
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 the clause in article VII, section 13 of the State Constitution
4 which states: "Effective July 1, 1980, the legislature shall
5 include a declaration of findings in every general law
6 authorizing the issuance of general obligation bonds that the
7 total amount of principal and interest, estimated for such bonds
8 and for all bonds authorized and unissued and calculated for all
9 bonds issued and outstanding, will not cause the debt limit to
10 be 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
18 payable in the current or any future fiscal year,



1 whichever is higher, on such bonds and on all
2 outstanding general obligation bonds to exceed: a sum
3 equal to twenty percent of the average of the general
4 fund revenues of the State in the three fiscal years
5 immediately preceding such issuance until June 30,
6 1982; and thereafter, a sum equal to eighteen and one-
7 half percent of the average of the general fund
8 revenues of the State in the three fiscal years
9 immediately preceding such issuance." Article VII,
10 section 13 also provides that in determining the power
11 of the State to issue general obligation bonds,
12 certain bonds are excludable, including "reimbursable
13 general obligation bonds issued for a public
14 undertaking, improvement or system but only to the
15 extent that reimbursements to the general fund are in
16 fact made from the net revenue, or net user tax
17 receipts, or combination of both, as determined for
18 the immediately preceding fiscal year" and bonds
19 constituting instruments of indebtedness under which
20 the State incurs a contingent liability as a
21 guarantor, but only to the extent the principal amount



1 of such bonds does not exceed seven per cent of the
2 principal amount of outstanding general obligation
3 bonds not otherwise excluded under article VII,
4 section 13.

- 5 (2) Actual and estimated debt limits. The limit on
6 principal and interest of general obligation bonds
7 issued by the State, actual for fiscal year 2007-2008
8 and estimated for each fiscal year from 2008-2009 to
9 2010-2011, is as follows:

10	Fiscal	Net General	
11	<u>Year</u>	<u>Fund Revenues</u>	<u>Debt Limit</u>
12			
13	2004-2005	\$4,471,460,582	
14	2005-2006	4,904,019,330	
15	2006-2007	5,122,620,268	
16	2007-2008	5,257,907,000	\$ 894,049,511
17	2008-2009	5,479,880,000	942,547,040
18	2009-2010	5,727,522,000	978,058,448
19	2010-2011	(not applicable)	1,015,360,722
20			

21 For fiscal years 2007-2008, 2008-2009, 2009-2010, and
22 2010-2011, respectively, the debt limit is derived by
23 multiplying the average of the net general fund
24 revenues for the three preceding fiscal years by
25 eighteen and one-half per cent. The net general fund
26 revenues for fiscal years 2004-2005, 2005-2006, and
27 2006-2007 are actual, as certified by the director of



1 finance in the Statement of the Debt Limit of the
2 State of Hawaii as of July 1, 2007, dated November 29,
3 2007. The net general fund revenues for fiscal years
4 2007-2008 to 2009-2010 are estimates, based on general
5 fund revenue estimates made as of March 12, 2008, by
6 the council on revenues, the body assigned by article
7 VII, section 7 of the State Constitution to make such
8 estimates, and based on estimates made by the
9 department of budget and finance of those receipts
10 which cannot be included as general fund revenues for
11 the purpose of calculating the debt limit, all of
12 which estimates the legislature finds to be
13 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, 2008, is as follows for fiscal year
3 2008-2009 to fiscal year 2014-2015:

4 5 6	Fiscal Year	Principal and Interest
7	2008-2009	\$550,695,880
8	2009-2010	520,620,608
9	2010-2011	509,308,042
10	2011-2012	454,955,577
11	2012-2013	455,754,104
12	2013-2014	410,530,512
13	2014-2015	394,896,120

14 The department of budget and finance further
15 reports that the amount of principal and interest
16 on outstanding bonds applicable to the debt limit
17 generally continues to decline each year from
18 fiscal year 2015-2016 to fiscal year 2026-2027
19 when the final installment of \$30,896,250 shall
20 be due and payable.

21 (B) The department of budget and finance further
22 reports that the outstanding principal amount of
23 bonds constituting instruments of indebtedness
24 under which the State may incur a contingent
25 liability as a guarantor is \$191,000,000, all or
26 part of which is excludable in determining the



1 power of the State to issue general obligation
2 bonds, pursuant to article VII, section 13 of the
3 State Constitution.

