

---

---

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



1 payable in the current or any future fiscal year,  
2 whichever is higher, on such bonds and on all  
3 outstanding general obligation bonds to exceed: a sum  
4 equal to twenty per cent of the average of the general  
5 fund revenues of the State in the three fiscal years  
6 immediately preceding such issuance until June 30,  
7 1982; and thereafter, a sum equal to eighteen and one-  
8 half per cent of the average of the general fund  
9 revenues of the State in the three fiscal years  
10 immediately preceding such issuance." Article VII,  
11 Section 13, of the State Constitution also provides  
12 that in determining the power of the State to issue  
13 general obligation bonds, certain bonds are  
14 excludable, including "reimbursable general obligation  
15 bonds issued for a public undertaking, improvement or  
16 system but only to the extent that reimbursements to  
17 the general fund are in fact made from the net  
18 revenue, or net user tax receipts, or combination of  
19 both, as determined for the immediately preceding  
20 fiscal year" and bonds constituting instruments of  
21 indebtedness under which the State incurs a contingent



1 liability as a guarantor, but only to the extent the  
 2 principal amount of those bonds does not exceed seven  
 3 per cent of the principal amount of outstanding  
 4 general obligation bonds not otherwise excluded under  
 5 said Article VII, Section 13, of the State  
 6 Constitution.

7 (2) Actual and estimated debt limits. The limit on  
 8 principal and interest of general obligation bonds  
 9 issued by the State, actual for fiscal year 2017-2018  
 10 and estimated for each fiscal year from 2018-2019 to  
 11 2021-2022, is as follows:

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

14

15 For fiscal years 2017-2018, 2018-2019, 2019-2020,  
 16 2020-2021, and 2021-2022, respectively, the debt limit  
 17 is derived by multiplying the average of the net  
 18 general fund revenues for the three preceding fiscal  
 19 years by eighteen and one-half per cent. The net  
 20 general fund revenues for fiscal years 2014-2015,  
 21 2015-2016, and 2016-2017 are actual, as certified by



1 the director of finance in the Statement of the Debt  
2 Limit of the State of Hawaii as of July 1, 2017, dated  
3 , 2017. The net general fund revenues for  
4 fiscal years 2017-2018 to 2020-2021 are estimates,  
5 based on general fund revenue estimates made as of  
6 , 2018, by the council on revenues, the body  
7 assigned by Article VII, Section 7, of the State  
8 Constitution to make such estimates, and based on  
9 estimates made by the department of budget and finance  
10 of those receipts that cannot be included as general  
11 fund revenues for the purpose of calculating the debt  
12 limit, all of which estimates the legislature finds to  
13 be reasonable.

14 (3) Principal and interest on outstanding bonds applicable  
15 to the debt limit.

16 (A) According to the department of budget and  
17 finance, the total amount of principal and  
18 interest on outstanding general obligation bonds,  
19 after the exclusions permitted by Article VII,  
20 Section 13, of the State Constitution, for  
21 determining the power of the State to issue



1                   general obligation bonds within the debt limit as  
 2                   of April 1, 2018, is as follows for fiscal year  
 3                   2018-2019 to fiscal year 2024-2025:

4	Fiscal	Principal
5	<u>Year</u>	<u>and Interest</u>

6

7                   The department of budget and finance further  
 8                   reports that the amount of principal and interest  
 9                   on outstanding bonds applicable to the debt limit  
 10                  generally continues to decline each year from  
 11                  fiscal year 2025-2026 to fiscal year 2036-2037  
 12                  when the final installment of \$                shall be  
 13                  due and payable.

14                (B) The department of budget and finance further  
 15                reports that the outstanding principal amount of  
 16                bonds constituting instruments of indebtedness  
 17                under which the State may incur a contingent  
 18                liability as a guarantor is \$                , all or  
 19                part of which is excludable in determining the  
 20                power of the State to issue general obligation



1                   bonds, pursuant to Article VII, Section 13, of  
2                   the State Constitution.

3           (4) Amount of authorized and unissued general obligation  
4           bonds and guaranties and proposed bonds and  
5           guaranties.

