



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

GOV. MSG. NO. 1104

July 6, 2020

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 6, 2020, the following bill was signed into law:

HB2500 SD1

RELATING TO THE STATE BUDGET.
Act 003 (20)

Sincerely,

DAVID Y. IGE
Governor, State of Hawai'i

A BILL FOR AN ACT

RELATING TO THE STATE BUDGET.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. (a) The purpose of this Act is to authorize
2 the issuance of general obligation bonds by the State; authorize
3 the borrowing of moneys from the Municipal Liquidity Facility
4 under section 13(3) of the Federal Reserve Act, 12 U.S.C.
5 §343(3); and declare the legislature's findings with respect to
6 these bond authorizations as required by article VII, section 13
7 of the Constitution of the State of Hawaii.

8 The legislature finds that the Federal Reserve has
9 authorized the establishment and operation of the Municipal
10 Liquidity Facility under section 13(3) of the Federal Reserve
11 Act, enumerated in 12 U.S.C. §343(3), to facilitate access to
12 credit and liquidity in order for state, city, and county
13 governments to better manage periods of dislocation related to
14 the coronavirus disease 2019, or COVID-19, pandemic. By
15 enabling the Municipal Liquidity Facility, the Federal Reserve
16 has engaged its full range of tools to support the flow of
17 credit to households, businesses, and communities to counter the



1 economic impact of the COVID-19 pandemic and promote a swift
2 recovery once disruption related to the pandemic abates. The
3 legislature intends that the:

- 4 (1) Municipal Liquidity Facility be utilized at levels
5 that are prudent and do not adversely affect the
6 State; and
- 7 (2) Amount authorized for the Municipal Liquidity Facility
8 contained herein reflects flexibility and balances the
9 executive branch's prerogative to prudently execute
10 the State's economic recovery with the means
11 authorized by the legislature.

12 Presently, this Act authorizes borrowings in excess of the
13 debt limit. Pursuant to Article VII, Section 13 of the
14 Constitution of the State of Hawaii, the State may exceed the
15 debt limit if an emergency condition is declared by the governor
16 and concurred to by a two-thirds vote of the legislature. This
17 provision is to allow the governor and the legislature by mutual
18 agreement to exceed the debt ceiling when an extraordinary
19 emergency exists. Although the governor issued a proclamation
20 declaring that the effects of the COVID-19 pandemic created an
21 emergency condition in the State and issued nine supplemental



1 emergency proclamations to deal with the pandemic, none of these
2 proclamations address the State's need to exceed the debt limit.

3 To permit this Act to exceed the State's debt limit, the
4 governor has declared that an emergency condition exists due to
5 the COVID-19 pandemic and has requested that each house of the
6 legislature by a two-thirds vote concur with this declaration.

7 (b) Declaration of findings with respect to the general
8 obligation bonds authorized by this Act. Pursuant to article
9 VII, section 13, of the state constitution, which states:

10 "Effective July 1, 1980, the legislature shall include a
11 declaration of findings in every general law authorizing the
12 issuance of general obligation bonds that the total amount of
13 principal and interest, estimated for such bonds and for all
14 bonds authorized and unissued and calculated for all bonds
15 issued and outstanding, will not cause the debt limit to be
16 exceeded at the time of issuance", the legislature finds and
17 declares as follows:

18 (1) The debt limit of the State will be exceeded by the
19 general obligation bonds authorized by this Act;

20 (2) Limitation on general obligation debt. The debt limit
21 of the State is set forth in article VII, section 13,



1 of the state constitution, which states in part:
2 "General obligation bonds may be issued by the State;
3 provided that such bonds at the time of issuance would
4 not cause the total amount of principal and interest
5 payable in the current or any future fiscal year,
6 whichever is higher, on such bonds and on all
7 outstanding general obligation bonds to exceed: a sum
8 equal to twenty percent of the average of the general
9 fund revenues of the State in the three fiscal years
10 immediately preceding such issuance until June 30,
11 1982; and thereafter, a sum equal to eighteen and one-
12 half percent of the average of the general fund
13 revenues of the State in the three fiscal years
14 immediately preceding such issuance." Article VII,
15 section 13, of the state constitution also provides
16 that, in determining the power of the State to issue
17 general obligation bonds, certain bonds are
18 excludable, including "[r]eimburseable general
19 obligation bonds issued for a public undertaking,
20 improvement or system but only to the extent that
21 reimbursements to the general fund are in fact made



