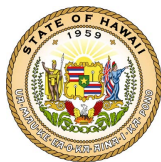


In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the State of Hawaii, interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. In addition, Bond Counsel is of the opinion that all of the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. See “TAX MATTERS” in this Official Statement.



STATE OF HAWAII

\$995,000,000

Taxable General Obligation Bonds of 2020, Series FZ

Dated: Date of Delivery

Due: As shown on inside cover page

The Taxable General Obligation Bonds of 2020, Series FZ (the “Bonds”), will be issuable in fully registered form and when issued will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). So long as DTC or its nominee is the registered owner of the Bonds, purchases of the Bonds will be made in book entry form only, through brokers and dealers who are, or who act through, DTC participants; beneficial owners of the Bonds will not receive physical delivery of Bond certificates; payment of the principal of and interest and any premium on the Bonds will be made directly to DTC or its nominee; and disbursement of such payments to DTC participants will be the responsibility of DTC and disbursement of such payments to the beneficial owners will be the responsibility of DTC participants. Purchases of the Bonds may be made in the denomination of \$5,000 or any integral multiple thereof. See APPENDIX H—“PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” herein. The Bonds bear interest payable at the rates set forth on the inside cover page hereof on February 1 and August 1 of each year, commencing February 1, 2021.

The Bonds are subject to optional redemption prior to their stated maturities as and to the extent described herein.

The Bonds are being issued for the purpose of financing, or reimbursing the State of Hawaii for, the costs of acquisition, construction, extension or improvement of various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries and parks and for other public purposes. See “AUTHORITY AND PURPOSE” herein.

The Bonds are general obligations of the State of Hawaii. The interest and principal payments on the Bonds are a first charge on the General Fund of the State of Hawaii, and the full faith and credit of the State of Hawaii are pledged to the punctual payment thereof.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices hereto, to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE — See Inside Cover Page

The Bonds are offered when, as and if issued and accepted by the Underwriters listed below. The issuance of the Bonds is subject to the approval of legality Hawkins Delafield & Wood LLP, Bond Counsel to the State of Hawaii. Certain legal matters will be passed upon for the Underwriters by their counsel, Dentons US LLP and Katten Muchin Rosenman LLP. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC, on or about August 12, 2020.

BofA Securities

Citigroup

Morgan Stanley

Goldman Sachs & Co. LLC

STATE OF HAWAII

\$995,000,000 TAXABLE GENERAL OBLIGATION BONDS OF 2020, SERIES FZ

Dated: Date of Delivery

Due: August 1, as shown below

Due	Principal Amount	Interest Rate	Yield	CUSIP[†] Number (419792)
2025	\$55,235,000	0.670%	0.670%	YQ3
2026	55,670,000	0.893	0.893	YR1
2027	56,485,000	2.000	0.993	YS9
2028	57,380,000	1.145	1.145	YT7
2029	58,080,000	1.295	1.295	YU4
2030	58,870,000	1.395	1.395	YV2
2031	59,755,000	1.595	1.595	YW0
2032	60,745,000	1.695	1.695	YX8
2033	61,840,000	1.865	1.865	YY6
2034	63,040,000	1.975	1.975	YZ3
2035	64,325,000	2.065	2.065	ZA7
2036	65,695,000	2.145	2.145	ZB5
2037	67,140,000	2.215	2.215	ZC3
2038	68,655,000	2.245	2.245	ZD1
2039	70,230,000	2.283	2.283	ZE9
2040	71,855,000	2.293	2.293	ZF6

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein are provided by CUSIP Global Services (“CGS”), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence LLC. Copyright© 2020 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. CUSIP® numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds. None of the State, the Underwriters or their agents or counsel assume responsibility for the accuracy of any CUSIP® numbers.

**INFORMATION CONCERNING OFFERING RESTRICTIONS
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES**

REFERENCES IN THIS SECTION TO THE “ISSUER” MEAN THE STATE OF HAWAII AND REFERENCES TO “SERIES FZ BONDS” OR “SECURITIES” MEAN THE STATE OF HAWAII TAXABLE GENERAL OBLIGATION BONDS OF 2020, SERIES FZ.

THE INFORMATION UNDER THIS CAPTION HAS BEEN FURNISHED BY THE UNDERWRITERS, AND THE ISSUER MAKES NO REPRESENTATION AS TO THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE INFORMATION UNDER THIS CAPTION.

COMPLIANCE WITH ANY RULES OR RESTRICTIONS OF ANY JURISDICTION RELATING TO THE OFFERING, SOLICITATION AND/OR SALE OF THE SERIES FZ BONDS IS THE RESPONSIBILITY OF THE UNDERWRITERS, AND THE ISSUER SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY IN CONNECTION THEREWITH. NO ACTION HAS BEEN TAKEN BY THE ISSUER THAT WOULD PERMIT THE OFFERING OR SALE OF THE SERIES FZ BONDS, OR POSSESSION OR DISTRIBUTION OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES FZ BONDS, OR ANY INFORMATION RELATING TO THE PRICING OF THE SERIES FZ BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

MINIMUM UNIT SALES

THE SERIES FZ BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE SERIES FZ BOND OF \$5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 30 SERIES FZ BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (“EEA”) WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”) FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER TO ANY PERSON LOCATED WITHIN A MEMBER STATE OF THE EEA OF THE SECURITIES SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS OR SUPPLEMENT FOR SUCH AN OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF SECURITIES THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE SECURITIES CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY SECURITIES WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN ANY MEMBER STATE OF THE EEA, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A “QUALIFIED INVESTOR” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN “QUALIFIED INVESTORS” AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION); OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION, SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER FOR ANY SUCH OFFER; PROVIDED THAT NO SUCH OFFER OF THE SECURITIES SHALL REQUIRE THE ISSUER OR THE INITIAL PURCHASERS TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN “OFFER OF SECURITIES TO THE PUBLIC” IN RELATION TO THE SECURITIES IN ANY MEMBER STATE OF THE EEA MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE SECURITIES.

EACH SUBSCRIBER FOR OR PURCHASER OF THE SERIES FZ BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – THE SERIES FZ BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR IN THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR IN THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE “FINANCIAL PROMOTION ORDER”), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SERIES FZ BONDS MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN SWITZERLAND

THE SERIES FZ BONDS MAY NOT BE PUBLICLY OFFERED, DIRECTLY OR INDIRECTLY, IN SWITZERLAND WITHIN THE MEANING OF THE SWISS FINANCIAL SERVICES ACT (THE “FINSA”), AND NO APPLICATION HAS BEEN OR WILL BE MADE TO ADMIT THE SERIES FZ BONDS TO TRADING ON ANY TRADING VENUE (EXCHANGE OR MULTILATERAL TRADING FACILITY) IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE SERIES FZ BONDS (1) CONSTITUTES A PROSPECTUS PURSUANT TO THE FINSA OR (2) HAS BEEN OR WILL BE FILED WITH OR APPROVED BY A SWISS REVIEW BODY PURSUANT TO ARTICLE 52 OF THE FINSA, AND NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING

OR MARKETING MATERIAL RELATING TO THE SERIES FZ BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

THE SERIES FZ BONDS MAY BE SOLD ONLY TO PURCHASERS PURCHASING, OR DEEMED TO BE PURCHASING, AS PRINCIPAL THAT ARE ACCREDITED INVESTORS, AS DEFINED IN NATIONAL INSTRUMENT 45-106 *PROSPECTUS EXEMPTIONS* OR SUBSECTION 73.3(1) OF THE *SECURITIES ACT* (ONTARIO), AND ARE PERMITTED CLIENTS, AS DEFINED IN NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*. ANY RESALE OF THE SERIES FZ BONDS MUST BE MADE IN ACCORDANCE WITH AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE PROSPECTUS REQUIREMENTS OF APPLICABLE SECURITIES LAWS.

SECURITIES LEGISLATION IN CERTAIN PROVINCES OR TERRITORIES OF CANADA MAY PROVIDE A PURCHASER WITH REMEDIES FOR RESCISSION OR DAMAGES IF THIS OFFICIAL STATEMENT (INCLUDING ANY AMENDMENT THERETO) CONTAINS A MISREPRESENTATION, PROVIDED THAT THE REMEDIES FOR RESCISSION OR DAMAGES ARE EXERCISED BY THE PURCHASER WITHIN THE TIME LIMIT PRESCRIBED BY THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY. THE PURCHASER SHOULD REFER TO ANY APPLICABLE PROVISIONS OF THE SECURITIES LEGISLATION OF THE PURCHASER'S PROVINCE OR TERRITORY FOR PARTICULARS OF THESE RIGHTS OR CONSULT WITH A LEGAL ADVISOR.

PURSUANT TO SECTION 3A.3 (OR, IN THE CASE OF SECURITIES ISSUED OR GUARANTEED BY THE GOVERNMENT OF A NON-CANADIAN JURISDICTION, SECTION 3A.4) OF NATIONAL INSTRUMENT 33-105 *UNDERWRITING CONFLICTS* ("NI 33-105"), THE UNDERWRITERS ARE NOT REQUIRED TO COMPLY WITH THE DISCLOSURE REQUIREMENTS OF NI 33-105 REGARDING UNDERWRITER CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG

WARNING. THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE SERIES FZ BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THIS DOCUMENT HAS NOT BEEN, AND WILL NOT BE, REGISTERED AS A PROSPECTUS IN HONG KONG NOR HAS IT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION OF HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CHAPTER 571 OF THE LAWS OF HONG KONG) ("SFO"). THE SERIES FZ BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF THIS DOCUMENT OR ANY OTHER DOCUMENT, AND THIS DOCUMENT MUST NOT BE ISSUED, CIRCULATED OR DISTRIBUTED IN HONG KONG, OTHER THAN TO 'PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER. IN ADDITION, NO PERSON MAY ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SERIES FZ BONDS, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO SERIES FZ BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY (A) TO PERSONS OUTSIDE HONG KONG, OR (B) TO 'PROFESSIONAL INVESTORS' AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER.

NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

THE SERIES FZ BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ARTICLE 4, PARAGRAPH 1 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO.25 OF

1948, AS AMENDED THE "FIEA"). IN RELIANCE UPON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS SINCE THE OFFERING CONSTITUTES THE PRIVATE PLACEMENT TO QUALIFIED INSTITUTIONAL INVESTORS ONLY AS PROVIDED FOR IN "I" OF ARTICLE 2, PARAGRAPH 3, ITEM 2 OF THE FIEA. A TRANSFEROR OF THE SERIES FZ BONDS SHALL NOT TRANSFER OR RESELL THEM EXCEPT WHERE A TRANSFEREE IS A QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED UNDER ARTICLE 10 OF THE CABINET OFFICE ORDINANCE CONCERNING DEFINITIONS PROVIDED IN ARTICLE 2 OF THE FIEA (THE MINISTRY OF FINANCE ORDINANCE NO.14 OF 1993, AS AMENDED).

NOTICE TO PROSPECTIVE INVESTORS IN SOUTH KOREA

THIS OFFICIAL STATEMENT IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSIDERED AS, A PUBLIC OFFERING OF SECURITIES IN SOUTH KOREA FOR THE PURPOSES OF THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKET ACT OF KOREA. THE SERIES FZ BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF SOUTH KOREA FOR PUBLIC OFFERING IN SOUTH KOREA UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FSCMA"). THE SERIES FZ BONDS MAY NOT BE OFFERED, REMARKETED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, OR OFFERED, REMARKETED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN SOUTH KOREA OR TO ANY RESIDENT OF SOUTH KOREA (AS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF SOUTH KOREA AND ITS SUBORDINATE DECREES AND REGULATIONS (COLLECTIVELY, THE "FETL")) WITHIN ONE YEAR OF THE ISSUANCE OF THE SERIES FZ BONDS, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE SOUTH KOREAN LAWS AND REGULATIONS, INCLUDING THE FSCMA AND THE FETL.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE SERIES FZ BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN, THE REPUBLIC OF CHINA ("TAIWAN") AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS OF TAIWAN AND MAY NOT BE ISSUED, OFFERED, OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN OR RELEVANT LAWS AND REGULATIONS THAT REQUIRES A REGISTRATION, FILING OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION AND/OR OTHER REGULATORY AUTHORITY OR AGENCY OF TAIWAN. THE SERIES FZ BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE OUTSIDE TAIWAN BY INVESTORS RESIDING IN TAIWAN DIRECTLY, BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY TO THE EXTENT PERMITTED BY APPLICABLE LAWS OR REGULATIONS.

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STATE OF HAWAII



ADMINISTRATIVE OFFICIALS

David Y. Ige
Governor

Dr. Josh Green
Lieutenant Governor

Craig K. Hirai
Director of Finance

Clare E. Connors
Attorney General

Curt T. Otaguro
Comptroller

BOND COUNSEL TO STATE

Hawkins Delafield & Wood LLP

This Official Statement, which includes the cover page and appendices, does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. No dealer, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representations must not be relied upon.

Certain information contained in this Official Statement has been provided by the State of Hawaii. Certain other information contained herein has been obtained by the State of Hawaii from sources believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder at any time shall create any implication that the information contained herein is correct as of any time subsequent to its date.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. In making an investment decision, investors must rely on their own examination of the State of Hawaii and the terms of the offering, including the merits and risks involved.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION ("SEC"), ANY STATE SECURITIES AGENCY, OR ANY OTHER FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAS THE SEC, ANY STATE SECURITIES AGENCY, OR ANY OTHER FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

NO ACTION HAS BEEN TAKEN BY THE STATE THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR POSSESSION OR DISTRIBUTION OF THE OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL IN ANY FOREIGN JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, EACH OF THE UNDERWRITERS HAS AGREED THAT IT WILL COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE BONDS OR POSSESSES OR DISTRIBUTES THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING MATERIAL AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES AND THE STATE SHALL HAVE NO RESPONSIBILITY THEREFOR.

References to web site addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

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OFFICIAL STATEMENT

STATE OF HAWAII

\$995,000,000

Taxable General Obligation Bonds of 2020, Series FZ

INTRODUCTION

The purpose of this Official Statement, which includes the cover pages and the inside cover pages hereof and the appendices hereto, is to set forth information concerning the State of Hawaii (sometimes herein referred to as the “State” or “Hawaii”) and its \$995,000,000 aggregate principal amount of Taxable General Obligation Bonds of 2020, Series FZ (the “Bonds”), in connection with the sale of the Bonds by the State.

AUTHORITY AND PURPOSE

Authority

The Bonds will be issued pursuant to the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and the laws of the State, including Part I of Chapter 39 of the Hawaii Revised Statutes, as amended (“HRS”), and pursuant to the authority of certain acts of the Legislature of the State (the “Legislature”) and a Certificate of the Director of Finance of the State (the “Bond Issuance Certificate”).

Purpose

The proceeds from the sale of the Bonds will be used to (i) finance, or to reimburse the State for, certain expenditures for public purposes for which appropriations have been made in certain Acts of the Legislature and which the Legislature may from time to time approve, and the costs of acquisition, construction, extension or improvement of various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries, and parks and for certain other public purposes, and (ii) pay costs of issuance of the Bonds. See “DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit” in APPENDIX A.

THE BONDS

Details of the Bonds

The Bonds will mature serially on the dates and years, and will bear interest at the rate or rates (calculated on the basis of a 360-day year composed of twelve 30-day months), as shown on the inside cover page hereof, payable on February 1 and August 1 of each year, commencing February 1, 2021 (each an “interest payment date”). The Bonds will be dated their date of delivery and will be issued in fully registered form without coupons in the denomination of \$5,000 or integral multiples thereof.

The Depository Trust Company (“DTC”) will act as securities depository for the Series FZ Bonds. The Series FZ Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's nominee name) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series FZ Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Beneficial interests in the Series FZ Bonds may be held through DTC, Clearstream Banking, S.A. or Euroclear Bank SA/NV as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system. See “APPENDIX H—PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” for a description of DTC, Clearstream Banking, S.A., Euroclear Bank SA/NV as operator of the Euroclear System, and certain of their responsibilities, and the provisions for registration and registration of transfer of the Series FZ Bonds if the book-entry-only system of registration is discontinued.

Optional Redemption of the Bonds

Optional Redemption. The Bonds maturing on or after August 1, 2031, are subject to redemption prior to their stated maturities, at the option of the State, at any time on and after August 1, 2030, in whole or in part (and if in part in any order of maturity selected by the State and within a maturity bearing interest at the same rate on a pro-rata basis as described below), at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

Make-Whole Optional Redemption. The Bonds are subject to redemption prior to their stated maturities, at the option of the State, at any time prior to and excluding August 1, 2030, in whole or in part (and if in part in any order of maturity selected by the State and within a maturity bearing interest at the same rate on a pro-rata basis as described below), at a redemption price equal to the greater of:

- (1) 100% of the principal amount of the Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Comparable Treasury Yield (defined below) plus 15 basis points;

plus, in each case, accrued interest on such Bonds to be redeemed to the redemption date.

For purposes of the foregoing, the following terms have the following meanings:

“Calculation Agent” means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities in the United States and designated by the State (which may be one of the institutions that served as an underwriter for the Bonds).

“Comparable Treasury Issue” means the United States Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the Bonds being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Bonds being redeemed.

“Comparable Treasury Price” means, with respect to any date on which a Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time on a date selected by the Calculation Agent which is not less than three business days and not more than 20 business days preceding the date fixed for redemption.

“Comparable Treasury Yield” means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities,” or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Bonds being redeemed. The Comparable Treasury Yield will be determined no sooner than the third business day nor earlier than the twentieth calendar day preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Bonds being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity

of the Bonds being redeemed; and (ii) closest to and less than the remaining term to maturity of the Bonds being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

“Reference Treasury Dealer” means a primary dealer of United States Government securities in the United States (which may be one of the institutions that served as an underwriter for the Bonds) appointed by the State and reasonably acceptable to the Calculation Agent.

Selection for Redemption

If less than all of the Bonds are called for redemption, the State will designate the maturities from which the Bonds are to be redeemed. For so long as the Bonds are registered in book entry form and DTC or a successor securities depository is the sole registered owner of such Bonds, if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with the operational arrangements of DTC then in effect, and if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, all Bonds to be so redeemed will be selected for redemption in accordance with DTC procedures by lot; provided further that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. See APPENDIX H — “PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES”

In connection with any repayment of principal of the Bonds pursuant to the pass-through distribution of principal as described above, the Paying Agent will direct DTC to make a pass-through distribution of principal to the owners of the Bonds. A form of Pro Rata Pass-Through Distribution of Principal Notice will be provided to the Paying Agent that includes a table of factors reflecting the relevant scheduled redemption payments and DTC’s applicable procedures, which are subject to change.

For purposes of calculating pro rata pass-through distributions of principal, “pro rata” means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator is equal to the amount due to the owners of the Bonds on a payment date, and (b) the denominator is equal to the total original par amount of the Bonds.

It is the State’s intent that redemption allocations made by DTC with respect to the Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, the State cannot provide any assurance that DTC, DTC’s direct and indirect participants, or any other intermediary will allocate the redemption of such Bonds on such basis.

If the Bonds are not registered in book-entry form and if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, and the particular Bonds of such maturity and bearing such interest rate to be redeemed will be selected by lot, provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations.

General Redemption Provisions

Except as described above, if any Bond is of a denomination in excess of \$5,000, portions of the principal sum thereof in installments of \$5,000 or any integral multiple thereof may be redeemed.

Notice of redemption will be mailed, not fewer than 30 days prior to the fixed date for redemption, to each Holder of a Bond in whose name such Bond is registered upon the Bond Register as of the close of business on the forty-fifth day (whether or not a business day) next preceding the date fixed for redemption at such Holder’s address

as shown on such Bond Register. Failure of the Holder of a Bond to receive such notice by mail or any defect in such notice will not affect the sufficiency of the proceedings for the redemption of any Bond.

For so long as the Book-Entry System is in effect with respect to the Bonds, the Registrar and Paying Agent will mail notice of redemption to DTC or its nominee or its successor. Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, to notify a Beneficial Owner of a Bond of any such redemption will not affect the sufficiency or the validity of the redemption of such Bond. See APPENDIX H — “PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES”

Any notice of any optional redemption of Bonds may state that it is conditional upon receipt by the Registrar and Paying Agent of money sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The State shall provide notice of any rescission or failure to meet any such condition or other such event as promptly as practicable after the failure of such condition or the occurrence of such other event, in the same manner as the notice of redemption.

If any Bond (or any portion of the principal sum thereof) shall be redeemable and shall have been duly called for redemption and notice of such redemption shall have been duly given as provided in the Bond Issuance Certificate, and if on or before the date fixed for such redemption the State shall have duly made or provided for the payment of the principal sum thereof to be redeemed, the premium, if any, payable upon such redemption and the interest accrued on the principal sum to be redeemed to the date fixed for such redemption, and unless such notice is conditioned upon satisfaction of any other condition or the occurrence of any other event and such condition is not satisfied or such event has not occurred, then such Bond (or the portion of the principal sum thereof to be redeemed) shall become due and payable upon such date fixed for redemption and interest shall cease to accrue and become payable from and after the date fixed for such redemption on the principal sum thereof to be redeemed.

SECURITY FOR THE BONDS

Security Provisions

Under the Constitution and the laws of the State, the payment of principal of and interest on general obligation bonds of the State, including the Bonds, shall be a first charge on the General Fund of the State. Under said laws, the full faith and credit of the State are pledged to the punctual payment of the principal of and interest on general obligation bonds of the State, including the Bonds, and sufficient revenues shall be raised and provided from time to time for the purpose of payment. Amounts on deposit in the General Fund are applied to the payment of the debt service on the issued and outstanding general obligation bonds of the State, including the Bonds, as the debt service becomes due and payable.

Market Risk

There can be no assurance of continued marketability of the Bonds at current price levels. Various factors affect the market value of municipal securities, including the Bonds, over most of which the State has no control, such as general economic conditions, inflation, federal economic policies, interest rate trends and proposed or actual changes to the Internal Revenue Code of 1986 as amended. State finances, future State legislative actions and bond ratings may also affect the market value of the Bonds. For a description of certain factors currently having a material adverse effect on the State's economic conditions, operations and finances, see “COVID-19 EMERGENCY” herein, and APPENDIX A and APPENDIX B to this Official Statement.

Sovereign Immunity

Under the doctrine of sovereign immunity, a state of the Union (including the State) cannot be sued by its own citizens. Under the United States Constitution, a state of the Union (including the State) cannot be sued by citizens of another state of the Union or by citizens or subjects of any foreign state. A state (including the State) may waive its immunity and consent to a suit against itself, and under current law the State has waived its immunity to be

sued in limited circumstances, including for claims against the State founded upon any State statute or upon any contract with the State (except a contract or any act of any State officer which the officer is not authorized to make or do by State law). However, such waiver and consent may subsequently be withdrawn by the State. Such immunity from and constitutional prohibition against suits against a state extend to officers of a state acting in their official capacity. Therefore, there can be no assurance that, in the event the State fails to make timely payment of principal of or interest on the Bonds, a right of action would lie against State officials to enforce such payment.

THE STATE OF HAWAII

Certain general information concerning the State is contained in APPENDIX A to this Official Statement. Selected financial information concerning the State, including information about the State's outstanding indebtedness and its revenue projections, is contained in Part I of APPENDIX B to this Official Statement. Part II of APPENDIX B contains cross references to the Comprehensive Annual Financial Report of the State of Hawaii for the State's fiscal year ended June 30, 2019. The State provided certain information, and obtained from other sources believed to be reliable certain other information, set forth in APPENDIX A and APPENDIX B. The Underwriters (as hereinafter defined) and their counsel, Bond Counsel and Accuity LLP, independent auditors, have not independently verified any of such information, nor have they made an independent determination of the financial position of the State. There can be no assumption that the information is indicative of the current financial position or future financial performance of the State. See "COVID-19 EMERGENCY", "GENERAL ECONOMIC INFORMATION" in APPENDIX A and "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS — General Fund Financial Plan" in Part I of APPENDIX B.

COVID-19 EMERGENCY

Most of the information in this Official Statement that describes historical State revenues, financial affairs, operations and general economic conditions predates the COVID-19 pandemic or was prepared before the outbreak of COVID-19, and only limited subsequent data are available. All of this information should be considered in light of possible or probable negative impacts from COVID-19 subsequent to the dates of such data. The effects of COVID-19 and actions taken at State and national levels to halt its spread have had, and are expected to continue to have, a significant negative effect on the revenues, financial condition, operations and economy of the State. COVID-19 developments, and associated governmental and regulatory responses, are rapidly changing and cannot be predicted with any assurance.

COVID-19, a highly contagious upper respiratory tract illness caused by a novel strain of coronavirus, is having significant adverse health and financial impacts throughout the world, including the State. The World Health Organization declared the spread of COVID-19 to be a pandemic, and the Secretary of Health, Education and Welfare of the United States and the Governor of the State of Hawaii have each declared states of emergency in response to it. As of July 27, 2020, there have been over 1,700 confirmed cases of COVID-19 in the State, including over 1,300 on the island of Oahu. Hawaii has the lowest per capita rate of COVID-19 cases, and the lowest per capita death rate (1.8 per 100,000 as of July 27, 2020) from COVID-19 cases in the nation, according the federal Centers for Disease Control and Prevention.

On March 4, 2020, Hawaii Governor David Y. Ige proclaimed the spread of COVID-19 in Hawaii to be a disaster, declared a state of emergency in Hawaii and announced numerous State responses, including the use of disaster relief funds, to address the spread of COVID-19. The Governor subsequently issued ten supplemental proclamations and a series of executive orders closing non-essential business and government activities for the duration of the public health emergency, which has been extended until August 31, 2020. On March 17, 2020, the Governor asked visitors to postpone their trips to Hawaii. The State then implemented a mandatory fourteen (14) day self-quarantine for all persons entering the State, as well as for inter-island travelers, as a majority of the early-detected infected persons in Hawaii were travelers. The quarantine for persons traveling inter-island in the State was cancelled effective on June 16, 2020, and replaced by multi-layered requirements for health screenings, temperature scans and reporting requirements. Although the travel quarantine has been found to be a very effective measure in helping to control the spread of the virus, it is important to begin introducing additional procedures to replace the quarantine and/or enhance it. Therefore, Governor David Y. Ige has announced a pre-travel testing program currently expected to become effective September 1, 2020 and to be addressed in an additional supplemental proclamation in August 2020 (delayed from August 1 in recognition of increased outbreaks in some main travel markets and locally, as well

as the testing supply chain and other factors to allow for more time to prepare for increased visitor traffic including the availability of adequate and timely testing) that would provide incoming travelers an alternative to the quarantine. Evidence of a negative COVID-19 test result must be provided upon arrival to Hawaii. Travelers to Hawaii must get a Nucleic-acid Amplification Test (NAAT) from a CLIA (Clinical Laboratory Improvement Amendments)-certified laboratory no more than 72 hours in advance of travel. Travelers also will have their temperature checked upon arrival and must fill out a Travel and Health Form. Other travelers will still be required to self-quarantine for 14 days. The pre-travel testing program is a measured health approach for trans-Pacific travelers that is a multi-layered health screening process that includes temperature checks at the airport, travel and health forms for contact tracing in addition to the pre-testing or quarantine. The State presently has 179 contact tracers, each with a capacity to trace 20 people per day, and is currently training several hundred additional contact tracers. It was recently announced that Hawaii has been placed on a list of countries and regions that Japan leaders are considering for the resumption of international travel, although specific details and the start date remain to be determined.

The mayors of Hawaii's four counties also each issued proclamations declaring a state of emergency in their respective counties. They subsequently issued a series of orders ("Emergency Orders"), approved by the Governor, closing all non-essential businesses, including bars, restaurants and most retail stores, and banning public gatherings for the duration of the emergency in the respective counties. The Emergency Orders prohibited all non-essential travel and business activity, except designated businesses and operations. The Emergency Orders initially required everyone except essential workers to shelter in place and work from home through June 2020. The Emergency Orders have been modified, and most medium risk non-essential businesses have gradually been permitted to re-open in phases beginning in mid-May 2020. Non-essential inter-island travel was permitted beginning in mid-June 2020 and high risk businesses, such as gyms and bars, were permitted to open beginning in late June, 2020. All businesses and operations permitted to reopen have been ordered to comply with social distancing requirements by requiring wearing of face masks and maintaining six feet social distancing or other safety measures for employees and members of the public.

The spread of COVID-19 to Hawaii and responsive measures have had a negative impact on the State's economy. Economic activity in the State has slowed significantly, due to the closure of non-essential businesses and substantial reduction in tourism, the State's major economic driver. Visitor arrivals to Hawaii dropped from an average of 30,000 to 35,000 people a day to 200 people a day in March 2020, and have risen slightly to between 400 to 600-plus people a day in June 2020 and to between 700 to 900 people a day in early July 2020. Visitor arrivals were down 53.7% from March 2019. In April 2020, 4,564 visitors came to Hawaii, as compared to 856,250 visitors in April 2019. In May 2020, 9,116 visitors arrived in Hawaii, as compared to 841,376 visitors in May 2019. In the first five months of 2020, total visitor arrivals dropped 49.5% to 2,139,166. Many of the State's major hotels closed in response to the emergency, although 77.8% of the hotels were open for business as of July 8, 2020 according to the Hawaii Commercial Rent Survey conducted by the State Department of Business, Economic Development and Tourism ("DBEDT") along with approximately 15 private partners. See "GENERAL ECONOMIC INFORMATION—Tourism" in APPENDIX A for a more detailed overview of COVID-19 impact on the visitor industry.

DBEDT currently assumes the visitor industry in Hawaii will not begin recovering until September 2020, and forecasts Hawaii may recover 30% of the arrivals from September 2019, and 45% of the arrivals from December 2019, with cruise visitors beginning to arrive in the second half of 2021. Under that schedule, DBEDT forecasts 3.4 million visitors will travel to Hawaii in 2020, a decrease of 67.5% from 2019. DBEDT forecasts visitor arrivals will increase to 6.2 million in 2021, 8.3 million in 2022 and 9.4 million in 2023, reaching the 2019 level in 2025.

The State's seasonally adjusted unemployment rate was 13.9% in June 2020 (compared to 2.7% in June 2019), lower than the unemployment rate of 23.5% experienced in May 2020 and the historically high of 23.8% in April 2020, according to the State Department of Labor and Industrial Relations. The State has applied and received approval for an advance from the U.S. Department of Labor to assist in meeting unprecedented unemployment insurance claims.

The impact on State finances has been severe. The State's expenditures to respond to the COVID-19 pandemic were not budgeted, and State tax revenues have declined with the suspension of economic activity. The State Department of Taxation has reported that May 2020 tax collections were likely to be less than 50% of May 2019 tax collections. On May 15, 2020, DBEDT forecasted that Hawaii's economic growth would decline by 12.1 % in the next year. On May 28, 2020, the State's Council on Revenues forecasted that State tax revenues would decrease by

7% for the fiscal year ending June 30, 2020 from the fiscal year ended June 30, 2019, and State tax revenues would decrease an additional 12% for the fiscal year ending June 30, 2021. The amount of the decrease is approximately \$2.3 billion. Preliminary general fund tax revenues for FY 2020 were -6.2%, 0.8% less of a decline than forecasted by the Council on Revenues on May 28, 2020. See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” and “—General Fund Tax Revenues” in Part I of APPENDIX B. At its meeting on July 30, 2020, the Council on Revenues forecasted that total personal income in Hawaii would decline by 7% in the 2020 calendar year from calendar year 2019, and there would be no growth in total personal income in the 2021 calendar year. The forecast on total personal income has been filed on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) system. The Council on Revenues forecasts from May 28, 2020, are not changed by this total personal income forecast. The next Council on Revenues report is due on September 10, 2020, pursuant to statute.

In response to the COVID-19 pandemic the federal government recently enacted the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), which created a \$150 billion Coronavirus Relief Fund (“CRF”). The U.S. Treasury Department is distributing CRF allocations to state and local governments under a population-based formula to reimburse state and local governments for COVID-19-related medical, public health, and economic support and other emergency response costs incurred and spent between March 1, 2020 and December 30, 2020, provided that such costs were not included in the most recently approved budgets. The State cannot quantify or estimate the scope or duration of the COVID-19 pandemic at this time, and cannot estimate the potential costs it may incur in response to COVID-19. As of July 15, 2020, the State and its citizens and businesses are estimated to have been allocated over \$8.1 billion in federal assistance in the form of grants, loans and forgivable loans from the CRF and other sources, not all of which may have been drawn upon. See “GENERAL ECONOMIC INFORMATION—Federal Government and Military” in APPENDIX A. The State has appropriated \$175 million in CRF funding to the State’s Neighbor Island counties on a formulaic basis. Additionally, the Governor authorized creation of a \$60 million emergency fund prior to passage of the CARES Act to address COVID-19 direct response and economic impact response requirements.

The State believes that it has sufficient liquidity under current projections for at least the current fiscal year, with the State Treasury holding approximately \$5.9 billion as of June 30, 2020, in bank certificates of deposit and highly-rated U.S. Treasury and federal agency debt with a short-term (significantly less than 1 year) average maturity. This includes the State’s “rainy day fund”, the Emergency and Budget Reserve Fund, with a balance of \$403.9 as of June 30, 2020, approximately \$350 million of which have been appropriated in fiscal year 2020 to deal with the COVID-19 emergency. In addition, Act 3, SLH 2020, authorizes the borrowing of a maximum of \$2.1 billion by public sale or from the Federal Reserve Bank’s Municipal Liquidity Facility, although the State currently expects to borrow significantly less than that, to meet current working capital operating needs and as part of its General Fund Financial Plan going forward, as described in “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” and “—General Fund Tax Revenues” in Part I of APPENDIX B.

It is likely that the full impact of the COVID-19 pandemic on the State will continue to change as the situation further develops. The fiscal impact will depend in part on future events outside of the State’s control, including actions of the federal government. Although the federal government is considering additional legislation that may provide additional assistance to the State, local governments and businesses, including economic stimulus packages and other financial assistance, passage of any such legislation is uncertain.

PENDING LITIGATION

There is currently no pending litigation seeking to restrain or enjoin the sale, issuance, execution or delivery of the Bonds or in any other manner affecting the validity of the Bonds or the proceedings or authority pursuant to which they are to be sold and issued. The State has been named as a defendant in numerous lawsuits and claims arising in the normal course of operations that are not expected to have a material adverse effect on the State’s financial position.

Described under this heading and in APPENDIX E are certain other lawsuits and claims that, if ultimately resolved against the State, could have a material adverse effect on the State’s financial condition or as to which the State is unable to predict the magnitude of its potential liability, if any. Such lawsuits and claims include those involving (i) the Office of Hawaiian Affairs (“OHA”) and certain lands (the “Ceded Lands”) transferred in 1898 by the Republic of Hawaii to the United States and in 1959, upon the State’s admission to the Union, by the United States

to the State (as to, among other things, claims to a portion of the income and proceeds of the Ceded Lands) and the State's alleged breach of fiduciary duties as trustee of the public land trust in the management of Mauna Kea; (ii) the Hawaiian Home Lands and the Department of Hawaiian Home Lands (as to certain alleged breaches of trust and fiduciary duties and related individual claims by beneficiaries of the Hawaiian Homes Commission Act of 1920, referred to herein as the "Individual Claims Cases"; and separately, as to alleged violations of Article XII, Section 1 of the State Constitution for the Legislature not providing sufficient funding for the Department's Administration and Operating Budget, referred to herein as "Nelson") (iii) the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") (as to claims of retired state employees that their health care benefits have been diminished or impaired in violation of Article XVI, Section 2 of the State Constitution as a result of the State's, EUTF's, and the EUTF Board's breach of contract, negligence, and breach of fiduciary duties) and (iv) the Department of Taxation (as to the class action lawsuit against the State of Hawaii).

The State intends to defend vigorously against all of the claims referred to in clause (i) of the second paragraph under this caption, and as such claims and related proceedings are further described in APPENDIX E — "PENDING LITIGATION — Office of Hawaiian Affairs and Ceded Lands." The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of all of the claims in favor of OHA and its beneficiaries could have a material adverse effect on the State's financial condition.

The State intends to defend vigorously against the claims against the State in all of the remaining Individual Claims Cases and in Nelson referred to in clause (ii) of the second paragraph under this caption, and as such claims and related proceedings are further described in APPENDIX E — "PENDING LITIGATION—Department of Hawaiian Home Lands." The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiffs' claims in the Individual Claims Cases, and some of the plaintiffs' claims in Nelson, in the respective plaintiffs' favor, could have a material adverse effect on the State's financial condition.

The State intends to defend vigorously against the claims brought against the State, the EUTF, and the EUTF Board referred to in clause (iii) of the second paragraph under this caption, and as such claims and related proceedings are further described in APPENDIX E — "PENDING LITIGATION—Hawaii Employer Union Health Benefits Trust Fund." The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiffs' claims in their favor in this case could have a material adverse effect on the State's financial condition.

The State intends to defend vigorously the claims brought against the State referred to in clause (iv) of the second paragraph under this caption, and as such claims and related proceedings are further described in APPENDIX E — "PENDING LITIGATION — Department of Taxation." The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiffs' claims in their favor in this case could have a material adverse effect on the State's financial condition.

TAX MATTERS

Opinions of Bond Counsel

In the opinion of Bond Counsel to the State, interest on the Bonds (i) is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes.

General

The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of Bonds by original purchasers of the Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Bonds will be held as "capital assets"; and (iii) does not discuss all of the United States federal income tax

consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Bonds as a position in a “hedge” or “straddle”, U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Certain taxpayers that are required to prepare certified financial statements and file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below.

U.S. Holders of Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if original issue discount (“OID”) is greater than a statutorily defined *de minimis* amount, a U.S. Holder of a Bond having a maturity of more than one year from its date of issue must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such U.S. Holder holds such Bond) the daily portion of OID, as it accrues (generally on a constant-yield method) and regardless of the U.S. Holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price”. For purposes of the foregoing: “issue price” means the first price at which a substantial amount of the Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such Bond; “qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and “*de minimis* amount” is an amount equal to 0.25 percent of the Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity. A U.S. Holder may irrevocably elect to include in gross income all interest that accrues on a Bond using the constant-yield method, subject to certain modifications.

