
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



1 payable in the current or any future fiscal year,
2 whichever is higher, on such bonds and on all
3 outstanding general obligation bonds to exceed: a sum
4 equal to twenty per cent of the average of the general
5 fund revenues of the State in the three fiscal years
6 immediately preceding such issuance until June 30,
7 1982; and thereafter, a sum equal to eighteen and one-
8 half per cent of the average of the general fund
9 revenues of the State in the three fiscal years
10 immediately preceding such issuance." Article VII,
11 Section 13 of the State Constitution also provides
12 that in determining the power of the State to issue
13 general obligation bonds, certain bonds are
14 excludable, including "reimbursable general obligation
15 bonds issued for a public undertaking, improvement or
16 system but only to the extent that reimbursements to
17 the general fund are in fact made from the net
18 revenue, or net user tax receipts, or combination of
19 both, as determined for the immediately preceding
20 fiscal year" and bonds constituting instruments of



H.B. NO. 1543

1 indebtedness under which the State incurs a contingent
 2 liability as a guarantor, but only to the extent the
 3 principal amount of those bonds does not exceed seven
 4 per cent of the principal amount of outstanding
 5 general obligation bonds not otherwise excluded under
 6 said Article VII, Section 13 of the State
 7 Constitution.

8 (2) Actual and estimated debt limits. The limit on
 9 principal and interest of general obligation bonds
 10 issued by the State, actual for fiscal year 2014-2015
 11 and estimated for each fiscal year from 2015-2016 to
 12 2018-2019, is as follows:

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

13
 14
 15
 16 For fiscal years 2014-2015, 2015-2016, 2016-2017,
 17 2017-2018, and 2018-2019, respectively, the debt limit
 18 is derived by multiplying the average of the net
 19 general fund revenues for the three preceding fiscal
 20 years by eighteen and one-half per cent. The net
 21 general fund revenues for fiscal years 2011-2012,



1 2012-2013, and 2013-2014 are actual, as certified by
2 the director of finance in the Statement of the Debt
3 Limit of the State of Hawaii as of July 1, 2014, dated
4 September 29, 2014. The net general fund revenues for
5 fiscal years 2014-2015 to 2017-2018 are estimates,
6 based on general fund revenue estimates made as of
7 March 12, 2015, by the council on revenues, the body
8 assigned by Article VII, Section 7 of the State
9 Constitution to make such estimates, and based on
10 estimates made by the department of budget and finance
11 of those receipts that cannot be included as general
12 fund revenues for the purpose of calculating the debt
13 limit, all of which estimates the legislature finds to
14 be reasonable.

15 (3) Principal and interest on outstanding bonds applicable
16 to the debt limit.

17 (A) According to the department of budget and
18 finance, the total amount of principal and
19 interest on outstanding general obligation bonds,
20 after the exclusions permitted by Article VII,



H.B. NO. 1543

1 Section 13 of the State Constitution, for
 2 determining the power of the State to issue
 3 general obligation bonds within the debt limit as
 4 of April 1, 2015, is as follows for fiscal year
 5 2015-2016 to fiscal year 2021-2022:

6	Fiscal	Principal
7	<u>Year</u>	<u>and Interest</u>

8

9 The department of budget and finance further
 10 reports that the amount of principal and interest
 11 on outstanding bonds applicable to the debt limit
 12 generally continues to decline each year from
 13 fiscal year 2022-2023 to fiscal year 2034-2035
 14 when the final installment of \$ shall be
 15 due and payable.

16 (B) The department of budget and finance further
 17 reports that the outstanding principal amount of
 18 bonds constituting instruments of indebtedness
 19 under which the State may incur a contingent
 20 liability as a guarantor is \$, all or
 21 part of which is excludable in determining the



H.B. NO. 1543

1 power of the State to issue general obligation
2 bonds, pursuant to Article VII, Section 13 of the
3 State Constitution.

4 (4) Amount of authorized and unissued general obligation
5 bonds and guaranties and proposed bonds and
6 guaranties.

