

JAN 24 2013

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**A BILL FOR AN ACT**

PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 13, OF THE HAWAII STATE CONSTITUTION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 SECTION 1. The purpose of this Act is to propose an  
2 amendment to article VII, section 13, of the Hawaii State  
3 Constitution, to exempt refunding general obligation bonds from  
4 the requirement that all general obligation bonds for a term  
5 exceeding two years shall be in serial form maturing in  
6 substantially equal installments of principal, or maturing in  
7 substantially equal installments of both principal and interest.

8 SECTION 2. Article VII, section 13, of the Constitution of  
9 the State of Hawaii is amended to read as follows:

10 "DEBT LIMIT; EXCLUSIONS

11 Section 13. General obligation bonds may be issued by the  
12 State; provided that such bonds at the time of issuance would  
13 not cause the total amount of principal and interest payable in  
14 the current or any future fiscal year, whichever is higher, on  
15 such bonds and on all outstanding general obligation bonds to  
16 exceed: a sum equal to twenty percent of the average of the  
17 general fund revenues of the State in the three fiscal years

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1 immediately preceding such issuance until June 30, 1982; and  
2 thereafter, a sum equal to eighteen and one-half percent of the  
3 average of the general fund revenues of the State in the three  
4 fiscal years immediately preceding such issuance. Effective  
5 July 1, 1980, the legislature shall include a declaration of  
6 findings in every general law authorizing the issuance of  
7 general obligation bonds that the total amount of principal and  
8 interest, estimated for such bonds and for all bonds authorized  
9 and unissued and calculated for all bonds issued and  
10 outstanding, will not cause the debt limit to be exceeded at the  
11 time of issuance. Any bond issue by or on behalf of the State  
12 may exceed the debt limit if an emergency condition is declared  
13 to exist by the governor and concurred to by a two-thirds vote  
14 of the members to which each house of the legislature is  
15 entitled. For the purpose of this paragraph, general fund  
16 revenues of the State shall not include moneys received as  
17 grants from the federal government and receipts in reimbursement  
18 of any reimbursable general obligation bonds which are excluded  
19 as permitted by this section.

20 A sum equal to fifteen percent of the total of the assessed  
21 values for tax rate purposes of real property in each political  
22 subdivision, as determined by the last tax assessment rolls  
23 pursuant to law, is established as the limit of the funded debt

1 of such political subdivision that is outstanding and unpaid at  
2 any time.

3 ~~[All]~~ Except for refunding general obligation bonds,  
4 general obligation bonds for a term exceeding two years shall be  
5 in serial form maturing in substantially equal installments of  
6 principal, or maturing in substantially equal installments of  
7 both principal and interest. The first installment of principal  
8 of general obligation bonds and of reimbursable general  
9 obligation bonds shall mature not later than five years from the  
10 date of issue of such series. The last installment on general  
11 obligation bonds shall mature not later than twenty-five years  
12 from the date of such issue and the last installment on general  
13 obligation bonds sold to the federal government, on reimbursable  
14 general obligation bonds and on bonds constituting instruments  
15 of indebtedness under which the State or a political subdivision  
16 incurs a contingent liability as a guarantor shall mature not  
17 later than thirty-five years from the date of such issue. The  
18 interest and principal payments of general obligation bonds  
19 shall be a first charge on the general fund of the State or  
20 political subdivision, as the case may be.

21 In determining the power of the State to issue general  
22 obligation bonds or the funded debt of any political subdivision  
23 under section 12, the following shall be excluded:

1           1. Bonds that have matured, or that mature in the then  
2 current fiscal year, or that have been irrevocably called for  
3 redemption and the redemption date has occurred or will occur in  
4 the then fiscal year, or for the full payment of which moneys or  
5 securities have been irrevocably set aside.

6           2. Revenue bonds, if the issuer thereof is obligated by  
7 law to impose rates, rentals and charges for the use and  
8 services of the public undertaking, improvement or system or the  
9 benefits of a loan program or a loan thereunder or to impose a  
10 user tax, or to impose a combination of rates, rentals and  
11 charges and user tax, as the case may be, sufficient to pay the  
12 cost of operation, maintenance and repair, if any, of the public  
13 undertaking, improvement or system or the cost of maintaining a  
14 loan program or a loan thereunder and the required payments of  
15 the principal of and interest on all revenue bonds issued for  
16 the public undertaking, improvement or system or loan program,  
17 and if the issuer is obligated to deposit such revenues or tax  
18 or a combination of both into a special fund and to apply the  
19 same to such payments in the amount necessary therefor.

20           3. Special purpose revenue bonds, if the issuer thereof is  
21 required by law to contract with a person obligating such person  
22 to make rental or other payments to the issuer in an amount at

1 least sufficient to make the required payment of the principal  
2 of and interest on such special purpose revenue bonds.

