

JAN 21 2011

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 article VII, section 13 of the state constitution, which states
4 in relevant part: "Effective July 1, 1980, the legislature
5 shall 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 relevant
15 part: "General obligation bonds may be issued by the
16 State; provided that such bonds at the time of
17 issuance would not cause the total amount of principal
18 and interest payable in the current or any future



1 fiscal year, whichever is higher, on such bonds and on
2 all outstanding general obligation bonds to exceed: a
3 sum equal to twenty per cent of the average of the
4 general fund revenues of the State in the three fiscal
5 years immediately preceding such issuance until June
6 30, 1982; and thereafter, a sum equal to eighteen and
7 one-half per cent of the average of the general fund
8 revenues of the State in the three fiscal years
9 immediately preceding such issuance." Article VII,
10 section 13, also provides that in determining the
11 power of the State to issue general obligation bonds,
12 certain bonds are excludable, including
13 "[r]eimburseable general obligation bonds issued for a
14 public undertaking, improvement or system but only to
15 the extent that reimbursements to the general fund are
16 in 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 or any political subdivision incurs a
21 contingent liability as a guarantor, but only to the
22 extent the principal amount of such bonds does not



1 exceed seven per cent of the principal amount of
 2 outstanding general obligation bonds not otherwise
 3 excluded" under article VII, 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 and
 7 estimated for each fiscal year from to , is
 8 as follows:

	<u>Fiscal</u>	<u>Net General</u>	<u>Debt Limit</u>
	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>

11
 12
 13
 14
 15
 16
 17
 18
 19 For fiscal years , respectively, the debt limit is
 20 derived by multiplying the average of the net general
 21 fund revenues for the three preceding fiscal years by
 22 eighteen and one-half per cent. The net general fund
 23 revenues for fiscal years are actual, as
 24 certified by the director of finance in the Statement
 25 of the Debt Limit of the State of Hawaii as of



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

12 (3) Principal and interest on outstanding bonds applicable
13 to the debt limit.

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



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1	Fiscal	Principal
2	<u>Year</u>	<u>and Interest</u>
3		
4		
5		
6		
7	The department of budget and finance further	
8	reports that the amount of principal and interest	
9	on outstanding bonds applicable to the debt limit	
10	generally continues to decline each year from	
11	fiscal year to fiscal year when the	
12	final installment of \$ shall be due and	
13	payable.	
14	(B) The department of budget and finance further	
15	reports that the outstanding principal amount of	
16	bonds constituting instruments of indebtedness	
17	under which the State may incur a contingent	
18	liability as a guarantor is \$, all or	
19	part of which is excludable in determining the	
20	power of the State to issue general obligation	
21	bonds, pursuant to article VII, section 13 of the	
22	state constitution.	



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

4 (A) As calculated from the state comptroller's bond
5 fund report as of February , adjusted for:

6 (i) Appropriations to be funded by general
7 obligations bonds or reimbursable general
8 obligation bonds as provided in House Bill
9 No. , H.D. , S.D. , C.D. (the
10 Supplemental Appropriations Act of), to
11 be expended in fiscal year ;

12 (ii) Lapses as provided in House Bill No. ,
13 H.D. , S.D. , C.D. (the Supplemental
14 Appropriations Act of);

15 (iii) Lapses as provided in House Bill No. ,
16 H.D. , S.D. , C.D. (the Judiciary
17 Supplemental Appropriations Act of);
18 and

19 (iv) The issuance of \$ General
20 Obligation Bonds of , Series DI,
21 the total amount of authorized but unissued
22 general obligation bonds or reimbursable general



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

7 (B) As reported by the department of budget and
 8 finance the outstanding principal amount of bonds
 9 constituting instruments of indebtedness under
 10 which the State may incur a contingent liability
 11 as a guarantor is \$, all or part of
 12 which is excludable in determining the power of
 13 the State to issue general obligation bonds,
 14 pursuant to article VII, section 13 of the state
 15 constitution.

