July 5, 2019

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Thirtieth State Legislature
State Capitol, Room 409
Honolulu, Hawai‘i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirtieth State Legislature
State Capitol, Room 431
Honolulu, Hawai‘i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on July 5, 2019, the following bill was signed into law:

HB120 SD1 CD1 RELATING TO STATE BONDS.
ACT 249 (19)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai‘i
A BILL FOR AN ACT

RELATING TO STATE BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. Declaration of findings with respect to the general obligation bonds authorized by this Act. Pursuant to article VII, section 13, of the state constitution, which states: "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", the legislature finds and declares as follows:

(1) Limitation on general obligation debt. The debt limit of the State is set forth in article VII, section 13, of the state constitution, which states in part: "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." Article VII,
section 13, of the state constitution also provides
that in determining the power of the State to issue
general obligation bonds, certain bonds are
excludable, including "[r]eimbursable 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" and bonds constituting
instruments of indebtedness under which the State
incurs a contingent liability as a guarantor, but only
to the extent the principal amount of those bonds does not exceed seven per cent of the principal amount of outstanding general obligation bonds not otherwise excluded under said article VII, section 13, of the state constitution.

(2) Actual and estimated debt limits. The limit on principal and interest of general obligation bonds issued by the State, actual for fiscal year 2018-2019 and estimated for each fiscal year from 2019-2020 to 2022-2023, is as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net General Fund Revenues</th>
<th>Debt Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-2016</td>
<td>$7,075,981,186</td>
<td></td>
</tr>
<tr>
<td>2016-2017</td>
<td>7,346,008,625</td>
<td></td>
</tr>
<tr>
<td>2017-2018</td>
<td>7,656,001,540</td>
<td></td>
</tr>
<tr>
<td>2018-2019</td>
<td>7,702,282,000</td>
<td>$1,361,476,133</td>
</tr>
<tr>
<td>2019-2020</td>
<td>8,017,855,000</td>
<td>1,400,098,017</td>
</tr>
<tr>
<td>2020-2021</td>
<td>8,336,777,000</td>
<td>1,441,528,543</td>
</tr>
<tr>
<td>2021-2022</td>
<td>8,648,517,000</td>
<td>1,483,509,697</td>
</tr>
<tr>
<td>2022-2023</td>
<td>(not applicable)</td>
<td>1,541,860,855</td>
</tr>
</tbody>
</table>

For fiscal years 2018-2019, 2019-2020, 2020-2021, 2021-2022, and 2022-2023, respectively, the debt limit is derived by multiplying the average of the net general fund revenues for the three preceding fiscal years by eighteen and one-half per cent. The net
general fund revenues for fiscal years 2015-2016, 2016-2017, and 2017-2018 are actual, as certified by the director of finance in the Statement of the Debt Limit of the State of Hawaii as of July 1, 2018, dated November 8, 2018. The net general fund revenues for fiscal years 2018-2019 to 2021-2022 are estimates, based on general fund revenue estimates made as of March 12, 2019, by the council on revenues, the body assigned by article VII, section 7, of the state constitution to make such estimates, and based on estimates made by the department of budget and finance of those receipts that cannot be included as general fund revenues for the purpose of calculating the debt limit, all of which estimates the legislature finds to be reasonable.

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

(A) According to the department of budget and finance, the total amount of principal and interest on outstanding general obligation bonds, after the exclusions permitted by article VII,
section 13, of the state constitution, for
determining the power of the State to issue
general obligation bonds within the debt limit as
of April 1, 2019, is as follows for fiscal year
2019-2020 to fiscal year 2025-2026:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal and Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-2020</td>
<td>$830,258,744</td>
</tr>
<tr>
<td>2020-2021</td>
<td>768,823,622</td>
</tr>
<tr>
<td>2021-2022</td>
<td>753,610,056</td>
</tr>
<tr>
<td>2022-2023</td>
<td>725,933,034</td>
</tr>
<tr>
<td>2023-2024</td>
<td>712,063,283</td>
</tr>
<tr>
<td>2024-2025</td>
<td>672,615,397</td>
</tr>
<tr>
<td>2025-2026</td>
<td>649,837,432</td>
</tr>
</tbody>
</table>

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 2026-2027 to fiscal year 2038-2039
when the final installment of $37,533,250 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 $233,500,000, 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.

