
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



1 payable in the current or any future fiscal year,
2 whichever is higher, on such bonds and on all
3 outstanding general obligation bonds to exceed: a sum
4 equal to twenty percent of the average of the general
5 fund revenues of the State in the three fiscal years
6 immediately preceding such issuance until June 30,
7 1982; and thereafter, a sum equal to eighteen and one-
8 half percent of the average of the general fund
9 revenues of the State in the three fiscal years
10 immediately preceding such issuance." Article VII,
11 section 13, also provides that in determining the
12 power of the State to issue general obligation bonds,
13 certain bonds are excludable, including "reimbursable
14 general obligation bonds issued for a public
15 undertaking, improvement or system but only to the
16 extent that reimbursements to the general fund are in
17 fact made from the net revenue, or net user tax
18 receipts, or combination of both, as determined for
19 the immediately preceding fiscal year" and bonds
20 constituting instruments of indebtedness under which
21 the State incurs a contingent liability as a
22 guarantor, but only to the extent the principal amount



1 of such bonds does not exceed seven per cent of the
2 principal amount of outstanding general obligation
3 bonds not otherwise excluded under article VII,
4 section 13.

5 (2) Actual and estimated debt limits. The limit on
6 principal and interest of general obligation bonds
7 issued by the State, actual for fiscal year 2006-2007
8 and estimated for each fiscal year from 2007-2008 to
9 2009-2010, is as follows:

10	Fiscal	Net General	
11	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
12	2003-2004	\$3,894,091,730	
13	2004-2005	4,471,460,582	
14	2005-2006	4,781,446,000	\$748,115,611
15	2006-2007	5,071,922,000	810,731,563
16	2007-2008	5,421,156,000	883,364,429
17	2008-2009		941,928,980
18	2009-2010	(not applicable)	

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



1 finance in the Statement of the Debt Limit of the
2 State of Hawaii as of July 1, 2006, dated November
3 , 2006. The net general fund revenues for fiscal
4 years 2006-2007 to 2008-2009 are estimates, based on
5 general fund revenue estimates made as of March ,
6 2007, by the council on revenues, the body assigned by
7 article VII, section 7 of the state constitution, to
8 make such estimates, and based on estimates made by
9 the department of budget and finance of those receipts
10 that cannot be included as general fund revenues for
11 the purpose of calculating the debt limit, all of
12 which estimates the legislature finds to be
13 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:

3 4 5	Fiscal Year	Principal and Interest
6	2007-2008	\$529,312,730
7	2008-2009	533,619,676
8	2009-2010	503,603,627
9	2010-2011	478,227,749
10	2011-2012	423,945,601
11	2012-2013	424,802,447
12	2013-2014	

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

21 (B) The department of budget and finance further
22 reports that the outstanding principal amount of
23 bonds constituting instruments of indebtedness
24 under which the State may incur a contingent
25 liability as a guarantor is \$191,000,000, all or
26 part of which is excludable in determining the
27 power of the State to issue general obligation

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 February , 2007, adjusted
8 for:

9 (i) Appropriations to be funded by general
10 obligations bonds or reimbursable general
11 obligation bonds as provided in House Bill
12 No. , H.D. 2, S.D. 2, C.D. 1 (the
13 General Appropriations Act of 2007), to be
14 expended in fiscal year 2007-2008;

15 (ii) Lapses as provided in House Bill No. ,
16 H.D. 2, S.D. 2, C.D. 1 (the General
17 Appropriations Act of 2007);

18 (iii) Lapses as provided in House Bill No. ,
19 H.D. 2, S.D. 2, C.D. 1 (the Judiciary
20 Appropriations Act of 2007); and

21 (iv) The issuance of \$350,000,000 General
22 Obligation Bonds of 2006, Series DI,

1 the total amount of authorized but unissued
2 general obligation bonds or reimbursable general
3 obligation bonds is \$. The total
4 amount of general obligation bonds authorized by
5 this Act is \$. The total amount of
6 general obligation bonds previously authorized
7 and unissued and the general obligation bonds
8 authorized in this Act is \$.

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 \$, 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 2007-2008, 2008-
20 2009, and 2009-2010, the State proposed to issue \$
21 in general obligation bonds during the first half of
22 fiscal year 2007-2008, \$ in general



1 obligation bonds during the second half of fiscal year
 2 2007-2008, \$ in general obligation bonds
 3 during the first half of fiscal year 2008-2009, \$
 4 in general obligation bonds during the second half of
 5 fiscal year 2008-2009, and \$ in general
 6 obligation bonds semi-annually during fiscal year
 7 2009-2010. It has been the practice of the State to
 8 issue twenty-year serial bonds with principal
 9 repayments beginning the fifth year, the bonds payable
 10 in substantially equal annual installments of
 11 principal and interest payment with interest payments
 12 commencing six months from the date of issuance and
 13 being paid semi-annually thereafter. It is assumed
 14 that this practice will continue to be applied to the
 15 bonds that are proposed to be issued.

