STATE OF HAWAII

THE MULTI-YEAR PROGRAM and FINANCIAL PLAN and EXECUTIVE BUDGET

For the Period 2009-2015 (Budget Period 2009-11)

Submitted to the Twenty-Fifth State Legislature
December 2008

EXECUTIVE CHAMBERS
State Capitol
Honolulu, Hawaii 96813

GOVERNOR'S MESSAGE TO THE 25TH STATE LEGISLATURE OF HAWAII MEETING IN THE REGULAR SESSION OF 2009

In compliance with Article VII, Section 8 of the Hawaii Constitution, I hereby submit to the State Legislature the Executive Budget for Fiscal Biennium 2009-11 and the Program and Financial Plan for the Period 2009-15.

We currently face a challenging period when many unprecedented events have converged to create an economic, financial, and fiscal environment that threatens the very foundation of our national economy.

Problems that arose in the national housing sector and sub-prime mortgage market last year have been neither resolved nor contained. They have so affected credit markets that it has become difficult to obtain the funding necessary to continue building projects and business operations worldwide. The actions of Wall Street are now being felt on Main Street. The adverse impact shows up in business bankruptcies and closures, in lower consumer confidence and spending, and in job losses and rising unemployment. For state and local governments, the financial crisis and economic downturn have adversely impacted tax revenues and budgets. Most states rely on income and sales taxes as their main sources of revenue. The slowdown in employment and consumer spending has reduced state revenues nationwide at a time when operating costs continue to rise. Except for a few energy rich states, the majority of state governments in the United States are facing significant budget shortfalls, from New York to California, from the Northern region to the Southern border.

Hawaii has experienced a contraction in its visitor industry, retail, and construction sectors. As a consequence, the Council on Revenues has revised its revenue projections downward five times during 2008. For FY 09 alone, these downward projections mean we no longer have $411.7 million in general fund revenues we thought would be available for current public programs.

In this environment, we cannot operate in a business-as-usual fashion. As early as June 2008, my Administration took steps to limit the State's exposure to the unfolding economic and financial uncertainties. For FY 09, a hiring freeze went into effect for all programs except in those areas affecting public health and safety. A general fund restriction of 4% on discretionary operating costs was applied to all departments in the Executive Branch. Restrictions on specific appropriations were also implemented. These were the beginning steps of a cautious and prudent fiscal policy to control State spending and bring expenditures in line with lower revenue expectations.

These restrictions were expanded as my Administration developed the budget for FB 2009-11. In anticipation of a further weakening of the national and global economies, we implemented additional budget reductions. The objective was to cut costs, and preserve both essential services and the well-being of our residents, while focusing available resources on areas of long-term strategic importance to Hawaii.

At the end of this process, difficult but necessary decisions have been made to reduce overall spending so that the State can live within its means. I am satisfied that this biennium budget being proposed to you reflects the kind of fiscal prudence and discipline the people of Hawaii expect during these challenging times.

THE ECONOMY

Hawaii experienced exceptional economic growth in 2004, 2005 and 2006. We knew that such rates of expansion would moderate. When the economy leveled off in 2007, we had anticipated the slowdown and had developed cautionary, preemptive fiscal measures to keep State spending in check. What no one could reasonably foresee was the unprecedented size and rapidity of the economic contraction that would occur at the national and global levels.

The adverse impact of these external events on Hawaii has been immediate and felt in many sectors. In the first nine months of 2008, visitor arrivals declined 9.1% and visitor expenditures were down 7.4%. The construction industry saw a slowdown from the peak of previous years with a reduction in building permits and layoffs in the building trades. The housing market has also shown weakness, although at a milder level than on the mainland. Contraction in these main industry sectors is impacting retail businesses and the services sector as well. Hawaii's unemployment rate rose above 3% for the first time in 2008 after three straight years of being in the 2% range and among the lowest in the nation. It now stands at 4.5%.

The consensus among business, academic and government economists is that Hawaii's economy will experience no growth in 2009 and may experience a contraction in real terms. However, there are a variety of factors that are encouraging. Important federal and military expenditures in Hawaii continue to provide a measure of stability for the local economy. Inflation is moderating. Oil prices have declined significantly, resulting in lower gasoline and electricity prices. And the commitment of the new federal administration to provide substantial financial assistance to the states in the coming months is welcome news.