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

(A) As calculated from the state comptroller's bond fund report as of February 28, 2019, adjusted for:

(i) Appropriations to be funded by general obligation bonds or reimbursable general obligation bonds as provided in House Bill No. 1259, S.D. 1, C.D. 1 (the General Improvements Act of 2019);

(ii) Lapses as provided in House Bill No. 1259, S.D. 1, C.D. 1 (the General Improvements Act of 2019);
(iii) Appropriations to be funded by general obligation bonds or reimbursable general obligation bonds as provided in House Bill No. 510, H.D. 2, S.D. 2, C.D. 1 (the Judiciary Appropriations Act of 2019);

(iv) Lapses as provided in House Bill No. 510, H.D. 2, S.D. 2, C.D. 1 (the Judiciary Appropriations Act of 2019);

(v) Appropriations to be funded by general obligation bonds as provided in House Bill No. 809, S.D. 1, C.D. 1 (the Grant Funding Act of 2019);

(vi) Lapses as provided in House Bill No. 809, S.D. 1, C.D. 1 (the Grant Funding Act of 2019);

(vii) Appropriations to be funded by general obligation bonds or reimbursable general obligation bonds as provided in House Bill No. 1586, H.D. 1, S.D. 2, C.D. 1, Senate Bill No. 78, S.D. 2, H.D. 2, and House Bill No. 1312, H.D. 1, S.D. 1, C.D. 1; and
(viii) The issuance of general obligation bonds of 2019, Series FW, FX and FY, which closed on February 21, 2019, but was not included in the state comptroller's bond fund report; the total amount of authorized but unissued general obligation bonds is $2,344,318,668. The total amount of general obligation bonds authorized in this Act is $1,747,941,000. The total amount of general obligation bonds previously authorized and unissued, as adjusted, and the general obligation bonds authorized in this Act is $4,092,259,668.

(B) As reported by the department of budget and finance the outstanding principal amount of bonds constituting instruments of indebtedness under which the State may incur a contingent liability as a guarantor is $233,500,000, 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.
(5) Proposed general obligation bond issuance. As reported therein for the fiscal years 2019-2020, 2020-2021, 2021-2022, and 2022-2023, the State proposes to issue $905,000,000 in general obligation bonds during the first half of fiscal year 2019-2020, $520,000,000 in general obligation bonds during the second half of fiscal year 2019-2020, $500,000,000 in general obligation bonds during the first half of fiscal year 2020-2021, $550,000,000 in general obligation bonds during the second half of fiscal year 2020-2021, $500,000,000 in general obligation bonds semiannually during fiscal year 2021-2022, and $325,000,000 in general obligation bonds semiannually during fiscal year 2022-2023. Generally, it has been the practice of the State to issue twenty-year serial bonds with principal repayments beginning in the third year, the bonds payable in substantially equal annual installments of principal and interest payment with interest payments commencing six months from the date of issuance and being paid semi-annually thereafter.
It is assumed that this practice will continue to be applied to the bonds that are proposed to be issued.

