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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



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:

12	Fiscal	Net General	
13	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
14	For fiscal		
15			
16	years - , - , - , - ,		
17	and - , respectively, the debt limit is derived		
18	by multiplying the average of the net general fund		
19	revenues for the three preceding fiscal years by		
20	eighteen and one-half per cent. The net general fund		
21	revenues for fiscal years - , - ,		
22	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 these 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  
 7 The department of budget and finance further  
 8 reports that the amount of principal and interest  
 9 on outstanding bonds applicable to the debt limit  
 10 generally continues to decline each year from  
 11 fiscal year - to fiscal  
 12 year - when the final installment of  
 13 \$ shall be due and payable.

14 (B) The department of budget and finance further  
 15 reports that the outstanding principal amount of  
 16 bonds constituting instruments of indebtedness  
 17 under which the State may incur a contingent  
 18 liability as a guarantor is \$ , all or  
 19 part of which is excludable in determining the  
 20 power of the State to issue general obligation  
 21 bonds, pursuant to article VII, section 13, of  
 22 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 164,  
9 Session Laws of Hawaii 2023 (the General  
10 Appropriations Act of 2023) to be expended  
11 in fiscal year - , adjusted for  
12 additional appropriations provided in House  
13 Bill No. 1800 (the Supplemental  
14 Appropriations Act of 2024);

15 (ii) Lapses as provided in House Bill No. 1800  
16 (the Supplemental Appropriations Act of  
17 2024);

18 (iii) Appropriations to be funded by general  
19 obligation bonds or reimbursable general  
20 obligation bonds as provided in Act 70,  
21 Session Laws of Hawaii 2023 (the Judiciary



1 Appropriations Act of 2023) to be expended  
2 in fiscal year - , adjusted for  
3 additional appropriations provided in House  
4 Bill No. 1911 (the Judiciary Supplemental  
5 Appropriations Act of 2024); and  
6 (iv) Lapses as provided in House Bill No. 1911  
7 (the Judiciary Supplemental Appropriations  
8 Act of 2024);  
9 the total amount of authorized but unissued  
10 general obligation bonds is \$ . The  
11 total amount of general obligation bonds  
12 authorized in this Act is \$ . The total  
13 amount of general obligation bonds previously  
14 authorized and unissued, as adjusted, and the  
15 general obligation bonds authorized in this Act  
16 is \$ .  
17 (B) As reported by the department of budget and  
18 finance the outstanding principal amount of bonds  
19 constituting instruments of indebtedness under  
20 which the State may incur a contingent liability  
21 as a guarantor is \$ , all or part of



1           which is excludable in determining the power of  
 2           the State to issue general obligation bonds,  
 3           pursuant to article VII, section 13, of the state  
 4           constitution.

5           (5) Proposed general obligation bond issuance. As  
 6           reported therein for the fiscal  
 7           years       -       ,       -       ,       -       ,       -       ,  
 8           and       -       , the State proposes to issue  
 9           \$           in general obligation bonds during the  
 10          first half of fiscal year       -       , \$           in  
 11          general obligation bonds during the second half of  
 12          fiscal year       -       , \$           in general  
 13          obligation bonds semiannually during fiscal  
 14          years       -       and       -       , and \$           in  
 15          general obligation bonds semiannually during fiscal  
 16          years       -       and       -       . Generally, it has been  
 17          the practice of the State to issue twenty-year serial  
 18          bonds with principal repayments beginning in the third  
 19          year, the bonds payable in substantially equal annual  
 20          installments of principal and interest payment with  
 21          interest payments commencing six months from the date





1 of issuance and being paid semiannually thereafter.

2 It is assumed that this practice will continue to be

3 applied to the bonds that are proposed to be issued.

