
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 Hawaii state
4 constitution which states:

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

13 the legislature finds and declares as follows:

14 (1) Limitation on general obligation debt. The debt limit
15 of the State is set forth in article VII, section 13
16 of the state constitution, which states in part:

17 "General obligation bonds may be issued by the State;
18 provided that such bonds at the time of issuance would



1 not cause the total amount of principal and interest
2 payable in the current or any future fiscal year,
3 whichever is higher, on such bonds and on all
4 outstanding general obligation bonds to exceed: a sum
5 equal to twenty percent of the average of the general
6 fund revenues of the State in the three fiscal years
7 immediately preceding such issuance until June 30,
8 1982; and thereafter, a sum equal to eighteen and one-
9 half per cent of the average of the general fund
10 revenues of the State in the three fiscal years
11 immediately preceding such issuance."

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



1 liability as a guarantor, but only to the extent the
 2 principal amount of such bonds does not exceed seven
 3 per cent of the principal amount of outstanding
 4 general obligation bonds not otherwise excluded" under
 5 article VII, section 13.

6 (2) Actual and estimated debt limits. The limit on
 7 principal and interest of general obligation bonds
 8 issued by the State, actual for fiscal year 2011-2012
 9 and estimated for each fiscal year from 2012-2013 to
 10 2014-2015, is as follows:

11	Fiscal	Net General	
12	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
13			
14	2008-2009		
15	2009-2010		
16	2010-2011		
17	2011-2012		
18	2012-2013		
19	2013-2014		
20	2014-2015		
21			
22	For fiscal years 2011-2012, 2012-2013, 2013-2014, and		
23	2014-2015, respectively, the debt limit is derived by		
24	multiplying the average of the net general fund		
25	revenues for the three preceding fiscal years by		
26	eighteen and one-half per cent. The net general fund		
27	revenues for fiscal years 2008-2009, 2009-2010, and		



1 2010-2011 are actual, as certified by the director of
2 finance in the Statement of the Debt Limit of the
3 State of Hawaii as of July 1, 2011, dated November 9,
4 2011. The net general fund revenues for fiscal years
5 2011-2012 to 2013-2014 are estimates, based on general
6 fund revenue estimates made as of March 9, 2012, by
7 the council on revenues, the body assigned by article
8 VII, section 7 of the state constitution to make such
9 estimates, and based on estimates made by the
10 department of budget and finance of those receipts
11 which cannot be included as general fund revenues for
12 the purpose of calculating the debt limit, all of
13 which estimates the legislature finds to be
14 reasonable.

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

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



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1 general obligation bonds within the debt limit as
 2 of April 1, 2012, is as follows for fiscal year
 3 2012-2013 to fiscal year 2018-2019:

4	Fiscal	Principal
5	<u>Year</u>	<u>and Interest</u>
6		
7	2012-2013	
8	2013-2014	
9	2014-2015	
10	2015-2016	
11	2016-2017	
12	2017-2018	
13	2018-2019	

14 The department of budget and finance further reports
 15 that the amount of principal and interest on
 16 outstanding bonds applicable to the debt limit
 17 generally continues to decline each year from fiscal
 18 year 2019-2020 to fiscal year 2031-2032 when the final
 19 installment of \$72,249,725 shall 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 \$233,500,000, all or
 25 part of which is excludable in determining the
 26 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 February 29, 2012, adjusted
8 for:

9 (i) Appropriations to be funded by general
10 obligation bonds or reimbursable general
11 obligation bonds as provided in Act ,
12 Session Laws of Hawaii (the General
13 Appropriations Act of), to be expended
14 in fiscal year , adjusted for additional
15 appropriations provided in House Bill
16 No. (the Supplemental Appropriations
17 Act of);

18 (ii) Lapses as provided in House Bill No.
19 (the Supplemental Appropriations Act of
20);

21 (iii) Appropriations to be funded by general
22 obligation bonds or reimbursable general



1 obligation bonds as provided in Act ,
2 Session Laws of Hawaii (the Judiciary
3 Appropriations Act of), to be expended
4 in fiscal year , adjusted for additional
5 appropriations provided in House Bill
6 No. (the Judiciary Supplemental
7 Appropriations Act of); and
8 (iv) Lapses as provided in House Bill No.
9 (the Judiciary Supplemental Appropriations
10 Act of);

11 the total amount of authorized but unissued
12 general obligation bonds is \$2,008,699,756. The
13 total amount of general obligation bonds
14 authorized in this Act is \$436,726,000. The
15 total amount of general obligation bonds
16 previously authorized and unissued, as adjusted,
17 and the general obligation bonds authorized in
18 this Act is \$2,445,425,756.

