
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 percent 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 percent 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 "[r]eimburseable general
15 obligation bonds issued for a public undertaking,
16 improvement or system but only to the extent that
17 reimbursements to the general fund are in fact made
18 from the net revenue, or net user tax receipts, or
19 combination of both, as determined for the immediately
20 preceding fiscal year" and bonds constituting
21 instruments of indebtedness under which the State



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

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

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



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

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

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



1 of April 1, 2018, is as follows for fiscal year
2 2018-2019 to fiscal year 2024-2025:

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

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

11 (B) The department of budget and finance further
12 reports that the outstanding principal amount of
13 bonds constituting instruments of indebtedness
14 under which the State may incur a contingent
15 liability as a guarantor is \$, all or
16 part of which is excludable in determining the
17 power of the State to issue general obligation
18 bonds, pursuant to Article VII, Section 13, of
19 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 , 2018, adjusted for:

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

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

18 (iii) Appropriations to be funded by general
19 obligation bonds or reimbursable general
20 obligation bonds as provided in Act 195,



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

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



1 Constitution for the fiscal years 2017-2018,
 2 2018-2019, 2019-2020, 2020-2021, and 2021-2022
 3 are as follows:

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

9 Based on the foregoing and based on the assumption
 10 that the full amount of a guaranty is immediately due
 11 and payable when such guaranty changes from a
 12 contingent liability to an actual liability, the
 13 aggregate principal amount of the portion of the
 14 outstanding guaranties and the guaranties proposed to
 15 be incurred, which does not exceed seven per cent of
 16 the average amount set forth in the last column of the
 17 above table and for which reserve funds have been or
 18 will have been established as heretofore provided, can
 19 be excluded in determining the power of the State to
 20 issue general obligation bonds. As it is not possible
 21 to predict with a reasonable degree of certainty when
 22 a guaranty will change from a contingent liability to
 23 an actual liability, it is assumed in conformity with



1 fiscal conservatism and prudence, that all guaranties
2 not otherwise excluded pursuant to Article VII,
3 Section 13, of the State Constitution will become due
4 and payable in the same fiscal year in which the
5 greatest amount of principal and interest on general
6 obligation bonds, after exclusions, occurs. Thus,
7 based on such assumptions and on the determination in
8 paragraph (8), all of the outstanding guaranties can
9 be excluded.

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



1 authorized in this Act, will not cause the debt limit
2 to be exceeded at the time of such issuance:

3	4	5	6	7
	Time of Issuance	Debt Limit	Greatest Amount	
	and Amount to be	at Time of	and Year of	
	Counted Against	Issuance	Highest Principal	
	<u>Debt Limit</u>		and Interest	
			<u>on Bonds and Guaranties</u>	

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

17 SECTION 2. The legislature finds the bases for the
18 declaration of findings set forth in this Act are reasonable.
19 The assumptions set forth in this Act with respect to the
20 principal amount of general obligation bonds which will be
21 issued, the amount of principal and interest on reimbursable
22 general obligation bonds which are assumed to be excludable, and
23 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.



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 on July 1, 2050.



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. Effective 7/01/2050. (SD1)

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