1 from the net revenue, or net user tax receipts, or
2 combination of both, as determined for the immediately
3 preceding fiscal year" and bonds constituting
4 instruments of indebtedness under which the State
5 incurs a contingent liability as a guarantor, but only
6 to the extent the principal amount of the bonds does
7 not exceed seven per cent of the principal amount of
8 outstanding general obligation bonds not otherwise
9 excluded under article VII, section 13, of the state
10 constitution.

11 (3) Actual and estimated debt limits. The limit on
12 principal and interest of general obligation bonds
13 issued by the State, actual for fiscal year 2019-2020
14 and estimated for each fiscal year from 2020-2021 to
15 2022-2023, is as follows:



	<u>Fiscal</u>	<u>Net General</u>	
	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
3	2016-2017	\$7,346,008,625	
4	2017-2018	7,656,001,540	
5	2018-2019	7,910,649,595	
6	2019-2020	7,567,600,000	\$1,412,947,352
7	2020-2021	6,614,801,000	1,426,612,153
8	2021-2022	7,333,031,000	1,362,404,787
9	2022-2023	(not applicable)	1,326,784,973

10 For fiscal years 2019-2020, 2020-2021, 2021-2022, and
11 2022-2023, respectively, the debt limit is derived by
12 multiplying the average of the net general fund
13 revenues for the three preceding fiscal years by
14 eighteen and one-half per cent. The net general fund
15 revenues for fiscal years 2016-2017, 2017-2018, and
16 2018-2019 are actual, as presented in the Statement of
17 the Debt Limit of the State of Hawaii as of July 1,
18 2019, dated November 18, 2019. The net general fund
19 revenues for fiscal years 2019-2020 to 2021-2022 are
20 estimates, based on general fund revenue estimates
21 made as of May 28, 2020, by the council on revenues,
22 the body assigned by article VII, section 7, of the
23 state constitution to make such estimates, and based
24 on estimates made by the department of budget and

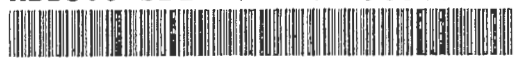


1 finance of those receipts that cannot be included as
 2 general fund revenues for the purpose of calculating
 3 the debt limit, all of which estimates the legislature
 4 finds to be reasonable.

5 (4) Principal and interest on outstanding bonds applicable
 6 to the debt limit.

7 (A) The total amount of principal and interest on
 8 outstanding general obligation bonds, after the
 9 exclusions permitted by article VII, section 13,
 10 of the state constitution, for determining the
 11 power of the State to issue general obligation
 12 bonds within the debt limit as of June 1, 2020,
 13 is as follows for fiscal year 2020-2021 to fiscal
 14 year 2026-2027:

15	Fiscal	Principal
16	<u>Year</u>	<u>and Interest</u>
17	2020-2021	\$768,823,622
18	2021-2022	753,610,056
19	2022-2023	725,933,034
20	2023-2024	712,063,283
21	2024-2025	672,615,397
22	2025-2026	649,837,432
23	2026-2027	601,561,400
24		



1 The amount of principal and interest on
2 outstanding bonds applicable to the debt limit
3 generally continues to decline each year from
4 fiscal year 2027-2028 to fiscal year 2038-2039
5 when the final installment of \$37,533,250 shall
6 be due and payable.

7 (B) The outstanding principal amount of bonds
8 constituting instruments of indebtedness under
9 which the State may incur a contingent liability
10 as a guarantor is \$233,500,000, all or part of
11 which is excludable in determining the power of
12 the State to issue general obligation bonds,
13 pursuant to article VII, section 13, of the state
14 constitution.