Bond Premium

In general, if a U.S. Holder acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Taxable Premium Bond”). In general, if a U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant-yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to such U.S. Holder’s basis in the Taxable Premium Bond. Any such election applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired, and is irrevocable without the Internal Revenue Service’s consent. A U.S. Holder of a Taxable Premium Bond that so elects to amortize bond premium does so by offsetting the qualified stated interest allocable to each interest accrual period under the U.S. Holder’s regular method of federal tax accounting against the bond premium allocable to that period. If the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is treated as a bond premium deduction under Section 171(a)(1) of the Code, subject to certain limitations. If a Taxable Premium Bond is optionally callable before maturity at a price in excess of its stated redemption price at maturity, special rules may apply with respect to the amortization of bond premium. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder’s original acquisition cost.

U.S. Holders of any Taxable Premium Bonds should consult their own tax advisors with respect to the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, and disposition of Taxable Premium Bonds.

Disposition

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Bond.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate U.S. Holders of the Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a Bond and the proceeds of the sale of a Bond before maturity within the United States. Backup withholding may apply to U.S. Holders of Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under state law and could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the State. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX G hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, Dentons US LLP and Katten Muchin Rosenman LLP.

RATINGS

Fitch Ratings, Moody's Investors Service, and S&P Global Ratings Inc., have rated the Bonds "AA+" with a negative outlook, "Aa2" with a stable outlook, and "AA+" with a negative outlook, respectively, based on the credit of the State. Generally, a rating agency bases its rating on the information and materials so furnished and on investigations, studies and assumptions made by such rating agency. Such ratings reflect only the respective views of such rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that any of such ratings will be retained for any given period of time or that the same will not be revised downward, suspended or withdrawn entirely by the rating agency furnishing the same.

if, in its judgment, circumstances so warrant. The State undertakes no responsibility to oppose any such downward revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds.

UNDERWRITING

BofA Securities, Inc., Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., and Goldman Sachs & Co. LLC (collectively, the “Underwriters”) have agreed to purchase the Bonds at an aggregate purchase price of \$997,088,394.33, which is equal to the principal amount of the Bonds, plus net original issue premium of \$3,820,645.40, less an aggregate underwriting discount of \$1,732,251.07. The Underwriters will be obligated to purchase all of the Bonds if any are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of such Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the State, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

MUNICIPAL ADVISOR

The State has retained PFM Financial Advisors LLC (the “Municipal Advisor”), as municipal advisor with respect to the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm.

CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING STATEMENTS AND PROJECTIONS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or similar words.

The achievement of certain results or other expectations contained in such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performances or achievements described to be materially different from any future results, performances or achievements expressed or implied by such forward looking statements. The State does not plan to issue any updates or revisions to those forward looking statements if and when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur, unless such updates or revisions are made in the course of fulfilling its continuing disclosure obligations, as described under “CONTINUING DISCLOSURE.”

Certain statements set forth in this Official Statement constitute “projections” and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the State’s management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the State. However, this information is not fact and should not be relied upon as being necessarily indicative of future information. Neither the State’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

CONTINUING DISCLOSURE

The State will enter into a Continuing Disclosure Certificate (the “Disclosure Certificate”) in the form set forth in APPENDIX F hereto, for the benefit of the holders and Beneficial Owners of the Bonds, agreeing to provide certain financial information and operating data relating to the State with respect to its general obligation bonds and certificates of participation electronically to the Municipal Securities Rulemaking Board (the “MSRB”) annually and to provide notice to the MSRB of the occurrence of certain enumerated events pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. §240.15c2-12) (the “Rule”). See APPENDIX F — “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

The State entered into similar continuing disclosure undertakings with respect to prior issues of its general obligation bonds and certificates of participation. The State’s fiscal year 2009 and 2010 annual filings were incomplete and the State failed to disclose such matters in three official statements issued between 2011 and 2013. In connection with the foregoing, the State self-reported under the Securities and Exchange Commission Division of Enforcement’s Municipalities Continuing Disclosure Cooperation Initiative (the “Initiative”) in November 2014. The State entered into an offer of settlement with the SEC and the SEC issued a cease-and-desist order (the “Order”) on August 26, 2016, in accordance with the specified terms of the Initiative. The Order required the State to: (i) establish, within 180 days of the Order, appropriate written policies and procedures and periodic training regarding continuing disclosure obligations to effect compliance with the federal securities laws, including the designation of an individual or officer responsible for ensuring compliance of such policies and procedures and implementing and maintaining a record (including attendance) of such training; (ii) comply, within 180 days of the Order, with existing continuing disclosure undertakings, including updating past delinquent filings, if any; (iii) disclose, in a clear and conspicuous fashion, the terms of the Order in any final official statement issued within five years of the date thereof; (iv) certify, in writing, compliance with the aforementioned undertakings, which certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance and shall be submitted no later than the one-year anniversary of the institution of the Order; and (v) cooperate with any subsequent investigation by the Division of Enforcement regarding the false statement(s) and/or material omission(s), including the roles of individuals and/or other parties involved. The State filed a certification with the SEC intended to address the requirement described in (iv) of the immediately preceding sentence in March 2017.

In addition to the foregoing, the State has, during the past five years, failed to file certain defeasance, refunding and redemption notices or failed to file them in a timely manner. The State has adopted policies and procedures aimed at ensuring compliance with its continuing disclosure undertakings going forward. The State regularly updates APPENDIX B, which may involve adding additional financial and operating data, displaying data in a different format, or eliminating data that are no longer material.

A failure by the State to comply with the Disclosure Certificate will not constitute an event of default of the Bonds, although any Bondholder or any Beneficial Owner may bring action to compel the State to comply with its obligations under the Disclosure Certificate. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

FINANCIAL STATEMENTS

The General Purpose Financial Statements and additional information as of and for the year ended June 30, 2019, included in the State's Comprehensive Annual Financial Report referenced in Part II of APPENDIX B, have been audited by Accuity LLP, independent auditors, as stated in their report appearing therein, which is based in part on the reports of other auditors (which report expresses an unmodified opinion on the financial statements). There can be no assurance that the information in such Comprehensive Annual Financial Report is indicative of the current financial position or future financial performance of the State.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

Neither this Official Statement, nor any statement that may have been made verbally or in writing, is to be construed as a contract with the holders of any of the Bonds.

The Department of Budget and Finance, State of Hawaii, has prepared this Official Statement and has duly authorized the delivery hereof.

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APPENDIX A

GENERAL INFORMATION ABOUT THE STATE OF HAWAII

The statistical information presented by this APPENDIX A is the most current information available to the State. Because such information becomes available at different times, the dates of such information, as presented herein, are not the same.

INTRODUCTION

General

The State was admitted into the Union on August 21, 1959, as the fiftieth state. It is an archipelago of eight major islands, seven of which are inhabited, plus 124 named islets, totaling 6,425 square miles in land area, located in the Pacific Ocean in the Northern Hemisphere, mostly below the Tropic of Cancer, about 2,400 statute miles from San Francisco. The State is slightly larger than the combined area of the States of Connecticut and Rhode Island and ranks forty-seventh of the fifty states in land area, being also larger in area than the State of Delaware. The island of Hawaii is the largest island, with 4,028 square miles in area. The other inhabited islands, in order of size, are Maui, Oahu, Kauai, Molokai, Lanai and Niihau. According to the U.S. Census, the total population of the State was 422,770 in 1940, 499,794 in 1950, 632,772 in 1960, 769,913 in 1970, 964,691 in 1980, 1,115,274 in 1990, 1,211,537 in 2000, and 1,360,301 in 2010, making the State the 40th most populous state in the Union as of 2010. The City and County of Honolulu consists of the island of Oahu (plus some minor islets) with a land area of 599.8 square miles. The capital of the State and the principal port are located on Oahu. According to the 2010 U.S. Census, about 70.1 percent of the population of the State lives on Oahu. Hawaii's population exhibits greater ethnic diversity than other states because it is descended from immigrants from Asia as well as from Europe and the mainland United States. Based on the 2010 U.S. Census, approximately 38.6 percent of the State's population is of Asian descent and about 24.7 percent of the State's population is Caucasian. Native Hawaiians and other Pacific Islanders constitute 10.0 percent of the population. The balance consists of people of mixed races and other races, such as African Americans and American Indians.

State Government

The Constitution of the State provides for three separate branches of government: the legislative branch, the executive branch and the judicial branch. The legislative power is vested in a bicameral Legislature consisting of a Senate of twenty-five members elected for four-year terms and a House of Representatives of fifty-one members elected for two-year terms. The Legislature convenes annually. The executive power is vested in a Governor elected for a four-year term. In the event of the absence of the Governor from the State, or his or her inability to exercise and discharge the powers and duties of his or her office, the Lieutenant Governor, also elected for a four-year term, serves as the chief executive. Under the Constitution, the judicial power is vested in a Supreme Court, one intermediate appellate court, circuit courts, district courts, and such other courts as the Legislature may from time to time establish. Pursuant to statute, the Legislature has established four circuit courts, four district courts and an intermediate appellate court. The executive and administrative offices are limited to not more than twenty principal departments under the supervision of the Governor. The executive functions have in fact been grouped into eighteen departments. The heads of the departments are appointed by the Governor, with the advice and consent of the Senate, and hold office for a term to expire with the term of the Governor. The Department of Budget and Finance is one of the principal departments permitted by the Constitution of the State, with the head of said department being designated as the Director of Finance. Under the general direction of the Governor, the Department of Budget and Finance administers the State's proposed six-year program and financial plan, the State budget, and financial management programs of the State.

No Voter Initiative and Referendum

The Hawaii State Constitution and Hawaii state law do not authorize either State-wide voter initiatives (that is, the electoral process by which a percentage of voters can propose legislation and compel a vote on it to enact such a measure) or State-wide referendum actions (that is, the process of referring a state legislative act or an important

public issue to the public for their final approval by public vote). The issuance of bonds is not subject to approval by public vote.

The Counties and Their Relationship to the State

There are four counties in the State: the City and County of Honolulu, the County of Maui, the County of Hawaii and the County of Kauai (and one quasi county, Kalawao). Each of the counties has a separate charter for its government, each of which provides for an elected mayor and an elected council. The mayor is the chief executive and the council is the legislative body. There are no independent or separate cities or other municipalities, school districts or townships. The State government of Hawaii has total responsibility for many functions that are performed by or shared by local governments in most other parts of the United States. For example, the State pays all costs in connection with the public school system, libraries, public welfare, and judiciary. The greatest expenditures by the State in past years have been in the areas of education and public welfare. The counties' major areas of responsibility and expenditure are in police and fire protection, waste disposal, water and sewer facilities, and secondary streets and highways.

DEBT STRUCTURE

Types of Bonds Authorized by the Constitution

The Constitution of the State empowers the Legislature to authorize the issuance of four types of bonds (defined by the Constitution as bonds, notes and other instruments of indebtedness): general obligation bonds (defined by the Constitution as all bonds for the payment of the principal and interest for which the full faith and credit of the State or a political subdivision are pledged and, unless otherwise indicated, including reimbursable general obligation bonds hereinafter defined); bonds issued under special improvement statutes; revenue bonds (defined by the Constitution as all bonds payable from revenues, or user taxes, or any combination of both, of a public undertaking, improvement, system or loan program and any loan made thereunder and secured as may be provided by law); and special purpose revenue bonds (defined by the Constitution as all bonds payable from rental or other payments made to an issuer by a person pursuant to contract and secured as may be provided by law, including a loan program to a state property insurance program providing hurricane coverage to the general public). Under the Constitution, special purpose revenue bonds shall only be authorized or issued to finance facilities of or for, or to loan the proceeds of such bonds to assist, manufacturing, processing or industrial enterprises, certain not for profit private schools, utilities serving the general public, health care facilities provided to the general public by not for profit corporations, early childhood education and care facilities provided to the general public by not for profit corporations, agricultural enterprises serving important agricultural lands, or low and moderate income government housing programs. All bonds of the State other than special purpose revenue bonds must be authorized by a majority vote of the members to which each house of the Legislature is entitled. Special purpose revenue bonds of the State must be authorized by two-thirds vote of the members to which each house of the Legislature is entitled.

Outstanding Indebtedness and Debt Limit

The Constitution provides that determinations of the total outstanding indebtedness of the State and the exclusions therefrom shall be made annually and certified by law or as prescribed by law. General obligation bonds may be issued by the State, provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds in the current or any future fiscal year, whichever is higher, to exceed a sum equal to 18.5% of the average of the General Fund revenues of the State in the three fiscal years immediately preceding such issuance. For the purposes of such determination, General Fund revenues of the State do not include moneys received as grants from the federal government and receipts in reimbursement of any reimbursable general obligation bonds which are excluded in computing the total indebtedness of the State.

In order to carry out the provisions contained in the Constitution, the Legislature enacted Part IV of Chapter 39, HRS ("Part IV"), to require the Director of Finance to prepare statements of the total outstanding indebtedness of the State and the exclusions therefrom and of the debt limit of the State evidencing the power of the State to issue general obligation bonds and, prior to the issuance of any general obligation bonds, to find that the issuance of such bonds will not cause the debt limit of the State to be exceeded. Part IV provides that such statements

shall be prepared as of July 1 of each year and submitted to the Legislature no later than December 1 of such year. The July 1, 2019 statement is the most recent such statement prepared and submitted to the Legislature. See “INFORMATION ABOUT INDEBTEDNESS” in Part I of APPENDIX B for a tabular summary of the statement of total outstanding indebtedness of the State and exclusions therefrom as of July 1, 2019, including general obligation bonded indebtedness, revenue bonded indebtedness, special assessment bonded indebtedness and special purpose revenue bonded indebtedness, and the permitted exclusions from the general obligation bonded indebtedness. See APPENDIX D — “GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII.”

The summary statement of debt limit of the State evidencing the power of the State to incur indebtedness sets forth the General Fund revenues of the State, exclusive of federal grants, for the fiscal years ended June 30, 2017, 2018 and 2019 and the net General Fund revenues after required exclusions, the average of the said three fiscal years, and the limit of total principal and interest which may be payable in any fiscal year. See “SUMMARY STATEMENT OF THE DEBT LIMIT OF THE STATE OF HAWAII” in Part I of APPENDIX B.

The greatest amount of principal and interest payable in any fiscal year on the outstanding general obligation indebtedness as of July 1, 2020, after giving effect to the issuance of the Bonds, after exclusions therefrom permitted by the Constitution, is \$771,235,324 in the fiscal year ending June 30, 2022. A summary of debt service on all general obligation bonded indebtedness of the State (including the Bonds) is set forth under “SUMMARY OF DEBT SERVICE” in Part I of APPENDIX B; however, the debt service excluded in that table includes reimbursements that are made as required, regardless of whether such reimbursements may be excluded under the Constitution, as described below under “Exclusions.”

As calculated from the State Comptroller’s Bond Fund report as of June 30, 2020, the amount of authorized but unissued general obligation bonds (including the Series FZ Bonds) is \$2,799,726,982. Such amount does not include general obligation refunding bonds. These authorized but unissued general obligation bonds are scheduled to be issued prior to June 30, 2023.

The 2020 State Legislature authorized borrowings in excess of the State’s debt limit. Pursuant to Article VII, Section 13 of the Constitution of the State of Hawaii, the State may exceed the debt limit if an emergency condition is declared by the Governor and concurred to by a two-thirds vote of the Legislature. The Governor has declared that an emergency condition exists due to the COVID-19 pandemic and the 2020 State Legislature has concurred with this declaration. The spike in debt service that would cause the State’s debt limit to be exceeded is the repayment of the authorized borrowing of a maximum of \$2.1 billion by public sale or from the Federal Reserve Bank’s Municipal Liquidity Facility, although the State currently expects to borrow significantly less than that, to meet current working capital operating needs and as part of its General Fund Financial Plan going forward, as described in “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” and “—General Fund Tax Revenues” in Part I of APPENDIX B.

Until recently, the State relied upon the requirements in the Constitution as the principal guide for issuing debt. See APPENDIX C — “EXTRACT FROM THE CONSTITUTION OF THE STATE OF HAWAII” for a description of the relevant provisions in the Constitution. In 2015, the Legislature passed Act 149, SLH 2015, which required the Director of Finance to develop and submit a formal debt management policy to the Legislature before the regular session of 2017 convened, and to submit a debt affordability study before the regular session of each odd-numbered year convenes to provide the Legislature with information on the affordability of the future debt planned for the State. The debt management policy and debt affordability study were completed and submitted to the Legislature as required in December 2016. An update to the debt affordability study was submitted to the Legislature in December 2018. The December 2018 study, which was prepared by PFM Financial Advisors LLC on behalf of the State and the Department of Budget and Finance, noted with respect to State General Fund debt that projected revenues are sufficient to cover existing and projected debt service and retirement contributions, but noted that “the increasing trend for many of the State’s affordability metrics indicates that borrowing has outpaced economic growth in the State.” This precedes the COVID-19 emergency, which has resulted in reduced revenues and negative economic growth rates. See “COVID-19 EMERGENCY” in the forepart of this Official Statement, APPENDIX A and “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS — General Fund Financial Plan” in Part I of APPENDIX B. This debt study will be further updated later in 2020.

Exclusions

The Constitution contains nine general provisions excluding certain types of bonds (including certain general obligation bonds) when determining the power of the State to issue general obligation bonds or the funded debt of any political subdivision. Six of these exclusions are described below. As stated above, the limitation on indebtedness of the State under the Constitution applies only to the power to issue general obligation bonds, and the limitation is measured by the debt service on general obligation bonds against the three-year average of General Fund revenues. The three exclusions relating to revenue bonds, special purpose revenue bonds, and bonds issued under special improvement statutes for which the only security is the properties benefited or assessments thereon are chiefly of concern to counties when computing the funded debt of counties. Accordingly, those provisions are not discussed in this Official Statement. However, the complete provisions of Sections 12 and 13 of Article VII of the Constitution relating to the incurring of indebtedness by the State and its political subdivisions are set forth in APPENDIX C.

One of the nine exclusionary provisions excludes bonds that have matured, or that mature in the then current fiscal year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then current fiscal year, or for the full payment of which moneys or securities have been irrevocably set aside.

Another of the exclusionary provisions excludes reimbursable general obligation bonds (defined in the Constitution as general obligation bonds issued for a public undertaking, improvement or system from which revenues, or user taxes, or a combination of both, may be derived for the payment of the principal and interest as reimbursement to the General Fund and for which reimbursement is required by law, and, in the case of general obligation bonds issued by the State for a political subdivision, general obligation bonds for which the payment of the principal and interest as reimbursement to the General Fund is required by law to be made from the revenues of the political subdivision) issued for a public undertaking, improvement or system, but only to the extent that reimbursements to the General Fund are made from the net revenues, or net user tax receipts, or combination of both, derived from the particular undertaking, improvement or system or payments or return on security under a loan program or a loan thereunder for the immediately preceding fiscal year, with the result that the amount of reimbursable general obligation debt excluded will vary from year to year. A “user tax” is defined by the Constitution as a tax on goods or services or on the consumption thereof, the receipts of which are substantially derived from the consumption, use or sale of goods and services in the utilization of the functions or services furnished by a public undertaking, improvement or system, provided that mortgage recording taxes shall constitute taxes of a State property insurance program. Thus, for example, the aviation fuel tax is a user tax insofar as the airports system of the State is concerned, since the tax is substantially derived from the sale of a good (aviation fuel) in the utilization of the functions of the airports, but the aviation fuel tax would not be a user tax so far as schools or a stadium is concerned, since the tax is not derived from the consumption or use or sale of goods in using schools or a stadium.

Two other exclusionary provisions exclude (a) reimbursable general obligation bonds of the State issued for any political subdivision, but only for so long as reimbursement by the political subdivision to the State for the payment of principal and interest on such bonds is required by law, and (b) general obligation bonds issued for assessable public improvements to the extent reimbursements to the General Fund for principal and interest on such bonds are in fact made from assessment collections available therefor.

One other exclusionary provision excludes bonds constituting instruments of indebtedness under which the State incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed 7% of the principal amount of outstanding general obligation bonds not otherwise excluded by the exclusionary provisions of the Constitution and subject to the condition that the State shall establish a reserve in an amount in a reasonable proportion to outstanding loans guaranteed by the State. This exclusion is intended to permit the exclusion of such items as general obligation guarantees of loans under State loan programs to the extent the principal amount of such items does not exceed 7% of the outstanding principal amount of general obligation bonds not otherwise excluded. At such time as the principal amount of such items exceeds 7% of the outstanding principal amount of general obligation bonds not otherwise excluded, the potential debt service on all such items in excess of 7% of the outstanding principal amount of general obligation bonds not otherwise excluded would be included in determining the power of the State to incur indebtedness.

A final exclusionary provision excludes bonds issued by or on behalf of the State or a political subdivision to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet

casual deficits or failures of revenue, if required to be paid within one year, and bonds issued by or on behalf of the State to suppress insurrection, to repel invasion, to defend the State in war or to meet emergencies caused by disaster or act of God.

Other Constitutional and Statutory Provisions

General obligation bonds of the State must be authorized pursuant to the Constitution by a majority vote of the members to which each house of the Legislature is entitled. The Legislature from time to time enacts laws specifying the amount of such bonds (without fixing any particular details of such bonds) that may be issued and defining the purposes for which the bonds are to be issued.

The Constitution requires that general obligation bonds of the State with a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest, the first installment of principal to mature not later than five years from the date of the issue of such series and the last installment to mature not later than twenty-five years from the date of such issue, except that the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds and on bonds constituting instruments of indebtedness under which the State or a political subdivision incurs a contingent liability as a guarantor shall mature not later than thirty-five years from the date of such issue.

Part I of Chapter 39, HRS, as amended, is the general law for the issuance of general obligation bonds of the State. Such part sets forth limitations on general obligation bonds, such as interest rates and maturity dates, and also sets forth the provisions for the sale and form of such bonds. Such part provides that the Director of Finance, with the approval of the Governor, may issue from time to time general obligation bonds of the State in accordance with acts of the Legislature authorizing the issuance of such bonds and defining the purposes for which such bonds are to be issued.

The Governor determines when the projects authorized by the acts authorizing bonds shall commence. General obligation bonds are sold from time to time pursuant to the authorization of such acts and Part I of Chapter 39, HRS, as amended, in order to finance the projects. The Governor then allots the proceeds of the bonds so issued to the purposes specified in the acts authorizing bonds.

Section 11 of Article VII of the Constitution provides that all appropriations for which the source is general obligation bond funds or the General Fund must be for specified periods which may not exceed three years, except for appropriations from the State Educational Facilities Improvement Special Fund. Any appropriation or any portion of an appropriation which is unencumbered at the close of the fiscal period for which the appropriation is made will lapse, provided that no appropriation or portion thereof for which the source is general obligation bond funds shall lapse if the Legislature determines that such appropriation is necessary to qualify for federal aid financing and reimbursement. A general obligation bond authorization, to the extent such authorization is dependent on a specific appropriation, must be reduced in an amount equal to the amount of appropriation lapsed by operation of law or Section 11 of Article VII of the Constitution.

Set forth in APPENDIX C are the provisions of Sections 11, 12 and 13 of Article VII of the Constitution applicable to the incurring of indebtedness by the State and its political subdivisions.

Financing Agreements (Including Leases)

HRS Chapter 37D provides for financing agreements (including leases and installment sale agreements) for the improvement, use or acquisition of real or personal property which is or will be owned or operated by the State or any State agency and specifies that any such financing agreement shall not be an obligation for which the full faith and credit of the State or any State agency is pledged, and that no moneys other than amounts appropriated by the Legislature or otherwise held in trust for such purposes shall be required to be applied to the payment thereof. The Legislature is not required to appropriate moneys for such purpose, and financing agreements do not constitute "bonds" within the meaning of Sections 12 or 13 of Article VII of the Constitution including but not limited to for debt limitation purposes. Chapter 37D does provide that the Governor's Executive Budget shall include requests to

the Legislature for appropriation of moneys to pay amounts due each fiscal period under financing agreements. See “SUMMARY OF DEBT SERVICE—Certificates of Participation and Lease Purchase Agreements.”

Reimbursement to State General Fund for Debt Service

As indicated above, all general obligation bonds of the State are payable as to principal and interest from the General Fund of the State. Acts of the Legislature authorizing the issuance of general obligation bonds for certain purposes frequently (but not always) require that the General Fund be reimbursed for the payment from such fund of the debt service on such bonds, such reimbursement to be made from any income or revenues or user taxes derived from the carrying out of such purposes. Such income or revenues or user taxes are not pledged to the payment of such bonds. Reimbursement is made from the income or revenues or user taxes derived from or with respect to such highways, harbor and airport facilities, land development, economic development projects, university projects, State parking facilities and housing programs. Of the bonds referred to in this paragraph: (a) reimbursement to the General Fund of general obligation bonds issued for highways is made exclusively from the tax on motor fuel and does not include any revenues such as toll revenue; and (b) reimbursement to the General Fund of general obligation bonds issued for airports is made from the aviation fuel tax as well as from airports system revenues. See “TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Special Funds” for a description of such taxes. Reimbursement to the General Fund of all the other general obligation bonds referred to in this paragraph is made from non-tax revenues, such as from wharfage and dockage charges, pier rentals and other charges for harbor facilities; from land sales or rentals; and from dormitory and dining hall revenues and income from other ancillary facilities.

Some of the bonds referred to in the immediately preceding paragraph do not constitute “reimbursable general obligation bonds” excludable from the debt limit because they are not issued for the type of public undertaking, improvement or system to which the constitutional provisions for such exclusion pertain. See “DEBT STRUCTURE— Exclusions.” See “GENERAL OBLIGATION BONDS OUTSTANDING” in Part I of APPENDIX B for a tabular summary of reimbursable and non-reimbursable general obligation bonds.

TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL

Introduction

The State receives its revenues from taxes, fees and other sources. The Department of Taxation, headed by the Director of Taxation, is charged with the responsibility of administering and enforcing the tax revenue laws and the collection of most taxes and other payments payable thereunder. All tax revenues of the State are credited to one or the other of the two operating funds maintained by the State, designated respectively as the General Fund and Special Funds. The revenues and expenditures for the last five fiscal years of the General Fund are set forth in Part I of APPENDIX B.

The State Constitution does not prohibit or limit the power of taxation, and reserves all taxing power to the State, except to the extent delegated by the Legislature to the political subdivisions of the State and except all the functions, powers and duties related to real property taxation, which is exercised exclusively by the counties. The State cannot at this time predict the impact, if any, of recently enacted changes to the federal individual and corporate income tax laws on the tax revenues of the State, nor can it predict the impact on such tax revenues of any other proposed changes that may currently be under consideration or discussion.

The State Constitution requires the establishment of a tax review commission to be appointed as provided by law every five years. The purpose of such commission is to submit to the Legislature an evaluation of the State’s tax structure and to recommend revenue and tax policy, after which such commission is dissolved. The State Constitution does not require action by the Legislature with respect to the recommendations as submitted. The Legislature has the option of accepting or rejecting all or portions of the commission’s findings. The fifth tax review commission convened on July 26, 2005, and issued its report in final form on December 1, 2006, in which it concluded that the Hawaii tax system is “basically sound.” The sixth tax review commission convened on July 15, 2011 and issued its report on November 28, 2012. After reviewing Hawaii’s tax structure, including how the structure fared during the Great Recession of 2008-2010 and how adequate the structure will be to meet future needs, the commission expressed

concern about a possible budget gap and, as a result, one of its recommendations was the establishment of a separate commission to review and make recommendations on both revenues and expenditures. Although the Legislature did not take action on this recommendation, the Legislature did pass legislation addressing several of the commission's concerns; e.g., increasing the food/excise tax credit, modernizing the tax computer system, and funding the unfunded liabilities in other post-employment benefits (see "EMPLOYEE RELATIONS; STATE EMPLOYEES' RETIREMENT SYSTEM—State Employees' Health Benefits"). The seventh Tax Review Commission convened on June 27, 2016 and issued its report to the Legislature on February 8, 2018.

General Fund

The General Fund is used to account for resources not specifically set aside for special purposes. Any activity not financed through another fund is financed through the General Fund. The appropriations acts adopted by the Legislature provide the basic framework in which the resources and obligations of the General Fund are accounted. The operating appropriations and the related General Fund accounting process complement each other as basic control functions in the general administration of the government.

The State Constitution provides that whenever the General Fund balance at the close of each of two successive fiscal years exceeds 5% of General Fund revenues for each of the two years, the Legislature in the next regular session shall provide for a tax refund or tax credit to the taxpayers of the State, as provided by law. The State Constitution does not specify the amount of, or a formula for calculating, any such tax refund or tax credit. General Fund balances exceeded 5% of General Fund revenues for fiscal years 2006, 2007 and 2008; as a result: (1) the 2008 Legislature passed Act 58, SLH 2008, to provide for a tax credit in the aggregate amount of approximately \$1 million and (2) the 2009 Legislature passed Act 84, SLH 2009, to provide for a tax credit in the aggregate amount of approximately \$1.1 million. In November 2010, Section 6 of Article VII of the State Constitution was amended to add another option to dispose of excess revenues. In addition to providing for a tax refund or tax credit, the Legislature may make a deposit into one or more funds that serve as temporary supplemental sources of funding in times of an emergency, economic downturn or unforeseen reduction in revenues, as provided by law. Act 138, SLH 2010, provided for the deposit of general funds into the Emergency and Budget Reserve Fund ("EBRF") whenever State General Fund revenues for each of two successive fiscal years exceed revenues for each of the preceding fiscal years by 5%; however, no such transfer shall be made whenever the balance of the EBRF is equal to or more than 10% of General Fund revenues for the preceding fiscal year. The State Constitution also provides, in conjunction with Section 328L 3, HRS, that the Director of Finance is required to transfer 5% of the General Fund fiscal year-end balance into the EBRF whenever General Fund revenues for each of two successive fiscal years exceed revenues for the respective preceding fiscal years by 5%. In November 2016, Section 6 of Article VII of the State Constitution was amended to add more options to dispose of excess revenues. In addition to providing for a tax refund or tax credit and making a deposit into one or more funds that serve as temporary supplemental sources of funding in times of an emergency, economic downturn, or unforeseen reduction in revenues, the Legislature may appropriate general funds for the pre-payment of either or both of debt service for general obligation bonds issued by the State or pension or other post-employment benefit liabilities accrued for state employees.

Although a deposit into the EBRF was not required, the 2013 Legislature passed Act 267, SLH 2013, appropriating \$50 million of General Fund revenues to be deposited into the EBRF in fiscal year 2014. In fiscal years 2013 and 2014, the General Fund balance exceeded 5% of General Fund revenues for those years, but fiscal year 2014 General Fund revenues did not exceed fiscal year 2013 General Fund revenues by 5%; therefore, the 2015 Legislature was required to provide for a tax refund or tax credit but was not required to make a deposit into the EBRF. However, the 2015 Legislature found it preferable to address possible emergencies and contingencies that may occur in the future should revenues slow down and, instead of providing for a tax refund or tax credit, enacted Act 202, SLH 2015, to appropriate \$10 million of general funds for deposit into the EBRF in fiscal year 2015. Because the measure was signed into law after the specified appropriation period, the \$10 million could not be deposited into the EBRF in fiscal year 2015. The 2016 Legislature enacted Act 64, SLH 2016, to re-appropriate \$1 million of general funds for deposit into the EBRF in fiscal year 2016 to comply with Article VII, Section 6 of the Hawaii State Constitution for the deposit that did not occur in fiscal year 2015.

In fiscal years 2014 and 2015, the General Fund balance exceeded 5% of General Fund revenues for both years. In addition, fiscal year 2015 General Fund revenues exceeded fiscal year 2014 General Fund revenues by 5%; therefore, the 2016 Legislature was required to provide a deposit into the EBRF. Accordingly, the 2016 Legislature

enacted Act 104, SLH 2016, to appropriate \$150 million in General Funds for deposit into the EBRF in fiscal year 2017. In fiscal years 2015 and 2016, the General Fund balance exceeded 5% of General Fund revenues for both years, fiscal year 2016 General Fund revenues exceeded fiscal year 2015 General Fund revenues by 5%, and the EBRF ending fund balance was less than 10% of fiscal year 2015 general fund revenues. Therefore, the Director of Finance transferred 5% of fiscal year 2016 General Fund ending balance or approximately \$51.4 million to the EBRF in fiscal year 2017. (See “Emergency and Budget Revenue Fund; Tobacco Settlement; Hurricane Relief Fund” in this APPENDIX A.) In fiscal years 2016 and 2017, the General Fund balance exceeded 5% of General Fund revenues for those years, however fiscal year 2017 General Fund revenues did not exceed fiscal year 2016 General Fund revenues by 5%; therefore, the 2018 Legislature was required to provide for a tax refund or tax credit but was not required to make a deposit into the EBRF. Subsequently, the 2018 Legislature opted to deposit tobacco settlement arbitration moneys directly to the EBRF that would otherwise be deposited to the Tobacco Settlement Special Fund. In fiscal years 2017 and 2018, the General Fund balance exceeded 5% of General Fund revenues for those years, fiscal year 2017 General Fund revenues did not exceed fiscal year 2016 General Fund revenues by more than 5%, fiscal year 2018 General Fund revenues exceeded fiscal year 2017 General Fund revenues by more than 5% and the EBRF ending balance was less than 10% of fiscal year 2017 General Fund revenues. Therefore, the 2019 Legislature enacted Act 44, SLH 2019, to dispose of excess revenues by appropriating \$5 million in General Funds for deposit into the EBRF in fiscal year 2020. In fiscal years 2018 and 2019, the General Fund balance exceeded 5% of General Fund revenues for those years, however fiscal years 2018 and 2019 General Fund revenues did not exceed the respective previous year’s (fiscal years 2017 and 2018) General Fund revenues by more than 5%. Accordingly, the 2020 Legislature was required to provide for a tax refund or tax credit or make a deposit into one or more funds that serve as a temporary supplemental sources of funding in times of emergency, economic downturn, or unforeseen emergency, economic downturn, or unforeseen reduction in revenues, or appropriate General Funds for the prepayment of either or both of debt service or pension or other post-employment benefit liabilities. The Legislature did not make such provision, and there is no legal consequence under State law for the Legislature’s failure to do that.

As part of the annual financial planning and executive budgeting process, the Department of Budget and Finance prepares a General Fund financial plan that includes projections of General Fund revenues and expenditures for each fiscal year and revises such projections from time to time during the fiscal year. See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” in Part I of APPENDIX B for further information.

Taxes and Other Amounts Deposited in General Fund

The proceeds of the taxes described below are deposited to the General Fund. See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—Actual Collections and Distributions” in Part I of APPENDIX B. The data below is generally for fiscal year 2019. As described in “COVID-19 EMERGENCY” in the forepart of this Official Statement and “SELECTED FINANCIAL STATEMENTS” in Part I of APPENDIX B to this Official Statement, this may not be representative of results in fiscal year 2020 and thereafter.

Individual and corporate income taxes, general excise and use taxes, public service company taxes, estate and certain transfer taxes, a franchise tax on financial corporations, liquor and tobacco taxes, transient accommodations taxes, insurance premium taxes and other taxes are deposited entirely or in part to the General Fund. For fiscal year 2019, these taxes represented approximately 88% of all tax revenues of the State, and approximately 90% of all General Fund revenues (as reported by the Department of Accounting and General Services (“DAGS”)).

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The following table provides the General Fund tax revenues for fiscal year 2019 as reported by DAGS. (Please note that the tax revenue numbers are reported by DAGS on a cash basis and may differ from the tax revenue numbers reported by the Department of Taxation because of accounting system reclassifications and collection timing issues):

<u>General Fund Taxes</u> (in thousands)		
<u>Description</u>	<u>Fiscal Year 2019</u>	<u>% of Total Taxes</u>
General Excise	\$3,542,126	43.52%
Individual Net Income	2,568,114	31.56%
Transient Accommodations	339,956	4.18%
Premiums Of Insurance Companies	173,844	2.14%
Corporation Net Income	163,676	2.01%
Public Service Companies (Act 147, SLH 1963)	126,691	1.56%
Tobacco	74,526	0.92%
Conveyance (Act 10, SLH 1966)	40,811	0.50%
Liquor	51,913	0.64%
Inheritance	18,921	0.23%
Environmental Response Tax	15,904	0.20%
Franchise (Banks and Other Financial Corporations)	24,804	0.30%
Rental Motor Vehicle Surcharge Tax	<u>3</u>	<u>0.00%</u>
Total	\$7,141,293	87.75%

Note: Totals reflect rounding.

General Excise and Use Tax. The general excise tax is a tax imposed on businesses for the privilege of doing business in Hawaii and is assessed at various percentage rates on the gross income businesses derive from activity in the State. Businesses or consumers also may need to pay the use tax on the value of personal property, services, and contracting that are brought into Hawaii from anywhere outside Hawaii. The tax is based upon the purchase price or value of the tangible personal property, contracting, or services purchased or imported, whichever is applicable. The general excise tax rate varies depending on the business activity; it is 0.15% on insurance commissions, 0.5% on certain activities such as wholesaling, and 4% on most activities at the consumer level. For fiscal year 2019, the general excise tax comprised approximately 44% of all tax revenues (as reported by DAGS). Effective January 1, 2007, the general excise and use tax was amended to provide the City and County of Honolulu a surcharge for the purpose of funding a mass transit system, thereby increasing the general excise and use tax rate for transactions attributable to the county, the proceeds of which accrue to the county. The surcharge of 1/2 of 1% is imposed upon Oahu activities subject to the 4% General Excise and Use Taxes through 2022. Act 240, SLH 2015, provides that the City and County of Honolulu, by ordinance, may extend the surcharge through 2027. Act 1, 1st Special Session SLH 2017, provides that the City and County of Honolulu, by ordinance, may further extend the surcharge through 2030. Prior to September of 2017, the State retained, as General Fund realizations, 10% of the county surcharge collected to reimburse the State for the costs of assessment, collection and disposition of the surcharge. Act 1, 1st Special Session SLH 2017, reduced the State's retention from 10% to 1% as of September 5, 2017. On December 11, 2017, Ordinance No. 1021 was enacted in Kauai County. Ordinance No. 1021 authorizes the imposition of a county surcharge (CS) on general excise tax (GET) for Kauai County beginning on January 1, 2019 and ending on December 31, 2030 at the rate of 0.5%. On June 29, 2018, Ordinance No. 1874 was enacted in Hawaii County. Ordinance No. 1874 authorizes the imposition of a county surcharge (CS) on general excise tax (GET) for Hawaii County beginning on January 1, 2019 and ending on December 31, 2020 at the rate of 0.25%. On March 25, 2019, Hawaii County subsequently enacted Ordinance No. 19-29, which authorized the imposition of an additional CS as the rate of 0.25% beginning on January 1, 2020. Ordinance No. 19-29 also extended the sunset date from December 31, 2020 to December 31, 2030. Thus, beginning on January 1, 2020 and ending on December 31, 2030, the CS rate of Hawaii County will be 0.5.

