
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
18 payable in the current or any future fiscal year,



1 whichever is higher, on such bonds and on all
2 outstanding general obligation bonds to exceed: a sum
3 equal to twenty percent of the average of the general
4 fund revenues of the State in the three fiscal years
5 immediately preceding such issuance until June 30,
6 1982; and thereafter, a sum equal to eighteen and one-
7 half percent 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 power
11 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 "[b]onds
19 constituting instruments of indebtedness under which
20 the State...incurs a contingent liability as a
21 guarantor, but only to the extent the principal amount
22 of such bonds does not exceed seven percent of the



1 principal amount of outstanding general obligation
2 bonds not otherwise excluded" under said article VII,
3 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 2012-2013
7 and estimated for each fiscal year from 2013-2014 to
8 2016-2017, is as follows:

| | <u>Fiscal</u> <u>Year</u> | <u>Net General</u> <u>Fund Revenues</u> | <u>Debt Limit</u> |
|----|------------------------------|--|-------------------|
| 9 | 2009-2010 | \$4,841,194,658 | |
| 10 | 2010-2011 | \$5,102,646,283 | |
| 11 | 2011-2012 | \$5,648,800,650 | |
| 12 | 2012-2013 | \$5,960,809,000 | \$961,546,231 |
| 13 | 2013-2014 | \$6,253,585,000 | \$1,030,589,116 |
| 14 | 2014-2015 | \$6,642,356,000 | \$1,101,563,670 |
| 15 | 2015-2016 | \$6,722,192,000 | \$1,162,832,917 |
| 16 | 2016-2017 | (not applicable) | \$1,209,784,868 |

19 For fiscal years 2012-2013, 2013-2014, 2014-2015,
20 2015-2016, and 2016-2017, respectively, the debt limit
21 is derived by multiplying the average of the net
22 general fund revenues for the three preceding fiscal
23 years by eighteen and one-half per cent. The net
24 general fund revenues for fiscal years 2009-2010,
25 2010-2011, and 2011-2012 are actual, as certified by
26 the director of finance in the Statement of the Debt



1 Limit of the State of Hawaii as of July 1, 2012, dated
2 October 18, 2012. The net general fund revenues for
3 fiscal years 2012-2013 to 2015-2016 are estimates,
4 based on general fund revenue estimates made as of
5 March 13, 2013, by the council on revenues, the body
6 assigned by article VII, section 7 of the state
7 constitution to make such estimates, and based on
8 estimates made by the department of budget and finance
9 of those receipts which cannot be included as general
10 fund revenues for the purpose of calculating the debt
11 limit, all of which estimates the legislature finds to
12 be 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 state constitution, for
20 determining the power of the State to issue
21 general obligation bonds within the debt limit as



1 of April 1, 2013, is as follows for fiscal year
2 2013-2014 to fiscal year 2019-2020:

| | <u>Fiscal</u> <u>Year</u> | <u>Principal</u> <u>and Interest</u> |
|----|------------------------------|---|
| 5 | 2013-2014 | \$685,973,183 |
| 6 | 2014-2015 | 649,399,252 |
| 7 | 2015-2016 | 624,628,042 |
| 8 | 2016-2017 | 624,968,865 |
| 9 | 2017-2018 | 586,323,791 |
| 10 | 2018-2019 | 545,902,049 |
| 11 | 2019-2020 | 476,253,659 |

12 The department of budget and finance further
13 reports that the amount of principal and interest
14 on outstanding bonds applicable to the debt limit
15 generally continues to decline each year from
16 fiscal year 2020-2021 to fiscal year 2032-2033
17 when the final installment of \$40,847,231 shall
18 be due and payable.

19 (B) The department of budget and finance further
20 reports that the outstanding principal amount of
21 bonds constituting instruments of indebtedness
22 under which the State may incur a contingent
23 liability as a guarantor is \$233,500,000, all or
24 part of which is excludable in determining the
25 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 28, 2013, adjusted
8 for:

9 (i) Appropriations to be funded by general
10 obligation bonds or reimbursable general
11 obligation bonds as provided in House Bill
12 No. 200, H.D. 1, S.D. 1, C.D. 1 (the General
13 Appropriations Act of 2013);

14 (ii) Lapses as provided in House Bill No. 200,
15 H.D. 1, S.D. 1, C.D. 1 (the General
16 Appropriations Act of 2013);

17 (iii) Appropriations to be funded by general
18 obligation bonds or reimbursable general
19 obligation bonds as provided in House Bill
20 No. 197, H.D. 2, S.D. 2, C.D. 1 (the
21 Judiciary Appropriations Act of 2013); and



1 (iv) Lapses as provided in House Bill No. 197,
2 H.D. 2, S.D. 2, C.D. 1 (the Judiciary
3 Appropriations Act of 2013);
4 the total amount of authorized but unissued
5 general obligation bonds is \$1,908,026,247. The
6 total amount of general obligation bonds
7 authorized in this Act is \$1,382,677,000. The
8 total amount of general obligation bonds
9 previously authorized and unissued, as adjusted,
10 and the general obligation bonds authorized in
11 this Act is \$3,290,703,247.

