



JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT

**TESTIMONY BY LUIS P. SALAVERIA**  
**DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE**  
**STATE OF HAWAII**  
**TO THE HOUSE COMMITTEE ON FINANCE**

January 3, 2024

Chair Yamashita and Members of the Committee:

Thank you for the opportunity to present an overview of the Administration's FY 25 Executive Supplemental Budget and Multi-Year General Fund Financial Plan.

My presentation will cover the following:

- Budgeting for the 2023 wildfires response and recovery;
- Green Administration priorities;
- Budget and fiscal considerations;
- Budget transparency;
- Constitutional and statutory requirements relating to the Executive Budget;
- A brief synopsis of the FY 25 Supplemental operating and capital improvement program (CIP) budgets;
- The Multi-Year General Fund Financial Plan based on the Council on Revenues' (COR) September 7, 2023 revenue projections; and
- The general fund expenditure ceiling, the requirement to provide a tax refund or credit and deposit to the Emergency and Budget Reserve Fund (EBRF), and the State debt limit.

## BUDGETING FOR THE 2023 WILDFIRES RESPONSE AND RECOVERY

The tragic events of August 8<sup>th</sup> have directly impacted the island of Maui and deeply affected our entire State. The Green Administration is committed to supporting the wildfires response and recovery effort and has set aside over half a billion dollars in the general fund financial plan for response and recovery costs. As the situation evolves, we will continue to assess our resources and must remain flexible in our budgeting to ensure that adequate funding is available when it is needed.

We have been able to address initial response and recovery expenses without adversely affecting departmental budgets by redirecting existing resources to the Hawai'i Emergency Management Agency's Major Disaster Fund (MDF), and having most departments use the MDF to pay for necessary costs. Majority of these costs qualify for reimbursement from the Federal Emergency Management Agency (FEMA) and reimbursements will be made over time as the federal review process of State response and recovery claims is completed. Other costs have been paid out of the respective department's FY 24 operating budgets.

The redirection of existing resources was undertaken pursuant to the Seventh Emergency Proclamation Relating to Wildfires, dated September 8, 2023, and Executive Memorandum No. 23-08. In total, \$164.1 million was redirected, after adjustments, from selected general fund operating appropriations from Act 164, SLH 2023, that were intended for specific purposes and CIP projects. It should be noted that these selected operating appropriations were made when there was a significant general fund surplus expected for FY 24, reflective of the State's economic recovery from the COVID-19 pandemic. While the appropriations were for worthwhile purposes, we needed to reprioritize those general fund resources to help those in crisis.

To continue the work of these important State projects, the FY 25 Executive Supplemental Budget proposes to reauthorize \$160.2 million of the general-funded CIP operating appropriations as general obligation (G.O.) bond-funded appropriations in the CIP budget. This approach to convert general-funded appropriations to G.O. bond-funded CIP appropriations, where appropriate, frees up valuable general funds for wildfire recovery costs, while supporting the continuation of these projects and providing a longer implementation period by including them in the CIP budget.

Sixty-five million of the \$164.1 million was disbursed to the MDF while the remaining \$99.1 million has been set aside for the State's share of non-congregate housing and debris clean-up costs, the full costs of which will be paid initially by FEMA. In total, we provided \$100 million in general fund appropriations to the MDF pursuant to Section 127A-16, HRS, and the emergency proclamations for wildfires, as follows:

1. \$5 million from the Department of Defense's FY 24 operating appropriation from Act 164, SLH 2023, pursuant to Section 127A-16(a), HRS.
2. \$30 million from the Department of Budget and Finance's (B&F) \$200 million appropriation pursuant to Section 5 of Act 164, SLH 2023.
3. \$65 million from \$164.1 million transferred to B&F for 2023 wildfires, as previously noted.

We will request, through separate legislation, to extend the lapse dates of the \$99.1 million as well as the balance of the MDF from June 30, 2024, to June 30, 2026, due to the uncertain timing of the payments that will need to be made for non-congregate housing and debris clean-up.

The FY 25 Executive Supplemental Budget requests a total of \$452.2 million (\$237.9 million in general funds, \$1.5 million in special funds, \$12.8 million in federal

funds, and \$200 million in revolving funds) for the operating budget and \$35.4 million (\$2.4 million in G.O. bond funds, \$6.6 million in revenue bonds and \$26.4 million in federal funds) for the CIP budget for the State's response to the Maui wildfires and statewide wildfire mitigation and response. Attachment 1 is a summary of these requests.

The FY 25 Executive Supplemental Budget also includes requests to convert the following general-funded FY 25 CIP appropriations from Act 164, SLH 2023, to G.O. bond funds:

- \$25 million for the University of Hawai'i (UH), Community Colleges, Capital Renewal and Deferred Maintenance.
- \$30 million for UH, Systemwide, to renew, improve and modernize.
- \$50 million for the Hawai'i Housing Finance and Development Corporation's (HHFDC) Dwelling Unit Revolving Fund infusion.
- \$180 million for HHFDC's Rental Housing Revolving Fund infusion.

We also propose to convert \$100 million of the \$200 million general fund appropriation for the School Facilities Authority (SFA) from Act 257, SLH 2022, as amended by Act 175, SLH 2023, to G.O. bond funds through separate legislation. The G.O. bond funds would be transferred to the SFA special fund for the construction or renovation of pre-kindergarten facilities.

Looking forward, \$100 million has been set aside each year in FY 26 and FY 27 in the general fund financial plan for potential recovery costs. Thus, the proposed conversions are intended to cover the current recovery costs and set asides for future costs in the general fund financial plan.

## GREEN ADMINISTRATION PRIORITIES

The Green Administration's primary concern is the health and welfare of all of Hawai'i's families. As we support recovery efforts on Maui, we will continue to address our State priorities and invest in Hawai'i's future.

It remains a high priority of our Administration to address Hawai'i's cost of living. Hawai'i's families struggle to make ends meet and more are living paycheck to paycheck than before the pandemic, despite working multiple jobs. It is critical to move forward with the phased implementation of the Green Affordability Plan (GAP) to relieve some of the tax burden on Hawai'i's people. The 2023 Legislature passed the Phase I tax relief package that prioritizes working families by doubling the earned income tax credit and the food tax credit and improving the existing child and dependent care tax credit. This was an important first step and the Administration will continue to pursue Phase II of the GAP that will propose, through separate legislation, to increase the childcare tax credit and index the State's individual income tax brackets. This is one of the most direct ways to support residents and provide relief from inflation.

Affordable housing continues to be one of our biggest challenges. The affordable housing crisis not only impacts low-income families who typically qualify for subsidized public housing, but also greatly affects Hawai'i's middle-class residents, a gap group who may earn too much to qualify for public housing but too little to afford to buy or rent market-rate housing. The FY 25 Executive Supplemental Budget provides funding to continue development of infrastructure for housing near UH West O'ahu and in Iwilei-Kapalama, the two areas with the most immediate potential for affordable housing development.

