
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:
- 2 (1) Authorize the issuance of general obligation bonds by
- 3 the State;
- 4 (2) Authorize the borrowing of moneys from the Municipal
- 5 Liquidity Facility under section 13(3) of the Federal
- 6 Reserve Act, 12 U.S.C. §343(3); and
- 7 (3) Declare the legislature's findings with respect to
- 8 these bond authorizations as required by article VII,
- 9 section 13 of the state constitution.

10 Presently, this Act authorizes borrowings in excess of the

11 debt limit. Pursuant to article VII, section 13 of the state

12 constitution, the State may exceed the debt limit if an

13 emergency condition is declared by the governor and concurred to

14 by a two-thirds vote of the legislature. This provision is to

15 allow the governor and the legislature by mutual agreement to

16 exceed the debt ceiling when an extraordinary emergency exists.

17 Although the governor issued a proclamation declaring that the



1 effects of the coronavirus disease 2019, or COVID-19, pandemic
2 created an emergency condition in the State and issued nine
3 supplemental emergency proclamations to address the pandemic,
4 none of these proclamations addressed the State's need to exceed
5 the debt limit.

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

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

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



- 1 (1) The debt limit of the State will be exceeded by the
2 general obligation bonds authorized by this Act;
- 3 (2) Limitation on general obligation debt. The debt limit
4 of the State is set forth in article VII, section 13,
5 of the state constitution, which states in part:
6 "General obligation bonds may be issued by the State;
7 provided that such bonds at the time of issuance would
8 not cause the total amount of principal and interest
9 payable in the current or any future fiscal year,
10 whichever is higher, on such bonds and on all
11 outstanding general obligation bonds to exceed: a sum
12 equal to twenty percent of the average of the general
13 fund revenues of the State in the three fiscal years
14 immediately preceding such issuance until June 30,
15 1982; and thereafter, a sum equal to eighteen and one-
16 half percent of the average of the general fund
17 revenues of the State in the three fiscal years
18 immediately preceding such issuance." Article VII,
19 section 13, of the state constitution also provides
20 that, in determining the power of the State to issue
21 general obligation bonds, certain bonds are



1 excludable, including "[r]eimbursable general
2 obligation bonds issued for a public undertaking,
3 improvement or system but only to the extent that
4 reimbursements to the general fund are in fact made
5 from the net revenue, or net user tax receipts, or
6 combination of both, as determined for the immediately
7 preceding fiscal year" and bonds constituting
8 instruments of indebtedness under which the State
9 incurs a contingent liability as a guarantor, but only
10 to the extent the principal amount of the bonds does
11 not exceed seven per cent of the principal amount of
12 outstanding general obligation bonds not otherwise
13 excluded under article VII, section 13, of the state
14 constitution.

15 (3) Actual and estimated debt limits. The limit on
16 principal and interest of general obligation bonds
17 issued by the State, actual for fiscal year 2019-2020
18 and estimated for each fiscal year from 2020-2021 to
19 2022-2023, is as follows:



1	Fiscal	Net General	
2	<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 16	Fiscal <u>Year</u>	Principal <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, as amended by
8 (the Supplemental Improvements
9 Act of 2020, Senate Bill No. 3139, S.D. 1,
10 H.D. 1, as amended by and Senate
11 Bill No. 75, S.D. 2, H.D. 1, as amended by
12 ;
13 (ii) Lapses as provided in House Bill No. 2725,
14 H.D. 1, S.D. 1, as amended by (the
15 Supplemental Improvements Act of 2020);
16 (iii) Appropriations to be funded by general
17 obligation bonds or reimbursable general
18 obligation bonds as provided in Act 38,
19 Session Laws of Hawaii 2019 (the Judiciary
20 Appropriations Act of 2019) to be expended
21 in fiscal year 2020-2021, adjusted for



1 additional appropriations provided in Senate
2 Bill No. 3080, S.D. 3, H.D. 1 (the Judiciary
3 Supplemental Appropriations Act of 2020);
4 and

5 (iv) Lapses as provided in Senate Bill No. 3080,
6 S.D. 3, H.D. 1 (the Judiciary Supplemental
7 Appropriations Act of 2020);

8 the total amount of authorized but unissued
9 general obligation bonds is \$3,920,402,480. The
10 total amount of general obligation bonds
11 authorized in this Act is \$2,994,991,000. The
12 total amount of general obligation bonds
13 previously authorized and unissued, as adjusted,
14 and the general obligation bonds authorized in
15 this Act is \$6,915,393,480.

16 (B) The outstanding principal amount of bonds
17 constituting instruments of indebtedness under
18 which the State may incur a contingent liability
19 as a guarantor is \$233,500,000, all or part of
20 which is excludable in determining the power of
21 the State to issue general obligation bonds,



1 pursuant to article VII, section 13, of the state
2 constitution.