12 (B) As reported by the department of budget and
13 finance the outstanding principal amount of bonds
14 constituting instruments of indebtedness under
15 which the State may incur a contingent liability
16 as a guarantor is \$233,500,000, all or part of
17 which is excludable in determining the power of
18 the State to issue general obligation bonds,
19 pursuant to article VII, section 13 of the state
20 constitution.

21 (5) Proposed general obligation bond issuance. As
22 reported therein for the fiscal years 2012-2013, 2013-



1 2014, 2014-2015, 2015-2016, and 2016-2017, the State
2 proposed to issue \$305,000,000 in general obligation
3 bonds during the remainder of the second half of
4 fiscal year 2012-2013, \$400,000,000 in general
5 obligation bonds semiannually during fiscal years
6 2013-2014 and 2014-2015, \$375,000,000 in general
7 obligation bonds during the first half of fiscal year
8 2015-2016, \$325,000,000 in general obligation bonds
9 during the second half of fiscal year 2015-2016, and
10 \$350,000,000 in general obligation bonds semiannually
11 during fiscal year 2016-2017. It has been the
12 practice of the State to issue twenty-year serial
13 bonds with principal repayments beginning in the fifth
14 year, the bonds payable in substantially equal annual
15 installments of principal and interest payment with
16 interest payments commencing six months from the date
17 of issuance and being paid semi-annually thereafter.
18 It is assumed that this practice will continue to be
19 applied to the bonds that are proposed to be issued.

- 20 (6) Sufficiency of proposed general obligation bond
21 issuance to meet the requirements of authorized and
22 unissued bonds, as adjusted, and bonds authorized by



1 this Act. From the schedule reported in paragraph
2 (5), the total amount of general obligation bonds that
3 the State proposes to issue during the fiscal years
4 2012-2013 to 2015-2016 is \$2,605,000,000. An
5 additional \$700,000,000 is proposed to be issued in
6 fiscal year 2016-2017. The total amount of
7 \$2,605,000,000 which is proposed to be issued through
8 fiscal year 2015-2016 is sufficient to meet the
9 requirements of the authorized and unissued bonds, as
10 adjusted, the total amount of which is \$3,290,703,247
11 reported in paragraph (4), except for \$685,703,247.
12 It is assumed that the appropriations to which an
13 additional \$685,703,247 in bond issuance needs to be
14 applied will have been encumbered as of June 30, 2016.
15 The \$700,000,000 which is proposed to be issued in
16 fiscal year 2016-2017 will be sufficient to meet the
17 requirements of the June 30, 2016 encumbrances in the
18 amount of \$685,703,247. The amount of assumed
19 encumbrances as of June 30, 2016 is reasonable and
20 conservative, based upon an inspection of June 30
21 encumbrances of the general obligation bond fund as
22 reported by the state comptroller. Thus, taking into



1 account the amount of authorized and unissued bonds,
2 as adjusted, and the bonds authorized by this Act
3 versus the amount of bonds proposed to be issued by
4 June 30, 2016, and the amount of June 30, 2016
5 encumbrances versus the amount of bonds proposed to be
6 issued in fiscal year 2016-2017, the legislature finds
7 that in the aggregate, the amount of bonds proposed to
8 be issued is sufficient to meet the requirements of
9 all authorized and unissued bonds and the bonds
10 authorized by this Act.

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

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

21 (i) It is not known exactly when projects for



1 which reimbursable bonds have been
2 authorized in prior acts and in this Act
3 will be implemented and will require the
4 application of proceeds from a particular
5 bond issue; and

6 (ii) Not all reimbursable general obligation
7 bonds may qualify for exclusion.

8 However, the legislature notes that with respect
9 to the principal and interest on outstanding
10 general obligation bonds, according to the
11 department of budget and finance, the average
12 proportion of principal and interest which is
13 excludable each year from the calculation against
14 the debt limit is 0.87 per cent for approximately
15 ten years from fiscal year 2012-2013 to fiscal
16 year 2021-2022. For the purpose of this
17 declaration, the assumption is made that 0.75 per
18 cent of each bond issue will be excludable from
19 the debt limit, an assumption which the
20 legislature finds to be reasonable and
21 conservative.