16 (6) Sufficiency of proposed general obligation bond
 17 issuance to meet the requirements of authorized and
 18 unissued bonds, as adjusted, and bonds authorized by
 19 this Act. From the schedule reported in paragraph
 20 (5), the total amount of general obligation bonds that
 21 the State proposes to issue during the fiscal years
 22 2007-2008 to 2008-2009 is \$. An



1 additional \$ is proposed to be issued
2 in fiscal year 2009-2010. The total amount of \$
3 which is proposed to be issued through fiscal year
4 2008-2009 is sufficient to meet the requirements of
5 the authorized and unissued bonds, as adjusted, the
6 total amount of which is \$, as reported
7 in paragraph (4), except for \$. It is
8 assumed that the appropriations to which an additional
9 \$ in bond issuance needs to be applied
10 will have been encumbered as of June 30, 2009. The \$
11 which is proposed to be issued in fiscal year 2009-
12 2010 will be sufficient to meet the requirements of
13 the June 30, 2009, encumbrances in the amount of
14 \$. The amount of assumed encumbrances as of June
15 30, 2009, is reasonable and conservative, based upon
16 an inspection of June 30 encumbrances of the general
17 obligation bond fund as reported by the state
18 comptroller. Thus, taking into account the amount of
19 authorized and unissued bonds, as adjusted, and the
20 bonds authorized by this Act versus the amount of
21 bonds proposed to be issued by June 30, 2009, and the
22 amount of June 30, 2009, encumbrances versus the



1 amount of bonds proposed to be issued in fiscal year
2 2009-2010, the legislature finds that in the
3 aggregate, the amount of bonds proposed to be issued
4 is sufficient to meet the requirements of all
5 authorized and unissued bonds and the bonds authorized
6 by this Act.

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

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

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



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

3 However, the legislature notes that with respect
4 to the principal and interest on outstanding
5 general obligation bonds, according to the
6 department of budget and finance, the average
7 proportion of principal and interest which is
8 excludable each year from the calculation against
9 the debt limit is 2.19 per cent for the ten years
10 from fiscal year 2007-2008 to fiscal year 2016-
11 2017. For the purpose of this declaration, the
12 assumption is made that one per cent of each bond
13 issue shall be excludable from the debt limit, an
14 assumption the legislature finds to be reasonable
15 and conservative.

16 (B) Bonds constituting instruments of indebtedness
17 under which the State incurs a contingent
18 liability as a guarantor may be excluded but only
19 to the extent the principal amount of such
20 guaranties does not exceed seven per cent of the
21 principal amount of outstanding general
22 obligation bonds not otherwise excluded under



1 subparagraph (A) of this paragraph; provided that
 2 the State shall establish and maintain a reserve
 3 in an amount in reasonable proportion to the
 4 outstanding loans guaranteed by the State as
 5 provided by law. According to the department of
 6 budget and finance and the assumptions presented
 7 herein, the total principal amount of outstanding
 8 general obligation bonds and general obligation
 9 bonds proposed to be issued, which are not
 10 otherwise excluded under article VII, section 13
 11 of the state constitution for the fiscal years
 12 2006-2007, 2007-2008, 2008-2009, and 2009-2010
 13 are as follows:

18 <u>Fiscal year</u>	14 Total amount of 15 General Obligation Bonds 16 not otherwise excluded by 17 Article VII, Section 13 18 <u>of the State constitution</u>
20 2006-2007	\$4,442,352,138
21 2007-2008	4,630,160,647
22 2008-2009	4,700,716,578
23 2009-2010	

24
 25 Based on the foregoing and based on the
 26 assumption that the full amount of a guaranty is
 27 immediately due and payable when such guaranty changes



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

22 (8) Determination whether the debt limit will be exceeded



1 at the time of issuance. From the foregoing and on
 2 the assumption that all of the bonds identified in
 3 paragraph (5) will be issued at an interest rate of
 4 not more than 6.0 per cent, it can be determined from
 5 the following schedule that the bonds which are
 6 proposed to be issued, which include all authorized
 7 and unissued bonds previously authorized, as adjusted,
 8 general obligation bonds, and instruments of
 9 indebtedness under which the State incurs a contingent
 10 liability as a guarantor authorized in this Act, will
 11 not cause the debt limit to be exceeded at the time of
 12 such issuance:

13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
	Time of Issuance																	
	and Amount to be		Debt Limit															
	Counted Against		at Time of															
	<u>Debt Limit</u>		<u>Issuance</u>															
	1 st half FY 2007-2008																	
	\$272,250,000		883,364,429															
	2 nd half FY 2007-2008																	
	\$247,500,000		883,364,429															
	1 st half FY 2008-2009																	
	\$198,000,000		941,928,980															
	2 nd half FY 2008-2009																	
	\$198,000,000		941,928,980															
	1 st half FY 2009-2010																	
	\$																	
	2 nd half FY 2009-2010																	
	\$																	

(9) Overall and concluding finding. From the facts,



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

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

18 SECTION 3. Authorization for issuance of general
 19 obligation bonds. General obligation bonds may be issued as
 20 provided by law in an amount that may be necessary to finance
 21 the projects authorized in House Bill No. , H.D. 1, S.D.
 22 1, C.D. 1 (the General Appropriations Act of 2007), and House

1 Bill No. , H.D. 2, S.D. 2, C.D. 1 (the Judiciary
 2 Appropriations Act of 2007), passed by this regular session of
 3 2007, designated to be financed from the general obligation bond
 4 fund and from the general obligation bond fund with debt service
 5 cost to be paid from special funds; provided that the sum total
 6 of general obligation bonds so issued shall not exceed \$
 7 .

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

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

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

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



Report Title:

General Obligation Bond Authorization

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.

