



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

July 10, 2017

GOV. MSG. NO. 1228

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

This is to inform you that on July 10, 2017, the following bill was signed into law:

HB143 SD1 CD1

RELATING TO STATE BONDS
ACT 127 (17)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

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
4 Constitution, which states: "Effective July 1, 1980, the
5 legislature shall include a declaration of findings in every
6 general law authorizing the issuance of general obligation bonds
7 that the total amount of principal and interest, estimated for
8 such bonds and for all bonds authorized and unissued and
9 calculated for all bonds issued and outstanding, will not cause
10 the debt limit to be exceeded at the time of issuance", the
11 legislature finds and 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 whichecker is higher, on such bonds and on all
2 outstanding general obligation bonds to exceed: a sum
3 equal to twenty per cent 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 per cent 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, of the State Constitution also provides
11 that in determining the power of the State to issue
12 general obligation bonds, certain bonds are
13 excludable, including "reimbursable general obligation
14 bonds issued for a public undertaking, improvement or
15 system but only to the extent that reimbursements to
16 the general fund are in fact made from the net
17 revenue, or net user tax receipts, or combination of
18 both, as determined for the immediately preceding
19 fiscal year" and bonds constituting instruments of
20 indebtedness under which the State incurs a contingent
21 liability as a guarantor, but only to the extent the



1 principal amount of those bonds does not exceed seven
2 per cent of the principal amount of outstanding
3 general obligation bonds not otherwise excluded under
4 said Article VII, Section 13, of the State
5 Constitution.

6 (2) Actual and estimated debt limits. The limit on
7 principal and interest of general obligation bonds
8 issued by the State, actual for fiscal year 2016-2017
9 and estimated for each fiscal year from 2017-2018 to
10 2020-2021, is as follows:

11	<u>Fiscal</u>	<u>Net General</u>	
12	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
13	2013-2014	\$6,088,589,303	
14	2014-2015	6,569,327,192	
15	2015-2016	7,075,981,186	
16	2016-2017	7,190,222,000	\$ 1,216,923,690
17	2017-2018	7,338,873,000	1,284,857,707
18	2018-2019	7,612,821,000	1,332,313,031
19	2019-2020	7,931,362,000	1,365,418,153
20	2020-2021	(not applicable)	1,411,121,787

21 For fiscal years 2016-2017, 2017-2018, 2018-2019,
22 2019-2020, and 2020-2021, respectively, the debt limit
23 is derived by multiplying the average of the net
24 general fund revenues for the three preceding fiscal
25 years by eighteen and one-half per cent. The net



1 general fund revenues for fiscal years 2013-2014,
2 2014-2015, and 2015-2016 are actual, as certified by
3 the director of finance in the Statement of the Debt
4 Limit of the State of Hawaii as of July 1, 2016, dated
5 November 23, 2016. The net general fund revenues for
6 fiscal years 2016-2017 to 2019-2020 are estimates,
7 based on general fund revenue estimates made as of
8 March 13, 2017, by the council on revenues, the body
9 assigned by Article VII, Section 7, of the State
10 Constitution to make such estimates, and based on
11 estimates made by the department of budget and finance
12 of those receipts that cannot be included as general
13 fund revenues for the purpose of calculating the debt
14 limit, all of which estimates the legislature finds to
15 be reasonable.

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

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



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, 2017, is as follows for fiscal year
 5 2017-2018 to fiscal year 2023-2024:

6	Fiscal	Principal
7	<u>Year</u>	<u>and Interest</u>
8	2017-2018	\$685,848,502
9	2018-2019	707,199,504
10	2019-2020	674,669,263
11	2020-2021	610,398,573
12	2021-2022	607,429,871
13	2022-2023	589,078,597
14	2023-2024	575,214,566

15 The department of budget and finance further
 16 reports that the amount of principal and interest
 17 on outstanding bonds applicable to the debt limit
 18 generally continues to decline each year from
 19 fiscal year 2024-2025 to fiscal year 2036-2037
 20 when the final installment of \$30,268,500 shall
 21 be due and payable.

22 (B) The department of budget and finance further
 23 reports that the outstanding principal amount of
 24 bonds constituting instruments of indebtedness
 25 under which the State may incur a contingent



1 liability as a guarantor is \$233,500,000, all or
2 part of which is excludable in determining the
3 power of the State to issue general obligation
4 bonds, pursuant to Article VII, Section 13, of
5 the State Constitution.

