
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 Hawaii State Constitution, which
4 states in relevant part:

5 "Effective July 1, 1980, the legislature shall include a
6 declaration of findings in every general law authorizing the
7 issuance of general obligation bonds that the total amount of
8 principal and interest, estimated for such bonds and for all
9 bonds authorized and unissued and calculated for all bonds
10 issued and outstanding, will not cause the debt limit to be
11 exceeded at the time of issuance", the legislature finds and
12 declares as follows:

13 (1) Limitation on general obligation debt. The debt limit
14 of the State is set forth in article VII, section 13
15 of the Hawaii State Constitution, which states in
16 relevant part: "General obligation bonds may be
17 issued by the State; provided that such bonds at the
18 time of issuance would not cause the total amount of



1 principal and interest payable in the current or any
2 future fiscal year, whichever is higher, on such bonds
3 and on all outstanding general obligation bonds to
4 exceed: a sum equal to twenty percent of the average
5 of the general fund revenues of the State in the three
6 fiscal years immediately preceding such issuance until
7 June 30, 1982; and thereafter, a sum equal to eighteen
8 and one-half percent of the average of the general
9 fund 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
14 "[r]eimburseable general obligation bonds issued for a
15 public undertaking, improvement or system but only to
16 the extent that reimbursements to the general fund are
17 in 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 "[b]onds
20 constituting instruments of indebtedness under which
21 the State or any political subdivision incurs a
22 contingent liability as a guarantor, but only to the



1 extent the principal amount of such bonds does not
 2 exceed seven percent of the principal amount of
 3 outstanding general obligation bonds not otherwise
 4 excluded" under article VII, 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 and
 8 estimated for each fiscal year from to , is
 9 as follows:

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

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For fiscal years , 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 per cent. The net general fund
 revenues for fiscal years are actual, as
 certified by the director of finance in the Statement
 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 are
3 estimates, based on general fund revenue estimates
4 made as of March , , by the council on
5 revenues, the body assigned by article VII, section 7
6 of the Hawaii State Constitution, to make such
7 estimates, and based on estimates made by the
8 department of budget and finance of those receipts
9 that cannot be included as general fund revenues for
10 the purpose of calculating the debt limit, all of
11 which estimates the legislature finds to be
12 reasonable.

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

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



1 as of , is as follows for fiscal year
2 to fiscal year :

3	Fiscal	Principal
4	<u>Year</u>	<u>and Interest</u>

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6
7
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10
11 The department of budget and finance further
12 reports that the amount of principal and interest
13 on outstanding bonds applicable to the debt limit
14 generally continues to decline each year from
15 fiscal year to fiscal year when the
16 final installment of \$ shall be due and
17 payable.

18 (B) The department of budget and finance further
19 reports that 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 \$, all or
23 part of which is excludable in determining the
24 power of the State to issue general obligation
25 bonds, pursuant to article VII, section 13 of the
26 Hawaii 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. 200, H.D. 1, S.D. , C.D. (the
10 General Appropriations Act of 2011), to be
11 expended in fiscal year ;

12 (ii) Lapses as provided in House Bill No. 200,
13 H.D. 1, S.D. , C.D. (the General
14 Appropriations Act of 2011);

15 (iii) Appropriations to be funded by general
16 obligation bonds or reimbursable general
17 obligation bonds as provided in House Bill
18 No. 300, H.D. 2, S.D. , C.D. (the
19 Judiciary Appropriations Act of 2011);

20 (iv) Lapses as provided in House Bill No. 300,
21 H.D. 2, S.D. , C.D. (the Judiciary
22 Appropriations Act of 2011); and



1 (v) The issuance of \$ general
 2 obligations bonds of , series DI,
 3 the total amount of authorized but unissued
 4 general obligation bonds or reimbursable general
 5 obligation bonds is \$. The total
 6 amount of general obligation bonds authorized in
 7 this Act is \$. The total amount of
 8 general obligation bonds previously authorized
 9 and unissued and the general obligation bonds
 10 authorized in this Act is \$.

