
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 -
 10 and estimated for each fiscal year from - to
 11 - , is as follows:

Fiscal Year	Net General Fund Revenues	Debt Limit
For fiscal years	- , - , - ,	
- , and	- , 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 - ,	
	- , and - are actual, as certified by	
	the director of finance in the Statement of the Debt	



1 Limit of the State of Hawaii as of July 1, , dated
2 , . The net general fund revenues for
3 fiscal years - to - are estimates,
4 based on general fund revenue estimates made as of
5 , , 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, , is as follows for fiscal year

2 - to fiscal year - :

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

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

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



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1 total amount of general obligation bonds
 2 authorized in this Act is \$. The total
 3 amount of general obligation bonds previously
 4 authorized and unissued, as adjusted, and the
 5 general obligation bonds authorized in this Act
 6 is \$.

7 (B) As reported by the department of budget and
 8 finance the outstanding principal amount of bonds
 9 constituting instruments of indebtedness under
 10 which the State may incur a contingent liability
 11 as a guarantor is \$, all or part of
 12 which is excludable in determining the power of
 13 the State to issue general obligation bonds,
 14 pursuant to article VII, section 13, of the state
 15 constitution.

16 (5) Proposed general obligation bond issuance. As
 17 reported therein for the fiscal years - , -
 18 , - , - , and - , the State
 19 proposes to issue \$ in general obligation
 20 bonds during the first half of fiscal year - ,
 21 \$ in general obligation bonds during the



1 second half of fiscal year - , \$ in
 2 general obligation bonds semiannually during fiscal
 3 years - and - , and \$ in
 4 general obligation bonds semiannually during fiscal
 5 years - and - . Generally, it has been
 6 the practice of the State to issue twenty-year serial
 7 bonds with principal repayments beginning in the third
 8 year, the bonds payable in substantially equal annual
 9 installments of principal and interest payment with
 10 interest payments commencing six months from the date
 11 of issuance and being paid semi-annually thereafter.
 12 It is assumed that this practice will continue to be
 13 applied to the bonds that are proposed to be issued.

14 (6) Sufficiency of proposed general obligation bond
 15 issuance to meet the requirements of authorized and
 16 unissued bonds, as adjusted, and bonds authorized by
 17 this Act. From the schedule reported in paragraph
 18 (5), the total amount of general obligation bonds that
 19 the State proposes to issue during the fiscal years
 20 - to - is \$. An additional
 21 \$ is proposed to be issued in fiscal year



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1 - . The total amount of \$ that is
2 proposed to be issued through fiscal year - is
3 sufficient to meet the requirements of the authorized
4 and unissued bonds, as adjusted, the total amount of
5 which is \$ reported in paragraph (4), except
6 for \$. It is assumed that the
7 appropriations to which an additional \$ in
8 bond issuance needs to be applied will have been
9 encumbered as of June 30, . The \$ that
10 is proposed to be issued in fiscal year - will
11 be sufficient to meet the requirements of the June 30,
12 , encumbrances in the amount of \$. The
13 amount of assumed encumbrances as of June 30, , is
14 reasonable and conservative, based upon an inspection
15 of June 30 encumbrances of the general obligation bond
16 fund as reported by the state comptroller. Thus,
17 taking into account the amount of authorized and
18 unissued bonds, as adjusted, and the bonds authorized
19 by this Act versus the amount of bonds proposed to be
20 issued by June 30, , and the amount of
21 June 30, , encumbrances versus the amount of bonds



1 proposed to be issued in fiscal year - , the
2 legislature finds that in the aggregate, the amount of
3 bonds proposed to be issued is sufficient to meet the
4 requirements of all authorized and unissued bonds and
5 the bonds authorized by this Act.

6 (7) Bonds excludable in determining the power of the State
7 to issue bonds. As noted in paragraph (1), certain
8 bonds are excludable in determining the power of the
9 State to issue general obligation bonds.

