIONS

Section 13. 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. 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. Any bond issue by or on behalf of the State may exceed the debt limit if an emergency condition is declared to exist by the governor and concurred to by a two-thirds vote of the members to which each house of the legislature is entitled. For the purpose of this paragraph, general fund revenues of the State shall not include moneys received as grants from the federal government and receipts in reimbursement of any reimbursable general obligation bonds which are excluded as permitted by this section.

A sum equal to fifteen percent of the total of the assessed values for tax rate purposes of real property in each political subdivision, as determined by the last tax assessment rolls pursuant to law, is established as the limit of the funded debt of such political subdivision that is outstanding and unpaid at any time.

All general obligation bonds for a term exceeding two years shall be in serial form maturing in substantially equal
installments of principal, or maturing in substantially equal
installments of both principal and interest. The first
installment of principal of general obligation bonds and of
reimbursable general obligation bonds shall mature not later
than [five-years] one year from the date of issue of such
series. The last installment on general obligation bonds shall
mature not later than twenty-five years from the date of such
issue and the last installment on general obligation bonds sold
to the federal government, on reimbursable general obligation
bonds and on bonds constituting instruments of indebtedness
under which the State or a political subdivision incurs a
contingent liability as a guarantor shall mature not later than
thirty-five years from the date of such issue. The interest and
principal payments of general obligation bonds shall be a first
charge on the general fund of the State or political
subdivision, as the case may be.

In determining the power of the State to issue general
obligation bonds or the funded debt of any political subdivision
under section 12, the following shall be excluded:

1. Bonds that have matured, or that mature in the then
current fiscal year, or that have been irrevocably called for
redemption and the redemption date has occurred or will occur in
the then fiscal year, or for the full payment of which moneys or
securities have been irrevocably set aside.

2. Revenue bonds, if the issuer thereof is obligated by
law to impose rates, rentals and charges for the use and
services of the public undertaking, improvement or system or the
benefits of a loan program or a loan thereunder or to impose a
user tax, or to impose a combination of rates, rentals and
charges and user tax, as the case may be, sufficient to pay the
cost of operation, maintenance and repair, if any, of the public
undertaking, improvement or system or the cost of maintaining a
loan program or a loan thereunder and the required payments of
the principal of and interest on all revenue bonds issued for
the public undertaking, improvement or system or loan program,
and if the issuer is obligated to deposit such revenues or tax
or a combination of both into a special fund and to apply the
same to such payments in the amount necessary therefor.

3. Special purpose revenue bonds, if the issuer thereof is
required by law to contract with a person obligating such person
to make rental or other payments to the issuer in an amount at
least sufficient to make the required payment of the principal of and interest on such special purpose revenue bonds.

4. Bonds issued under special improvement statutes when the only security for such bonds is the properties benefited or improved or the assessments thereon.

5. General obligation bonds issued for assessable improvements, but only to the extent that reimbursements to the general fund for the principal and interest on such bonds are in fact made from assessment collections available therefor.

6. 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.

7. Reimbursable general obligation bonds issued by the State for any political subdivision, whether issued before or after the effective date of this section, but only for as long as reimbursement by the political subdivision to the State for the payment of principal and interest on such bonds is required by law; provided that in the case of bonds issued after the effective date of this section, the consent of the governing
body of the political subdivision has first been obtained; and
provided further that during the period that such bonds are
excluded by the State, the principal amount then outstanding
shall be included within the funded debt of such political
subdivision.

8. Bonds constituting instruments of indebtedness under
which the State or any political subdivision incurs a contingent
liability as a guarantor, but only to the extent the principal
amount of such bonds does not exceed seven percent of the
principal amount of outstanding general obligation bonds not
otherwise excluded under this section; provided that the State
or political subdivision shall establish and maintain a reserve
in an amount in reasonable proportion to the outstanding loans
guaranteed by the State or political subdivision as provided by
law.

9. Bonds issued by or on behalf of the State or by any
political subdivision to meet appropriations for any fiscal
period in anticipation of the collection of revenues for such
period or to meet casual deficits or failures of revenue, if
required to be paid within one year, and bonds issued by or on
behalf of the State to suppress insurrection, to repel invasion,
to defend the State in war or to meet emergencies caused by
disaster or act of God.

The total outstanding indebtedness of the State or funded
debt of any political subdivision and the exclusions therefrom
permitted by this section shall be made annually and certified
by law or as provided by law. For the purposes of section 12
and this section, amounts received from on-street parking may be
considered and treated as revenues of a parking undertaking.

Nothing in section 12 or in this section shall prevent the
refunding of any bond at any time."

SECTION 2. The question to be printed on the ballot shall
be as follows:

"Shall the first installment of principal of general
obligation bonds and of reimbursable general obligation bonds
mature not later than one year from the date of issue, rather
than five years from the date of issue?"

SECTION 3. Constitutional material to be repealed is
bracketed and stricken. New constitutional material is
underscored.
SECTION 4. This amendment shall take effect upon compliance with article XVII, section 3, of the Constitution of the State of Hawaii.

INTRODUCED BY: [Signature]

JAN 28 2015
Report Title:
General Obligation Bonds; State Constitution

Description:
Proposes to amend the State Constitution by requiring the first principal installment of general obligation bonds and reimbursable general obligation bonds to mature not later than one year from the date of issuance.

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