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

20 (5) Proposed general obligation bond issuance. As
 21 reported therein for the fiscal years , the
 22 State proposed to issue \$ in general



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

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



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



1 encumbrances versus the amount of bonds proposed to be
2 issued in fiscal year - , the legislature finds
3 that in the aggregate, the amount of bonds proposed to
4 be issued is sufficient to meet the requirements of
5 all authorized and unissued bonds and the bonds
6 authorized 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) Reimbursable general obligation 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 per cent for the ten
10 years from fiscal year - to fiscal year

11 - . . . For the purpose of this declaration,
12 the assumption is made that one per cent of each
13 bond issue will be excludable from the debt
14 limit, an assumption the legislature finds to be
15 reasonable 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 Hawaii State Constitution for the fiscal
 12 years are as follows:

13		Total amount of
14		General Obligation Bonds
15		not otherwise excluded by
16		Article VII, Section 13
17	<u>Fiscal year</u>	<u>of the Hawaii State Constitution</u>
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24 Based on the foregoing and based on the
 25 assumption that the full amount of a guaranty is
 26 immediately due and payable when such guaranty changes
 27 from a contingent liability to an actual liability,



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

21 (8) Determination whether the debt limit will be exceeded
22 at the time of issuance. From the foregoing and on



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



	Debt Limit at Time of <u>Issuance</u>	Greatest Amount and Year of Highest Principal and Interest <u>on Bonds and Guaranties</u>
1		
2	Time of Issuance	
3	and Amount to be	
4	Counted Against	
5	<u>Debt Limit</u>	
6	1 st half FY	
7	\$	(-)
8	2 nd half FY	
9	\$	(-)
10	1 st half FY	
11	\$	(-)
12	2 nd half FY	
13	\$	(-)
14	1 st half FY	
15	\$	(-)
16	2 nd half FY	
17	\$	(-)
18	1 st half FY	
19	\$	(-)
20	2 nd half FY	
21	\$	(-)
22		

23 (9) Overall and concluding finding. From the facts,
 24 estimates, and assumptions stated in this declaration
 25 of findings, the conclusion is reached that the total
 26 amount of principal and interest estimated for the
 27 general obligation bonds authorized in this Act, and
 28 for all bonds authorized and unissued, and calculated
 29 for all bonds issued and outstanding, and all
 30 guaranties, will not cause the debt limit to be
 31 exceeded at the time of issuance.

32 SECTION 2. The legislature finds the bases for the
 33 declaration of findings set forth in this Act reasonable. The



1 assumptions set forth in this Act with respect to the principal
2 amount of general obligation bonds which will be issued, the
3 amount of principal and interest on reimbursable general
4 obligation bonds which are assumed to be excludable, and the
5 assumed maturity structure shall not be deemed to be binding, it
6 being the understanding of the legislature that such matters
7 must remain subject to substantial flexibility.

8 SECTION 3. Authorization for issuance of general
9 obligation bonds. General obligation bonds may be issued as
10 provided by law in an amount that may be necessary to finance
11 projects authorized in House Bill No. 200, H.D. 1, S.D. ,
12 C.D. (the General Appropriations Act of 2011), and House Bill
13 No. 300, H.D. 2, S.D. , C.D. (the Judiciary Appropriations
14 Act of 2011), passed by this regular session of 2011, designated
15 to be financed from the general obligation bond fund and from
16 the general obligation bond fund with debt service cost to be
17 paid from special funds; provided that the sum total of general
18 obligation bonds so issued shall not exceed \$.

19 Any law to the contrary notwithstanding, general obligation
20 bonds may be issued from time to time in accordance with section
21 39-16, Hawaii Revised Statutes, in such principal amount as may



1 be required to refund any general obligation bonds of the State
2 of Hawaii heretofore or hereafter issued pursuant to law.

3 SECTION 4. If any provision of this Act, or the
4 application thereof to any person or circumstance is held
5 invalid, the invalidity does not affect other provisions or
6 applications of the Act, which can be given effect without the
7 invalid provision or application, and to this end the provisions
8 of this Act are severable.

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

12 SECTION 6. This Act shall take effect on July 1, 2030.



Report Title:

General Obligation Bond Authorization

Description:

Authorizes the issuance of general obligation bonds. Makes findings required by Article VII, section 13 of the Hawaii State Constitution to declare that the issuance of authorized bonds will not cause the debt limit to be exceeded. Effective July 1, 2030. (SB163 HD1)

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