Health care is always a high priority. Providing direct care and mental health support is important, especially during hard times. Consequently, the Executive Supplemental Budget includes significant operating requests to provide in-patient and temporary health care workers at the Hawai'i State Hospital (HSH) and purchase-of-service contracts for the Child and Adolescent Mental Health Services Division. Additionally, to increase nursing enrollment, we have also requested funding for a collaborative program between UH Mānoa and UH West O'ahu. Our CIP request also supports a bed expansion at the Guensberg and Bishop buildings at HSH and the construction of a consolidated health care unit at Hālawā Correctional Facility.

As caretakers for future generations, we are committed to pursuing climate change strategies that are equitable, culturally responsive, and resilient. This includes looking at the resiliency of the power grid, renewable energy, sustainable transportation, land use planning, sea level rise, health, natural and cultural resource impacts, and more. We believe that the responsibility to protect Hawai'i's unique natural environment should be broadened to include visitors to Hawai'i. A visitor climate fee could provide the needed resources to protect our environment and to increase awareness of the impacts of climate change.

Investing in education will help to increase the success of our keiki. As such, we have requested more than \$125 million to support Hawai'i's public schools, including substantial funding for the Department of Education's (DOE) food service and student transportation programs, and \$28.6 million to support UH.

### BUDGET AND FISCAL CONSIDERATIONS

In developing the Executive Supplemental Budget, we considered the State's current and anticipated fiscal health and the potential impact of all proposed budget

requests. To the extent possible, we considered potential stressors to the State's economy which could impact the State's revenues and fiscal well-being.

Administrative Directive No. 22-01, State Reserve Policy, requires that for each year of the six-year planning period, the State shall endeavor to attain a minimum fund balance as a percentage of the preceding year's general fund revenues as follows:

1. 5 percent unassigned general fund carryover balance;
2. 10 percent EBRF; and
3. 25 percent combined State reserves or 20 percent combined State reserves, if the EBRF balance objective has been met.

The balance of the EBRF is the highest it has ever been. With a current balance of \$1.476 billion, the EBRF is now 14.5 percent of FY 23 general fund revenues, which provides a strong reserve for the future.

The State's major unfunded liabilities pertain to pension obligations and other post-employment benefits (OPEB), or health benefits, it owes its retirees. Funding these liabilities continues to pose significant demands on the State's resources. With the support of the Legislature, however, we have made substantial progress addressing our unfunded liabilities.

The State's progress in addressing its liabilities is considered by credit rating agencies that rate the State's G.O. bonds. The State's current G.O. bond ratings are "AA" (stable outlook) by Fitch Ratings, "Aa2" (stable outlook) by Moody's Investors Service, and "AA+" (stable outlook) by S&P Global Ratings, because of, among other things, the State's strong budget and fiscal policies. High credit ratings mean lower borrowing costs for the State.

Preliminary actual general fund tax revenue growth for the first four months of FY 24 was 7.6 percent. Although this exceeds the COR's projection of 1.3 percent for FY 24, General Excise and Use Tax (GET) and Transient Accommodations Tax revenue growth for the same period were 0.0 percent and -7.7 percent, respectively.

The flattening of GET collections, which is the largest category of tax collections and an indicator of the State's economic health, is concerning. Further, the current growth is primarily due to the increase in Individual Income Tax (IIT) collections of 29.7 percent, which is inflated due to the \$315 million in constitutional IIT refunds that were paid out in the first half of FY 23.

Actions taken by Congress may impact Hawai'i. Congress has not yet passed a budget for federal FY 24, and the federal government is operating on a second continuing resolution that has two expiration dates. The first expiration date, January 19, 2024, applies to 4 of the 12 federal appropriation bills that make up the federal budget including those for housing and transportation; and the second expiration date, February 2, 2024, applies to the remaining 8 appropriation bills including those for defense, education, labor, health, and human services. Operating on continuing resolutions can cause uncertainty for federally funded programs, leaving them unable to plan.

However, even if Congress passes a federal FY 24 budget, it could affect federal funds coming into the State and the stability of federal grant programs. With constant discussions of federal reductions, the State must be prepared to assume costs for services which the State deems critical should the federal government reduce or discontinue funding. Reduced funding could also have economic impacts.



Recent events such as the pandemic and the 2023 wildfires have made it abundantly clear how quickly things can change. We are cautiously optimistic about Hawai'i's economy but many potential challenges remain. As such, we must be prepared to handle fiscal challenges that come our way and will be closely monitoring general fund revenues in the months to come.

### BUDGET TRANSPARENCY

To increase budget transparency, departments were instructed to review their FY 25 operating budget details for items which did not align with anticipated expenditures and could be addressed immediately. Requests are included to correct the following:

- Negative adjustments;
- Underfunded, unfunded or unbudgeted positions; and
- Specific budget line items which do not align with anticipated expenditures.

Section 37-74(f), HRS, prohibits funds to be expended to fill a permanent or temporary position for the lowest level of a program if the filling of that position causes the position ceiling for that level of the program to be exceeded with specified exceptions. "Position ceiling" is defined as the maximum number of permanent and temporary positions that an expending agency is authorized for a particular program.

As such, all departments were instructed to specifically review their unbudgeted positions to determine which were critical and should continue as budgeted positions. Because the unbudgeted positions are currently funded, only cost neutral requests (i.e., trade-off/transfer requests with related increases in permanent or temporary position counts) were allowed.

Hence, the FY 25 Executive Supplemental Budget includes requests to convert such unbudgeted positions to budgeted positions. Many other unbudgeted positions are still under review by their respective departments and may take longer to convert depending upon the types of positions.

### CONSTITUTIONAL AND STATUTORY REQUIREMENTS

In preparing the supplemental budget, the Executive Branch is bound by constitutional and statutory requirements, which include, but are not limited to, the following:

- Article VII, Section 9, of the State Constitution provides that “. . . in each regular session in an even-numbered year, at such time as may be provided by law, the governor may submit to the legislature a bill to amend any appropriation for operating expenditures of the current fiscal biennium, to be known as the supplemental appropriations bill, and bills to amend any appropriations for capital expenditures of the current fiscal biennium . . .”
- Section 37-72, Supplemental Budget, HRS, states that the Governor may submit to the Legislature a supplemental budget to amend any appropriation for the current fiscal biennium. The supplemental budget shall reflect the changes being proposed in the State’s program and financial plan and shall be submitted, as applicable, in the manner provided in Section 37-71, The Budget, HRS.
- Section 37-71(b)(4), HRS, prescribes that the information provided in the budget be formatted such that “[p]rogram costs shall include all costs, including research and development, operating and capital, regardless of the means of financing . . .”
- Section 37-71(c)(3), HRS, requires a summary listing of all capital improvement projects by program, at the lowest level of the program structure, which shows for

each project, by investment cost elements, the amount of new appropriations and authorizations proposed. Under Section 37-62, Definitions, HRS, “cost elements” means the major subdivisions of a cost category. The category “capital investment” includes plan, land acquisition, design, construction, and equipment and furnishing.

