
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



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
8 one-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 "[r]eimburseable general
15 obligation bonds issued for a public undertaking,
16 improvement or system but only to the extent that
17 reimbursements to the general fund are in fact made
18 from the net revenue, or net user tax receipts, or
19 combination of both, as determined for the immediately
20 preceding fiscal year" and bonds constituting
21 instruments of indebtedness under which the State



1 incurs a contingent liability as a guarantor, but only
 2 to the extent the principal amount of those bonds does
 3 not exceed seven per cent of the principal amount of
 4 outstanding general obligation bonds not otherwise
 5 excluded under said article VII, section 13, of the
 6 state 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
 10 year - and estimated for each fiscal year
 11 from - to - , is as follows:

Fiscal Year	Net General Fund Revenues	Debt Limit
For fiscal		
years - ,	-	-
and - ,	-	-
by multiplying the average of the net general fund		
revenues for the three preceding fiscal years by		
eighteen and one-half per cent. The net general fund		
revenues for fiscal years - , - ,	-	-
and - are actual, as certified by the director		



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

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

16 (A) According to the department of budget and
 17 finance, the total amount of principal and
 18 interest on outstanding general obligation bonds,
 19 after the exclusions permitted by article VII,
 20 section 13, of the state constitution, for
 21 determining the power of the State to issue



1 general obligation bonds within the debt limit as
 2 of April 1, , is as follows for fiscal
 3 year - to fiscal year - :

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

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

6 (i) Appropriations to be funded by general
7 obligation bonds or reimbursable general
8 obligation bonds as provided in Act (the
9 General Appropriations Act of 2023) to be
10 expended in fiscal year - ;

11 (ii) Lapses as provided in House Bill
12 No. (the General Appropriations Act of
13 2023);

14 (iii) Appropriations to be funded by general
15 obligation bonds or reimbursable general
16 obligation bonds as provided in Act (the
17 Judiciary Appropriations Act of 2023); and

18 (iv) Lapses as provided in Bill
19 No. (the Judiciary Appropriations Act
20 of 2023);



1 the total amount of authorized but unissued
 2 general obligation bonds is \$. The
 3 total amount of general obligation bonds
 4 authorized in this Act is \$. The total
 5 amount of general obligation bonds previously
 6 authorized and unissued, as adjusted, and the
 7 general obligation bonds authorized in this Act
 8 is \$.

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
 14 which is excludable in determining the power of
 15 the State to issue general obligation bonds,
 16 pursuant to article VII, section 13, of the state
 17 constitution.

18 (5) Proposed general obligation bond issuance. As
 19 reported therein for the fiscal
 20 years - , - , - , - ,
 21 and - , the State proposes to issue



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

17 (6) Sufficiency of proposed general obligation bond
18 issuance to meet the requirements of authorized and
19 unissued bonds, as adjusted, and bonds authorized by
20 this Act. From the schedule reported in paragraph
21 (5), the total amount of general obligation bonds that



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



1 unissued bonds, as adjusted, and the bonds authorized
 2 by this Act versus the amount of bonds proposed to be
 3 issued by June 30, , and the amount of
 4 June 30, , encumbrances versus the amount of bonds
 5 proposed to be issued in fiscal year - , the
 6 legislature finds that in the aggregate, the amount of
 7 bonds proposed to be issued is sufficient to meet the
 8 requirements of all authorized and unissued bonds and
 9 the bonds 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 which 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
8 to the principal and interest on outstanding
9 general obligation bonds, according to the
10 department of budget and finance, the average
11 proportion of principal and interest that is
12 excludable each year from the calculation against
13 the debt limit is per cent for approximately
14 ten years from fiscal year - to fiscal
15 year - . For the purpose of this
16 declaration, the assumption is made that per
17 cent of each bond issue will be excludable from
18 the debt limit, an assumption that the
19 legislature finds to be reasonable and
20 conservative.



1 (B) Bonds constituting instruments of indebtedness
2 under which the State incurs a contingent
3 liability as a guarantor can be excluded, but
4 only to the extent the principal amount of those
5 guaranties does not exceed seven per cent of the
6 principal amount of outstanding general
7 obligation bonds not otherwise excluded under
8 subparagraph (A) of this paragraph; provided that
9 the State shall establish and maintain a reserve
10 in an amount in reasonable proportion to the
11 outstanding loans guaranteed by the State as
12 provided by law. According to the department of
13 budget and finance and the assumptions presented
14 herein, the total principal amount of outstanding
15 general obligation bonds and general obligation
16 bonds proposed to be issued, which are not
17 otherwise excluded under article VII, section 13,
18 of the state constitution for the fiscal
19 years - , - , - , - ,
20 and - are as follows:



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



1 and payable in the same fiscal year in which the
2 greatest amount of principal and interest on general
3 obligation bonds, after exclusions, occurs. Thus,
4 based on such assumptions and on the determination in
5 paragraph (8), all of the outstanding guaranties can
6 be excluded.

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



1			Greatest Amount
2	Time of Issuance		and Year of
3	and Amount to be	Debt Limit	Highest Principal
4	Counted Against	at Time of	and Interest
5	<u>Debt Limit</u>	<u>Issuance</u>	<u>on Bonds and Guaranties</u>

6 (9) Overall and concluding finding. From the facts,
7 estimates, and assumptions stated in this declaration
8 of findings, the conclusion is reached that the total
9 amount of principal and interest estimated for the
10 general obligation bonds authorized in this Act, and
11 for all bonds authorized and unissued, and calculated
12 for all bonds issued and outstanding, and all
13 guaranties, will not cause the debt limit to be
14 exceeded at the time of issuance.

15 SECTION 2. The legislature finds the bases for the
16 declaration of findings set forth in this Act are reasonable.
17 The assumptions set forth in this Act with respect to the
18 principal amount of general obligation bonds that will be
19 issued, the amount of principal and interest on reimbursable
20 general obligation bonds that are assumed to be excludable, and
21 the assumed maturity structure shall not be deemed to be
22 binding, it being the understanding of the legislature that such
23 matters must remain subject to substantial flexibility.



1 SECTION 3. Authorization for issuance of general
2 obligation bonds. General obligation bonds may be issued as
3 provided by law in an amount that may be necessary to finance
4 projects authorized in House Bill No. (the General
5 Appropriations Act of 2023) and Bill No. (the
6 Judiciary Appropriations Act of 2023); passed by the legislature
7 during this regular session of 2023 and designated to be
8 financed from the general obligation bond fund and from the
9 general obligation bond fund with debt service cost to be paid
10 from special funds; provided that the sum total of general
11 obligation bonds so issued shall not exceed \$.

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

17 SECTION 4. The provisions of this Act are declared to be
18 severable and if any portion thereof is held to be invalid for
19 any reason, the validity of the remainder of this Act shall not
20 be affected.



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

4 SECTION 6. This Act shall take effect on July 1, 2050.



Report Title:

State Bonds; State Budget

Description:

Authorizes issuance of general obligation bonds. Makes findings required by Article VII, Section 13, of the Hawaii State Constitution to declare that the issuance of authorized bonds will not cause the debt limit to be exceeded. Effective 7/1/2050. (SD1)

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