
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
18 payable in the current or any future fiscal year,



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



1 to the extent the principal amount of those bonds does
 2 not exceed seven per cent of the principal amount of
 3 outstanding general obligation bonds not otherwise
 4 excluded under said article VII, section 13, of the
 5 state constitution.

6 (2) Actual and estimated debt limits. The limit on
 7 principal and interest of general obligation bonds
 8 issued by the State, actual for fiscal year 2018-2019
 9 and estimated for each fiscal year from 2019-2020 to
 10 2022-2023, is as follows:

11	Fiscal	Net General	
12	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
13	2015-2016	\$7,075,981,186	
14	2016-2017	7,346,008,625	
15	2017-2018	7,656,001,540	
16	2018-2019	7,702,282,000	\$ 1,361,476,133
17	2019-2020	8,017,855,000	1,400,098,017
18	2020-2021	8,336,777,000	1,441,528,543
19	2021-2022	8,648,517,000	1,483,509,697
20	2022-2023	(not applicable)	1,541,860,855

21 For fiscal years 2018-2019, 2019-2020, 2020-2021,
 22 2021-2022, and 2022-2023, respectively, the debt limit
 23 is derived by multiplying the average of the net
 24 general fund revenues for the three preceding fiscal
 25 years by eighteen and one-half per cent. The net



1 general fund revenues for fiscal years 2015-2016,
2 2016-2017, and 2017-2018 are actual, as certified by
3 the director of finance in the Statement of the Debt
4 Limit of the State of Hawaii as of July 1, 2018, dated
5 November 8, 2018. The net general fund revenues for
6 fiscal years 2018-2019 to 2021-2022 are estimates,
7 based on general fund revenue estimates made as of
8 March 12, 2019, by the council on revenues, the body
9 assigned by article VII, section 7, of the state
10 constitution to make such estimates, and based on
11 estimates made by the department of budget and finance
12 of those receipts that cannot be included as general
13 fund revenues for the purpose of calculating the debt
14 limit, all of which estimates the legislature finds to
15 be reasonable.

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

18 (A) According to the department of budget and
19 finance, the total amount of principal and
20 interest on outstanding general obligation bonds,
21 after the exclusions permitted by article VII,



1 section 13, of the state constitution, for
 2 determining the power of the State to issue
 3 general obligation bonds within the debt limit as
 4 of April 1, 2019, is as follows for fiscal year
 5 2019-2020 to fiscal year 2025-2026:

6	Fiscal	Principal
7	<u>Year</u>	<u>and Interest</u>
8	2019-2020	\$830,258,744
9	2020-2021	768,823,622
10	2021-2022	753,610,056
11	2022-2023	725,933,034
12	2023-2024	712,063,283
13	2024-2025	672,615,397
14	2025-2026	649,837,432

15 The department of budget and finance further
 16 reports that the amount of principal and interest
 17 on outstanding bonds applicable to the debt limit
 18 generally continues to decline each year from
 19 fiscal year 2026-2027 to fiscal year 2038-2039
 20 when the final installment of \$37,533,250 shall
 21 be due and payable.

22 (B) The department of budget and finance further
 23 reports that the outstanding principal amount of
 24 bonds constituting instruments of indebtedness



1 under which the State may incur a contingent
2 liability as a guarantor is \$233,500,000, all or
3 part of which is excludable in determining the
4 power of the State to issue general obligation
5 bonds, pursuant to article VII, section 13, of
6 the state constitution.

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

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

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

18 (ii) Lapses as provided in House Bill No. 1259,
19 S.D. 1, C.D. 1 (the General Improvements Act
20 of 2019);



- 1 (iii) Appropriations to be funded by general
2 obligation bonds or reimbursable general
3 obligation bonds as provided in House Bill
4 No. 510, H.D. 2, S.D. 2, C.D. 1 (the
5 Judiciary Appropriations Act of 2019);
- 6 (iv) Lapses as provided in House Bill No. 510,
7 H.D. 2, S.D. 2, C.D. 1 (the Judiciary
8 Appropriations Act of 2019);
- 9 (v) Appropriations to be funded by general
10 obligation bonds as provided in House Bill
11 No. 809, S.D. 1, C.D. 1 (the Grant Funding
12 Act of 2019);
- 13 (vi) Lapses as provided in House Bill No. 809,
14 S.D. 1, C.D. 1 (the Grant Funding Act of
15 2019);
- 16 (vii) Appropriations to be funded by general
17 obligation bonds or reimbursable general
18 obligation bonds as provided in House Bill
19 No. 1586, H.D. 1, S.D. 2, C.D. 1, Senate
20 Bill No. 78, S.D. 2, H.D. 2, and House Bill
21 No. 1312, H.D. 1, S.D. 1, C.D. 1; and



1 (viii) The issuance of general obligation bonds of
2 2019, Series FW, FX and FY, which closed on
3 February 21, 2019, but was not included in
4 the state comptroller's bond fund report;
5 the total amount of authorized but unissued
6 general obligation bonds is \$2,344,318,668. The
7 total amount of general obligation bonds
8 authorized in this Act is \$1,747,941,000. The
9 total amount of general obligation bonds
10 previously authorized and unissued, as adjusted,
11 and the general obligation bonds authorized in
12 this Act is \$4,092,259,668.