Thus, the FY 25 Executive Supplemental Budget includes all appropriations from Act 164, SLH 2023, the General Appropriations Act. To meet the requirements of Section 37-71, HRS, we have also designated the funding for CIP projects included in the FY 25 Executive Supplemental Budget by cost element (i.e., plans, land acquisition, design, construction, and equipment). This includes providing cost element breakdowns for CIP projects that were originally appropriated in Act 164, SLH 2023.

#### THE FY 25 EXECUTIVE SUPPLEMENTAL BUDGET

As managers of the public’s funds, it is our responsibility to make the best use of the State’s resources, especially during uncertain times. We must strategically plan expenditures and provide for limited expansion of annual recurrent spending to ensure fiscal sustainability. Pressing demands on State resources have reemphasized the need to be responsible with our finances. We have proposed appropriate general fund appropriations in the FY 25 Executive Supplemental Budget and have also proposed to realign our current resources to solve our most critical problems and better serve the people of Hawai‘i.

The FY 25 Executive Supplemental Budget contains operating and CIP requests for FY 25 that propose changes and adjustments to Act 164, SLH 2023, including transfers (operating only), which authorized funding for the two-year fiscal period that began on July 1, 2023 and ends on June 30, 2025. We will also be proposing to

reinstate standard operating and CIP provisions necessary for effective and efficient implementation of the budget.

### ***The Operating Budget***

#### General Funds

For FY 24, there were no proposed general fund adjustments to the operating budget. The current appropriation level and recommended general fund amount for FY 24 is \$10.737 billion. For FY 25, total proposed general fund adjustments to the operating budget amount to a net increase of \$326.8 million, or 3.3 percent more than the current appropriation level of \$9.896 billion. The recommended general fund amount for FY 25 is \$10.223 billion.

#### All Means of Financing

For FY 24, there were no proposed adjustments to the operating budget. The current appropriation level and recommended amount for all means of financing (MOF) for FY 24 is \$19.027 billion. For FY 25, total proposed adjustments to the operating budget for all MOF amount to a net increase of \$1.036 billion, or 5.7 percent more than the current appropriation level of \$18.206 billion for all MOF. The recommended amount for all MOF for FY 25 is \$19.243 billion.

Breakdowns by MOF are as follows:

<u>Means of Financing</u>	<u>FY 24 Act 164/2023 Appropriation</u> (\$)	<u>FY 24 Proposed Adjustment</u> (\$)	<u>FY 24 Recommended Appropriation</u> (\$)
General Funds	10,736,611,097	.....	10,736,611,097
Special Funds	3,560,088,942	.....	3,560,088,942
Federal Funds	3,212,210,398	.....	3,212,210,398
Other Federal Funds	367,837,341	.....	367,837,341
Private Contributions	903,067	.....	903,067
County Funds	209,721	.....	209,721
Trust Funds	476,371,973	.....	476,371,973
Interdept. Transfers	90,143,176	.....	90,143,176
Revolving Funds	561,717,926	.....	561,717,926
Other Funds	<u>20,677,825</u>	<u>.....</u>	<u>20,677,825</u>
Total	19,026,771,466	.....	19,026,771,466

<u>Means of Financing</u>	<u>FY 25 Act 164/2023 Appropriation</u> (\$)	<u>FY 25 Proposed Adjustment</u> (\$)	<u>FY 25 Recommended Appropriation</u> (\$)
General Funds	9,896,004,553	326,769,171	10,222,773,724
Special Funds	3,615,327,915	212,854,564	3,828,182,479
Federal Funds	3,240,138,088	214,996,641	3,455,134,729
Other Federal Funds	359,433,118	77,855,535	437,288,653
Private Contributions	903,067	.....	903,067
County Funds	209,721	(209,721)	.....
Trust Funds	423,675,825	4,372,878	428,048,703
Interdept. Transfers	91,564,699	(193,516)	91,371,183
Revolving Funds	557,925,299	199,952,841	757,878,140
Other Funds	<u>21,216,288</u>	<u>.....</u>	<u>21,216,288</u>
Total	18,206,398,573	1,036,398,393	19,242,796,966

A department-by-department summary and highlights of what is contained in the Executive Supplemental operating budget can be found in “The FY 25 Executive Supplemental Budget - Budget in Brief” that is available on B&F’s website at <https://budget.hawaii.gov/wp-content/uploads/2023/12/Budget-in-Brief-FY-25-BIB.7H0.pdf>.

## ***The Capital Improvement Program Budget***

### **General Obligation Bond Funds**

For FY 24, there were no proposed CIP adjustments for G.O. bond funds. The current G.O. bond fund and G.O. reimbursable (G.O.R.) bond fund appropriation level amount for FY 24 is \$887.2 million and \$9.9 million, respectively. For FY 25, total proposed CIP adjustments for G.O. bond funds amount to a net increase of \$890.2 million, or 262.72 percent more than the total of the current G.O. bond fund appropriation level of \$338.9 million. The recommended G.O. bond fund amount for FY 25 is \$1.229 billion. There was no G.O.R. bond fund adjustment or appropriation for FY 25.

### **All Means of Financing**

For FY 24, there were no proposed CIP adjustments for all MOF. The current appropriation level amount for FY 24 is \$2.933 billion. For FY 25, total proposed CIP adjustments for all MOF amount to a net increase of \$2.842 billion, or 209.9 percent of the current level for all MOF of \$1.354 billion. The recommended amount for all MOF for FY 25 is \$4.196 billion.

