
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 percent of the average of the general
4 fund revenues of the State in the three fiscal years
5 immediately preceding such issuance until June 30,
6 1982; and thereafter, a sum equal to eighteen and one-
7 half percent of the average of the general fund
8 revenues of the State in the three fiscal years
9 immediately preceding such issuance." Article VII,
10 section 13, also provides that in determining the
11 power of the State to issue general obligation bonds,
12 certain bonds are excludable, including "reimbursable
13 general obligation bonds issued for a public
14 undertaking, improvement or system but only to the
15 extent that reimbursements to the general fund are in
16 fact made from the net revenue, or net user tax
17 receipts, or combination of both, as determined for
18 the immediately preceding fiscal year" and bonds
19 constituting instruments of indebtedness under which
20 the State incurs a contingent liability as a
21 guarantor, but only to the extent the principal amount
22 of such bonds does not exceed seven per cent of the



1 principal amount of outstanding general obligation
 2 bonds not otherwise excluded under article VII,
 3 section 13.

4 (2) Actual and estimated debt limits. The limit on
 5 principal and interest of general obligation bonds
 6 issued by the State, actual for fiscal year 2006-2007
 7 and estimated for each fiscal year from 2007-2008 to
 8 2010-2011, is as follows:

9	Fiscal	Net General	
10	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
11	2003-2004	\$3,894,091,730	
12	2004-2005	4,471,460,582	
13	2005-2006	4,904,019,330	
14	2006-2007	5,166,308,841	\$818,290,251
15	2007-2008	5,475,408,566	896,743,640
16	2008-2009	5,699,724,598	958,653,765
17	2009-2010	5,952,684,594	1,007,722,257
18	2010-2011	(not applicable)	1,056,215,428

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 20 For fiscal years 2006-2007, 2007-2008, 2008-2009,
 21 2009-2010 and 2010-2011, respectively, the debt limit
 22 is derived by multiplying the average of the net
 23 general fund revenues for the three preceding fiscal
 24 years by eighteen and one-half per cent. The net
 25 general fund revenues for fiscal years 2003-2004,
 26 2004-2005, and 2005-2006 are actual, as certified by



1 the director of finance in the Statement of the Debt
2 Limit of the State of Hawaii as of July 1, 2006, dated
3 November 20, 2006. The net general fund revenues for
4 fiscal years 2006-2007 to 2009-2010 are estimates,
5 based on general fund revenue estimates made as of
6 March 15, 2007, by the council on revenues, the body
7 assigned by article VII, section 7 of the State
8 Constitution, to make such estimates, and based on
9 estimates made by the department of budget and finance
10 of those receipts that cannot be included as general
11 fund revenues for the purpose of calculating the debt
12 limit, all of which estimates the legislature finds to
13 be reasonable.

14 (3) Principal and interest on outstanding bonds applicable
15 to the debt limit.

16 (A) According to the department of budget and
17 finance, the total amount of principal and
18 interest on outstanding general obligation bonds,
19 after the exclusions permitted by article VII,
20 section 13 of the State Constitution, for
21 determining the power of the State to issue
22 general obligation bonds within the debt limit as



1 of April 1, 2007, is as follows for fiscal year
 2 2007-2008 to fiscal year 2013-2014:

	Fiscal Year	Principal and Interest
3	2007-2008	\$545,706,611
4	2008-2009	550,528,449
5	2009-2010	520,501,030
6	2010-2011	509,135,353
7	2011-2012	454,845,585
8	2012-2013	455,702,671
9	2013-2014	410,486,038

10 The department of budget and finance further
 11 reports that the amount of principal and interest
 12 on outstanding bonds applicable to the debt limit
 13 generally continues to decline each year from
 14 fiscal year 2014-2015 to fiscal year 2026-2027
 15 when the final installment of \$30,896,250 shall
 16 be due and payable.

17 (B) The department of budget and finance further
 18 reports that the outstanding principal amount of
 19 bonds constituting instruments of indebtedness
 20 under which the State may incur a contingent
 21 liability as a guarantor is \$191,000,000, all or
 22 part of which is excludable in determining the
 23 power of the State to issue general obligation
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1 bonds, pursuant to article VII, section 13 of the
2 State Constitution.

3 (4) Amount of authorized and unissued general obligation
4 bonds and guaranties and proposed bonds and
5 guaranties.