15 (5) 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 April 30, 2020, adjusted for:
20 (i) Appropriations to be funded by general
21 obligation bonds or reimbursable general

1 obligation bonds as provided in Act 40,
2 Session Laws of Hawaii 2019 (the General
3 Improvement Act of 2019) and Act 189,
4 Session Laws of Hawaii 2019, to be expended
5 in fiscal year 2020-2021, adjusted for
6 additional appropriations provided in House
7 Bill No. 2725, H.D. 1, S.D. 1 (the
8 Supplemental Improvements Act of 2020), as
9 amended by Senate Bill No. 126 H.D.1, S.D.1,
10 C.D.1, Senate Bill No. 3139, S.D. 1, H.D. 1,
11 as amended by Senate Bill No. 126 H.D.1,
12 S.D.1, C.D.1, Senate Bill No. 75, S.D. 2,
13 H.D. 1, as amended by Senate Bill No. 126
14 H.D.1, S.D.1, C.D.1, Act 12, Session Laws of
15 Hawaii 2018, as amended by Act 35, Session
16 Laws of Hawaii 2019, as amended by Senate
17 Bill No. 126 H.D.1, S.D.1, C.D.1, and Senate
18 Bill No. 126 H.D.1, S.D.1, C.D.1;
19 (ii) Lapses as provided in House Bill No. 2725,
20 H.D. 1, S.D. 1 (the Supplemental



1 Improvements Act of 2020), as amended by
2 Senate Bill No. 126 H.D.1, S.D.1, C.D.1;
3 (iii) Appropriations to be funded by general
4 obligation bonds or reimbursable general
5 obligation bonds as provided in Act 38,
6 Session Laws of Hawaii 2019 (the Judiciary
7 Appropriations Act of 2019) to be expended
8 in fiscal year 2020-2021, adjusted for
9 additional appropriations provided in Senate
10 Bill No. 3080, S.D. 3, H.D. 1 (the Judiciary
11 Supplemental Appropriations Act of 2020);
12 and
13 (iv) Lapses as provided in Senate Bill No. 3080,
14 S.D. 3, H.D. 1 (the Judiciary Supplemental
15 Appropriations Act of 2020);
16 the total amount of authorized but unissued
17 general obligation bonds is \$3,920,402,480. The
18 total amount of general obligation bonds
19 authorized in this Act is \$3,073,991,000. The
20 total amount of general obligation bonds
21 previously authorized and unissued, as adjusted,



1 and the general obligation bonds authorized in
2 this Act is \$6,994,393,480.

3 (B) The outstanding principal amount of bonds
4 constituting instruments of indebtedness under
5 which the State may incur a contingent liability
6 as a guarantor is \$233,500,000, all or part of
7 which is excludable in determining the power of
8 the State to issue general obligation bonds,
9 pursuant to article VII, section 13, of the state
10 constitution.

11 (6) Proposed general obligation bond issuance. As
12 reported therein for the fiscal years 2020-2021,
13 2021-2022, and 2022-2023, the State proposes to issue
14 \$3,475,000,000 in general obligation bonds (which
15 includes \$2,100,000,000 in working capital
16 indebtedness or Municipal Liquidity Facility
17 indebtedness) during the first half of fiscal year
18 2020-2021, \$675,000,000 in general obligation bonds
19 during the second half of fiscal year 2020-2021,
20 \$675,000,000 in general obligation bonds during the
21 first half of fiscal year 2021-2022, \$675,000,000 in



1 general obligation bonds during the second half of
2 fiscal year 2021-2022, \$715,000,000 in general
3 obligation bonds during the first half of fiscal year
4 2022-2023, and \$815,000,000 in general obligation
5 bonds during the second half of fiscal year 2022-2023.
6 Except for the working capital indebtedness and
7 Municipal Liquidity Facility indebtedness, the State
8 anticipates issuing a combination of twenty-year
9 serial bonds with principal repayments beginning the
10 third and fifth years and ten-year serial bonds with
11 principal repayments beginning the first year, payable
12 in substantially equal annual installments of
13 principal and interest payment with interest payments
14 commencing six months from the date of issuance and
15 being paid semi-annually thereafter. It is assumed
16 that this practice will continue to be applied to the
17 bonds that are proposed to be issued. The working
18 capital indebtedness and Municipal Liquidity Facility
19 indebtedness is anticipated to be for a term of three
20 years, payable in substantially equal annual



1 installments of principal payments, with interest
2 repaid at the end of the three-year term.