Breakdowns by MOF are as follows:

<u>Means of Financing</u>	<u>FY 24 Act 164/2023 Appropriation (\$)</u>	<u>FY 24 Proposed Adjustment (\$)</u>	<u>FY 24 Recommended Appropriation (\$)</u>
General Funds	384,265,000	.....	384,265,000
Special Funds	22,335,000	.....	22,335,000
G.O. Bonds	887,237,000	.....	887,237,000
G.O.R. Bonds	9,900,000	.....	9,900,000
Revenue Bonds	1,008,919,000	.....	1,008,919,000
Federal Funds	405,973,000	.....	405,973,000
Other Federal Funds	108,391,000	.....	108,391,000
Private Contributions	20,000	.....	20,000
County Funds	40,775,000	.....	40,775,000
Trust Funds	.....	.....	.....
Interdept. Transfers	.....	.....	.....
Revolving Funds	.....	.....	.....
Other Funds	<u>65,231,000</u>	<u>.....</u>	<u>65,231,000</u>
Total	2,933,046,000	.....	2,933,046,000

<u>Means of Financing</u>	<u>FY 25 Act 164/2023 Appropriation (\$)</u>	<u>FY 25 Proposed Adjustment (\$)</u>	<u>FY 25 Recommended Appropriation (\$)</u>
General Funds	254,877,000	(106,200,000)	148,677,000
Special Funds	15,456,000	14,103,000	29,559,000
G.O. Bonds	338,880,000	890,213,000	1,229,093,000
G.O.R. Bonds	.....	.....	.....
Revenue Bonds	343,181,000	1,113,051,000	1,456,232,000
Federal Funds	244,846,000	899,157,000	1,144,003,000
Other Federal Funds	156,765,000	.....	156,765,000
Private Contributions	28,000	.....	28,000
County Funds	.....	.....	.....
Trust Funds	.....	.....	.....
Interdept. Transfers	.....	.....	.....
Revolving Funds	.....	.....	.....
Other Funds	<u>157,000</u>	<u>31,706,000</u>	<u>31,863,000</u>
Total	1,354,190,000	2,842,030,000	4,196,220,000

A department-by-department summary and highlights of what is contained in the FY 25 Executive Supplemental CIP budget can be found in “The FY 25 Executive Supplemental Budget - Budget in Brief” that is available on B&F’s website at <https://budget.hawaii.gov/wp-content/uploads/2023/12/Budget-in-Brief-FY-25-BIB.7H0.pdf>.

#### THE MULTI-YEAR GENERAL FUND FINANCIAL PLAN

Attachment 2 is the Multi-Year General Fund Financial Plan that is based on the COR projections adopted at its September 7, 2023 meeting. The COR reduced its projection for general fund tax revenue growth for FY 24 from 4 percent to 1.3 percent, while it increased FY 25 from 3.5 percent to 5.2 percent. The COR’s forecasts for FY 26 through FY 30 were maintained at 3.5 percent for each fiscal year.

The COR has indicated that the 2.7 percent decrease for FY 24 accounts for the economic impacts of the Maui wildfires and its impact on tourism revenues and other economic activity. However, the COR expects that the recovery efforts and the large influx of federal assistance will mitigate some of the immediate impacts of the fires and their repercussions. The COR is also concerned about the strong competition from international travel destinations due to the strength of the U.S. dollar compared to foreign currencies and that the unfavorable foreign currency exchange rate may deter visitors from Japan.

Also included in the revenue section are other non-tax revenues not reflected in the COR’s non-tax revenue projection and estimated revenue impacts from various Administration measures that we will be submitting (including the GAP Phase II adjustments mentioned above and a \$10 million increase in the annual cap for the motion picture/film production tax credit).



In the expenditure section, the financial plan reflects expenditures based on the FY 25 Executive Supplemental Budget, Judiciary's FY 25 Supplemental Budget, and continuation of FY 24 funding levels for the Legislature and Office of Hawaiian Affairs. As mentioned previously, over \$500 million has been set aside in the general fund financial plan for wildfire response and recovery: \$164.1 million being redirected in FY 24; \$30 million being allocated from the \$200 million Section 5 funds in FY 24; \$186.2 million being centrally budgeted in B&F for potential costs in FY 25; and financial plan set asides of \$100 million each year in FY 26 and FY 27.

Additionally, the expenditure section reflects various emergency and specific appropriation measures that the Administration will be submitting. There are two emergency appropriation bills for FY 24 which total \$26.6 million in general funds for the DOE. These appropriations are necessary to cover a shortfall in the school lunch program and true-up between the DOE and Charter Schools due to an unanticipated large decline in DOE student enrollment during School Year 2024. Also, there will be a cost-neutral, intra-department transfer bill to address specific Program ID funding shortfalls within certain departments. In terms of specific appropriation bills, there will be appropriation requests to implement proposed legislation related to: a summer electronic benefit transfer program for children; a statewide air ambulance program; expanded crisis intervention and diversion programs; a criminal justice diversion program; and expanded mental health education and treatment programs.

It should be noted that no set-asides are included in the financial plan for future collective bargaining requirements beyond the current FB 2023-25 contracts for all bargaining units and the FB 2025-27 contract costs for Unit 5, Teachers.

For FY 23, total revenues were \$10,192.2 million and total expenditures were \$10,632.3 million, resulting in revenues under expenditures of -\$440.1 million and an ending balance of \$2,178.9 million. For FY 24, estimated total revenues are \$10,188.7 million and estimated total expenditures are \$11,540.5 million, resulting in revenues under expenditures of -\$1,351.8 million and an estimated ending balance of \$827.0 million. For FY 25, estimated total revenues are \$10,615.6 million and estimated total expenditures are \$10,687.6 million, resulting in revenues under expenditures of -\$72.0 million and an estimated ending balance of \$755.0 million.

For FY 26, revenues are estimated to exceed expenditures, resulting in an estimated balance of \$1,111.6 million. For FY 27, revenues are expected to exceed expenditures, resulting in an estimated balance of \$1,705.7 million. Revenues are estimated to exceed expenditures for FY 28 and FY 29, resulting in estimated balances of \$2,607.6 million and \$3,879.7 million, respectively.

At the bottom of Attachment 2 (below the dotted line), we reflect the actual and estimated balances of the EBRF and the percentages of the EBRF fund balances of prior year revenues. As can be seen, after the infusion of \$500.0 million into the EBRF in FY 24, the percentages are between 14.8 percent to 15.4 percent, which exceeds the target EBRF reserve of 10.0 percent. The combined general fund ending balance and EBRF balance for each fiscal year exceed the 20 percent overall reserve target for all fiscal years.

The COR will be meeting on January 8, 2024, to review and deliberate its projections.

### THE GENERAL FUND EXPENDITURE CEILING

By law, general fund appropriations must comply with the expenditure ceiling requirements that are set forth in Section 9 of Article VII of the Hawai'i State Constitution and Section 37-92 of the HRS. At the aggregate level that includes all branches of government, the total proposed appropriations from the general fund exceed the FY 24 expenditure ceiling but is within the expenditure ceiling for FY 25.

For the Executive Branch, the total proposed appropriations from the general fund (which include the Executive Supplemental Budget for FB 2023-25 and other specific appropriation measures to be submitted) exceeds the appropriation ceiling by \$163 million (or 1.5 percent) in FY 24 but is within the appropriation ceiling for FY 25. In FY 24, the excess was deemed necessary to support education services and other public interests.

A summary statement on the General Fund Expenditure Ceiling and Executive Branch Appropriation Ceiling is included as Attachment 3.