To counteract the impact of international and national events on the local economy, my Administration has developed a five-point action plan to stimulate and revitalize the economy. The plan includes increasing tourism marketing to attract additional visitors; investing in improvements to infrastructure and public facilities; lowering business fees and taxes; attracting and retaining private investments, especially in energy projects; and maximizing federal dollars and partnerships. We will pursue these objectives through a variety of approaches and concrete actions that focus on cultivating business and employment opportunities for Hawaii. These include a major initiative to inject $1.8 billion into the economy between January 2009 and June 2010 to aggressively implement already approved capital improvement projects.

REVENUE PROJECTIONS

As of December 2008, the preliminary numbers indicate that general fund tax collections in the first five months of FY 09 (July to November) declined by -2.6% over the same period in the previous year.

At its most recent meeting on October 29, 2008, the Council on Revenues projected that general fund revenues would decrease by -0.5% in FY 09 and increase by 3.5% in FY 10 and by 4.5% in FY 11. Revenue growth for the four out-years is currently projected to be in the range from 5.3% to 6.5%. To put these numbers in perspective, it is helpful to look at past revenue increases. General fund tax revenues increased by 8.3% in FY 04, 16.0% in FY 05, 10.9% in FY 06, 3.4% in FY 07, and 1.2% in FY 08. Lower revenue growth has resulted from moderation in the State economy in recent years, and negative growth rates are the fiscal reality we acknowledge in the current year.

In addition to a smaller revenue base, we have had to respond to successive reductions in revenue forecasts by the Council

throughout 2008. For the current FY 09, the estimates were revised from 4.1% (as projected in January 2008) to a decrease of -0.5% (as of October 2008). This translates to a reduction of $411.7 million in projected tax revenues over a 10-month period. The cumulative effect of these successive reductions in revenue estimates for FYs 09, 10 and 11 is a substantial decrease in the amount of money that the State can expect in the immediate and near future. Given the level of spending that had been authorized by the 2008 Legislature and the anticipated rising cost of government operations, it was clear that our revenues and expenditures were out of balance. Without immediate corrective action, the projected cumulative budget shortfall from general funds would amount to $1.1 billion by the end of FY 11.

Further, we are concerned that revenue projections may be reduced again due to continuing weakness in the economy. It is, therefore, imperative for the State to have contingency plans for meeting this challenge and we will look forward to discussing various options with you in the weeks ahead.

ACTIONS TO RESTORE FISCAL BALANCE

Six months ago, we approached FY 09 with caution. While the economic environment at that time did not seem as troubling as it does now, we saw the need for prudent fiscal discipline and took immediate steps to control spending, reduce expenses, and economize general funds. Actions to bridge the budget gap in FY 09 included the following:

- Implemented a 4% restriction on discretionary general fund expenses ($34.6 million).
- Established a general hiring freeze except in areas that impact public health and safety. (The savings are part of the restrictions.)
- Restricted allotment for most off-budget, specific appropriations ($19.1 million).
- Restructured debt on general obligation (G.O.) bonds ($95.0 million).
- Adjusted the bond issuance plan ($9.8 million).
- Restricted and converted cash CIP to bond financing for the Department of Education (DOE) ($50.0 million).
- Restricted and converted cash CIP to bond financing for the University of Hawaii (UH) ($12.5 million).

In total, these actions produced $221 million in general fund savings. However, with the recent further reductions to FY 09 revenue projections, we anticipate the need for a transfer of $40 million from the Emergency and Budget Reserve Fund, Hawaii's rainy day fund. The combination of these measures will enable us to achieve our statutory requirement of maintaining a positive balance in the General Fund at the end of FY 09.

FB 2009-11 Executive Budget Requests

The restrictive budget execution policies for FY 09 were the first phase of a coordinated plan to reshape the State Budget and redirect the commitment of public resources. The current constrained economic and fiscal environment requires firm decisions, clear priorities, and efficient delivery of public services. The current fiscal environment is an opportunity for State government to become more focused and efficient. This is the foundation upon which the Executive Budget for FB 2009-11 was developed.

As an integral part of budget preparation, departments and agencies were directed to conduct a critical review and assessment of their core functions and essential services. Budget ceilings were established and funding requirements were adjusted to meet revenue constraints. Departments were instructed to develop and submit their budget requests at three levels corresponding to mandatory reductions of 10%, 15% and 20% of their current

discretionary expenses. These contingency plans were designed to prepare for further adjustments, as necessary, if revenue conditions worsened.