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

7 (A) As calculated from the state comptroller's bond
8 fund report as of February 29, 2008, adjusted
9 for:

10 (i) Appropriations to be funded by general
11 obligation bonds or reimbursable general
12 obligation bonds as provided in Act 213,
13 Session Laws of Hawaii 2007 (the General
14 Appropriations Act of 2007), to be expended
15 in fiscal year 2008-2009, adjusted for
16 additional appropriations provided in House
17 Bill No. 2500, H.D. 1, S.D. 1, C.D. 1 (the
18 Supplemental Appropriations Act of 2008);

19 (ii) Lapses as provided in House Bill No. 2500,
20 H.D. 1, S.D. 1, C.D. 1 (the Supplemental
21 Appropriations Act of 2008); and



1 (iii) Appropriations to be funded by general
2 obligation bonds or reimbursable general
3 obligation bonds as provided in Act 169,
4 Session Laws of Hawaii 2007 (the Judiciary
5 Appropriations Act of 2007) to be expended
6 in fiscal year 2008-2009, adjusted for
7 additional appropriations provided in House
8 Bill No. 2700, H.D. 1, S.D. 2, C.D. 1 (the
9 Judiciary Supplemental Appropriations Act of
10 2008);

11 the total amount of authorized but unissued
12 general obligation bonds is \$1,730,773,507. The
13 total amount of general obligation bonds
14 authorized in this Act is \$805,079,000. The
15 total amount of general obligation bonds
16 previously authorized and unissued, as adjusted,
17 and the general obligation bonds authorized in
18 this Act is \$2,535,852,507.

19 (B) As reported by the department of budget and
20 finance the outstanding principal amount of bonds
21 constituting instruments of indebtedness under



1 which the State may incur a contingent liability
2 as a guarantor is \$191,000,000, all or part of
3 which is excludable in determining the power of
4 the State to issue general obligation bonds,
5 pursuant to article VII, section 13 of the State
6 Constitution.

- 7 (5) Proposed general obligation bond issuance. As
8 reported therein for the fiscal years 2007-2008, 2008-
9 2009, 2009-2010, and 2010-2011, the State proposed to
10 issue \$400,000,000 in general obligation bonds during
11 the remainder of second half of fiscal year 2007-2008,
12 \$325,000,000 in general obligation bonds during the
13 first half of fiscal year 2008-2009, \$340,000,000 in
14 general obligation bonds during the second half of
15 fiscal year 2008-2009, \$370,000,000 in general
16 obligation bonds during the first half of fiscal year
17 2009-2010, \$370,000,000 in general obligation bonds
18 during the second half of fiscal year 2009-2010,
19 \$375,000,000 in general obligation bonds during the
20 first half of fiscal year 2010-2011, and \$360,000,000
21 in general obligation bonds during the second half of



1 fiscal year 2010-2011. It has been the practice of
2 the State to issue twenty-year serial bonds with
3 principal repayments beginning the fifth year, the
4 bonds payable in substantially equal annual
5 installments of principal and interest payment with
6 interest payments commencing six months from the date
7 of issuance and being paid semi-annually thereafter.
8 It is assumed that this practice will continue to be
9 applied to the bonds that are proposed to be issued.

10 (6) Sufficiency of proposed general obligation bond
11 issuance to meet the requirements of authorized and
12 unissued bonds, as adjusted, and bonds authorized by
13 this Act. From the schedule reported in paragraph
14 (5), the total amount of general obligation bonds that
15 the State proposes to issue during the fiscal years
16 2007-2008 to 2009-2010 is \$1,805,000,000. An
17 additional \$735,000,000 is proposed to be issued in
18 fiscal year 2010-2011. The total amount of
19 \$1,805,000,000 which is proposed to be issued through
20 fiscal year 2009-2010 is sufficient to meet the
21 requirements of the authorized and unissued bonds, as



1 adjusted, the total amount of which is \$2,535,852,507
2 reported in paragraph (4), except for \$730,852,507.
3 It is assumed that the appropriations to which an
4 additional \$730,852,507 in bond issuance needs to be
5 applied will have been encumbered as of June 30, 2010.
6 The \$735,000,000 which is proposed to be issued in
7 fiscal year 2010-2011 will be sufficient to meet the
8 requirements of the June 30, 2010, encumbrances in the
9 amount of \$730,852,507. The amount of assumed
10 encumbrances as of June 30, 2010, is reasonable and
11 conservative, based upon an inspection of June 30
12 encumbrances of the general obligation bond fund as
13 reported by the state comptroller. Thus, taking into
14 account the amount of authorized and unissued bonds,
15 as adjusted, and the bonds authorized by this Act
16 versus the amount of bonds proposed to be issued by
17 June 30, 2010, and the amount of June 30, 2010,
18 encumbrances versus the amount of bonds proposed to be
19 issued in fiscal year 2010-2011, the legislature finds
20 that in the aggregate, the amount of bonds proposed to
21 be issued is sufficient to meet the requirements of



1 all authorized and unissued bonds and the bonds
2 authorized by this Act.

3 (7) Bonds excludable in determining the power of the State
4 to issue bonds. As noted in paragraph (1), certain
5 bonds are excludable in determining the power of the
6 State to issue general obligation bonds.

7 (A) General obligation reimbursable bonds can be
8 excluded under certain conditions. It is not
9 possible to make a conclusive determination as to
10 the amount of reimbursable bonds which are
11 excludable from the amount of each proposed bond
12 issued because:

13 (i) It is not known exactly when projects for
14 which reimbursable bonds have been
15 authorized in prior acts and in this Act
16 will be implemented and will require the
17 application of proceeds from a particular
18 bond issue; and



1 (ii) Not all reimbursable general obligation
2 bonds may qualify for exclusion.