3 (7) 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 (6), the total amount of general obligation bonds that
8 the State proposes to issue during the fiscal years
9 2020-2021 to 2021-2022 is \$5,500,000,000. An
10 additional \$1,530,000,000 is proposed to be issued in
11 fiscal year 2022-2023. The total amount of
12 \$5,500,000,000 that 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 \$6,994,393,480
16 reported in paragraph (5), except for \$1,494,393,480.
17 It is assumed that the appropriations to which an
18 additional \$1,494,393,480 in bond issuance needs to be
19 applied will have been encumbered as of June 30, 2022.
20 The \$1,530,000,000 that 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 \$1,494,393,480. 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
14 to be issued is sufficient to meet the requirements of
15 all authorized and unissued bonds and the bonds
16 authorized by this Act.

- 17 (8) Bonds excludable in determining the power of the State
18 to issue bonds. As noted in paragraph (2), 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 that 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 that is
20 excludable each year from the calculation against
21 the debt limit is 0.74 per cent for approximately



1 ten years from fiscal year 2019-2020 to fiscal
2 year 2028-2029. For the purpose of this
3 declaration, the assumption is made that 0.50 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 only
11 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); provided that the State shall
16 establish and maintain a reserve in an amount in
17 reasonable proportion to the outstanding loans
18 guaranteed by the State as provided by law.
19 According to the department of budget and finance
20 and the assumptions presented herein, the total
21 principal amount of outstanding general



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

<u>Fiscal Year</u>	<u>Total amount of General Obligation Bonds not otherwise excluded by Article VII, Section 13, of the State Constitution</u>
12 2019-2020	6,704,598,064
13 2020-2021	10,844,348,064
14 2021-2022	12,187,598,064
15 2022-2023	13,709,948,064

16
 17 Based on the foregoing and based on the assumption
 18 that the full amount of a guaranty is immediately due
 19 and payable when the guaranty changes from a
 20 contingent liability to an actual liability, the
 21 aggregate principal amount of the portion of the
 22 outstanding guaranties and the guaranties proposed to
 23 be incurred, which does not exceed seven per cent of
 24 the average amount set forth in the last column of the
 25 above table and for which reserve funds have been or



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

16 (9) Determination whether the debt limit will be exceeded
17 at the time of issuance. From the foregoing and on
18 the assumption that all of the bonds identified in
19 paragraph (6) will be issued at an interest rate not
20 to exceed 5.75 per cent in fiscal years 2021 through
21 2023, it can be determined from the following schedule



1 that the bonds that are proposed to be issued, which
 2 include all authorized and unissued bonds previously
 3 authorized, as adjusted, general obligation bonds, and
 4 instruments of indebtedness under which the State
 5 incurs a contingent liability as a guarantor
 6 authorized in this Act, will cause the debt limit to
 7 be exceeded at the time of the bond issuance:

8			Greatest Amount
9	Time of Issuance	Debt Limit	and Year of
10	and Amount to be	at Time of	Highest Principal
11	Counted Against	Issuance	and Interest
12	<u>Debt Limit</u>	<u>Issuance</u>	<u>on Bonds and Guaranties</u>
13	1st half FY 2020-2021		
14	\$3,468,125,000	1,426,612,153	1,594,188,551 (2021-2022)
15	2nd half FY 2020-2021		
16	\$671,625,000	1,426,612,153	1,632,806,988 (2021-2022)
17	1st half FY 2021-2022		
18	\$671,625,000	1,362,404,787	1,652,116,207 (2021-2022)
19	2nd half FY 2021-2022		
20	\$671,625,000	1,362,404,787	1,682,370,181 (2022-2023)
21	1st half FY 2022-2023		
22	\$711,425,000	1,326,784,973	1,730,621,623 (2023-2024)
23	2nd half FY 2022-2023		
24	\$810,925,000	1,326,784,973	1,802,149,811 (2023-2024)

25
 26 (10) Overall and concluding finding. From the facts,
 27 estimates, and assumptions stated in this declaration
 28 of findings, the conclusion is reached that the total
 29 amount of principal and interest estimated for the



1 general obligation bonds authorized in this Act, and
2 for all bonds authorized and unissued, and calculated
3 for all bonds issued and outstanding, and all
4 guaranties, will cause the debt limit to be exceeded
5 at the time of issuance.