### TAX REFUND OR CREDIT AND DEPOSIT TO THE EMERGENCY AND BUDGET RESERVE FUND

Article VII, Section 6, of the Hawai'i State Constitution, requires that whenever the State general fund balance at the close of each of two successive fiscal years exceeds 5 percent of general fund revenues for each of the two fiscal years, the Legislature must provide for a tax refund or tax credit to the taxpayers of the State or make a deposit into one or more emergency funds, as provided by law.

Section 328L-3, HRS, provides that whenever general fund revenues for each of two successive fiscal years exceed revenues for each of the preceding fiscal years by 5 percent, 5 percent of the general fund balance shall be deposited into the EBRF.

For FY 22 and FY 23, general fund balances were greater than 5 percent of general fund revenues. However, it is important to note that the FY 22 and FY 23 general fund balances were adjusted to include certain transactions that were authorized for FY 22 and FY 23 but processed in the subsequent fiscal year. Due to a combination of timing issues with the enactment of the authorizing legislation and accounting system limitations, those transactions were processed in FY 23 and FY 24 but, for the purposes of the general fund financial plan, have been reflected as authorized in FY 22 and FY 23, respectively.

Although the general fund balance exceeded 5 percent of general fund revenues for FY 22 and FY 23, FY 22 and FY 23 total (tax and non-tax) general fund revenues did not exceed the respective previous year's revenues by 5 percent or more. *Accordingly, the 2024 Legislature must provide for a tax refund or tax credit or make a deposit into one or more funds that serve as temporary supplemental sources of funding in times of emergency, economic downturn, or unforeseen reduction in revenues, or appropriate general funds for the prepayment of either or both of 1) debt service or 2) pension or OPEB liabilities.*

#### THE DEBT LIMIT

Section 13 of Article VII of the Hawai'i State Constitution places a debt limit on G.O. bonds that may be issued by the State. It has been determined that the total amount of principal and interest calculated on: a) all bonds issued and outstanding; b) all bonds authorized and unissued; and c) all bonds proposed in the Executive Supplemental Budget (including State guaranties) will not cause the debt limit to be exceeded at the time of each bond issuance.

The Declaration of Findings with respect to the G.O. bond debt limit is included as Attachment 4.

In summary, the FY 25 Executive Supplemental Budget and Multi-Year General Fund Financial Plan reflect our continued commitment to manage the State's near- and long-term obligations, meet federal and State mandates, and improve operations to efficiently deliver much needed public services. You will be hearing from the respective departments on details of their FY 25 Executive Supplemental Budget requests in the coming weeks. The Green Administration will work with you on a continual basis during the 2024 Session deliberations on the FY 25 Executive Supplemental Budget and the Multi-Year General Fund Financial Plan.

Thank you again for the opportunity to make this presentation.

Attachments

## Summary of FY 25 Wildfire-Related Budget Requests

### *2023 Wildfire Recovery*

- \$200 million revolving fund ceiling increase for the Risk Management Revolving Fund to allow the expenditure of anticipated insurance claim payments related to the 2023 wildfires.
- \$186.2 million in general funds for the Department of Budget and Finance as a set-aside to ensure that additional funds are available for recovery costs for the 2023 wildfires as they arise, to be disbursed to the appropriate departments with my approval.
- 3.00 full-time equivalent (FTE) permanent positions and \$182,238 in general funds for the Department of Business, Economic Development and Tourism, Statewide Planning and Coordination Special Plans Branch, for Maui recovery efforts.
- \$125,000 in general funds for temporary libraries for Makawao and Lahaina.
- 6.00 FTE federal fund temporary positions, \$13.4 million in general funds, and \$12.8 million in federal funds for emergency management related to the Maui wildfires for the Department of Human Services.
- \$521,473 in special funds for the Department of Land and Natural Resources (DLNR), Division of Conservation and Resources Enforcement, for Maui wildfire recovery.

### *Statewide Wildfire Mitigation and Response*

- 20.00 FTE permanent positions and \$653,082 in general fund for brushfire positions for the Hawai'i Emergency Management Agency.
- \$1 million for the Public Utilities Commission Special Fund ceiling for consultant contracts for utility dockets.
- \$20 million in general funds for wildfire response, recovery, and prevention measures for the Department of Hawaiian Home Lands.
- \$7.4 million in general funds for fire response and rehabilitation and fuels reduction contracts for DLNR's Division of Forestry and Wildlife (DOFAW).
- \$10 million in general funds for fire and emergency response equipment for DLNR's DOFAW.

In addition, we have requested \$35.4 million (\$2.4 million in general obligation (G.O.) bond funds, \$6.6 million in revenue bonds and \$26.4 million in federal funds) in the capital improvement program budget for recovery of State facilities and to improve our wildfire mitigation capabilities on Maui:

- \$2.4 million in G.O. bond funds for West Maui and Upcountry fire prevention, erosion control, and fire suppression dip tanks on Maui.
- \$6.6 million in revenue bond funds and \$26.4 million in federal funds for major repairs, rehabilitation, or reinstallation of State highway facilities in Lahaina due to the 2023 wildfires.