6           (A) As calculated from the state comptroller's bond  
7           fund report as of                   , 2018, adjusted for:

8           (i) Appropriations to be funded by general  
9           obligation bonds or reimbursable general  
10           obligation bonds as provided in Act 49,  
11           Session Laws of Hawaii 2017 (the General  
12           Appropriations Act of 2017) to be expended  
13           in fiscal year 2017-2018, adjusted for  
14           additional appropriations provided in House  
15           Bill No.                   (the Supplemental  
16           Appropriations Act of 2018);

17           (ii) Lapses as provided in House Bill No.  
18   (the Supplemental Appropriations  
19           Act of 2018);

20           (iii) Appropriations to be funded by general  
21           obligation bonds or reimbursable general



1 obligation bonds as provided in Act 195,  
2 Session Laws of Hawaii 2017 (the Judiciary  
3 Appropriations Act of 2017); and  
4 (iv) Lapses as provided in Act 195, Session Laws  
5 of Hawaii 2017 (the Judiciary Appropriations  
6 Act of 2017);  
7 the total amount of authorized but unissued  
8 general obligation bonds is \$ . The total  
9 amount of general obligation bonds authorized in  
10 this Act is \$ . The total amount of  
11 general obligation bonds previously authorized  
12 and unissued, as adjusted, and the general  
13 obligation bonds authorized in this Act is  
14 \$ .  
15 (B) As reported by the department of budget and  
16 finance the outstanding principal amount of bonds  
17 constituting instruments of indebtedness under  
18 which the State may incur a contingent liability  
19 as a guarantor is \$ , all or part of which  
20 is excludable in determining the power of the  
21 State to issue general obligation bonds, pursuant



1                   to Article VII, Section 13, of the State  
2                   Constitution.

3           (5) Proposed general obligation bond issuance. As  
4           reported therein for the fiscal years 2017-2018,  
5           2018-2019, 2019-2020, 2020-2021, and 2021-2022, the  
6           State proposes to issue \$           in general  
7           obligation bonds during the second half of fiscal year  
8           2017-2018, \$           in general obligation bonds  
9           semiannually during fiscal years 2018-2019 and 2019-  
10          2020, and \$           in general obligation bonds  
11          semiannually during fiscal years 2020-2021 and 2021-  
12          2022. Generally, it has been the practice of the  
13          State to issue twenty-year serial bonds with principal  
14          repayments beginning in the third year, the bonds  
15          payable in substantially equal annual installments of  
16          principal and interest payment with interest payments  
17          commencing six months from the date of issuance and  
18          being paid semi-annually thereafter. It is assumed  
19          that this practice will continue to be applied to the  
20          bonds that are proposed to be issued.





1 (6) Sufficiency of proposed general obligation bond  
2 issuance to meet the requirements of authorized and  
3 unissued bonds, as adjusted, and bonds authorized by  
4 this Act. From the schedule reported in paragraph  
5 (5), the total amount of general obligation bonds that  
6 the State proposes to issue during the fiscal years  
7 2017-2018 to 2020-2021 is \$ . An additional  
8 \$ is proposed to be issued in fiscal year  
9 2021-2022. The total amount of \$ which is  
10 proposed to be issued through fiscal year 2020-2021 is  
11 sufficient to meet the requirements of the authorized  
12 and unissued bonds, as adjusted, the total amount of  
13 which is \$ reported in paragraph (4), except  
14 for \$ . It is assumed that the appropriations  
15 to which an additional \$ in bond issuance  
16 needs to be applied will have been encumbered as of  
17 June 30, 2022. The \$ which is proposed to be  
18 issued in fiscal year 2022-2023 will be sufficient to  
19 meet the requirements of the June 30, 2021,  
20 encumbrances in the amount of \$ . The amount  
21 of assumed encumbrances as of June 30, 2022, is



1 reasonable and conservative, based upon an inspection  
2 of June 30 encumbrances of the general obligation bond  
3 fund as reported by the state comptroller. Thus,  
4 taking into account the amount of authorized and  
5 unissued bonds, as adjusted, and the bonds authorized  
6 by this Act versus the amount of bonds proposed to be  
7 issued by June 30, 2022, and the amount of June 30,  
8 2022 encumbrances versus the amount of bonds proposed  
9 to be issued in fiscal year 2022-2023, the legislature  
10 finds that in the aggregate, the amount of bonds  
11 proposed to be issued is sufficient to meet the  
12 requirements of all authorized and unissued bonds and  
13 the bonds authorized by this Act.

