TESTIMONY BY KALBERT K. YOUNG
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STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS AND
THE HOUSE COMMITTEE ON FINANCE

January 3, 2013

Chairs Ige and Oshiro and Members of the Committees:

Thank you for the opportunity to present an overview of the Administration's FB 2013-15 Executive Biennium Budget and Multi-Year General Fund Financial Plan. I would like to start by first discussing the Administration's New Day Initiatives, then the Executive's biennium operating and CIP budget, recapitalizing State budget reserves, addressing unfunded other post-retirement benefits and, finally, the general fund financial plan.

NEW DAY INITIATIVES

The State's positive economic outlook and our own fiscal prudence have afforded us the opportunity to put into place several New Day Initiatives for the benefit of the people of Hawaii. The Abercrombie Administration is committed to growing a sustainable economy, investing in Hawaii's people, and transforming government into an efficient and effective enterprise. These commitments are reflected in our operating and CIP budgets by:

- Investing in our keiki by supporting early learning and early childhood health.
- Preparing for our future through information technology transformation and providing a digital curriculum for Hawaii's students.
- Caring for Hawaii's aging population by providing resources for kupuna care and the Aging and Disability Resource Center.

- Improving the fiscal condition of the State of Hawaii by providing modern and contemporary technology infrastructure that will give reporting transparency to the public and give government managers the tools necessary to make better informed, analysis-based decisions.
- Growing a sustainable economy and protecting the aina, including protection and maintenance of Hawaii's watersheds and developing renewable energy resources to reduce reliance on fossil fuels.
- Stabilizing the financial structure of the State of Hawaii by recapitalizing budget reserves and addressing increasing long-term fixed costs such as unfunded or underfunded liabilities for public employee benefits.

FB 2013-15 EXECUTIVE BIENNIUM BUDGET - OPERATING

Each department was provided an operating base budget amount, equivalent to their FY 13 appropriation, minus non-recurring costs and federal stimulus funds and plus restored labor savings and collective bargaining amounts (for the University of Hawaii (UH) faculty only), as applicable. The departments were tasked with the review of their base budget to ensure the following, with the intent of establishing a base budget which was transparent and accountable:

1. Large unspecified budget adjustments were eliminated.
2. Unfunded positions were deleted or funded.
3. Unbudgeted positions were budgeted, if appropriate.
4. Budgeted amounts were in the appropriate cost elements and programs.

Additionally, to facilitate federal fund reporting requirements and in preparation for the Federal Digital Accountability and Transparency Act of 2012 (also known as "The DATA Act") and possible federal sequestration, departments were also asked to review their anticipated federal grant awards and related appropriations against a list of federal grants from the Federal Fund Information for States (FFIS). The FFIS is a Washington D.C.-based reporting service that closely monitors federal funding actions by Congress and their list includes approximately 90 percent of the federal grants that all states receive.

With the intent to more clearly identify the federal awards the State receives, grants on the FFIS list have been requested to be budgeted as "Federal funds," as means of financing (MOF) "N." All grants not on the FFIS list have been requested as "Other federal funds," as MOF "P." As such, federal fund budget requests may reflect:

1. Changes in MOF from "N" to "P."
2. Ceiling adjustments to more accurately relate federal grant award amounts to federal fund ceilings.
3. Anticipated changes to federal grant award levels.
4. New or currently non-appropriated federal grants.

For FB 2013-15, the operating budget includes $11.758 billion in FY 14 and $12.081 billion in FY 15 from all MOF for operating costs. This represents increases of 8.1 percent and 10.8 percent, respectively, over the budget base. Of these amounts, the requests for general funds total $6.101 billion in FY 14 and $6.288 billion in FY 15, resulting in increases of 7.8 percent and 11.1 percent, respectively.

While the total of these operating requests is substantial, a significant portion of the additional general funds being requested are for items that are considered non-discretionary costs. Approximately 63 percent ($278.5 million) for FY 14 and 70 percent ($437.1 million) for FY 15 are for these non-discretionary cost increases. For example, we have requested:

- $3.5 million in FY 14 and FY 15 for risk management and workers' compensation.
- $63.0 million in FY 14 and $127.7 million in FY 15 for Medicaid health care payments ($167.6 million in FY 14 and $254.4 million in FY 15 in federal funds and $3.0 million in FY 14 and $2.0 million in FY 15 in special funds have also been requested).
- $76.7 million in FY 14 and $81.9 million in FY 15 for debt service for capital improvement projects for the Department of Education (DOE), UH and other State programs.
- $118.1 million in FY 14 and $172.8 million in FY 15 for health premium payments for DOE, UH and other State programs (includes $100.0 million in FY 14 and $105.5 million in FY 15 for prefunding of other post-employment benefits, a New Day Initiative).
- $17.2 million in FY 14 and $51.2 million in FY 15 for retirement benefit payments for DOE, UH and other State programs.