Income Taxes. Net taxable income (gross income less exclusions and deductions) for both individuals and corporations is subject to a State income tax. Although there are differences, Hawaii income tax law generally follows the federal Internal Revenue Code in computing the net taxable income. The individual income tax rates for married

individuals, including qualifying surviving spouses, and unmarried individuals, including qualifying heads of households, range from 1.4% to 8.25% of net taxable income. New top rates of 9%, 10% and 11% were added by Act 60, SLH 2009. The new top rates were in effect for taxable years beginning after December 31, 2008 and were repealed on December 31, 2015, after which the top rate of the individual income tax reverted to its old rate of 8.25%. The income tax rates for estates and trusts range from 1.4% to 8.25%. Corporate income tax rates range from 4.4% to 6.4%. For fiscal year 2019, individual income taxes comprised approximately 32% of all taxes (as reported by DAGS).

Act 107, SLH 2017, established a nonrefundable earned income tax credit for the period after December 31, 2017 through December 31, 2022 and reestablished new top income tax rates of 9%, 10% and 11% after December 31, 2017.

Transient Accommodations Tax. The transient accommodations tax (“TAT”) is levied on the furnishing of a room, apartment, suite or the like customarily occupied by the transient for less than 180 consecutive days for each letting by a hotel, apartment, motel, horizontal property regime or cooperative apartment, rooming house or other place in which lodgings are regularly furnished to transients for consideration, including the fair market rental value of time share vacation units. The TAT rate is 9.25%. Act 93, SLH 2015, increased the previously lower TAT rates on time share vacation rentals from 7.25% to 8.25% beginning January 1, 2016 and to the current 9.25% rate beginning January 1, 2017. Act 121, SLH 2015, prioritized the distribution of TAT revenues to the following order, with the excess revenues to be deposited into the General Fund: (1) \$1.5 million to the Turtle Bay conservation easement special fund beginning July 1, 2015, (2) \$26.5 million to the convention center enterprise special fund, (3) \$82.0 million to the tourism special fund and (4) \$103.0 million to the Counties for each fiscal year 2015 and fiscal year 2016. Act 117, SLH 2015, allocated \$3 million to the special land and development fund, beginning July 1, 2016. Act 233, SLH 2016, extended the allocation of \$103 million to the Counties to fiscal year 2017 and \$93.0 million for each fiscal year thereafter. Act 1, 1st Special Session SLH 2017, extended the annual allocation of \$103 million to the counties to fiscal year 2018 and thereafter; however, pursuant to the Governor’s emergency proclamation, the \$103 million payment to the counties currently has been suspended for the duration of the COVID-19 emergency. Act 1 also increases the TAT rate from 9.25% to 10.25% effective January 1, 2018 and allocates the increased revenues to the mass transit special fund to fund the capital costs of a locally preferred alternative for a mass transit project for the City and County of Honolulu, which surcharge currently has not been suspended. For fiscal year 2019, the General Fund portion of the TAT comprised approximately 4% of all taxes (as reported by DAGS). Pursuant to Act 211, SLH 2018, when transient accommodations are furnished through arrangements made by a travel agency at noncommissioned negotiated contract rates and the gross income is divided by the operator and the travel agency, the TAT applies to both the operator and travel agency with respect to each person’s respective portion of the proceeds. Act 20, SLH 2019, imposes the TAT on resort fees and defines resort fees as “any mandatory charge or surcharge imposed by an operator, owner, or representative thereof to a transient for the use of the transient accommodation’s property, services, or amenities. *Other Taxes.* The General Fund also receives revenues from several other taxes. The public service company tax is a tax on the gross income from the public utility business of public utilities in lieu of the general excise tax. The tax rate on the gross income of public service companies ranges from 1/2% (for sales for resale) to 8.2%. For a public utility, only the first 4% is a realization of the State, and any excess over 4% is distributed to counties that: (1) provide by ordinance for a real property tax exemption for real property used by the public utility in its public utility business and owned by the public utility, or leased by the public utility under a lease requiring the public utility to pay the taxes on the property, and (2) have not denied the exemption to the public utility. For a carrier of passengers by land between points on a scheduled route, the gross income is taxed at 5.35%, all of which is realized by the State. The estate tax is a tax on the transfer of a taxable estate and is based on the federal taxable estate, but has its own tax rate schedule, with tax rates varying from 10.0% to 15.7%. Act 3, SLH 2019, applies to decedents dying after December 31, 2019 and establishes a new estate tax rate bracket for taxable estates exceeding \$10 million. The new bracket is 20 percent. The generation skipping tax is also based on the federal taxable transfer but has its own tax rate (currently 2.25%). The banks and financial corporations tax is a franchise tax (in lieu of net income and general excise taxes) on banks, building and loan associations, development companies, financial corporations, financial services loan companies, trust companies, mortgage loan companies, financial holding companies, small business investment companies, or subsidiaries not subject to the taxes discussed above. The tax is assessed on net income for the preceding year from all sources at a rate of 7.92%. Insurance premiums tax is a tax on insurance companies (underwriters) based on premiums written in the State in lieu of all taxes except property tax and taxes on the purchase, use or ownership of tangible personal property. Tax rates range between 0.8775% and 4.68%

depending on the nature of the policy. There is also an excise tax on those who sell or use tobacco products and a gallonage tax imposed on those who sell or use liquor.

Non-tax Revenues. Other amounts deposited to the General Fund are derived from non-tax sources, including investment earnings, rents, fines, licenses and permits, grants, charges for administrative services and other sources. From fiscal years 2004 to 2008, fiscal year 2010, fiscal years 2012 to 2016, and fiscal year 2018 and 2019 non tax revenues have averaged approximately 10 to 12% of General Fund revenues. In fiscal year 2009, however, non-tax revenues were approximately 16% of total General Fund revenues, primarily as a result of one-time revenue sources such as: (1) the transfer of \$81 million from special funds that was authorized by Act 79, SLH 2009; and (2) the transfer of \$104 million resulting from debt service savings and a delay in payments for retirement and health insurance premiums. In fiscal year 2011, non-tax revenues were again approximately 16% of total General Fund revenues, primarily as a result of one time sources such as: (1) the transfer of \$111 million from the Hurricane Reserve Trust Fund that was authorized by Act 62, SLH 2011, and (2) the transfer of \$63 million from non-general funds that was authorized by Act 192, SLH 2010 and Act 124, SLH 2011. In fiscal year 2017, non-tax revenues were approximately 14% of total General Fund revenues, primarily as a result of the one-time increase in premiums on bonds sold (increased \$74 million from the previous fiscal year) and the first full year of reimbursements from non-general funds for other post-employment benefits (an increase of \$45 million from the previous fiscal year).

Special Funds

Special Funds are used to account for revenues designated for particular purposes. Unlike the General Fund, Special Funds have legislative or other restrictions imposed upon their use. Special Funds are not a source of payment for the Bonds. Special Funds are used primarily and extensively with regard to highway construction and maintenance, harbor and airport operations, hospital operations, housing and homestead programs, certain programs in the area of public education and the University of Hawaii, business regulation, consumer protection, environmental management and tourism and other economic development. The types of revenues credited to the various Special Funds are user tax receipts (fuel taxes), revenues from public undertakings, improvements or systems (airports, harbors and university revenue producing undertakings, among others), and various business, occupation and non-business licenses, fees and permits.

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The following table provides the special fund tax revenues for fiscal year 2019 as reported by DAGS. (Please note that the tax revenue numbers reported by DAGS may differ from the tax revenue numbers reported by the Department of Taxation because of accounting system reclassifications and collection timing issues):

<u>Special Fund Taxes</u> (in thousands)		
<u>Description</u>	<u>Fiscal Year 2019</u>	<u>% of Total Taxes</u>
Transient Accommodations	\$157,354	1.93%
General Excise	267,329	3.28%
Liquid Fuel – Highways	83,388	1.02%
State Motor Vehicle Weight	84,065	1.03%
Rental Motor Vehicle Surcharge Tax	57,991	0.71%
State Vehicle Registration Fee	52,078	0.64%
Conveyance (Act 10, SLH 1966)	46,604	0.57%
Tobacco	37,277	0.46%
Environmental Response Tax	11,820	0.15%
Liquid Fuel – Aviation	2,605	0.03%
Premiums of Insurance Companies	2,574	0.03%
Franchise (Banks and Other Financial Corp)	2,000	0.02%
Liquid Fuel – Small Boats	1,758	0.02%
Employment & Training Fund Assessment	1,175	0.01%
Penalties & Interest on Del Unemployment Ins Taxes	965	0.01%
Total	\$808,982	9.94%

Note: Totals reflect rounding.

Fuel taxes, motor vehicle taxes, rental motor vehicle, tour vehicle, and car-sharing vehicle surcharge taxes and unemployment insurance taxes are deposited into Special Funds. In addition, portions of the tobacco taxes, transient accommodations taxes, environmental response, energy, and food security taxes, and conveyance taxes are deposited into Special Funds (and portions of these taxes are deposited into the General Fund). In fiscal year 2019, taxes deposited into Special Funds were approximately 10% of the total tax revenues of the State (as reported by DAGS). Distributors are required to pay taxes on aviation fuel, diesel oil, alternative fuels for operation of an internal combustion engine and on liquid fuels other than the foregoing, e.g., on gasoline used to operate motor vehicles upon the public highways. The State has a vehicle weight tax that varies from \$0.0175 per pound to \$0.0225 per pound, depending on the net weight of the vehicle; vehicles over ten thousand pounds net weight are taxed at a flat rate of \$300.00. The unemployment insurance tax is a tax on wages paid by employing units with one or more employees with certain exemptions. The unemployment tax rate is determined according to a multi contribution schedule system. There is an additional employment and training fund assessment on taxable wages paid to an employee. The percentage rate for this additional tax is .01%. There is a rental motor vehicle surcharge tax (RVST) on a rented or leased motor vehicle of \$3.00 per day effective July 1, 2012. The tax is levied on the lessor. There is a rental motor vehicle customer facility charge of \$3.00 per day on motor vehicles rented from airport locations to pay for the development of airport rental car facilities effective July 1, 2012. The charge is levied on the lessor. There is a car-sharing vehicle surcharge of 25 cents per half hour (up to a maximum of \$3 per day) on motor vehicles rented by a car-sharing organization, effective January 1, 2015. There is also a tour vehicle surcharge tax for each tour vehicle in the over 25 passenger seat category and for each tour vehicle in the 8 to 25 passenger seat category. The tax is levied on the tour vehicle operator. Act 215, SLH, became effective January 1, 2019, imposed an additional \$2 per day RVST on all rentals to lessees without a valid Hawaii driver's license. Act 274, SLH 2019, effective July 1, 2019 repeals the \$2 per day RVST on lessees without a Hawaii driver's license and increases the RVST from \$3 to \$5 per day, or a portion of a day, for all lessees. Act 274 additionally repeals the special allocation of the surcharge originally deposited into a special fund for the county where the rental took place. As amended, the full \$5 per day is deposited into the highway fund.

The tobacco tax currently assesses \$0.16 for each cigarette or little cigar, 70% of the wholesale price of tobacco products, and 50% of the wholesale price of each large cigar. The environmental response, energy, and food security tax is currently set at \$1.05 per barrel of petroleum product for the period from July 1, 2010. Act 185, SLH

2015, also imposed the environmental response, energy, and food security tax on fossil fuel. The tax is \$0.19 on each 1,000,000 BTUs of fossil fuel, effective July 1, 2015. The conveyance tax is imposed on the amount paid in the sale, lease, sublease, assignment, transfer, or conveyance of realty or any interest therein. The tax rate ranges from \$0.10 per \$100 to \$1.25 per \$100, depending on the value of the property, the type of improvements on the property and whether the purchaser is eligible for a homeowner's exemption for the property.

Federal Grants

State departments, agencies, and institutions annually receive both competitive and formula driven federal grants. Federal grants are not a source of payment for the Bonds. Over the past five years, approximately 64% of the federal grants were awarded to human resources programs in public health, vocational rehabilitation, income maintenance, services to the blind, and other social or health services. Approximately 23% of such federal grants were used to support programs in the public schools, community colleges, and the university system. Transportation and highway safety activities received about 7% of all federal grants, primarily for interstate highway construction. Employment programs, including unemployment compensation benefit payments, accounted for about 1% of such federal receipts. Other programs accounted for the balance of such receipts. In past years, federal funds generally accounted for approximately 15% to 21% of the total State budget for each year. With the receipt of federal stimulus funds in fiscal years 2010 to 2013, the portion of the State budget made up by federal funds increased to 23% in fiscal year 2010 and 20% in fiscal year 2011 and has been approximately 18% to 21% of the State budget through fiscal year 2018 (fiscal year 2017 was the last year of federal stimulus fund appropriations). The State is unable to predict whether federal grant funding received by the State's departments, agencies, and institutions in the current or any future fiscal year will be similar to historical levels.

In July 2013, the Office of Federal Award Management ("OFAM") was established in the Department of Budget and Finance. The purpose of OFAM is to: (1) plan, organize, direct, coordinate and conduct federal awards activities for Executive Departments and Agencies to advance the management, administration, and oversight of federal grants. The objective of these activities is to maximize the program and fiscal performance of federal awards, ensure compliance with state and federal rules and regulations and reduce the opportunity for waste, fraud and abuse; (2) establish and implement policies, procedures, and controls following review as necessary with the Director of Finance, Comptroller, and Governor to advance the financial management, administration and oversight of federal grants that are awarded to state executive departments and agencies; and (3) provide technical management services, assistance, and recommendations to the Governor, Director of Finance, Comptroller, and to the Directors and Heads of Executive Departments and Agencies, to maximize use of federal fund resources in order to achieve the State's statutory requirements, goals, and objectives efficiently, economically, and effectively.

<u>Fiscal Year Ended June 30</u>	<u>Grant Amount (in millions)</u>
2010	\$2,845.0*
2011	3,114.4*
2012	2,573.3*
2013	2,449.6*
2014	2,665.6*
2015	2,751.2*
2016	2,988.8
2017	2,802.8
2018	3,022.3
2019	2,886.6

*Includes \$367.7 million in fiscal year 2010, \$506.7 million in fiscal year 2011, \$158.0 million in fiscal year 2012, \$62.9 million in fiscal year 2013, \$35.3 million in fiscal year 2014 and \$15.4 million in fiscal year 2015 from federal stimulus funds (note: amounts for federal stimulus funds do not include the University of Hawaii).

Source: State of Hawaii—Department of Accounting and General Services' FAMIS report MBP455, Comparison of Receipts by Department (includes federal grants deposited to the General Fund and Special Funds).

The following table provides the federal awards allocated, as of July 15, 2020, to the State, Counties, non-profits and other entities for COVID-19 mitigation and economic recovery purposes. Most of the federal awards have been received by the aforementioned entities as of July 15, 2020 and the majority of the awards are to State agencies.

Program	Recipient	Amount
Grants/Awards		
Coronavirus Relief Fund	C&C Honolulu; Office of the Governor	\$1,250,000,000
Gov.'s Emergency Education Relief Fund, Elementary and Secondary School Emergency Relief Fund, Higher Education Fund, Higher Education Stabilization Fund, etc.	Hawaii Department of Education, University of Hawaii, other universities, colleges, and trade schools	100,839,147
Center for Disease Control testing funds, community health centers, telehealth resource centers, rural hospitals and health clinics, etc.	Hawaii Department of Health, community health centers, University of Hawaii, etc.	83,523,453
FTA urbanized formula, FTA nonurbanized formula, airports	Hawaii Department of Transportation, C&C Honolulu, airports	240,921,438
Child care development block grant, congregate and home-delivered meals, UI and dislocated workers grants, SNAP, community development block grants, housing programs, others	Hawaii Dept. of Health, Dept. of Human Services, Dept. of Labor & Industrial Relations, counties, etc.	194,210,206
Total		\$1,869,494,244

Sources: Office of Federal Awards Management (<https://federalawards.hawaii.gov/featured/managing-coronavirus-federal-aid/>)

See “GENERAL ECONOMIC INFORMATION— Federal Government and Military” in APPENDIX A for a detailed overview of the assistance offered by the Federal government to mitigate the economic impact of the COVID-19 pandemic and help with the financial recovery.

Budget System; Legislative Procedure

Pursuant to Act 185, the Executive Budget Act of 1970, the Planning, Programming and Budgeting System of the State was adopted. The purpose of this act was to integrate the planning, programming and budgeting processes to improve decisions on the allocation of resources. The act established a comprehensive system for State programs and their related costs over a timeframe of six years. The operating and capital improvement requirements are evaluated together to insure compatibility and mutual support. Systematic evaluations and analyses are conducted to ascertain the attainment of program objectives and alternative means or methods of improving current State services.

The Legislature convenes annually in regular session on the third Wednesday in January. Regular sessions are limited to a period of 60 days, and special sessions are limited to a period of 30 days. Any session may be extended by no more than 15 days. At least 30 days before the Legislature convenes in regular session in an odd numbered year, the Governor submits to the Legislature the Governor's proposed State budget of the executive branch for the ensuing fiscal biennium. The budgets of the judicial branch, the legislative branch, and the Office of Hawaiian Affairs are submitted by their respective leaders to the Legislature for its consideration. In such regular session, no appropriation bill, except bills recommended by the Governor for immediate passage, or to cover the expenses of the Legislature, shall be passed on final reading until the bill authorizing the operating expenditures for the executive branch for the ensuing fiscal biennium, to be known as the general appropriations bill, has been transmitted to the Governor.

In each regular session in an even numbered year, the Governor may submit to the Legislature a bill to amend any appropriation for operating expenditures of the current fiscal biennium, to be known as the supplemental appropriations bill. In such session to which the Governor submits to the Legislature a supplemental appropriations bill, no other appropriations bill, except bills recommended by the Governor for immediate passage, or to cover the

expenses of the Legislature, shall be passed on final reading until the supplemental appropriations bill has been transmitted to the Governor.

To become law, a bill must pass three readings in each house on separate days. Each bill passed by the Legislature shall be certified by the presiding officers and clerks of both houses and thereupon be presented to the Governor. If the Governor approves and signs the bill, it becomes law. If the Governor does not approve a bill, the Governor may return it, with the Governor's objections, to the Legislature. Except for items appropriated to be expended by the judicial and legislative branches, the Governor may veto any specific item or items in any bill that appropriates money for specific purposes by striking out or reducing the same; but the Governor shall veto other bills only as a whole.

The Governor has ten days to consider bills presented to the Governor ten or more days before the adjournment of the Legislature sine die, and if any such bill is neither signed nor returned by the Governor within that time, it becomes law in like manner as if the Governor had signed it.

The Governor has forty-five days, after the adjournment of the Legislature sine die, to consider bills presented to the Governor less than ten days before such adjournment, or presented after adjournment, and any such bill becomes law on the forty-fifth day unless the Governor by proclamation has given ten days' notice to the Legislature that the Governor plans to return such bill with the Governor's objections on that day. The Legislature may convene on or before the forty-fifth day in special session, without call, for the sole purpose of acting upon any such bill returned by the Governor. In case the Legislature fails to so convene, such bill shall not become law. Any such bill may be amended to meet the Governor's objections and, if so amended and passed, only one reading being required in each house for such passage, it must be presented again to the Governor, but becomes law only if the Governor signs it within ten days after presentation.

On August 5, 2016 the Governor issued Administrative Directive No. 16-03 which provides that the State shall endeavor, for each year of a six-year planning period as described above, to retain an unassigned General Fund carryover balance equal to 5.0% of the preceding year's General Fund revenues and an EBRF balance equal to 10.0% of the preceding year's General Fund revenues. Such amounts are intended to be available to the State during times of unforeseen reduction in revenues or increases in required expenditures. The State's reserve balances are currently below these desired levels. Although the State remains committed to strengthening its reserves as its fiscal situation allows, the economic and ensuing fiscal crisis arising from the COVID-19 pandemic will necessitate that the State use most of its current EBRF balance in fiscal year 2021 and other reserves over the next two fiscal years to meet ongoing operating requirements.

Emergency and Budget Reserve Fund; Tobacco Settlement; Hurricane Relief Fund

Emergency and Budget Reserve Fund. HRS Chapter 328L, relating to the Hawaii Tobacco Settlement Special Fund, which established a special fund for moneys received from the settlement between the State of Hawaii and various tobacco companies, also established the Emergency and Budget Reserve Fund ("EBRF"), a special fund for emergency and "rainy day" purposes. Deposits to the EBRF include appropriations made by the Legislature and a portion of the tobacco settlement moneys. In addition, Act 138, SLH 2010, provided that whenever State General Fund revenues for each of two successive fiscal years exceeds revenues for each of the preceding fiscal years by 5%, the Director of Finance is required to deposit 5% of the State General Fund balance at the end of the fiscal year into the EBRF; however, no such transfer shall be made whenever the balance of EBRF is equal to or more than 10% of General Fund revenues for the preceding fiscal year. The State Constitution (Article VII, Section 6) also requires that the General Fund balance at the close of each of two successive fiscal years must exceed 5% of General Fund revenues for each of the two fiscal years before a deposit into an emergency fund is required. In fiscal years 2014 and 2015, the General Fund balance exceeded 5% of general fund revenues for both years. In addition, fiscal year 2015 General Fund revenues exceeded fiscal year 2014 General Fund revenues by 5%; therefore, the 2016 legislature was required to provide an appropriation for deposit into the EBRF. Accordingly, the 2016 Legislature enacted Act 104, SLH 2016, to appropriate \$150 million in general funds to be deposited in the EBRF in fiscal year 2017.

In fiscal years 2015 and 2016, the General Fund balance exceeded 5% of General Fund revenues for both years and fiscal year 2016 General Fund revenues exceeded fiscal year 2015 General Fund revenues by 5%, and the EBRF ending fund balance was less than 10% of fiscal year 2015 general fund revenues. Therefore, the Director of

Finance transferred 5% of fiscal year 2016 General Fund ending balance or approximately \$51.4 million to the EBRF in fiscal year 2017. In fiscal years 2016 and 2017, the General Fund balance exceeded 5% of General Fund revenues for both years. However, fiscal year 2017 General Fund revenues did not exceed fiscal year 2016 General Fund revenues by 5%; therefore, the 2018 Legislature was required to provide for a tax refund or tax credit but was not required to provide an appropriation for deposit into the EBRF. Subsequently, the 2018 Legislature opted to deposit tobacco settlement arbitration moneys directly to the EBRF that would otherwise be deposited to the Tobacco Settlement Special Fund. In fiscal years 2017 and 2018, the general fund balance exceeded 5% of general fund revenues for those years, fiscal year 2017 general fund revenues did not exceed fiscal year 2016 general fund revenues by more than 5%, fiscal year 2018 general fund revenues exceeded fiscal year 2017 general fund revenues by more than 5%, and the EBRF ending balance was less than 10% of fiscal year 2017 general fund revenues, therefore, the 2019 Legislature appropriated \$5 million in general funds for deposit into the EBRF in fiscal year 2020 by passing Act 44, SLH 2019.

For fiscal years 2018 and 2019, general fund balances were greater than 5 percent of general fund revenues. For fiscal years 2018 and 2019, total (tax and non-tax) general fund revenues did not exceed the respective previous year's revenues by 5 percent or more, and the EBRF ending balance was less than 10% of fiscal year 2018 general fund revenues. Accordingly, the 2020 Legislature was required to provide for a tax refund or tax credit or make a deposit into one or more funds that serve as temporary supplemental sources of funding in times of emergency, economic downturn or unforeseen reduction in revenues, or appropriate general funds for the pre-payment of either or both of 1) debt service or 2) pension or other post-employment benefit. The Legislature did not make such provision, and there is no legal consequence under State law for not having done that. The Legislature, however, made various transfers into the EBRF were a mechanism to temporarily accumulate and account for funds that the Legislature intended to address the projected revenue shortfalls for fiscal biennium 2020-2021. Act 4, SLH 2020, authorized two general fund to general obligation bond fund transfers totaling \$270.0 million and two special fund to general fund transfers totaling \$32.0 million with the total \$302.0 million in general funds being transferred to the EBRF in fiscal year 2020. In addition, a transfer of \$432.0 million of general fund budget reductions to the EBRF in fiscal year 2020 was authorized but was line item vetoed by the Governor because the budget reductions did not reflect cash. Subsequently, the Legislature passed SB 126, 2020 Session (SB 126 is subject to possible intent to veto by the Governor by August 31, 2020), which transferred the \$302.0 million general obligation bond fund transfers and special fund transfers, the line item vetoed \$432.0 million general fund budget reductions (which the Governor will make a corresponding line item reduction in SB 126), and \$350.0 million of existing funds in the EBRF to the general fund in fiscal year 2020. The remaining balance in the EBRF was approximately \$50.0 million at the end of fiscal year 2020.

Act 4 also used the EBRF as a temporary depository for the balance of the \$636.0 million of CARES Act CRF funds that was not appropriated in Act 8, SLH 2020, which was the initial CRF appropriations bill passed when the Legislature reconvened in mid-May. SB 126 appropriated \$636.0 million of CRF funds out of the EBRF in fiscal year 2021 to support various COVID-19 direct response and economic impact relief efforts.

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Pursuant to Act 138, SLH 2010, all interest earned from moneys in the EBRF is credited to the EBRF; previously, the interest had been credited to the General Fund. Act 207, SLH 2017, prohibits the Legislature from making appropriations from the EBRF: (1) that are more than 50% of the total EBRF balance; (2) that exceeds 10% of total discretionary funds (e.g., funds authorized for debt service payments, pension and retirement benefit costs, Medicaid services costs, etc.) appropriated by the Legislature; and (3) if General Fund Tax Revenues for the current fiscal year exceed the revenue collections of the immediately preceding fiscal year. Appropriations from the EBRF require a two thirds majority vote of each house of the Legislature. The table below provides EBRF balances as of the end of each fiscal year from 2010 through 2020. See “General Fund” in this APPENDIX A.

Emergency and Budget Reserve Fund Balances (Fiscal Years Ended June 30, 2010-2020)	
Fiscal Year	\$ (Millions)
2010	62.5
2011	9.7 ⁽¹⁾
2012	24.2 ⁽²⁾
2013	24.2 ⁽³⁾
2014	83.2 ⁽⁴⁾
2015	90.2 ⁽⁵⁾
2016	100.9 ⁽⁶⁾
2017	311.3 ⁽⁷⁾
2018	375.7 ⁽⁸⁾
2019	378.2 ⁽⁹⁾
2020	403.9 ⁽¹⁰⁾

Source: Department of Accounting and General Services.

- (1) In fiscal year 2011, the fund balance decreased because a total of \$59.6 million was transferred out of the EBRF pursuant to Act 191, SLH 2010 (as amended by Act 25, SLH 2011) and Act 30, SLH 2011, to maintain levels of programs determined to be essential to education, public health and public welfare, and to cover a shortfall in public welfare programs.
- (2) In fiscal year 2012, the fund balance increased because a total of \$15.7 million of unspent funds was returned to the EBRF while \$1.1 million was transferred out of the fund pursuant to Act 191, SLH 2010. Pursuant to Act 124, SLH 2011, no tobacco settlement moneys were deposited into the EBRF in fiscal year 2012.
- (3) In fiscal year 2013, the fund balance did not change. Pursuant to Act 124, SLH 2011, no tobacco settlement moneys were deposited into the EBRF in fiscal year 2013.
- (4) In fiscal year 2014, the fund balance increased because \$50 million of general funds was appropriated to the EBRF by Act 267, SLH 2013, and \$7.5 million was deposited into the EBRF from tobacco settlement moneys.
- (5) In fiscal year 2015, the fund balance increased because \$6.7 million from tobacco settlement moneys was deposited into the EBRF.
- (6) In fiscal year 2016, the fund balance increased because \$1 million of general funds was appropriated to the EBRF by Act 64, SLH 2016, and \$6.9 million from tobacco settlement moneys was deposited into the EBRF.
- (7) In fiscal year 2017, the fund balance increased because \$150 million of general funds was appropriated to the EBRF by Act 104, SLH 2016; \$51.4 million was deposited into the EBRF pursuant to Section 328L-3, HRS and Article VII, Section 6, of the Hawaii State Constitution; and \$6.9 million was deposited into EBRF from tobacco settlement moneys.
- (8) In fiscal year 2018, the fund balance increased because \$58.7 million from the tobacco arbitration agreement was deposited into the EBRF pursuant to Act 12, SLH 2018; and \$3.6 million was deposited into EBRF from tobacco settlement moneys.
- (9) In fiscal year 2019, the fund balance increased because \$2.6 million in investment income was deposited into EBRF. Due to an inadvertent oversight, \$4.9 million in tobacco settlement moneys that were supposed to be deposited into the EBRF in fiscal year 2019 was instead deposited in fiscal year 2020.
- (10) In fiscal year 2020, the fund balance increased because \$13.9 million in investment income, \$5.0 million pursuant to Act 44, SLH 2019, and \$6.7 million from tobacco settlement moneys were deposited into the EBRF. The EBRF balance at the end of fiscal year 2020 was \$50 million.

Tobacco Settlement. On November 23, 1998, leading United States tobacco manufacturers entered into the Tobacco Master Settlement Agreement (hereinafter “Master Settlement Agreement” or “MSA”) with forty-six states, including Hawaii. In consideration for a release of past, present, and certain future claims against them, the Master Settlement Agreement obligates these manufacturers to pay substantial sums to the settling states (tied in part to the volume of tobacco product sales).

PricewaterhouseCoopers LLP, independent auditor for the Master Settlement Agreement, in a September 1999 report, estimated that the State will receive annual proceeds from the tobacco settlement of \$48 million a year for 2018 and thereafter, with the payment value being based on the annual tobacco sales. The annual

MSA payments are in perpetuity; therefore, over the next 25 years, the payments would total about \$1.2 billion. Actual moneys received have been less than the maximum projected as shown herein. The amount of future annual proceeds is subject to adjustments and offsets.

Of the tobacco settlement moneys received by the State each fiscal year, \$350,000 is deposited in the Tobacco Enforcement Special Fund and a special fund assessment is deducted. In fiscal year 2015, the balance was distributed as follows: 15% to the EBRF, 25% to the Department of Health, 6.5% to the Hawaii tobacco prevention and control trust fund, 26% to the University of Hawaii, and 27.5% to the State General Fund. Pursuant to Act 118, SLH 2015, distribution of the balance in fiscal year 2016 is: 15% to the EBRF, 12.5% to the Hawaii tobacco prevention and control trust fund, 26% to the University of Hawaii, and 46.5% to the State General Fund. Act 118 also appropriated general funds in fiscal year 2016 to various health and human services programs formerly supported by tobacco settlement funds.

On April 19, 2018, Hawaii received an aggregate payment of \$84.7 million that included a \$58.7 million lump sum arbitration settlement of non-participating manufacturer adjustment moneys for calendar years 2004 through 2017 and \$26.0 million for the annual tobacco payment distribution for calendar year 2017. Act 12, SLH 2018, required that the \$58.7 million arbitration settlement be deposited into the EBRF. The remaining \$26.0 million annual tobacco payment was distributed based on allocations prescribed by Act 118, SLH 2015.

In fiscal year 2019, \$4.9 million in tobacco settlement moneys that were supposed to be deposited into the EBRF was instead deposited in fiscal year 2020 due to an inadvertent oversight. Also in fiscal year 2020, only \$1.9 million of \$4.9 million in tobacco settlement moneys were deposited into the EBRF. Accordingly, there will be two deposits of tobacco settlement moneys in fiscal year 2021 (the catch up deposit for fiscal year 2020 as well as the usual deposit for fiscal year 2021) into the EBRF.

The following table shows annual proceeds from the tobacco settlement for fiscal years 2010 through 2020.

Tobacco Settlement Proceeds (Fiscal Years Ended June 30, 2010-2020)	
Fiscal Year	\$ (Millions)
2010	50.9
2011	47.7
2012	48.2
2013	48.6
2014	52.7
2015	47.2
2016	49.3
2017	48.7
2018	84.7
2019	34.8
2020	35.3

Source: Department of Health.

The Attorney General of each settling state under the Master Settlement Agreement is responsible for enforcing its provisions. The Master Settlement Agreement requires the State to diligently enforce the requirements of the “model statute,” which was enacted as the Tobacco Liability Act. It is important to note that the Diligent Enforcement obligation is on-going and continuous and is subject to challenge by the participating manufacturers on a year to year basis.

Failure to diligently enforce the Tobacco Liability Act may result in a state losing a significant portion of its Master Settlement Agreement payments. After nearly two years of pretrial litigation and extensive discovery the Participating Manufacturers affirmatively challenged the State of Hawaii’s Diligent Enforcement for the calendar year 2004. The State of Hawaii’s Arbitration was scheduled to begin in August of 2018. With the assistance of outside counsel the State reached a Settlement with the Tobacco industry, on March 6, 2018, which resolved the Diligent Enforcement Arbitration Issues for the years 2004 through and including 2017. The Settlement spared the State the

cost and uncertainty of ongoing and protracted arbitrations. It was estimated that had the matter gone to arbitration it could have cost the State approximately \$1.5 million dollars in litigation costs. Had the State prevailed in the 2004 Diligent Enforcement Arbitration, Hawaii would have received \$4,648,059.24, the amount withheld by the industry from the industry's 2004 payment to Hawaii, plus any interest that accrued on the withheld amount.

As mentioned above, the State of Hawaii reached an agreement with the Tobacco Industry that settled the Diligent Enforcement Arbitration Disputes for the years 2004 through and including 2017. The Settlement amount of \$58,600,584.78 was received by the State on April 19, 2018. Outside Litigation costs totaled approximately \$189,000.00.

Hawaii Hurricane Relief Fund. The Hawaii Hurricane Relief Fund ("HHRF") was established pursuant to Act 339, SLH 1993 (codified as Chapter 431P, HRS) to provide hurricane insurance coverage for Hawaii property owners should the private market prove unreliable. It was created to address the problem of private insurers leaving the hurricane insurance market following Hurricane Iniki in September 1992. As of January 1, 1999, the HHRF provided hurricane coverage for approximately 155,000 policyholders statewide. The HHRF ceased operations in 2002 when private insurers returned fully to the market. No policies have been issued since that time.

The HHRF's operations are funded by policyholder premiums, assessments on licensed Hawaii property and casualty insurers, a special mortgage recording fee, and a surcharge on premiums on policies issued by licensed property and casualty insurers (as necessary). As a component of the HHRF funding, the Director of Finance was authorized to issue revenue bonds and reimbursable general obligation bonds to assist the HHRF in carrying out its plan of operation. However, no revenue or reimbursable general obligation bonds were issued.

Upon ceasing operations, the HHRF's reserves, amounting to \$186.7 million, were kept in the HHRF to provide working capital if reactivation of operations becomes necessary. Reactivation may be needed if a major hurricane were to strike the Hawaiian Islands in the future, and private insurers, after settling claims for that event, were to leave the hurricane insurance market again.

Section 431P 16(i), HRS, provides that upon dissolution of the HHRF, net moneys in the HHRF, after payments to any federal disaster insurance program enacted to provide insurance or reinsurance for hurricane risks are completed, revert to the General Fund. Act 179, SLH 2002, designated that interest earned from the principal of moneys in the HHRF shall be deposited into the General Fund each year that the HHRF remains in existence.

Although not formally established as a budget reserve, the HHRF has been used as a de facto budget reserve. Appropriations from the HHRF require a majority vote by the Legislature. Act 143, SLH 2010, appropriated \$67.0 million from the HHRF (of which \$12.4 million was not required and was subsequently returned to the HHRF) to restore public school instructional days for school year 2010-11 that were reduced as part of a cost cutting, collective bargaining agreement that furloughed public school teachers for 21 days of which 17 were instructional days. Act 62, SLH 2011, authorized the Governor to transfer in two steps the remaining balance of the HHRF to the General Fund (at that point \$120.3 million) in fiscal year 2011 to maintain program levels determined to be essential for education, public health, and public welfare. In total, \$111.0 million was transferred pursuant to Act 62. Act 62 also provided a statutory mechanism to repay the HHRF in fiscal years 2014 (50 percent) and 2015 (50 percent) through designation of general excise tax revenues to be deposited into the HHRF. Act 266, SLH 2013, further accelerated the recapitalization of the HHRF by appropriating \$50 million of general funds in fiscal year 2014 to the HHRF. The total amount that was deposited to the HHRF in fiscal year 2014 was \$105.5 million and, as a result, the balance of the HHRF as of June 30, 2014 was \$126.6 million. For fiscal year 2015, the required \$55.5 million deposit from general excise taxes was completed in two increments: \$25 million on September 24, 2014 and \$30.5 million on September 26, 2014. As a result, the HHRF balance at the end of the fiscal year was \$182.4 million. For fiscal year 2016, the HHRF ending balance was \$186.9 million, due to a gain in market value of the investment portfolio. For fiscal years 2017 and 2018, the HHRF ending balance was \$182.2 million and \$177.9 million, respectively, due to decreases in the fund's investment portfolio unrealized gains balance. For fiscal year 2019, the HHRF ending balance was \$183.8 million. For fiscal year 2020, the HHRF ending balance increased to \$191.3 million due to a gain in market value of the investment portfolio.

The 2020 Legislature provided the Governor with the option of using funds available in the HHRF by appropriating \$183.0 million from the HHRF in fiscal year 2021 for pandemic related shortfalls. Current plans are

not to use the HHRF appropriation; however, this is subject to change and use of funds in the HHRF may be required in the future.