**MULTI-YEAR FINANCIAL SUMMARY**  
**GENERAL FUND**  
**FISCAL YEARS 23 - 29**  
(in millions of dollars)

	Adj. Act.* FY 23	Estimated FY 24	Estimated FY 25	Estimated FY 26	Estimated FY 27	Estimated FY 28	Estimated FY 29
<b>REVENUES:</b>							
Executive Branch:	-1.7%	1.3%	5.2%	3.5%	3.5%	3.5%	3.5%
Tax revenues	9,200.3	9,319.9	9,804.5	10,147.7	10,502.9	10,870.5	11,250.9
Nontax revenues	965.4	841.2	852.7	872.3	877.9	901.1	917.2
Judicial Branch revenues	26.6	26.7	26.7	26.7	27.0	27.0	27.0
Other revenues	(0.1)	0.9	(68.3)	(86.2)	(114.1)	(141.2)	(95.7)
<b>TOTAL REVENUES</b>	<b>10,192.2</b>	<b>10,188.7</b>	<b>10,615.6</b>	<b>10,960.5</b>	<b>11,293.8</b>	<b>11,657.4</b>	<b>12,099.5</b>
<b>EXPENDITURES</b>							
Executive Branch:							
Operating	9,184.3	10,736.6	10,222.8	10,032.9	10,096.0	10,243.7	10,315.7
CIP	0.5	215.7	(136.3)	0.0	0.0	0.0	0.0
Specific appropriation/CB	1,567.6	377.6	203.0	259.6	292.3	300.4	300.3
Other expenditures/adjustments	4.4	51.2	235.6	148.9	148.9	48.9	48.9
<b>Sub-total - Exec Branch</b>	<b>10,756.8</b>	<b>11,381.1</b>	<b>10,525.1</b>	<b>10,441.3</b>	<b>10,537.2</b>	<b>10,593.0</b>	<b>10,664.8</b>
Legislative Branch	46.3	46.6	46.6	46.6	46.6	46.6	46.6
Judicial Branch	174.1	189.5	193.0	193.0	193.0	193.0	193.0
OHA	2.3	3.3	3.0	3.0	3.0	3.0	3.0
Counties	0.1	-	-	-	-	-	-
Lapses	(347.3)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)
<b>TOTAL EXPENDITURES</b>	<b>10,632.3</b>	<b>11,540.5</b>	<b>10,687.6</b>	<b>10,603.9</b>	<b>10,699.8</b>	<b>10,755.5</b>	<b>10,827.4</b>
<b>REV. OVER (UNDER) EXPEND.</b>	<b>(440.1)</b>	<b>(1,351.8)</b>	<b>(72.0)</b>	<b>356.6</b>	<b>594.0</b>	<b>901.9</b>	<b>1,272.1</b>
<b>CARRY-OVER BALANCE (DEFICIT)</b>							
Beginning	2,619.0	2,178.9	827.0	755.0	1,111.6	1,705.7	2,607.6
Ending	2,178.9	827.0	755.0	1,111.6	1,705.7	2,607.6	3,879.7
<hr/>							
EBRF (adds \$500M in FY23, Act 115/22; adds \$500M in FY24, Act 164/23)	973.7	1,512.9	1,570.7	1,629.4	1,690.1	1,752.8	1,817.8
EBRF fund balance as % of prior yr revenues	9.5%	14.8%	15.4%	15.2%	15.3%	15.4%	15.4%

\* unaudited

Note: Due to rounding, details may not add to totals

The budgetary General Fund resources, expenditures and balances above are presented on a modified cash-basis. The State's normal practice is to utilize this modified cash-basis methodology for budgetary and financial planning purposes. Due to a combination of timing issues with enactment of various laws and accounting system limitations, certain transactions authorized for a fiscal year were recorded in the following fiscal year by the Department of Accounting and General Services. However, the financial plan records appropriations in the fiscal year for which the appropriation was authorized. In contrast, the State's audited financial statements are prepared on a modified accrual basis. Consequently, the modified cash basis information presented in this table is not directly comparable to the modified accrual basis information presented in the State's audited financial statements, and the difference in reporting may vary substantially.



**SUMMARY STATEMENT OF GENERAL FUND  
EXPENDITURE CEILING AND APPROPRIATIONS**

**A. Total State Personal Income and State Growth**

Total State Personal Income (in \$ millions)

Calendar Year 2019	78,552
Calendar Year 2020	82,761
Calendar Year 2021	88,948
Calendar Year 2022	88,973
Calendar Year 2023*	92,532

\* As estimated by the Council on Revenues Nov. 2023

State Growth

Fiscal Year 2024	4.29%
Fiscal Year 2025	3.83%

**B. All Branches of Government**

General Fund Appropriations

Fiscal Year 2023 (incl proposed)	10,979,611,619
Fiscal Year 2024 (incl proposed)	11,620,537,882
Fiscal Year 2025 (incl proposed)	10,767,642,708

General Fund Expenditure Ceiling

Fiscal Year 2024	10,724,360,973
Fiscal Year 2025	11,135,587,825

**C. Executive Branch**

Recommended General Fund Appropriations

Fiscal Year 2024	11,381,116,161
Fiscal Year 2025	10,525,050,202

Actual and Proposed General Fund Appropriations

Fiscal Year 2023	10,756,792,606
Fiscal Year 2024	11,523,032,217
Proposed reduced appropriations	<u>(141,916,056)</u>
Total - FY 2024 apprns	11,381,116,161

Fiscal Year 2025	10,358,892,631
Proposed add'l appropriations	<u>166,157,571</u>
Total - FY 2025 apprns	10,525,050,202

General Fund Appropriation Ceiling

Fiscal Year 2024	11,218,001,021
Fiscal Year 2025	11,817,526,366

## DECLARATION OF FINDINGS

Pursuant to Section 37-72 of the Hawaii Revised Statutes, the Director of Finance finds and declares that with respect to the proposed capital improvement appropriations for the budget period 2024-2025 for which the source of funding is general obligation bonds:

(1) Limitation on general obligation debt. Article VII, Section 13, of the State Constitution, 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 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, also provides that in determining the power of the State to issue general obligation bonds, certain bonds are excludable, including "reimbursable 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."

(2) Actual and estimated debt limits. The limit on principal and interest of general obligation bonds issued by the State, actual for fiscal year 2023-2024 and estimated for each fiscal year from fiscal year 2024-2025 to 2026-2027, is as follows:

<u>Fiscal Year</u>	<u>Net General Fund Revenues</u>	<u>Debt Limit</u>
2020-2021	8,249,554,335	
2021-2022	10,205,616,785	
2022-2023	10,183,780,738	
2023-2024	10,184,462,000	1,766,068,698
2024-2025	10,680,606,000	1,885,388,004
2025-2026	11,043,354,000	1,914,679,006
2026-2027	(not applicable)	1,967,686,023

For fiscal years, 2023-2024, 2024-2025, 2025-2026 and 2026-2027 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 percent. The net general fund revenues for fiscal years 2020-2021, 2021-2022 and 2022-2023 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, 2023, dated November 14, 2023. The net general fund revenues for fiscal years 2023-2024 to 2025-2026 are estimates, based on general fund revenue estimates made as of September 7, 2023, 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 which cannot be included as general fund revenues for the purpose of calculating the debt limit, all of which estimates the Director of Finance finds to be reasonable.

(3) Principal and interest on outstanding bonds applicable to the debt limit. In determining the power of the State to issue general obligation bonds for the fiscal years 2023-2024 to 2041-2042, the total amount of principal and interest on outstanding general obligation bonds are as follows:

Fiscal Year	Gross			Excludable			Net Debt Service		
	Ending June 30	Principal Payable	Interest Payable	Debt Service Payable	Principal Payable	Interest Payable	Debt Service Payable	Principal Payable	Interest Payable
2024	725,984,123	291,635,701	1,017,619,825	4,570,218	1,341,728	5,911,946	721,413,905	290,293,973	1,011,707,878
2025	705,830,473	271,295,070	977,125,543	4,756,657	1,156,468	5,913,124	701,073,816	270,138,602	971,212,418
2026	731,055,747	249,641,490	980,697,237	4,949,940	962,877	5,912,816	726,105,807	248,678,613	974,784,420
2027	594,886,178	228,175,402	823,061,580	3,010,535	756,364	3,766,900	591,875,643	227,419,038	819,294,681
2028	589,919,107	206,483,868	796,402,974	2,823,484	647,663	3,471,146	587,095,623	205,836,205	792,931,828
2029	579,254,815	185,131,419	764,386,234	1,985,000	545,069	2,530,069	577,269,815	184,586,350	761,856,165
2030	552,992,126	164,747,590	717,739,716	2,050,000	484,544	2,534,544	550,942,126	164,263,046	715,205,172
2031	525,653,919	144,637,114	670,291,033	2,110,000	420,825	2,530,825	523,543,919	144,216,289	667,760,208
2032	544,067,152	126,147,107	670,214,260	2,180,000	352,431	2,532,431	541,887,152	125,794,676	667,681,828
2033	489,948,856	109,004,938	598,953,794	2,250,000	280,444	2,530,444	487,698,856	108,724,494	596,423,350
2034	465,989,932	93,217,819	559,207,752	2,325,000	206,100	2,531,100	463,664,932	93,011,719	556,676,651
2035	427,115,000	77,603,223	504,718,223	2,405,000	127,734	2,532,734	424,710,000	77,475,489	502,185,489
2036	388,535,000	63,099,597	451,634,597	2,490,000	43,575	2,533,575	386,045,000	63,056,022	449,101,022
2037	344,975,000	48,911,644	393,886,644	0	0	0	344,975,000	48,911,644	393,886,644
2038	280,105,000	36,452,545	316,557,545	0	0	0	280,105,000	36,452,545	316,557,545
2039	236,010,000	25,594,115	261,604,115	0	0	0	236,010,000	25,594,115	261,604,115
2040	207,265,000	16,807,638	224,072,638	0	0	0	207,265,000	16,807,638	224,072,638
2041	214,755,000	9,319,736	224,074,736	0	0	0	214,755,000	9,319,736	224,074,736
2042	118,630,000	2,742,882	121,372,882	0	0	0	118,630,000	2,742,882	121,372,882

Additionally, the outstanding principal amount of bonds constituting instruments of indebtedness in which the State has incurred a contingent liability as a guarantor is \$233,500,000, all or a portion of which pursuant to Article VII, Section 13 of the State Constitution, is excludable in determining the power of the State to issue general obligation bonds.

(4) Amount of authorized and unissued general obligation bonds and proposed bonds. As calculated from the State Comptroller's bond fund report as of October 31, 2023, adjusted for (a) appropriations made in Acts 164 and 382, Session Laws of Hawaii 2023, to be expended in fiscal year 2024-2025 (b) lapses proposed in THE EXECUTIVE BUDGET SUPPLEMENTAL [Budget Period: 2023-2025] (referred to as the "Budget") the total amount of authorized but unissued general obligation bonds amounts to \$4,771,857,602. The amount of general obligation bonds proposed in the Budget is \$990,213,000 (does not include capital improvement appropriations to be funded through the issuance of general obligation bonds proposed by the Judiciary). The total amount of general obligation bonds previously authorized and unissued and the general obligation bonds proposed in the Budget is \$5,762,070,602.

(5) Proposed general obligation bond issuance. As reported in the Budget, as it applies to the fiscal period 2023-2024 to 2026-2027, the State proposed to issue \$800,000,000 in general obligation bonds during the first half of fiscal year 2023-2024; and \$1,100,000,000 in general obligation bonds during the second half of fiscal year 2023-2024, \$650,000,000 in general obligation bonds during the first half of fiscal year 2024-2025, and \$650,000,000 in general obligation bonds during the second half of fiscal year 2024-2025, \$650,000,000 in general obligation bonds during the first half of fiscal year 2025-2026, and \$650,000,000 in general obligation bonds during the second half of fiscal year 2025-2026, \$650,000,000 in general obligation bonds during the first half of fiscal year 2026-2027 and \$650,000,000 in general obligation bonds during the second half of fiscal year 2026-2027. The State anticipates issuing a combination of twenty-year serial bonds with principal repayments beginning the first year and seven-year serial bonds with principal repayments beginning the first year, 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 which are proposed to be issued.

(6) Sufficiency of proposed general obligation bond issuance to meet the requirements of authorized and unissued bonds and the bonds proposed in the Budget. From the schedule reported in paragraph (5), the total amount of general obligation bonds, which the State proposes to issue during this fiscal year and in fiscal years 2024-2025, 2025-2026, and 2026-2027, is \$5,800,000,000. The total amount of \$5,800,000,000 which is proposed to be issued through fiscal year 2026-2027 is sufficient to meet the requirements of the previously authorized and unissued bonds and the bonds proposed in the Budget, the total amount of which is \$5,762,070,602 as reported in paragraph (4). Thus, taking the Budget into account, the amount of previously authorized and unissued bonds and bonds proposed, versus the amount of bonds which is proposed to be issued by June 30, 2027, the Director of Finance finds that in the aggregate, the amount of bonds is sufficient to meet these requirements.

(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 issuance because:

(i) It is not known exactly when projects for which reimbursable bonds have been authorized in prior acts and in the Budget 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 Director of Finance notes that with respect to the principal and interest on outstanding general obligation bonds, as reported in Section 3 herein, the average proportion of principal and interest which is excludable each year from calculation against the debt limit is 0.48 percent for approximately ten years from fiscal year 2023-2024 to fiscal year 2032-2033. For the purpose of this declaration, the assumption is made that 0.25 percent of each bond issue will be excludable from the debt limit, an assumption which the Director of Finance 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 such guaranties does not exceed seven percent 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 2023-2024, 2024-2025, 2025-2026 and 2026-2027 are as follows:

<u>Fiscal Year</u>	<u>Total amount of General Obligation Bonds not otherwise excluded by Article VII, Section 13 of the State Constitution</u>
2023-2024	10,018,788,305
2024-2025	11,315,538,305
2025-2026	12,612,288,305
2026-2027	13,909,038,305

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 percent 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 by, 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), the aggregate principal amount of the portion of the outstanding guaranties; which must be included in determining the power of the State to issue general obligation bonds, is \$0.