13 (B) As reported by the department of budget and
14 finance the outstanding principal amount of bonds
15 constituting instruments of indebtedness under
16 which the State may incur a contingent liability
17 as a guarantor is \$233,500,000, all or part of
18 which is excludable in determining the power of
19 the State to issue general obligation bonds,
20 pursuant to article VII, section 13, of the state
21 constitution.



1 (5) Proposed general obligation bond issuance. As
2 reported therein for the fiscal years 2019-2020,
3 2020-2021, 2021-2022, and 2022-2023, the State
4 proposes to issue \$905,000,000 in general obligation
5 bonds during the first half of fiscal year 2019-2020,
6 \$520,000,000 in general obligation bonds during the
7 second half of fiscal year 2019-2020, \$500,000,000 in
8 general obligation bonds during the first half of
9 fiscal year 2020-2021, \$550,000,000 in general
10 obligation bonds during the second half of fiscal year
11 2020-2021, \$500,000,000 in general obligation bonds
12 semiannually during fiscal year 2021-2022, and
13 \$325,000,000 in general obligation bonds semiannually
14 during fiscal year 2022-2023. Generally, it has been
15 the practice of the State to issue twenty-year serial
16 bonds with principal repayments beginning in the third
17 year, the bonds payable in substantially equal annual
18 installments of principal and interest payment with
19 interest payments commencing six months from the date
20 of issuance and being paid semi-annually thereafter.



1 It is assumed that this practice will continue to be
2 applied to the bonds that are proposed to be issued.

3 (6) Sufficiency of proposed general obligation bond
4 issuance to meet the requirements of authorized and
5 unissued bonds, as adjusted, and bonds authorized by
6 this Act. From the schedule reported in paragraph
7 (5), the total amount of general obligation bonds that
8 the State proposes to issue during the fiscal years
9 2019-2020 to 2021-2022 is \$3,475,000,000. An
10 additional \$650,000,000 is proposed to be issued in
11 fiscal year 2022-2023. The total amount of
12 \$3,475,000,000 which is proposed to be issued through
13 fiscal year 2021-2022 is sufficient to meet the
14 requirements of the authorized and unissued bonds, as
15 adjusted, the total amount of which is \$4,092,259,668
16 reported in paragraph (4), except for \$617,259,668.

17 It is assumed that the appropriations to which an
18 additional \$617,259,668 in bond issuance needs to be
19 applied will have been encumbered as of June 30, 2022.
20 The \$650,000,000 which is proposed to be issued in
21 fiscal year 2022-2023 will be sufficient to meet the



1 requirements of the June 30, 2022 encumbrances in the
2 amount of \$617,259,668. The amount of assumed
3 encumbrances as of June 30, 2022 is reasonable and
4 conservative, based upon an inspection of June 30
5 encumbrances of the general obligation bond fund as
6 reported by the state comptroller. Thus, taking into
7 account the amount of authorized and unissued bonds,
8 as adjusted, and the bonds authorized by this Act
9 versus the amount of bonds proposed to be issued by
10 June 30, 2022, and the amount of June 30, 2022
11 encumbrances versus the amount of bonds proposed to be
12 issued in fiscal year 2022-2023, the legislature finds
13 that in the aggregate, the amount of bonds proposed to
14 be issued is sufficient to meet the requirements of
15 all authorized and unissued bonds and the bonds
16 authorized by this Act.

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



1 (A) General obligation reimbursable bonds can be
2 excluded under certain conditions. It is not
3 possible to make a conclusive determination as to
4 the amount of reimbursable bonds which are
5 excludable from the amount of each proposed bond
6 issued because:

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

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

15 However, the legislature notes that with respect
16 to the principal and interest on outstanding
17 general obligation bonds, according to the
18 department of budget and finance, the average
19 proportion of principal and interest which is
20 excludable each year from the calculation against
21 the debt limit is 0.77 per cent for approximately



1 ten years from fiscal year 2018-2019 to fiscal
2 year 2027-2028. For the purpose of this
3 declaration, the assumption is made that 0.75 per
4 cent of each bond issue will be excludable from
5 the debt limit, an assumption that the
6 legislature finds to be reasonable and
7 conservative.

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



1 amount of outstanding general obligation bonds
 2 and general obligation bonds proposed to be
 3 issued, which are not otherwise excluded under
 4 article VII, section 13, of the state
 5 constitution for the fiscal years 2018-2019,
 6 2019-2020, 2020-2021, 2021-2022, and 2022-2023
 7 are as follows:

12 <u>Fiscal Year</u>	8 Total amount of 9 general obligation bonds 10 not otherwise excluded by 11 article VII, section 13 12 <u>of the state constitution</u>
13 2018-2019	\$ 7,298,253,064
14 2019-2020	8,712,568,064
15 2020-2021	9,754,693,064
16 2021-2022	10,747,193,064
17 2022-2023	11,392,323,064