The following table provides HHRF balances as of the end of each fiscal year from 2010 through 2020:

Hawaii Hurricane Relief Fund Balances (Fiscal Years Ended June 30, 2010-2020)	
Fiscal Year	\$ (Millions)
2010	188.2
2011	21.1
2012	21.1
2013	20.8
2014	126.6
2015	182.4
2016	186.9
2017	182.2
2018	177.9
2019	183.8
2020	191.3

Expenditure Control

Expenditure Ceiling. The State Constitution provides that, notwithstanding any other provision to the contrary, the Legislature shall establish a General Fund expenditure ceiling which shall limit the rate of growth of General Fund appropriations, excluding federal funds received by the General Fund, to the estimated rate of growth of the State's economy as provided by law and that no appropriations in excess of such ceiling shall be authorized during any legislative session unless the Legislature shall, by a two-thirds vote of the members to which each house of the Legislature is entitled, set forth the dollar amount and the rate by which the ceiling will be exceeded and the reasons therefor. Pursuant to such Constitutional provision, Part V of Chapter 37, HRS, provides, in general, that appropriations from the General Fund for each year of the biennium or each supplementary budget fiscal year shall not exceed the expenditure ceiling for that fiscal year. The expenditure ceiling is determined by adjusting the immediate prior fiscal year expenditure ceiling by the applicable "state growth." State growth means the estimated growth of the State's economy and is established by averaging the annual percentage change in total State personal income for the three calendar years immediately preceding the fiscal year for which appropriations from the General Fund are to be made. The Governor is required to submit to the Legislature a plan of proposed aggregate appropriations for the State which includes the executive budget, proposed grants to private entities, any specific appropriation measures to be proposed by the executive branch and estimates of the aggregate proposed appropriations of the judicial and legislative branches of government. In any year in which this plan of proposed rate by which the expenditure ceiling would be exceeded and the reasons for proposing appropriations in excess of the General Fund appropriations exceeds the estimated expenditure ceiling, the Governor must declare the dollar amount, the ceiling amount. Appropriations for recent fiscal years, except fiscal year 2007, have not exceeded the expenditure ceiling and appropriations for fiscal year 2019, 2020, and 2021 also will not exceed the expenditure ceiling. At its meeting on July 30, 2020, the Council on Revenues forecasted that total personal income in Hawaii would decline by 7% in the 2020 calendar year from calendar year 2019, and there would be no growth in total personal income in the 2021 calendar year. The forecast on total personal income has been filed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system.

The State Constitution provides that no public money shall be expended except as appropriated by law. It also requires that provision for the control of the rate of expenditures of appropriated State moneys, and for the reduction of such expenditures under prescribed conditions, shall be made by law and that General Fund expenditures for any fiscal year shall not exceed the State's current General Fund revenues and unencumbered cash balances, except when the Governor publicly declares the public health, safety or welfare is threatened, as provided by law.

Operating Expenditures. Maximum limits for operating expenditures are established for each fiscal year by legislative appropriations. Pursuant to Part II, Chapter 37, HRS, moneys can be withheld by the Governor or the Director of Finance to ensure the solvency of each fund. Expenditure plans consisting of quarterly requirements of all State programs are prepared at the beginning of each fiscal year by the respective departments of the Executive

Branch of State government. After the expenditure plans are evaluated, allotments are made to each department as prescribed by Chapter 37, HRS. The Director of Finance and the Governor may modify or withhold planned expenditures if such expenditures would be in excess of authorized levels of service or in the event that State receipts and surpluses would be insufficient to meet authorized expenditure levels. Allotment transfers between different appropriation items within individual departments can be made after approval is obtained from the Governor, or if delegated, the Director of Finance. Unencumbered allotment balances at the end of each quarter shall revert to the related appropriation account, except for the Department of Education and the University of Hawaii. Requests to amend allotments must be approved by the Director of Finance. If federal funds allocable to a particular item are greater than had been estimated, general funds are reduced proportionately as allowable, except for the Department of Education. Although the State has a biennial budget, appropriations are made for individual fiscal years and may not be expended interchangeably, except for 5% of appropriations to the Department of Education, which by statutory authority may be retained up to one year into the next fiscal biennium. The Office of the Governor approves consultant contracts above \$100,000 as to justification and need. Department heads have been delegated authority to review and approve certain consultant contracts such as medical services. In order to realize savings from bulk acquisition, central purchasing is used for certain office and medical supplies, equipment, and motor vehicles. The Department of Accounting and General Services performs pre-audits on each financial transaction of \$10,000 or more before any payment can be made, except for the University of Hawaii and the Department of Education, which have statutory authority to pre-audit their own payments. Financial audits of individual programs and organizations are conducted on a periodic basis by the Department of Accounting and General Services. Internal audits are done on a continuous basis by each department. Management audits are accomplished on an as needed basis by the Department of Budget and Finance. In addition, the State Auditor performs financial and management audits on a selective basis.

Capital Improvement Expenditures. Annual capital improvement implementation plans are also prepared to control and monitor allotments and expenditures. Prior to the initiation of a project, it is reviewed for compliance with legislative intent and other economic considerations, and as to its justification. The Governor must approve the release of funds before any action can be taken. Competitive bidding is enforced to ensure that the lowest possible costs are obtained. Change orders during construction must be substantiated and approved by the expending agency. The need for additional capital improvement funds for each project must be approved by the Governor and must be funded from available balances of other capital improvement project appropriations. An assessment of the quality of construction material being used is performed on a continuous basis. Individual guarantees and warranties are inventoried and monitored as to the adequacy of stipulated performances. Additional reviews and assessments are conducted to identify and resolve any environmental concerns and to preserve historical and archaeological sites, and coastal areas.

State Educational Facilities Improvement Special Fund

The State has established a State Educational Facilities Improvement Special Fund (“SEFISF”). The amounts in the SEFISF are to be used solely for capital improvements and facilities under the jurisdiction of the State Department of Education, except public libraries. Over the years, capital improvement projects for public school facilities have generally been funded by moneys in the SEFISF that are subsequently fully capitalized through the issuance of general obligation bonds. In light of this arrangement, Act 157, SLH 2013, limits expenditures from the SEFISF to projects authorized prior to July 1, 2016 and repeals the SEFISF as of July 1, 2023, to allow the Department of Education’s capital improvement projects to be funded directly with general obligation bonds.

Act 134, SLH 2013 as amended by Act 122, SLH 2014, appropriated \$53.0 million for fiscal year 2014 and \$353.0 million for fiscal year 2015 of general obligation bond funds to be transferred to the SEFISF. Act 119, SLH 2015, appropriated \$38.1 million for fiscal year 2016 of general obligation bond funds to be transferred to the SEFISF. No further appropriations of general obligation bond funds have been made or are expected to be made in the future to SEFISF.

EMPLOYEE RELATIONS; STATE EMPLOYEES’ RETIREMENT SYSTEM

Employee Relations

Article XIII of the State Constitution grants public employees the right to organize for the purpose of collective bargaining as provided by law. HRS Chapter 89 provides for 14 recognized bargaining units for all public

employees throughout the State including State and county employees. Each bargaining unit designates an employee organization as the exclusive representative of all employees of such unit, which organization negotiates with the public employer. In the case of bargaining units for nonsupervisory blue collar positions, supervisory blue collar positions, nonsupervisory white collar positions, supervisory white collar positions, registered professional nurses, institutional health and correctional workers, professional and scientific employees, and State law enforcement officers and state and county ocean safety and water safety officers, the Governor of the State shall have six votes, and the mayors of each of the counties, the Chief Justice of the State Judiciary and the Hawaii Health Systems Corporation Board shall each have one vote. In the case of bargaining units for police officers and fire fighters, the Governor shall have four votes and the mayors shall each have one vote. In the case of bargaining units for teachers and educational officers, the Governor shall have three votes, the State Board of Education shall have two votes and the state superintendent of education shall have one vote. In the case of bargaining units for University of Hawaii ("UH") faculty and UH administrative, professional and technical staff, the Governor shall have three votes, the UH Board of Regents shall have two votes and the UH president shall have one vote. Decisions by the employer representatives shall be on the basis of simple majority, except when a bargaining unit includes county employees from more than one county. In such case, the simple majority shall include at least one county. The State legislature recently passed legislation (HB 1698, 2020 Session) that would create another bargaining unit by moving state and county ocean safety and water safety officers from Unit 14 into a fifteenth bargaining unit. This new bargaining unit would be made up of exclusively county employees at the present time. This legislation is subject to possible notice of intent to veto by the Governor by August 31, 2020.

By statute, if an impasse in any negotiation is declared, the parties may attempt to resolve the impasse through mediation, fact finding, and, if mutually agreeable to the parties, final and binding arbitration. Although the statute characterizes arbitration as "final and binding," it also provides that all cost items are subject to appropriations by the appropriate legislative bodies. If final and binding arbitration is not agreed upon, either party may take other lawful action to end the dispute, which, in the case of blue collar workers, public school teachers and university professors, could include an employee strike. In the case of the remaining eleven bargaining units, including fire fighters and police officers, a strike is prohibited by law, and negotiation impasses are subject to mandatory final and binding arbitration, subject to appropriation of cost items, as described above. Certain employees are not party to a formal labor contract, including elected and appointed officials and certain contractual hires.

The status of negotiations and awards for wages and health benefits for the period from July 1, 2019 to June 30, 2021 is as follows:

Unit 1 (blue collar workers): The United Public Workers ("UPW") and the employer reached a four-year (July 1, 2017 – June 30, 2021) agreement that was ratified in August 2017. The last two years of the agreement provides for across the board increases of 2% July 1, 2019 and 2% July 1, 2020. An agreement for additional across the board increases of 1.2% January 1, 2020 and January 1, 2021 was ratified in April 2019.

Unit 2 (blue collar supervisors): The current contract expired June 30, 2019. An agreement for a new contract was ratified by the Hawaii Government Employees Association ("HGEA") on October 24, 2019, providing for a \$2,000 lump sum payment for all employees July 1, 2019; across-the-board increases and/or step adjustments of 5.29% July 1, 2020; and an across-the-board increase of 1.20% January 1, 2021. The agreement also provides for adjustments to uniform allowances, and meal allowances. Funding for the agreement has been approved by the State legislature and county councils, but is subject to possible notice of intent to veto by the Governor by August 31, 2020.

Unit 3 (white collar workers): The current contract expired June 30, 2019. An agreement for a new contract was ratified by HGEA on January 8, 2020, providing a \$2,800 lump sum payment for all employees July 1, 2019. The agreement also provides for a one-step adjustment for most employees or an equivalent lump sum payment for employees not eligible for the step the movement on July 1, 2020. Also, on July 1, 2020, the lowest step on the salary schedule is being eliminated and the lowest five ranges of the salary schedule are to be increased 2% - 10.1%. On January 1, 2021, an across-the-board increase of 3.46% is provided. The agreement also provides for adjustments to standby pay and time off for certain instances of overtime worked. Funding for the agreement has been approved by the State legislature and county councils, but is subject to possible notice of intent to veto by the Governor by August 31, 2020.

Unit 4 (white collar supervisors): The current contract expired June 30, 2019. An agreement for a new contract was ratified by HGEA on March 3, 2020, providing a 5.98% lump sum payment for all employees July 1, 2019. The agreement also provides for the elimination of the lowest step on the salary schedule and an across-the-board increase of 3.60% July 1, 2020. On January 1, 2021, an across-the-board increase of 3.74% is provided. The agreement also provides for adjustments to standby pay and time off for certain instances of overtime worked. Funding for the agreement has been approved by the State legislature and county councils, but is subject to possible notice of intent to veto by the Governor by August 31, 2020.

Unit 5 (teachers): The Hawaii State Teachers Association ratified a new four-year agreement (July 1, 2017 – June 30, 2021) on April 27, 2017. The second two years of the agreement provide for an across the board wage adjustments of 3.5% at the beginning of the second quarter of the 2020-2021 school years and one step movement on the salary schedule at the beginning of the second quarter of the 2019-2020 school year or a \$1,500 lump sum payment for teachers on the maximum step of the salary schedule. An agreement was reached on the continuation of the twenty-one hours of paid professional development time for the final two years of the contract April 1, 2019.

Unit 6 (educational officers): The Hawaii Government Employees Association (“HGEA”) and the employer reached a new agreement (July 1, 2017 – June 30, 2021) that was ratified by the membership on April 28-29, 2017. The final two years of the agreement provide for across the board wage adjustments of 1.8% July 1, 2019 and 1.8% July 1, 2020. The agreement also provides for a one step movement on the salary schedule wage adjustment on January 1 of each year of the agreement or a 1.4% lump payment for educational officers on the maximum step of the salary schedule.

Unit 7 (faculty of the University of Hawaii): University of Hawaii Professional Assembly and the employer reached a four-year agreement (July 1, 2017 – June 30, 2021) that was ratified in July 2017. The last two years of the agreement provide for across the board increases of 2% July 1, 2019 and 2% July 1, 2020. An agreement regarding a contract re-opener was reached May 12, 2020, providing for an additional across the board increases of 1.20% January 1, 2020 and January 1, 2021. Funding for the additional increases has been approved by the State legislature and county councils, but is subject to possible notice of intent to veto by the Governor by August 31, 2020.

Unit 8 (University of Hawaii administrative, professional and technical staff): The current contract expired June 30, 2019. An agreement for a new contract was ratified by HGEA on October 24, 2019, providing for two step adjustments on July 1, 2020 and across the board increases of 1.24% July 1, 2020 and 1.20% January 1, 2021. The agreement also provides for lump sums of 2% for those on the second highest step, 4% for those on the highest step July 1, 2020 and a \$1000 or \$2,000 lump sum payment for all employees July 1, 2019, depending of years of service. The agreement also provides for adjustment to meal allowances. Funding for the agreement has been approved by the State legislature and county councils, but is subject to possible notice of intent to veto by the Governor by August 31, 2020.

Unit 9 (registered professional nurses): The current contract expired June 30, 2019. An arbitration award was issued September 16, 2019 providing for: on July 1, 2019 a 2.5% across-the-board increase, creation of a new step L5, and lump sum payments ranging from \$1,800 - \$2,000; on July 1, 2020 an additional 2.50% across-the-board increase. The award also provides for step movements for eligible employees. Funding for the agreement has been approved by the State legislature and county councils, but is subject to possible notice of intent to veto by the Governor by August 31, 2020.

Unit 10 (institutional health and correctional workers): UPW and the employer and the employer reached a four-year (July 1, 2017 – June 30, 2021) that was ratified in August 2017. The last two years of the agreement provides across the board increases of 2% July 1, 2019 and 2% July 1, 2020. Additional across the board increases of 0.74% January 1, 2020 and 1.07% January 1, 2021 were ratified in April 2019. The agreement also provides for continuation of the developmental career plan.

Unit 11 (firefighters): An arbitration award for Hawai'i Fire Fighters Association was issued on April 8, 2019 for the period July 1, 2019 – June 30, 2021. The award provides for: across the board increases of 2% July 1, 2019 and 2% July 1, 2020; lump sum payments ranging from \$1,800 - \$2,000 on July 1, 2019 and \$1,800 to \$2,500 on July 1, 2020; and continuation of step movements for eligible employees (adds an additional step L6 at the end of the contract).

Unit 13 (professional and scientific employees): The current contract expired June 30, 2019. An agreement was ratified by HGEA on October 11, 2019, providing for across-the-board increases of 2.15% July 1, 2019 and 2.03% July 1, 2020, step movements for eligible employees, and a \$750 lump sum payment each year for employees not eligible for step movements during the contract. The agreement also provides for adjustments to standby pay, uniform allowances, meal allowances, and time off for certain instances of overtime worked. Funding for the agreement has been approved by the State legislature and county councils, but is subject to possible notice of intent to veto by the Governor by August 31, 2020.

Unit 14 (State law enforcement officers and State and county ocean safety and water safety officers): The current contract expired June 30, 2019. An arbitration award was issued April 15, 2020, providing for across the-board increases of 4.5% July 1, 2019 and July 1, 2020. The award also provides for step movements for eligible employees. Funding for the agreement has been approved by the State legislature, and the Honolulu City, Hawai'i County, Kauai County and Maui County councils, but is still pending a possible notice of intent to veto by the Governor by August 31, 2020.

State Employees' Health Benefits

Act 88, SLH 2001, Relating to Public Employees Health Benefits (partially codified as HRS Chapter 87A), established the Hawaii Employer-Union Health Benefits Trust Fund ("Trust Fund"). The Trust Fund provides health and other benefit plans for public employees, retirees and their dependents. The employers participating in the Trust Fund include the State and each of the counties. Public employer contributions to the Trust Fund for the health and other benefit plans of public employees and their dependents are determined under HRS Chapter 89C, or by way of applicable public sector collective bargaining agreements. Except for reimbursement of medical insurance coverage under Medicare, public employer contributions to fund the health and other benefit plans of retirees are not to exceed certain monthly contribution levels specified in HRS Chapter 87A.

Act 245, SLH 2005 (partially codified as HRS Chapter 87D), temporarily authorized employee organizations to establish voluntary employees beneficiary association ("VEBA") trusts to provide health benefits to state and county employees in their bargaining units outside of the Trust Fund. Each VEBA trust was to provide health benefits to State and county employees who retired after establishment of the VEBA trust ("future retirees") and was to give State and county employees who were members of applicable bargaining units and who retired before establishment of the VEBA trust ("existing retirees") a one-time option to transfer from the Trust Fund to the VEBA trust. The State and county employers' monthly contributions to each VEBA trust for active employees and future retirees were to be established by collective bargaining. Monthly contributions to each VEBA trust for existing retirees were to be equal to the contributions paid on behalf of similarly situated retirees under the Trust Fund. The stated purpose of Act 245 was to allow the temporary establishment of a VEBA trust pilot program so as to enable a thorough analysis of the costs and benefits of VEBA trusts against the Trust Fund to determine what actual savings could be realized by the State through the VEBA trust mechanism. The Hawaii State Teachers Association ("HSTA") implemented a VEBA trust for its active employees on March 1, 2006 and for retirees on January 1, 2007. Act 245 was amended by Act 294, SLH 2007 to extend the repeal date to July 1, 2009 for any VEBA implemented in March 2006. Act 5, First Special Session 2008, amended Act 245, SLH 2005, to extend the sunset date to July 1, 2010. Act 106, SLH 2010, amended Act 245, SLH 2005, to provide a final extension of the sunset date to December 31, 2010, to allow for a smoother transition from the HSTA VEBA trust to the Trust Fund. In September 2010, two participants in the HSTA VEBA trust and the trustees of the HSTA VEBA trust ("plaintiffs") filed a purported class action lawsuit seeking, in part, to enjoin the transition from the HSTA VEBA trust to the Trust Fund. See *Gail Kono, et al. v. Neil Abercrombie, et al*, Civil No. 10 1 1966 09, First Circuit Court, State of Hawaii. On December 7, 2010, the First Circuit Court ("circuit court") denied the plaintiffs' motion for a temporary injunction to enjoin the transition of active employees and retirees from the HSTA VEBA trust to the Trust Fund. However, the circuit court ruled that the Trust Fund was required to provide the active employees and retirees who transitioned from the HSTA VEBA trust to the Trust Fund with the same standard of coverage benefits that they had in their HSTA VEBA trust health benefits plans. The circuit court also ruled that approximately \$3.96 million in surplus funds that the HSTA VEBA trust returned to the State's General Fund should be paid by the State to the Trust Fund and used to ensure that active employees and retirees who transitioned from the HSTA VEBA trust to the Trust Fund can maintain their same standard of coverage benefits as ordered by the circuit court. Based on these rulings, the active employees and retirees in the HSTA VEBA trust were transitioned to the Trust Fund, effective January 1, 2011. A final judgment was entered on the circuit court's rulings and both the State and plaintiffs filed appeals. On April 24, 2013, the Intermediate Court of Appeals (the "ICA")

issued a memorandum opinion vacating the final judgment and several related orders. The ICA said the circuit court lacked authority to render the final judgment in the absence of an appropriate pending motion from either party. When the final judgment was entered, the ICA said there was no pending dispositive motion on which the circuit court could terminate the litigation. The ICA remanded the case to the circuit court for further proceedings. The ICA left standing the order that requires the Trust Fund to provide active employees and retirees who transitioned from the HSTA VEBA trust to the Trust Fund with the same standard of coverage benefits that they had in their former HSTA VEBA trust health benefits plans and that required the State to pay the surplus funds returned by the HSTA VEBA trust to the Trust Fund. The State intends to continue to vigorously defend against Plaintiffs' claim in this lawsuit. The outcome of this lawsuit cannot be determined and no amount has been recorded in the financial statements as of or for the years ended June 30, 2013, 2014, 2015, 2016, 2017, 2018 and 2019.

Other Post Employment Benefits

The Governmental Accounting Standards Board ("GASB") has issued Statements No. 43 ("GASB 43"), Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans (*i.e.*, "OPEBs"), and No. 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. GASB 43 was implemented by the Trust Fund for fiscal year ending June 30, 2007 and GASB 45 was implemented by the employers for fiscal year ending June 30, 2008 and for the County of Kauai for fiscal year ending June 30, 2009. The GASB has also issued Statement No. 74 ("GASB 74"), Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement No. 75 ("GASB 75"), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions that are effective for fiscal years beginning July 1, 2016 and 2017, respectively. GASB 74 replaces GASB 43 and GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans ("GASB 57"), and GASB 75 replaces GASB 45 and GASB 57. The Trust Fund implemented GASB 74 and the State implemented GASB 75 for fiscal years beginning July 1, 2016 and July 1, 2017, respectively.

In 2013, the State enacted measures to significantly reduce the State's unfunded actuarial accrued liability for unfunded Other Post Employment Benefit ("OPEB"). As described below, the State is taking measures to prefund OPEB liabilities.

On July 9, 2012, Act 304, SLH 2012 was signed into law and provided for the establishment of "a separate trust fund for the purpose of receiving employer contributions that will prefund other post-employment health and other benefit plan costs for retirees and their beneficiaries." Effective June 30, 2013, the Board approved the Plan and Trust Agreement for Hawaii Employer-Union Health Benefits Trust Fund for Other Post-Employment Benefits ("OPEB Trust") establishing the irrevocable trust whose assets are legally protected from creditors and can only be used for the benefit of participants' other post employment benefits. The OPEB Trust is set up as an agent multiple-employer plan. Funds are pooled together but employer contributions; related investment income, investment expenses and gains/losses; and distributions are recorded separately by employer.

The State has received the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") July 1, 2019 Actuarial Valuation Report (the "Trust Fund Report") and the GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions report (the "GASB 75 Report") prepared for fiscal year ending June 30, 2019 of the Trust Fund's OPEB liabilities. The Trust Fund and the GASB 75 Reports were prepared by the State's professional actuarial advisors, Gabriel Roeder Smith & Company. The Trust Fund Report quantifies the Actuarial Accrued Liabilities ("AAL") of the respective employers under GASB 75 and develops the Annual Required Contributions ("ARC"). The GASB 75 Report complements the Trust Fund Report and the calculation of the OPEB Trust liability for this report is not applicable for funding purposes of the OPEB Trust.

The Trust Fund Report provides, based on stated actuarial assumptions, costs with prefunding of the ARC and a discount rate of 7%. The Trust Fund Report states that the State's unfunded AAL as of July 1, 2019 is \$9,553.5 million. The corresponding ARC for the fiscal years ending June 30, 2020 and 2021 are \$814.7 million and \$842.5 million, respectively, of which 77% is an expense of the General Fund and 23% is to be paid from non-general funds of the State. The Trust Fund Report estimates the "pay-as-you-go" funding amounts for fiscal years ending June 30, 2020 and 2021 are \$409.2 million and \$454.0 million, respectively.

In the past, the State funded its OPEB costs on a “pay-as-you-go” basis; however, the State began the process of pre-funding its OPEB costs with contributions in the amount of \$100 million for fiscal year ending June 30, 2014. The State has met its pre-funding OPEB contribution in accordance with Act 268, SLH 2013 for the fiscal years ending June 30, 2015, 2016, 2017, 2018 and 2019 with actual contributions of \$117.4 million (versus the \$83.0 million Act 268, SLH 2013 required contribution), \$249.8 million (versus the \$163.6 million Act 268, SLH 2013 required contribution), \$333.0 million (versus the \$230.2 million Act 268, SLH 2013 required contribution) and \$337.1 million (versus the \$297.063 million Act 268, SLH 2013 required contribution), and \$787.1 million (Act 268, SLH 2013 required contribution), respectively. The market value of the State’s OPEB assets amounted to \$1.8 billion as of June 30, 2019. This results in a funded ratio of 16.1% based on the State’s AAL as of July 1, 2019, or \$11.4 million. Investment return net of fees on OPEB assets during fiscal year 2020 is estimated to be 1.7% versus the assumed 7%. If this continues through the balance of the fiscal year, it would result in an actuarial loss that will negatively affect funded ratios. However, as described below, pre-funding has been temporarily suspended to deal with the COVID-19 emergency.

Act 93, SLH 2017, requires the EUTF board of trustees to conduct an annual actuarial valuation of the Trust Fund. Previous practice was to have an actuarial valuation every two years. Act 93 also requires the board to update all assumptions specific to the Trust Fund used in the valuation at least once every three years.

Hawaii EUTF Contributions Fiscal Years 2014 — 2022

Fiscal Year	ARC	Benefit Payment*	UAAL Prefunding Balance	Act 268 Prefunding Requirement %	Act 268 Prefunding Requirement \$	Total Prefunding Contribution**	Total Requirement
2014	\$692,622,000	\$281,584,000	\$411,038,000	N/A	N/A	\$100,000,000	\$ N/A
2015	717,689,000	302,738,000	414,951,000	20%	\$82,990,000	117,400,000	N/A
2016	742,808,000	333,770,000	409,038,000	40%	163,615,000	249,827,434	N/A
2017	744,248,000	360,606,000	383,642,000	60%	230,185,000	333,049,894	N/A
2018	770,297,000	357,026,000	413,271,000	80%	297,063,000	337,129,000	N/A
2019	787,110,000	373,349,000	413,761,000	100%	787,110,000	787,110,000	787,110,000
2020**	814,659,000	409,165,000	405,494,000	100%	814,659,000	814,659,000	814,659,000
2021**	842,456,000	454,027,000	388,429,000	100%	842,456,000	842,456,000	842,456,000
2022**	877,193,000	495,481,000	381,712,000	100%	877,193,000	877,193,000	877,193,000

*Gabriel Roeder Smith & Company projections

**Fiscal years 2014, 2015, 2016, 2017, 2018 and 2019 are actual, and 2020, 2021, and 2022 are projected based on the 2019 Trust Fund Report and included in the State’s General Fund Financial Plan. Effective fiscal year 2019, Act 268 requires 100% ARC payment.

If the State public employer contributions into the fund are less than the amount of the annual required contribution commencing with the fiscal year 2018-2019, general excise tax revenues will be used to supplement State public employer contribution amounts. If the county public employer contributions into the fund are less than the amount of the annual required contribution commencing with the fiscal year 2018-2019, transient accommodations tax revenues apportioned to the counties will be used to supplement county public employer contribution amounts.

The State will be temporarily suspending the Act 268 UAAL prefunding balance payments for all public employers starting in fiscal year 2021 in order to help address budget shortfalls resulting from the impacts of the COVID-19 pandemic. Future fiscal years’ suspensions will be through legislation proposed during the 2021 session. The duration of the suspensions is currently planned for the period from fiscal years 2021 through fiscal year 2025 but this is subject to change. See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” in Part I of APPENDIX B for further information. This planned suspension currently is not expected to affect the funding of the State’s Employees’ Retirement System as escribed below and in APPENDIX B.

State Employees’ Retirement System

This section contains certain information relating to the Employees’ Retirement System of the State of Hawaii (the “System” or “ERS”). The information contained in this section is primarily derived from information produced

by the System, its independent accountant and its actuary. The State has not independently verified the information provided by the System, its independent accountant and its actuary, and makes no representations nor expresses any opinion as to the accuracy of such information. The comprehensive annual financial report of the System and most recent valuation report of the System may be obtained by contacting the System. The comprehensive annual financial reports of the System are also available on the State's website at <http://portal.hawaii.gov/>, and other information about the System are available on the System's website at <http://ers.hawaii.gov/>. Such documents and other information are not incorporated herein by reference.

Notwithstanding the suspension of prefunding balance payments for OPEB as described under "Other Post Employment Benefits" above, the State currently expects to continue regular funding of the ERS. See "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan" in Part I of APPENDIX B for further information.

The System uses a variety of assumptions to calculate the actuarial accrued liability, actuarial value of assets and other actuarial calculations and valuations of the System. No assurance can be given that any of the assumptions underlying such calculations and valuations (including, but not limited to, the current actuarial assumptions adopted by the System's Board of Trustees, the System's benefit structure or the actuarial method used by the System) will reflect the actual results experienced by the System. Variances between the assumptions and actual results may cause an increase or decrease in, among other things, the System's actuarial value of assets, actuarial accrued liability, unfunded actuarial accrued liability or funded ratio. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions (including, but not limited to, the current actuarial assumptions, benefit structure or actuarial method used by the System), one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans. See "—General Information" and "—Actuarial Valuation" herein for more information on the actuarial assumptions used by the System.

Much of the disclosure set forth in this "State Employees' Retirement System" section is based on the Report to the Board of Trustees on the 94th Annual Actuarial Valuation for the Year Ended June 30, 2019 (the "2019 Valuation Report"), which is the most recent valuation report of the System.

The information presented in the 2019 Valuation Report was based on actuarial assumptions adopted by the System's Board of Trustees in August 2019 effective with the June 30, 2019 valuation. This is the seventh valuation with new members under the new tier of benefits and member contribution rates. However, the liability for this group of employees represents just a small fraction of the total liabilities of the system. In addition to the new tier of benefits, employer contribution rates are also increasing. Fiscal year 2019 represented the 2nd year of a four year phase-in of increases in the employer contribution rates. Included in the 2019 Valuation Report are projections showing the long term impact of both the increased employer contributions and the change in benefits for employees first hired after June 30, 2012. In June 2012, the Governmental Accounting Standards Board ("GASB") voted to approve two new statements relating to the accounting and financial reporting for public employee pension plans by state and local governments. Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), was effective for reporting periods beginning after June 15, 2013. GASB 67 requires enhanced pension disclosures in notes and required supplementary information for financial reports of pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), was effective for fiscal years beginning after June 15, 2014. GASB 68 requires governments providing defined benefit pension plans to recognize pension obligations as balance sheet liabilities (as opposed to footnote disclosures), require more immediate recognition of certain changes in liabilities, require use of the entry age normal actuarial cost method (currently employed by the System) for reporting purposes, and limit the smoothing of differences between actual and expected investment returns on pension assets. In certain cases, a lower discount rate will be required for valuing pension liabilities. In addition, employers participating in cost-sharing, multiple employer defined benefit plans will be required to report their proportionate shares of the collective net pension liability and expense for such plans.

The State implemented GASB 68 beginning with the fiscal year ending June 30, 2015. Like most public employers, the State reflected pension liabilities directly on its Statement of Net Position, which resulted in a reduction in the State's reported net position. As allowed under GASB 68 the State is reporting its GASB 68 disclosure items one year in arrears (information measured as of June 30, 2019 is reported as of June 30, 2020). The amount of the ERS net pension liability (measured as of June 30, 2019, the most recent information available) allocated to the State

(not including the University of Hawaii) is approximately \$7.9 billion, or approximately 56% of the \$14.17 billion net pension liability for all participating employers.

General Information

The System began operation on January 1, 1926. The System is a cost sharing, multiple employer defined benefit pension plan. The actuarial information presented herein is provided for all employers of the System in total. The System's plan year runs from July 1 of each year through the following June 30. The System covers all regular employees of the State and each of its counties, including judges and elected officials. As it is a cost sharing plan, the System does not allocate its liabilities among participating employers. However, based on the new GASB 68 financial reporting requirements for employers, the State's share of the System, based on employer contributions, is approximately 69% (including the University of Hawaii), with the remaining 31% share as the responsibility of the four counties. Although the State's employer contributions are recorded as expenses of the General Fund, approximately 25% are reimbursed from various non general funds of the State.

The statutory provisions of HRS Chapter 88 govern the operation of the System. Responsibility for the general administration of the System is vested in a Board of Trustees, with certain areas of administrative control being vested in the Department of Budget and Finance. The Board of Trustees consists of eight members: the Director of Finance of the State, ex officio; four members of the System (two general employees, one teacher, and one retiree) who are elected by the members and retirees of the System; and three citizens of the State (one of whom shall be an officer of a bank authorized to do business in the State, or a person of similar experience) who are appointed by the Governor and may not be employees of the State or any county. All contributions, benefits and eligibility requirements are established by statute, under HRS Chapter 88, and may only be amended by legislative action.

Prior to 1984, the System consisted of only a contributory plan. Legislation enacted in 1984 created a noncontributory retirement plan for certain members of the System who are also covered under Social Security. The noncontributory plan provides for reduced benefits and covers most employees hired after June 30, 1984 and employees hired before that date who elected to join the plan. Police officers, firefighters, other enforcement officials, certain elected and appointed officials and other employees not covered by Social Security are excluded from the noncontributory plan. The minimum service required for retirement eligibility is five years of credited service under the contributory plan and ten years of credited service under the noncontributory plan. Both the contributory and noncontributory plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (the "AFC"). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971 or the three highest paid years of service, excluding the vacation payment (whichever is higher). The AFC for members hired after that date is based on the three highest paid years of service, excluding the vacation payment.

On July 1, 2006, a new defined benefit contributory plan (the "Hybrid Plan") was established pursuant to Act 179, SLH 2004. Members in the Hybrid Plan are eligible for retirement with full benefits at age 62 with 5 years of credited service or age 55 and 30 years of credited service. Members receive a benefit multiplier of 2% for each year of credited service in the Hybrid Plan. Most new employees hired from July 1, 2006 were required to join the Hybrid Plan.

In December 2010, the System's actuary completed an Actuarial Experience Study for the five year period ended June 30, 2010 (the "2010 Experience Study"). In fiscal year 2011, based in part on the results of the Experience Study, the Legislature acted to limit the growth of the State's pension liabilities by passing Act 163, SLH 2011. This Act, effective July 1, 2012, enacts certain changes to the funding of the System and the benefit structure for new members in all plans. Funding changes include increasing the statutorily required employer contribution rates (see "—Funding Status" below). Benefit changes for new members include increasing the age and service requirements for retirement eligibility, reducing the retirement benefit multiplier and reducing the interest rate credited to employee contributions to 2%. The change in the interest rate credited to employee contributions to 2% is for new members in the Hybrid Plan and Contributory Plan hired on or after July 1, 2011. All other benefit changes are effective for new members hired on or after July 1, 2012.

Act 163, SLH 2011, also reduced the investment yield rate assumption for fiscal year 2011 from 8% to 7.75% and gave authority to the Board of Trustees to adopt all assumptions to be used for actuarial valuations of the System, including the assumed investment yield rate for subsequent fiscal years. Effective June 30, 2012 and July 1, 2012, the Legislature enacted Acts 152 and 153, SLH 2012, respectively, to define compensation for retirement purposes as normal periodic payments excluding overtime, supplemental payments, bonuses and other differentials, and to assess employers annually for all retiree pension costs attributable to non-base pay during the last years of retirement.

A subsequent five-year actuarial experience study was completed on July 5, 2016, for the five-year period which ended on June 30, 2015 (the “2015 Experience Study”). To better reflect the recent actual experience of the System, in December 2016 the Board of Trustees adopted the assumption recommendations set for in the 2015 Experience Study. The Board also adjusted the investment yield rate assumption to 7.00%.

On August 12, 2019, the System’s actuary completed an Actuarial Experience Study for the three-year period ended June 30, 2018 (the “2018 Experience Study”). Based on the current capital market assumptions from ERS’s investment consultant and the System’s target allocation, the actuaries verified that the 7.00% investment return was close to the median expected geometric return and there were no recommended changes to the investment return assumption.

The next Actuarial Experience Study, for the three-year period ending June 30, 2021, is expected in July 2022.

In fiscal year 2011, the Legislature acted to improve and protect the System’s funded status by placing a moratorium on the enhancement of benefits. Act 29, SLH 2011, provides that there shall be no benefit enhancement for any group of members until the actuarial value of the System’s assets is 100 percent of the System’s actuarial accrued liability.

The demographic data for each annual June 30 valuation is collected as of the March 31st preceding the valuation date. As of March 31, 2019, the contributory plan covered 5,538 active employees (which includes police and fire) or 8.4% of all active members of the System, the noncontributory plan covered approximately 11,967 active employees or 18.0%, and the Hybrid Plan covered 48,878 active members or 73.6%. The Hybrid Plan membership will continue to increase in the future as most new employees hired from July 1, 2006 will be required to join this plan.

As of March 31, 2019, the System’s membership comprised approximately 66,383 active employees, 9,321 inactive vested members and 49,885 pensioners and beneficiaries. The following table shows the number of active members, inactive vested members and retirees and beneficiaries of the System as of March 31, 2017, 2018 and 2019:

Category	March 31, 2017	March 31, 2018	March 31, 2019
Active	65,911	66,271	66,383
Inactive, vested	9,241	9,249	9,321
Retirees and beneficiaries	46,927	48,569	49,885
Total	122,079	124,089	125,589

Funded Status

Net Pension Liability

Since the adoption of GASB 67 in fiscal year 2014 by the ERS and GASB 68 in fiscal year 2015 by all of its participating employers, including the State, the System’s actuary has prepared separate annual actuarial valuation reports, one of which provides information for funding purposes and one of which provides the disclosures required by GASB 67 and 68 that are incorporated into the financial statements of the ERS and its participating employers (the “GASB 67/68 Report”). The most recent GASB 67/68 Report was delivered in February 2020 and presents as of June 30, 2020 the required information measured as of June 30, 2019 as permitted by GASB 68. As reported therein, the total pension liability of the System was \$31,396,447,685 and the System’s fiduciary net position (representing

the value of the assets of the System) was \$17,227,026,987, resulting in a net pension liability of the System of \$14,169,420,698. Of such liability, the State's proportionate share was approximately \$7,899,326,314 (not including approximately \$1,791,097,596 allocated to the University of Hawaii), representing approximately 56% of the total System net pension liability. The State estimates that the General Fund portion of the State's share is 75%.