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

9 (A) As calculated from the state comptroller's bond
10 fund report as of March 31, 2017, adjusted for:

11 (i) Appropriations to be funded by general
12 obligation bonds or reimbursable general
13 obligation bonds as provided in House Bill
14 No. 100, H.D. 1, S.D. 1, C.D. 1 (the General
15 Appropriations Act of 2017);

16 (ii) Lapses as provided in House Bill No. 100,
17 H.D. 1, S.D. 1, C.D. 1 (the General
18 Appropriations Act of 2017);

19 (iii) Appropriations to be funded by general
20 obligation bonds or reimbursable general
21 obligation bonds as provided in Senate Bill



1 No. 469, S.D. 2, H.D. 1, C.D. 1 (the
2 Judiciary Appropriations Act of 2017); and
3 (iv) Lapses as provided in Senate Bill No. 469,
4 S.D. 2, H.D. 1, C.D. 1 (the Judiciary
5 Appropriations Act of 2017);
6 the total amount of authorized but unissued
7 general obligation bonds is \$2,780,801,574. The
8 total amount of general obligation bonds
9 authorized in this Act is \$1,086,746,000. The
10 total amount of general obligation bonds
11 previously authorized and unissued, as adjusted,
12 and the general obligation bonds authorized in
13 this Act is \$3,867,547,574.
14 (B) As reported by the department of budget and
15 finance the outstanding principal amount of bonds
16 constituting instruments of indebtedness under
17 which the State may incur a contingent liability
18 as a guarantor is \$233,500,000, all or part of
19 which is excludable in determining the power of
20 the State to issue general obligation bonds,



1 pursuant to Article VII, Section 13, of the State
2 Constitution.

3 (5) Proposed general obligation bond issuance. As
4 reported therein for the fiscal years 2016-2017, 2017-
5 2018, 2018-2019, 2019-2020, and 2020-2021, the State
6 proposes to issue \$625,000,000 in general obligation
7 bonds during the second half of fiscal year 2016-2017,
8 \$425,000,000 in general obligation bonds semiannually
9 during fiscal years 2017-2018 and 2018-2019, and
10 \$400,000,000 in general obligation bonds semiannually
11 during fiscal years 2019-2020 and 2020-2021.

12 Generally, it has been the practice of the State to
13 issue twenty-year serial bonds with principal
14 repayments beginning in the third year, the bonds
15 payable in substantially equal annual installments of
16 principal and interest payment with interest payments
17 commencing six months from the date of issuance and
18 being paid semi-annually thereafter. It is assumed
19 that this practice will continue to be applied to the
20 bonds that are proposed to be issued.



1 (6) Sufficiency of proposed general obligation bond
2 issuance to meet the requirements of authorized and
3 unissued bonds, as adjusted, and bonds authorized by
4 this Act. From the schedule reported in paragraph
5 (5), the total amount of general obligation bonds that
6 the State proposes to issue during the fiscal years
7 2016-2017 to 2019-2020 is \$3,125,000,000. An
8 additional \$800,000,000 is proposed to be issued in
9 fiscal year 2020-2021. The total amount of
10 \$3,125,000,000 which is proposed to be issued through
11 fiscal year 2019-2020 is sufficient to meet the
12 requirements of the authorized and unissued bonds, as
13 adjusted, the total amount of which is \$3,867,547,574
14 reported in paragraph (4), except for \$742,547,574.
15 It is assumed that the appropriations to which an
16 additional \$742,547,574 in bond issuance needs to be
17 applied will have been encumbered as of June 30, 2020.
18 The \$800,000,000 which is proposed to be issued in
19 fiscal year 2020-2021 will be sufficient to meet the
20 requirements of the June 30, 2020 encumbrances in the
21 amount of \$742,547,574. The amount of assumed



1 encumbrances as of June 30, 2020 is reasonable and
2 conservative, based upon an inspection of June 30
3 encumbrances of the general obligation bond fund as
4 reported by the state comptroller. Thus, taking into
5 account the amount of authorized and unissued bonds,
6 as adjusted, and the bonds authorized by this Act
7 versus the amount of bonds proposed to be issued by
8 June 30, 2020, and the amount of June 30, 2020
9 encumbrances versus the amount of bonds proposed to be
10 issued in fiscal year 2020-2021, the legislature finds
11 that in the aggregate, the amount of bonds proposed to
12 be issued is sufficient to meet the requirements of
13 all authorized and unissued bonds and the bonds
14 authorized by this Act.

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

19 (A) General obligation reimbursable bonds can be
20 excluded under certain conditions. It is not
21 possible to make a conclusive determination as to



1 the amount of reimbursable bonds which are
2 excludable from the amount of each proposed bond
3 issued because:

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

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

12 However, the legislature notes that with respect
13 to the principal and interest on outstanding
14 general obligation bonds, according to the
15 department of budget and finance, the average
16 proportion of principal and interest which is
17 excludable each year from the calculation against
18 the debt limit is 0.92 per cent for approximately
19 ten years from fiscal year 2016-2017 to fiscal
20 year 2025-2026. For the purpose of this
21 declaration, the assumption is made that 0.75 per



1 cent of each bond issue will be excludable from
2 the debt limit, an assumption that the legislature
3 finds to be 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 those
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