10 (A) General obligation reimbursable bonds can be
11 excluded under certain conditions. It is not
12 possible to make a conclusive determination as to
13 the amount of reimbursable bonds which are
14 excludable from the amount of each proposed bond
15 issued because:

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



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

3 However, the legislature notes that with respect
4 to the principal and interest on outstanding
5 general obligation bonds, according to the
6 department of budget and finance, the average
7 proportion of principal and interest that is
8 excludable each year from the calculation against
9 the debt limit is per cent for approximately
10 ten years from fiscal year - to fiscal
11 year - . For the purpose of this
12 declaration, the assumption is made that per
13 cent of each bond issue will be excludable from
14 the debt limit, an assumption that the
15 legislature finds to be reasonable and
16 conservative.

17 (B) Bonds constituting instruments of indebtedness
18 under which the State incurs a contingent
19 liability as a guarantor can be excluded, but
20 only to the extent the principal amount of those
21 guaranties does not exceed seven per cent of the



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1 principal amount of outstanding general
 2 obligation bonds not otherwise excluded under
 3 subparagraph (A) of this paragraph; provided that
 4 the State shall establish and maintain a reserve
 5 in an amount in reasonable proportion to the
 6 outstanding loans guaranteed by the State as
 7 provided by law. According to the department of
 8 budget and finance and the assumptions presented
 9 herein, the total principal amount of outstanding
 10 general obligation bonds and general obligation
 11 bonds proposed to be issued, which are not
 12 otherwise excluded under article VII, section 13,
 13 of the state constitution for the fiscal years
 14 - , - , - , - , and
 15 - are as follows:

16		Total amount of
17		General Obligation Bonds
18		not otherwise excluded by
19		Article VII, Section 13
20	<u>Fiscal Year</u>	<u>of the State Constitution</u>

21
 22 Based on the foregoing and based on the assumption
 23 that the full amount of a guaranty is immediately due



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



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1 paragraph (8), all of the outstanding guaranties can
2 be excluded.

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

16			Greatest Amount
17	Time of Issuance		and Year of
18	and Amount to be	Debt Limit	Highest Principal
19	Counted Against	at Time of	and Interest
20	<u>Debt Limit</u>	<u>Issuance</u>	<u>on Bonds and Guaranties</u>

21
22 (9) Overall and concluding finding. From the facts,
23 estimates, and assumptions stated in this declaration



1 of findings, the conclusion is reached that the total
2 amount of principal and interest estimated for the
3 general obligation bonds authorized in this Act, and
4 for all bonds authorized and unissued, and calculated
5 for all bonds issued and outstanding, and all
6 guaranties, will not cause the debt limit to be
7 exceeded at the time of issuance.

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

17 SECTION 3. Authorization for issuance of general
18 obligation bonds. General obligation bonds may be issued as
19 provided by law in an amount that may be necessary to finance
20 projects authorized in Act (the General Appropriations Act
21 of 2019) and Act (the Judiciary Appropriations Act of 2019);



1 passed by the legislature during this regular session of 2019
2 and designated to be financed from the general obligation bond
3 fund and from the general obligation bond fund with debt service
4 cost to be paid from special funds; provided that the sum total
5 of general obligation bonds so issued shall not exceed
6 \$.

7 Any law to the contrary notwithstanding, general obligation
8 bonds may be issued from time to time in accordance with section
9 39-16, Hawaii Revised Statutes, in such principal amount as may
10 be required to refund any general obligation bonds of the State
11 of Hawaii heretofore or hereafter issued pursuant to law.

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

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

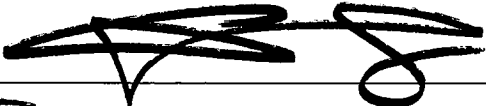
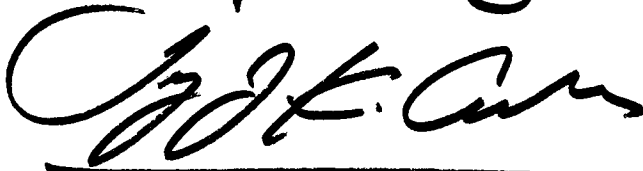


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1 SECTION 6. This Act shall take effect upon its approval.

2

INTRODUCED BY:

JAN 10 2020



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Report Title:

State Bonds; State Budget

Description:

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

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