
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 percent 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 percent 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
21 indebtedness under which the State incurs a contingent



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

7 (2) Actual and estimated debt limits. The limit on
 8 principal and interest of general obligation bonds
 9 issued by the State, actual for fiscal year 2016-2017
 10 and estimated for each fiscal year from 2017-2018 to
 11 2020-2021, is as follows:

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

14

15 For fiscal years , , , and
 16 , respectively, the debt limit is derived by
 17 multiplying the average of the net general fund
 18 revenues for the three preceding fiscal years by
 19 eighteen and one-half per cent. The net general fund
 20 revenues for fiscal years , , and
 21 are actual, as certified by the director of finance in



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

13 (3) Principal and interest on outstanding bonds applicable
 14 to the debt limit.

15 (A) According to the department of budget and
 16 finance, the total amount of principal and
 17 interest on outstanding general obligation bonds,
 18 after the exclusions permitted by Article VII,
 19 Section 13 of the State Constitution, for
 20 determining the power of the State to issue
 21 general obligation bonds within the debt limit as



1 of April 1, 2017, is as follows for fiscal year
2 2017-2018 to fiscal year 2023-2024:

3	Fiscal	Principal
4	<u>Year</u>	<u>and Interest</u>

5
6 The department of budget and finance further
7 reports that the amount of principal and interest
8 on outstanding bonds applicable to the debt limit
9 generally continues to decline each year from
10 fiscal year to fiscal year when the
11 final installment of \$ shall be due and
12 payable.

13 (B) The department of budget and finance further
14 reports that the outstanding principal amount of
15 bonds constituting instruments of indebtedness
16 under which the State may incur a contingent
17 liability as a guarantor is \$, all or
18 part of which is excludable in determining the
19 power of the State to issue general obligation
20 bonds, pursuant to Article VII, Section 13 of the
21 State Constitution.



1 (4) Amount of authorized and unissued general obligation
2 bonds and guaranties and proposed bonds and
3 guaranties.

4 (A) As calculated from the state comptroller's bond
5 fund report as of March , , adjusted
6 for:

7 (i) Appropriations to be funded by general
8 obligation bonds or reimbursable general
9 obligation bonds as provided in House Bill
10 No. , (the General Appropriations Act
11 of 2017); and

12 (ii) Lapses as provided in House Bill No. ,
13 (the General Appropriations Act of 2017);

14 (iii) Appropriations to be funded by general
15 obligation bonds or reimbursable general
16 obligation bonds as provided in House Bill
17 No. , (the Judiciary Appropriations Act
18 of 2017); and

19 (iv) Lapses as provided in House Bill No. ,
20 (the Judiciary Appropriations Act of 2017);



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
 21 issue \$ in general obligation bonds during the



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



1 (5), the total amount of general obligation bonds that
2 the State proposes to issue during the fiscal years
3 to is \$. An additional
4 \$ is proposed to be issued in fiscal year
5 . The total amount of \$ that is
6 proposed to be issued through fiscal year is
7 sufficient to meet the requirements of the authorized
8 and unissued bonds, as adjusted, the total amount of
9 which is \$ reported in paragraph (4), except
10 for \$. It is assumed that the appropriations
11 to which an additional \$ in bond issuance
12 needs to be applied will have been encumbered as of
13 June 30, 2020. The \$ that is proposed to be
14 issued in fiscal year will be sufficient to
15 meet the requirements of the June 30, 2020
16 encumbrances in the amount of \$. The amount of
17 assumed encumbrances as of June 30, 2020 is reasonable
18 and conservative, based upon an inspection of June 30
19 encumbrances of the general obligation bond fund as
20 reported by the state comptroller. Thus, taking into
21 account the amount of authorized and unissued bonds,



1 as adjusted, and the bonds authorized by this Act
2 versus the amount of bonds proposed to be issued by
3 June 30, 2020, and the amount of June 30, 2020
4 encumbrances versus the amount of bonds proposed to be
5 issued in fiscal year , the legislature finds
6 that in the aggregate, the amount of bonds proposed to
7 be issued is sufficient to meet the requirements of
8 all authorized and unissued bonds and the bonds
9 authorized by this Act.