3 However, the legislature notes that with respect
4 to the principal and interest on outstanding
5 general obligation bonds, according to the
6 department of budget and finance, the average
7 proportion of principal and interest which is
8 excludable each year from the calculation against
9 the debt limit is 1.75 per cent for the ten years
10 from fiscal year 2007-2008 to fiscal year 2016-
11 2017. For the purpose of this declaration, the
12 assumption is made that one per cent of each bond
13 issue shall be excludable from the debt limit, an
14 assumption which the legislature finds to be
15 reasonable and conservative.

16 (B) Bonds constituting instruments of indebtedness
17 under which the State incurs a contingent
18 liability as a guarantor may be excluded but only
19 to the extent the principal amount of such
20 guaranties does not exceed seven per cent of the
21 principal amount of outstanding general



1 obligation bonds not otherwise excluded under
 2 subparagraph (A) of this paragraph (7); provided
 3 that the State shall establish and maintain a
 4 reserve in an amount in reasonable proportion to
 5 the outstanding loans guaranteed by the State as
 6 provided by law. According to the department of
 7 budget and finance and the assumptions presented
 8 herein, the total principal amount of outstanding
 9 general obligation bonds and general obligation
 10 bonds proposed to be issued, which are not
 11 otherwise excluded under article VII, section 13
 12 of the State Constitution for the fiscal years
 13 2007-2008, 2008-2009, 2009-2010, and 2010-2011
 14 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>
21	2007-2008	\$4,442,724,012
22	2008-2009	4,762,504,540
23	2009-2010	5,161,270,000
24	2010-2011	5,533,200,000



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



1 exclusions, occurs. Thus, based on such assumptions
2 and on the determination in paragraph (8), all of the
3 outstanding guaranties can be excluded.

4 (8) Determination whether the debt limit will be exceeded
5 at the time of issuance. From the foregoing and on
6 the assumption that all of the bonds identified in
7 paragraph (5) will be issued at an interest rate not
8 to exceed 6.0 per cent, it can be determined from the
9 following schedule that the bonds which are proposed
10 to be issued, which include all authorized and
11 unissued bonds previously authorized, as adjusted,
12 general obligation bonds, and instruments of
13 indebtedness under which the State incurs a contingent
14 liability as a guarantor authorized in this Act, will
15 not cause the debt limit to be exceeded at the time of
16 such issuance:



	Time of Issuance and Amount to be Counted Against Debt Limit	Debt Limit at Time of Issuance	Greatest Amount and Year of Highest Principal and Interest on Bonds and Guaranties
2 nd half FY 2007-2008	\$396,000,000	894,049,511	589,292,850 (2008-2009)
1 st half FY 2008-2009	\$321,750,000	942,547,040	598,945,350 (2008-2009)
2 nd half FY 2008-2009	\$336,600,000	942,547,040	592,133,436 (2009-2010)
1 st half FY 2009-2010	\$366,300,000	978,058,448	605,910,459 (2010-2011)
2 nd half FY 2009-2010	\$366,300,000	978,058,448	627,888,459 (2010-2011)
1 st half FY 2010-2011	\$371,250,000	1,015,360,722	639,025,959 (2010-2011)
2 nd half FY 2010-2011	\$356,400,000	1,015,360,722	648,658,455 (2012-2013)

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

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



1 assumptions set forth in this Act with respect to the principal
2 amount of general obligation bonds which will be issued, the
3 amount of principal and interest on reimbursable general
4 obligation bonds which are assumed to be excludable, and the
5 assumed maturity structure shall not be deemed to be binding, it
6 being the understanding of the legislature that such matters
7 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. 2500, H.D. 1, S.D. 1, C.D.
12 1 (the Supplemental Appropriations Act of 2008) and House Bill
13 No. 2700, H.D. 1, S.D. 2, C.D. 1 (the Judiciary Supplemental
14 Appropriations Act of 2008), passed by this regular session of
15 2008, and designated to be financed from the general obligation
16 bond fund and from the general obligation bond fund with debt
17 service cost to be paid from special funds; provided that the
18 sum total of general obligation bonds so issued shall not exceed
19 \$805,079,000.

20 Any law to the contrary notwithstanding, general obligation
21 bonds may be issued from time to time in accordance with Section



1 39-16, Hawaii Revised Statutes, in such principal amount as may
2 be required to refund any general obligation bonds of the State
3 of Hawaii heretofore or hereafter issued pursuant to law.

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

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

11 SECTION 6. This Act shall take effect upon its approval.



Report Title:

General Obligation Bond Authorization

Description:

Authorizes issuance of general obligation bonds. Makes findings required by Article VII, Section 13 of State Constitution to declare that issuance of authorized bonds will not cause debt limit to be exceeded. (HB118 CD1)