7 (A) As calculated from the state comptroller's bond
8 fund report as of March 31, 2015, adjusted 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. (the General Appropriations Act of
13 2016);

14 (ii) Lapses as provided in House Bill No.
15 (the General Appropriations Act of 2016);

16 (iii) Appropriations to be funded by general
17 obligation bonds or reimbursable general
18 obligation bonds as provided in House Bill
19 No. (the Judiciary Appropriations Act
20 of 2016);



1 (iv) Lapses as provided in House Bill No.
2 (the Judiciary Appropriations Act of 2016);
3 and
4 (v) Appropriations to be funded by general
5 obligation bonds or reimbursable general
6 obligation bonds as provided in Senate Bill
7 No. , Senate Bill No. , and
8 Senate Bill ; the total amount of
9 authorized but unissued general obligation
10 bonds is \$. The total amount of
11 general obligation bonds authorized in this
12 Act is \$.

13 The total amount of general obligation bonds
14 previously authorized and unissued, as adjusted,
15 and the general obligation bonds authorized in
16 this Act is \$.

17 (B) As reported by the department of budget and
18 finance the outstanding principal amount of bonds
19 constituting instruments of indebtedness under
20 which the State may incur a contingent liability



H.B. NO. 1543

1 as a guarantor is \$, all or part of which
2 is excludable in determining the power of the
3 State to issue general obligation bonds, pursuant
4 to Article VII, Section 13 of the State
5 Constitution.

- 6 (5) Proposed general obligation bond issuance. As
7 reported therein for the fiscal years 2014-2015, 2015-
8 2016, 2016-2017, 2017-2018, and 2018-2019, the State
9 proposed to issue \$ in general obligation
10 bonds semiannually during fiscal year 2015-2016,
11 \$ in general obligation bonds semiannually
12 during fiscal year 2016-2017, and \$ in general
13 obligation bonds semiannually during fiscal years
14 2017-2018 and 2018-2019. It has been the practice of
15 the State to issue twenty-year serial bonds with
16 principal repayments beginning in the fifth year, the
17 bonds payable in substantially equal annual
18 installments of principal and interest payment with
19 interest payments commencing six months from the date
20 of issuance and being paid semi-annually thereafter.



1 It is assumed that this practice will continue to be
2 applied to the bonds that are proposed to be issued.

3 (6) Sufficiency of proposed general obligation bond
4 issuance to meet the requirements of authorized and
5 unissued bonds, as adjusted, and bonds authorized by
6 this Act. From the schedule reported in paragraph
7 (5), the total amount of general obligation bonds that
8 the State proposes to issue during the fiscal years
9 2015-2016 to 2017-2018 is \$. An additional
10 \$ is proposed to be issued in fiscal year
11 2018-2019. The total amount of \$ which is
12 proposed to be issued through fiscal year 2017-2018 is
13 sufficient to meet the requirements of the authorized
14 and unissued bonds, as adjusted, the total amount of
15 which is \$ reported in paragraph (4), except
16 for \$. It is assumed that the appropriations
17 to which an additional \$ in bond issuance
18 needs to be applied will have been encumbered as of
19 June 30, 2018. The \$ which is proposed to be
20 issued in fiscal year 2018-2019 will be sufficient to



1 meet the requirements of the June 30, 2018
2 encumbrances in the amount of \$. The amount
3 of assumed encumbrances as of June 30, 2018 is
4 reasonable and conservative, based upon an inspection
5 of June 30 encumbrances of the general obligation bond
6 fund as reported by the state comptroller. Thus,
7 taking into account the amount of authorized and
8 unissued bonds, as adjusted, and the bonds authorized
9 by this Act versus the amount of bonds proposed to be
10 issued by June 30, 2018, and the amount of June 30,
11 2018 encumbrances versus the amount of bonds proposed
12 to be issued in fiscal year 2018-2019, the legislature
13 finds that in the aggregate, the amount of bonds
14 proposed to be issued is sufficient to meet the
15 requirements of all authorized and unissued bonds and
16 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.



