



EXECUTIVE CHAMBERS  
HONOLULU

DAVID Y. IGE  
GOVERNOR

July 5, 2019

**GOV. MSG. NO. 1351**

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

The Honorable Scott K. Saiki,  
Speaker and Members of the  
House of Representatives  
Thirtieth 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 5, 2019, the following bill was signed into law:

HB120 SD1 CD1

RELATING TO STATE BONDS.  
**ACT 249 (19)**

Sincerely,

DAVID Y. IGE  
Governor, State of Hawai'i

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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 article VII, section 13, of the state constitution, which  
4 states: "Effective July 1, 1980, the legislature shall include  
5 a declaration of findings in every general law authorizing the  
6 issuance of general obligation bonds that the total amount of  
7 principal and interest, estimated for such bonds and for all  
8 bonds authorized and unissued and calculated for all bonds  
9 issued and outstanding, will not cause the debt limit to be  
10 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, 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 "[r]eimburseable general  
14          obligation bonds issued for a public undertaking,  
15          improvement or system but only to the extent that  
16          reimbursements to the general fund are in fact made  
17          from the net revenue, or net user tax receipts, or  
18          combination of both, as determined for the immediately  
19          preceding fiscal year" and bonds constituting  
20          instruments of indebtedness under which the State  
21          incurs a contingent liability as a guarantor, but only



1 to the extent the principal amount of those bonds does  
 2 not exceed seven per cent of the principal amount of  
 3 outstanding general obligation bonds not otherwise  
 4 excluded under said article VII, section 13, of the  
 5 state 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 2018-2019  
 9 and estimated for each fiscal year from 2019-2020 to  
 10 2022-2023, is as follows:

11	Fiscal	Net General	
12	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
13	2015-2016	\$7,075,981,186	
14	2016-2017	7,346,008,625	
15	2017-2018	7,656,001,540	
16	2018-2019	7,702,282,000	\$ 1,361,476,133
17	2019-2020	8,017,855,000	1,400,098,017
18	2020-2021	8,336,777,000	1,441,528,543
19	2021-2022	8,648,517,000	1,483,509,697
20	2022-2023	(not applicable)	1,541,860,855

21 For fiscal years 2018-2019, 2019-2020, 2020-2021,  
 22 2021-2022, and 2022-2023, 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 2015-2016,  
2 2016-2017, and 2017-2018 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, 2018, dated  
5 November 8, 2018. The net general fund revenues for  
6 fiscal years 2018-2019 to 2021-2022 are estimates,  
7 based on general fund revenue estimates made as of  
8 March 12, 2019, 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, 2019, is as follows for fiscal year  
 5 2019-2020 to fiscal year 2025-2026:

6	Fiscal	Principal
7	<u>Year</u>	<u>and Interest</u>
8	2019-2020	\$830,258,744
9	2020-2021	768,823,622
10	2021-2022	753,610,056
11	2022-2023	725,933,034
12	2023-2024	712,063,283
13	2024-2025	672,615,397
14	2025-2026	649,837,432

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 2026-2027 to fiscal year 2038-2039  
 20 when the final installment of \$37,533,250 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



1 under which the State may incur a contingent  
2 liability as a guarantor is \$233,500,000, all or  
3 part of which is excludable in determining the  
4 power of the State to issue general obligation  
5 bonds, pursuant to article VII, section 13, of  
6 the state constitution.

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

10 (A) As calculated from the state comptroller's bond  
11 fund report as of February 28, 2019, adjusted  
12 for:

13 (i) Appropriations to be funded by general  
14 obligation bonds or reimbursable general  
15 obligation bonds as provided in House Bill  
16 No. 1259, S.D. 1, C.D. 1 (the General  
17 Improvements Act of 2019);

18 (ii) Lapses as provided in House Bill No. 1259,  
19 S.D. 1, C.D. 1 (the General Improvements Act  
20 of 2019);



- 1 (iii) Appropriations to be funded by general  
2 obligation bonds or reimbursable general  
3 obligation bonds as provided in House Bill  
4 No. 510, H.D. 2, S.D. 2, C.D. 1 (the  
5 Judiciary Appropriations Act of 2019);
- 6 (iv) Lapses as provided in House Bill No. 510,  
7 H.D. 2, S.D. 2, C.D. 1 (the Judiciary  
8 Appropriations Act of 2019);
- 9 (v) Appropriations to be funded by general  
10 obligation bonds as provided in House Bill  
11 No. 809, S.D. 1, C.D. 1 (the Grant Funding  
12 Act of 2019);
- 13 (vi) Lapses as provided in House Bill No. 809,  
14 S.D. 1, C.D. 1 (the Grant Funding Act of  
15 2019);
- 16 (vii) Appropriations to be funded by general  
17 obligation bonds or reimbursable general  
18 obligation bonds as provided in House Bill  
19 No. 1586, H.D. 1, S.D. 2, C.D. 1, Senate  
20 Bill No. 78, S.D. 2, H.D. 2, and House Bill  
21 No. 1312, H.D. 1, S.D. 1, C.D. 1; and