19 (B) As reported by the department of budget and
20 finance, the outstanding principal amount of
21 bonds constituting instruments of indebtedness
22 under which the State may incur a contingent



1 liability as a guarantor is \$233,500,000, all or
2 part of which is excludable in determining the
3 power of the State to issue general obligation
4 bonds, pursuant to article VII, section 13 of the
5 state constitution.

6 (5) Proposed general obligation bond issuance. As
7 reported therein for the fiscal years 2012-2013, 2013-
8 2014, and 2014-2015, the State proposed to issue
9 \$325,000,000 in general obligation bonds during the
10 first half of fiscal year 2012-2013, \$450,000,000 in
11 general obligation bonds during the second half of
12 fiscal year 2012-2013, \$500,000,000 in general
13 obligation bonds during the first half of fiscal year
14 2013-2014, \$350,000,000 in general obligation bonds
15 during the second half of fiscal year 2013-2014,
16 \$500,000,000 in general obligation bonds during the
17 first half of fiscal year 2014-2015, and \$325,000,000
18 in general obligation bonds during the second half of
19 fiscal year 2014-2015. It has been the practice of
20 the State to issue twenty-year serial bonds with
21 principal repayments beginning the fifth year, the
22 bonds payable in substantially equal annual



1 installments of principal and interest payment with
2 interest payments commencing six months from the date
3 of issuance and being paid semi-annually thereafter.
4 It is assumed that this practice will continue to be
5 applied to the bonds that are proposed to be issued.

6 (6) Sufficiency of proposed general obligation bond
7 issuance to meet the requirements of authorized and
8 unissued bonds, as adjusted, and bonds authorized by
9 this Act. From the schedule reported in paragraph
10 (5), the total amount of general obligation bonds that
11 the State proposes to issue during the fiscal years
12 2012-2013 to 2013-2014 is \$1,625,000,000. An
13 additional \$825,000,000 is proposed to be issued in
14 fiscal year 2014-2015. The total amount of
15 \$1,625,000,000 which is proposed to be issued through
16 fiscal year 2013-2014 is sufficient to meet the
17 requirements of the authorized and unissued bonds, as
18 adjusted, the total amount of which is \$2,445,425,756
19 reported in paragraph (4), except for \$820,425,756.
20 It is assumed that the appropriations to which an
21 additional \$820,425,756 in bond issuance needs to be
22 applied will have been encumbered as of June 30,



1 2014. The \$825,000,000 which is proposed to be issued
2 in fiscal year 2014-2015 will be sufficient to meet
3 the requirements of the June 30, 2014, encumbrances in
4 the amount of \$820,425,756. The amount of assumed
5 encumbrances as of June 30, 2014, is reasonable and
6 conservative, based upon an inspection of June 30
7 encumbrances of the general obligation bond fund as
8 reported by the state comptroller. Thus, taking into
9 account the amount of authorized and unissued bonds,
10 as adjusted, and the bonds authorized by this Act
11 versus the amount of bonds proposed to be issued by
12 June 30, 2014, and the amount of June 30, 2014,
13 encumbrances versus the amount of bonds proposed to be
14 issued in fiscal year 2014-2015, the legislature finds
15 that in the aggregate, the amount of bonds proposed to
16 be issued is sufficient to meet the requirements of
17 all authorized and unissued bonds and the bonds
18 authorized by this Act.

- 19 (7) Bonds excludable in determining the power of the State
20 to issue bonds. As noted in paragraph (1), certain
21 bonds are excludable in determining the power of the
22 State to issue general obligation bonds.



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

7 (i) It is not known exactly when projects for
8 which reimbursable bonds have been
9 authorized in prior acts and in this Act
10 will be implemented and will require the
11 application of proceeds from a particular
12 bond issue; and

13 (ii) Not all reimbursable general obligation
14 bonds may qualify for exclusion.

