
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 the clause in Article VII, Section 13 of the State Constitution,
4 which states: "Effective July 1, 1980, the legislature shall
5 include a declaration of findings in every general law
6 authorizing the issuance of general obligation bonds that the
7 total amount of principal and interest, estimated for such bonds
8 and for all bonds authorized and unissued and calculated for all
9 bonds issued and outstanding, will not cause the debt limit to
10 be 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 per cent 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 per cent 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 "reimbursable general obligation
14 bonds issued for a public undertaking, improvement or
15 system but only to the extent that reimbursements to
16 the general fund are in fact made from the net
17 revenue, or net user tax receipts, or combination of
18 both, as determined for the immediately preceding
19 fiscal year" and bonds constituting instruments of
20 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 2014-2015
10 and estimated for each fiscal year from 2015-2016 to
11 2018-2019, is as follows:

12	Fiscal	Net General	
13	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
14	2011-2012	\$5,648,800,650	
15	2012-2013	6,226,008,766	
16	2013-2014	6,088,589,303	
17	2014-2015	6,387,763,000	\$ 1,107,742,921
18	2015-2016	6,607,094,000	1,153,312,266
19	2016-2017	6,943,318,000	1,176,812,522
20	2017-2018	7,301,784,000	1,229,520,792
21	2018-2019	(not applicable)	1,285,885,420

22 For fiscal years 2014-2015, 2015-2016, 2016-2017,
23 2017-2018, and 2018-2019, respectively, the debt limit
24 is derived by multiplying the average of the net



1 general fund revenues for the three preceding fiscal
2 years by eighteen and one-half per cent. The net
3 general fund revenues for fiscal years 2011-2012,
4 2012-2013, and 2013-2014 are actual, as certified by
5 the director of finance in the Statement of the Debt
6 Limit of the State of Hawaii as of July 1, 2014, dated
7 September 29, 2014. The net general fund revenues for
8 fiscal years 2014-2015 to 2017-2018 are estimates,
9 based on general fund revenue estimates made as of
10 March 12, 2015, by the council on revenues, the body
11 assigned by Article VII, Section 7 of the State
12 Constitution to make such estimates, and based on
13 estimates made by the department of budget and finance
14 of those receipts that cannot be included as general
15 fund revenues for the purpose of calculating the debt
16 limit, all of which estimates the legislature finds to
17 be reasonable.

- 18 (3) Principal and interest on outstanding bonds applicable
19 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, 2015, is as follows for fiscal year 2015-2016 to fiscal year 2021-2022:

10 11	<u>Fiscal Year</u>	<u>Principal and Interest</u>
12	2015-2016	\$687,999,746
13	2016-2017	680,985,413
14	2017-2018	642,351,670
15	2018-2019	633,101,421
16	2019-2020	586,094,887
17	2020-2021	522,104,133
18	2021-2022	524,378,042

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 2022-2023 to fiscal year 2034-2035



- 1 when the final installment of \$53,083,719 shall
2 be due and payable.
- 3 (B) The department of budget and finance further
4 reports that the outstanding principal amount of
5 bonds constituting instruments of indebtedness
6 under which the State may incur a contingent
7 liability as a guarantor is \$233,500,000, all or
8 part of which is excludable in determining the
9 power of the State to issue general obligation
10 bonds, pursuant to Article VII, Section 13 of the
11 State Constitution.
- 12 (4) Amount of authorized and unissued general obligation
13 bonds and guaranties and proposed bonds and
14 guaranties.
- 15 (A) As calculated from the state comptroller's bond
16 fund report as of March 31, 2015, adjusted for:
- 17 (i) Appropriations to be funded by general
18 obligation bonds or reimbursable general
19 obligation bonds as provided in House Bill



1 No. 500, H.D. 1, S.D. 1, C.D. 1 (the General
2 Appropriations Act of 2015);

3 (ii) Lapses as provided in House Bill No. 500,
4 H.D. 1, S.D. 1, C.D. 1 (the General
5 Appropriations Act of 2015);

6 (iii) Appropriations to be funded by general
7 obligation bonds or reimbursable general
8 obligation bonds as provided in House Bill
9 No. 290, H.D. 2, S.D. 1, C.D. 1 (the
10 Judiciary Appropriations Act of 2015);

11 (iv) Lapses as provided in House Bill No. 290,
12 H.D. 2, S.D. 1, C.D. 1 (the Judiciary
13 Appropriations Act of 2015); and

14 (v) Appropriations to be funded by general
15 obligation bonds or reimbursable general
16 obligation bonds as provided in Senate Bill
17 No. 284, S.D.2, H.D.2, C.D.1, Senate Bill
18 No. 892, S.D.2, H.D.3, C.D.1, and Senate
19 Bill No. 1078, S.D.1, H.D.1, C.D.1;



1 the total amount of authorized but unissued
2 general obligation bonds is \$2,422,975,155. The
3 total amount of general obligation bonds
4 authorized in this Act is \$944,607,497. The
5 total amount of general obligation bonds
6 previously authorized and unissued, as adjusted,
7 and the general obligation bonds authorized in
8 this Act is \$3,367,582,652.

9 (B) As reported by the department of budget and
10 finance the outstanding principal amount of bonds
11 constituting instruments of indebtedness under
12 which the State may incur a contingent liability
13 as a guarantor is \$233,500,000, all or part of
14 which is excludable in determining the power of
15 the State to issue general obligation bonds,
16 pursuant to Article VII, Section 13 of the State
17 Constitution.

18 (5) Proposed general obligation bond issuance. As
19 reported therein for the fiscal years 2014-2015, 2015-
20 2016, 2016-2017, 2017-2018, and 2018-2019, the State



1 proposed to issue \$500,000,000 in general obligation
2 bonds semiannually during fiscal year 2015-2016,
3 \$550,000,000 in general obligation bonds semiannually
4 during fiscal year 2016-2017, and \$325,000,000 in
5 general obligation bonds semiannually during fiscal
6 years 2017-2018 and 2018-2019. It has been the
7 practice of the State to issue twenty-year serial
8 bonds with principal repayments beginning in the fifth
9 year, the bonds payable in substantially equal annual
10 installments of principal and interest payment with
11 interest payments commencing six months from the date
12 of issuance and being paid semi-annually thereafter.
13 It is assumed that this practice will continue to be
14 applied to the bonds that are proposed to be issued.

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



1 2015-2016 to 2017-2018 is \$2,750,000,000. An
2 additional \$650,000,000 is proposed to be issued in
3 fiscal year 2018-2019. The total amount of
4 \$2,750,000,000 which is proposed to be issued through
5 fiscal year 2017-2018 is sufficient to meet the
6 requirements of the authorized and unissued bonds, as
7 adjusted, the total amount of which is \$3,367,582,652
8 reported in paragraph (4), except for \$617,582,652.
9 It is assumed that the appropriations to which an
10 additional \$617,582,652 in bond issuance needs to be
11 applied will have been encumbered as of June 30, 2018.
12 The \$650,000,000 which is proposed to be issued in
13 fiscal year 2018-2019 will be sufficient to meet the
14 requirements of the June 30, 2018 encumbrances in the
15 amount of \$617,582,652. The amount of assumed
16 encumbrances as of June 30, 2018 is reasonable and
17 conservative, based upon an inspection of June 30
18 encumbrances of the general obligation bond fund as
19 reported by the state comptroller. Thus, taking into
20 account the amount of authorized and unissued bonds,



1 as adjusted, and the bonds authorized by this Act
2 versus the amount of bonds proposed to be issued by
3 June 30, 2018, and the amount of June 30, 2018
4 encumbrances versus the amount of bonds proposed to be
5 issued in fiscal year 2018-2019, the legislature finds
6 that in the aggregate, the amount of bonds proposed to
7 be issued is sufficient to meet the requirements of
8 all authorized and unissued bonds and the bonds
9 authorized by this Act.

10 (7) Bonds excludable in determining the power of the State
11 to issue bonds. As noted in paragraph (1), certain
12 bonds are excludable in determining the power of the
13 State to issue general obligation bonds.

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

20 (i) It is not known exactly when projects for



1 which reimbursable bonds have been
2 authorized in prior acts and in this Act
3 will be implemented and will require the
4 application of proceeds from a particular
5 bond issue; and

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

8 However, the legislature notes that with respect
9 to the principal and interest on outstanding
10 general obligation bonds, according to the
11 department of budget and finance, the average
12 proportion of principal and interest which is
13 excludable each year from the calculation against
14 the debt limit is 0.67 per cent for approximately
15 ten years from fiscal year 2014-2015 to fiscal
16 year 2023-2024. For the purpose of this
17 declaration, the assumption is made that 0.50 per
18 cent of each bond issue will be excludable from
19 the debt limit, an assumption that the legislature
20 finds to be reasonable and conservative.



1 (B) Bonds constituting instruments of indebtedness
2 under which the State incurs a contingent
3 liability as a guarantor can be excluded, but only
4 to the extent the principal amount of those
5 guaranties does not exceed seven per cent of the
6 principal amount of outstanding general obligation
7 bonds not otherwise excluded under subparagraph
8 (A) of this paragraph (7); and provided that the
9 State shall establish and maintain a reserve in an
10 amount in reasonable proportion to the outstanding
11 loans guaranteed by the State as provided by law.
12 According to the department of budget and finance
13 and the assumptions presented herein, the total
14 principal amount of outstanding general obligation
15 bonds and general obligation bonds proposed to be
16 issued, which are not otherwise excluded under
17 Article VII, Section 13 of the State Constitution
18 for the fiscal years 2014-2015, 2015-2016, 2016-
19 2017, 2017-2018, and 2018-2019 are as follows:



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Total amount of
General Obligation Bonds
not otherwise excluded by
Article VII, Section 13
of the State Constitution

<u>Fiscal year</u>	
2014-2015	\$6,070,550,000
2015-2016	7,065,550,000
2016-2017	8,160,050,000
2017-2018	8,806,800,000
2018-2019	9,453,750,000

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



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

11 (8) Determination whether the debt limit will be exceeded
12 at the time of issuance. From the foregoing and on
13 the assumption that all of the bonds identified in
14 paragraph (5) will be issued at an interest rate not
15 to exceed 6.00 per cent in fiscal years 2016 through
16 2019, it can be determined from the following schedule
17 that the bonds which are proposed to be issued, which
18 include all authorized and unissued bonds previously
19 authorized, as adjusted, general obligation bonds, and
20 instruments of indebtedness under which the State



1 incurs a contingent liability as a guarantor
 2 authorized in this Act, will not cause the debt limit
 3 to be exceeded at the time of such issuance:

4	5	6	7	8
	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>	
9	1st half FY 2015-2016			
10	\$497,500,000	1,153,312,266	701,482,632	(2016-2017)
11	2nd half FY 2015-2016			
12	\$497,500,000	1,153,312,266	706,437,401	(2017-2018)
13	1st half FY 2016-2017			
14	\$547,250,000	1,176,812,522	729,020,051	(2018-2019)
15	2nd half FY 2016-2017			
16	\$547,250,000	1,176,812,522	761,855,051	(2018-2019)
17	1st half FY 2017-2018			
18	\$323,375,000	1,229,520,792	771,556,301	(2018-2019)
19	2nd half FY 2017-2018			
20	\$323,375,000	1,229,520,792	787,657,300	(2021-2022)
21	1st half FY 2018-2019			
22	\$323,375,000	1,285,885,420	809,248,388	(2023-2024)
23	2nd half FY 2018-2019			
24	\$323,375,000	1,285,885,420	841,245,888	(2023-2024)

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 26 (9) Overall and concluding finding. From the facts,
 27 estimates, and assumptions stated in this declaration
 28 of findings, the conclusion is reached that the total
 29 amount of principal and interest estimated for the
 30 general obligation bonds authorized in this Act, and
 31 for all bonds authorized and unissued, and calculated



1 for all bonds issued and outstanding, and all
2 guaranties, will not cause the debt limit to be
3 exceeded at the time of issuance.

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

13 SECTION 3. Authorization for issuance of general
14 obligation bonds. General obligation bonds may be issued as
15 provided by law in an amount that may be necessary to finance
16 projects authorized in House Bill No. 500, H.D. 1, S.D. 1, C.D.
17 1 (the General Appropriations Act of 2015), House Bill No. 290,
18 H.D. 2, S.D. 1, C.D. 1 (the Judiciary Appropriations Act of
19 2015), Senate Bill No. 284, S.D.2, H.D.2, C.D.1, Senate Bill No.
20 892, S.D.2, H.D.3, C.D.1, and Senate Bill No. 1078, S.D.1,



1 H.D.1, C.D.1; passed by the legislature during this regular
2 session of 2015 and designated to be financed from the general
3 obligation bond fund and from the general obligation bond fund
4 with debt service cost to be paid from special funds; provided
5 that the sum total of general obligation bonds so issued shall
6 not exceed \$944,607,497.

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.

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



Report Title:

State Bonds

Description:

Authorizes the 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. (HB73 CD1)

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