Under GASB 67, projected benefit payments by the System are required to be discounted to their actuarial present values using a single discount rate that reflects a long-term expected rate of return on System investments. Such expected rate of return, and consequently the single discount rate, is set at 7.00%. GASB 68 further requires disclosure of the sensitivity of the net pension liability to changes in the assumed single discount rate by presenting the changes to the net pension liability associated with a 1% decrease and a 1% increase in the single discount rate. Applying a 6.00% discount rate, the \$14,169,420,698 net pension liability would increase to \$18,460,974,101, and applying an 8.00% discount rate, it would decrease to \$11,079,581,746.

Unfunded Actuarial Accrued Liability

In addition to the annual GASB 67/68 Report, the actuary provides its annual valuation report based on the provisions of Chapter 88 of the Hawaii Revised Statutes, as amended, and the actuarial assumptions adopted by the ERS Board of Trustees. This report determines whether current employer contribution rates are adequate to ensure that the unfunded actuarial accrued liability (the "UAAL") can be funded over a period not exceeding 30 years, describes the financial condition of ERS and analyzes changes in ERS's condition. The most recent such report is the 2019 Valuation Report, presenting the actuarial condition of the ERS as of June 30, 2019.

The valuation report as of June 30, 2016 (the "2016 Valuation Report") reported that the System's funded status had decreased compared to the prior year, which decrease was primarily attributable to the new actuarial assumptions adopted by the Board in December 2016, and, to a lesser degree, to investment and liability experience losses, resulting in a UAAL as of June 30, 2016 of \$12.441 billion. Based on the then-current statutory contribution rates of 25.0% for police and fire employees and 17.0% for all other employees (see "Funding Policy" below), and the new benefit tier for employees hired after June 30, 2012, the actuary determined in the 2016 Valuation Report that the remaining amortization period was 66 years. Because this period was not within 30 years (the maximum period specified by HRS Section 88-122(e)(1)), the financing objectives of the System were not being realized. Section 88-122(e)(1) of the Hawaii Revised Statutes provides that the employer contribution rates are subject to adjustment when the funding period is in excess of 30 years. See "Funding Policy" below for information on increases in the employer contribution rates and benefits changes.

To bring the System's funding period to within 30 years as required by HRS Section 88-122(e)(1)), the Legislature adopted Act 17, SLH 2017 during the 2017 regular legislative session. Act 17 contains significant increases to employer contribution rates over a four-year period. The 2019 Valuation Report reported that the UAAL increased to \$14.074 billion as of June 30, 2019, compared to \$13.405 billion as of June 30, 2018. The investment returns on financial markets in fiscal year 2019 were less than the 7.0% assumption. Because of the lower return and the new actuarial assumptions adopted by the Board, the funded ratio remained unchanged in 2019 when compared to the prior year at 55.2% based on smoothed assets. Based on the assumptions used in preparing the 2016 Valuation Report and the future contribution rates established by the Legislature effective July 1, 2017 in Act 17, SLH 2017, the actuary determined that, as of the 2019 Valuation Report, the remaining amortization period was 26 years. Thus, the current contribution rates are sufficient to eliminate the UAAL over a period of 30 years or less as mandated by HRS Section 88-122(e)(1).

Funding Policy

Prior to fiscal year 2006, the System was funded on an actuarial reserve basis. Actuarial valuations were prepared annually by the consulting actuary to the Board of Trustees to determine the employer contribution requirement. In earlier years, the total actuarially determined employer contribution was reduced by some or all of the investment earnings in excess of the investment yield rate applied in actuarial valuations to determine the net employer appropriations to be made to the System. Act 327, SLH 1997, amended Section 88-107, HRS, so that, beginning with the June 30, 1997 valuation, the System retains all of its excess earnings for the purpose of reducing the unfunded actuarial accrued liability. However, Act 100, SLH 1999, reinstated the excess earnings credit for the

June 30, 1997 and June 30, 1998 valuations. For those two valuations, the investment earnings in excess of a 10% actuarial return was to be applied as a reduction to the employer contributions. In accordance with the statutory funding provisions (Section 88-122, HRS, as amended by Act 147, SLH 2001), the total actuarially determined employer contribution to the pension accumulation fund was comprised of the normal cost plus the level annual payment required to amortize the unfunded actuarial accrued liability over a period of 29 years from July 1, 2000. The contribution requirement was determined in the aggregate for all employers in the System and then allocated to individual employers based on the payroll distribution of covered employees as of the March preceding the valuation date. The actuarially determined employer contribution derived from a valuation was paid during the third fiscal year following the valuation date, e.g., the contribution requirement derived from the June 30, 1998 valuation was paid into the System during the fiscal year ended June 30, 2001. The actuarial cost method used to calculate employer contributions was changed in 1997 by Act 327 from the frozen initial liability actuarial cost method to the entry age normal actuarial cost method effective with the June 30, 1995 actuarial valuation. Employer contributions were determined separately for two groups of covered employees: (1) police officers, firefighters, and corrections officers; and (2) all other employees who are members of the System.

Act 181, SLH 2004, established fixed employer contribution rates as a percentage of compensation (15.75% for their police officers and firefighters and 13.75% for other employees) effective July 1, 2005. Pursuant to Act 256, SLH 2007, employer contributions beginning July 1, 2008 increased to 19.70% for police officers and firefighters and 15.00% for all others employees. As of June 30, 2010, the System's actuary determined that the remaining period required to amortize the UAAL was 41.3 years, which was greater than the maximum of 30 years specified by HRS Section 88-122(e)(1). As a result, and pursuant to the recommendations of the 2010 Experience Study, the Board of Trustees requested an increase in the statutory employer contribution rates to bring the funding period down to 30 years. In response, the Legislature enacted Act 163, SLH 2011, pursuant to which, effective July 1, 2012, employer contribution requirements were gradually increased, as follows:

Employer Contribution effective starting	Police Officers and Firefighters (% of total payroll)	Other Employees (% of total payroll)
July 1, 2012	22.0	15.5
July 1, 2013	23.0	16.0
July 1, 2014	24.0	16.5
July 1, 2015	25.0	17.0
July 1, 2016	25.0	17.0

To bring the funding period of the System within 30 years, Act 17, SLH 2017, which became effective on July 1, 2017, increases employer contribution requirements as follows:

Employer Contribution effective starting	Police Officers and Firefighters (% of total payroll)	Other Employees (% of total payroll)
July 1, 2017	28.0	18.0
July 1, 2018	31.0	19.0
July 1, 2019	36.0	22.0
July 1, 2020	41.0	24.0

The Legislature also included \$34.6 million in fiscal year 2017-2018 and \$70.7 million in fiscal year 2018-2019 in the Executive Budget Bill (Act 49, SLH 2017), which was approved by the Legislature on May 2, 2017 to fund the contribution increases required by Act 17, SLH 2017.

Under the contributory plan, police officers, firefighters, and corrections officers are required to contribute 12.2% of their salary to the plan and most other covered employees are required to contribute 7.8% of their salary. Under the Hybrid Plan, covered employees are generally required to contribute 6.0% of their salary to the plan, with sewer workers in specified classifications, water safety officers and emergency medical technicians required to contribute 9.75% of their salary. Effective July 1, 2012, contribution rates for newly hired employees covered under the contributory and Hybrid Plan increased by 2% pursuant to Act 163, SLH 2011, such that the corresponding contribution rates for new employees as discussed in this paragraph will be 14.2%, 9.8%, 8.0% and 11.75%, respectively. Employees covered under the noncontributory plan do not make contributions.

Actuarial Methods

The System's actuary uses the entry age normal cost method. The most recent valuation was performed for the fiscal year ended June 30, 2019.

Since the State statutes governing the System establish the current employee and employer contribution rates, the actuarial valuation determines the number of years required to amortize (or fund) the UAAL. For the June 30, 2019 valuation, this determination was made using an open group projection due to the effects of the new lower tier of benefits adopted effective July 1, 2012 and the increased employer contribution rates mandated by Act 17, SLH 2017.

Because of this amortization procedure, any change in the unfunded actuarial accrued liability due to (i) actuarial gains and losses (ii) changes in actuarial assumptions or (iii) amendments, affects the funding period.

On an aggregate basis with regards to the contributory, the Hybrid, and the noncontributory plans, the total normal cost for benefits provided by the System for the fiscal year beginning July 1, 2019 was 14.13% of payroll, which was 15.72% of payroll less than the total contributions required by law (23.61% from employers plus 6.24% in the aggregate from employees). Since only 7.89% of the employers' 23.61% contribution is required to meet the normal cost (6.24% comes from the employee contribution), it is intended that the remaining 15.72% of payroll will be used to amortize any unfunded actuarial accrued liabilities over a period of years in the future, assuming that pay for new entrants increases by 3.50% per year. Due to the changes enacted in 2011 (new benefits and contribution rates for members hired after June 30, 2012) and in 2017 (increases in the employer contribution rates), the percentage of payroll available to amortize the unfunded actuarial liabilities is expected to increase each year for the foreseeable future.

The following table shows the valuation results as of June 30, 2019 plus a 30-year open group projection of ERS' assets and liabilities. The projection assumes no actuarial gains or losses in the actuarial liabilities or the actuarial value of assets. In addition, the projection reflects the changes made to the benefits and member contribution rates of employees hired after June 30, 2012, and the increased employer contributions required by Act 17, SLH 2017.

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Projection Results Based on June 30, 2019 Actuarial Valuation

Valuation as of June 30,	Employer Contribution Rate for Fiscal Year Following Valuation Date	Compensation (in Millions)	Employer Contributions (in Millions)	Actuarial Accrued Liability (AAL, in Millions)	Actuarial Value of Assets (AVA, in Millions)	Unfunded Actuarial Accrued Liability (UAAL, in Millions)	Funded Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2019	23.61%	\$ 4,520	\$ 1,067	\$ 31,396	\$ 17,322	\$ 14,074	55.2%
2020	25.89%	4,633	1,200	32,617	18,292	14,325	56.1%
2021	25.89%	4,761	1,233	33,838	19,384	14,453	57.3%
2022	25.89%	4,893	1,267	35,061	20,504	14,557	58.5%
2023	25.89%	5,033	1,303	36,285	21,654	14,631	59.7%
2024	25.89%	5,176	1,340	37,511	22,836	14,674	60.9%
2025	25.89%	5,326	1,379	38,734	24,052	14,682	62.1%
2026	25.89%	5,483	1,420	39,954	25,303	14,651	63.3%
2027	25.89%	5,647	1,462	41,171	26,595	14,576	64.6%
2028	25.89%	5,818	1,507	42,386	27,933	14,453	65.9%
2029	25.89%	5,998	1,553	43,598	29,321	14,276	67.3%
2030	25.89%	6,186	1,602	44,810	30,770	14,041	68.7%
2031	25.89%	6,382	1,653	46,024	32,284	13,740	70.1%
2032	25.89%	6,586	1,705	47,239	33,871	13,368	71.7%
2033	25.89%	6,798	1,760	48,457	35,539	12,918	73.3%
2034	25.89%	7,019	1,818	49,679	37,296	12,383	75.1%
2035	25.89%	7,249	1,877	50,908	39,154	11,754	76.9%
2036	25.89%	7,488	1,939	52,146	41,123	11,023	78.9%
2037	25.89%	7,737	2,003	53,395	43,215	10,181	80.9%
2038	25.89%	7,997	2,071	54,661	45,444	9,217	83.1%
2039	25.89%	8,269	2,141	55,948	47,826	8,122	85.5%
2040	25.89%	8,552	2,215	57,262	50,379	6,883	88.0%
2041	25.89%	8,848	2,291	58,609	53,120	5,489	90.6%
2042	25.89%	9,155	2,371	59,996	56,070	3,926	93.5%
2043	25.89%	9,474	2,453	61,429	59,249	2,180	96.5%
2044	25.89%	9,806	2,539	62,916	62,680	236	99.6%
2045	25.89%	10,150	2,628	64,463	66,385	(1,923)	103.0%
2046	25.89%	10,507	2,721	66,075	70,388	(4,313)	106.5%
2047	25.89%	10,877	2,817	67,761	74,714	(6,953)	110.3%
2048	25.89%	11,260	2,916	69,526	79,390	(9,865)	114.2%

Projection assumes all assumptions exactly met, including a 7.00% annual return on the current actuarial value of assets.

Source: 2019 Valuation Report.

Actuarial Valuation

The actuarial value of assets is equal to the market value, adjusted for a four-year phase-in of actual investment return in excess of or below expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds. The actuarial value of assets has been based on a four-year smoothed valuation that recognizes the excess or shortfall of investment income over or under the actuarial investment yield rate assumption. The actuarial asset valuation method is intended to smooth out year to year fluctuations in the market return. The excess or shortfall in the actual return during the year, compared to the investment yield rate assumption, is spread over this valuation and the next three valuations.

The System's actuary uses certain assumptions (including rates of salary increase, probabilities of retirement, termination, death and disability, and an investment yield rate assumption) to determine the amount that an employer must contribute in a given year to provide sufficient funds to the System to pay benefits when due. Prior to fiscal year 2012, HRS Section 88-122(b) provided for the Board of Trustees to adopt the assumptions to be used by the System, except the investment yield rate, which was set by the Legislature. Act 163, SLH 2011, set the investment yield rate at 7.75% for fiscal year 2011 but also amended HRS Section 88-122(b) to allow the Board of Trustees to establish, for subsequent fiscal years, all assumptions to be used by the System, including the investment yield rate assumption. The Board of Trustees periodically evaluates and revises the assumptions used by the System for actuarial valuations, including by commissioning experience studies to evaluate the actuarial assumptions to be used by the System. The current assumptions were adopted by the System's Board of Trustees based on the recommendations of the System's actuary in the most recent experience study, the 2019 Experience Study. These assumptions, funding changes and benefit structure are reflected in the 2019 Valuation Report. The impact of the new actuarial assumptions was an increase in the unfunded liabilities of the System of approximately \$60 million in the 2019 Valuation Report.

Act 85, SLH 2017, requires the Employees' Retirement System to conduct an annual stress test of the system and to report the results of the test to the Legislature annually. The test is to project the effect of certain unfavorable scenarios on the system's assets, liabilities, funded ratio and other specified benchmarks. The ERS' annual stress test shows that ERS can withstand a -20% return in one year followed by 20 years with annual 5% returns (2 percentage points below the assumed rate) before returning to 7%, and will require only moderate rate increases to ensure that the funding period never extends beyond 30 years in any future annual valuation. Act 93, SLH 2017, requires the Employees' Retirement System Board of Trustees to conduct an actuarial experience study of assumptions used in the actuarial valuation of the system at least once every three years. Previous statutes required an experience study once every five years. The next experience study will be performed following the June 30, 2021 valuation.

The actual investment returns of the System for fiscal years 2010 through 2019 shown below consist of a mix of gross and net of fees.

<u>Fiscal Year</u>	<u>Percentage</u>
2010	11.96%
2011	21.25%
2012	-0.14%
2013	12.57%
2014	17.77%
2015	4.23%
2016	-0.78%
2017	13.68%
2018	7.85%
2019	6.00%
2020	1.26%*

Source: Report on Investment Activity for the ERS prepared by The Northern Trust Company (2010 to 2013), The Bank of New York Mellon (2014 to 2019) and reported in the ERS' CAFRs.

**Estimated*

Through September 30, 2019, the actual investment return (market return) of the System for the first three months of fiscal year 2020 was estimated at 1.7%, gross of investment and administrative expenses.

The first calendar quarter of 2020 stock market performance was the worst first quarter in history, while the second calendar quarter was one of the best second quarters. The System's Broad Growth Portfolio, which is exposed to U.S. growth and economic risk, lost 14% in the first calendar quarter (third fiscal quarter), but the Crisis Risk Offset Portfolio—designed to perform in periods of adverse market conditions, gained 10.9%. In the second calendar quarter, Broad Growth regained 6.2% and the entire System finished the fiscal year positive 1.3%. The Crisis Risk Offset Portfolio was able to redeploy performance gains back into the public equity markets to recapture some of the rally. The System maintained strong liquidity throughout the downturn and was not a forced seller of securities. The effects

of the coronavirus negatively impacted institutional portfolios in their public markets portfolios in February and March, recovering in April through June. The impact to private markets, such as private real estate and private equity, demonstrated challenged performance towards the end of the fiscal year but will likely recover as global economies reopen.

The coronavirus emergency caused market volatility to increase and short-term returns to decline precipitously. Markets since have appreciably bounced back. The System's long-term view of expected returns has not changed. Operationally, the ERS continues to improve remote work capability through use of secure communications technology.

The State anticipates that as the percentage of employees hired on and after July 1, 2012 increases, and increases in the employer contribution rates required by Act 17, SLH 2017, impact the System, the State will be able to fully amortize the UAAL over a 30 year period. Assuming a constant employment base, the number of employees entitled to pre-2012 retirement benefits should equal the number of employees entitled to post-2012 retirement benefits in fiscal year 2023. The combination of the higher contribution policies and new benefit structure for future employees should enable the Retirement System to absorb the prior adverse experience and the revised actuarial assumptions over the 30 year term.

The following table sets forth the schedule of funding progress of the System for the ten most recent actuarial valuation dates.

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in millions)

June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b)-(a)	Funded Ratio (a)/(b)	Payroll (c)	UAAL as a Percentage of Payroll ((b)-(a))/(c)
2010	11,345.6	18,483.7	7,138.1	61.4%	3,895.7	183.2%
2011**	11,942.8	20,096.9	8,154.2	59.4%	3,916.0	208.2%
2012	12,242.5	20,683.4	8,440.9	59.2%	3,890.0	217.0%
2013	12,748.8	21,243.7	8,494.9	60.0%	3,906.7	217.4%
2014	13,641.8	22,220.1	8,578.3	61.4%	3,991.6	214.9%
2015***	14,463.7	23,238.4	8,774.7	62.2%	4,171.4	210.4%
2016****	14,998.7	27,439.2	12,440.5	54.7%	4,258.9	292.1%
2017	15,720.6	28,648.6	12,928.0	54.9%	4,265.0	303.1%
2018	16,512.7	29,917.4	13,404.7	55.2%	4,383.7	305.8%
2019*****	17,322.2	31,396.4	14,074.2	55.2%	4,519.7	311.4%

Source: 2019 Valuation Report.

**Figures reflect assumption changes effective June 30, 2011.

***Reflects change in investment return assumption effective June 30, 2015.

****Reflects assumption changes effective June 30, 2016.

*****Reflects assumption changes effective June 30, 2019.

The 2019 Valuation Report found that the UAAL will be fully amortized over a 26-year period. Assuming a constant employment base, the number of employees entitled to pre-2012 retirement benefits should equal the number of employees entitled to post-2012 retirement benefits in fiscal year 2023. The combination of the higher contribution policies and new benefit structure for future employees is expected to enable the System to absorb the prior adverse experience over the 26-year term.

The total assets of the System on a market value basis available for benefits amounted to approximately \$14.5 billion as of June 30, 2015, \$14.1 billion as of June 30, 2016, \$15.7 billion as of June 30, 2017, \$16.6 billion as of

June 30, 2018 and \$17.2 billion as of June 30, 2019. Actuarial certification of assets as of June 30, 2015 was \$14.5 billion, as of June 30, 2016 was \$15.0 billion, as of June 30, 2017 was \$15.7 billion, as of June 30, 2018 was \$16.5 billion, and as of June 30, 2019 was \$17.3 billion.

The following table shows a comparison of the actuarial value of assets (“AVA”) to the market values, the ratio of the AVA to market value and the funded ratio based on AVA compared to funded ratio based on market value assets:

June 30,	Actuarial Value of Assets (in millions)	Market Value of Assets (in millions)	Market Value as Percentage of AVA	Funded Ratio (AVA)	Funded Ratio (Market Value)
2010	11,345.6	9,821.6	86.6%	61.4%	53.2%
2011	11,942.8	11,642.3	97.5%	59.4%	57.9%
2012	12,242.5	11,285.9	92.2%	59.2%	54.6%
2013	12,748.8	12,357.8	96.9%	60.0%	58.2%
2014	13,641.8	14,203.0	104.1%	61.4%	63.9%
2015	14,463.7	14,505.5	100.3%	62.2%	62.4%
2016	14,998.7	14,070.0	93.8%	54.7%	51.3%
2017	15,720.6	15,698.3	99.9%	54.9%	54.8%
2018	16,512.7	16,598.4	100.5%	55.2%	55.5%
2019	17,322.2	17,227.0	99.5%	55.2%	54.9%

Source: The 2010-2019 Valuation Reports

The following table shows the normal cost (which means the annual cost of providing retirement benefits for services performed by today’s members) as a percentage of payroll, employee contribution rate and effective employer normal cost rate for the two groups of covered employees for fiscal years 2018 and 2019:

NORMAL COST

	June 30,					
	2018			2019		
	Police and Firefighters	Other Employees	All Employees	Police and Firefighters	Other Employees	All Employees
Normal cost as % of payroll	25.46%	25.38%	13.90%	26.55%	12.46%	14.13%
Employee contribution rate	12.49%	5.24%	6.08%	12.53%	5.39%	6.24%
Effective employer normal cost rate	12.97%	7.14%	7.82%	14.02%	7.07%	7.89%

Source: 2019 Valuation Report.

The following table shows the actual contributions that have been contributed as of the last 10 valuation dates. Employer contribution rates are set prospectively by the statute.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar amounts in thousands)

June 30,	Actual Contribution
2010	547,613
2011	534,858
2012	548,353
2013	581,447
2014	653,128
2015	717,793
2016	756,558
2017	781,244
2018	847,595
2019	922,635

Source: The 2014-2019 Valuation Reports.

Asset Allocation

In August 2014, the Board of Trustees of ERS approved the adoption of a change in its asset allocation policy from the previous asset-class policy to a new risk-based asset allocation framework within the categories of Broad Growth, Principal Protection, Crisis Risk Offset, Real Return and Other. The new policy became effective as of October 1, 2014. The following table shows the target and actual asset allocation of the System as of September 30, 2019 under the new asset allocation policy:

ASSET ALLOCATION
(as of December 31, 2019)

Asset Type	Actual Allocation		Target Allocation		Allocation Difference
	Amount (\$mm)	Percentage	Amount (\$mm)	Percentage*	
Broad Growth	\$12,259.7	73.7%	\$12,228.0	68.0%	5.7%
Principal Protection	1,205.6	6.7%	1,438.6	8.0%	-1.3%
Crisis Risk Offset	2,548.3	14.25%	2,877.2	16.0%	-1.8%
Real Return	545.5	3.0%	1,438.6	8.0%	-5.0%
Opportunities	30.1	0.2%	0.0	0.0%	0.2%
Other	392.7	2.2%	0.0	0.0%	2.2%
Total	\$ 17,982.3	100.0%	\$17,982.3	100.0%	

Source: Valuations provided by BNY Mellon – December 31, 2019; values unaudited.

* Target Percentages are the 2019 Risk-Based Policy Targets. Numbers subject to changes and rounding errors.

GENERAL ECONOMIC INFORMATION

General

The following material pertaining to economic factors in the State under the captions “State of the Economy” from Table 1 through Table 10 has been excerpted from the Hawaii State Department of Business, Economic Development and Tourism (DBEDT) Second Quarter 2020 Quarterly Statistical and Economic Report (QSER) or from other materials prepared by DBEDT, some of which may be found at <http://dbedt.hawaii.gov/>. Unless otherwise stated, the following information is historical, estimated figures are used only when the definitive figures are unavailable. Unless otherwise specifically stated, all references to years and quarters in the following information are for calendar years and calendar quarters, respectively. The text refers to certain enumerated tables found under

“GENERAL ECONOMIC INFORMATION.” The following descriptions of the various components of the State’s economy and DBEDT’s outlook for the economy are below under “State of the Economy” and there is a brief description in the “Outlook for the Economy” section below explaining the impact of these components on the State’s fiscal position.

DBEDT’s latest forecast for the State’s nominal Gross Domestic Product (GDP) (the value of all goods and services produced within the State, formerly called the Gross State Product or GSP) growth in 2020 is negative 10.8 percent. In real terms (adjusting for inflation), DBEDT estimates that the 2020 State’s GDP growth to be negative 12.1 percent compared to that of the previous year.

Because the global COVID-19 pandemic and accompanying tourism shutdown are unprecedented, Hawaii’s economic forecast cannot be generated using past trends; however, basic relationships between economic variables remain unchanged, such as the relationship between job count and unemployment, personal income and GDP. DBEDT’s forecast is based on a number of assumptions as described in the “Outlook for the Economy” section below.

State of the Economy

The following discussion generally reflects data through the first quarter of 2020, the latest available at the date of this Official Statement. The COVID-19 pandemic began to impact the United States and Hawaii economies in the last two weeks of the first quarter, so economic indicators for the quarter were largely unaffected by the pandemic and do not give an accurate indicator of the present state of the economy. Economic indicators and data for subsequent periods can be expected to be adversely impacted by the COVID-19 pandemic. Data for the second quarter of 2020 is expected to be available on August 20, 2020. At its meeting on July 30, 2020, the Council on Revenues forecasted that total personal income in Hawaii would decline by 7% in the 2020 calendar year from calendar year 2019, and there would be no growth in total personal income in the 2021 calendar year. The forecast on total personal income has been filed on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) system. The next Council on Revenues report is due on September 10, 2020, pursuant to statute.

Hawaii’s major economic indicators were mixed in the first quarter of 2020. Wage and salary jobs, personal income (through the fourth quarter of 2019), private building authorizations, and State general fund tax revenues all increased in the quarter compared to the first quarter of 2019. Visitor arrivals and visitor expenditures decreased in the quarter.

In the first quarter of 2020, the total number of visitors arriving by air to Hawaii decreased 406,942 or 16.3 percent. Due to shorter lengths of stay, the daily visitor census decreased 17.8 percent in the quarter. Since visitors spent more on a daily basis in the first quarter of 2020, total visitors by air spending decreased 14.2 percent in the quarter.

In the first quarter of 2020, jobs in the construction sector increased 1.9 percent or 700 jobs, the government contracts awarded increased from negative \$70.7 million to positive \$760.8 million, the permit value for private construction increased \$23.8 million or 3.1 percent, compared with the same quarter of 2019. According to the most recent excise tax base data available, current construction put-in-place increased \$153.7 million or 1.6 percent in 2019, compared with the previous year.

In the first quarter of 2020, State general fund tax revenues were up \$102.9 million or 6.1 percent over the same period of 2019. The net individual income tax revenues increased \$35.8 million or 6.8 percent, the state general excise tax revenue increased \$54.9 million or 6.0 percent, the transient accommodations tax (TAT) increased \$30.0 million or 17.9 percent, but the net corporate income tax revenues decreased \$42.4 million or 242.4 percent. In 2019, State general fund tax revenues increased \$383.5 million or 5.5 percent, and state general excise tax revenue increased \$175.7 million or 5.1 percent, compared to the previous year.

Labor market conditions were mostly positive. Hawaii’s jobs increased for the 38th consecutive quarter beginning in first quarter 2010. In the first quarter of 2020, Hawaii’s non-agricultural wage and salary jobs averaged 657,700 jobs, an increase of 200 jobs or 0.03 percent from the same quarter of 2019. Note: The survey data for the reference week ending March 14 used to develop the March 2020 Hawaii labor market statistics (including both the

foregoing and those in the next paragraph) precedes, and therefore does not reflect, the economic impacts being experienced now due to the spread of COVID-19 in Hawaii.

In the first quarter of 2020, the private sector lost about 700 non-agricultural jobs compared to the first quarter of 2019. Jobs increased the most in Food Services and Drinking Places, adding 800 jobs or 1.1 percent; followed by Natural Resources, Mining & Construction, adding 700 jobs or 1.9 percent, Transportation, Warehousing & Utilities, adding 600 jobs or 1.8 percent, and Health Care & Social Assistance, adding 600 jobs or 0.8 percent in the quarter. For the private sector, in the first quarter of 2020, Retail Trade lost 1,600 jobs or 2.2 percent, and Information lost 800 jobs or 8.7 percent in the quarter. The three levels of government added 900 jobs or 0.7 percent in the first quarter of 2020 compared to the same quarter of 2019. The Federal Government added 600 jobs or 1.8 percent, State Government added 200 jobs or 0.3 percent, and Local Government lost 100 jobs or 0.5 percent, compared to the first quarter of 2019.

In the fourth quarter of 2019, total annualized nominal GDP increased \$3,168 million or 3.3 percent, from the fourth quarter of 2018. In 2019, total annualized nominal GDP increased \$3,484 million or 3.7 percent from the previous year. In the fourth quarter of 2019, total annualized real GDP (in chained 2012 dollars) increased \$708 million or 0.9 percent from the fourth quarter of 2018. In 2019, total annualized real GDP increased \$858 million or 1.0 percent from the previous year.

In the fourth quarter of 2019, total non-farm private sector annualized earnings increased \$1,136.3 million or 2.9 percent from the fourth quarter of 2018. In dollar terms, the largest increase occurred in accommodation and food services; followed by health care and social assistance, transportation and warehousing, finance and insurance, and other services. During the fourth quarter of 2019, total government earnings increased \$440.2 million or 2.7 percent from the same quarter of 2018. Earnings from the federal government increased \$319.5 million or 3.6 percent. Earnings from the state and local governments increased \$120.7 million or 1.7 percent in the quarter.

In the second half of 2019, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 1.3 percent from the same period in 2018. This is 0.6 of a percentage point below the 1.9 percent increase for the U.S. average CPI-U and is lower than the second half of 2018 Honolulu CPI-U increase of 2.1 percent from the same period of the previous year. In the second half of 2019, the Honolulu CPI-U increased the most in Apparel (11.5 percent), followed by Other Goods and Services (2.1 percent), Housing (1.8 percent), Food and Beverages (1.7 percent), and Education and Communication (0.1 percent). The price of Transportation decreased 2.2 percent and the price of Recreation decreased 0.5 percent compared to the second half of 2018.

Outlook for the Economy

The outlook of Hawaii's economy is based on the following assumptions:

- The total non-agriculture job loss in the state in April was 121,000. 78,000 jobs were lost in tourism-intensive industries (hospitality, trade, and transportation), and the rest were in the non-tourism intensive industries.
- U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loans to Hawaii businesses totaled \$2.6 billion as of May 20, 2020 and Economic Injury Disaster Loans totaled \$83.5 million, for a total small business loan total of \$2.7 billion.
- Assume 75 percent of the SBA loans are being used for payroll which is \$2 billion.
- Based on data from the U.S. Bureau of Economic Analysis, the total number of private non-farm employees was 544,139 and total private non-farm workers compensation was \$33 billion in 2018 with an average compensation per employee at \$60,632.
- Average compensation per month per worker is calculated to be \$60,632 a year or \$5,052 per month.
- Total jobs supported by small business loans should be equivalent to 395,883 workers (2,000,000,000/\$5,052).

- PPP loans need to be spent within 8 weeks (2 months), then jobs supported should be 197,942 jobs (395,883/2) each for May and June.
- Assume the visitor industry will start recovering in September 2020 and will recover 30 percent of arrivals (from same month in 2019) in September and 45 percent in December 2020.
- No cruise visitors until second half of 2021.
- It will take 6 years for visitor arrivals to recover to the 2019 level. This is based on the 2009 great recession pace.
- It will take 2 years for local (non-tourism intensive sector) businesses to recover to the 2019 level, in terms of job count. This is based on the 2009 great recession pace.

The projections that follow are based on the above and other assumptions.

DBEDT projects that Hawaii's economic growth rate, as measured by the real gross domestic product (GDP), will drop by 12.1 percent in 2020, then will increase at 0.7 percent in 2021, 0.6 percent in 2022, and 1.1 percent in 2023.

Hawaii will welcome 3.4 million visitors in 2020, a decrease of 67.5 percent from 2019 level. Visitor arrivals will increase to 6.2 million in 2021, 8.3 million in 2022, and 9.4 million in 2023. Visitor arrivals will not reach the 2019 level until 2025 based on the assumptions. Visitor spending will decrease more during the next few years due to the decrease in daily spending.

Non-agriculture payroll jobs will shrink by 8.9 percent in 2020, then will increase by 4.1 percent in 2021, 2.9 percent in 2022, and 1.3 percent in 2023. As for the GDP, non-agriculture payroll jobs will not be recovered to pre-crisis level until 2025.

The unemployment rate reached 23.5 percent in April, but it will improve in May and June due to the PPP and EIDL funds. Overall for 2020, the average annual unemployment rate will be at 8.6 percent, then decrease to 7.3 percent in 2021, 6.5 percent in 2022, and 6.2 percent in 2023. These rates are much higher than the average Hawaii unemployment rate of 2.5 percent 2017 to 2019.

Nominal personal income is expected to decrease by 10.2 percent in 2020, then will increase by 2.6 percent in 2021, 2.4 percent in 2022, and 2.8 percent in 2023.

Hawaii consumer inflation rate, as measured by the Honolulu Consumer Price Index for All Urban Consumers, will increase at rates between 0.5 to 1.7 for the next few years. These growth rates are lower than previously projected at about 2 percent.

Hawaii population is expected to be unchanged in 2020 and increase only by 0.1 percent in 2021, and 0.3 percent each year thereafter. Though international migration (usually net in-migration) may be halted in 2020, domestic migration (usually net out-migration) is likely to be on hold as well in 2020.

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INFORMATION ON EMPLOYMENT, WAGES AND SALARIES, TAX REVENUES AND TAX BASE

Table 1
SELECTED ECONOMIC ACTIVITIES: STATE

SERIES	1ST QUARTER			YEAR-TO-DATE		
	2019	2020	% CHANGE YEAR AGO	2019	2020	% CHANGE YEAR AGO
Civilian labor force, NSA (persons) 1/	666,000	670,050	0.6	666,000	670,050	0.6
Civilian employed, NSA	647,700	652,700	0.8	647,700	652,700	0.8
Civilian unemployed, NSA	18,300	17,350	-5.2	18,300	17,350	-5.2
Unemployment rate, NSA (%) 1/ 2/	2.8	2.6	-0.2	2.8	2.6	-0.2
Total wage and salary jobs, NSA	662,500	(NA)	(NA)	662,500	(NA)	(NA)
Total non-agric. wage & salary jobs	657,500	657,700	0.0	657,500	657,700	0.0
Nat. Resources, Mining, Constr.	36,700	37,400	1.9	36,700	37,400	1.9
Manufacturing	14,200	13,900	-2.1	14,200	13,900	-2.1
Wholesale Trade	18,400	18,200	-1.1	18,400	18,200	-1.1
Retail Trade	71,600	70,000	-2.2	71,600	70,000	-2.2
Transp., Warehousing, Util.	33,900	34,500	1.8	33,900	34,500	1.8
Information	9,200	8,400	-8.7	9,200	8,400	-8.7
Financial Activities	29,700	29,500	-0.7	29,700	29,500	-0.7
Professional & Business Services	74,400	74,500	0.1	74,400	74,500	0.1
Educational Services	14,400	14,400	0.0	14,400	14,400	0.0
Health Care & Social Assistance	72,700	73,300	0.8	72,700	73,300	0.8
Arts, Entertainment & Recreation	13,700	13,600	-0.7	13,700	13,600	-0.7
Accommodation	42,600	42,900	0.7	42,600	42,900	0.7
Food Services & Drinking Places	70,000	70,800	1.1	70,000	70,800	1.1
Other Services	28,500	28,200	-1.1	28,500	28,200	-1.1
Government	127,300	128,200	0.7	127,300	128,200	0.7
Federal	34,000	34,600	1.8	34,000	34,600	1.8
State	74,600	74,800	0.3	74,600	74,800	0.3
Local	18,800	18,700	-0.5	18,800	18,700	-0.5
Agriculture wage and salary jobs	5,000	(NA)	(NA)	5,000	(NA)	(NA)
State general fund revenues (\$1,000)	1,688,188	1,791,047	6.1	1,688,188	1,791,047	6.1
General excise and use tax revenues	916,354	971,273	6.0	916,354	971,273	6.0
Income-individual	524,252	560,056	6.8	524,252	560,056	6.8
Declaration estimated taxes	140,390	200,257	42.6	140,390	200,257	42.6
Payment with returns	38,831	41,907	7.9	38,831	41,907	7.9
Withholding tax on wages	547,265	571,532	4.4	547,265	571,532	4.4
Refunds ("-" indicates relative to State)	-202,234	-253,639	25.4	-202,234	-253,639	25.4
Transient accommodations tax	167,156	197,145	17.9	167,156	197,145	17.9
Honolulu County Surcharge 3/	78,028	90,433.1	15.9	78,028	90,433.0	15.9
Private Building Permits (\$1,000)	761,026	784,793	3.1	761,026	784,793	3.1
Residential	309,932	228,653	-26.2	309,932	228,653	-26.2
Commercial & industrial	46,175	120,465	160.9	46,175	120,465	160.9
Additions & alterations	404,919	435,676	7.6	404,919	435,676	7.6
Visitor Days - by air	22,865,078	19,422,405	-15.1	22,865,078	19,422,405	-15.1
Domestic visitor days - by air	16,107,878	14,366,974	-10.8	16,107,878	14,366,974	-10.8
International visitor days - by air	6,757,200	5,055,431	-25.2	6,757,200	5,055,431	-25.2
Visitor arrivals by air - by air	2,502,636	2,095,695	-16.3	2,502,636	2,095,695	-16.3
Domestic flight visitors - by air	1,690,889	1,483,416	-12.3	1,690,889	1,483,416	-12.3
International flight visitors - by air	811,747	612,279	-24.6	811,747	612,279	-24.6
Visitor expend. - arrivals by air (\$1,000)	4,519,884	3,879,416	-14.2	4,519,884	3,879,416	-14.2
Hotel occupancy rates (%) 2/	80.5	70.6	(9.9)	80.5	70.6	-9.9

1/ Labor force and jobs are Hawaii DLIR monthly and annual data. Quarterly averages computed by the Hawaii DBEDT.

2/ Change represents absolute change in rates rather than percentage change in rates.

3/ 0.5% added to the general excise tax to pay for O'ahu's mass transit system and took effect January 1, 2007.

Includes taxpayers who have business activities on Oahu but whose businesses are located outside Oahu.

Source: Hawaii State Department of Business, Economic Development, & Tourism <<http://www.hawaii.gov/dbedt/inf>>.

Hawaii State Department of Labor & Industrial Relations <<http://www.hiwi.org/cgi/dataanalysis/?PAGEID=94>>.

Hawaii State Department of Taxation <http://www.hawaii.gov/tax/a5_3txcolrpt.htm> and Hospitality Advisors, LLC.

Key Economic Indicators

Table 2
ACTUAL AND FORECAST KEY ECONOMIC INDICATORS FOR HAWAII
2018 TO 2023

Economic Indicators	2018	2019	2020	2021	2022	2023
	(Actual)		(Forecast)			
Total population (thousands)	1,421	1,416	1,416	1,417	1,421	1,425
Visitor arrivals (thousands) 1/	9,889	10,425	3,392	6,241	8,340	9,397
Visitor days (thousands) 1/	88,285	90,892	29,536	54,257	72,401	81,453
Visitor expenditures (million dollars) 1/	17,643	17,754	5,534	10,360	14,248	16,348
Honolulu CPI-U (1982-84=100)	277.1	281.6	283.0	287.0	291.6	296.5
Personal income (million dollars)	78,721	81,342	73,039	74,910	76,718	78,898
Real personal income (millions of 2012\$) 2/	61,931	63,169	56,473	57,264	57,894	58,762
Non-agricultural wage & salary jobs (thousands)	658.3	655.7	597.3	621.8	639.9	648.2
Civilian unemployment rate 3/	2.4	2.7	8.6	7.3	6.5	6.2
Gross domestic product (million dollars)	93,798	97,282	86,786	89,012	91,162	93,756
Real gross domestic product (millions of 2012\$)	82,652	83,509	73,374	73,873	74,349	75,157
Gross domestic product deflator (2012=100)	113.5	116.5	118.3	120.5	122.6	124.7
Annual Percentage Change						
Total population	-0.3	-0.3	0.0	0.1	0.3	0.3
Visitor arrivals 1/	5.2	5.4	-67.5	84.0	33.6	12.7
Visitor days 1/	4.9	3.0	-67.5	83.7	33.4	12.5
Visitor expenditures 1/	5.1	0.6	-68.8	87.2	37.5	14.7
Honolulu CPI-U	1.9	1.6	0.5	1.4	1.6	1.7
Personal income	4.0	3.3	-10.2	2.6	2.4	2.8
Real personal income 2/	2.6	2.0	-10.6	1.4	1.1	1.5
Non-agricultural wage & salary jobs	0.5	-0.4	-8.9	4.1	2.9	1.3
Civilian unemployment rate 3/	0.0	0.3	5.9	-1.3	-0.8	-0.3
Gross domestic product	4.9	3.7	-10.8	2.6	2.4	2.8
Real gross domestic product	2.4	1.0	-12.1	0.7	0.6	1.1
Gross domestic product deflator (2012=100)	2.4	2.6	1.5	1.9	1.8	1.7

1/ Visitors who came to Hawaii by air or by cruise ship. Expenditures includes supplementary expenditures. 2019 supplementary expenditure was estimated by DBEDT.

2/ Using personal income deflator developed by the U.S. Bureau of Economic Analysis and estimated by DBEDT.

3/ Absolute change from previous year.

Source: Hawaii State Department of Business, Economic Development & Tourism, May 21, 2020.

Labor Force and Jobs

Hawaii's labor market conditions were mostly positive in the first quarter of 2020. Since the civilian labor force increased slightly less than the increase in civilian employment, the civilian unemployment rate decreased slightly in the quarter. For the 38th consecutive quarter-over-quarter, civilian non-agricultural wage and salary jobs increased.

Note: The survey data for the reference week ending March 14 used to develop the March 2020 Hawaii labor market statistics precedes, and therefore does not reflect, the economic impacts being experienced now due to the spread of COVID-19 in Hawaii.

In the first quarter of 2020, the civilian labor force averaged 670,050 people, an increase of 4,050 people or 0.6 percent from the same quarter of 2019. In 2019, the civilian labor force declined by 10,200 people or 1.5 percent from the previous year.

Civilian employment totaled 652,700 people in the first quarter of 2020, an increase of 5,000 people or 0.8 percent compared to the same quarter of 2019. In the 2019, average civilian employment decreased 11,250 people or 1.7 percent from the previous year.

In the first quarter of 2020, the number of civilian unemployed averaged 17,350, a decrease of 950 people or 5.2 percent from the same quarter of 2019. In 2019, the number of unemployed increased 1,100 people or 6.5 percent from the previous year.

The unemployment rate (not seasonally adjusted) was 2.6 percent in the first quarter of 2020, 0.2 of a percentage point below the first quarter of 2019. In 2019, the unemployment rate increased 0.2 of a percentage point from the previous year to 2.7 percent.

In the first quarter of 2020, Hawaii's non-agricultural wage and salary jobs averaged 657,700 jobs, an increase of 200 jobs or less than 0.1 percent from the same quarter of 2019. This is the 38th consecutive quarter-over-quarter increase in non-agricultural wage and salary jobs after ten consecutive quarter-over-quarter decreases in jobs since the second quarter of 2008. In 2019, average non-agricultural wage and salary jobs decreased 0.4 percent or 2,600 jobs from the previous year.

The job growth in the first quarter of 2020 was due to job increases in the government sector. In this quarter, the private sector lost about 700 non-agricultural jobs compared to the first quarter of 2019. Jobs increased the most in Food Services and Drinking Places, adding 800 jobs or 1.1 percent; followed by Natural Resources, Mining & Construction, adding 700 jobs or 1.9 percent, Transportation, Warehousing & Utilities, adding 600 jobs or 1.8 percent, and Health Care & Social Assistance, adding 600 jobs or 0.8 percent in the quarter. For the private sector, in the first quarter of 2020, Retail Trade lost 1,600 jobs or 2.2 percent, and Information lost 800 jobs or 8.7 percent in the quarter.

Government added 900 jobs or 0.7 percent in the first quarter of 2020 compared to the same quarter of 2019. The Federal Government added 600 jobs or 1.8 percent, State Government added 200 jobs or 0.3 percent, and Local Government lost 100 jobs or 0.5 percent, compared to the first quarter of 2019.

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Table 3
CIVILIAN LABOR FORCE AND EMPLOYMENT
(NUMBER OF PERSONS)

Year	Civilian Labor Force	% Change Civilian Labor Force	Civilian Employment	% Change Civilian Employment	Civilian Unemployment Rate
2005	626,900	2.6	608,950	3.2	2.9
2006	638,250	1.8	621,550	2.1	2.6
2007	638,400	0.0	620,550	-0.2	2.8
2008	639,700	0.2	612,100	-1.4	4.3
2009	631,700	-1.3	586,500	-4.2	7.2
2010	647,250	2.5	602,300	2.7	6.9
2011	660,250	2.0	615,300	2.2	6.8
2012	647,200	-2.0	608,300	-1.1	6.0
2013	651,550	0.7	619,700	1.9	4.9
2014	665,450	2.1	636,500	2.7	4.4
2015	673,800	1.3	649,800	2.1	3.6
2016	683,200	1.4	663,050	2.0	3.0
2017	683,800	0.1	667,150	0.6	2.4
2018	675,200	-1.3	658,250	-1.3	2.5
2019	665,000	-1.5	646,950	-1.7	2.7
2020 1/	670,050	0.8	652,700	0.8	2.6

1/ First quarter of 2020

Source: Hawaii State Department of Labor and Industrial Relations.

Income and Prices

In the fourth quarter of 2019, total annualized nominal GDP increased \$3,168 million or 3.3 percent, from the fourth quarter of 2018. In 2019, total annualized nominal GDP increased \$3,484 million or 3.7 percent from the previous year. In the fourth quarter of 2019, total annualized real GDP (in chained 2012 dollars) increased \$708 million or 0.9 percent from the fourth quarter of 2018. In 2019, total annualized real GDP increased \$858 million or 1.0 percent from the previous year.

Hawaii's total personal income increased during the fourth quarter of 2019 over the same quarter of 2018; all major components of personal income increased in the quarter. In dollar terms, the largest increases occurred in wages and salaries; followed by personal current transfer receipts, proprietors' income, supplements to wages and salaries, and dividends, interest, and rent.

In the fourth quarter of 2019, total nominal annualized personal income (i.e. not adjusted for inflation) increased \$2,482.5 million or 3.1 percent over that of 2018. In 2019, total annualized personal income was \$81,342.5 million, an increase of 3.3 percent from the previous year.

In the fourth quarter of 2019, wages and salaries increased \$1,086.5 million or 2.8 percent over that of 2018. This was the 38th consecutive quarterly year-over-year increase since the third quarter of 2010. In 2019, wages and salaries increased 3.2 percent from the previous year.

Supplements to wages and salaries, consisting of employer payments to retirement plans, private group health insurance plans, private workers compensation plans, and other such benefits, increased \$268.2 million or 2.4 percent in the fourth quarter of 2019, from the same quarter of 2018. In 2019, supplements to wages and salaries increased 3.3 percent from the previous year.

Proprietors' income increased \$275.9 million or 4.3 percent in the fourth quarter of 2019, over that of 2018. In 2019, proprietors' income was up 4.0 percent from the previous year.

Dividends, interest, and rent increased \$217.1 million or 1.2 percent in the fourth quarter of 2019, from the same quarter of 2018. In 2019, income in this category was up 2.2 percent from the previous year.

The annualized personal current transfer receipts grew by \$819.2 million or 6.8 percent in the fourth quarter of 2019 from the same quarter of 2018. In 2019, personal current transfer receipts increased 5.2 percent from the previous year.

Contributions to government social insurance, which is subtracted from total personal income, increased \$184.4 million or 2.9 percent in the fourth quarter of 2019, compared to the fourth quarter of 2018. In 2019, contributions to government social insurance increased 3.5 percent from the previous year.

In the fourth quarter of 2019, total non-farm private sector annualized earnings increased \$1,136.3 million or 2.9 percent from the fourth quarter of 2018. In dollar terms, the largest increase occurred in accommodation and food services; followed by health care and social assistance, transportation and warehousing, finance and insurance, and other services. During the fourth quarter of 2019, total government earnings increased \$440.2 million or 2.7 percent from the same quarter of 2018. Earnings from the federal government increased \$319.5 million or 3.6 percent. Earnings from the state and local governments increased \$120.7 million or 1.7 percent in the quarter.

In the second half of 2019, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 1.3 percent from the same period in 2018. This is 0.6 of a percentage point below the 1.9 percent increase for the U.S. average CPI-U and is lower than the second half of 2018 Honolulu CPI-U increase of 2.1 percent from the same period of the previous year. In the second half of 2019, the Honolulu CPI-U increased the most in Apparel (11.5 percent), followed by Other Goods and Services (2.1 percent), Housing (1.8 percent), Food and Beverages (1.7 percent), and Education and Communication (0.1 percent). The price of Transportation decreased 2.2 percent and the price of Recreation decreased 0.5 percent compared to the second half of 2018.

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Table 4
PERSONAL INCOME FOR HAWAII BY MAJOR SOURCES
(In thousands of dollars at seasonally adjusted annual rates and percent.)

Series	Fourth Quarter 2018	First Quarter 2019	Second Quarter 2019	Third Quarter 2019	Fourth Quarter 2019	AnnAver 2018	AnnAver 2019	Percentage change		
								Fourth Quarter 2019		
								Fourth Quarter 2018	Third Quarter 2019	2019 from 2018
PERSONAL INCOME	79,701,792	80,691,664	81,014,912	81,479,156	82,184,312	78,721,133	81,342,511	3.1	0.9	3.3
Earnings By Place of Work	56,257,176	57,077,679	56,908,658	57,302,956	57,887,841	55,471,571	57,294,284	2.9	1.0	3.3
Wages and salaries	38,789,500	39,469,451	39,289,531	39,480,495	39,876,042	38,311,793	39,528,880	2.8	1.0	3.2
Supplements to wages and salaries	11,021,232	11,094,183	11,072,036	11,168,817	11,289,408	10,804,488	11,156,111	2.4	1.1	3.3
Emp'or contrib. for emp'ee pension & ins. funds	7,975,856	7,993,015	7,987,830	8,075,574	8,168,805	7,798,840	8,056,306	2.4	1.2	3.3
Employer contributions for govt social ins.	3,045,376	3,101,168	3,084,206	3,093,243	3,120,603	3,005,648	3,099,805	2.5	0.9	3.1
Proprietors' income	6,446,444	6,514,045	6,540,425	6,653,644	6,722,391	6,355,290	6,609,293	4.3	1.0	4.0
Farm proprietors' income	27,364	51,260	55,216	69,272	65,544	31,430	60,323	139.5	-5.4	91.9
Nonfarm proprietors' income	6,419,080	6,462,785	6,491,875	6,584,372	6,656,847	6,323,860	6,548,970	3.7	1.1	3.6
Dividends, interest, and rent	17,773,948	17,662,479	17,965,428	17,902,092	17,991,036	17,494,327	17,880,259	1.2	0.5	2.2
plus: Personal current transfer receipts	12,089,212	12,503,771	12,658,882	12,818,133	12,908,371	12,089,649	12,722,289	6.8	0.7	5.2
Social Security benefits	4,326,508	4,504,567	4,540,425	4,574,637	4,620,708	4,266,679	4,560,084	6.8	1.0	6.9
Medicare benefits	2,759,556	2,843,943	2,921,800	2,989,727	3,047,716	2,664,653	2,950,797	10.4	1.9	10.7
Medicaid	2,065,136	2,054,662	2,106,255	2,158,648	2,132,684	2,215,941	2,113,062	3.3	-1.2	-4.6
State unempl. ins. comp.	139,664	146,300	140,157	141,837	141,645	140,912	142,485	1.4	-0.1	1.1
All other personal current transfer receipts	2,798,348	2,954,299	2,950,245	2,953,284	2,965,618	2,801,464	2,955,862	6.0	0.4	5.5
Less: Contributions for govt social insurance	6,418,544	6,552,265	6,518,056	6,544,025	6,602,936	6,334,414	6,554,321	2.9	0.9	3.5
Personal contributions for govt social ins.	3,373,168	3,451,097	3,433,850	3,450,782	3,482,333	3,328,766	3,454,516	3.2	0.9	3.8
Employer contributions for govt social ins.	3,045,376	3,101,168	3,084,206	3,093,243	3,120,603	3,005,648	3,099,805	2.5	0.9	3.1
Earnings By Industry	56,257,176	57,077,679	56,908,658	57,302,956	57,887,841	55,471,571	57,294,284	2.9	1.0	3.3
Farm Earnings	259,724	287,828	296,445	313,018	313,808	257,994	302,775	20.8	0.3	17.4
Nonfarm Earnings	55,997,452	56,789,851	56,612,213	56,989,938	57,574,033	55,213,577	56,991,509	2.8	1.0	3.2
Private earnings	39,810,728	40,481,781	40,296,887	40,561,687	40,947,062	39,316,009	40,571,854	2.9	1.0	3.2
Forestry, fishing, & related activities	97,136	104,555	110,109	110,491	109,510	96,780	108,666	12.7	-0.9	12.3
Mining	30,408	30,519	35,029	36,116	36,460	30,056	34,531	19.9	1.0	14.9
Utilities	606,428	588,402	615,103	572,783	580,835	604,170	589,281	-4.2	1.4	-2.5
Construction	4,520,440	4,670,898	4,560,629	4,534,700	4,592,523	4,474,364	4,589,688	1.6	1.3	2.6
Manufacturing	1,000,960	976,997	966,920	982,242	980,288	988,989	976,612	-2.1	-0.2	-1.3
Durable goods	349,864	346,520	342,302	349,396	343,288	340,268	345,377	-1.9	-1.7	1.5
Nondurable goods	651,096	630,477	624,618	632,846	637,000	648,721	631,235	-2.2	0.7	-2.7
Wholesale trade	1,474,444	1,539,330	1,580,518	1,529,252	1,515,651	1,446,889	1,541,188	2.8	-0.9	6.5
Retail trade	3,351,252	3,387,717	3,399,701	3,392,253	3,380,847	3,327,506	3,390,130	0.9	-0.3	1.9
Transportation and warehousing	2,459,180	2,491,291	2,453,844	2,583,835	2,618,336	2,417,609	2,536,827	6.5	1.3	4.9
Information	910,776	922,958	730,937	811,409	804,462	885,828	817,442	-11.7	-0.9	-7.7
Finance and insurance	1,667,136	1,773,113	1,854,542	1,795,570	1,820,451	1,683,022	1,810,919	9.2	1.4	7.6
Real estate and rental and leasing	1,887,936	1,953,574	1,936,712	1,944,807	1,972,201	1,863,882	1,951,824	4.5	1.4	4.7
Prof., scientific, & technical services	3,128,700	3,236,095	3,268,643	3,187,078	3,195,781	3,122,491	3,221,899	2.1	0.3	3.2
Management of companies and enterprises	1,021,264	1,090,203	1,027,382	1,082,974	1,085,768	1,006,427	1,071,582	6.3	0.3	6.5
Admin. & waste management services	2,658,516	2,274,642	2,283,094	2,324,471	2,363,020	2,618,502	2,311,307	-11.1	1.7	-11.7
Educational services	842,056	851,752	846,763	855,932	869,508	820,282	855,989	3.3	1.6	4.4
Health care and social assistance	5,714,660	5,914,791	5,899,180	5,953,557	6,035,280	5,616,196	5,950,702	5.6	1.4	6.0
Arts, entertainment, and recreation	806,844	770,335	776,335	791,633	806,935	735,420	786,310	0.0	1.9	6.9
Accommodation and food services	5,331,976	5,537,904	5,591,012	5,691,770	5,770,064	5,308,940	5,647,688	8.2	1.4	6.4
Other services, except public admin.	2,300,616	2,366,705	2,360,434	2,380,814	2,409,142	2,268,656	2,379,274	4.7	1.2	4.9
Government and government enterprises	16,186,724	16,308,070	16,315,326	16,428,251	16,626,971	15,897,568	16,419,655	2.7	1.2	3.3
Federal	8,965,976	9,017,655	9,062,413	9,140,333	9,285,515	8,791,537	9,126,479	3.6	1.6	3.8
Federal, civilian	3,956,020	3,979,719	4,011,843	4,068,150	4,155,052	3,901,342	4,053,691	5.0	2.1	3.9
Military	5,009,956	5,037,936	5,050,570	5,072,183	5,130,463	4,890,195	5,072,788	2.4	1.1	3.7
State and local	7,220,748	7,290,415	7,252,913	7,287,918	7,341,456	7,106,031	7,293,176	1.7	0.7	2.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis, State Quarterly Personal Income,
March 24, 2020 <<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=3>>
accessed March 24, 2020.

Table 5
PERSONAL INCOME
(In millions of dollars at seasonally adjusted annual rates and percent)

YEAR	ANNUAL AVERAGE	% CHANGE
2005	47,306	7.6
2006	50,701	7.2
2007	53,423	5.4
2008	56,060	4.9
2009	55,690	-0.7
2010	57,179	2.7
2011	60,045	5.0
2012	62,456	4.0
2013	63,317	1.4
2014	66,846	5.6
2015	70,384	5.3
2016	72,879	3.5
2017	75,689	3.9
2018	78,721	4.0
2019	81,343	3.3

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Table 6
HONOLULU AND U.S. CONSUMER PRICE INDEX,
ALL URBAN CONSUMERS (CPI-U)
(1982-84=100. Data are not seasonally adjusted)

Period	U.S.	Honolulu 1/								
		All Items	Food & Beverages	Housing	Apparel	Transportation	Medical Care	Recreation 2/	Educ. & Comm. 2/	Other Goods & Services
2010	218.056	234.869	224.774	251.968	116.423	214.411	320.153	107.484	128.483	415.526
2011	224.939	243.622	232.656	260.606	118.394	229.223	324.180	110.473	132.248	433.536
2012	229.594	249.474	242.786	265.473	121.481	231.275	334.441	113.961	137.276	440.428
2013	232.957	253.924	250.922	269.885	119.011	233.133	345.184	116.818	139.423	447.178
2014	236.736	257.589	256.023	273.499	111.141	236.373	351.763	119.586	143.488	457.958
2015	237.017	260.165	267.041	276.047	108.893	216.756	378.876	121.840	147.869	478.634
2016	240.007	265.283	272.051	283.565	111.736	211.645	400.408	124.872	149.785	484.820
2017	245.120	272.014	277.301	294.510	115.762	217.646	407.384	125.781	144.410	488.990
2018	251.107	277.078	281.796	300.679	110.259	227.694	(3/)	128.651	142.193	497.228
2019	255.657	281.585	287.622	307.889	114.795	223.689	(3/)	130.977	143.547	504.378
2016H1	238.778	264.038	272.390	281.079	110.769	210.717	399.192	124.456	150.105	483.778
H2	241.237	266.528	271.712	286.052	112.703	212.573	401.624	125.288	149.465	485.863
2017H1	244.076	270.738	275.042	292.629	117.145	216.836	405.254	125.662	144.769	489.868
H2	246.163	273.290	279.560	296.390	114.379	218.455	409.514	125.900	144.051	488.111
2018H1	250.089	275.196	280.783	297.758	113.842	226.195	(3/)	126.739	141.143	498.266
H2	252.125	278.960	282.809	303.600	106.676	229.194	(3/)	130.563	143.244	496.189
2019H1	254.412	280.666	287.519	306.722	110.653	223.172	(3/)	132.087	143.708	502.008
H2	256.903	282.503	287.726	309.055	118.937	224.207	(3/)	129.866	143.387	506.748
Percentage Change from the Same Period in Previous Year										
2010	1.6	2.1	0.2	0.9	3.2	7.0	-0.4	2.1	4.6	5.1
2011	3.2	3.7	3.5	3.4	1.7	6.9	1.3	2.8	2.9	4.3
2012	2.1	2.4	4.4	1.9	2.6	0.9	3.2	3.2	3.8	1.6
2013	1.5	1.8	3.4	1.7	-2.0	0.8	3.2	2.5	1.6	1.5
2014	1.6	1.4	2.0	1.3	-6.6	1.4	1.9	2.4	2.9	2.4
2015	0.1	1.0	4.3	0.9	-2.0	-8.3	7.7	1.9	3.1	4.5
2016	1.3	2.0	1.9	2.7	2.6	-2.4	5.7	2.5	1.3	1.3
2017	2.1	2.5	1.9	3.9	3.6	2.8	1.7	0.7	-3.6	0.9
2018	2.4	1.9	1.6	2.1	-4.8	4.6	(3/)	2.3	-1.5	1.7
2019	1.8	1.6	2.1	2.4	4.1	-1.8	(3/)	1.8	1.0	1.4
2016H1	1.1	2.4	3.3	2.4	0.8	-3.0	9.4	3.4	2.5	2.1
H2	1.5	1.5	0.5	3.0	4.5	-1.7	2.2	1.6	0.1	0.5
2017H1	2.2	2.5	1.0	4.1	5.8	2.9	1.5	1.0	-3.6	1.3
H2	2.0	2.5	2.9	3.6	1.5	2.8	2.0	0.5	-3.6	0.5
2018H1	2.5	1.6	2.1	1.8	-2.8	4.3	(3/)	0.9	-2.5	1.7
H2	2.4	2.1	1.2	2.4	-6.7	4.9	(3/)	3.7	-0.6	1.7
2019H1	1.7	2.0	2.4	3.0	-2.8	-1.3	(3/)	4.2	1.8	0.8
H2	1.9	1.3	1.7	1.8	11.5	-2.2	(3/)	-0.5	0.1	2.1

Data on U.S. CPI are released monthly and Honolulu CPI, twice a year in February and August for the half (H) year previous through August 2015. Beginning with the 2nd half and annual average for 2015 data were released in January and will be in January and July henceforth.

1/ The U.S. Bureau of Labor Statistics (BLS) renamed the Honolulu CPI to Urban Hawaii CPI starting in 2018. Since there are no changes in the scope and methodology for the CPI data collection, Honolulu CPI continues to be used in this publication for a data consistency purpose.

2/ New indexes as of January 1998. Base period is December 1997. The former "Entertainment" index has been discontinued.

3/ No data were available or data did not meet U.S. Bureau of Labor Statistics' publication criteria.

Source: U.S. Bureau of Labor Statistics, Consumer Price Index-All Urban Consumers (Current Series) <<http://data.bls.gov/cgi-bin/dsrv>> accessed January 14, 2020

Tourism

Due to the impact of COVID-19, domestic visitor arrivals and international visitor arrivals both decreased in the first quarter of 2020. Due to shorter lengths of stay, the daily visitor census decreased more than the decrease of visitor arrivals in the quarter. Since visitors spent more on a daily basis, total visitor spending decreased less than the decrease of the daily visitor census in the quarter.

Visitor arrivals in January and February 2020 continued at 2019's record pace. However, flight cancellations began in February 2020, initially affecting only flights to and from China. On March 13, 2020, cruise ships suspended operations in US ports due to the COVID-19 pandemic. On March 17, 2020, the Governor asked visitors to postpone their trips to Hawaii. The State then implemented a mandatory fourteen (14) day self-quarantine for all persons entering the State, as well as for inter-island travelers, as a majority of the early-detected infected persons in Hawaii were travelers. The quarantine for persons traveling inter-island in the State was cancelled effective on June 16, 2020, and replaced by multi-layered requirements for health screenings, temperature scans and reporting requirements. Although the travel quarantine has found to be a very effective measure in helping to control the spread of the virus, it was important to begin introducing additional procedures to replace the quarantine and/or enhance it. Therefore, Governor David Y. Ige has announced a pre-travel testing program currently expected to become effective September 1, 2020 and to be addressed in an additional supplemental proclamation in August 2020 (delayed from August 1 in recognition of increased outbreaks in some main travel markets and locally, as well as the testing supply chain and other factors to allow for more time to prepare for increased visitor traffic including the availability of adequate and timely testing) that would provide incoming travelers an alternative to the quarantine. Evidence of a negative COVID-19 test result must be provided upon arrival to Hawaii. Travelers to Hawaii must get a Nucleic-acid Amplification Test (NAAT) from a CLIA (Clinical Laboratory Improvement Amendments)-certified laboratory no more than 72 hours in advance of travel. Travelers also will have their temperature checked upon arrival and must fill out a Travel and Health Form. Other travelers will still be required to self-quarantine for 14 days. The pre-travel testing program is a measured health approach for trans-Pacific travelers that is a multi-layered health screening process that includes temperature checks at the airport, travel and health forms for contact tracing in addition to the pre-testing or quarantine. The State presently has 179 contact tracers, each with a capacity to trace 20 people per day, and is currently training several hundred additional contact tracers.

The total number of visitor arrivals by air decreased 406,942 or 16.3 percent in the first quarter of 2020, compared to the same quarter of 2019. The total average daily census was down 40,623 or 16.0 percent in the quarter. In 2019, total visitor arrivals by air increased 520,711 or 5.3 percent, while the average daily census increased 6,861 or 2.9 percent from the previous year.

In the first quarter of 2020, total visitor arrivals on domestic flights decreased 207,474 or 12.3 percent compared to the same quarter of 2018. In 2019, domestic arrivals were up 514,752 or 7.6 percent from the previous year.

Arrivals on international flights decreased 199,468 or 24.6 percent in the first quarter of 2019 compared to the first quarter of 2018. In 2019, international arrivals increased 5,959 or 0.2 percent from the previous year.

In terms of major market areas, from the first quarter of 2019 to the same period of 2020, arrivals from the U.S. West decreased 121,761 or 11.8 percent, arrivals from the U.S. East decreased 64,529 or 11.1 percent, and arrivals from Japan decreased 80,718 or 21.5 percent. In 2019, arrivals from the U.S. West were up 410,309 or 9.8 percent; arrivals from the U.S. East were up 91,554 or 4.2 percent; and Japanese arrivals were up 56,028 or 3.8 percent from the previous year.

In the first quarter of 2020, the length of stay per visitor declined. Due to the shorter length of stay, the average total daily visitor census decreased more than the decrease in visitor arrivals in the quarter. The total average daily visitor census was down 16.0 percent or 40,623 visitors per day in the first quarter of 2020, over the same quarter of 2019. The domestic average daily census decreased 11.8 percent or 21,098 visitors per day, while the international average daily census decreased 26.0 percent or 19,526 visitors per day. In 2019, the domestic average daily census increased 7,618 or 4.4 percent; and the international average daily census declined 757 or 1.2 percent from the previous year.

Nominal visitor expenditures by air totaled \$3,879.4 million in the first quarter of 2020, down 14.2 percent or \$640.5 million from the same quarter of 2019. In 2019, visitor expenditures increased \$237.8 million or 1.4 percent from the previous year.

Total airline capacity, as measured by the number of available seats flown to Hawaii, decreased 2.5 percent or 84,480 seats in the first quarter of 2020, domestic seats increased 3.2 percent or 73,344 seats; international seats declined 15.2 percent or 157,824 seats, compared to the same quarter of 2019. In 2019, the number of total available seats increased 2.9 percent or 380,174 seats from the previous year.

In the first quarter of 2020, the statewide hotel occupancy rate averaged 70.6 percent, 9.9 percentage points lower than the same quarter of 2019. In 2019, the statewide hotel occupancy rate averaged 81.2 percent, 0.9 of a percentage point higher than that of the previous year.

DBEDT assumes the visitor industry in Hawaii will not begin recovering until September 2020, and forecasts that Hawaii may recover 30% of the arrivals from September 2019, and 45% of the arrivals from December 2019, with cruise visitors beginning to arrive in the second half of 2021. Under that schedule, DBEDT forecasts 3.4 million visitors will travel to Hawaii in 2020, a decrease of 67.5% from 2019. DBEDT forecasts visitor arrivals will increase to 6.2 million in 2021, 8.3 million in 2022 and 9.4 million in 2023, reaching the 2019 level in 2025.

The following historical statistical information regarding the visitor industry should be viewed in that context.

Table 7
VISITOR ARRIVALS BY AIR
Average Length of Stay, Visitor Days, Average Daily Census

	2016	2017	2018	2019	% Change 2016-2017	% Change 2017-2018	% Change 2018-2019
Total Arrivals							
Total	8,821,802	9,277,613	9,761,448	10,282,160	5.2	5.2	5.3
Domestic	5,968,779	6,239,748	6,736,736	7,251,489	4.5	8.0	7.6
International	2,853,023	3,037,865	3,024,712	3,030,671	6.5	-0.4	0.2
Average Length of Stay							
Total	9.0	9.0	9.0	8.8	0.1	-0.3	-2.4
Domestic	9.7	9.6	9.5	9.2	-0.5	-1.5	-3.0
International	7.6	7.8	7.9	7.8	1.9	1.9	-1.3
Visitor Days							
Total	79,451,460	83,608,118	87,724,599	90,229,030	5.2	4.9	2.9
Domestic	57,652,742	59,959,536	63,732,896	66,513,478	4.0	6.3	4.4
International	21,798,718	23,648,582	23,991,703	23,715,552	8.5	1.5	-1.2
Average Daily Census							
Total	217,675	229,063	240,341	247,203	5.2	4.9	2.9
Domestic	157,953	164,273	174,611	182,229	4.0	6.3	4.4
International	59,723	64,791	65,731	64,974	8.5	1.5	-1.2

Source: Hawaii Tourism Authority.

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Table 8
HOTEL OCCUPANCY RATE (%)

<i>Year</i>	<i>First Quarter</i>	<i>Second Quarter</i>	<i>Third Quarter</i>	<i>Fourth Quarter</i>	<i>Annual Average</i>
In Percent					
2005	83.8	78.4	84.8	77.2	81.1
2006	83.6	78.2	82.5	74.1	79.5
2007	77.5	72.0	78.6	72.0	75.0
2008	78.7	68.8	70.5	63.8	70.4
2009	66.7	63.7	67.3	63.5	64.8
2010	70.6	67.3	75.2	69.5	70.7
2011	76.6	68.6	76.1	71.9	73.2
2012	80.3	73.8	78.9	74.5	76.9
2013	82.0	74.2	77.8	72.3	76.5
2014	80.8	74.0	78.7	74.7	77.0
2015	80.0	77.7	79.4	77.8	78.7
2016	80.7	77.5	80.5	77.5	79.0
2017	81.4	79.4	81.4	78.6	80.2
2018	83.5	81.1	80.1	76.4	80.3
2019	80.5	80.6	82.6	79.4	81.2
2020	70.6	(NA)	(NA)	Year-to-Date	70.6

NA Not available.

Source: Hawaii State Department of Business, Economic Development & Tourism, Hospitality Advisors LLC, and Hawaii Tourism Authority

Construction and Real Estate

The indicators of Hawaii's construction industry were mostly positive in the first quarter of 2020. Private building authorizations, construction jobs, and government contracts awarded all increased.

Construction has been one of the steady contributors to job growth in Hawaii over the past few years. In the first quarter of 2020, the number of jobs in the construction sector increased 41.9 percent or 700 jobs compared with the same quarter of 2019. In 2019, the construction sector lost 100 jobs or 0.3 percent from the previous year. Before the recession, specifically the period of 2002 through 2007, construction job growth averaged 8.0 percent per year. In the fourth quarter of 2007, the average number of construction jobs reached a peak of 40,550 jobs, and then declined as the economy entered a recession. From the second quarter of 2008 until the second quarter of 2011 quarter-over-quarter construction job growth was negative in all quarters.

In the first quarter of 2020, private building authorizations in the state increased \$23.8 million or 3.1 percent, compared with the first quarter of 2019. In 2019, private building authorizations in the state decreased \$46.8 million or 1.4 percent compared with the previous year.

In the first quarter of 2020, private building authorizations in Honolulu decreased \$85.5 million or 16.3 percent, compared with the first quarter of 2019. In 2019, private building authorizations in Honolulu increased \$77.6 million or 3.9 percent, compared with the previous year.

In the first quarter of 2020, private building authorizations in Hawaii County increased \$39.9 million or 31.9 percent, compared with the first quarter of 2019. In 2019, private building authorizations in Hawaii County decreased \$26.6 million or 4.6 percent, compared with the previous year.

In the first quarter of 2020, private building authorizations in Maui County increased \$64.6 million or 79.6 percent, compared with the first quarter of 2019. In 2019, private building authorizations in Maui County decreased \$76.8 million or 13.7 percent compared with the previous year.

In the first quarter of 2020, private building authorizations (residential only) in Kauai County increased \$4.8 million or 15.7 percent, compared with the first quarter of 2019. In 2019, private building authorizations in Kauai County decreased \$21.1 million or 14.6 percent compared with the same period of the previous year.

Government contracts awarded increased from \$155.9 million in the first quarter of 2019 to \$1,342.3 million in the first quarter of 2020, which included a U.S. Navy award of a \$990 million 5-year contract to 7 firms of which 2 were Hawaii firms. No per-firm awards specified. State government CIP expenditures increased \$22.9 million or 7.8 percent in the first quarter of 2020 compared with the same quarter of 2019. In 2019, State government CIP expenditures decreased \$189.0 million or 11.5 percent compared with the previous year.

The Honolulu Construction Cost Index increased 3.3 percent in the first quarter of 2020 compared to the same quarter of 2019 for Single Family Residence and increased 2.4 percent for High-Rise Building. In 2019, the index for Single Family Residence increased 3.1 percent and 2.8 percent for High-Rise Building as compared to the previous year.

In the first quarter of 2020, Honolulu's median price for single family resales was \$780,000, same as the price in the same quarter of 2019. The median price for condominium units was \$430,000, up \$18,750 or 4.6 percent over the same quarter of 2019. In the first quarter of 2020, the number of single-family unit resales increased 11.6 percent, and the number of condominium unit resales decreased 0.8 percent, compared with the first quarter of 2019. In 2019, the number of single-family unit resales increased 3.9 percent, and condominium unit resales declined 4.8 percent compared with the previous year.

In the first quarter of 2020, Maui County's single-family unit resales median price was \$776,075 and the condominium unit resales median price was \$550,000.

Construction and supporting services (including professions such as architects, engineers, attorneys and accountants) has been considered to be an essential industry in Hawaii and has not been required to cease activity during the COVID-19 emergency. Consequently, job losses in the construction industry sector during the emergency have not been significant.

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Table 9
ESTIMATED VALUE OF COMPLETED CONSTRUCTION, NEW PRIVATE
BUILDING AUTHORIZATIONS, AND GOVERNMENT CONTRACTS AWARDED

Year	Contracting tax base 2/	Private Building Authorization 1/				Government Contracts Awarded
		Total Private Authorizations	Residential	Commercial & Industrial 3/	Additions & Alterations	
In Millions of Dollars						
2009	6,641.7	1,998.9	799.2	284.8	914.9	778.6
2010	5,589.8	1,980.3	779.0	377.5	823.8	1,057.6
2011	5,837.4	1,858.8	687.9	285.9	884.9	430.7
2012	7,006.1	2,643.8	837.2	271.1	1,535.5	772.9
2013	7,330.0	2,720.5	1,025.0	296.5	1,399.0	1,194.2
2014	7,024.0	3,315.1	985.9	498.5	1,830.6	1,096.6
2015	8,112.2	3,963.6	1,651.3	702.9	1,609.4	1,554.6
2016	8,288.2	3,240.6	1,448.0	211.0	1,581.7	1,673.3
2017	8,384.4	3,127.8	1,504.7	395.9	1,227.3	1,191.6
2018	9,455.6	3,268.3	1,395.8	402.2	1,470.3	1,948.5
2019	9,609.3	3,221.4	1,211.6	352.7	1,657.1	593.8
2017 1 Qtr.	2,170.7	919.5	507.4	101.4	310.7	213.8
2 Qtr.	1,828.3	821.0	359.4	131.4	330.3	236.2
3 Qtr.	2,206.1	722.4	374.1	85.4	262.9	644.3
4 Qtr.	2,179.3	664.9	263.8	77.7	323.4	97.3
2018 1 Qtr.	2,202.6	699.8	382.4	76.1	241.4	532.4
2 Qtr.	2,326.5	1,108.6	392.0	185.1	531.5	598.4
3 Qtr.	2,521.5	743.2	365.6	70.3	307.3	394.1
4 Qtr.	2,405.1	716.6	255.9	70.7	390.1	423.6
2019 1 Qtr.	2,349.4	761.0	309.9	46.2	404.9	155.9
2 Qtr.	2,430.3	809.0	323.2	66.5	419.3	129.1
3 Qtr.	2,445.2	798.8	267.0	89.9	441.8	165.6
4 Qtr.	2,384.4	852.7	311.5	150.1	391.1	143.2
2020 1 Qtr.	(NA)	784.8	228.7	120.5	435.7	1,342.3
Percentage Change from the Same Period in Previous Year						
2009	-16.8	-31.2	-42.2	-33.3	-16.7	-18.3
2010	-15.8	-0.9	-2.5	32.5	-10.0	35.8
2011	4.4	-6.1	-11.7	-24.3	7.4	-59.3
2012	20.0	42.2	21.7	-5.2	73.5	79.4
2013	4.6	2.9	22.4	9.4	-8.9	54.5
2014	-4.2	21.9	-3.8	68.1	30.8	-8.2
2015	15.5	19.6	67.5	41.0	-12.1	41.8
2016	2.2	-18.2	-12.3	-70.0	-1.7	7.6
2017	1.2	-3.5	3.9	87.6	-22.4	-28.8
2018	12.8	4.5	-7.2	1.6	19.8	63.5
2019	1.6	-1.4	-13.2	-12.3	12.7	-69.5
2017 1 Qtr.	24.4	68.5	127.5	236.0	6.3	22.1
2 Qtr.	-13.9	-14.5	-16.3	73.8	-27.4	-28.2
3 Qtr.	0.4	-18.8	-12.9	117.5	-37.5	-29.4
4 Qtr.	-1.9	-21.4	-27.9	17.8	-21.8	-62.0
2018 1 Qtr.	1.5	-23.9	-24.6	-25.0	-22.3	149.1
2 Qtr.	27.2	35.0	9.1	40.9	60.9	153.3
3 Qtr.	14.3	2.9	-2.3	-17.6	16.9	-38.8
4 Qtr.	10.4	7.8	-3.0	-9.1	20.6	335.2
2019 1 Qtr.	6.7	8.7	-19.0	-39.3	67.8	-70.7
2 Qtr.	4.5	-27.0	-17.5	-64.1	-21.1	-78.4
3 Qtr.	-3.0	7.5	-27.0	27.9	43.8	-58.0
4 Qtr.	-0.9	19.0	21.7	112.5	0.3	-66.2
2020 1 Qtr.	(NA)	3.1	-26.2	160.9	7.6	760.8

NA Not available.

1/ Kauai County Private Building Authorizations data for November consist of residential data only.

2/ Formally, this category was "Value of Construction Completed", subject to revision by Hawaii Department of Taxation.

3/ Includes hotels.

Source: Hawaii State Department of Taxation; county building departments; U.S. Census Bureau; First Hawaiian Bank; *Building Industry*.

Table 10
ESTIMATED VALUE OF PRIVATE BUILDING
CONSTRUCTION AUTHORIZATIONS, BY COUNTY

<i>Year</i>	<i>State</i>	<i>City & County of Honolulu</i>	<i>Hawaii County</i>	<i>Kauai County 1/</i>	<i>Maui County</i>
In Thousands of Dollars					
2009	1,998,908	1,247,196	309,165	218,111	224,437
2010	1,980,296	1,357,314	360,328	68,047	194,607
2011	1,858,763	1,272,923	282,638	59,520	243,683
2012	2,643,840	1,769,454	427,394	79,998	366,994
2013	2,720,519	1,866,352	443,739	85,413	325,014
2014	3,315,078	2,072,202	697,063	102,195	443,617
2015	3,963,607	2,436,954	689,454	105,707	731,491
2016	3,240,649	2,141,467	576,015	138,481	384,686
2017	3,127,828	2,007,815	497,218	145,266	477,528
2018	3,268,292	1,985,648	578,662	144,149	559,832
2019	3,221,446	2,063,293	552,078	123,067	483,008
2017 1 Qtr.	919,507	627,931	122,886	29,191	139,499
2 Qtr.	821,035	557,380	105,175	28,294	130,186
3 Qtr.	722,367	463,709	99,947	52,918	105,793
4 Qtr.	664,919	358,796	169,210	34,863	102,050
2018 1 Qtr.	699,830	394,041	141,494	37,576	126,719
2 Qtr.	1,108,592	755,318	114,784	47,491	190,998
3 Qtr.	743,220	393,711	182,737	37,217	129,555
4 Qtr.	716,650	442,578	139,646	21,865	112,560
2019 1 Qtr.	761,026	524,146	125,297	30,500	81,083
2 Qtr.	808,957	525,065	121,073	30,280	132,538
3 Qtr.	798,767	457,271	175,333	29,908	136,255
4 Qtr.	852,697	556,811	130,375	32,379	133,132
2020 1 Qtr.	784,793	438,633	165,242	35,273	145,645
Percentage Change From The Same Period in Previous Year					
2009	-31.2	-15.8	-56.1	-21.3	-49.4
2010	-0.9	8.8	16.5	-68.8	-13.3
2011	-6.1	-6.2	-21.6	-12.5	25.2
2012	42.2	39.0	51.2	34.4	50.6
2013	2.9	5.5	3.8	6.8	-11.4
2014	21.9	11.0	57.1	19.6	36.5
2015	19.6	17.6	-1.1	3.4	64.9
2016	-18.2	-12.1	-16.5	31.0	-47.4
2017	-3.5	-6.2	-13.7	4.9	24.1
2018	4.5	-1.1	16.4	-0.8	17.2
2019	-1.4	3.9	-4.6	-14.6	-13.7
2017 1 Qtr.	68.5	83.9	36.4	33.6	51.4
2 Qtr.	-14.5	-8.3	-51.4	-33.3	39.1
3 Qtr.	-18.8	-26.4	-30.6	32.6	40.0
4 Qtr.	-21.4	-36.2	34.9	1.6	-17.3
2018 1 Qtr.	-23.9	-37.2	15.1	28.7	-9.2
2 Qtr.	35.0	35.5	9.1	67.8	46.7
3 Qtr.	2.9	-15.1	82.8	-29.7	22.5
4 Qtr.	7.8	23.4	-17.5	-37.3	10.3
2019 1 Qtr.	8.7	33.0	-11.4	-18.8	-36.0
2 Qtr.	-27.0	-30.5	5.5	-36.2	-30.6
3 Qtr.	7.5	16.1	-4.1	-19.6	5.2
4 Qtr.	19.0	25.8	-6.6	48.1	18.3
2020 1 Qtr.	3.1	-16.3	31.9	15.7	79.6

1/ Kauai County data consist of residential data only.

Source: County building departments and U.S. Census Bureau.

Federal Government and Military

The Federal government plays an important role in Hawaii's economy. According to the most recent U.S. Bureau and Economic Analysis ("BEA") data, the total compensation of employees ("COE") of federal government employees in Hawaii was about \$9.1 billion in 2019, up 3.8 percent from the previous year. The total COE of combined military and civilian federal employees in Hawaii accounted for about 18.0 percent of Hawaii's total COE in 2019. Between 2008 and 2019, the annual average compounded growth rate for COE was 3.6 percent for Federal civilian personnel and 1.5 percent for military personnel in Hawaii. The military personnel accounted for 55.6 percent of the total Federal COE in 2019. The federal government accounted for about 10.8 percent of State GDP in Hawaii in 2017, a majority of which is defense related.

The most recent BEA data also shows that the earnings of federal government employees in the fourth quarter of 2019 increased 3.6 percent over the same period of 2018. In 2019, the earnings of federal government employees increased 3.8 percent from the previous year.

For the assistance of COVID-19 mitigation and economic recovery, the Federal government has allocated over \$8.1 billion to Hawaii and its citizens and businesses as of June 25, 2020, in grants, loans and forgivable loans, not all of which may have been drawn upon, as follows:

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Federal COVID-19 Funds Allocated to Hawaii as of July 15, 2020

Program	Recipient	Amount
Grants/Awards		
Coronavirus Relief Fund	C&C Honolulu; Office of the Governor	\$1,250,000,000
Gov.'s Emergency Education Relief Fund, Elementary and Secondary School Emergency Relief Fund, Higher Education Fund, Higher Education Stabilization Fund, etc.	Hawaii Department of Education, University of Hawaii, other universities, colleges, and trade schools	100,839,147
Center for Disease Control testing funds, community health centers, telehealth resource centers, rural hospitals and health clinics, etc.	Hawaii Department of Health, community health centers, University of Hawaii, etc.	83,523,453
FTA urbanized formula, FTA nonurbanized formula, airports	Hawaii Department of Transportation, C&C Honolulu, airports	240,921,438
Child care development block grant, congregate and home-delivered meals, UI and dislocated workers grants, SNAP, community development block grants, housing programs, others	Hawaii Dept. of Health, Dept. of Human Services, Dept. of Labor & Industrial Relations, counties, etc.	194,210,206
Small Business Administration		
Paycheck Protection Program	Small Business	2,462,532,625
Economic Injury Disaster Loan	Small Business	787,482,700
Economic Injury Disaster Loan Advanced Loan Program	Small Business	79,014,000
Internal Revenue Service		
Economic Impact Payments	Tax return filers	923,960,321
Unemployment Insurance		
Federal Pandemic Unemployment Compensation (\$600/wk)	Unemployed workers	1,225,122,621
Pandemic Unemployment Assistance	Unemployed independent contractors, gig workers, etc.	158,470,668
Pandemic Emergency Unemployment Compensation		8,968,925
DHHS		
Provider Relief Fund	Rural healthcare providers, skilled nursing facilities	188,161,417
USDA		
Coronavirus Food Assistant Program	Producers of agricultural commodities	3,905,143
Supplemental Nutrition Assistance Program – Emergency Allotments	Low income families	56,728,336
Supplemental Nutrition Assistance Program – PEBT	Low income families	33,437,250
Dept. of Commerce		
Awards to fishery participants	Fisheries	4,337,000
Dept. of Treasury		
Payroll Support Program	Passenger Carriers	314,950,871
Total		\$8,116,566,121

Sources: Office of Federal Awards Management

(<https://federalawards.hawaii.gov/featured/managing-coronavirus-federal-aid/>)

Small Business Administration (<https://www.sba.gov/document/report--paycheck-protection-program-ppp-report>,

<https://www.sba.gov/document/report--covid-19-eidl-loans-report-6-21-20>,

<https://www.sba.gov/document/report--covid-19-eidl-advance-report-6-21-20>

Internal Revenue Service (<https://www.irs.gov/newsroom/treasury-irs-release-latest-state-by-state-economic-impact-payment-figures-for-may-22-2020>);

Future levels of federal funding (including defense funding and COVID-19 mitigation and economic recovery funds) in Hawaii may be subject to, among other things, potential spending cutbacks and deferrals that may be implemented to reduce the federal budget deficit, but also may increase to reflect such factors as the COVID-19 emergency and the importance of the Asia Pacific Region. Accordingly, the nature and extent of future levels of federal funding cannot be predicted.

Transportation

Because the State's population resides on seven islands, the State is dependent on fast, efficient, low cost transportation, both interstate and intrastate.

Sea Transportation. The State is dependent on regular maritime shipping service for overseas lifeline support. While nearly all visitors to the State arrive by air, sea transportation provides the State with the bulk of both its imported goods and delivery of exported local products. Overseas and inter island cargo shipments for the fiscal years, 2015, 2016, 2017, 2018 and 2019 amounted to 20.9 million short tons, 21.3 million short tons, 20.8 million short tons, 20.3 million short tons and 21.5 million short tons, respectively.

The Statewide Commercial Harbors System (Harbors System), is comprised of ten commercial harbors, which are operated and maintained by the Department of Transportation as a single integrated system for financial and management purposes. The Harbors System is an Enterprise Fund of the State and is self-sustaining, thus, it is authorized to impose and to collect rates and charges for the use of the facilities and properties of the Harbors System enabling it to pay its operating expenses and to pay its bond debt service. The State manages, maintains and operates the Harbors System to provide for the efficient movement of cargo and passengers. Harbors System facilities are located on the six major islands of the State's four (4) counties indicated as follows: (1) Honolulu Harbor and Kalaeloa Barbers Point Harbor, of the City and County of Honolulu on the island of Oahu, comprising the Oahu Harbor District; (2) Hilo Harbor and Kawaihae Harbor, of the County of Hawaii, on the island of Hawaii, comprising the Hawaii Harbor District; (3) Nawiliwili Harbor and Port Allen Harbor, of the County of Kauai, on the island of Kauai, comprising the Kauai Harbor District; and (4) Kahului Harbor and Hana Harbor on the island of Maui, Kaunakakai Harbor on the island of Molokai, and Kaunapali Harbor on the island of Lanai, all located in the County of Maui, comprising the Maui Harbor District.

The State uses nine commercial harbors, with the exception of Hana Harbor, to facilitate the movement of goods from and between the U.S. mainland, foreign ports and inter island ports. The U.S. military moves most of its cargo through the State's Harbors System.

The Harbors System is a hub and spoke system; Honolulu Harbor serves as the hub of this Harbors System and the harbors located on the neighbor islands serve as the spokes. Honolulu Harbor serves as the major distribution point for incoming overseas cargo that is shipped to the neighbor islands and is the primary consolidation center for the export of the State's products to overseas ports. Overseas and inter-island cargo tonnage handled through Honolulu Harbor was 11.2 million short tons in fiscal year 2015, 11.4 million short tons in fiscal year 2016, 11.1 million short tons in fiscal year 2017, 11.1 million short tons in fiscal year 2018, and 11.5 million short tons in fiscal year 2019.

Act 200, SLH 2008, was enacted to authorize a statewide Harbors Modernization Plan ("HMP") to allow the Harbors System to undertake harbor infrastructure improvements at Kahului Harbor on Maui, Nawiliwili Harbor on Kauai, Hilo and Kawaihae Harbors on Hawaii, and Honolulu and Kalaeloa Barbers Point Harbors on Oahu. In addition to the six commercial harbors included in the plan, the law placed Hana Harbor on Maui under the jurisdiction of the Harbors System and included appropriations for its upgrade. Act 200 authorized the Department of Transportation to issue harbor revenue bonds to finance these Harbors System improvements. The cost of the HMP is estimated to be \$618 million. Act 200 also designated the Aloha Tower Development Corporation ("ATDC") as the entity responsible for the management and implementation of the HMP under the direction of the Department of Transportation. ATDC's failure to obtain legislative approval for operating funds for fiscal year 2011 effectively terminated its operations on June 30, 2010. The Harbors Division assumed management and implementation responsibilities of the HMP. Act 152, SLH 2011 placed the ATDC under the Department for administrative purposes and repealed references to the HMP. The Deputy Director Harbors currently serves as the Acting Chief Executive Officer for the ATDC.

Air Transportation. The statewide airports system consists of 15 airports; 11 serving both commercial and general aviation, and four small airports for general aviation only, all located on six islands within the State of Hawaii. The principal airport which provides facilities for overseas flights (i.e., other than inter island flights within the State) is Daniel K. Inouye International Airport (“HNL”) on the island of Oahu. HNL is located approximately five miles by highway from the center of the downtown area of Honolulu. It has four runways, two of which (12,000 feet and 12,300 feet) are among the nation’s longest. With 42 gates for overseas and interisland flights with loading bridges and an additional 5 gates in Terminal 3 and G Gates (former Diamond Head concourse), HNL is the most important airport in the State airports system.

Kahului Airport on the island of Maui, Hilo International Airport (formerly General Lyman Field) at Hilo and Ellison Onizuka Kona International Airport at Keahole (both on the island of Hawaii), and Lihue Airport on the island of Kauai; provides interisland flights and service direct flights to and from the continental United States and Canada. Ellison Onizuka Kona International Airport at Keahole also provides direct flights to and from Japan.

Total passenger counts decreased slightly from 37.5 million in fiscal year 2018 to 37.4 million in fiscal year 2019 due to a reduction in interisland traffic as a result of Hawaii Island Air ceasing service. Total airline and concession revenues have grown over the past ten (10) years, to \$440.8 million in fiscal year 2019; mainly due to increases from signatory airlines, terminal concession, rental car, and parking revenues.

Capital Improvement Projects to modernize the State’s airport facilities continue to move forward. The projects are funded by cash, revenue bonds, federal grants, passenger facility fees, and rental car facility collections. The Department of Transportation opened the consolidated rental car facility at Kahului Airport in May 2019 and construction of the Mauka Concourse and the consolidated rental car facility at Daniel K. Inouye International Airport is progressing on schedule. They have also announced the planned construction of a new Diamond Head Concourse to service the increasing enplanements.

Land Transportation. In the State, three levels of government have authority to construct and maintain public highways, streets and roads. These levels of government are the State, the counties and various federal agencies. The State is served by approximately 4,346.73 linear miles of public highways, streets and roads administered by the Department of Transportation and the counties. An additional 129.54 miles of public highways, streets and roads open to the public in national parks and military reservations are the responsibility of various federal agencies, including the United States National Park Service and the military services.

The State Highway System, which is administered by the Department of Transportation, consists of 954.62 linear miles of roadways. The most important component of the State Highway System is the 54.86 miles of interstate system on Oahu, which includes Interstates H-1, H-2, H-3 and H-201.

The City and County of Honolulu has completed 47% of the design and construction of a new 20-mile fixed guideway mass transit system to provide rail service along Oahu’s east-west corridor between Kapolei and downtown Honolulu (terminating at Ala Moana Shopping Center). Construction of the project has been funded with the City and County of Honolulu surcharge of 1/2 of 1% imposed upon Oahu activities subject to the 4% General Excise and Use Taxes (“GET Surcharge”) and with federal moneys. In response to projected funding shortfalls, Act 1, 1st Special Session 2017, extended the GET Surcharge, increased the transient accommodations tax and allocated a portion of the increased revenues to provide additional funding for construction of the fixed guideway mass transit system. Act 1 extended the GET Surcharge from December 31, 2027 to December 31, 2030, decreased the State’s retainage for administrative expenses from 10.0% to 1.0%, increased the transient accommodations tax from 9.25% to 10.25% from January 1, 2018 to December 31, 2030 and allocated those revenues to the system. Act 1 and prohibited use of the GET surcharge and transient accommodations tax revenues for operation or maintenance costs of the system and administrative costs of the Honolulu Rapid Transit Authority. Construction and operation of this system is the sole responsibility of the City and County of Honolulu.

The following table sets forth the total number of motor vehicle registrations subject to renewal in the State by type of vehicle for each of the last ten calendar years ending December 31, 2019.

Motor Vehicle Registration

Calendar Year	Passenger Vehicles	Ambulances & Hearses	Buses	Trucks	Motorcycles & Scooters	Trailers	Total
2009	895,770	63	2,143	190,935	28,879	32,138	1,149,928
2010	898,452	64	2,103	190,025	29,436	31,601	1,151,681
2011	951,170	79	2,320	194,557	33,022	29,222	1,210,370
2012	1,033,975	91	2,621	203,323	38,223	32,053	1,310,286
2013	1,089,709	98	2,669	207,496	41,180	30,189	1,371,341
2014	1,042,818	105	2,565	200,934	37,771	28,252	1,312,445
2015	1,001,879	108	2,465	196,240	32,831	27,820	1,261,343
2016	1,000,684	119	2,377	198,469	31,082	28,826	1,261,557
2017	1,016,088	114	2,344	201,686	39,312	29,010	1,288,554
2018	1,023,774	103	2,278	201,686	39,936	28,438	1,296,415
2019	1,038,642	101	2,146	194,263	39,137	28,501	1,302,790

Source: Summary of Registered Vehicles, Various Years, Department of Information Technology, City & County of Honolulu.

Education

Unlike many other states, the State operates a statewide public school system for elementary, intermediate, and high schools. In addition, the State operates a statewide public system for colleges and universities. In the 2019-2020 school year, system enrollment decreased from a total of 179,698 in the 2018-2019 school year to a total of 179,255 in 292 K-12 public schools (includes 36 charter schools). The public education system at all levels (elementary, intermediate, high school, colleges and universities) is financed at the State level rather than the local level. This includes both capital outlays and costs of operation.

The State's plans for re-opening the 2020-21 school year on August 4, 2020 (which may be delayed for additional teacher training and for health and safety preparations to be completed), allow for each public school to select from among three approved school models for each school level – elementary, middle, and high school. The elementary school models include Face-to-Face Learning, Blended Rotation and Hybrid (Face-to-Face and Blended Rotation). The middle school models include Face-to-Face Learning, A/B Two-Day Rotation Learning and Combination Rotation Learning. The high school models include Face-to-Face Learning, A/B Two-Day Rotation Learning and Hybrid (Face-to-Face and Blended Rotation). The approved school models provide for online and blended distance learning to support social distancing while ensuring academic learning continues in whatever environment students may be provided. All schools are preparing for the possibility of future school closures by increasing device accessibility to students, building teacher capacity for virtual engagement with their students, and course offerings for credits towards graduation.

The University of Hawaii was established in 1907 on the model of the American system of land grant universities created initially by the Morrill Act of 1862. In the 1960s and 1970s, the University was developed into a system of accessible and affordable campuses. These institutions currently include:

- (i) a research university at Manoa, offering a comprehensive array of undergraduate, graduate and professional degrees through the doctoral level, including law, and a medical school and a cancer research center in Kakaako in downtown Honolulu;
- (ii) a comprehensive, primarily baccalaureate institution at Hilo, offering professional programs based on a liberal arts foundation and selected graduate degrees; a College of Pharmacy with a four year curriculum leading to a Doctor of Pharmacy degree, seated its inaugural class in the fall of 2007;
- (iii) a baccalaureate institution at West Oahu, for which a new permanent campus was opened in August 2012, offering degrees in the liberal arts and professional studies; and

(iv) a system of seven open door community colleges spread across the islands of Kauai, Oahu, Maui and Hawaii, offering quality liberal arts and workforce programs.

In the fall of 2019, 49,777 students attended the University of Hawaii System, 17,490 of them on the Manoa campus. For the fall of 2020, it is projected that 49,822 will attend the University of Hawaii System, 17,502 of them on the Manoa campus.

The University of Hawaii system will reopen its 10 campuses across the State for the fall 2020 semester, which begins on August 24, 2020, with in-person instruction. The University will follow a COVID-19 aware approach that utilizes a hybrid model that provides online resources and on-campus instruction, reconfiguring physical spaces to support social distancing, providing hand cleansing supplies, and following protocols for testing, contact tracing and quarantine. Residence halls at the Manoa and Hilo campuses will be open but will follow social distancing policies and dormitory capacity has been decreased. The University is prepared to adapt their instructional model and shift to online classes and provide the resources needed for students to continue their learning if there is an increase in COVID-19 cases.

Additionally, Governor Ige announced on July 13, 2020 exemptions for out-of-state college students registered to attend school in the fall with the requirement of proof of a negative COVID-19 test, performed by State-approved COVID-19 test taken within 72 hours of departure. The exemption only covers students registered to attend in the fall and is only permitted on Kauai and Oahu to allow students to attend university activities, while they remain in at their place of residence for the 14-day period.

State Housing Programs

Since 1970, the State has undertaken a program to alleviate the shortage of housing in the State under a comprehensive housing law. The law recognizes that all phases of housing are related to one another and consequently attempts to cover all such phases, from construction through permanent financing, and also attempts to solve or mitigate the housing problem by using both the public and private sectors. To this end the State has undertaken, among other things, facilitating the development of real property and the construction of dwelling units thereon in partnerships with qualified developers and contractors. The State's participation in such partnerships has consisted of construction financing (interim financing), including land acquisition. Other State efforts include construction and permanent financing for developers of residential housing; development by the State itself of single and multifamily residential housing units on land owned by the State or on land purchased or to be purchased for such purpose or on land to be leased from others; and loans to qualified residents of the State who are qualified purchasers of affordable dwelling units.

The State also administers federal and state housing assistance programs for low income families. Included are the management of low rent public housing units, the administration of the Section 8 tenant based housing assistance program and other federal and State programs intended to provide very low to low income residents with safe, decent and sanitary housing.

The State housing programs previously were carried out by the Housing and Community Development Corporation of Hawaii (the "HCDCH"). On July 1, 2006, pursuant to Act 196, SLH 2005, as amended by Act 180, SLH 2006, the HCDCH was bifurcated into the Hawaii Public Housing Authority (the "HPHA") and the Hawaii Housing Finance and Development Corporation (the "HHFDC"). The assets, obligations and functions of the HCDCH were transferred to the HHFDC and to the HPHA, as provided by such Acts. The HHFDC performs the function of housing finance and development. The HHFDC is empowered to raise funds through the issuance of revenue bonds and to use such funds for housing purposes. The bonds are special obligations of the HHFDC and do not impact the debt limit of the State, nor do the bonds constitute general obligations of the State. The HPHA performs the function of developing and maintaining public housing.

CYBERSECURITY

The Office of Enterprise Technology Services ("ETS") within the Hawaii State Department of Accounting and General Services provides governance for executive branch information technology projects and supports the

management and operation of computer and telecommunication services to State agencies, including programs in fulfillment of statutorily mandated cybersecurity duties outlined under Hawaii Revised Statutes. ETS is led by the Chief Information Officer of the State, with the advice of an eleven-member steering committee appointed by the Governor, Chief Justice, Senate President and Speaker of the House of Representatives. The Chief Information Security Officer reports to the Chief Information Officer and is responsible for establishing cybersecurity standards for the State executive branch and ensuring that system operations stay current with best practices.

Information technology systems, including those operated or utilized by the State, may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins or similar unintentional events or deliberate actions which can result in the unintended release and distribution of private or confidential data or other information or misappropriation of assets. The State has taken, and continues to take, measures to protect its information technology systems from the threat of such “cyberattacks,” but there can be no assurance that the State or any department thereof or any of their vendors will not experience a breach. If such a breach occurs, the financial consequences could have an economic impact on the State, or on its ability to efficiently perform routine functions, or on the ability of the State or one or more of its component units to deliver services.

RISK AND VULNERABILITY FROM CLIMATE CHANGE AND NATURAL DISASTERS

The foreseeable impacts of rising sea levels and other climate change challenges are priorities for Hawaii due to its geographic isolation, coastal-focused society, and observable present-day impacts from coastal erosion and flooding. Hawaii’s vulnerability to climate change and sea level rise is described in the Climate Commission’s 2017 Hawai‘i Sea Level Rise and Vulnerability and Adaptation Report (Hawai‘i Sea Level Rise Report), the 2018 National Climate Assessment, Sea Level Rise Guidance from the City and County of Honolulu Climate Change Commission, and elsewhere.

The State has taken crucial steps to address climate change. On June 7, 2017 Governor Ige signed Act 32 SLH 2017 (the “Climate Change Act”) into law, making Hawai‘i the first state to enact legislation implementing parts of the Paris Agreement, and formed and tasked the Hawaii Climate Change Mitigation and Adaptation Commission (the “Climate Commission”) with providing direction, facilitation, coordination and planning among state and county agencies, federal agencies, and other partners about climate change mitigation (reduction of greenhouse gases) and climate change resiliency strategies, including, but not limited to, sea level rise adaptation, water and agricultural security, and natural resource conservation. The Climate Commission is administratively based at the State Department of Land and Natural Resources, and jointly co-chaired by the Chairperson of the State Board of Land and Natural Resources and the Director of the State Office of Planning. More information is available at <http://climate.hawaii.gov>.

The Climate Commission uses best available science to inform decision making. While the Fifth Assessment Report by the United Nations’ Intergovernmental Panel on Climate Change predicted that if greenhouse gas emissions continue at the then-current (2014) rate of increase, there would be 3.2 feet of global sea level rise by the year 2100, current and best available science projects that the rate of rise is accelerating. The National Oceanic and Atmospheric Administration (NOAA) published a set of sea level rise scenarios that are associated with emissions-based projections. Each scenario assumes a non-linear rate of rise in which the intermediate scenario reaches 1.3 and 4.2 feet in Honolulu by 2050 and 2100, respectively¹. In the extreme scenario, levels are projected as high as 2.4 and 10.5 feet by 2050 and 2100, respectively.

Scientists have observed, documented and predicted that a warming planet will increase the frequency and severity of natural disasters, including hurricanes and volcanic activity (attributed to changing pressure on the Earth’s crust from melting ice and increasing sea levels). In August of 2018, a weakened Hurricane Lane caused severe mudslides and flash flooding on the Island of Hawaii, where a maximum of 52 inches (1,321 mm) of rain was recorded. The 2018 lower Puna eruption of Kīlauea volcano located on the Island of Hawaii resulted in the destruction of over 700 homes, the evacuation of approximately 2,000 residents, temporary highway blockages and other adverse disruptions. Record 24-hour rainfall on Kauai in that same year caused a community to be cut off for months.

¹ Sweet, W. V. et al. Global and Regional Sea Level Rise Scenarios for the United States. NOAA Technical Report NOS CO -OPS 083 (2017).

The 2017 Climate Report includes descriptions of the anticipated Sea Level Rise Exposure Areas that would be impacted by 1.0, 2.0 and 3.2 feet of sea level rise, and estimates of impacts on private property in the State and on the State's public infrastructure. The 2017 Climate Report predicted that if the State's sea levels were to rise 3.2 feet, over 25,800 acres of coastal and low lying land, one third of which is designated for urban use, and 38 miles of coastal roads in the Sea Level Rise Exposure Areas would be chronically flooded, and an estimated \$19 billion of economic loss would result. The 2017 Climate Report also contains recommendations for reducing the impacts of sea level rise, erosion, and wave inundation.

While no assurances can be given as to the frequency or severity of any future natural disasters, how much they are influenced by climate change, nor what impact, individually or in the aggregate, such disasters may have on the State, its residents or its overall financial condition, the Climate Commission, through its members, partners, and the Climate Ready Hawaii Initiative is incorporating climate change adaptation into day-to-day processes of governance to guard against uncertain future conditions made more uncertain by a changing climate—in short, to “climate proof” and “climate mainstream” climate change induced risk and address vulnerabilities.

In 2019, the Commission created the Climate Ready Hawaii Initiative to support state and county government agencies and communities in maintaining best available information and practices for sea level rise adaptation actions. The Initiative includes a community resilience building planning process to help Hawaii's communities, counties and institutions of any scale to identify their top priorities based on climate change hazards cross-referenced with strengths and vulnerabilities relative to infrastructure, social and environmental characteristics. The Initiative would operationalize these climate change induced risk into standard operating procedures for departments and agencies statewide.

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APPENDIX B
FINANCIAL INFORMATION ABOUT THE STATE OF HAWAII

PART I
SELECTED FINANCIAL INFORMATION
(commences on page B-1)

PART II
GENERAL PURPOSE FINANCIAL STATEMENTS OF THE
STATE OF HAWAII AS OF JUNE 30, 2019 AND
INDEPENDENT AUDITORS' REPORT
(page B-21)

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APPENDIX B

FINANCIAL INFORMATION ABOUT THE STATE OF HAWAII

PART I

SELECTED FINANCIAL INFORMATION

The statistical information presented by this Part I of APPENDIX B is the most current such information available to the State. Because such information becomes available at different times, the dates of such information, as presented herein, are not the same.

INFORMATION ABOUT INDEBTEDNESS

The following tables set forth the State's total indebtedness as of July 1, 2019, including reimbursable general obligation bonds excludable for the purposes of calculating the constitutional debt limit. See "DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit" in APPENDIX A.

SUMMARY OF TOTAL INDEBTEDNESS OF THE STATE OF HAWAII GENERAL OBLIGATION BOND INDEBTEDNESS

General obligation bonds outstanding		\$7,229,833,064
Less excludable reimbursable general obligation bonds ¹		
Harbors	\$ 21,026,715	
Land and Natural Resources	\$ 33,465,000	
Subtotal excludable reimbursable general obligation bonds	\$ 54,491,715	
Less all general obligation bonds maturing in the current year	\$521,328,229	\$ 575,819,944
Net general obligation bonds outstanding .		\$6,654,013,120

Footnotes on following page.

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REVENUE BOND INDEBTEDNESS²

As of July 1, 2019

Revenue bonds outstanding:

Airports:		
Airports system	\$1,307,170,000	
Airports special facility	337,380,000	\$1,644,550,000
Housing:		
Single family mortgage purchase	19,648,544	
Multifamily	276,945,818	296,594,362
Harbors		264,340,000
Highways		371,765,000
University of Hawaii		506,655,000
Hawaiian Home Lands		28,265,000
Hawaii Health Systems Corporation (Maui Regional Health Care System)		17,474,511
Department of Business, Economic Development and Tourism		107,349,811
Total revenue bonds outstanding		<u>\$3,236,993,684</u>

SPECIAL PURPOSE REVENUE BOND INDEBTEDNESS³

As of July 1, 2019

Special Purpose Revenue Bonds outstanding:

Health care facilities	\$752,861,509
Utilities serving the general public	462,000,000
Not for profit secondary schools, colleges and university serving the general public	107,250,000
Total special purpose revenue bonds outstanding	<u>\$1,322,111,509</u>

¹ See “DEBT STRUCTURE—Exclusions” and “DEBT STRUCTURE—Reimbursement to State General Fund for Debt Service” in APPENDIX A for exclusions and sources of reimbursement.

² All revenue indebtedness is payable solely from the revenues derived from rates, rentals, fees and charges except for the revenue bonds issued for the airports system, which are payable from both the revenues of the airports system derived from rates, rentals, fees and charges and from the aviation fuel tax, and except for a portion of the revenue bonds issued for the University of Hawaii, which is payable from both the revenues of the University derived from tuition, fees and charges and from tobacco settlement funds.

³ All special purpose revenue indebtedness is payable solely from receipts derived from payments by special purpose entities or persons under contract or from any security for such contract or special purpose revenue bonds.

Since July 1, 2019, the State has not issued additional general obligation bonds; however, it has redeemed and retired other general obligation bonds, and has issued general obligation bond anticipation notes that mature on April 15, 2021 (fiscal year 2021) in the principal amount of \$300,000,000 and on October 15, 2021 (fiscal year 2022) in the principal amount of \$300,000 (collectively, the “2020 Notes”). The 2020 Notes are expected to be refunded by long-term general obligation bonds to be issued prior to their respective maturities; they will not be refunded with proceeds of the Bonds.

As of July 1, 2020, and not taking into account the anticipated issuance of the Bonds, the State had a total of \$7,304,598,064 of general obligation bonds and notes outstanding. See APPENDIX D — “GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII.”

The following table presents a summary of the calculation of the State’s constitutional debt limit as of July 1, 2019. The greatest amount of principal and interest payable in any fiscal year on outstanding general obligation

indebtedness as of July 1, 2019, after exclusions permitted by the Constitution, was \$806,508,831 in the fiscal year ending June 30, 2020, which was within the July 1, 2019 debt limit of \$1,412,947,352.

SUMMARY STATEMENT OF THE DEBT LIMIT OF THE STATE OF HAWAII

**NET GENERAL FUND REVENUES FOR
THE STATE OF HAWAII FOR THE
PRECEDING THREE FISCAL YEARS**

	2016-2017	2017-2018	2018-2019
Total General Fund revenues exclusive of grants from the federal government	\$7,351,580,844	\$7,660,397,889	\$7,916,565,472
Less:			
Receipts in reimbursement of any indebtedness that is excluded in computing the total outstanding indebtedness of the State Agencies	5,572,219	4,396,349	5,915,877
Net General Fund revenues	\$7,346,008,625	\$7,656,001,540	\$7,910,649,595
Sum of net General Fund revenues for preceding three fiscal years	\$22,912,659,760		
Average of preceding three fiscal years	\$7,637,553,253		
18.5% of average net General Fund revenues of the three preceding years ended June 30, 2017, 2018 and 2019	\$1,412,947,352		

NOTE: This Summary Statement is based on the July 1, 2019 statement of indebtedness. See "DEBT STRUCTURE — Outstanding Indebtedness and Debt Limit" in APPENDIX A.

The July 1, 2019 statement is the most recent such statement prepared and submitted to the Legislature. The State will file an annual update of statements described above (which will be as of July 1, 2020 instead of July 1, 2019) on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Remarketing Board, currently located at <http://emma.msrb.org>, after they are prepared and submitted to the Legislature; they are due by December 1, 2020. Although such statements are not expected to be available prior to the issuance of the Bonds, the State will certify that it is in compliance with the State debt limit upon the issuance of the Bonds. For a description of the applicable debt limit provisions, see "DEBT STRUCTURE – Outstanding Indebtedness and Debt Limit" in APPENDIX A.

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**GENERAL OBLIGATION BONDS OUTSTANDING
AS OF JULY 1, 2019**

Reimbursable General Obligation Bonds ¹	Principal Amount	Balance	% of Total
From State Special Funds for			
Commercial Harbors	\$21,026,715		
Small Boat Harbors ²	\$1,102,561		
Waiahole Water System ²	\$5,166,418		
Land and Natural Resources	<u>\$33,465,000</u>		
Total for Special Funds	<u>\$60,760,694</u>		
 Total Reimbursable General Obligation Bonds		 \$60,760,694	 0.84%
Non-Reimbursable General Obligation Bonds from State General Funds for various purposes	<u>\$7,169,072,370</u>		
Total Non-Reimbursable General Obligation Bonds		\$7,169,072,370	99.16%
Total General Obligation Bonds Issued and Outstanding		<u>\$7,229,833,064</u>	<u>100.00%</u>

¹ See "DEBT STRUCTURE - Reimbursement to State General Fund for Debt Service" in APPENDIX A concerning sources of reimbursement, including taxes. The figures in this table should not be taken as an indication that in all instances the reimbursement to the General Fund will in fact be made or that such reimbursement will be made in whole.

² Not excludable for debt limit purposes.

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The following table sets forth a summary of the debt service payable on all outstanding general obligation bonded indebtedness of the State of Hawaii and the 2020 Notes as of July 1, 2020, but also including debt service payable on the Bonds as of the expected date of delivery thereof. Further detail concerning the State's various outstanding general obligation indebtedness is set forth in APPENDIX D hereto.