16 (5) Proposed general obligation bond issuance. As
 17 reported therein for the fiscal years , the
 18 State proposed to issue \$ in general
 19 obligation bonds during the first half of fiscal year
 20 , \$ in general obligation bonds during
 21 the second half of fiscal year , \$ in
 22 general obligation bonds during the first half of



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

13 (6) Sufficiency of proposed general obligation bond
14 issuance to meet the requirements of authorized and
15 unissued bonds, as adjusted, and bonds authorized by
16 this Act. From the schedule reported in paragraph
17 (5), the total amount of general obligation bonds that
18 the State proposes to issue during the fiscal years
19 to is \$. An additional \$
20 is proposed to be issued in fiscal year . The
21 total amount of \$ which is proposed to be
22 issued through fiscal year is sufficient to meet



1 the requirements of the authorized and unissued bonds,
2 as adjusted, the total amount of which is \$,
3 as reported in paragraph (4), except for \$.

4 It is assumed that the appropriations to which an
5 additional \$ in bond issuance needs to be
6 applied will have been encumbered as of .

7 The \$ which is proposed to be issued in
8 fiscal year - will be sufficient to meet the
9 requirements of the June 30, , encumbrances in the
10 amount of \$. The amount of assumed

11 encumbrances as of June 30, , is reasonable and
12 conservative, based upon an inspection of June 30,

13 encumbrances of the general obligation bond fund
14 as reported by the state comptroller. Thus, taking

15 into account the amount of authorized and unissued
16 bonds, as adjusted, and the bonds authorized by this

17 Act versus the amount of bonds proposed to be issued
18 by June 30, , and the amount of June 30, ,

19 encumbrances versus the amount of bonds proposed to be
20 issued in fiscal year - , the legislature finds

21 that in the aggregate, the amount of bonds proposed to
22 be issued is sufficient to meet the requirements of



1 all authorized and unissued bonds and the bonds
2 authorized by this Act.

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

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

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

19 (ii) Not all reimbursable general obligation
20 bonds may qualify for exclusion.

21 However, the legislature notes that with respect
22 to the principal and interest on outstanding



1 general obligation bonds, according to the
2 department of budget and finance, the average
3 proportion of principal and interest which is
4 excludable each year from the calculation against
5 the debt limit is per cent for the ten
6 years from fiscal year - to fiscal year
7 - . For the purpose of this declaration,
8 the assumption is made that one per cent of each
9 bond issue will be excludable from the debt
10 limit, an assumption the legislature finds to be
11 reasonable and conservative.

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



1 provided by law. According to the department of
 2 budget and finance and the assumptions presented
 3 herein, the total principal amount of outstanding
 4 general obligation bonds and general obligation
 5 bonds proposed to be issued, which are not
 6 otherwise excluded under article VII, section 13
 7 of the state constitution for the fiscal years
 8 are as follows:

9		Total amount of
10		General Obligation Bonds
11		not otherwise excluded by
12		Article VII, Section 13
13	<u>Fiscal year</u>	<u>of the State Constitution</u>
14		
15		
16		
17		
18		
19		

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



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

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



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

8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
	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																			
	\$																			
	2 nd half FY																			
	\$																			
	1 st half FY																			
	\$																			
	2 nd half FY																			
	\$																			
	1 st half FY																			
	\$																			
	2 nd half FY																			
	\$																			

29
 30 (9) Overall and concluding finding. From the facts,
 31 estimates, and assumptions stated in this declaration
 32 of findings, the conclusion is reached that the total
 33 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 projects authorized in House Bill No. , H.D. , S.D. ,
19 C.D. (the Supplemental Appropriations Act of), and House
20 Bill No. , H.D. , S.D. , C.D. (the Judiciary
21 Supplemental Appropriations Act of), passed by this regular
22 session of , designated to be financed from the general



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

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. If any provision of this Act, or the
11 application thereof to any person or circumstance is held
12 invalid, the invalidity does not affect other provisions or
13 applications of the Act, which can be given effect without the
14 invalid provision or application, and to this end the provisions
15 of this Act are severable.

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

19



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

2

INTRODUCED BY: Arnold J. Igo



Report Title:

General Obligation Bond Authorization

Description:

Authorizes the issuance of general obligation bonds; Hawaii makes findings required by article XII, section 13 of the Hawaii State Constitution to declare that the issuance of authorized bonds will not cause the debt limit to be exceeded.

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