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

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

20 (i) It is not known exactly when projects for
21 which reimbursable bonds have been



1 authorized in prior acts and in this Act
2 will be implemented and will require the
3 application of proceeds from a particular
4 bond issue; and

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

7 However, the legislature notes that with respect to
8 the principal and interest on outstanding general
9 obligation bonds, according to the department of
10 budget and finance, the average proportion of
11 principal and interest that is excludable each year
12 from the calculation against the debt limit is 0.61
13 per cent for approximately ten years from fiscal year
14 to fiscal year . For the purpose of this
15 declaration, the assumption is made that 0.50 per cent
16 of each bond issue will be excludable from the debt
17 limit, an assumption that the legislature finds to be
18 reasonable and conservative.

19 (B) Bonds constituting instruments of indebtedness under
20 which the State incurs a contingent liability as a
21 guarantor can be excluded but only to the extent the



1 principal amount of those guaranties does not exceed
 2 seven per cent of the principal amount of outstanding
 3 general obligation bonds not otherwise excluded under
 4 subparagraph (A) of this paragraph (7); and provided
 5 that the State shall establish and maintain a reserve
 6 in an amount in reasonable proportion to the
 7 outstanding loans guaranteed by the State as provided
 8 by law. According to the department of budget and
 9 finance and the assumptions presented herein, the
 10 total principal amount of outstanding general
 11 obligation bonds and general obligation bonds proposed
 12 to be issued, which are not otherwise excluded under
 13 Article VII, Section 13 of the State Constitution for
 14 the fiscal years , , , , and

15 are as follows:

16		Total Amount of
17		General Obligation Bonds
18		Not Otherwise Excluded by
19		Article VII, Section 13
20	<u>Fiscal Year</u>	<u>of the State Constitution</u>

21

22 Based on the foregoing and based on the assumption

23 that the full amount of a guaranty is immediately due



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



1 paragraph (8), all of the outstanding guaranties can
2 be excluded.

3 (8) Determination whether the debt limit will be exceeded
4 at the time of issuance. From the foregoing and on
5 the assumption that all of the bonds identified in
6 paragraph (5) will be issued at an interest rate not
7 to exceed 6.00 per cent in fiscal years 2018 through
8 2021, it can be determined from the following schedule
9 that the bonds that are proposed to be issued, which
10 include all authorized and unissued bonds previously
11 authorized, as adjusted, general obligation bonds, and
12 instruments of indebtedness under which the State
13 incurs a contingent liability as a guarantor
14 authorized in this Act, will not cause the debt limit
15 to be exceeded at the time of such issuance:

16			Greatest Amount
17	Time of Issuance		and Year of
18	and Amount to be	Debt Limit	Highest Principal
19	Counted Against	at Time of	and Interest
20	<u>Debt Limit</u>	<u>Issuance</u>	<u>on Bonds and Guaranties</u>

21
22 (9) Overall and concluding finding. From the facts,
23 estimates, and assumptions stated in this declaration



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

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

17 SECTION 3. Authorization for issuance of general
18 obligation bonds. General obligation bonds may be issued as
19 provided by law in an amount that may be necessary to finance
20 projects authorized in House Bill No. (the General
21 Appropriations Act of 2017) and House Bill No. (the



1 Judiciary Appropriations Act of 2017); passed by the legislature
 2 during this regular session of 2017 and designated to be
 3 financed from the general obligation bond fund and from the
 4 general obligation bond fund with debt service cost to be paid
 5 from special funds; provided that the sum total of general
 6 obligation bonds so issued shall not exceed \$.

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

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

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

19 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.

