
A BILL FOR AN ACT

RELATING TO GENERAL OBLIGATION BONDS.

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

1 SECTION 1. The purpose of this Act is to promote fiscally
2 responsible funding of repair and maintenance projects in the
3 State by:

4 (1) Prohibiting the issuance of general obligation bonds
5 to finance the repair and maintenance of a capital
6 asset where the repair or maintenance costs incurred
7 add value to and prolong the life of the asset for a
8 period of less than ten years; and

9 (2) Requiring the director of finance to set a maturity
10 date of not more than ten years when issuing general
11 obligation bonds to finance the repair and maintenance
12 of a capital asset where the repair or maintenance
13 costs incurred:

14 (A) Add value to; and

15 (B) Prolong the life of,

16 the asset for a period of ten years or more.

17 SECTION 2. Section 37-67, Hawaii Revised Statutes, is

18 amended to read as follows:



1 " [H] §37-67 [H] Responsibilities of the department of budget
2 and finance. The director of finance shall assist the governor
3 in the preparation, explanation and administration of the state
4 long-range plans, the proposed six-year program and financial
5 plan and the state budget. To this end, subject to this part,
6 the director shall:

7 (1) With the approval of the governor, develop procedures
8 and prescribe rules and regulations to guide such
9 state agencies as may be assigned by the director the
10 task of formulating and preparing the initial
11 proposals with respect to long-range plans, program
12 and financial plans, program budget requests and
13 program performance reports and to assure the
14 availability of information needed for effective
15 policy decision-making[-]; provided that the director
16 of finance shall specify in the procedures, rules, and
17 regulations that general obligation bonds shall not be
18 issued for the purpose of financing the repair and
19 maintenance of a capital asset where the repair or
20 maintenance costs incurred:

21 (A) Add value to; and



- 1 (B) Prolong the life of,
2 the asset for a period of less than ten years.
- 3 (2) Assist such state agencies in the formulation of
4 program objectives, preparation of program plans and
5 program budget requests, and reporting of program
6 performance.
- 7 (3) Coordinate, analyze and revise as necessary the
8 program objectives, long-range plans, program and
9 financial plans, program budget requests and program
10 performance reports initially proposed or prepared by
11 such state agencies and develop the state
12 comprehensive program and financial plan, budget and
13 program performance report.
- 14 (4) Administer its responsibilities under the program
15 execution provisions of this part so that the policy
16 decisions and budget determinations of the governor
17 and the legislature are implemented to the fullest
18 extent possible within the concepts of proper
19 management.
- 20 (5) Investigate continuously the administration of the
21 various agencies for the purpose of advising the



1 governor and recommending to the governor, the
 2 legislature and the committees of the legislature
 3 concerning the duties of the various positions in
 4 these agencies, the methods of the agency, the
 5 standards of efficiency therein, and changes which in
 6 the director's judgment will produce greater
 7 effectiveness of programs and economy in the conduct
 8 of government programs and assist in the preparation
 9 of program and financial plans, budget requests and
 10 program performance reports.

11 (6) Provide the legislature and any member or committee of
 12 either house of the legislature with such documents
 13 and information as may be requested concerning the
 14 programs, budget, and fiscal and management operations
 15 of the State."

16 SECTION 3. Section 39-4, Hawaii Revised Statutes, is
 17 amended to read as follows:

18 "**§39-4 Details of bonds [✓]; restrictions.** (a) All bonds
 19 issued pursuant to this part shall bear interest at such rate or
 20 rates, payable at such time or times as determined in accordance
 21 with this part; shall mature and be payable at such time or



1 times from the date of the issue thereof as will comply with the
 2 provisions of the Constitution of the State; may be made payable
 3 as to both principal and interest at a place or places within or
 4 without the State; may be issued in coupon form without
 5 privilege of registration or registrable as to principal only or
 6 as to both principal and interest or in fully registrable form
 7 without coupons; may be made registrable at a place or places
 8 within or without the State; may be subject to redemption, to
 9 tenders for purchase or to purchase prior to their stated
 10 maturity at the option of the State, or the holder, or both[-];
 11 provided that no bond issued pursuant to this part shall be for
 12 the purpose of financing the repair and maintenance of a capital
 13 asset where the repair or maintenance costs incurred:

14 (1) Add value to; and

15 (2) Prolong the life of,

16 the asset for a period of less than ten years.

17 (b) The director of finance shall determine the date,
 18 denomination or denominations, interest payment dates, maturity
 19 date or dates, place or places and manner of payment,
 20 registration privileges and place or places of registration,
 21 redemption price or prices and time or times and terms and



1 conditions and method of redemption, the right of the holder to
2 tender for purchase and the price or prices and time or times
3 and terms and conditions upon which the right might be
4 exercised, the right to purchase and the price or prices and the
5 time or times and terms and conditions upon which the right may
6 be exercised and the purchase may be made, and all other details
7 of bonds issued under this part[-]; provided that the director
8 of finance shall set a maturity date or dates of not more than
9 ten years when issuing a bond pursuant to this part to finance
10 the repair and maintenance of a capital asset where the repair
11 or maintenance costs incurred:

12 (1) Add value to; and

13 (2) Prolong the life of,

14 the asset for a period of ten years or more.

15 The principal of and interest and premium, if any, on all
16 bonds issued under this part shall be payable in any coin or
17 currency of the United States of America, which at the time of
18 payment is legal tender for public and private debts."

19 SECTION 4. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.

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



Report Title:

General Obligation (GO) Bonds; Repair and Maintenance;
Restrictions

Description:

Prohibits the issuance of GO bonds to finance the repair and maintenance of a capital asset where the repair or maintenance costs incurred add value to and prolong the life of the asset for a period of less than 10 years. Requires the Director of Finance to set a maturity date of not more than 10 years when issuing GO bonds to finance the repair and maintenance of a capital asset where the repair or maintenance costs incurred add value to and prolong the life of the asset for a period of 10 years or more. (HB1588 CD1)

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