3 4. Bonds issued under special improvement statutes when  
4 the only security for such bonds is the properties benefited or  
5 improved or the assessments thereon.

6 5. General obligation bonds issued for assessable  
7 improvements, but only to the extent that reimbursements to the  
8 general fund for the principal and interest on such bonds are in  
9 fact made from assessment collections available therefor.

10 6. Reimbursable general obligation bonds issued for a  
11 public undertaking, improvement or system but only to the extent  
12 that reimbursements to the general fund are in fact made from  
13 the net revenue, or net user tax receipts, or combination of  
14 both, as determined for the immediately preceding fiscal year.

15 7. Reimbursable general obligation bonds issued by the  
16 State for any political subdivision, whether issued before or  
17 after the effective date of this section, but only for as long  
18 as reimbursement by the political subdivision to the State for  
19 the payment of principal and interest on such bonds is required  
20 by law; provided that in the case of bonds issued after the  
21 effective date of this section, the consent of the governing  
22 body of the political subdivision has first been obtained; and  
23 provided further that during the period that such bonds are

1 excluded by the State, the principal amount then outstanding  
2 shall be included within the funded debt of such political  
3 subdivision.

4 8. Bonds constituting instruments of indebtedness under  
5 which the State or any political subdivision incurs a contingent  
6 liability as a guarantor, but only to the extent the principal  
7 amount of such bonds does not exceed seven percent of the  
8 principal amount of outstanding general obligation bonds not  
9 otherwise excluded under this section; provided that the State  
10 or political subdivision shall establish and maintain a reserve  
11 in an amount in reasonable proportion to the outstanding loans  
12 guaranteed by the State or political subdivision as provided by  
13 law.

14 9. Bonds issued by or on behalf of the State or by any  
15 political subdivision to meet appropriations for any fiscal  
16 period in anticipation of the collection of revenues for such  
17 period or to meet casual deficits or failures of revenue, if  
18 required to be paid within one year, and bonds issued by or on  
19 behalf of the State to suppress insurrection, to repel invasion,  
20 to defend the State in war or to meet emergencies caused by  
21 disaster or act of God.

22 The total outstanding indebtedness of the State or funded  
23 debt of any political subdivision and the exclusions therefrom

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1 permitted by this section shall be made annually and certified  
2 by law or as provided by law. For the purposes of section 12  
3 and this section, amounts received from on-street parking may be  
4 considered and treated as revenues of a parking undertaking.

5 Nothing in section 12 or in this section shall prevent the  
6 refunding of any bond at any time."

7 SECTION 3. The question to be printed on the ballot shall  
8 be as follows:

9 "Shall the State be authorized to exempt refunding general  
10 obligation bonds from the requirement that all general  
11 obligation bonds for a term exceeding two years shall be in  
12 serial form maturing in substantially equal installments of  
13 principal, or maturing in substantially equal installments  
14 of both principal and interest?"

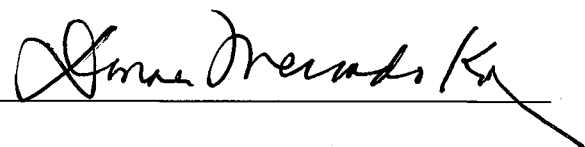
15 SECTION 4. Constitutional material to be repealed is  
16 bracketed and stricken. New constitutional material is  
17 underscored.

18 SECTION 5. This amendment shall take effect upon  
19 compliance with article XVII, section 3, of the Constitution of  
20 the State of Hawaii.

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INTRODUCED BY:



23

BY REQUEST

**Report Title:**

Constitutional Amendment; General Obligation Bonds

**Description:**

Proposes a constitutional amendment to exempt refunding general obligation bonds from the requirement that all general obligation bonds for a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest.

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



JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 13, OF THE HAWAII STATE CONSTITUTION.

PURPOSE: The purpose of this bill is to propose an amendment to article VII, section 13, of the Hawaii State Constitution, which would exempt Refunding General Obligation (GO) bonds from the requirement that all GO bonds for a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest (both herein referred to as "level debt service"). New Money GO bonds will continue to be structured with level debt service as required by the Hawaii State Constitution.

MEANS: Amend article VII, section 13, of the Hawaii State Constitution.

JUSTIFICATION: Refunding GO bonds with level debt service often limits the State's ability to structure the refunding bond issues in the most cost efficient structure. The proposed amendment will allow the State to refund those maturities that are most efficient and strategically advantageous to the State.

Impact on the public: None.

Impact on the department and other agencies: There will be a positive impact on the Department as refunding GO bond issuances can be structured to enhance the State's overall debt profile, rather than being limited to a level debt service requirement. In addition, there may be increased cost savings for agencies utilizing reimbursable general obligation bonds.

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GENERAL FUNDS: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: BUF 115.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: Upon compliance with article XVII,  
section 3, of the Constitution of the State  
of Hawaii.