6 (A) As calculated from the state comptroller's bond
7 fund report as of March 31, 2007, adjusted for:

8 (i) Appropriations to be funded by general
9 obligation bonds or reimbursable general
10 obligation bonds as provided in House Bill
11 No. 500, H.D. 1, S.D. 1, C.D. 1 (the General
12 Appropriations Act of 2007);

13 (ii) Lapses as provided in House Bill No. 500,
14 H.D. 1, S.D. 1, C.D. 1 (the General
15 Appropriations Act of 2007);

16 (iii) Appropriations to be funded by general
17 obligation bonds or reimbursable general
18 obligation bonds as provided in House Bill
19 No. 1212, H.D. 2, S.D. 2, C.D. 1 (the
20 Judiciary Appropriations Act of 2007);



- 1 (iv) Lapses as provided in House Bill No. 1212,
2 H.D. 2, S.D. 2, C.D. 1 (the Judiciary
3 Appropriations Act of 2007);
- 4 (v) Appropriations to be funded by general
5 obligation bonds or reimbursable general
6 obligation bonds as provided in House Bill
7 No. 667, H.D. 1, S.D. 2, C.D. 1; and
- 8 (vi) The issuance of \$350,000,000 General
9 Obligation Bonds of 2007, Series DJ,
10 the total amount of authorized but unissued
11 general obligation bonds or reimbursable general
12 obligation bonds is \$1,062,761,333. The total
13 amount of general obligation bonds authorized by
14 this Act is \$982,031,000. The total amount of
15 general obligation bonds previously authorized
16 and unissued and the general obligation bonds
17 authorized in this Act is \$2,044,792,333.
- 18 (B) As reported by the department of budget and
19 finance, the outstanding principal amount of
20 bonds constituting instruments of indebtedness
21 under which the State may incur a contingent
22 liability as a guarantor is \$191,000,000, all or



1 part of which is excludable in determining the
2 power of the State to issue general obligation
3 bonds, pursuant to article VII, section 13 of the
4 State Constitution.

5 (5) Proposed general obligation bond issuance. As
6 reported therein for the fiscal years 2007-2008, 2008-
7 2009, 2009-2010 and 2010-2011, the State proposed to
8 issue \$275,000,000 in general obligation bonds during
9 the first half of fiscal year 2007-2008, \$275,000,000
10 in general obligation bonds during the second half of
11 fiscal year 2007-2008, \$275,000,000 in general
12 obligation bonds during the first half of fiscal year
13 2008-2009, \$275,000,000 in general obligation bonds
14 during the second half of fiscal year 2008-2009,
15 \$275,000,000 in general obligation bonds during the
16 first half of fiscal year 2009-2010, \$250,000,000 in
17 general obligation bonds during the second half of
18 fiscal year 2009-2010, \$275,000,000 in general
19 obligation bonds during the first half of fiscal year
20 2010-2011, \$145,000,000 in general obligation bonds
21 during the second half of fiscal year 2010-2011. It
22 has been the practice of the State to issue



1 twenty-year serial bonds with principal repayments
2 beginning the fifth year, the bonds payable in
3 substantially equal annual installments of principal
4 and interest payment with interest payments commencing
5 six months from the date of issuance and being paid
6 semi-annually thereafter. It is assumed that this
7 practice will continue to be applied to the bonds that
8 are proposed to be issued.

9 (6) Sufficiency of proposed general obligation bond
10 issuance to meet the requirements of authorized and
11 unissued bonds, as adjusted, and bonds authorized by
12 this Act. From the schedule reported in paragraph
13 (5), the total amount of general obligation bonds that
14 the State proposes to issue during the fiscal years
15 2007-2008 to 2009-2010 is \$1,625,000,000. An
16 additional \$420,000,000 is proposed to be issued in
17 fiscal year 2010-2011. The total amount of
18 \$1,625,000,000 which is proposed to be issued through
19 fiscal year 2009-2010 is sufficient to meet the
20 requirements of the authorized and unissued bonds, as
21 adjusted, the total amount of which is \$2,044,792,333,
22 as reported in paragraph (4), except for \$419,792,333.



1 It is assumed that the appropriations to which an
2 additional \$419,792,333 in bond issuance needs to be
3 applied will have been encumbered as of June 30, 2010.
4 The \$420,000,000 which is proposed to be issued in
5 fiscal year 2010-2011 will be sufficient to meet the
6 requirements of the June 30, 2010, encumbrances in the
7 amount of \$419,792,333. The amount of assumed
8 encumbrances as of June 30, 2010, is reasonable and
9 conservative, based upon an inspection of June 30
10 encumbrances of the general obligation bond fund as
11 reported by the state comptroller. Thus, taking into
12 account the amount of authorized and unissued bonds,
13 as adjusted, and the bonds authorized by this Act
14 versus the amount of bonds proposed to be issued by
15 June 30, 2010, and the amount of June 30, 2010,
16 encumbrances versus the amount of bonds proposed to be
17 issued in fiscal year 2010-2011, the legislature finds
18 that in the aggregate, the amount of bonds proposed to
19 be issued is sufficient to meet the requirements of
20 all authorized and unissued bonds and the bonds
21 authorized by this Act.