15 However, the legislature notes that with respect
16 to the principal and interest on outstanding
17 general obligation bonds, according to the
18 department of budget and finance, the average
19 proportion of principal and interest which is
20 excludable each year from the calculation against
21 the debt limit is 1.07 per cent for the ten years
22 from fiscal year 2011-2012 to fiscal year 2020-



1 2021. For the purpose of this declaration, the
2 assumption is made that one per cent of each bond
3 issue shall be excludable from the debt limit, an
4 assumption which the legislature finds to be
5 reasonable and conservative.

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



1 of the state constitution for the fiscal years
 2 2011-2012, 2012-2013, 2013-2014, and 2014-2015
 3 are as follows:

4 5 6 7 8 9	<u>Fiscal year</u>	Total amount of General Obligation Bonds not otherwise excluded by Article VII, Section 13 <u>of the State Constitution</u>
10	2011-2012	
11	2012-2013	
12	2013-2014	
13	2014-2015	
14		

15 Based on the foregoing and based on the
 16 assumption that the full amount of a guaranty is
 17 immediately due and payable when such guaranty changes
 18 from a contingent liability to an actual liability,
 19 the aggregate principal amount of the portion of the
 20 outstanding guaranties and the guaranties proposed to
 21 be incurred, which does not exceed seven per cent of
 22 the average amount set forth in the last column of the
 23 above table and for which reserve funds have been or
 24 shall have been established as heretofore provided,
 25 may be excluded in determining the power of the State
 26 to issue general obligation bonds. As it is not
 27 possible to predict with a reasonable degree of



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

12 (8) Determination whether the debt limit will be exceeded
13 at the time of issuance. From the foregoing and on
14 the assumption that all of the bonds identified in
15 paragraph (5) will be issued at a net average interest
16 rate, after giving effect to federal subsidy payments,
17 if any, received by the State under and pursuant to
18 the American Recovery and Reinvestment Act of 2009, as
19 may be amended from time to time, not to exceed 5.25
20 per cent, it can be determined from the following
21 schedule that the bonds which are proposed to be
22 issued, which include all authorized and unissued



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

7	8	9	10	11	12
	Time of Issuance	Debt Limit	Greatest Amount	and Year of	
	and Amount to be	at Time of	Highest Principal	and Interest	
	Counted Against	Issuance	on Bonds and Guaranties		
	<u>Debt Limit</u>				
13	1 st half FY 2012-2013				
14					
15	2 nd half FY 2012-2013				
16					
17	1 st half FY 2013-2014				
18					
19	2 nd half FY 2013-2014				
20					
21	1 st half FY 2014-2015				
22					
23	2 nd half FY 2014-2015				

25 (9) Overall and concluding finding. From the facts,
 26 estimates, and assumptions stated in this declaration
 27 of findings, the conclusion is reached that the total
 28 amount of principal and interest estimated for the
 29 general obligation bonds authorized in this Act, and
 30 for all bonds authorized and unissued, and calculated
 31 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 House Bill No. (the Supplemental
16 Appropriations Act of) and House Bill No. (the
17 Judiciary Supplemental Appropriations Act of), passed by
18 the legislature during this regular session of 2013, and
19 designated to be financed from the general obligation bond fund
20 and from the general obligation bond fund with debt service cost
21 to be paid from special funds; provided that the sum total of



1 general obligation bonds so issued shall not exceed
2 \$436,726,000.

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

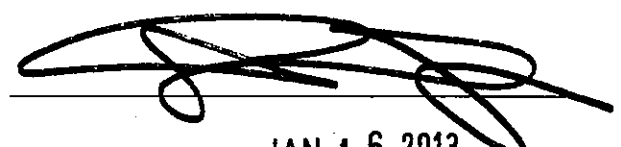
8 SECTION 4. The provisions of this Act are declared to be
9 severable and if any portion thereof is held to be invalid for
10 any reason, the validity of the remainder of this Act shall not
11 be affected.

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

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

16

INTRODUCED BY:



JAN 16 2013



H.B. NO. 51

Report Title:

General Obligation Bond Declaration

Description:

Authorizes 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.

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

