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



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 :

Fiscal	Principal
<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 Act 134,



1 Session Laws of Hawaii 2013 (the General  
2 Appropriations Act of 2013), to be expended  
3 in fiscal year 2014-2015, adjusted for  
4 additional appropriations provided in House  
5 Bill No. (the Supplemental  
6 Appropriations Act of 2014);  
7 (ii) Lapses as provided in House Bill No.  
8 (the Supplemental Appropriations Act of  
9 2014);  
10 (iii) Appropriations to be funded by general  
11 obligation bonds or reimbursable general  
12 obligation bonds as provided in Act 133,  
13 Session Laws of Hawaii 2013 (the Judiciary  
14 Appropriations Act of 2013), to be expended  
15 in fiscal year 2014-2015, adjusted for  
16 additional appropriations provided in House  
17 Bill No. (the Judiciary Supplemental  
18 Appropriations Act of 2014); and  
19 (iv) Lapses as provided in House Bill No.  
20 (the Judiciary Supplemental Appropriations  
21 Act of 2014);



1 the total amount of authorized but unissued  
 2 general obligation bonds is \$ . The total  
 3 amount of general obligation bonds authorized in  
 4 this Act is \$ . The total amount of  
 5 general obligation bonds previously authorized  
 6 and unissued, as adjusted, and the general  
 7 obligation bonds authorized in this Act is  
 8 \$ .

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

18 (5) Proposed general obligation bond issuance. As  
 19 reported therein for the fiscal years , ,  
 20 , and , the State proposed to issue  
 21 \$ in general obligation bonds during the first  
 22 half of fiscal year , \$ in general



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

18 (6) Sufficiency of proposed general obligation bond  
19 issuance to meet the requirements of authorized and  
20 unissued bonds, as adjusted, and bonds authorized by  
21 this Act. From the schedule reported in paragraph  
22 (5), the total amount of general obligation bonds that





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



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

7 (7) Bonds excludable in determining the power of the State  
8 to issue bonds. As noted in paragraph (1), certain  
9 bonds are excludable in determining the power of the  
10 State to issue general obligation bonds.

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

17 (i) It is not known exactly when projects for  
18 which reimbursable bonds have been  
19 authorized in prior acts and in this Act  
20 will be implemented and will require the  
21 application of proceeds from a particular  
22 bond issue; and



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

3 However, the legislature notes that with respect  
4 to the principal and interest on outstanding  
5 general obligation bonds, according to the  
6 department of budget and finance, the average  
7 proportion of principal and interest which is  
8 excludable each year from the calculation against  
9 the debt limit is per cent for approximately  
10 ten years from fiscal year to fiscal year

11 . For the purpose of this declaration, the  
12 assumption is made that per cent of each bond  
13 issue will be excludable from the debt limit, an  
14 assumption which the legislature finds to be  
15 reasonable and conservative.

16 (B) Bonds constituting instruments of indebtedness  
17 under which the State incurs a contingent  
18 liability as a guarantor can be excluded but only  
19 to the extent the principal amount of such  
20 guaranties does not exceed seven per cent of the  
21 principal amount of outstanding general obligation  
22 bonds not otherwise excluded under subparagraph



1 (A) of this paragraph (7) and provided that the  
 2 State shall establish and maintain a reserve in an  
 3 amount in reasonable proportion to the outstanding  
 4 loans guaranteed by the State as provided by law.  
 5 According to the department of budget and finance  
 6 and the assumptions presented herein, the total  
 7 principal amount of outstanding general obligation  
 8 bonds and general obligation bonds proposed to be  
 9 issued, which are not otherwise excluded under  
 10 article VII, section 13 of the state constitution  
 11 for the fiscal years , , , , and  
 12 are as follows:

13		Total amount of
14		General Obligation Bonds
15		not otherwise excluded by
16		Article VII, Section 13
17	<u>Fiscal year</u>	<u>of the State Constitution</u>

18  
 19  
 20  
 21 Based on the foregoing and based on the assumption  
 22 that the full amount of a guaranty is immediately due  
 23 and payable when such guaranty changes from a  
 24 contingent liability to an actual liability, the  
 25 aggregate principal amount of the portion of the



1           outstanding guaranties and the guaranties proposed to  
2           be incurred, which does not exceed seven per cent of  
3           the average amount set forth in the last column of the  
4           above table and for which reserve funds have been or  
5           will have been established as heretofore provided, can  
6           be excluded in determining the power of the State to  
7           issue general obligation bonds. As it is not possible  
8           to predict with a reasonable degree of certainty when  
9           a guaranty will change from a contingent liability to  
10          an actual liability, it is assumed in conformity with  
11          fiscal conservatism and prudence, that all guaranties  
12          not otherwise excluded pursuant to article VII,  
13          section 13 of the state constitution will become due  
14          and payable in the same fiscal year in which the  
15          greatest amount of principal and interest on general  
16          obligation bonds, after exclusions, occurs. Thus,  
17          based on such assumptions and on the determination in  
18          paragraph (8), all of the outstanding guaranties can  
19          be excluded.

20          (8) Determination whether the debt limit will be exceeded  
21          at the time of issuance. From the foregoing and on  
22          the assumption that all of the bonds identified in



1 paragraph (5) will be issued at a net average interest  
 2 rate, after giving effect to federal subsidy payments,  
 3 if any, received by the State under and pursuant to  
 4 the American Recovery and Reinvestment Act of 2009, as  
 5 may be amended from time to time, not to exceed 5.25  
 6 per cent, it can be determined from the following  
 7 schedule that the bonds which are proposed to be  
 8 issued, which include all authorized and unissued  
 9 bonds previously authorized, as adjusted, general  
 10 obligation bonds, and instruments of indebtedness  
 11 under which the State incurs a contingent liability as  
 12 a guarantor authorized in this Act, will not cause the  
 13 debt limit to be exceeded at the time of such  
 14 issuance:

15 16 17 18 19	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>
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 21  
 22  
 23 (9) Overall and concluding finding. From the facts,  
 24 estimates, and assumptions stated in this declaration  
 25 of findings, the conclusion is reached that the total



1 amount of principal and interest estimated for the  
2 general obligation bonds authorized in this Act, and  
3 for all bonds authorized and unissued, and calculated  
4 for all bonds issued and outstanding, and all  
5 guaranties, will not cause the debt limit to be  
6 exceeded at the time of issuance.

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

16 SECTION 3. Authorization for issuance of general  
17 obligation bonds. General obligation bonds may be issued as  
18 provided by law in an amount that may be necessary to finance  
19 projects authorized in House Bill No. (the Supplemental  
20 Appropriations Act of 2014) and House Bill No. (the  
21 Judiciary Supplemental Appropriations Act of 2014), passed by  
22 the legislature during this regular session of 2014 and



1 designated to be financed from the general obligation bond fund  
2 and from the general obligation bond fund with debt service cost  
3 to be paid from special funds; provided that the sum total of  
4 general obligation bonds so issued shall not exceed \$ .

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

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

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

17 SECTION 6. This Act shall take effect on July 1, 2050.





**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. Effective 7/01/2050. (SD1)

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