The result is a biennium budget that reduces operating costs by a net general fund total of $395 million ($209 million in FY 10 and $186 million in FY 11). The major reductions are discussed below. While special funded programs were not subjected to mandatory reductions, they, too, are required to operate under a ceiling. Requests for capital improvements concentrate on repairs and maintenance, completion of current projects, renewable energy development, affordable housing, continuation of the airport and harbor modernization initiatives, and major upgrades to the State's recreational facilities.

Executive Budget requests for FB 2009-11 are summarized below.

	FY 10 ($million)	FY 11 ($million)	FB 2009-11 ($million)
Total Operating Budget request, all means of financing (MOF)	$11,110	$11,309	$22,419
General Fund request	5,361	5,464	10,825
Total CIP request, all MOF	1,402	1,551	2,953
G.O. Bond request	465	490	955

The Operating Budget

Executive Budget proposals for FB 2009-11 were developed to meet the following objectives:

1. **Align program requirements with appropriate means of financing.** We identified programs and activities that should be funded with revenue sources other than general funds. As a result, 64 existing positions and related program expenses are proposed to be funded from federal, special, revolving, or trust funds. General fund savings total $20 million each year. For example, the Department of Hawaiian Home Lands will be funded from the trust and special funds established for their mission. Federal Temporary Assistance to Needy Families (TANF) funds will support the Preschool Open Door Program in the Department of Human Services (DHS). At the Department of Health (DOH), tobacco settlement special funds will be used for the Chronic Disease Management and Control program. Federal and special funds will support primary care and comprehensive medical services at federally qualified health centers. The Department of Agriculture will fund 17 positions from the Pest Inspection Quarantine and Eradication Special Fund and the Animal Quarantine Special Fund.

2. **Continue to restructure and refinance G.O. bond debt.** Debt restructuring has been an important tool of fiscal management as we seek to find market opportunities for reducing the debt service costs of the State's borrowing program. We plan to aggressively pursue debt restructuring in the coming months as uncertainty in the credit markets abates. Total reduction in debt service costs that will result from refinancing and restructuring current G.O. debt is estimated to be $205.2 million in the biennium.

3. **Reduce operating costs to meet mandatory budget cuts and preserve essential services of State government.** Substantial cuts were made across the board as well as in targeted areas. The overall reduction from general funds amounted to 14% of discretionary costs and was achieved through consolidating operations, eliminating non-essential or newly added services, eliminating programs of low priority, and modifying levels of benefits and services.

   The need to understand and articulate to the public what government can and should do is heightened at a time when resources are severely limited. The budget is a statement of our collective priorities and funding capacities for the multitude of government programs currently in place and those we seek

to implement. The necessity of having to set priorities in the budget gives clarity to our goals.

Two programs are being proposed for abolishment or major reduction:

- Healthy Start at DOH ($23.2 million in FY 09-11). This is a voluntary program in which participants may choose not to participate. The Enhanced Healthy Start program will continue to service families at risk for child abuse and neglect.

- Adult Dental Services in the Medicaid program at DHS ($6.4 million from general funds in FY 09-11). These benefits were discontinued in the past when budget conditions were tight and were recently reinstated in December 2006. Emergency dental services will continue to be provided to adults.

Budget reductions will also impact the following areas:

- Recalibrate payment programs for recipients of Temporary Assistance to Other Needy Families ($17.8 million in FY 09-11). The proposal reduces payments from the current 50% of the federal poverty level to 48% and then to 37% by September 2009.

- Recalibrate payment programs for Aged, Blind and Disabled Individuals ($4.2 million in FY 09-11). Reduction in payments from the current 50% of the federal poverty level to 48% is proposed effective July 1, 2009.

- Limit the time period an individual may claim General Assistance benefits ($1.2 million in FY 09-11). The proposal is to set a lifetime limit of 12 months for general assistance as clients with long-term disabilities will be transferred to the Social Security program.

- Reduce purchase of services in the Child Protective Services program ($2.6 million in FY 09-11).

We should note that for Medicaid payments, the proposed appropriation levels for the biennium were established using the best assumptions available regarding enrollment growth and cost containment based on current economic conditions. Proposed funding from general funds for the Hawaii Health Systems Corporation (HHSC) is at the same level authorized for FY 09. With the movement to managed care in the Quest Expanded Access program, there may be opportunities for additional reimbursements to the HHSC hospitals.

In addition to these adjustments in health and human services, programs in other departments also had to reduce operations substantially to meet their mandatory reductions. Individual departments will discuss the specific adjustments in their programs when they come before the Legislature to present their biennium budget requests.

4. **Minimize cuts in areas of strategic importance to Hawaii.** While budget reductions were unavoidable in such a severe economic downturn, we should not lose sight of the critical investments that must be maintained and pursued to build a stronger foundation for Hawaii's future. Public education and clean energy initiatives continue to receive the highest priority.

   Budget recommendations for DOE reflect the reductions that were proposed by the Superintendent and approved by the Board of Education. Total general fund reductions amount to $40 million each year and a decrease of 240 positions (148 permanent, 92 temporary). This does not include any classroom teacher position. The proposed cuts are mainly from the State and district levels, support services, and categorical programs. A conscious effort was made to minimize impacts at the school level.

The same concern was extended to UH. General fund reductions of $13.5 million each year, as approved by the Board of Regents, are recommended for the biennium. At this level, the cuts are not expected to affect core instructional activities.

My Administration is proposing funds for the University to further develop and implement the Science, Technology, Engineering and Math (STEM) program to promote innovation and analytical skills in education. The requested funds will continue STEM efforts originally approved by the Legislature in Act 111, SLH 2007, including the FIRST Pre-Academy program, the PISCES program, Project EAST and the Creative Academies at UH community colleges.

To advance our goal of energy independence from fossil fuels, we are proposing an investment in the development of clean, renewable energy sources. Support for the Hawaii Clean Energy Initiative at the Department of Business, Economic Development and Tourism includes an internal reallocation of resources for 30 positions and $3.3 million each year ($1.1 million in general funds). This initiative has created promising opportunities for Hawaii and positioned our State as a leader in renewable energy development. Our partnerships with the U.S. Department of Energy and Hawaiian Electric Company, and support for Project Better Place, Phoenix Motorcars, and other clean energy projects, are actions that will pay significant dividends in the years ahead.

5. **Minimize negative impact on our employees.** In making necessary program cuts, we were aware of and sensitive to the impact that these budget reductions would have on the welfare of our State employees. At a time when businesses are cutting payroll and laying off workers, government should not be adding to the unemployment rolls. We are committed to the goal of no layoffs for State employees, and I am gratified that we were able to meet this goal in the biennium budget.

The biennium budget proposes a reduction of 579 general funded positions; among these, 283 positions are permanent and 296 are temporary. Changes in positions funded from non-general fund sources reflect a net increase of 99 positions (97 permanent and 2 temporary), including the 64 positions previously paid for from general funds.

In light of the State's current economic and fiscal condition, we will not propose pay increases for our employees in the current collective bargaining negotiations. Additionally, we will introduce legislation to recommend the deferral of authorized pay raises in the upcoming fiscal biennium for officers of State government, including the Executive Branch, the Judiciary and the Legislature.

The Capital Improvement (CIP) Budget

For FB 2009-11, the capital improvement plan is focused on an expanded Major Repair and Maintenance Program to implement projects quickly to address the current backlog and stimulate Hawaii's economy. We again seek a major infusion of G.O. bond funds to build more rental and for-sale affordable housing. Priority was given to projects currently in progress or nearing completion. Projects that improve energy efficiency or contribute to the development of clean energy alternatives for Hawaii also received support. Additionally, we will continue to move forward with the modernization of the State's airports and harbors.

We are recommending a total of $2.953 billion in the biennium for the capital improvement program, of which $955 million will be financed from G.O. bonds.

The major requests include:

- $200 million for school projects to be established and prioritized by the DOE.

- $243 million ($150 million in G.O. bonds) for modernization and construction of UH facilities.

- $71 million for health and safety repairs at Aloha Stadium.

- $45 million for energy conservation and design improvements at State facilities.

- $100 million for the Dwelling Unit Revolving Fund and the Rental Housing Trust Fund to construct affordable housing and rental units.

- $60 million for the biennium settlement payment to the Hawaiian Home Lands Trust Fund.

- $108 million ($68 million from reimbursable G.O. bonds) for modernization projects at State parks, small boat harbors and other public recreational facilities.

- $696 million in airport revenue bonds to continue modernization plans for airports, statewide.

- $329 million in harbor revenue bonds to continue modernization plans for harbors, statewide.

- $463 million ($111 million from highway revenue bonds) for statewide highway improvements, including H-1 (Oahu), Kaumualii Highway (Kauai), Honoapiilani Highway (Maui), and Kawaihae Road Bypass (Hawaii).

ADDITIONAL PROPOSALS TO RESTORE FISCAL BALANCE

The revenue gap cannot be closed by budget reductions alone. Further cuts to programs may prove unproductive and destabilizing at a time when public spending and employment are a necessary stabilizing force for the economy. Therefore, to supplement reductions in the budget, I am proposing the following actions to provide the State with additional resources at this critical time:

1. Transfer from the Emergency and Budget Reserve Fund (EBRF). The rainy day fund was established to address the exact kind of economic difficulties we are facing in this downturn that may endure through 2010. The current balance in this fund is $74 million. As stated earlier, I am recommending a transfer of $40 million to the General Fund for FY 09, which will be proposed through an emergency appropriation bill to be submitted in the 2009 Legislative Session. To help close the revenue gap in FB 2009-11, I will recommend an additional transfer of $35 million for FY 10. With annual deposits coming from the Tobacco Settlement Fund, the EBRF will continue to accumulate additional reserves and the fund balance is projected to be $15.7 million at the end of FY 11.

2. Transfer of excess balances from special funds. As a short-term, one-time remedy, we will propose to transfer excess balances from two special funds into the General Fund. The amounts will be $36 million from the Deposit Beverage Container Special Fund and $9 million from the Wireless Enhanced 911 Special Fund.

3. Tax proposals. To support our Administration's goal of making Hawaii's tax system efficient and equitable, a number of proposals will be submitted to tighten up tax laws, improve tax collection and administration, and reduce excessive tax credits. We propose to conform to the federal Internal Revenue Code for accuracy-related penalties, establish a special enforcement section to monitor the cash economy, and tighten Act 221 investment tax credits to conform to the federal tax code. The dividend from these efforts is expected to add $122 million to our tax collections in the biennium.

We will closely monitor developments in our economy and tax collections in the coming months. Should conditions decline materially, we will work with our legislative colleagues to identify additional actions that can be taken to maintain fiscal balance in the State's budget and six-year financial plan.

THE GENERAL FUND FINANCIAL PLAN

The General Fund balance was $331.2 million on June 30, 2008. This is a decrease of $162.2 million from the previous year, mostly due to the revenue shortfall that developed as Hawaii's economy contracted in calendar year 2008.

The General Fund Six-Year Financial Plan encompassing FB 2009-11 and the four subsequent years shows a positive balance in each fiscal year. Under the constraint of declining revenues, as most recently projected by the Council on October 29, 2008, positive balances were achieved from the following combination of actions:

- Executive Branch budget reductions and adjustments as proposed;
- Assumed comparable budget reductions from other branches of State government, including the Judiciary, the Legislature and the Office of Hawaiian Affairs; and
- Legislative approval and authorization for Administration proposals with revenue and expenditure impact.

These are the essential steps we must take to manage the fiscal reality that we face and produce a balanced budget as required by the State constitution. I ask for your support as we work toward this goal.

In these challenging times, I am encouraged by the positive credit ratings that Hawaii continues to receive from all three major nationally-recognized rating agencies, Moody's Investors Service, Standard and Poor's Ratings Service and Fitch Ratings. In their latest November 2008 reports, they affirmed the State's G.O. bond ratings of Aa2, AA and AA, respectively. These strong ratings reflect their assessment that Hawaii State government has consistently displayed prudence and discipline in its fiscal management and governance. I know that together, we can maintain this vote of confidence and emerge a stronger and fiscally healthier state in the years ahead.

Sincerely,

LINDA LINGLE
Governor of Hawaii

A. THE EXECUTIVE BUDGET RECOMMENDATIONS

THE OPERATING BUDGET

All Funds

For FB 2009-11, total operating budget requests from all sources of funding amount to $11.1 billion in FY 10 and $11.3 billion in FY 11.

Means of Financing	FY 09 Allocation ($million)	FY 10 Request ($million)	FY 11 Request ($million)	FB 2009-11 Request ($million)
General Funds	5,484.9	5,361.3	5,464.0	10,825.3
Special Funds	2,145.8	2,431.9	2,482.3	4,914.2
Federal Funds	1,730.5	1,746.5	1,750.5	3,497.0
Private Contributions	0.4	0.4	0.4	0.8
County Funds	0.7	0.7	0.7	1.4
Trust Funds	76.9	89.6	92.7	182.3
Interdept. Transfers	1,161.2	1,085.1	1,125.1	2,210.2
Revolving Funds	376.0	381.9	380.9	762.8
Other Funds	15.9	12.9	12.9	25.8
Total	10,992.3	11,110.3	11,309.5	22,419.8
Change from FY 09 allocation		$118.0 m	$317.2 m	
Percentage change		1.1%	2.9%	

Distribution by departments and highlights of the Operating Budget by departments are presented in the sections that follow.

General Fund

Total requests from the General Fund amount to $5.36 billion in FY 10 and $5.46 billion in FY 11. These amounts represent a decrease of $123.6 million (-2.3%) in the first year and $20.9 million (-0.4%) in the second year over the current FY 09 allocation level.

It should be noted that the general fund budget bases for FY 10 and FY 11 were projected to be at higher levels ($5.57 billion and $5.65 billion, respectively) due to anticipated increases in operating expenses. Therefore, when compared to these base levels, the proposed budget recommendations represent a reduction of $209.3 million (-3.8%) in FY 10 and $186.1 million (-3.3%) in FY 11.

Change in Positions

The Executive Budget requests a significant change in the number of permanent and temporary positions from all means of financing.

	Total FY 10	Permanent	Temporary
Total net change in positions	(479.42)	(185.92)	(293.50)
By means of financing:			
General Funds	(578.72)	(282.97)	(295.75)
Special Funds	86.30	76.30	10.00
Federal Funds	(0.50)	8.75	(9.25)
Trust Funds	.....	3.00	(3.00)
Interdept. Transfers	(1.00)	0.50	(1.50)
Revolving Funds	14.50	8.50	6.00
Other Funds	.....	.....	.....

The request for FY 11 includes an additional 16 permanent positions from special funds.

THE CAPITAL IMPROVEMENT (CIP) BUDGET

For FB 2009-11, total requests for capital improvements amount to $1.4 billion in FY 10 and $1.6 billion in FY 11, to be funded from the following sources:

Means of Financing	FY 10 Request ($million)	FY 11 Request ($million)	FB 2009-11 Total ($million)
General Funds	.....	.....	.....
Special Funds	112.6	87.4	200.0
G.O. Bonds	443.0	444.3	887.3
G.O. Reimbursable	22.1	45.8	67.9
Revenue Bonds	488.5	785.8	1,274.3
Federal Funds	323.3	138.2	461.5
Private Contributions	4.7	.....	4.7
County Funds	.....	.....	.....
Interdept. Transfers	2.0	.....	2.0
Other Funds	5.6	49.6	55.2
Total	1,401.8	1,551.1	2,952.9

Distribution by departments and highlights of the CIP program by departments are presented in the sections that follow.

B. THE MANDATORY TAX REFUND/CREDIT

Section 6 of Article VII of the Hawaii State Constitution provides for a mandatory tax refund or tax credit if the general fund balance exceeds 5% of general fund revenues at the end of two succeeding fiscal years. For FYs 07 and 08, the ratios were 9.6% and 6.3%, respectively, and thus met the constitutional criteria. The Legislature will need to consider the enactment of legislation in this 2009 Session to comply with the mandatory tax refund/credit as stipulated by the State Constitution.

C. THE GENERAL FUND EXPENDITURE CEILING

By law, general fund appropriations must comply with the expenditure ceiling requirements that are set forth in Section 9, Article VII of the Hawaii State Constitution and Section 37-92 of the Hawaii Revised Statutes.

At the aggregate level, including all branches of government, total proposed appropriations from the General Fund are within the expenditure ceilings for both FY 10 and FY 11.

For the Executive Branch, total proposed appropriations from the General Fund (which include the Executive Budget for FB 2009-11 and other specific appropriation measures to be submitted) are also within the Executive Branch's appropriation ceiling for both FY 10 and FY 11.

D. THE DEBT LIMIT

Section 13, Article VII of the Hawaii State Constitution places a debt limit on G.O. bonds that may be issued by the State. It has been determined that the total amount of principal and interest calculated on: a) all bonds issued and outstanding; b) all bonds authorized and unissued; and c) all bonds proposed in the Executive Budget, including State guaranties, will not cause the debt limit to be exceeded at the time of each bond issuance.