(6) Sufficiency of proposed general obligation bond issuance to meet the requirements of authorized and unissued bonds, as adjusted, and bonds authorized by this Act. From the schedule reported in paragraph (5), the total amount of general obligation bonds that the State proposes to issue during the fiscal years 2019-2020 to 2021-2022 is $3,475,000,000. An additional $650,000,000 is proposed to be issued in fiscal year 2022-2023. The total amount of $3,475,000,000 which is proposed to be issued through fiscal year 2021-2022 is sufficient to meet the requirements of the authorized and unissued bonds, as adjusted, the total amount of which is $4,092,259,668 reported in paragraph (4), except for $617,259,668. It is assumed that the appropriations to which an additional $617,259,668 in bond issuance needs to be applied will have been encumbered as of June 30, 2022. The $650,000,000 which is proposed to be issued in fiscal year 2022-2023 will be sufficient to meet the
requirements of the June 30, 2022 encumbrances in the amount of $617,259,668. The amount of assumed encumbrances as of June 30, 2022 is reasonable and conservative, based upon an inspection of June 30 encumbrances of the general obligation bond fund as reported by the state comptroller. Thus, taking into account the amount of authorized and unissued bonds, as adjusted, and the bonds authorized by this Act versus the amount of bonds proposed to be issued by June 30, 2022, and the amount of June 30, 2022 encumbrances versus the amount of bonds proposed to be issued in fiscal year 2022-2023, the legislature finds that in the aggregate, the amount of bonds proposed to be issued is sufficient to meet the requirements of all authorized and unissued bonds and the bonds authorized by this Act.

(7) Bonds excludable in determining the power of the State to issue bonds. As noted in paragraph (1), certain bonds are excludable in determining the power of the State to issue general obligation bonds.
(A) General obligation reimbursable bonds can be excluded under certain conditions. It is not possible to make a conclusive determination as to the amount of reimbursable bonds which are excludable from the amount of each proposed bond issued because:

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

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

However, the legislature notes that with respect to the principal and interest on outstanding general obligation bonds, according to the department of budget and finance, the average proportion of principal and interest which is excludable each year from the calculation against the debt limit is 0.77 per cent for approximately
ten years from fiscal year 2018-2019 to fiscal
year 2027-2028. For the purpose of this
declaration, the assumption is made that 0.75 per
cent of each bond issue will be excludable from
the debt limit, an assumption that the
legislature finds to be reasonable and
conservative.

(B) Bonds constituting instruments of indebtedness
under which the State incurs a contingent
liability as a guarantor can be excluded, but
only to the extent the principal amount of those
guaranties does not exceed seven per cent of the
principal amount of outstanding general
obligation bonds not otherwise excluded under
subparagraph (A) of this paragraph (7); and
provided that the State shall establish and
maintain a reserve in an amount in reasonable
proportion to the outstanding loans guaranteed by
the State as provided by law. According to the
department of budget and finance and the
assumptions presented herein, the total principal
amount of outstanding general obligation bonds

and general obligation bonds proposed to be

issued, which are not otherwise excluded under

article VII, section 13, of the state

constitution for the fiscal years 2018-2019,


are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total amount of general obligation bonds not otherwise excluded by article VII, section 13 of the state constitution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-2019</td>
<td>$ 7,298,253,064</td>
</tr>
<tr>
<td>2019-2020</td>
<td>8,712,568,064</td>
</tr>
<tr>
<td>2020-2021</td>
<td>9,754,693,064</td>
</tr>
<tr>
<td>2021-2022</td>
<td>10,747,193,064</td>
</tr>
<tr>
<td>2022-2023</td>
<td>11,392,323,064</td>
</tr>
</tbody>
</table>

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, section 13, of the state constitution will become due and payable in the same fiscal year in which the greatest amount of principal and interest on general obligation bonds, after exclusions, occurs. Thus, based on such assumptions and on the determination in paragraph (8), all of the outstanding guaranties can be excluded.