14 (7) Bonds excludable in determining the power of the State  
15 to issue bonds. As noted in paragraph (1), certain  
16 bonds are excludable in determining the power of the  
17 State to issue general obligation bonds.

18 (A) General obligation reimbursable bonds can be  
19 excluded under certain conditions. It is not  
20 possible to make a conclusive determination as to  
21 the amount of reimbursable bonds which are



1                   excludable from the amount of each proposed bond  
2                   issued because:

3                   (i) It is not known exactly when projects for  
4                   which reimbursable bonds have been  
5                   authorized in prior acts and in this Act  
6                   will be implemented and will require the  
7                   application of proceeds from a particular  
8                   bond issue; and

9                   (ii) Not all reimbursable general obligation  
10                  bonds may qualify for exclusion.

11                  However, the legislature notes that with respect  
12                  to the principal and interest on outstanding  
13                  general obligation bonds, according to the  
14                  department of budget and finance, the average  
15                  proportion of principal and interest which is  
16                  excludable each year from the calculation against  
17                  the debt limit is           per cent for approximately  
18                  ten years from fiscal year 2017-2018 to fiscal  
19                  year 2026-2027. For the purpose of this  
20                  declaration, the assumption is made that           per  
21                  cent of each bond issue will be excludable from



1           the debt limit, an assumption that the legislature  
2           finds to be reasonable and conservative.

3           (B) Bonds constituting instruments of indebtedness  
4           under which the State incurs a contingent  
5           liability as a guarantor can be excluded, but only  
6           to the extent the principal amount of those  
7           guaranties does not exceed seven per cent of the  
8           principal amount of outstanding general obligation  
9           bonds not otherwise excluded under subparagraph  
10          (A) of this paragraph (7); and provided that the  
11          State shall establish and maintain a reserve in an  
12          amount in reasonable proportion to the outstanding  
13          loans guaranteed by the State as provided by law.  
14          According to the department of budget and finance  
15          and the assumptions presented herein, the total  
16          principal amount of outstanding general obligation  
17          bonds and general obligation bonds proposed to be  
18          issued, which are not otherwise excluded under  
19          Article VII, Section 13, of the State Constitution  
20          for the fiscal years 2017-2018, 2018-2019, 2019-  
21          2020, 2020-2021, and 2021-2022 are as follows:



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

	Total amount of
	General Obligation Bonds
	not otherwise excluded by
	Article VII, Section 13
	<u>of the State Constitution</u>
<u>Fiscal year</u>	

Based on the foregoing and based on the assumption that the full amount of a guaranty is immediately due and payable when such guaranty changes from a contingent liability to an actual liability, the aggregate principal amount of the portion of the outstanding guaranties and the guaranties proposed to be incurred, which does not exceed seven per cent of the average amount set forth in the last column of the above table and for which reserve funds have been or will have been established as heretofore provided, can be excluded in determining the power of the State to issue general obligation bonds. As it is not possible to predict with a reasonable degree of certainty when a guaranty will change from a contingent liability to an actual liability, it is assumed in conformity with fiscal conservatism and prudence, that all guaranties not otherwise excluded pursuant to Article VII,



1 Section 13, of the State Constitution will become due  
2 and payable in the same fiscal year in which the  
3 greatest amount of principal and interest on general  
4 obligation bonds, after exclusions, occurs. Thus,  
5 based on such assumptions and on the determination in  
6 paragraph (8), all of the outstanding guaranties can  
7 be excluded.