4 (6) Sufficiency of proposed general obligation bond

5 issuance to meet the requirements of authorized and

6 unissued bonds, as adjusted, and bonds authorized by

7 this Act. From the schedule reported in paragraph

8 (5), the total amount of general obligation bonds that

9 the State proposes to issue during the fiscal

10 years - to - is \$ . An

11 additional \$ is proposed to be issued in

12 fiscal year - . The total amount of

13 \$ that is proposed to be issued through

14 fiscal year - is sufficient to meet the

15 requirements of the authorized and unissued bonds, as

16 adjusted, the total amount of which is

17 \$ reported in paragraph (4), except for

18 \$ . It is assumed that the appropriations to

19 which an additional \$ in bond issuance needs

20 to be applied will have been encumbered as of

21 June 30, . The \$ that is proposed to be



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

18 (7) Bonds excludable in determining the power of the State  
19 to issue bonds. As noted in paragraph (1), certain  
20 bonds are excludable in determining the power of the  
21 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           per cent for approximately



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

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

7		Total amount of
8		General Obligation Bonds
9		not otherwise excluded by
10		Article VII, Section 13
11	<u>Fiscal Year</u>	<u>of the State Constitution</u>

12           Based on the foregoing and based on the assumption  
 13           that the full amount of a guaranty is immediately due  
 14           and payable when the guaranty changes from a  
 15           contingent liability to an actual liability, the  
 16           aggregate principal amount of the portion of the  
 17           outstanding guaranties and the guaranties proposed to  
 18           be incurred, which does not exceed seven per cent of  
 19           the average amount set forth in the last column of the  
 20           above table and for which reserve funds have been or  
 21           will have been established as heretofore provided, can  
 22           be excluded in determining the power of the State to  
 23

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

14 (8) Determination whether the debt limit will be exceeded  
15 at the time of issuance. From the foregoing and on  
16 the assumption that all of the bonds identified in  
17 paragraph (5) will be issued at an interest rate not  
18 to exceed per cent in fiscal  
19 years through , it can be determined from the  
20 following schedule that the bonds that are proposed to  
21 be issued, which include all authorized and unissued



1 bonds previously authorized, as adjusted, general  
 2 obligation bonds, and instruments of indebtedness  
 3 under which the State incurs a contingent liability as  
 4 a guarantor authorized in this Act, will not cause the  
 5 debt limit to be exceeded at the time of the issuance:

6 7 8 9 10	Time of Issuance and Amount to be Counted Against <u>Debt Limit</u>	Debt Limit at Time of <u>Issuance</u>	Greatest Amount and Year of Highest Principal and Interest <u>on Bonds and Guaranties</u>
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11  
 12 (9) Overall and concluding finding. From the facts,  
 13 estimates, and assumptions stated in this declaration  
 14 of findings, the conclusion is reached that the total  
 15 amount of principal and interest estimated for the  
 16 general obligation bonds authorized in this Act, and  
 17 for all bonds authorized and unissued, and calculated  
 18 for all bonds issued and outstanding, and all  
 19 guaranties, will not cause the debt limit to be  
 20 exceeded at the time of issuance.

21 SECTION 2. The legislature finds the bases for the  
 22 declaration of findings set forth in this Act are reasonable.  
 23 The assumptions set forth in this Act with respect to the



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

7 SECTION 3. Authorization for issuance of general  
8 obligation bonds. General obligation bonds may be issued as  
9 provided by law in an amount that may be necessary to finance  
10 projects authorized in House Bill No. 1800 (the Supplemental  
11 Appropriations Act of 2024) and House Bill No. 1911 (the  
12 Judiciary Supplemental Appropriations Act of 2024); passed by  
13 the legislature during this regular session of 2024 and  
14 designated to be financed from the general obligation bond fund  
15 and from the general obligation bond fund with debt service cost  
16 to be paid from special funds; provided that the sum total of  
17 general obligation bonds so issued shall not exceed \$ .

18 Any law to the contrary notwithstanding, general obligation  
19 bonds may be issued from time to time in accordance with section  
20 39-16, Hawaii Revised Statutes, in such principal amount as may





1 be required to refund any general obligation bonds of the State  
2 of Hawaii heretofore or hereafter issued pursuant to law.

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

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

10 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.

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