1 (B) Bonds constituting instruments of indebtedness
2 under which the State incurs a contingent
3 liability as a guarantor can be excluded but only
4 to the extent the principal amount of such
5 guaranties does not exceed seven per cent of the
6 principal amount of outstanding general obligation
7 bonds not otherwise excluded under subparagraph
8 (A) of this paragraph (7) and provided that the
9 State shall establish and maintain a reserve in an
10 amount in reasonable proportion to the outstanding
11 loans guaranteed by the State as provided by law.
12 According to the department of budget and finance
13 and the assumptions presented herein, the total
14 principal amount of outstanding general obligation
15 bonds and general obligation bonds proposed to be
16 issued, which are not otherwise excluded under
17 article VII, section 13 of the state constitution
18 for the fiscal years 2012-2013, 2013-2014, 2014-
19 2015, 2015-2016, and 2016-2017 are as follows:



| | <u>Fiscal year</u> | <u>Total amount of General Obligation Bonds not otherwise excluded by Article VII, Section 13 of the State Constitution</u> |
|----|--------------------|---|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | 2012-2013 | 5,925,545,000 |
| 7 | 2013-2014 | 6,719,545,000 |
| 8 | 2014-2015 | 7,513,545,000 |
| 9 | 2015-2016 | 8,208,300,000 |
| 10 | 2016-2017 | 8,903,050,000 |

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



1 not otherwise excluded pursuant to Article VII,
2 Section 13 of the State Constitution will become due
3 and payable in the same fiscal year in which the
4 greatest amount of principal and interest on general
5 obligation bonds, after exclusions, occurs. Thus,
6 based on such assumptions and on the determination in
7 paragraph (8), all of the outstanding guaranties can
8 be excluded.

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



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

| 4 | 5 | 6 | 7 | 8 |
|----|--|---|---|-----------|
| | Time of Issuance and Amount to be Counted Against <u>Debt Limit</u> | Debt Limit at Time of <u>Issuance</u> | Greatest Amount and Year of Highest Principal and Interest <u>on Bonds and Guaranties</u> | |
| 9 | 2nd half FY 2012-2013 | | | |
| 10 | \$302,712,500 | 961,546,231 | 693,592,175 | 2013-2014 |
| 11 | 1st half FY 2013-2014 | | | |
| 12 | \$397,000,000 | 1,030,589,116 | 693,592,175 | 2013-2014 |
| 13 | 2nd half FY 2013-2014 | | | |
| 14 | \$397,000,000 | 1,030,589,116 | 693,592,175 | 2013-2014 |
| 15 | 1st half FY 2014-2015 | | | |
| 16 | \$397,000,000 | 1,101,563,670 | 708,961,122 | 2016-2017 |
| 17 | 2nd half FY 2014-2015 | | | |
| 18 | \$397,000,000 | 1,101,563,670 | 729,803,622 | 2016-2017 |
| 19 | 1st half FY 2015-2016 | | | |
| 20 | \$372,190,000 | 1,162,832,917 | 739,573,609 | 2016-2017 |
| 21 | 2nd half FY 2015-2016 | | | |
| 22 | \$322,565,000 | 1,162,832,917 | 739,573,609 | 2016-2017 |
| 23 | 1st half FY 2016-2017 | | | |
| 24 | \$347,375,000 | 1,209,784,868 | 749,345,042 | 2018-2019 |
| 25 | 2nd half FY 2016-2017 | | | |
| 26 | \$347,375,000 | 1,209,784,868 | 767,582,229 | 2018-2019 |

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



1 for all bonds issued and outstanding, and all
2 guaranties, will not cause the debt limit to be
3 exceeded at the time of issuance.

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

13 SECTION 3. Authorization for issuance of general
14 obligation bonds. General obligation bonds may be issued as
15 provided by law in an amount that may be necessary to finance
16 projects authorized in House Bill No. 200, H.D. 1, S.D. 1,
17 C.D. 1 (the General Appropriations Act of 2013) and House Bill
18 No. 197, H.D. 2, S.D. 2, C.D. 1 (the Judiciary Appropriations
19 Act of 2013), passed by the legislature during this regular
20 session of 2013 and designated to be financed from the general
21 obligation bond fund and from the general obligation bond fund
22 with debt service cost to be paid from special funds; provided



1 that the sum total of general obligation bonds so issued shall
2 not exceed \$1,382,677,000.

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.



Report Title:

State Bonds

Description:

Authorizes issuance of general obligation bonds. Makes findings required by article VII, section 13 of the state constitution to declare that issuance of authorized bonds will not cause debt limit to be exceeded. (HB51 CD1)

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