(8) Determination whether the debt limit will be exceeded at the time of issuance. From the foregoing and on the assumption that all of the bonds identified in paragraph (5) will be issued at an interest rate not to exceed 5.75 per cent in fiscal years 2020 through
2023, it can be determined from the following schedule that the bonds which are proposed to be issued, which include all authorized and unissued bonds previously authorized, as adjusted, general obligation bonds, and instruments of indebtedness under which the State incurs a contingent liability as a guarantor authorized in this Act, will not cause the debt limit to be exceeded at the time of such issuance:
<table>
<thead>
<tr>
<th>Time of Issuance and Amount to be Counted Against Debt Limit</th>
<th>Debt Limit at Time of Issuance</th>
<th>Greatest Amount and Year of Highest Principal and Interest on Bonds and Guaranties</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st half FY 2019-2020</td>
<td>1,400,098,017</td>
<td>861,994,376 2019-2020</td>
</tr>
<tr>
<td>2nd half FY 2019-2020</td>
<td>1,400,098,017</td>
<td>861,994,376 2019-2020</td>
</tr>
<tr>
<td>1st half FY 2020-2021</td>
<td>1,441,528,543</td>
<td>889,750,855 2023-2024</td>
</tr>
<tr>
<td>2nd half FY 2020-2021</td>
<td>1,441,528,543</td>
<td>939,223,667 2023-2024</td>
</tr>
<tr>
<td>1st half FY 2021-2022</td>
<td>1,483,509,697</td>
<td>967,758,042 2023-2024</td>
</tr>
<tr>
<td>2nd half FY 2021-2022</td>
<td>1,483,509,697</td>
<td>996,292,417 2023-2024</td>
</tr>
<tr>
<td>1st half FY 2022-2023</td>
<td>1,541,860,855 1,014,839,905 2023-2024</td>
<td></td>
</tr>
<tr>
<td>2nd half FY 2022-2023</td>
<td>1,541,860,855 1,033,387,392 2023-2024</td>
<td></td>
</tr>
</tbody>
</table>

(9) Overall and concluding finding. From the facts, estimates, and assumptions stated in this declaration of findings, the conclusion is reached that the total amount of principal and interest estimated for the general obligation bonds authorized in this Act, and for all bonds authorized and unissued, and calculated for all bonds issued and outstanding, and all guaranties, will not cause the debt limit to be exceeded at the time of issuance.
SECTION 2. The legislature finds the bases for the declaration of findings set forth in this Act are reasonable. The assumptions set forth in this Act with respect to the principal amount of general obligation bonds which will be issued, the amount of principal and interest on reimbursable general obligation bonds which are assumed to be excludable, and the assumed maturity structure shall not be deemed to be binding, it being the understanding of the legislature that such matters must remain subject to substantial flexibility.

SECTION 3. Authorization for issuance of general obligation bonds. General obligation bonds may be issued as provided by law in an amount that may be necessary to finance projects authorized in House Bill No. 1259, S.D. 1, C.D. 1 (the General Improvements Act of 2019), House Bill No. 510, H.D. 2, S.D. 2, C.D. 1 (the Judiciary Appropriations Act of 2019), House Bill No. 809, S.D. 1, C.D. 1 (the Grant Funding Act of 2019), House Bill No. 1586, H.D. 1, S.D. 2, C.D. 1, Senate Bill No. 78, S.D. 2, H.D. 2, and House Bill No. 1312, H.D. 1, S.D. 1, C.D. 1; passed by the legislature during this regular session of 2019 and designated to be financed from the general obligation bond fund and from the general obligation bond fund with debt service
cost to be paid from special funds; provided that the sum total
of general obligation bonds so issued shall not exceed
$1,747,941,000.

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

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

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

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

APPROVED this 05 day of JUL 2019

GOVERNOR OF THE STATE OF HAWAII
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 1, 2019
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirtieth Legislature of the State of Hawaii, Regular Session of 2019.

Scott K. Saiki
Speaker
House of Representatives

Brian L. Takeshita
Chief Clerk
House of Representatives
THE SENATE OF THE STATE OF HAWAI'I

Date: April 30, 2019
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirtieth Legislature of the State of Hawaii, Regular Session of 2019.

[Signature]
President of the Senate

[Signature]
Clerk of the Senate