18 Based on the foregoing and based on the assumption
 19 that the full amount of a guaranty is immediately due
 20 and payable when such guaranty changes from a
 21 contingent liability to an actual liability, the
 22 aggregate principal amount of the portion of the
 23 outstanding guaranties and the guaranties proposed to
 24 be incurred, which does not exceed seven per cent of
 25 the average amount set forth in the last column of the



1 above table and for which reserve funds have been or
2 will have been established as heretofore provided, can
3 be excluded in determining the power of the State to
4 issue general obligation bonds. As it is not possible
5 to predict with a reasonable degree of certainty when
6 a guaranty will change from a contingent liability to
7 an actual liability, it is assumed in conformity with
8 fiscal conservatism and prudence, that all guaranties
9 not otherwise excluded pursuant to article VII,
10 section 13, of the state constitution will become due
11 and payable in the same fiscal year in which the
12 greatest amount of principal and interest on general
13 obligation bonds, after exclusions, occurs. Thus,
14 based on such assumptions and on the determination in
15 paragraph (8), all of the outstanding guaranties can
16 be excluded.

17 (8) Determination whether the debt limit will be exceeded
18 at the time of issuance. From the foregoing and on
19 the assumption that all of the bonds identified in
20 paragraph (5) will be issued at an interest rate not
21 to exceed 5.75 per cent in fiscal years 2020 through



1 2023, it can be determined from the following schedule
2 that the bonds which are proposed to be issued, which
3 include all authorized and unissued bonds previously
4 authorized, as adjusted, general obligation bonds, and
5 instruments of indebtedness under which the State
6 incurs a contingent liability as a guarantor
7 authorized in this Act, will not cause the debt limit
8 to be exceeded at the time of such issuance:



	Time of Issuance and Amount to be Counted Against <u>Debt Limit</u>	Debt Limit at Time of <u>Issuance</u>	Greatest Amount and Year of Highest Principal and Interest <u>on Bonds and Guaranties</u>	
6				
7	1st half FY 2019-2020			
8	\$898,215,000	1,400,098,017	861,994,376	2019-2020
9	2nd half FY 2019-2020			
10	\$516,100,000	1,400,098,017	861,994,376	2019-2020
11	1st half FY 2020-2021			
12	\$496,250,000	1,441,528,543	889,750,855	2023-2024
13	2nd half FY 2020-2021			
14	\$545,875,000	1,441,528,543	939,223,667	2023-2024
15	1st half FY 2021-2022			
16	\$496,250,000	1,483,509,697	967,758,042	2023-2024
17	2nd half FY 2021-2022			
18	\$496,250,000	1,483,509,697	996,292,417	2023-2024
19	1st half FY 2022-2023			
20	\$322,565,000	1,541,860,855	1,014,839,905	2023-2024
21	2nd half FY 2022-2023			
22	\$322,565,000	1,541,860,855	1,033,387,392	2023-2024

23 (9) Overall and concluding finding. From the facts,
24 estimates, and assumptions stated in this declaration
25 of findings, the conclusion is reached that the total
26 amount of principal and interest estimated for the
27 general obligation bonds authorized in this Act, and
28 for all bonds authorized and unissued, and calculated
29 for all bonds issued and outstanding, and all
30 guaranties, will not cause the debt limit to be
31 exceeded at the time of issuance.



1 SECTION 2. The legislature finds the bases for the
2 declaration of findings set forth in this Act are reasonable.
3 The assumptions set forth in this Act with respect to the
4 principal amount of general obligation bonds which will be
5 issued, the amount of principal and interest on reimbursable
6 general obligation bonds which are assumed to be excludable, and
7 the assumed maturity structure shall not be deemed to be
8 binding, it being the understanding of the legislature that such
9 matters must remain subject to substantial flexibility.

10 SECTION 3. Authorization for issuance of general
11 obligation bonds. General obligation bonds may be issued as
12 provided by law in an amount that may be necessary to finance
13 projects authorized in House Bill No. 1259, S.D. 1, C.D. 1 (the
14 General Improvements Act of 2019), House Bill No. 510, H.D. 2,
15 S.D. 2, C.D. 1 (the Judiciary Appropriations Act of 2019), House
16 Bill No. 809, S.D. 1, C.D. 1 (the Grant Funding Act of 2019),
17 House Bill No. 1586, H.D. 1, S.D. 2, C.D. 1, Senate Bill No. 78,
18 S.D. 2, H.D. 2, and House Bill No. 1312, H.D. 1, S.D. 1, C.D. 1;
19 passed by the legislature during this regular session of 2019
20 and designated to be financed from the general obligation bond
21 fund and from the general obligation bond fund with debt service



1 cost to be paid from special funds; provided that the sum total
2 of general obligation bonds so issued shall not exceed
3 \$1,747,941,000.

4 Any law to the contrary notwithstanding, general obligation
5 bonds may be issued from time to time in accordance with section
6 39-16, Hawaii Revised Statutes, in such principal amount as may
7 be required to refund any general obligation bonds of the State
8 of Hawaii heretofore or hereafter issued pursuant to law.

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

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

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



Report Title:

State Bonds; State Budget

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. (HB120 CD1)

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