3 (6) Proposed general obligation bond issuance. As
4 reported therein for the fiscal years 2020-2021,
5 2021-2022, and 2022-2023, the State proposes to issue
6 \$3,475,000,000 in general obligation bonds (which
7 includes \$2,100,000,000 in working capital
8 indebtedness or Municipal Liquidity Facility
9 indebtedness) during the first half of fiscal year
10 2020-2021, \$675,000,000 in general obligation bonds
11 during the second half of fiscal year 2020-2021,
12 \$675,000,000 in general obligation bonds during the
13 first half of fiscal year 2021-2022, \$675,000,000 in
14 general obligation bonds during the second half of
15 fiscal year 2021-2022, \$715,000,000 in general
16 obligation bonds during the first half of fiscal year
17 2022-2023, and \$815,000,000 in general obligation
18 bonds during the second half of fiscal year 2022-2023.
19 Except for the working capital indebtedness and
20 Municipal Liquidity Facility indebtedness, the State
21 anticipates issuing a combination of twenty-year



1 serial bonds with principal repayments beginning the
2 third and fifth years and ten-year serial bonds with
3 principal repayments beginning the first year, payable
4 in substantially equal annual installments of
5 principal and interest payment with interest payments
6 commencing six months from the date of issuance and
7 being paid semi-annually thereafter. It is assumed
8 that this practice will continue to be applied to the
9 bonds that are proposed to be issued. The working
10 capital indebtedness and Municipal Liquidity Facility
11 indebtedness is anticipated to be for a term of three
12 years, payable in substantially equal annual
13 installments of principal payments, with interest
14 repaid at the end of the three-year term.

15 (7) Sufficiency of proposed general obligation bond
16 issuance to meet the requirements of authorized and
17 unissued bonds, as adjusted, and bonds authorized by
18 this Act. From the schedule reported in paragraph
19 (6), the total amount of general obligation bonds that
20 the State proposes to issue during the fiscal years
21 2020-2021 to 2021-2022 is \$5,500,000,000. An



1 additional \$1,530,000,000 is proposed to be issued in
2 fiscal year 2022-2023. The total amount of
3 \$5,500,000,000 that is proposed to be issued through
4 fiscal year 2021-2022 is sufficient to meet the
5 requirements of the authorized and unissued bonds, as
6 adjusted, the total amount of which is \$6,915,393,480
7 reported in paragraph (5), except for \$1,415,393,480.
8 It is assumed that the appropriations to which an
9 additional \$1,415,393,480 in bond issuance needs to be
10 applied will have been encumbered as of June 30, 2022.
11 The \$1,530,000,000 that is proposed to be issued in
12 fiscal year 2022-2023 will be sufficient to meet the
13 requirements of the June 30, 2022, encumbrances in the
14 amount of \$1,415,393,480. The amount of assumed
15 encumbrances as of June 30, 2022, is reasonable and
16 conservative, based upon an inspection of June 30
17 encumbrances of the general obligation bond fund as
18 reported by the state comptroller. Thus, taking into
19 account the amount of authorized and unissued bonds,
20 as adjusted, and the bonds authorized by this Act
21 versus the amount of bonds proposed to be issued by



1 June 30, 2022, and the amount of June 30, 2022,
 2 encumbrances versus the amount of bonds proposed to be
 3 issued in fiscal year 2022-2023, the legislature finds
 4 that, in the aggregate, the amount of bonds proposed
 5 to be issued is sufficient to meet the requirements of
 6 all authorized and unissued bonds and the bonds
 7 authorized by this Act.

8 (8) Bonds excludable in determining the power of the State
 9 to issue bonds. As noted in paragraph (2), certain
 10 bonds are excludable in determining the power of the
 11 State to issue general obligation bonds.

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

18 (i) It is not known exactly when projects for
 19 which reimbursable bonds have been
 20 authorized in prior acts and in this Act
 21 will be implemented and will require the



1 application of proceeds from a particular
2 bond issue; and

3 (ii) Not all reimbursable general obligation
4 bonds may qualify for exclusion.

5 However, the legislature notes that with respect
6 to the principal and interest on outstanding
7 general obligation bonds, according to the
8 department of budget and finance, the average
9 proportion of principal and interest that is
10 excludable each year from the calculation against
11 the debt limit is 0.74 per cent for approximately
12 ten years from fiscal year 2019-2020 to fiscal
13 year 2028-2029. For the purpose of this
14 declaration, the assumption is made that 0.50 per
15 cent of each bond issue will be excludable from
16 the debt limit, an assumption that the
17 legislature finds to be reasonable and
18 conservative.