1 for the fiscal years 2016-2017, 2017-2018, 2018-
2 2019, 2019-2020, and 2020-2021 are as follows:

7	<u>Fiscal year</u>	<u>Total amount of General Obligation Bonds not otherwise excluded by Article VII, Section 13 of the State Constitution</u>
8	2016-2017	\$ 6,989,350,000
9	2017-2018	7,832,980,000
10	2018-2019	8,676,610,000
11	2019-2020	9,470,610,000
12	2020-2021	10,264,610,000

13 Based on the foregoing and based on the assumption
14 that the full amount of a guaranty is immediately due
15 and payable when such guaranty changes from a
16 contingent liability to an actual liability, the
17 aggregate principal amount of the portion of the
18 outstanding guaranties and the guaranties proposed to
19 be incurred, which does not exceed seven per cent of
20 the average amount set forth in the last column of the
21 above table and for which reserve funds have been or
22 will have been established as heretofore provided, can
23 be excluded in determining the power of the State to
24 issue general obligation bonds. As it is not possible
25 to predict with a reasonable degree of certainty when



1 a guaranty will change from a contingent liability to
2 an actual liability, it is assumed in conformity with
3 fiscal conservatism and prudence, that all guaranties
4 not otherwise excluded pursuant to Article VII,
5 Section 13, of the State Constitution will become due
6 and payable in the same fiscal year in which the
7 greatest amount of principal and interest on general
8 obligation bonds, after exclusions, occurs. Thus,
9 based on such assumptions and on the determination in
10 paragraph (8), all of the outstanding guaranties can
11 be excluded.

12 (8) Determination whether the debt limit will be exceeded
13 at the time of issuance. From the foregoing and on
14 the assumption that all of the bonds identified in
15 paragraph (5) will be issued at an interest rate not
16 to exceed 5.75 per cent in fiscal years 2017 through
17 2021, it can be determined from the following schedule
18 that the bonds which are proposed to be issued, which
19 include all authorized and unissued bonds previously
20 authorized, as adjusted, general obligation bonds, and
21 instruments of indebtedness under which the State



1 incurs a contingent liability as a guarantor
2 authorized in this Act, will not cause the debt limit
3 to be exceeded at the time of such issuance:

4	5	6	7	8
	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>	
9	2nd half FY 2016-2017			
10	\$620,315,000	1,216,923,690	748,783,494	(2018-2019)
11	1st half FY 2017-2018			
12	\$421,815,000	1,284,857,707	761,053,689	(2019-2020)
13	2nd half FY 2017-2018			
14	\$421,815,000	1,284,857,707	785,308,051	(2019-2020)
15	1st half FY 2018-2019			
16	\$421,815,000	1,332,313,031	797,435,233	(2019-2020)
17	2nd half FY 2018-2019			
18	\$421,815,000	1,332,313,031	824,938,334	(2021-2022)
19	1st half FY 2019-2020			
20	\$397,000,000	1,365,418,153	847,765,834	(2021-2022)
21	2nd half FY 2019-2020			
22	\$397,000,000	1,365,418,153	879,893,588	(2022-2023)
23	1st half FY 2020-2021			
24	\$397,000,000	1,411,121,787	903,355,250	(2023-2024)
25	2nd half FY 2020-2021			
26	\$397,000,000	1,411,121,787	939,332,750	(2023-2024)

27
28 (9) Overall and concluding finding. From the facts,
29 estimates, and assumptions stated in this declaration
30 of findings, the conclusion is reached that the total
31 amount of principal and interest estimated for the
32 general obligation bonds authorized in this Act, and
33 for all bonds authorized and unissued, and calculated



1 for all bonds issued and outstanding, and all
2 guaranties, will not cause the debt limit to be
3 exceeded at the time of issuance.

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

13 SECTION 3. Authorization for issuance of general
14 obligation bonds. General obligation bonds may be issued as
15 provided by law in an amount that may be necessary to finance
16 projects authorized in House Bill No. 100, H.D. 1, S.D. 1, C.D.
17 1 (the General Appropriations Act of 2017), and Senate Bill No.
18 469, S.D. 2, H.D. 1, C.D. 1 (the Judiciary Appropriations Act of
19 2017); passed by the legislature during this regular session of
20 2017 and designated to be financed from the general obligation
21 bond fund and from the general obligation bond fund with debt



1 service cost to be paid from special funds; provided that the
2 sum total of general obligation bonds so issued shall not exceed
3 \$1,086,746,000.

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

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

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

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

APPROVED this 10 day of JUL , 2017

David Y. Ige

GOVERNOR OF THE STATE OF HAWAII



HB No. 143, SD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017.



Joseph M. Souki
Speaker
House of Representatives




Brian L. Takeshita
Chief Clerk
House of Representatives

THE SENATE OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the
Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017.


President of the Senate


Clerk of the Senate