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

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

11 (i) It is not known exactly when projects for
12 which reimbursable bonds have been
13 authorized in prior Acts and in this Act
14 will be implemented and will require the
15 application of proceeds from a particular
16 bond issue; and

17 (ii) Not all reimbursable general obligation
18 bonds may qualify for exclusion.

19 However, the legislature notes that with respect
20 to the principal and interest on outstanding
21 general obligation bonds, according to the
22 department of budget and finance, the average



1 proportion of principal and interest which is
2 excludable each year from the calculation against
3 the debt limit is 1.99 per cent for the ten years
4 from fiscal year 2007-2008 to fiscal year 2016-
5 2017. For the purpose of this declaration, the
6 assumption is made that one per cent of each bond
7 issue shall be excludable from the debt limit, an
8 assumption the legislature finds to be reasonable
9 and conservative.

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



1 herein, the total principal amount of outstanding
 2 general obligation bonds and general obligation
 3 bonds proposed to be issued, which are not
 4 otherwise excluded under article VII, section 13
 5 of the State Constitution for the fiscal years
 6 2006-2007, 2007-2008, 2008-2009, 2009-2010, and
 7 2010-2011 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>
2006-2007	\$4,294,794,867
2007-2008	4,531,888,122
2008-2009	4,750,780,005
2009-2010	4,943,610,752
2010-2011	5,014,335,726

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



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

16 (8) Determination whether the debt limit will be exceeded
17 at the time of issuance. From the foregoing and on
18 the assumption that all of the bonds identified in
19 paragraph (5) will be issued at an interest rate of
20 not more than 6.0 per cent, it can be determined from
21 the following schedule that the bonds which are
22 proposed to be issued, which include all authorized



1 and unissued bonds previously authorized, as adjusted,
 2 general obligation bonds, and instruments of
 3 indebtedness under which the State incurs a contingent
 4 liability as a guarantor authorized in this Act, will
 5 not cause the debt limit to be exceeded at the time of
 6 such issuance:

7			Greatest Amount
8	Time of Issuance	Debt Limit	and Year of
9	and Amount to be	at Time of	Highest Principal
10	Counted Against	Issuance	and Interest
11	<u>Debt Limit</u>		<u>on Bonds and Guaranties</u>
12	2 nd half of FY 2006-2007		
13	\$346,500,000	818,290,251	550,528,449 (2008-2009)
14	1 st half FY 2007-2008		
15	\$272,250,000	896,743,640	566,863,449 (2008-2009)
16	2 nd half FY 2007-2008		
17	\$272,250,000	896,743,640	583,198,449 (2008-2009)
18	1 st half FY 2008-2009		
19	\$272,250,000	958,653,765	561,338,530 (2009-2010)
20	2 nd half FY 2008-2009		
21	\$272,250,000	958,653,765	577,673,530 (2009-2010)
22	1 st half FY 2009-2010		
23	\$272,250,000	1,007,722,257	590,810,353 (2010-2011)
24	2 nd half FY 2009-2010		
25	\$247,500,000	1,007,722,257	605,660,353 (2010-2011)
26	1 st half FY 2010-2011		
27	\$272,250,000	1,056,215,428	613,827,853 (2010-2011)
28	2 nd half FY 2010-2011		
29	\$143,550,000	1,056,215,428	618,857,771 (2012-2013)

31 (9) Overall and concluding finding. From the facts,
 32 estimates, and assumptions stated in this declaration
 33 of findings, the conclusion is reached that the total
 34 amount of principal and interest estimated for the



1 general obligation bonds authorized in this Act, and
2 for all bonds authorized and unissued, and calculated
3 for all bonds issued and outstanding, and all
4 guaranties, will not cause the debt limit to be
5 exceeded at the time of issuance.

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

15 SECTION 3. Authorization for issuance of general
16 obligation bonds. General obligation bonds may be issued as
17 provided by law in an amount that may be necessary to finance
18 the projects authorized in House Bill No. 500, H.D. 1, S.D. 1,
19 C.D. 1 (the General Appropriations Act of 2007), House Bill No.
20 1212, H.D. 2, S.D. 2, C.D. 1 (the Judiciary Appropriations Act
21 of 2007), and House Bill No. 667, H.D. 1, S.D. 2, C.D. 1 passed
22 by this regular session of 2007, designated to be financed from



1 the general obligation bond fund and from the general obligation
 2 bond fund with debt service cost to be paid from special funds;
 3 provided that the sum total of general obligation bonds so
 4 issued shall not exceed \$982,031,000.

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

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

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

17 SECTION 6. This Act shall take effect upon its approval.
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INTRODUCED BY: 
 JAN 14 2008

Report Title:

State Bonds

Description:

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