1 (viii) The issuance of general obligation bonds of  
2 2019, Series FW, FX and FY, which closed on  
3 February 21, 2019, but was not included in  
4 the state comptroller's bond fund report;  
5 the total amount of authorized but unissued  
6 general obligation bonds is \$2,344,318,668. The  
7 total amount of general obligation bonds  
8 authorized in this Act is \$1,747,941,000. The  
9 total amount of general obligation bonds  
10 previously authorized and unissued, as adjusted,  
11 and the general obligation bonds authorized in  
12 this Act is \$4,092,259,668.

13 (B) As reported by the department of budget and  
14 finance the outstanding principal amount of bonds  
15 constituting instruments of indebtedness under  
16 which the State may incur a contingent liability  
17 as a guarantor is \$233,500,000, all or part of  
18 which is excludable in determining the power of  
19 the State to issue general obligation bonds,  
20 pursuant to article VII, section 13, of the state  
21 constitution.



1 (5) Proposed general obligation bond issuance. As  
2 reported therein for the fiscal years 2019-2020,  
3 2020-2021, 2021-2022, and 2022-2023, the State  
4 proposes to issue \$905,000,000 in general obligation  
5 bonds during the first half of fiscal year 2019-2020,  
6 \$520,000,000 in general obligation bonds during the  
7 second half of fiscal year 2019-2020, \$500,000,000 in  
8 general obligation bonds during the first half of  
9 fiscal year 2020-2021, \$550,000,000 in general  
10 obligation bonds during the second half of fiscal year  
11 2020-2021, \$500,000,000 in general obligation bonds  
12 semiannually during fiscal year 2021-2022, and  
13 \$325,000,000 in general obligation bonds semiannually  
14 during fiscal year 2022-2023. Generally, it has been  
15 the practice of the State to issue twenty-year serial  
16 bonds with principal repayments beginning in the third  
17 year, the 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 2019-2020 to 2021-2022 is \$3,475,000,000. An  
10 additional \$650,000,000 is proposed to be issued in  
11 fiscal year 2022-2023. The total amount of  
12 \$3,475,000,000 which is proposed to be issued through  
13 fiscal year 2021-2022 is sufficient to meet the  
14 requirements of the authorized and unissued bonds, as  
15 adjusted, the total amount of which is \$4,092,259,668  
16 reported in paragraph (4), except for \$617,259,668.  
17 It is assumed that the appropriations to which an  
18 additional \$617,259,668 in bond issuance needs to be  
19 applied will have been encumbered as of June 30, 2022.  
20 The \$650,000,000 which is proposed to be issued in  
21 fiscal year 2022-2023 will be sufficient to meet the



1 requirements of the June 30, 2022 encumbrances in the  
2 amount of \$617,259,668. The amount of assumed  
3 encumbrances as of June 30, 2022 is reasonable and  
4 conservative, based upon an inspection of June 30  
5 encumbrances of the general obligation bond fund as  
6 reported by the state comptroller. Thus, taking into  
7 account the amount of authorized and unissued bonds,  
8 as adjusted, and the bonds authorized by this Act  
9 versus the amount of bonds proposed to be issued by  
10 June 30, 2022, and the amount of June 30, 2022  
11 encumbrances versus the amount of bonds proposed to be  
12 issued in fiscal year 2022-2023, the legislature finds  
13 that in the aggregate, the amount of bonds proposed to  
14 be issued is sufficient to meet the requirements of  
15 all authorized and unissued bonds and the bonds  
16 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  
21 the debt limit is 0.77 per cent for approximately



1 ten years from fiscal year 2018-2019 to fiscal  
 2 year 2027-2028. For the purpose of this  
 3 declaration, the assumption is made that 0.75 per  
 4 cent of each bond issue will be excludable from  
 5 the debt limit, an assumption that the  
 6 legislature finds to be reasonable and  
 7 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  
 21 assumptions presented herein, the total principal



1 amount of outstanding general obligation bonds  
 2 and general obligation bonds proposed to be  
 3 issued, which are not otherwise excluded under  
 4 article VII, section 13, of the state  
 5 constitution for the fiscal years 2018-2019,  
 6 2019-2020, 2020-2021, 2021-2022, and 2022-2023  
 7 are as follows:

8		Total amount of
9		general obligation bonds
10		not otherwise excluded by
11		article VII, section 13
12	<u>Fiscal Year</u>	<u>of the state constitution</u>
13	2018-2019	\$ 7,298,253,064
14	2019-2020	8,712,568,064
15	2020-2021	9,754,693,064
16	2021-2022	10,747,193,064
17	2022-2023	11,392,323,064

18 Based on the foregoing and based on the assumption  
 19 that the full amount of a guaranty is immediately due  
 20 and payable when such guaranty changes from a  
 21 contingent liability to an actual liability, the  
 22 aggregate principal amount of the portion of the  
 23 outstanding guaranties and the guaranties proposed to  
 24 be incurred, which does not exceed seven per cent of  
 25 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  
21 to exceed 5.75 per cent in fiscal years 2020 through





1 2023, it can be determined from the following schedule  
2 that the bonds which are proposed to be issued, which  
3 include all authorized and unissued bonds previously  
4 authorized, as adjusted, general obligation bonds, and  
5 instruments of indebtedness under which the State  
6 incurs a contingent liability as a guarantor  
7 authorized in this Act, will not cause the debt limit  
8 to be exceeded at the time of such issuance:



1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
	Time of Issuance	Debt Limit	at Time of	Greatest Amount																	
	and Amount to be	Counted Against	Issuance	Highest Principal	and Year of																
	<u>Debt Limit</u>		<u>Issuance</u>	<u>and Interest</u>	<u>on Bonds and Guaranties</u>																
7	1st half FY 2019-2020																				
8	\$898,215,000		1,400,098,017	861,994,376	2019-2020																
9	2nd half FY 2019-2020																				
10	\$516,100,000		1,400,098,017	861,994,376	2019-2020																
11	1st half FY 2020-2021																				
12	\$496,250,000		1,441,528,543	889,750,855	2023-2024																
13	2nd half FY 2020-2021																				
14	\$545,875,000		1,441,528,543	939,223,667	2023-2024																
15	1st half FY 2021-2022																				
16	\$496,250,000		1,483,509,697	967,758,042	2023-2024																
17	2nd half FY 2021-2022																				
18	\$496,250,000		1,483,509,697	996,292,417	2023-2024																
19	1st half FY 2022-2023																				
20	\$322,565,000		1,541,860,855	1,014,839,905	2023-2024																
21	2nd half FY 2022-2023																				
22	\$322,565,000		1,541,860,855	1,033,387,392	2023-2024																

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  
 26 amount of principal and interest estimated for the  
 27 general obligation bonds authorized in this Act, and  
 28 for all bonds authorized and unissued, and calculated  
 29 for all bonds issued and outstanding, and all  
 30 guaranties, will not cause the debt limit to be  
 31 exceeded at the time of issuance.



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

10 SECTION 3. Authorization for issuance of general  
11 obligation bonds. General obligation bonds may be issued as  
12 provided by law in an amount that may be necessary to finance  
13 projects authorized in House Bill No. 1259, S.D. 1, C.D. 1 (the  
14 General Improvements Act of 2019), House Bill No. 510, H.D. 2,  
15 S.D. 2, C.D. 1 (the Judiciary Appropriations Act of 2019), House  
16 Bill No. 809, S.D. 1, C.D. 1 (the Grant Funding Act of 2019),  
17 House Bill No. 1586, H.D. 1, S.D. 2, C.D. 1, Senate Bill No. 78,  
18 S.D. 2, H.D. 2, and House Bill No. 1312, H.D. 1, S.D. 1, C.D. 1;  
19 passed by the legislature during this regular session of 2019  
20 and designated to be financed from the general obligation bond  
21 fund and from the general obligation bond fund with debt service



1 cost to be paid from special funds; provided that the sum total  
2 of general obligation bonds so issued shall not exceed  
3 \$1,747,941,000.

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 05 day of JUL, 2019



GOVERNOR OF THE STATE OF HAWAII



HB No. 120, SD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 1, 2019  
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirtieth Legislature of the State of Hawaii, Regular Session of 2019.



Scott K. Saiki  
Speaker  
House of Representatives



Brian L. Takeshita  
Chief Clerk  
House of Representatives

**THE SENATE OF THE STATE OF HAWAI'I**

Date: April 30, 2019  
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the  
Senate of the Thirtieth Legislature of the State of Hawai'i, Regular Session of 2019.

  
President of the Senate

  
Clerk of the Senate