
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]eimbursable 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



incurs a contingent liability as a guarantor, but only to the extent the principal amount of those bonds does not exceed seven per cent of the principal amount of outstanding general obligation bonds not otherwise excluded under said article VII, section 13, of the state constitution.

(2) Actual and estimated debt limits. The limit on principal and interest of general obligation bonds issued by the State, actual for fiscal year - and estimated for each fiscal year from - to - , is as follows:

<u>Fiscal</u>	<u>Net General</u>	<u>Debt Limit</u>
<u>Year</u>	<u>Fund Revenues</u>	

For fiscal

years - , - , - , - ,
and - , respectively, the debt limit is derived 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
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.



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

(A) As calculated from the state comptroller's bond fund report as of , , adjusted for:

(i) Appropriations to be funded by general obligation bonds or reimbursable general obligation bonds as provided in Act , Session Laws of Hawaii 2025 (the General Appropriations Act of 2025) to be expended in fiscal year - ;

(ii) Lapses as provided in Act , Session Laws of Hawaii 2025 (the General Appropriations Act of 2025);

(iii) Appropriations to be funded by general obligation bonds or reimbursable general obligation bonds as provided in Act , Session Laws of Hawaii 2025 (the Judiciary Appropriations Act of 2025); and



(iv) Lapses as provided in Act , Session Laws
of Hawaii 2025 (the Judiciary Appropriations
Act of 2025);

the total amount of authorized but unissued
general obligation bonds is \$. The
total amount of general obligation bonds
authorized in this Act is \$. The total
amount of general obligation bonds previously
authorized and unissued, as adjusted, and the
general obligation bonds authorized in this Act
is \$.

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



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



(6) Sufficiency of proposed general obligation bond issuance to meet the requirements of authorized and unissued bonds, as adjusted, and bonds authorized by this Act. From the schedule reported in paragraph (5), the total amount of general obligation bonds that the State proposes to issue during the fiscal years - to - is \$. An additional \$ is proposed to be issued in fiscal year - . The total amount of \$ that is proposed to be issued through fiscal year - is sufficient to meet the requirements of the authorized and unissued bonds, as adjusted, the total amount of which is \$ reported in paragraph (4), except for \$. It is assumed that the appropriations to which an additional \$ in bond issuance needs to be applied will have been encumbered as of June 30, . The \$ that is proposed to be issued in fiscal year - will be sufficient to meet the requirements of the June 30, , encumbrances in the amount of \$. The amount



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

15 (7) Bonds excludable in determining the power of the State
16 to issue bonds. As noted in paragraph (1), certain
17 bonds are excludable in determining the power of the
18 State to issue general obligation bonds.

19 (A) General obligation reimbursable bonds can be
20 excluded under certain conditions. It is not
21 possible to make a conclusive determination as to



1 the amount of reimbursable bonds which are
2 excludable from the amount of each proposed bond
3 issued because:

4 (i) It is not known exactly when projects for
5 which reimbursable bonds have been
6 authorized in prior acts and in this Act
7 will be implemented and will require the
8 application of proceeds from a particular
9 bond issue; and

10 (ii) Not all reimbursable general obligation
11 bonds may qualify for exclusion.

12 However, the legislature notes that with respect
13 to the principal and interest on outstanding
14 general obligation bonds, according to the
15 department of budget and finance, the average
16 proportion of principal and interest that is
17 excludable each year from the calculation against
18 the debt limit is per cent for approximately
19 ten years from fiscal year - to fiscal
20 year - . For the purpose of this
21 declaration, the assumption is made that per



1 cent of each bond issue will be excludable from
2 the debt limit, an assumption that the
3 legislature finds to be reasonable and
4 conservative.

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



1 of the state constitution for the fiscal
 2 years - , - , - , - ,
 3 and - are as follows:

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

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



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

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



1 a guarantor authorized in this Act, will not cause the
2 debt limit to be exceeded at the time of such
3 issuance:

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

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

19 SECTION 2. The legislature finds the bases for the
20 declaration of findings set forth in this Act are reasonable.
21 The assumptions set forth in this Act with respect to the
22 principal amount of general obligation bonds that will be
23 issued, the amount of principal and interest on reimbursable



1 general obligation bonds that are assumed to be excludable, and
2 the assumed maturity structure shall not be deemed to be
3 binding, it being the understanding of the legislature that such
4 matters must remain subject to substantial flexibility.

5 SECTION 3. Authorization for issuance of general
6 obligation bonds. General obligation bonds may be issued as
7 provided by law in an amount that may be necessary to finance
8 projects authorized in Act , Session Laws of Hawaii 2025 (the
9 General Appropriations Act of 2025), and Act , Session Laws
10 of Hawaii 2025 (the Judiciary Appropriations Act of 2025);
11 passed by the legislature during this regular session of 2025
12 and designated to be financed from the general obligation bond
13 fund and from the general obligation bond fund with debt service
14 cost to be paid from special funds; provided that the sum total
15 of general obligation bonds so issued shall not exceed
16 \$.

17 Any law to the contrary notwithstanding, general obligation
18 bonds may be issued from time to time in accordance with section
19 39-16, Hawaii Revised Statutes, in such principal amount as may
20 be required to refund any general obligation bonds of the State
21 of Hawaii heretofore or hereafter issued pursuant to law.



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

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

8 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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