1 (A) General obligation reimbursable bonds can be
2 excluded under certain conditions. It is not
3 possible to make a conclusive determination as to
4 the amount of reimbursable bonds which are
5 excludable from the amount of each proposed bond
6 issued because:

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

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

15 However, the legislature notes that with respect
16 to the principal and interest on outstanding
17 general obligation bonds, according to the
18 department of budget and finance, the average
19 proportion of principal and interest which is
20 excludable each year from the calculation against



1 the debt limit is 0.67 per cent for approximately
2 ten years from fiscal year 2014-2015 to fiscal
3 year 2023-2024. For the purpose of this
4 declaration, the assumption is made that 0.50 per
5 cent of each bond issue will be excludable from
6 the debt limit, an assumption that the legislature
7 finds to be reasonable and conservative.

8 (B) Bonds constituting instruments of indebtedness
9 under which the State incurs a contingent
10 liability as a guarantor can be excluded, but
11 only to the extent the principal amount of those
12 guaranties does not exceed seven per cent of the
13 principal amount of outstanding general
14 obligation bonds not otherwise excluded under
15 subparagraph (A) of this paragraph (7); and
16 provided that the State shall establish and
17 maintain a reserve in an amount in reasonable
18 proportion to the outstanding loans guaranteed by
19 the State as provided by law. According to the
20 department of budget and finance and the



1 assumptions presented herein, the total principal
 2 amount of outstanding general obligation bonds
 3 and general obligation bonds proposed to be
 4 issued, which are not otherwise excluded under
 5 Article VII, Section 13 of the State Constitution
 6 for the fiscal years 2014-2015, 2015-2016, 2016-
 7 2017, 2017-2018, and 2018-2019 are as follows:

8

9

10

11

12

13

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

14

15

16

17

18

19

20

21

22

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



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

17 (8) Determination whether the debt limit will be exceeded
18 at the time of issuance. From the foregoing and on
19 the assumption that all of the bonds identified in
20 paragraph (5) will be issued at an interest rate not



H.B. NO. 1543

1 to exceed 6.00 per cent in fiscal years 2016 through
 2 2019, it can be determined from the following schedule
 3 that the bonds which are proposed to be issued, which
 4 include all authorized and unissued bonds previously
 5 authorized, as adjusted, general obligation bonds, and
 6 instruments of indebtedness under which the State
 7 incurs a contingent liability as a guarantor
 8 authorized in this Act, will not cause the debt limit
 9 to be exceeded at the time of such issuance:

10	11	12	13	14
	Time of Issuance			Greatest Amount
	and Amount to be	Debt Limit		and Year of
	Counted Against	at Time of		Highest Principal
	<u>Debt Limit</u>	<u>Issuance</u>		and Interest
				<u>on Bonds and Guaranties</u>

15
 16 (9) Overall and concluding finding. From the facts,
 17 estimates, and assumptions stated in this declaration
 18 of findings, the conclusion is reached that the total
 19 amount of principal and interest estimated for the
 20 general obligation bonds authorized in this Act, and
 21 for all bonds authorized and unissued, and calculated
 22 for all bonds issued and outstanding, and all



1 guaranties, will not cause the debt limit to be
2 exceeded at the time of issuance.

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

12 SECTION 3. Authorization for issuance of general
13 obligation bonds. General obligation bonds may be issued as
14 provided by law in an amount that may be necessary to finance
15 projects authorized in House Bill No. (the Supplemental
16 Appropriations Act of 2016), House Bill No. (the
17 Judiciary Supplemental Appropriations Act of 2016), Senate Bill
18 No. , Senate Bill No. , and Senate Bill No. ;
19 passed by the legislature during this regular session of 2016
20 and designated to be financed from the general obligation bond



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

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.

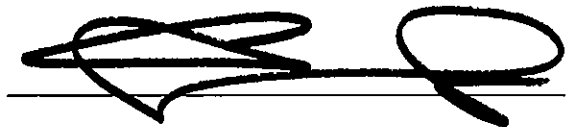
10 SECTION 4. The provisions of this Act are declared to be
11 severable and if any portion thereof is held to be invalid for
12 any reason, the validity of the remainder of this Act shall not
13 be affected.

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 upon its approval.

18

INTRODUCED BY:

A large, stylized handwritten signature in black ink, written over a horizontal line.

JAN 13 2016



H.B. NO. 1543

Report Title:
State Bonds

Description:

Authorizes the issuance of general obligation bonds. Makes findings required by Article VII, Section 13 of the State Constitution to declare that the 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.

