
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:

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 state constitution, which states in part:

16 "General obligation bonds may be issued by the
17 State; provided that such bonds at the time of
18 issuance would not cause the total amount of principal



1 and interest payable in the current or any future
2 fiscal year, whichever is higher, on such bonds and on
3 all outstanding general obligation bonds to exceed: a
4 sum equal to twenty percent of the average of the
5 general fund revenues of the State in the three fiscal
6 years immediately preceding such issuance until June
7 30, 1982; and thereafter, a sum equal to eighteen and
8 one-half percent of the average of the general fund
9 revenues of the State in the three fiscal years
10 immediately preceding such issuance."

11 Article VII, section 13 also provides that in
12 determining the power of the State to issue general
13 obligation bonds, certain bonds are excludable,
14 including "reimbursable general obligation bonds
15 issued for a public undertaking, improvement or system
16 but only to the extent that reimbursements to the
17 general fund are in fact made from the net revenue, or
18 net user tax receipts, or combination of both, as
19 determined for the immediately preceding fiscal year"
20 and bonds constituting instruments of indebtedness
21 under which the State incurs a contingent liability as
22 a guarantor, but only to the extent the principal



1 amount of such bonds does not exceed seven per cent of
 2 the 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 2010-2011
 8 and estimated for each fiscal year from 2011-2012 to
 9 2014-2015, is as follows:

	<u>Fiscal</u> <u>Year</u>	<u>Net General</u> <u>Fund Revenues</u>	<u>Debt Limit</u>
10	2007-2008	\$5,222,739,619	
11	2008-2009	5,034,984,956	
12	2009-2010	4,841,194,658	
13	2010-2011	4,842,386,000	\$ 931,100,019
14	2011-2012	5,288,757,000	907,644,880
15	2012-2013	5,586,164,000	923,294,156
16	2013-2014	5,892,854,000	969,233,932
17	2014-2015	(not applicable)	1,034,012,792

18 For fiscal years 2010-2011, 2011-2012, 2012-2013,
 19 2013-2014, and 2014-2015, respectively, the debt limit
 20 is derived by multiplying the average of the net
 21 general fund revenues for the three preceding fiscal
 22 years by eighteen and one-half per cent. The net
 23 general fund revenues for fiscal years 2007-2008,
 24 2008-2009, and 2009-2010 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, 2010, dated
3 November 23, 2010. The net general fund revenues for
4 fiscal years 2010-2011 to 2013-2014 are estimates,
5 based on general fund revenue estimates made as of
6 March 15, 2011 and April 8, 2011, by the council on
7 revenues, the body assigned by article VII, section 7
8 of the state constitution to make such estimates, and
9 based on estimates made by the department of budget
10 and finance of those receipts which cannot be included
11 as general fund revenues for the purpose of
12 calculating the debt limit, all of which estimates the
13 legislature finds to 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, 2011, is as follows for fiscal year
 2 2011-2012 to fiscal year 2017-2018:

3	Fiscal	Principal
4	<u>Year</u>	<u>and Interest</u>
5		
6	2011-2012	\$507,066,146
7	2012-2013	579,212,955
8	2013-2014	578,018,611
9	2014-2015	610,254,531
10	2015-2016	563,610,553
11	2016-2017	576,315,435
12	2017-2018	504,933,484

13 The department of budget and finance further
 14 reports that the amount of principal and interest
 15 on outstanding bonds applicable to the debt limit
 16 generally continues to decline each year from
 17 fiscal year 2018-2019 to fiscal year 2029-2030
 18 when the final installment of \$45,711,073 shall
 19 be due and payable.

20 (B) The department of budget and finance further
 21 reports that the outstanding principal amount of
 22 bonds constituting instruments of indebtedness
 23 under which the State may incur a contingent
 24 liability as a guarantor is \$183,500,000, all or
 25 part of which is excludable in determining the
 26 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 , adjusted for:

8 (i) Appropriations to be funded by general
9 obligation bonds or reimbursable general
10 obligation bonds as provided in (the
11 General Appropriations Act of 2012);

12 (ii) Lapses as provided in (the General
13 Appropriations Act of 2012);

14 (iii) Appropriations to be funded by general
15 obligation bonds or reimbursable general
16 obligation bonds as provided in (the
17 Judiciary Appropriations Act of 2012); and

18 (iv) Lapses as provided in (the
19 Judiciary Appropriations Act of 2012);

20 the total amount of authorized but unissued
21 general obligation bonds is \$. The

22 total amount of general obligation bonds



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

6 (B) As reported by the department of budget and
7 finance the outstanding principal amount of bonds
8 constituting instruments of indebtedness under
9 which the State may incur a contingent liability
10 as a guarantor is \$183,500,000, all or part of
11 which is excludable in determining the power of
12 the State to issue general obligation bonds,
13 pursuant to article VII, section 13 of the state
14 constitution.