(8) Determination whether the debt limit will be exceeded at the time of issuance. From the foregoing and on the assumption that the bonds identified in paragraph (5) will be issued at an interest rate of 7.50 percent thereafter, as reported in the Budget, it can be determined from the following schedule that the bonds which are proposed to be issued, which includes all bonds issued and outstanding, bonds previously authorized and unissued and the bonds proposed in the Budget, will not cause the debt limit to be exceeded at the time of each bond issuance:

<u>Time of Issue and Amount of Issue to be Counted Against Debt Limit</u>	<u>Debt Limit at Time of Issuance</u>	<u>Greatest Amount &amp; Year of Principal &amp; Interest</u>
1st half FY 2023-2024 \$798,000,000	1,766,068,698	1,086,018,675 (2025-2026)
2nd half FY 2023-2024 \$1,097,250,000	1,766,068,698	1,233,466,925 (2025-2026)
1st half FY 2024-2025 \$648,375,000	1,885,388,004	1,319,151,300 (2025-2026)
2nd half FY 2024-2025 \$648,375,000	1,885,388,004	1,406,279,425 (2025-2026)
1st half FY 2025-2026 \$648,375,000	1,914,679,006	1,430,593,487 (2025-2026)
2nd half FY 2025-2026 \$648,375,000	1,914,679,006	1,430,593,487 (2025-2026)
1st half FY 2026-2027 \$648,375,000	1,967,686,023	1,479,837,037 (2027-2028)
2nd half FY 2026-2027 \$648,375,000	1,967,686,023	1,566,965,162 (2027-2028)

(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 proposed in the Budget and for all bonds previously authorized and unissued and calculated for all bonds issued and outstanding and guaranties, will not cause the debt limit to be exceeded at the time of issuance.

The Director of Finance hereby finds that the bases for the declaration of findings set forth herein are reasonable. The assumptions set forth in this declaration 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 that such matters must remain subject to substantial flexibility.

A handwritten signature in black ink, appearing to be 'Y. P. S.', followed by a horizontal line extending to the right.

Director of Finance  
State of Hawaii



TENTATIVE SCHEDULE BY QUARTER AND FISCAL YEAR  
 OF THE AMOUNT OF GENERAL OBLIGATION BONDS  
 TO BE ISSUED FROM FISCAL YEAR 2024 TO FISCAL YEAR 2030

GENERAL OBLIGATION BONDS

<u>FY</u>	<u>Quarter</u>	<u>Amount</u>	<u>Total</u>
Projected New Money:			
FY 2023-2024	Second	\$ 800,000,000	
	Fourth	<u>\$ 1,100,000,000</u>	\$ 1,900,000,000
FY 2024-2025	Second	\$ 650,000,000	
	Fourth	<u>650,000,000</u>	\$ 1,300,000,000
FY 2025-2026	Second	\$ 650,000,000	
	Fourth	<u>650,000,000</u>	\$ 1,300,000,000
FY 2026-2027	Second	\$ 650,000,000	
	Fourth	<u>650,000,000</u>	\$ 1,300,000,000
FY 2027-2028	Second	\$ 300,000,000	
	Fourth	<u>300,000,000</u>	\$ 600,000,000
FY 2028-2029	Second	\$ 300,000,000	
	Fourth	<u>300,000,000</u>	\$ 600,000,000
FY 2029-2030	Second	\$ 300,000,000	
	Fourth	<u>300,000,000</u>	<u>\$ 600,000,000</u>
Total General Obligation Bonds-Projected New Money			<u><u>\$ 7,600,000,000</u></u>

TENTATIVE SCHEDULE BY QUARTER AND FISCAL YEAR  
OF THE AMOUNT OF NEW MONEY GENERAL OBLIGATION BONDS  
AND REVENUE BONDS TO BE ISSUED IN THE FISCAL BIENNIUM

GENERAL OBLIGATION BONDS

			<u>AMOUNT</u>		<u>TOTAL</u>
FY 2023-2024					
Quarters	Second		\$ 800,000,000		
	Fourth		1,100,000,000		\$ 1,900,000,000
FY 2024-2025					
Quarters	Second		\$ 650,000,000		
	Fourth		<u>650,000,000</u>		<u>\$ 1,300,000,000</u>
TOTAL GENERAL OBLIGATION BONDS					<u><u>\$ 3,200,000,000</u></u>

REVENUE BONDS

FY 2023-2024					
Quarters	First	Hawaii Housing Finance & Development Corp. - Multi-Family	\$ 98,105,112		
	Second	Hawaii Housing Finance & Development Corp. - Multi-Family	\$ 61,975,000		
	Third	Hawaii Housing Finance & Development Corp. - Multi-Family	\$ 57,121,000		
	Third	DOT-Highways	200,000,000		
	Fourth	Hawaii Housing Finance & Development Corp. - Multi-Family	<u>100,300,000</u>		\$ 517,501,112
FY 2024-2025					
Quarters	First	Hawaii Housing Finance & Development Corp. - Multi-Family	\$ 63,182,733		
	Second	Hawaii Housing Finance & Development Corp. - Multi-Family	95,000,000		
	Third	Hawaii Housing Finance & Development Corp. - Multi-Family	71,700,000		
	Third	DOT-Airports	420,000,000		
	Fourth	Hawaii Housing Finance & Development Corp. - Multi-Family	<u>50,000,000</u>		\$ 699,882,733
TOTAL REVENUE BONDS					<u><u>\$ 1,217,383,845</u></u>

**SCHEDULE OF PROJECTED DEBT SERVICE CHARGES FOR GENERAL OBLIGATION BONDS  
ISSUED AND TO BE ISSUED BY JUNE 30, 2030**

**(IN THOUSANDS)**

Fiscal Year	Debt Service On Bonds Outstanding			Debt Service On Bonds To Be Issued Through June 30, 2030			Total Estimated Debt Service		
	Direct From General Fund	Reimbursable Debt Service	Total	Direct From General Fund	Reimbursable Debt Service	Total	Direct From General Fund	Reimbursable Debt Service	Total
2023-2024	1,011,098	6,522	1,017,620	29,925	75	30,000	1,041,023	6,597	1,047,620
2024-2025	970,603	6,523	977,126	277,198	695	277,893	1,247,801	7,218	1,255,019
2025-2026	974,173	6,524	980,697	449,890	1,128	451,018	1,424,063	7,652	1,431,715
2026-2027	818,818	4,244	823,062	622,443	1,560	624,003	1,441,261	5,804	1,447,065
2027-2028	792,504	3,899	796,403	781,787	1,959	783,746	1,574,291	5,858	1,580,149
2028-2029	761,427	2,959	764,386	861,035	2,158	863,193	1,622,462	5,117	1,627,579
2029-2030	714,776	2,964	717,740	928,968	2,328	931,296	1,643,744	5,292	1,649,036

**Schedule of General Obligation Bond Sales:**

**Fiscal Year 2023-2024**

**First Half**                 **\$800,000,000**

**Second Half**            **\$1,100,000,000**

**Fiscal Year 2024-2025**

**First Half**                 **\$650,000,000**

**Maturities of Bonds to be issued:**

Combination of 20 year serial bonds with principal repayment beginning the first year and 7 year serial bonds with principal repayment beginning the first year.

**Method of Retirement:**

Maturing in substantial equal installment of debt service (principal and interest)

Assumed Interest Rate: 7.50%

**Projected Reimbursable Debt Service:**

Assumed average of reimbursable debt service to total debt service at .25%