8 (8) Determination whether the debt limit will be exceeded  
9 at the time of issuance. From the foregoing and on  
10 the assumption that all of the bonds identified in  
11 paragraph (5) will be issued at an interest rate not  
12 to exceed per cent in fiscal years 2018 through  
13 2022, it can be determined from the following schedule  
14 that the bonds which are proposed to be issued, which  
15 include all authorized and unissued bonds previously  
16 authorized, as adjusted, general obligation bonds, and  
17 instruments of indebtedness under which the State  
18 incurs a contingent liability as a guarantor  
19 authorized in this Act, will not cause the debt limit  
20 to be exceeded at the time of such issuance:



# H.B. NO. 1604

1			Greatest Amount
2	Time of Issuance		and Year of
3	and Amount to be	Debt Limit	Highest Principal
4	Counted Against	at Time of	and Interest
5	<u>Debt Limit</u>	<u>Issuance</u>	<u>on Bonds and Guaranties</u>

6  
7 (9) Overall and concluding finding. From the facts,  
8 estimates, and assumptions stated in this declaration  
9 of findings, the conclusion is reached that the total  
10 amount of principal and interest estimated for the  
11 general obligation bonds authorized in this Act, and  
12 for all bonds authorized and unissued, and calculated  
13 for all bonds issued and outstanding, and all  
14 guaranties, will not cause the debt limit to be  
15 exceeded at the time of issuance.

16 SECTION 2. The legislature finds the bases for the  
17 declaration of findings set forth in this Act are reasonable.  
18 The assumptions set forth in this Act with respect to the  
19 principal amount of general obligation bonds which will be  
20 issued, the amount of principal and interest on reimbursable  
21 general obligation bonds which are assumed to be excludable, and  
22 the assumed maturity structure shall not be deemed to be



1 binding, it being the understanding of the legislature that such  
2 matters must remain subject to substantial flexibility.

3 SECTION 3. Authorization for issuance of general  
4 obligation bonds. General obligation bonds may be issued as  
5 provided by law in an amount that may be necessary to finance  
6 projects authorized in House Bill No. (the Supplemental  
7 Appropriations Act of 2018); passed by the legislature during  
8 this regular session of 2018 and designated to be financed from  
9 the general obligation bond fund and from the general obligation  
10 bond fund with debt service cost to be paid from special funds;  
11 provided that the sum total of general obligation bonds so  
12 issued shall not exceed \$ .

13 Any law to the contrary notwithstanding, general obligation  
14 bonds may be issued from time to time in accordance with Section  
15 39-16, Hawaii Revised Statutes, in such principal amount as may  
16 be required to refund any general obligation bonds of the State  
17 of Hawaii heretofore or hereafter issued pursuant to law.

18 SECTION 4. The provisions of this Act are declared to be  
19 severable and if any portion thereof is held to be invalid for  
20 any reason, the validity of the remainder of this Act shall not  
21 be affected.





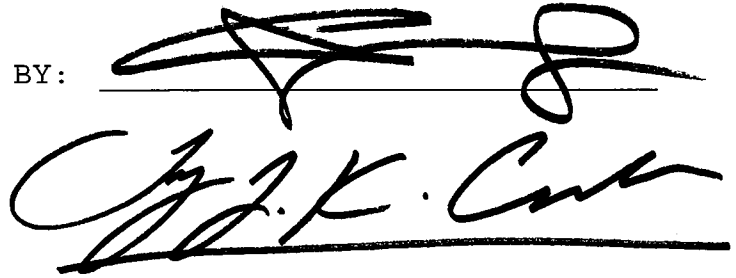
# H.B. NO. 1604

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

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

5

INTRODUCED BY: \_\_\_\_\_

A handwritten signature in black ink, appearing to read "J. K. Cook", is written over a horizontal line. The signature is stylized and cursive.

JAN 10 2018



# H.B. NO. 1604

**Report Title:**  
State Bonds

**Description:**

Authorizes issuance of general obligation bonds. Makes findings required by Article VII, Section 13, of the State Constitution to declare that the issuance of authorized bonds will not cause the debt limit to be exceeded.

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