15 (5) Proposed general obligation bond issuance. As
16 reported therein for the fiscal years 2011-2012,
17 2012-2013, 2013-2014, and 2014-2015 the State proposed
18 to issue \$375,000,000 in general obligation bonds
19 during the first half of fiscal year 2011-2012,
20 \$375,000,000 in general obligation bonds during the
21 second half of fiscal year 2011-2012, \$375,000,000 in
22 general obligation bonds during the first half of



1 fiscal year 2012-2013, \$375,000,000 in general
2 obligation bonds during the second half of fiscal year
3 2012-2013, \$350,000,000 in general obligation bonds
4 during the first half of fiscal year 2013-2014,
5 \$350,000,000 in general obligation bonds during the
6 second half of fiscal year 2013-2014, \$350,000,000 in
7 general obligation bonds during the first half of
8 fiscal year 2014-2015, and \$325,000,000 in general
9 obligation bonds during the second half of fiscal year
10 2014-2015. It has been the practice of the State to
11 issue twenty-year serial bonds with principal
12 repayments beginning the fifth year, the bonds payable
13 in substantially equal annual installments of
14 principal and interest payment with interest payments
15 commencing six months from the date of issuance and
16 being paid semi-annually thereafter. It is assumed
17 that this practice will continue to be applied to the
18 bonds that are proposed to be issued.

19 (6) Sufficiency of proposed general obligation bond
20 issuance to meet the requirements of authorized and
21 unissued bonds, as adjusted, and bonds authorized by
22 this Act. From the schedule reported in paragraph



1 (5), the total amount of general obligation bonds that
2 the State proposes to issue during the fiscal years
3 2011-2012 to 2013-2014 is \$2,200,000,000. An
4 additional \$675,000,000 is proposed to be issued in
5 fiscal year 2014-2015. The total amount of
6 \$2,200,000,000 which is proposed to be issued through
7 fiscal year 2013-2014 is sufficient to meet the
8 requirements of the authorized and unissued bonds, as
9 adjusted, the total amount of which is \$2,870,770,973
10 reported in paragraph (4), except for \$670,770,973.
11 It is assumed that the appropriations to which an
12 additional \$670,770,973 in bond issuance needs to be
13 applied will have been encumbered as of June 30, 2014.
14 The \$675,000,000 which is proposed to be issued in
15 fiscal year 2014-2015 will be sufficient to meet the
16 requirements of the June 30, 2014, encumbrances in the
17 amount of \$670,770,973. The amount of assumed
18 encumbrances as of June 30, 2014, is reasonable and
19 conservative, based upon an inspection of June 30
20 encumbrances of the general obligation bond fund as
21 reported by the state comptroller. Thus, taking into
22 account the amount of authorized and unissued bonds,



1 as adjusted, and the bonds authorized by this Act
2 versus the amount of bonds proposed to be issued by
3 June 30, 2014, and the amount of June 30, 2014,
4 encumbrances versus the amount of bonds proposed to be
5 issued in fiscal year 2014-2015, the legislature finds
6 that in the aggregate, the amount of bonds proposed to
7 be issued is sufficient to meet the requirements of
8 all authorized and unissued bonds and the bonds
9 authorized by this Act.

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

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

20 (i) It is not known exactly when projects for
21 which reimbursable bonds have been
22 authorized in prior acts and in this Act



1 will be implemented and will require the
2 application of proceeds from a particular
3 bond issue; and

4 (ii) Not all reimbursable general obligation
5 bonds may qualify for exclusion.

6 However, the legislature notes that with respect
7 to the principal and interest on outstanding
8 general obligation bonds, according to the
9 department of budget and finance, the average
10 proportion of principal and interest which is
11 excludable each year from the calculation against
12 the debt limit is 1.41 per cent for the ten years
13 from fiscal year 2010-2011 to fiscal year 2019-
14 2020. For the purpose of this declaration, the
15 assumption is made that one per cent of each bond
16 issue shall be excludable from the debt limit, an
17 assumption which the legislature finds to be
18 reasonable and conservative.

19 (B) Bonds constituting instruments of indebtedness
20 under which the State incurs a contingent
21 liability as a guarantor may be excluded but only
22 to the extent the principal amount of such



1 guaranties does not exceed seven per cent of the
2 principal amount of outstanding general
3 obligation bonds not otherwise excluded under
4 subparagraph (A) of this paragraph; provided that
5 the State shall establish and maintain a reserve
6 in an amount in reasonable proportion to the
7 outstanding loans guaranteed by the State as
8 provided by law. According to the department of
9 budget and finance and the assumptions presented
10 herein, the total principal amount of outstanding
11 general obligation bonds and general obligation
12 bonds proposed to be issued, which are not
13 otherwise excluded under article VII, section 13
14 of the state constitution for the fiscal years
15 2011-2012, 2012-2013, 2013-2014, and 2014-2015
16 are as follows:



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<u>Fiscal year</u>	<u>Total amount of General Obligation Bonds not otherwise excluded by Article VII, Section 13 of the State Constitution</u>
2010-2011	\$5,126,030,000
2011-2012	5,868,530,000
2012-2013	6,611,030,000
2013-2014	7,304,030,000
2014-2015	7,972,280,000

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 per cent of the average amount set forth in the last column of the above table and for which reserve funds have been or shall have been established as heretofore provided, may 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



1 assumed in conformity with fiscal conservatism and
2 prudence, that all guaranties not otherwise excluded
3 pursuant to article VII, section 13 of the state
4 constitution shall become due and payable in the same
5 fiscal year in which the greatest amount of principal
6 and interest on general obligation bonds, after
7 exclusions, occurs. Thus, based on such assumptions
8 and on the determination in paragraph (8), all of the
9 outstanding guaranties can be excluded.

10 (8) Determination whether the debt limit will be exceeded
11 at the time of issuance. From the foregoing and on
12 the assumption that all of the bonds identified in
13 paragraph (5) will be issued at a net average interest
14 rate, after giving effect to federal subsidy payments,
15 if any, received by the State under and pursuant to
16 federal laws as may from time to time be in effect,
17 not to exceed 5.25 per cent, it can be determined from
18 the following schedule that the bonds which are
19 proposed to be issued, which include all authorized
20 and unissued bonds previously authorized, as adjusted,
21 general obligation bonds, and instruments of
22 indebtedness under which the State incurs a contingent



1 liability as a guarantor authorized in this Act, will
 2 not cause the debt limit to be exceeded at the time of
 3 such issuance:

4	5	6	7	8	9
10	11	12	13	14	15
16	17	18	19	20	21
22	23	24	25	26	27
28	29	30	31	32	33
	Time of Issuance and Amount to be Counted Against Debt Limit	Debt Limit at Time of Issuance	Greatest Amount and Year of Highest Principal and Interest on Bonds and Guaranties		
1 st	half FY 2011-2012 \$371,250,000	907,644,880	637,124,450 (2014-2015)		
2 nd	half FY 2011-2012 \$371,250,000	907,644,880	656,615,075 (2014-2015)		
1 st	half FY 2012-2013 \$371,250,000	923,294,156	682,509,330 (2016-2017)		
2 nd	half FY 2012-2013 \$371,250,000	923,294,156	716,054,955 (2016-2017)		
1 st	half FY 2013-2014 \$346,500,000	969,233,932	734,246,205 (2016-2017)		
2 nd	half FY 2013-2014 \$346,500,000	969,233,932	752,437,455 (2016-2017)		
1 st	half FY 2014-2015 \$346,500,000	1,034,012,792	770,628,705 (2016-2017)		
2 nd	half FY 2014-2015 \$321,750,000	1,034,012,792	787,520,580 (2016-2017)		

27 (9) Overall and concluding finding. From the facts,
 28 estimates, and assumptions stated in this declaration
 29 of findings, the conclusion is reached that the total
 30 amount of principal and interest estimated for the
 31 general obligation bonds authorized in this Act, and
 32 for all bonds authorized and unissued, and calculated
 33 for all bonds issued and outstanding, and all



1 guaranties, will not cause the debt limit to be
2 exceeded at the time of issuance.

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

12 SECTION 3. Authorization for issuance of general
13 obligation bonds. General obligation bonds may be issued as
14 provided by law in an amount that may be necessary to finance
15 projects authorized in (the General Appropriations
16 Act of 2012) and (the Judiciary Appropriations Act
17 of 2012), passed by this regular session of 2012, and designated
18 to be financed from the general obligation bond fund and from
19 the general obligation bond fund with debt service cost to be
20 paid from special funds; provided that the sum total of general
21 obligation bonds so issued shall not exceed \$.



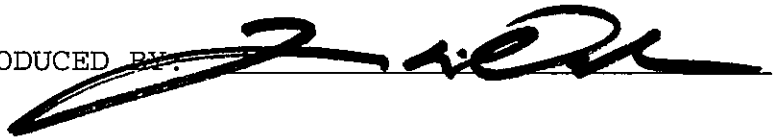
1 Any law to the contrary notwithstanding, general obligation
2 bonds may be issued from time to time in accordance with section
3 39-16, Hawaii Revised Statutes, in such principal amount as may
4 be required to refund any general obligation bonds of the State
5 of Hawaii heretofore or hereafter issued pursuant to law.

6 SECTION 4. The provisions of this Act are declared to be
7 severable and if any portion thereof is held to be invalid for
8 any reason, the validity of the remainder of this Act shall not
9 be affected.

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

13 SECTION 6. This Act shall take effect upon its approval.
14

INTRODUCED BY:

A large, stylized handwritten signature in black ink, written over a horizontal line.

JAN 13 2012



H.B. NO. 1838

Report Title:

General Obligation Bond Declaration

Description:

Authorizes issuance of general obligation bonds. Makes findings required by article VII, section 13 of the 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.