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

15 SECTION 3. Authorization for issuance of general
16 obligation bonds. General obligation bonds may be issued as
17 provided by law in an amount that may be necessary to finance
18 projects authorized in House Bill No. 2725, H.D. 1, S.D. 1 (the
19 Supplemental Improvements Act of 2020), as amended by Senate
20 Bill No. 126 H.D.1, S.D.1, C.D.1, Senate Bill No. 3080, S.D. 3,
21 H.D. 1 (the Judiciary Supplemental Appropriations Act of 2020),



1 Senate Bill No. 3139, S.D. 1, H.D. 1, as amended by Senate Bill
2 No. 126 H.D.1, S.D.1, C.D.1, Senate Bill No. 75, S.D. 2, H.D. 1,
3 as amended by Senate Bill No. 126 H.D.1, S.D.1, C.D.1, Act 12,
4 Session Laws of Hawaii 2018, as amended by Act 35, Session Laws
5 of Hawaii 2019, as amended by Senate Bill No. 126 H.D.1, S.D.1,
6 C.D.1, and Senate Bill No. 126 H.D.1, S.D.1, C.D.1; passed by
7 the legislature during the regular session of 2020 and
8 designated to be financed from the general obligation bond fund
9 and from the general obligation bond fund with debt service cost
10 to be paid from special funds; provided that the sum total of
11 general obligation bonds issued under the authority established
12 in this section shall not exceed \$3,073,991,000.

13 Any law to the contrary notwithstanding, general obligation
14 bonds may be issued from time to time in accordance with section
15 39-16, Hawaii Revised Statutes, in a principal amount as may be
16 required to refund any general obligation bonds of the State of
17 Hawaii heretofore or hereafter issued pursuant to law.

18 SECTION 4. Working capital indebtedness. Instruments of
19 indebtedness may be issued as provided by law in an amount that
20 may be necessary to finance any permitted purpose under House
21 Bill No. 2200, H.D. 1, S.D. 1, passed by the legislature during



1 the regular session of 2020; provided that the sum total of
2 these instruments of indebtedness issued under the authority
3 established in this section, together with any instruments of
4 indebtedness issued under the authority established in
5 section 5, shall not, in the aggregate, exceed \$2,100,000,000.

6 SECTION 5. Municipal liquidity facility. Instruments of
7 indebtedness may be issued as provided by law in an amount that
8 may be necessary to finance any permitted purpose under
9 section 13(3) of the Federal Reserve Act, authorized in House
10 Bill No. 2200, H.D. 1, S.D. 1, passed by the legislature during
11 the regular session of 2020; provided that the sum total of
12 these instruments of indebtedness issued under the authority
13 established in this section, together with any instruments of
14 indebtedness issued under the authority established in
15 section 4, shall not, in the aggregate, exceed \$2,100,000,000.

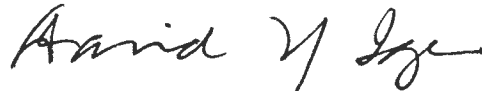
16 SECTION 6. The provisions of this Act are declared to be
17 severable and if any portion thereof is held to be invalid for
18 any reason, the validity of the remainder of this Act shall not
19 be affected.



1 SECTION 7. In printing this Act, the revisor of statutes
2 shall substitute in sections 1, 3, 4, and 5 the corresponding
3 act numbers for bills identified therein.

4 SECTION 8. This Act shall take effect upon its approval.

APPROVED this 6 day of JUL , 2020



GOVERNOR OF THE STATE OF HAWAII



THE SENATE OF THE STATE OF HAWAI'I

Date: June 26, 2020
Honolulu, Hawai'i 96813

We hereby certify that the foregoing Bill this day passed Third Reading in the Senate of the Thirtieth Legislature of the State of Hawai'i, Regular Session of 2020.



President of the Senate



Clerk of the Senate

HB No. 2500, SD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: July 1, 2020
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 2020.



Scott K. Saiki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives