
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 and
 7 estimated for each fiscal year from to , is
 8 as follows:

	<u>Fiscal</u>	<u>Net General</u>	<u>Debt Limit</u>
	<u>Year</u>	<u>Fund Revenues</u>	

11
 12
 13 For fiscal years , , , and
 14 respectively, the debt limit is derived by multiplying
 15 the average of the net general fund revenues for the
 16 three preceding fiscal years by eighteen and one-half
 17 per cent. The net general fund revenues for fiscal
 18 years , , and are actual, as certified by
 19 the director of finance in the Statement of the Debt
 20 Limit of the State of Hawaii as of , dated .
 21 The net general fund revenues for fiscal years to
 22 are estimates, based on general fund revenue
 23 estimates made as of , by the council on revenues,



1 the body assigned by article VII, section 7 of the
 2 state constitution to make such estimates, and based
 3 on estimates made by the department of budget and
 4 finance of those receipts which cannot be included as
 5 general fund revenues for the purpose of calculating
 6 the debt limit, all of which estimates the legislature
 7 finds to be reasonable.

8 (3) Principal and interest on outstanding bonds applicable
 9 to the debt limit.

10 (A) According to the department of budget and
 11 finance, the total amount of principal and
 12 interest on outstanding general obligation bonds,
 13 after the exclusions permitted by article VII,
 14 section 13 of the state constitution, for
 15 determining the power of the State to issue
 16 general obligation bonds within the debt limit as
 17 of , is as follows for fiscal year to
 18 fiscal year :

19	Fiscal	Principal
20	<u>Year</u>	<u>and Interest</u>

21
 22 The department of budget and finance further
 23 reports that the amount of principal and interest



1 on outstanding bonds applicable to the debt limit
 2 generally continues to decline each year from
 3 fiscal year to fiscal year when the
 4 final installment of \$ shall be due and
 5 payable.

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

15 (4) Amount of authorized and unissued general obligation
 16 bonds and guaranties and proposed bonds and
 17 guaranties.

18 (A) As calculated from the state comptroller's bond
 19 fund report as of , adjusted for:

20 (i) Appropriations to be funded by general
 21 obligation bonds or reimbursable general
 22 obligation bonds as provided in House Bill



1 constituting instruments of indebtedness under
2 which the State may incur a contingent liability
3 as a guarantor is \$, all or part of which
4 is excludable in determining the power of the
5 State to issue general obligation bonds, pursuant
6 to article VII, section 13 of the state
7 constitution.

8 (5) Proposed general obligation bond issuance. As
9 reported therein for the fiscal years , ,
10 , and , the State proposed to issue
11 \$ in general obligation bonds during the
12 remainder of the second half of fiscal year ,
13 \$ in general obligation bonds semiannually
14 during fiscal years and , \$ in
15 general obligation bonds during the first half of
16 fiscal year , \$ in general obligation
17 bonds during the second half of fiscal year , and
18 \$ in general obligation bonds semiannually
19 during fiscal year . It has been the practice of
20 the State to issue twenty-year serial bonds with
21 principal repayments beginning in 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 to is \$. An additional \$ is
13 proposed to be issued in fiscal year . The total
14 amount of \$ which is proposed to be issued
15 through fiscal year is sufficient to meet the
16 requirements of the authorized and unissued bonds, as
17 adjusted, the total amount of which is \$
18 reported in paragraph (4), except for \$. It
19 is assumed that the appropriations to which an
20 additional \$ in bond issuance needs to be
21 applied will have been encumbered as of June 30, 2016.
22 The \$ which is proposed to be issued in fiscal



1 year will be sufficient to meet the requirements
2 of the June 30, 2016, encumbrances in the amount of
3 \$. The amount of assumed encumbrances as of
4 June 30, 2016, is reasonable and conservative, based
5 upon an inspection of June 30 encumbrances of the
6 general obligation bond fund as reported by the state
7 comptroller. Thus, taking into account the amount of
8 authorized and unissued bonds, as adjusted, and the
9 bonds authorized by this Act versus the amount of
10 bonds proposed to be issued by June 30, 2016, and the
11 amount of June 30, 2016, encumbrances versus the
12 amount of bonds proposed to be issued in fiscal year
13 , the legislature finds that in the aggregate, the
14 amount of bonds proposed to be issued is sufficient to
15 meet the requirements of all authorized and unissued
16 bonds and the bonds authorized by this Act.

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

21 (A) General obligation reimbursable bonds can be
22 excluded under certain conditions. It is not



1 possible to make a conclusive determination as to
2 the amount of reimbursable bonds which are
3 excludable from the amount of each proposed bond
4 issued because:

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

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

13 However, the legislature notes that with respect
14 to the principal and interest on outstanding
15 general obligation bonds, according to the
16 department of budget and finance, the average
17 proportion of principal and interest which is
18 excludable each year from the calculation against
19 the debt limit is 0.87 per cent for approximately
20 ten years from fiscal year to fiscal year

21 . For the purpose of this declaration, the
22 assumption is made that 0.75 per cent of each bond



1 issue will be excludable from the debt limit, an
2 assumption which the legislature finds to be
3 reasonable and conservative.

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



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Total amount of
General Obligation Bonds
not otherwise excluded by
Article VII, Section 13
of the State Constitution

Fiscal year

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 will have been established as heretofore provided, 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,



1 section 13 of the state constitution will become due
2 and payable in the same fiscal year in which the
3 greatest amount of principal and interest on general
4 obligation bonds, after exclusions, occurs. Thus,
5 based on such assumptions and on the determination in
6 paragraph (8), all of the outstanding guaranties can
7 be excluded.

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



1 debt limit to be exceeded at the time of such
2 issuance:

3			Greatest Amount
4	Time of Issuance		and Year of
5	and Amount to be	Debt Limit	Highest Principal
6	Counted Against	at Time of	and Interest
7	<u>Debt Limit</u>	<u>Issuance</u>	<u>on Bonds and Guaranties</u>

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11 (9) Overall and concluding finding. From the facts,
12 estimates, and assumptions stated in this declaration
13 of findings, the conclusion is reached that the total
14 amount of principal and interest estimated for the
15 general obligation bonds authorized in this Act, and
16 for all bonds authorized and unissued, and calculated
17 for all bonds issued and outstanding, and all
18 guaranties, will not cause the debt limit to be
19 exceeded at the time of issuance.

20 SECTION 2. The legislature finds the bases for the
21 declaration of findings set forth in this Act are reasonable.
22 The assumptions set forth in this Act with respect to the
23 principal amount of general obligation bonds which will be
24 issued, the amount of principal and interest on reimbursable
25 general obligation bonds which are assumed to be excludable, and



1 the assumed maturity structure shall not be deemed to be
2 binding, it being the understanding of the legislature that such
3 matters must remain subject to substantial flexibility.

4 SECTION 3. Authorization for issuance of general
5 obligation bonds. General obligation bonds may be issued as
6 provided by law in an amount that may be necessary to finance
7 projects authorized in House Bill No. (the Supplemental
8 Appropriations Act of 2014) and House Bill No. (the
9 Judiciary Appropriations Act of 2014), passed by the legislature
10 during this regular session of 2014 and designated to be
11 financed from the general obligation bond fund and from the
12 general obligation bond fund with debt service cost to be paid
13 from special funds; provided that the sum total of general
14 obligation bonds so issued shall not exceed \$.

15 Any law to the contrary notwithstanding, general obligation
16 bonds may be issued from time to time in accordance with section
17 39-16, Hawaii Revised Statutes, in such principal amount as may
18 be required to refund any general obligation bonds of the State
19 of Hawaii heretofore or hereafter issued pursuant to law.

20 SECTION 4. The provisions of this Act are declared to be
21 severable and if any portion thereof is held to be invalid for



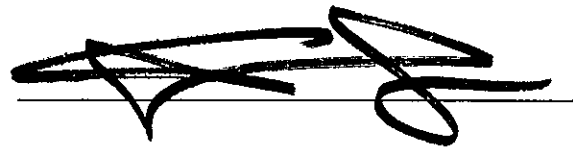
1 any reason, the validity of the remainder of this Act shall not
2 be affected.

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

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

7

INTRODUCED BY:

A handwritten signature in black ink, appearing to be "J. J. ...", written over a horizontal line.

JAN 16 2014



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 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.