In addition to these non-discretionary cost increases, there are other requests intended to address the needs of programs which have suffered significant reductions in past years and are necessary to maintain and improve these programs and operations and, most importantly, our ability to deliver services the public expects of its government. These requests to restore our fractured government services, as well as the following requests, which are general funded unless otherwise noted, are vital to support core New Day Initiatives:

- $2.9 million in FY 14 and $28.2 million in FY 15 for an Early Learning Program.
- 7.00 temporary positions and $648,300 in FY 14 and 8.00 temporary positions and $681,300 in FY 15 for the Executive Office on Early Learning.

- $6.1 million in FY 14 and $6.5 million in FY 15 for early childhood health initiatives.
- $7.1 million in FY 14 and $22.3 million in FY 15 for digital curriculum for the Common Core State Standards.
- 25.00 positions and $29.7 million in FY 14 and $29.7 million in FY 15 for information technology initiatives for the Office of Information Management and Technology (OIMT).
- 7.00 permanent and 14.00 temporary positions and $2.2 million in FY 14 and $6.3 million in FY 15 for the Tax System Modernization project.
- 23.0 positions and $10.9 million in FY 14 and $6.4 million in FY 15 in special funds for development and implementation of the Food Security and Food Self-Sufficiency Strategy.
- $10.0 million in FY 14 and FY 15 for the Hawaii Strategic Development Corporation investment initiative.
- 3.00 temporary positions and $301,208 in FY 14 and 4.00 temporary positions and $352,038 in FY 15 to oversee Healthcare Transformation initiatives.
- $4.2 million in FY 14 and FY 15 for the continuation of the Kupuna Care program.
- $1.4 million in FY 14 and FY 15 for the Aging and Disability Resource Centers.
- $80,000 in FY 14 and $300,000 in FY 15 for the Executive Office on Aging, Long Term Care program.
- 11.00 temporary positions and $8.5 million in special funds in FY 14 and FY 15 for the Watershed Initiative.
- $3.5 million in FY 14 to complete a statewide master plan/project development report for the Department of Public Safety (PSD).

Other significant general fund requests include:

- $2.0 million in FY 14 for the New Farmer Loan Program.
- $7.0 million in FY 14 and $13.4 million in FY 15 for per pupil funding based on enrollment increases for Charter Schools.
- 4.00 temporary and 130.00 positions and $14,688,526 for both FY 14 and FY 15 to support the administrative and operating requirements for the Department of Hawaiian Home Lands.
- $1.5 million in FY 14 for the Housing First Program.
- $4.0 million in FY 14 and FY 15 to expand the Child Care Subsidy program.
- $2.6 million in FY 14 and $3.1 million in FY 15 to address Developmental Disability Program shortfalls.
- $1.8 million in FY 14 and FY 15 to fund personal services and purchase of service contracts for the Office of Community Services.
- $3.3 million in FY 14 and $3.5 million in FY 15 to address increased utility costs for correctional facilities, statewide.
- $2.4 million in FY 14 and FY 15 for Outcome Based Funding for UH.
- $1.5 million in FY 14 and FY 15 to continue Science, Technology, Engineering and Math program initiatives in public schools led by UH.

FB 2013-15 EXECUTIVE BIENNIUM BUDGET - CAPITAL IMPROVEMENTS PROGRAM (CIP)

For the CIP budget, a total of $1,707.4 million in FY 14 and $906.2 million in FY 15 has been recommended. Of these amounts, the requests for general obligation (G.O.) bond funds total $807.2 million and $516.4 million, respectively.

Within the Administration's New Day Work Projects program, essential New Day Initiatives are supported by G.O. bond funded requests for:

- $30.0 million in FY 14 and FY 15 for the OIMT's statewide information technology improvements.
- $5.0 million in FY 14 for plans and design for fuel infrastructure.
- $2.5 million in FY 14 and FY 15 for the Watershed Initiative.

Other major G.O. bond funded CIP requests include:

- $8.0 million (and $3 million in federal funds) in FY 14 and $6.5 million in FY 15 for improvements to irrigation systems, statewide.
- $14.9 million in FY 14 and $14.0 million in FY 15 for improvements and maintenance of public facilities and sites.
- $11.0 million in FY 14 and $12.0 million in FY 15 for health and safety projects at the Aloha Stadium.
- $9.3 million in FY 14 and $6.4 million in FY 15 for critical telecommunications systems for the Information Communications Systems Division.
- $9.3 million in FY 14 and $4.1 million in FY 15 for State Capitol renovation and reconstruction projects.
- $12.0 million in FY 14 for Natural Energy Laboratory of Hawaii Authority projects.
- $9.4 million in FY 14 and $4.9 million in FY 15 for various projects for the Hawaii Community Development Authority.
- $54.8 million in FY 14 for continued design and construction of a new High Technology Development Corporation Facility.
- $30.0 million in FY 14 and FY 15 for transfers to the Hawaiian Homelands Trust Fund for statewide projects.
- $45.0 million in FY 14 and FY 15 for transfers to the State Educational Facilities Improvement (SEFI) Special Fund for DOE projects statewide and $53.0 million in

FY 14 for SEFI re-authorization. SEFI special funds will support projects to improve conditions of school facilities and provide equity, statewide.

- $112.2 million in FY 14 and $162.2 million in FY 15 for lump sum funding for DOE to improve the condition of school facilities, provide program support, expand capacity, and improve equity, statewide. This includes $130.0 million towards the construction of a South Maui High School in Kihei on the island of Maui.
- $15.5 million in FY 14 for construction of a new Nanakuli Public Library.
- $90.0 million in FY 14 for the Hawaii Public Housing Authority for various public housing developments, improvements and renovations, statewide.
- $14.3 million in FY 14 and $0.4 million in FY 15 for the Electronic Medical Records System for the Hawaii Health Systems Corporation.
- $10.5 million in FY 14 and $11.3 million in FY 15 for park improvements, statewide.
- $11.0 million in FY 14 for Sand Island Ocean Recreation Park.
- $16.0 million in FY 14 and FY 15 for improvements to PSD facilities, statewide.
- $16.0 million in FY 14 and FY 15 for the Tax System Modernization Project.
- $28.0 million in FY 14 and $29.0 million in FY 15 for UH's Health, Safety, and Code requirements projects.
- $33.0 million (and $5.0 million in revenue bond funds) for FY 14 and $3.0 million in FY 15 for UH Hilo's College of Pharmacy and Health Sciences Building, Phase I.

Major CIP requests funded by other MOF:

- $341.2 million in FY 14 and $119.6 million in FY 15 (all MOF) for 27 projects related to airports modernization, runway improvements, concession improvements, terminal expansion at Kona International Airport at Keahole, and land acquisition at Kahului Airport and Honolulu International Airport.

- $276.8 million in FY 14 and $22.4 million in FY 15 (all MOF) for 14 projects related to harbors modernization.
- $147.4 million in FY 14 and $158.2 million in FY 15 (all MOF) for 63 projects related to bridge rehabilitations or replacements, drainage improvements and highways improvements.

For a more in-depth summary of what is contained in the Biennium Budget operating and CIP requests, please refer to "The FB 2013-15 Executive Biennium Budget, Budget in Brief" and "The FB 2013-15 Executive Biennium Budget and Multi-Year Program and Financial Plan" that are available on the Department of Budget and Finance's website at http://hawaii.gov/budget.

RECAPITALIZING OUR RESERVES

Section 237-31, Hawaii Revised Statutes, requires that a sum from all general excise tax revenues realized by the State that is equal to one-half of the total amount of funds appropriated or transferred out of the hurricane reserve trust fund under Sections 4 and 5 of Act 62, Session Laws of Hawaii 2011, shall be deposited into the hurricane reserve trust fund in FY 14 and in FY 15. As such, $55.5 million will be deposited to the trust fund each year for FY 14 and FY 15.

As is fiscally prudent, we will be proposing to further recapitalize our reserve funds, the Emergency and Budget Reserve Fund (EBRF) and the Hawaii Hurricane Relief Fund (HHRF). We will introduce legislation to transfer $25 million to each fund in FY 15, which would bring the balance of the EBRF up to $64 million and the HHRF up to $157 million, providing a total of over $220 million in reserves. In order to rebuild the financial strength of the State, and demonstrate such strengths to residents, taxpayers, and municipal bond investors, the Administration has set an intermediate-term targeted objective to build State reserves to a substantial level.

ADDRESSING UNFUNDED OTHER POST-EMPLOYMENT BENEFITS

The Executive Biennium Budget request includes $100 million in FY 14 and $105 million in FY 15 for the prefunding of other post-employment benefits. The Administration is committed to address to this unfunded liability for retiree health benefit costs, which, if left unaddressed, will continue to grow and will negatively impact our future ability to fund necessary, ongoing State programs and services, as well as the State's bond ratings.

MULTI-YEAR GENERAL FUND FINANCIAL PLAN

The financial plan shown in Attachment 1 is based on the Council on Revenue's (COR) report of September 10, 2012 for general fund tax and non-tax revenue projections. In its September 10, 2012 report, the COR revised its FY 13 general fund tax revenue forecast downward from 5.3 percent to 4.9 percent. Thus far, however, general fund tax revenues for FY 13 (preliminary through November 2012) have been highly favorable and are up by 12.3 percent compared to the same period last fiscal year.

The COR also changed its general fund tax revenue projections for FY 14 from 4.0 percent to 3.9 percent growth, FY 15 from 6.2 percent to 5 percent, FY 16 from 4.0 percent to 1.2 percent, FY 17 from 5.0 percent to 4.2 percent, FY 18 from 5.0 percent to 5.1 percent and established a new FY 19 projection of 4.6 percent. The changes to the projections primarily reflect the reassessment of the cost of the renewable energy tax credits and its concerns regarding the potential impacts of the instability of the European economy and the City and County of Honolulu's rail project.

I would like to point out that the COR will be meeting later this morning to update their revenue forecasts for FY 13 and the ensuing fiscal years and there will likely be changes made to the COR's projections. We will be reviewing the COR's new projections to determine its impact to our financial plan and budget requests.

The financial plan also includes various other non-tax revenues not reflected in the COR's non-tax revenue projections and anticipated revenues from various Administration bills that we will be submitting this session. In regard to expenditures, the financial plan reflects anticipated expenditures for the Executive Biennium Budget, Judiciary's Biennium Budget, and continuation of FY 13 funding levels for the Office of Hawaiian Affairs and Legislature.

Additionally, the expenditures reflect various specific Administration appropriation bills. The most notable are the appropriations to recapitalize the State's emergency reserves – the HHRF and EBRF:

- $25.0 million in FY 15 for the HHRF.
- $25.0 million in FY 15 for the EBRF.

As can be seen, the financial plan submitted to this body in December shows positive balances for the current fiscal biennium and the planning period. This reflects the Administration's cautious approach in spending to ensure flexibility in addressing economic uncertainties which could affect the State's revenues.

THE GENERAL FUND EXPENDITURE CEILING

By law, general fund appropriations must comply with the expenditure ceiling requirements that are set forth in Section 9, Article VII of the Hawaii State Constitution and Section 37-92 of the Hawaii Revised Statutes. At the aggregate level, including all branches of government, total proposed appropriations from the General Fund are within the expenditure ceilings for both FY 14 and FY 15.

For the Executive Branch, total proposed appropriations from the General Fund (which include the Executive Budget for FB 2013-15 and other specific appropriation measures to be submitted) exceed the appropriation ceiling by $198.5 million (or 3.3%) in FY 14 and are within the appropriation ceiling in FY 15. The reasons for the excesses are increases in education, Medicaid, debt service, fringe benefit costs, and other critical requirements identified in the previous sections.

A summary statement on the General Fund Expenditure Ceiling and Executive Branch Appropriation Ceiling is included in Attachment 2.

THE DEBT LIMIT

Section 13, Article VII of the Hawaii State Constitution, places a debt limit on G.O. bonds that may be issued by the State. It has been determined that the total amount of principal and interest calculated on: a) all bonds issued and outstanding; b) all bonds authorized and unissued; and c) all bonds proposed in the Executive Budget, including State guaranties, will not cause the debt limit to be exceeded at the time of each bond issuance. The Declaration of Findings with respect to the G.O. bond debt limit is included in Attachment 3.

In closing, I want to again thank you for the opportunity to present this overview. I would also like to assure you that the Abercrombie Administration will work with you on a continual basis during the 2013 Legislative Session to refine the Executive Biennium Budget and rebalance the general fund financial plan as needed.

Attachments

Attachment 1

MULTI-YEAR FINANCIAL SUMMARY
GENERAL FUND
FISCAL YEARS 12 - 19
(in millions of dollars)

	Actual* FY 12	Estimated FY 13	Estimated FY 14	Estimated FY 15	Estimated FY 16	Estimated FY 17	Estimated FY 18	Estimated FY 19
REVENUES:								
Executive Branch:								
Tax revenues	4,972.5	5,223.1	5,427.2	5,698.2	5,767.2	6,010.4	6,315.9	6,608.5
Nontax revenues	651.0	514.5	512.3	512.3	502.1	506.5	508.4	508.4
Judicial Branch revenues	37.2	38.0	38.7	39.3	40.0	40.7	41.4	42.1
Other		97.6	43.9	85.9	343.3	379.8	399.3	419.4
TOTAL REVENUES	5,660.6	5,873.2	6,022.1	6,335.7	6,652.7	6,937.3	7,264.9	7,578.3
EXPENDITURES								
Executive Branch:								
Operating	5,443.5	5,598.8	6,101.3	6,288.4	6,453.6	6,623.9	6,779.9	6,959.5
Specific appropriations	30.5	43.2	5.0	5.0	5.0	5.0	5.0	5.0
Other		10.4	25.0	75.0	25.0	25.0	425.0	425.0
Sub-total	5,474.0	5,652.4	6,131.3	6,368.4	6,483.6	6,653.9	7,209.9	7,389.5
Legislative Branch	32.2	32.2	32.2	32.2	32.2	32.2	32.2	32.2
Judicial Branch	132.7	134.5	145.3	146.1	146.1	146.1	146.1	146.1
OHA	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Lapses	(129.9)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)
TOTAL EXPENDITURES	5,511.3	5,756.5	6,246.2	6,484.1	6,599.2	6,769.6	7,325.6	7,505.2
REV. OVER (UNDER) EXPEND.	149.3	116.7	(224.1)	(148.3)	53.5	167.8	(60.7)	73.1
CARRY-OVER (DEFICIT)								
Beginning	126.0	275.3	392.1	167.9	19.6	73.1	240.8	180.1
Ending	275.3	392.1	167.9	19.6	73.1	240.8	180.1	253.3
*Emergency & Budget Reserve Fund***	*24.2*	*24.2*	*31.7*	*64.2*	*76.5*	*88.8*	*101.0*	*113.3*

* unaudited

** reflects proposed recapitalization of EBRF in FY 15

SUMMARY STATEMENT OF GENERAL FUND EXPENDITURE CEILING AND APPROPRIATIONS

A. Total State Personal Income and State Growth

1. Total State Personal Income (in $ millions)

Calendar Year 2009	54,194
Calendar Year 2010	55,832
Calendar Year 2011	59,014
Calendar Year 2012*	61,611
Calendar Year 2013*	64,506

* As estimated by the Council on Revenues

2. State Growth

Fiscal Year 2014	4.37%
Fiscal Year 2015	4.93%

B. All Branches of State Government

1. General Fund Appropriations

Fiscal Year 2012 (proposed)	5,641,240,162
Fiscal Year 2013 (incl. proposed)	5,838,144,577
Fiscal Year 2014 (proposed)	6,305,554,095
Fiscal Year 2015 (proposed)	6,545,686,328

2. General Fund Expenditure Ceiling

Fiscal Year 2014	7,718,800,141
Fiscal Year 2015	8,099,561,541

C. Executive Branch

1. Recommended General Fund Appropriations

Fiscal Year 2014	6,131,349,008
Fiscal Year 2015	6,370,717,901

2. Actual General Fund Appropriations

Fiscal Year 2012	5,474,003,861
Fiscal Year 2013	5,634,239,551

3. Proposed Add'l Appropriations FY 13 — 50,000,000

Total FY 2013	5,684,239,551

4. General Fund Appropriation Ceiling

Fiscal Year 2013	5,596,200,260
Fiscal Year 2014	5,932,875,125
Fiscal Year 2015	6,433,802,886

DECLARATION OF FINDINGS

Pursuant to Section 37-71(d)(6) of the Hawaii Revised Statutes, the Director of Finance finds and declares that with respect to the proposed capital improvement appropriations for the budget period 2013-2015 for which the source of funding is general obligation bonds:

(1) Limitation on general obligation debt. Article VII, Section 13, of the State Constitution, states in part: "General obligation bonds may be issued by the State; provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds to exceed ... a sum equal to eighteen and one-half percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance." Article VII, Section 13, also provides that in determining the power of the State to issue general obligation bonds, certain bonds are excludable, including "reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the general fund are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the immediately preceding fiscal year."

(2) Actual and estimated debt limits. The limit on principal and interest of general obligation bonds issued by the State, actual for fiscal year 2012-2013 and estimated for each fiscal year from fiscal year 2013-2014 to 2016-2017, is as follows:

Fiscal Year	Net General Fund Revenues	Debt Limit
2009-2010	4,841,194,658	
2010-2011	5,102,646,283	
2011-2012	5,648,800,650	
2012-2013	5,768,123,000	961,546,231
2013-2014	5,971,550,000	1,018,706,813
2014-2015	6,243,468,000	1,072,289,208
2015-2016	6,304,466,000	1,108,960,362
2016-2017	(not applicable)	1,142,034,847

For fiscal years 2012-2013, 2013-2014, 2014-2015, 2015-2016 and 2016-2017 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 percent. The net general fund revenues for fiscal years 2009-2010, 2010-2011 and 2011-2012 are actual, as certified by the Director of Finance in the Statement of the Debt Limit of the State of Hawaii as of July 1, 2012, dated October 18, 2012. The net general fund revenues for fiscal years 2012-2013 to 2015-2016 are estimates, based on general fund revenue estimates made as of September 10, 2012, by the Council On Revenues, the body assigned by Article VII, Section 7, of the State Constitution to make such estimates, and based on estimates made by the Department of Budget and Finance of those receipts which cannot be included as general fund revenues for the purpose of calculating the debt limit, all of which estimates the Director of Finance finds to be reasonable.

(3) Principal and interest on outstanding bonds applicable to the debt limit. In determining the power of the State to issue general obligation bonds for the fiscal years 2012-2013 to 2031-2032, the total amounts of principal and interest on outstanding general obligation bonds are as follows:

Fiscal Year	Gross			Excludable			Net Debt Service		
Ending June 30	Principal Payable	Interest Payable	Debt Service Payable	Principal Payable	Interest Payable	Debt Service Payable	Principal Payable	Interest Payable	Debt Service Payable
2013	374,030,000	266,578,510	640,608,510	6,393,408	2,036,478	8,429,886	367,636,592	264,542,032	632,178,624
2014	432,315,000	261,277,175	693,592,175	5,765,774	1,853,218	7,618,992	426,549,226	259,423,957	685,973,183
2015	413,960,000	242,818,547	656,778,547	5,684,380	1,694,914	7,379,294	408,275,620	241,123,632	649,399,252
2016	408,405,000	222,156,768	630,561,768	4,392,997	1,540,729	5,933,726	404,012,003	220,616,039	624,628,042
2017	428,200,000	202,341,084	630,541,084	4,162,432	1,409,788	5,572,219	424,037,568	200,931,297	624,968,865
2018	409,695,000	181,014,522	590,709,522	3,111,048	1,274,682	4,385,731	406,583,952	179,739,840	586,323,791
2019	385,655,000	163,630,679	549,285,679	2,230,352	1,153,278	3,383,630	383,424,648	162,477,401	545,902,049
2020	334,165,000	145,472,267	479,637,267	2,339,328	1,044,279	3,383,607	331,825,672	144,427,988	476,253,659
2021	285,370,000	130,334,512	415,704,512	2,453,591	930,000	3,383,591	282,916,409	129,404,511	412,320,920
2022	301,675,000	116,361,465	418,036,465	2,572,569	808,089	3,380,658	299,102,431	115,553,375	414,655,807
2023	297,825,000	101,672,187	399,497,187	2,700,670	680,029	3,380,698	295,124,330	100,992,158	396,116,488
2024	304,080,000	86,878,432	390,958,432	2,835,234	545,738	3,380,972	301,244,766	86,332,694	387,577,460
2025	276,425,000	73,400,896	349,825,896	2,976,674	404,301	3,380,975	273,448,326	72,996,594	346,444,921
2026	266,375,000	60,648,045	327,023,045	3,124,957	255,885	3,380,842	263,250,043	60,392,160	323,642,203
2027	228,965,000	47,643,799	276,608,799	1,135,554	100,184	1,235,738	227,829,446	47,543,614	275,373,061
2028	209,775,000	35,945,048	245,720,048	893,484	43,869	937,352	208,881,516	35,901,179	244,782,695
2029	187,545,000	25,179,997	212,724,997	0	0	0	187,545,000	25,179,997	212,724,997
2030	143,920,000	15,736,839	159,656,839	0	0	0	143,920,000	15,736,839	159,656,839
2031	104,420,000	8,669,671	113,089,671	0	0	0	104,420,000	8,669,671	113,089,671
2032	109,035,000	4,057,583	113,092,583	0	0	0	109,035,000	4,057,583	113,092,583
2033	40,050,000	797,231	40,847,231	0	0	0	40,050,000	797,231	40,847,231

Additionally, the outstanding principal amount of bonds constituting instruments of indebtedness in which the State has incurred a contingent liability as a guarantor is $233,500,000, all or a portion of which pursuant to Article VII, Section 13 of the State Constitution, is excludable in determining the power of the State to issue general obligation bonds.

(4) Amount of authorized and unissued general obligation bonds and proposed bonds. As calculated from the State Comptroller's bond fund report as of October 31, 2012, the total amount of authorized and unissued general obligation bonds is $2,421,000,097. The amount of general obligation bonds proposed in THE MULTI-YEAR PROGRAM AND FINANCIAL PLAN AND EXECUTIVE BUDGET FOR THE PERIOD 2013-2019 [Budget Period: 2013-2015] (referred to as the "Budget") is $1,323,000,000 (but does not include capital improvement appropriations to be funded through the issuance of general obligation bonds proposed by the Judiciary). The total amount of general obligation bonds previously authorized and unissued and the general obligation bonds proposed in the Budget is $3,744,000,097.

(5) Proposed general obligation bond issuance. As reported in the Budget, as it applies to the fiscal period 2012-2013 to 2016-2017, the State proposed to issue $305,000,000 in general obligation bonds during the second half of fiscal year 2012-2013, $400,000,000 in general obligation bonds semiannually during fiscal years 2013-2014 and 2014-2015, $375,000,000 in general obligation bonds during the first half of fiscal year 2015-2016, $300,000,000 in general obligation bonds during the second half of fiscal year 2015-2016, and $350,000,000 in general obligation bonds semiannually during fiscal year 2016-2017. It is the practice of the State to issue twenty-year serial bonds with principal repayments beginning the fifth year, payable in substantially equal annual installments of principal and interest payment with interest payments commencing six months from the date of issuance and being paid semi-annually thereafter. It is assumed that this practice will continue to be applied to the bonds which are proposed to be issued.

(6) Sufficiency of proposed general obligation bond issuance to meet the requirements of authorized and unissued bonds and the bonds proposed in the Budget. From the schedule reported in paragraph (5), the total amount of general obligation bonds, which the State proposes to issue during this fiscal year and in fiscal years 2013-2014, 2014-2015, 2015-2016, and 2016-2017, is $3,750,000,000. The total amount of $3,750,000,000 which is proposed to be issued through fiscal year 2016-2017 is sufficient to meet the requirements of the previously authorized and unissued bonds and the bonds proposed in the Budget, the total amount of which is $3,744,000,097, as reported in paragraph (4). Thus, taking the Budget into account the amount of previously authorized and unissued bonds and bonds proposed versus the amount of bonds which is proposed to be issued by June 30, 2017, the Director of Finance finds that in the aggregate, the amount of bonds is sufficient to meet these requirements.

(7) Bonds excludable in determining the power of the State to issue bonds. As noted in paragraph (1), certain bonds are excludable in determining the power of the State to issue general obligation bonds. (A) General obligation reimbursable bonds can be excluded under certain

conditions. It is not possible to make a conclusive determination as to the amount of reimbursable bonds which are excludable from the amount of each proposed bond issuance because:

(i) It is not known exactly when projects for which reimbursable bonds have been authorized in prior acts and in the Budget will be implemented and will require the application of proceeds from a particular bond issue; and

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

However, the Director if Finance notes that with respect to the principal and interest on outstanding general obligation bonds, as reported in Section 3 herein, the average proportion of principal and interest which is excludable each year from calculation against the debt limit is 0.93 percent for the ten years from fiscal year 2012-2013 to fiscal year 2021-2022. For the purpose of this declaration, the assumption is made that 0.75 percent of each bond issue will be excludable from the debt limit, an assumption which the Director of Finance finds to be reasonable and conservative. (B) Bonds constituting instruments of indebtedness under which the State incurs a contingent liability as a guarantor can be excluded but only to the extent the principal amount of such guaranties does not exceed seven percent of the principal amount of outstanding general obligation bonds not otherwise excluded under subparagraph (A) of this paragraph (7) and provided that the State shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the State as provided by law. According to the Department of Budget and Finance and the assumptions presented herein, the total principal amount of outstanding general obligation bonds and general obligation bonds proposed to be issued, which are not otherwise excluded under Article VII, Section 13 of the State Constitution for the fiscal years 2012-2013, 2013-2014, 2014-2015, 2015-2016 and 2016-2017 are as follows:

Fiscal Year	Total amount of General Obligation Bonds not otherwise excluded by Article VII, Section 13 of the State Constitution
2012-2013	6,142,920,000
2013-2014	6,936,920,000
2014-2015	7,730,920,000
2015-2016	8,400,860,000
2016-2017	9,095,610,000

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 percent of the average amount set forth in the last column of the above table and for which reserve funds have been or will have been established as heretofore provided by, can 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 assumed in conformity with fiscal conservatism and prudence, that all guaranties not otherwise excluded pursuant to Article VII, Section 13 of the State Constitution will become due and payable in the same fiscal year in which the greatest amount of principal and interest on general obligation bonds, after exclusions, occurs. Thus, based on such assumptions and on the determination in paragraph (8), the aggregate principal amount of the portion of the outstanding guaranties; which must be included in determining the power of the State to issue general obligation bonds, is $0.

(8) Determination whether the debt limit will be exceeded at the time of issuance. From the foregoing and on the assumption that the bonds identified in paragraph (5) will be issued at an interest rate of 5.25 percent thereafter, as reported in the Budget, it can be determined from the following schedule that the bonds which are proposed to be issued, which includes all bonds issued and outstanding, bonds previously authorized and unissued and the bonds proposed in the Budget, will not cause the debt limit to be exceeded at the time of each bond issuance:

Time of Issue and Amount of Issue to be Counted Against Debt Limit	Debt Limit at Time of Issuance	Greatest Amount & Year of Principal & Interest	
2nd half FY 2012-2013 $302,715,000	961,546,231	693,592,175	(2013-2014)
1st half FY 2013-2014 $397,000,000	1,018,706,813	693,592,175	(2013-2014)
2nd half FY 2013-2014 $397,000,000	1,018,706,813	693,592,175	(2013-2014)
1st half FY 2014-2015 $397,000,000	1,072,289,208	708,961,122	(2016-2017)
2nd half FY 2014-2015 $397,000,000	1,072,289,208	729,803,622	(2016-2017)
1st half FY 2015-2016 $372,190,000	1,108,960,362	739,573,609	(2016-2017)
2nd half FY 2015-2016 $297,750,000	1,108,960,362	739,573,609	(2016-2017)
1st half FY 2016-2017 $347,375,000	1,142,034,847	748,042,254	(2018-2019)
2nd half FY 2016-2017 $347,375,000	1,142,034,847	766,279,442	(2018-2019)

(9) Overall and concluding finding. From the facts, estimates, and assumptions stated in this declaration of findings, the conclusion is reached that the total amount of principal and interest estimated for the general obligation bonds proposed in the Budget and for all bonds previously authorized and unissued and calculated for all bonds issued and outstanding and guaranties, will not cause the debt limit to be exceeded at the time of issuance.

The Director of Finance hereby finds that the bases for the declaration of findings set forth herein are reasonable. The assumptions set forth in this declaration with respect to the principal amount of general obligation bonds which will be issued, the amount of principal and interest on reimbursable general obligation bonds which are assumed to be excludable and the assumed maturity structure shall not be deemed to be binding, it being the understanding that such matters must remain subject to substantial flexibility.

Director of Finance
State of Hawaii