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



1 to the extent the principal amount of those
 2 guaranties does not exceed seven per cent of the
 3 principal amount of outstanding general
 4 obligation bonds not otherwise excluded under
 5 subparagraph (A); provided that the State shall
 6 establish and maintain a reserve in an amount in
 7 reasonable proportion to the outstanding loans
 8 guaranteed by the State as provided by law.
 9 According to the department of budget and finance
 10 and the assumptions presented herein, the total
 11 principal amount of outstanding general
 12 obligation bonds and general obligation bonds
 13 proposed to be issued, which are not otherwise
 14 excluded under article VII, section 13, of the
 15 state constitution for the fiscal years
 16 2019-2020, 2020-2021, 2021-2022, and 2022-2023
 17 are as follows:

		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>
23	2019-2020	6,704,598,064



1	2020-2021	10,844,348,064
2	2021-2022	12,187,598,064
3	2022-2023	13,709,948,064

4
5 Based on the foregoing and based on the assumption
6 that the full amount of a guaranty is immediately due
7 and payable when the guaranty changes from a
8 contingent liability to an actual liability, the
9 aggregate principal amount of the portion of the
10 outstanding guaranties and the guaranties proposed to
11 be incurred, which does not exceed seven per cent of
12 the average amount set forth in the last column of the
13 above table and for which reserve funds have been or
14 will have been established as heretofore provided, can
15 be excluded in determining the power of the State to
16 issue general obligation bonds. As it is not possible
17 to predict with a reasonable degree of certainty when
18 a guaranty will change from a contingent liability to
19 an actual liability, it is assumed in conformity with
20 fiscal conservatism and prudence, that all guaranties
21 not otherwise excluded pursuant to article VII,
22 section 13, of the state constitution will become due
23 and payable in the same fiscal year in which the



1 greatest amount of principal and interest on general
2 obligation bonds, after exclusions, occurs. Thus,
3 based on these assumptions and on the determination in
4 paragraph (9), all of the outstanding guaranties can
5 be excluded.

6 (9) Determination whether the debt limit will be exceeded
7 at the time of issuance. From the foregoing and on
8 the assumption that all of the bonds identified in
9 paragraph (6) will be issued at an interest rate not
10 to exceed 5.75 per cent in fiscal years 2021 through
11 2023, it can be determined from the following schedule
12 that the bonds that are proposed to be issued, which
13 include all authorized and unissued bonds previously
14 authorized, as adjusted, general obligation bonds, and
15 instruments of indebtedness under which the State
16 incurs a contingent liability as a guarantor
17 authorized in this Act, will cause the debt limit to
18 be exceeded at the time of the bond issuance:



	Time of Issuance and Amount to be Counted Against <u>Debt Limit</u>	Debt Limit at Time of Issuance	Greatest Amount and Year of Highest Principal and Interest <u>on Bonds and Guaranties</u>
6	1st half FY 2020-2021		
7	\$3,468,125,000	1,426,612,153	1,594,188,551 (2021-2022)
8	2nd half FY 2020-2021		
9	\$671,625,000	1,426,612,153	1,632,806,988 (2021-2022)
10	1st half FY 2021-2022		
11	\$671,625,000	1,362,404,787	1,652,116,207 (2021-2022)
12	2nd half FY 2021-2022		
13	\$671,625,000	1,362,404,787	1,682,370,181 (2022-2023)
14	1st half FY 2022-2023		
15	\$711,425,000	1,326,784,973	1,730,621,623 (2023-2024)
16	2nd half FY 2022-2023		
17	\$810,925,000	1,326,784,973	1,802,149,811 (2023-2024)

18
19 (10) Overall and concluding finding. From the facts,
20 estimates, and assumptions stated in this declaration
21 of findings, the conclusion is reached that the total
22 amount of principal and interest estimated for the
23 general obligation bonds authorized in this Act, and
24 for all bonds authorized and unissued, and calculated
25 for all bonds issued and outstanding, and all
26 guaranties, will cause the debt limit to be exceeded
27 at the time of issuance.

28 SECTION 2. The legislature finds the bases for the
29 declaration of findings set forth in this Act are reasonable.



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

8 SECTION 3. Authorization for issuance of general
9 obligation bonds. General obligation bonds may be issued as
10 provided by law in an amount that may be necessary to finance
11 projects authorized in House Bill No. 2725, H.D. 1, S.D. 1, as
12 amended by (the Supplemental Improvements Act of
13 2020), Senate Bill No. 3080, S.D. 3, H.D. 1 (the Judiciary
14 Supplemental Appropriations Act of 2020), Senate Bill No. 3139,
15 S.D. 1, H.D. 1, as amended by , and Senate Bill No.
16 75, S.D. 2, H.D. 1, as amended by ; passed by the
17 legislature during the regular session of 2020 and designated to
18 be financed from the general obligation bond fund and from the
19 general obligation bond fund with debt service cost to be paid
20 from special funds; provided that the sum total of general



1 obligation bonds issued under the authority established in this
2 section shall not exceed \$2,994,991,000.

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

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

17 SECTION 5. Municipal liquidity facility. Instruments of
18 indebtedness may be issued as provided by law in an amount that
19 may be necessary to finance any permitted purpose under
20 section 13(3) of the Federal Reserve Act, authorized in 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 4, shall not, in the aggregate, exceed \$2,100,000,000.

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

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

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



Report Title:

State Bonds; State Budget

Description:

Authorizes issuance of general obligation bonds. Authorizes issuance of instruments of indebtedness in an amount that may be necessary to finance any permitted purpose under the House Bill No. 2200, H.D. 1, S.D. 1 and section 13(3) of the Federal Reserve Act. Makes findings required by article VII, section 13, of the state constitution regarding the issuance of authorized bonds and the debt limit. (SD1 PROPOSED)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

