
A BILL FOR AN ACT

RELATING TO STATE DEBT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to address state
2 debt.

3 More specifically, this Act requires the director of
4 finance to submit to the legislature the following:

5 (1) A state debt management policy before the convening of
6 the regular session of 2017, as recommended by the
7 Government Finance Officers Association; and

8 (2) A debt affordability study before the convening of the
9 regular session of each odd-numbered year.

10 The legislature intends that this Act should promote both
11 transparency in budget-making and more informed decisions on
12 capital improvement project and debt issuance authorizations.

13 SECTION 2. The Hawaii Revised Statutes is amended by
14 adding a new chapter to be appropriately designated and to read
15 as follows:



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"CHAPTER

STATE DEBT

PART I. STATE DEBT MANAGEMENT POLICY

§ -1 State debt management policy; establishment. (a)

The director of finance, with the approval of the governor, shall submit to the legislature a recommended state debt management policy, in accordance with this chapter, at least twenty days prior to the convening of the regular session of 2017.

(b) The recommended state debt management policy shall consist of guidelines and restrictions that affect the amount and type of bonds issued by the state government, the issuance process, and the management of the state debt portfolio. The purpose of the policy shall be to improve the quality of decisions, provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning, including a multi-year capital plan and debt service payment schedule.

(c) The recommended state debt management policy shall address bonded debt as well as financing agreements, certificates of participation, and other instruments that



1 provide financing for state facilities in return for periodic
2 lease or other payments.

3 (d) The director of finance may submit recommended
4 amendments of the policy to the legislature prior to the
5 convening of any regular session.

6 § -2 Recommended debt management policy; parameters.

7 The recommended state debt management policy shall be consistent
8 with, but may be more restrictive than, state constitutional
9 provisions and statutes. The recommended state debt management
10 policy shall address the following issues, as well as any others
11 deemed necessary by the director of finance:

- 12 (1) Purposes for which debt may be issued;
- 13 (2) Types of debt that may be issued;
- 14 (3) Limitations on indebtedness;
- 15 (4) Debt maturity schedule or other structural features;
- 16 (5) Method of sale;
- 17 (6) Method of procuring consultants and professionals;
- 18 (7) Refunding policies; and
- 19 (8) Disclosure practices.

20 § -3 Debt management policy; duties of the legislature.

21 Upon receipt from the director of finance, the legislature shall



1 consider the recommended state debt management policy. The
2 legislature may establish the policy, with or without
3 modification, by act.

4 **PART II. DEBT AFFORDABILITY STUDY**

5 § -11 **Definitions.** For the purpose of this part:

6 "Ensuing twenty-five fiscal year period" means the twenty-
7 five fiscal years following the submittal of a multi-year
8 program and financial plan to the legislature.

9 "Fiscal years covered by the applicable multi-year program
10 and financial plan" means the six fiscal years following the
11 submittal of the multi-year program and financial plan to the
12 legislature.

13 § -12 **Debt affordability study.** The director of finance
14 shall submit to the legislature a debt affordability study prior
15 to the convening of the regular session of each odd-numbered
16 year. The director shall submit the study with the multi-year
17 program and financial plan.

18 § -13 **Debt affordability study; purpose, information.**

19 (a) The purpose of the debt affordability study shall be to
20 provide the legislature with information on the affordability of
21 the future debt planned for the State.



1 (b) The debt affordability study shall include the
2 following information:

3 (1) The projected annual appropriation, by source of
4 funding, necessary to pay the annual debt service for
5 the ensuing twenty-five fiscal year period on the
6 following bonds, under the assumption that all are
7 issued:

8 (A) All authorized, but unissued bonds that have not
9 lapsed as of the September 30 immediately
10 preceding submittal of the study; and

11 (B) All bonds necessary to fund the capital
12 improvement projects proposed in the fiscal years
13 covered by the applicable multi-year program and
14 financial plan;

15 (2) A debt service payment schedule showing the annual
16 appropriation, by source of funding, necessary to pay,
17 during the ensuing twenty-five fiscal year period, the
18 annual debt service on:

19 (A) All bonds identified under paragraph (1); and

20 (B) All bonds previously issued, but remaining
21 outstanding;



- 1 (3) The projected ratio of the following for each source
- 2 of funding pledged to pay debt service on bonds during
- 3 each fiscal year of the ensuing twenty-five fiscal
- 4 year period:
- 5 (A) Annual debt service payments to annual revenues;
- 6 and
- 7 (B) Annual debt service payments to annual
- 8 appropriations;
- 9 (4) An examination of whether projected annual revenues
- 10 from the source of funding are adequate to pay for the
- 11 annual debt service on the bonds;
- 12 (5) An examination of whether any increase in annual debt
- 13 service payments on the bonds will cause a
- 14 commensurate decrease of funds available for operating
- 15 programs with the same source of funding as the debt
- 16 service payments;
- 17 (6) An assessment of whether the annual debt service
- 18 obligations of the State for the fiscal years covered
- 19 by the applicable multi-year program and financial
- 20 plan are affordable to the State; and



1 (7) An identification of, and discussion on, any non-
2 compliance or possible non-compliance of the State's
3 actual or planned debt issuance with the state debt
4 management policy.

5 The director of finance may include any other information
6 in the study deemed appropriate or necessary by the director."

7 SECTION 3. There is appropriated out of the general
8 revenues of the State of Hawaii the sum of \$100,000 or so much
9 thereof as may be necessary for fiscal year 2015-2016 and the
10 same sum or so much thereof as may be necessary for fiscal year
11 2016-2017 for the preparation of the state debt management
12 policy and the debt affordability study.

13 The sums appropriated shall be expended by the department
14 of budget and finance for the purposes of this Act.

15 SECTION 4. This Act shall take effect on July 1, 2015.



Report Title:

State Debt Management Policy, Debt Affordability Study;
Established; Appropriations

Description:

Requires the director of finance to submit a recommended state debt management policy to the legislature before the 2017 regular session. Requires the director of finance to submit a debt affordability study to the legislature before the regular session of each odd-numbered year. Makes an appropriation for the preparation of the policy and study. (CD1)

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