SUMMARY OF DEBT SERVICE¹

As of July 1, 2020
(Amounts in dollars)

Fiscal Year Ending June 30	Total Remaining Principal Amount ²	Total Principal Payable	Total Interest Payable	Total Debt Service Payable	Less Amounts Reimbursable to General Fund ³	Debt Service on Series FZ ⁴		Net Debt Service Payable ⁵
						Total Principal Payable for New Bonds	Total Interest Payable for New Bonds	
2021	7,304,598,064.26	782,710,000.00	275,334,959.31	1,058,044,959.31	6,519,274.68	0.00	8,274,084.10	1,059,799,768.73
2022	6,521,888,064.26	788,400,000.00	273,761,363.13	1,062,161,363.13	6,518,727.66	0.00	17,625,267.90	1,073,267,903.37
2023	5,733,488,064.26	482,345,635.58	249,502,045.88	731,847,681.46	6,522,445.37	0.00	17,625,267.90	742,950,503.99
2024	5,251,142,428.68	490,644,123.43	227,331,106.24	717,975,229.67	6,521,549.89	0.00	17,625,267.90	729,078,947.68
2025	4,760,498,305.25	473,495,472.76	205,033,049.10	678,528,521.86	6,523,426.04	0.00	17,625,267.90	689,630,363.72
2026	4,287,002,832.49	472,625,747.22	183,124,501.27	655,750,248.49	6,523,845.21	55,235,000.00	17,440,230.65	721,901,633.93
2027	3,814,377,085.27	443,721,178.14	161,607,121.15	605,328,299.29	4,244,202.70	55,670,000.00	17,006,626.85	673,760,723.44
2028	3,370,655,907.13	436,569,106.88	141,107,367.16	577,676,474.04	3,898,978.25	56,485,000.00	16,193,210.30	646,455,706.09
2029	2,934,086,800.25	423,504,815.25	121,175,777.44	544,680,592.69	2,958,624.60	57,380,000.00	15,299,859.80	614,401,827.89
2030	2,510,581,985.00	395,632,126.14	102,124,556.32	497,756,682.46	2,963,813.41	58,080,000.00	14,595,291.30	567,468,160.35
2031	2,114,949,858.86	367,118,918.66	83,990,284.78	451,109,203.44	2,960,893.13	58,870,000.00	13,808,605.05	520,826,915.36
2032	1,747,830,940.20	383,137,152.13	67,929,589.42	451,066,741.55	2,963,364.33	59,755,000.00	12,921,440.68	520,779,817.90
2033	1,364,693,788.07	326,658,855.90	53,367,468.66	380,026,324.56	2,962,231.88	60,745,000.00	11,930,080.68	449,739,173.36
2034	1,038,034,932.17	298,579,932.17	40,530,821.02	339,110,753.19	2,865,933.61	61,840,000.00	10,838,608.80	408,923,428.38
2035	739,455,000.00	251,510,000.00	29,133,089.01	280,643,089.01	2,751,704.96	63,040,000.00	9,639,430.80	350,570,814.85
2036	487,945,000.00	207,435,000.00	20,132,702.00	227,567,702.00	2,533,575.00	64,325,000.00	8,352,755.18	297,711,882.18
2037	280,510,000.00	157,935,000.00	11,878,570.00	169,813,570.00	0.00	65,695,000.00	6,984,020.68	242,492,590.68
2038	122,575,000.00	86,710,000.00	5,778,750.00	92,488,750.00	0.00	67,140,000.00	5,535,866.30	165,164,616.30
2039	35,865,000.00	35,865,000.00	1,668,250.00	37,533,250.00	0.00	68,655,000.00	4,021,638.43	110,209,888.43
2040	0.00	0.00	0.00	0.00	0.00	70,230,000.00	2,449,310.61	72,679,310.61
2041	0.00	0.00	0.00	0.00	0.00	71,855,000.00	823,817.58	72,678,817.58
Totals		7,304,598,064.26	2,254,511,371.89	9,559,109,436.15	70,232,590.72	995,000,000.00	246,615,949.39	10,730,492,794.82

¹ Totals reflect rounding.

² Remaining principal amount, as of commencement of fiscal year, of all general obligation bonded indebtedness of the State and the 2020 Notes that was outstanding as of July 1, 2020.

³ These figures show debt service on outstanding general obligation bonds of the State issued for certain activities, undertakings, improvements and systems of the State where the payment of such debt service from the General Fund is required by statute to be reimbursed to the General Fund from the respective income, revenues or user taxes pertaining to the particular activity, undertaking, improvement or system and regardless of whether excludable under the provisions of the Constitution when determining the power of the State to incur indebtedness. Consequently, the amount of reimbursement to the General Fund in the table above is greater than the excludable reimbursement under the Constitution. For example, of the \$6,519,274.68 amount reimbursable to the General Fund in the Fiscal Year ending June 30, 2021, only \$5,912,282.46 is an excludable reimbursement for purposes of the debt limit calculation under the Constitution. See "DEBT STRUCTURE—Reimbursement to State General Fund for Debt Service" in APPENDIX A for the sources of reimbursement, including taxes.

⁴ As of the expected date of delivery thereof.

⁵ Reflects debt service on all outstanding general obligation bonded indebtedness of the State and the 2020 Notes as of July 1, 2020, plus debt service on the Bonds as of their expected date of delivery.

BONDED DEBT PER CAPITA
(“Debt Per Capita” in dollars; other amounts in thousands of dollars)

Fiscal Year	Population¹	General Obligation Bonded Debt^{2&3}	Less Debt Service Moneys Available²	Net General Obligation Bonded Debt	Net General Obligation Bonded Debt Per Capita
2014	1,420	5,784,139	35	5,784,104	4,073
2015	1,432	6,503,281	35	6,503,246	4,541
2016	1,429	6,953,431	35	6,953,396	4,866
2017	1,428	7,635,827	35	7,635,792	5,347
2018	1,435	7,912,206	-	7,912,206	5,514
2019	1,422	7,914,382	-	7,914,392	5,566

¹ Source: State of Hawaii, Department of Business, Economic Development and Tourism - Census Data.

² Source: State of Hawaii, Department of Accounting and General Services, Accounting Division.

³ Excludes Enterprise Funds and Component Unit - University of Hawaii general obligation bonds.

Certificates of Participation and Lease Purchase Agreements

Certificates of Participation.

In December 2006, the State executed a Facility Lease Agreement (the “Hawaiian Homelands Lease”) related to the issuance of \$24,500,000 of Certificates of Participation (the “Hawaiian Homelands COPs”), the proceeds of which were used to construct a headquarters office and conference center building for the Department of Hawaiian Homelands in Kapolei. Each building is located on the island of Oahu. Certificates of Participation in the aggregate principal amount of \$15,125,000 were issued in August 2017 for the purpose of refunding all of the Hawaiian Homelands COPs, which are payable from the lease payments owed by the State under the Hawaiian Homelands Lease, the outstanding amount of which as of June 30, 2020, is \$12,645,000.00. The Hawaiian Homelands COPs (collectively, the “COPs”) are secured by rental payments payable from lawfully available funds of the State, including the State’s General Fund. The rental payments do not constitute an obligation for which the State has levied any form of taxation. The COPs do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

In December 2013, the Department of Transportation entered into a lease agreement (the “DOT Lease Agreement”) in respect of the issuance of \$167,740,000 certificates of participation related to an energy savings contract (the “DOT Energy Savings Contract”) for the Airports System in fiscal year 2014. The DOT Lease Agreement was amended in April 2016 upon the issuance of \$8,056,521 in additional certificates of participation, and amended again in March 2017 upon the issuance of \$51,473,427 additional certificates of participation, in each case related to the design and installation of additional equipment pursuant to the DOT Energy Savings Contract. Rental payments under COPs issued by the Department of Transportation are secured by Airports System Revenues, subject to annual appropriation by the Legislature, and do not constitute an obligation payable from the State’s General Fund revenues.

Lease Purchase Agreements. The State, by and through various departments, agencies and divisions of the State, from time to time enters into lease purchase agreements relating to equipment. Certain of these lease purchase agreement transactions are described below. In September 2009, April 2011 and September 2013, the State, by the Department of Accounting and General Services and the Department of Public Safety, entered into Equipment Lease Purchase Agreements (the “Equipment Leases”) with an aggregate principal component of \$54,723,668. The State directly placed the Equipment Leases with the respective lessors. The principal components of the Equipment Leases amortize over periods that may not exceed 20 years, with the final payment coming due in September 2033. The State is using the Equipment Lease proceeds to acquire certain energy savings capital improvements pursuant to corresponding energy savings contracts for numerous State-owned buildings and structures. The lease payments under the Equipment Leases are payable from lawfully available funds of the State, including the State’s General Fund, but do not constitute an obligation for which the State has levied any form of taxation. The obligations of the State under

the Equipment Leases do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

In July 2015 and September 2015, the State, acting through the Department of Transportation Highways Division and Harbors Division, entered into Equipment Lease Purchase Agreements (the "DOT Equipment Leases") with an aggregate principal component of \$86,531,655. The principal components of the DOT Equipment Leases amortize over periods that may not exceed 20 years, with the final payments coming due in 2032. The State is using the DOT Equipment Lease proceeds to acquire certain energy savings capital improvements pursuant to corresponding energy savings contracts at facilities and property of the Department of Transportation Highways Division and Harbors Division. The lease payments under the DOT Equipment Leases are payable solely from revenues of the Department of Transportation Highways Division and Harbors Division, as applicable, and do not constitute an obligation for which the State has levied any form of taxation. The obligations of the State under the DOT Equipment Leases do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

No Obligations Subject to Mandatory Purchase or Acceleration

The State currently has no outstanding variable rate obligations subject to purchase by the State upon an event of default and no direct bank loans or other obligations subject to acceleration upon an event of default which are, in either case, secured or otherwise supported by the General Fund. The State could in the future incur such obligations under certain circumstances, and such obligations may under certain circumstances be subject to payment in full prior to the payment of the Bonds.

INVESTMENT OF STATE FUNDS

Cash Management Program Policy

The objectives of the investment policies of the State's cash management program are: (a) Safety: To safeguard State funds and require full collateralization of State deposits; (b) Liquidity: To ensure the availability of funds to meet State expenditures by the timely forecasting of cash requirements and the selection of securities that can be promptly converted into cash with a minimum risk of principal; and (c) Yield: To attain a market rate of return on State investments throughout budgetary and economic cycles, taking into account investment risk constraints and liquidity needs, subject to tax exemption and other legal considerations.

Securities in Which State Funds May Be Invested

The General Fund, the various Special Funds and other funds are held in the State Treasury. The moneys held in the State Treasury, which in the judgment of the Director of Finance are in excess of the amounts necessary to meet the immediate requirements of the State, are invested in securities authorized in Section 36-21, HRS. The securities in which State funds may currently be invested include the following: (a) U.S. Treasury obligations, including Treasury bills, notes and bonds for which the full faith and credit of the United States are pledged for the payment of principal and interest; (b) certain U.S. Government Sponsored Enterprises (GSE); (c) time certificates of deposit in federally insured financial institutions; (d) interest bearing accounts with federally insured financial institutions; (e) repurchase agreements with federally insured financial institutions; (f) commercial paper with at least an A1/P1 rating; (g) bankers' acceptances with at least an A1/P1 rating; (h) money market mutual funds that are rated AAAM-G or its equivalent by Standard & Poor's Rating Group; and invest solely in obligations of the United States or an agency unconditionally guaranteed by the full faith and credit of the United States. Section 36 21, HRS, prohibits the State from investing in securities which require the State to make any swap, counter or other payments other than the original purchase price plus accrued interest.

In the investment of State funds, it is the policy of the State to give due regard to depositories doing business within the State of Hawaii. This policy takes into account the beneficial effects to the State of using local depositories. Deposits are allocated among local financial institutions based upon the yield offered on investments and their ability to fully collateralize such investments.

As of May 31, 2020, 22% of the State's investment portfolio and cash in banks consisted of time certificates with banks, 47% consisted of U.S. Federal Agency and Government Sponsored Entity Securities, 15% consisted of U.S. Treasury securities, and 16% consisted of cash in bank accounts.

Safety of Public Funds

All State funds deposited with financial institutions are deemed, under State law, to be deposited in the State Treasury. Except for that portion of any deposit which is insured by an agency of the federal government, e.g., the Federal Deposit Insurance Corporation ("FDIC"), all deposits of State funds must be collateralized by the depository with securities deposited with the Director of Finance, which has market value equivalent to the lesser of the market value of the collateral based on reputable pricing sources or its par value. Margins have been established for each type of security pledged, as provided in Section 38-3, HRS.

With respect to the types of securities pledged as collateral, Section 38-3, HRS, requires such securities to be evidences of indebtedness of the State or its counties or agencies thereof, of certain county improvement districts or frontage improvement, of the United States or certain agencies thereof, State warrants or warrant notes, direct obligations of other states or cities or counties in the continental United States and other assets of the depository eligible to secure advances from the Federal Reserve Banks. The State will not accept, as collateral, derivative products or other securities that move inversely to the general level of interest rates.

The collateral pledged by depositories is monitored by the Director of Finance on a computerized system, which determines the adequacy of the amount of collateral pledged by depositories on a daily basis.

Investment Yield

Cash positions of State moneys in depositories are reviewed at the beginning of each workday. A determination is made as to the amount of moneys needed to meet payment of State obligations, e.g., payroll, debt service, vendor and contract payments. Any amounts in excess of those requirements are then committed to investment to optimize interest income to the State, subject to tax-exemption and other legal considerations. Interest earned on moneys in the State Treasury which are requested to be invested by a special fund agency are credited to the special fund agency and is determined by cash flow requirements of the particular program and the general direction of interest rates. All investments of the State are made by the Director of Finance. The maximum length or term of an investment is five years from the date of investment pursuant to Section 36-21, HRS.

For the nine-months ending March 31, 2020, approximately \$35.1 million was credited to the General Fund as investment earnings from the Treasury Investment Pool. The total accrued investment interest represents an average return on investment for the General Fund of 1.94%.

SELECTED FINANCIAL STATEMENTS

The following is the balance sheet of the General Fund ending each June 30 from 2015 to 2019. Following thereafter is the statement of revenues and expenditures of the General Fund for each such fiscal year including the statement of revenues and expenditures for each such fiscal year. See also the schedules relating to the General Fund accompanying the General Purpose Financial Statements from the State's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019, referred to in Part II of APPENDIX B.

As noted previously, the COVID-19 emergency has adversely affected the finances and financial condition of the State in significant ways. See "COVID-19 EMERGENCY" in the forepart of this Official Statement, 'GENERAL ECONOMIC INFORMATION' in APPENDIX A to this Official Statement, and elsewhere as discussed in this Official Statement. Accordingly, no representation is made by the State that the balance sheets and other financial statements presented herein reflect the State's current financial position or future financial performance.

The data set forth in the balance sheets and other financial statements have been prepared by the Comptroller of the State. The General Fund is presented and reported using the modified accrual basis of accounting. Under such basis, revenues are recorded when collected in cash except for (a) revenues susceptible to accrual, i.e., measurable and

available, and (b) revenues received prior to the period of benefit. Revenues for which receivables have been recorded (and other noncash assets generally) are fully reserved until such time as they are converted to cash.

Expenditures are recorded at the time vouchers for payments are filed with the Comptroller. At the end of a fiscal year, existing liabilities for which payment is due are vouchered and recorded as expenditures as of the end of the fiscal year. Other liabilities for which payment is not due, and obligations in the form of open purchase orders, are recorded as encumbrances at the end of a fiscal year and are not recorded as expenditures until the encumbrances are subsequently liquidated.

General fixed assets purchased or constructed are recorded initially as expenditures and are subsequently reflected at cost in the government-wide statement of Net Position. Depreciation is recorded in the government wide statement of activities (accrual basis) but not in the governmental funds (modified accrual basis).

**BALANCE SHEET OF THE GENERAL FUND
OF THE STATE OF HAWAII
AS OF JUNE 30**

(Amounts in thousands)

	2015	2016	2017	2018	2019
ASSETS:					
Cash.....	\$ 203,687	\$ 234,070	\$ 120,199	\$ 136,303	\$ 120,121
Due from other funds	327,382	189,016	177,270	90,172	216,066
Due from Component Units	35,200	12,400	18,800	6,000	6,000
Receivables:					
Taxes	524,236	419,220	393,165	302,350	291,052
Notes	1,433	1,380	1,380	1,380	1,411
Other.....	8,025	7,925	7,901	7,901	8,000
Total receivables	533,694	428,525	402,446	311,631	300,463
Investments.....	920,042	1,357,484	1,397,849	1,407,702	1,364,567
Other Assets	16,051	9,371	3,901	3,902	3,906
TOTAL ASSETS	\$2,036,056	\$2,230,866	\$2,120,465	\$1,955,710	\$2,011,123
LIABILITIES AND FUND					
BALANCES:					
Liabilities:					
Vouchers payable ..	\$ 162,667	\$ 146,259	\$ 153,109	\$ 197,870	\$ 140,056
Other accrued liabilities	243,289	286,573	257,458	274,873	244,998
Due to other funds .	35	35	35	-	-
Due to Component Units	1,546	2,635	3,792	5,047	3,754
Unearned revenue..	39,224	-	-	-	-
Total liabilities	446,761	435,502	414,394	477,790	388,808
FUND BALANCES:					
Assigned.....	205,242	394,581	400,529	503,201	475,242
Unassigned	1,384,053	1,400,783	1,305,542	974,719	1,147,073
Total fund balances*	1,589,295	1,795,364	1,706,071	1,477,920	1,622,315
TOTAL LIABILITIES AND					
FUND BALANCES	\$2,036,056	\$2,230,866	\$2,120,465	\$1,955,710	\$2,011,123

* Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. All revenues deposited into the general fund are not constrained for specific purposes and are the general obligations of the State and are unassigned. Encumbrance balances at fiscal year-end are classified as assigned.

**REVENUES AND EXPENDITURES OF THE GENERAL FUND
OF THE STATE OF HAWAII
(for the fiscal years shown)
(Amounts in Thousands)**

	2014-2015	% of Total	2015-2016	% of Total	2016-2017	% of Total	2017-2018	% of Total	2018-2019	% of Total
REVENUES:										
General excise tax. ...	\$3,021,418	50.36	\$3,192,469	49.87	\$ 3,189,599	47.95	\$ 3,420,476	48.40	\$ 3,527,256	47.11
Income tax-corporation	64,953	1.08	60,528	0.95	181,843	2.73	111,827	1.58	165,881	2.22
Income tax-individual	1,982,374	33.04	2,097,351	32.76	2,104,174	31.63	2,344,847	33.18	2,552,773	34.09
Service companies tax	163,481	2.72	152,760	2.39	122,159	1.84	117,641	1.66	126,691	1.69
Liquor licenses and taxes	50,281	0.84	50,590	0.79	51,167	0.77	51,383	0.73	51,913	0.69
Tobacco licenses and taxes	82,829	1.38	83,685	1.31	82,792	1.24	79,913	1.13	74,526	1.00
Insurance premiums tax	145,672	2.43	152,622	2.38	164,688	2.48	159,814	2.26	173,844	2.32
Rental motor/tour vehicle surcharge tax.....	1	-	1	-	2	-	2	-	3	-
Inheritance and estate tax	12,071	0.20	49,613	0.77	18,968	0.29	29,351	0.42	18,921	0.25
Franchise tax.....	17,930	0.30	12,691	0.20	9,174	0.14	13,712	0.19	24,808	0.33
Environmental response tax	14,833	0.25	15,359	0.24	15,090	0.23	15,373	0.22	15,904	0.21
Transient accommodations tax*	202,345	3.37	233,082	3.64	299,712	4.51	304,521	4.31	356,670	4.76
Conveyance tax	11,635	0.19	27,033	0.42	49,737	0.75	55,805	0.79	40,804	0.54
Total Taxes	5,769,823	96.16	6,127,784	95.72	6,289,105	94.56	6,704,665	94.87	7,129,994	95.21
Charges for current services and other revenues.....	230,381	3.84	274,101	4.28	363,313	5.44	362,837	5.13	357,446	4.79
TOTAL REVENUES	\$6,000,204	100.00	\$6,401,885	100.00	\$ 6,652,418	100.00	\$ 7,067,502	100.00	\$ 7,487,440	100.00
EXPENDITURES:										
General government .	\$ 440,602	8.37	\$ 505,656	9.03	\$ 526,006	8.73	\$ 567,869	8.63	\$ 506,453	7.74
Public safety	343,368	6.52	345,453	6.17	389,190	6.46	430,954	6.55	465,608	7.12
Conservation of natural resources.....	42,706	0.81	50,402	0.90	67,889	1.13	64,986	0.99	72,056	1.10
Health	587,358	11.15	614,456	10.97	614,536	10.20	577,749	8.78	750,450	11.47
Welfare	1,092,243	20.74	1,100,399	19.64	1,227,601	20.37	1,186,888	18.05	1,116,455	17.07
Education										
Higher.....	600,015	11.39	656,700	11.72	740,102	12.28	766,764	11.66	821,327	12.56
Lower and others ..	2,047,653	38.88	2,191,107	39.12	2,312,198	38.36	2,495,321	37.94	2,614,444	39.97
Culture-recreation.....	43,770	0.83	49,864	0.89	50,107	0.83	56,148	0.85	57,220	0.87
Urban redevelopment and housing	11,764	0.22	11,962	0.21	18,613	0.31	21,105	0.32	32,882	0.50
Economic development & assistance.....	28,889	0.55	43,690	0.78	47,736	0.79	45,527	0.69	52,908	0.81
Other	28,082	0.54	31,927	0.57	33,485	0.54	363,304	5.54	50,866	0.79
TOTAL EXPENDITURES	\$5,266,450	100.00	\$5,601,616	100.00	\$ 6,027,463	100.00	\$ 6,576,615	100.00	\$ 6,540,669	100.00
OTHER FINANCING SOURCES (USES):										
Transfers in.....	\$ 138,955	-	\$ 214,284	-	\$ 197,119	-	\$ 155,213	-	\$ 84,441	-
Transfers out.....	(750,264)	-	(776,011)	-	(1,053,472)	-	(874,368)	-	(887,049)	-
Other	131,187	-	70,727	-	142,105	-	117	-	232	-
TOTAL OTHER FINANCING SOURCES (USES)	\$(480,122)	-	\$(491,000)	-	\$(714,248)	-	\$(719,038)	-	\$(802,376)	-
SPECIAL ITEM:										
Loan forgiveness	\$ -	-	\$(103,200)	-	\$ -	-	\$ -	-	\$ -	-
TOTAL SPECIAL ITEM	\$ -	-	\$(103,200)	-	\$ -	-	\$ -	-	\$ -	-

* See "TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL — Taxes and Other Amounts Deposited in General Fund" in APPENDIX A for information about the Transient Accommodations Tax.

REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS

Introduction

The State Constitution requires that there be established by law a Council on Revenues (the "Council") to prepare revenue estimates of the State government and to report such estimates to the Governor and the Legislature. The revenue estimates serve as the basis for the Governor's budget preparation and the Legislature's appropriation of funds and enactment of revenue measures. If the Council's latest revenue estimates are not used by the Governor or the Legislature for budget preparation or appropriations, respectively, then the party not using the latest estimates must publicly state the reasons for using a differing revenue estimate. Act 278, SLH 1980, provided for the establishment of such a council consisting of seven members, with three members appointed by the Governor and two members each appointed by the President of the Senate and the Speaker of the House. The Council regularly reports its estimates and revisions each June 1, September 10, January 10, and March 15. The Council also revises its estimates when it determines that such revisions are necessary or upon request of the Governor or the Legislature. The Council's estimates are used by the Department of Budget and Finance in formulating the State Multi Year Program and Financial Plan, the Executive Budget, and the Executive Supplemental Budget for submission to the Legislature.

The following is a summary of the Council's actions since September 2017.

In September 2017, the Council raised its growth rate for fiscal year 2018 and 2019 from 4.0% to 4.3% citing an expected rebound in growth after the low growth in fiscal year 2017. The Council lowered its forecast for fiscal years 2020 through 2024 from 4.5% to 4.0% due to concern that the State economy's expansionary cycle may be nearing its peak.

In January 2018, the Council raised its growth rate for fiscal year 2018 from 4.3% to 4.5% based on actual collections to date that are expected to continue based on favorable economic data. The Council also maintained its September 2017 forecasts for fiscal year 2019 through fiscal year 2024 as described in the previous paragraph, citing continuing concerns about the State's expansionary cycle as well as the potential impact of the federal Tax Cut and Jobs Act.

In March 2018, the Council raised its growth rate for fiscal year 2018 from 4.5% to 5.3% due in part to actual collections during the first eight months of the fiscal year having a greater than expected increase in collections. The Council also raised its forecast for fiscal year 2019 from 4.3% to 4.5% and maintained its January 2018 forecasts for fiscal year 2020 through fiscal year 2024 citing concerns over economic and political volatility, evidence of stagnant personal income growth, and the potential impact of federal tax law changes.

In May 2018, the Council raised its growth rate for fiscal year 2018 from 5.3% to 7.3% primarily due to increased revenue from individual income taxes. The Council also raised its forecast for fiscal year 2019 from 4.5% to 5.0% and maintained its March 2018 forecast for fiscal year 2020 through fiscal year 2024.

In July 2018, the Department of Taxation reported that the fiscal year 2018 preliminary cumulative general fund tax collections were up by 7.6% over the same period in fiscal year 2017.

In September 2018, the Council maintained its May 2018 forecast for fiscal year 2019 through fiscal year 2025 citing it believed Hawaii's economy to be strong, but expressed concerns that the State may be nearing the end of its expansionary cycle.

In January 2019, the Council lowered its growth rate for fiscal year 2019 from 5.0% to 4.2% based on expectations of slower economic growth than in fiscal year 2018. The Council also maintained its forecast for fiscal year 2020 through fiscal year 2025.

In March 2020, the Council lowered its growth rate for fiscal year 2020 from 4.1% to 3.8%, based on deterioration of the economic outlook due to the COVID-19 virus. The Council also lowered the fiscal year 2021 forecast from 4.0% to 0% on an expectation of an economic downturn.

On May 28, 2020, the Council held a meeting to forecast revenue growth for the State General Fund revenues, and reported to the Governor as follows:

"The Council lowered its forecast to -7.0% for fiscal year (FY) 2020 and -12.0% in FY 2021 in light of the economic downturn prompted by the COVID-19 virus. The Council expects a rebound in revenues of 12.0% in FY 2022 and a growth rate of 3.0% for FYs 2023-2026.

The Council based its FY 2020 forecast on the sharp decline in revenues in the April General Fund statement and the May daily cash report as of May 25, 2020 that resulted from the sudden stop in tourism arrivals and the Governor's Stay-At-Home order. The Council also considered the impacts of the delay in the filing deadline for 2019 income taxes from April 20th, 2020 to July 20th, 2020, which will shift some revenue collections from FY 2020 to FY 2021. The estimated revenue to be shifted for the balance of taxes due in April 20, 2020 is expected to be less than amounts paid with the April 20, 2019 returns since taxes paid then incorporated the 2018 tax rate increases from 8.25% to 11.0% for the highest individual income tax rate bracket. For 2019 tax returns, taxpayers would have increased their 2019 quarterly estimated taxes to take into account the increased tax rates in order to avoid underpayment tax penalties

The Council acknowledged the great amount of uncertainty surrounding the forecast figures for FY 2021 and FY 2022 due to questions surrounding the nature of the disease and the government's response to stop the virus in Hawaii. For the FY 2021 estimate, the Council made the assumption that the 14-day self-quarantine period imposed on transpacific passengers (with exceptions for persons traveling to perform certain critical infrastructure functions) would be lifted by late July 2020 and substituted with other mechanisms to screen for disease, such as pre-flight testing of passengers and/or allowing easier access to passengers flying to Hawaii in "travel bubbles". The Council also considered the possibility of a second wave of infections because of the experiences of Hong Kong and Singapore.

The Council also discussed the infectiousness, modes of transmission, and possible vaccines and treatments for the COVID-19 virus, and assumed in its analysis that a vaccine or effective treatment against the disease would be made available during the FY 2022 period, which would encourage more tourists to fly to Hawaii since they would feel more comfortable flying with less exposure to disease when making long airplane trips to Hawaii.

The Council discussed the significant role that tourism plays in Hawaii's economy and why other industries could not replace tourism in generating significant business revenue and Hawaii General Fund tax revenues in the next two years. For example, although agriculture development is significant in making Hawaii more self-reliant, sales of agricultural products, manufacturers, and wholesalers are often only subject to a 0.5% tax rate, as opposed to the 4.0% tax rate imposed on other types of income such as rental income, retail income, service income, contracting income, and other types of income. In addition, the transient accommodations rental rate of 10.25% is primarily paid by hotels and other transient accommodations connected to tourism such as vacation rentals. Given the prominent role of tourism in Hawaii's economy, extended delays in the return of visitors will have major impacts on the economy and tax collections. The Council noted that the State government's role in facilitating visitor arrivals in a safe and orderly manner is vital for the return of economic growth.

The Council discussed the implications of the Federal fiscal stimulus known as the CARES Act and the importance of the Federal Reserve's actions to supply liquidity to the financial system. The Federal fiscal stimulus directed approximately \$7.5 billion to Hawaii's economy. An additional source of uncertainty is what will happen when certain stimulus programs like the \$600 per person increase to unemployment insurance and the Payroll Protection Program (PPP) run out in July.

The Council will have a better understanding of these risks when they meet for the next General Fund meeting in early September 2020.

The new forecasts for the State General Fund tax revenues FY 2020 through FY 2026 are shown in the table below.

General Fund Tax Revenues

Fiscal Year	Amount (in Thousands of Dollars)	Growth From Previous Year
2020	\$6,641,865	-7.0%
2021	5,844,841	-12.0%
2022	6,546,222	12.0%
2023	6,742,609	3.0%
2024	6,944,887	3.0%
2025	7,153,234	3.0%
2026	7,367,831	3.0%

The Council adopted specific adjustments recommended by the Department of Taxation to reflect effects on General Fund tax revenues due to tax law changes enacted by the 2019 Legislature”

It should be noted that these forecasts anticipated that restrictive requirements for travel would be lifted by the end of July 2020. However, the COVID-19 emergency and many travel restrictions (including health screening and self-quarantine for travelers to the State) currently have been extended through August 31, 2020. Accordingly, the Council on Revenue’s May 2020 forecasts should be considered in light of these developments. The next Council on Revenues total personal income forecast is expected by July 30, 2020, and the next Council on Revenues report is due on September 10, 2020, pursuant to statute.

These deliberations and considerations have informed the State’s General Fund Financial Plan; see “General Fund Financial Plan” below in this APPENDIX B.

The management of the State has prepared the prospective financial information set forth below to present projections of certain tax collections and expenditures. The accompanying prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the State’s management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management’s knowledge and belief, the projected course of action and the projected future financial performance of the State. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

Neither the State’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

General Fund Financial Plan

Set forth below are the actual budgetary General Fund resources, expenditures, and balances for fiscal year 2019 and estimates for fiscal years 2020 through 2025. The budgetary General Fund resources, expenditures and balances below and under “General Fund Tax Revenues” and “Actual Collections and Distributions” are presented on a modified cash-basis. The State’s normal practice is to utilize this modified cash-basis methodology for budgetary and financial planning purposes. In contrast, the State’s audited financial statements are prepared on a modified accrual basis. Consequently, the modified cash basis information presented under this caption and the next two captions titled “General Fund Tax Revenues” and “Actual Collections and Distributions” is not directly comparable to the modified accrual basis information presented in the State’s audited financial statements, and the differences in reporting may vary substantially.

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**MULTI-YEAR FINANCIAL SUMMARY
GENERAL FUND
FISCAL YEARS 2018-2025**

(in millions of dollars)

	Actual ¹ FY 18	Actual ¹ FY 19	Estimated FY 20	Estimated FY 21	Estimated FY 22	Estimated FY 23	Estimated ⁸ FY 24	Estimated ⁸ FY 25
REVENUES:								
Executive Branch:	7.6%	5.1%	-6.2%	-12.0%	12.0%	3.0%	3.0%	3.0%
Tax Revenues ^{2,3}	6,796.0	7,141.8	6,696.8	5,893.2	6,600.4	6,798.4	7,002.3	7,212.4
Nontax Revenues ^{2,4}	830.5	742.4	907.8	747.4	759.9	770.3	786.5	800.8
Judicial Branch Revenues ^{2,4}	33.9	32.3	23.9	28.4	32.8	32.8	32.8	32.8
Other Revenues ⁵	0.0	0.0	687.1	791.7	1.7	1.7	1.7	1.7
TOTAL REVENUES	7,660.4	7,916.6	8,315.5	7,460.8	7,394.8	7,603.3	7,823.4	8,047.7
EXPENDITURES								
Executive Branch:								
Operating ⁶	7,248.5	7,512.2	8,087.9	8,047.9	8,189.9	8,416.3	8,699.0	8,848.8
CIP	10.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Specific Appropriations/CB ⁷	441.5	356.2	159.9	179.2	187.1	187.1	187.1	187.1
Other expenditures/adjustments ⁸	0.0	0.0	(150.3)	(559.6)	(888.5)	(881.8)	(867.5)	(849.2)
Sub-total – Exec Branch	7,700.5	7,868.4	8,097.4	7,667.5	7,488.4	7,721.6	8,018.5	8,186.7
Legislative Branch	42.0	43.1	42.6	42.5	42.5	42.5	42.5	42.5
Judicial Branch	165.7	170.3	163.0	157.1	156.8	156.8	156.8	156.8
OHA	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Counties	0.6	20.7	0.0	0.0	0.0	0.0	0.0	0.0
Lapses	(107.8)	(190.9)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)
TOTAL EXPENDITURES	7,803.9	7,914.7	8,226.0	7,790.1	7,610.7	7,843.9	8,140.8	8,309.0
REV. OVER (UNDER) EXPEND.	(143.6)	1.8	89.5	(329.4)	(215.9)	(240.6)	(317.5)	(261.2)
CARRY OVER BALANCE								
Beginning	893.8	750.3	752.1	841.6	512.2	296.2	55.6	(261.9)
Ending	750.3	752.1	841.6	512.2	296.2	55.6	(261.9)	(523.1)
<i>Emergency & Budget Reserve Fund (EBRF)</i>	375.7	378.2	50.0	50.0	50.0	50.0	50.0	50.0
<i>Hawaii Hurricane Relief Fund (HHRF) ⁹</i>	177.9	183.8	191.3	191.3	191.3	191.3	191.3	191.3

Sources: Department of Accounting and General Services; Department of Budget and Finance, July 2020.

Note: Due to rounding, details may not add to totals.

¹ Unaudited. The State's modified cash-basis statements are not directly comparable with the State's audited financial statements, which are modified accrual basis.

² Reflects actual FY 2018 and FY 2019 revenue collections as reported by the Department of Accounting and General Services.

³ Reflects preliminary actual for FY 2020 (as reported by the Department of Taxation) and FYs 2021-2025 reflect Council on Revenues' May 2020 projections based on preliminary FY 2020 actuals.

⁴ Reflects FYs 2020-2025 Council on Revenues' May 2020 projections.

⁵ Reflects various revenue impacts bills passed by the 2020 Legislature, including general fund to general obligation bond fund transfers, special fund transfers, and a \$648 million deposit to the general fund from the Emergency and Budget Reserve Fund in FY 2020. Also includes a \$750 million working capital borrowing through short term general obligation bonds or the MLF.

⁶ Executive Branch's FY 2019 expenditures reflect Act 49, SLH 2017 as amended by Act 53, SLH 2018; FY 2020 expenditures reflect Act 5, SLH 2019, plus Section 44 transfers; FY 2021 reflects SB 126, SD1, HD1, CD1, 2020 Legislative Session; and FYs 2022-2025 expenditures are based on FY 2021 Executive Supplemental Budget that was updated to incorporate adjustments made by SB 126.

⁷ Reflects specific appropriations from 2017-2020 Legislatures and estimated out year costs. Also includes \$5 million per year for claims against the State beginning in FY 2021.

⁸ Includes: Forensic Facility Staff starting in FY 2022, updated employee health fund annual required cost payments starting in FY 2022, restrictions and projected fixed cost savings in FY 2020, additional interest costs for various general fund to general obligation bond transfers beginning in FY 2024, 10% furlough for most bargaining units beginning in November 2020, suspension of prefunding of other post-employment benefit costs beginning in FY 2021, unemployment interest beginning in FY 2021, short term general obligation bonds (or MLF) repayment / interest in FYs 2022-2024, and unspecified reductions pending completion of a program review beginning in FY 2022.

⁹ The 2020 Legislature provided the Governor with the option of using funds available in the HHRF by appropriating \$183.0 million from the HHRF in fiscal year 2021 for pandemic related shortfalls. Current plans are not to use the HHRF appropriation; however, this is subject to change and use of funds in the HHRF may be required in the future.

The preceding General Fund financial plan is based on actual cash-basis general fund tax revenues for the fiscal year 2019 as reported by the Department of Accounting and General Services and preliminary actual general fund tax collections for fiscal year 2020 as reported by the Department of Taxation. Fiscal years 2021 through 2025 estimated tax revenues reflect the forecast for general fund revenues from the Council on Revenues' May 28, 2020 meeting based on preliminary actual tax collections for fiscal year 2020. The estimated non-tax and Judicial Branch revenues reflects the Council on Revenues' May 28, 2020 non-tax revenue projections. Other revenues reflect various revenue impact bills passed by the 2020 Legislature, including general fund to general obligation bond transfers, special fund transfers, a \$350 million transfer from the EBRF to the general fund, and a \$750 million working capital borrowing through short-term general obligation bonds or the MLF. The other revenue increase in fiscal year 2020 represents a \$648 million transfer from the EBRF to the general fund that reflects transfer out of deposits of various transfers and special fund transfers into the EBRF and transfer out of \$350 million of existing funds in the EBRF. See "EMERGENCY AND BUDGET RESERVE FUND" in APPENDIX A. The other revenue increase in fiscal year 2021 represents a \$750 million working capital borrowing and another general fund to general obligation bond transfer.

With respect to Executive Branch expenditures, fiscal year 2019 reflects Act 49, SLH 2017, as amended by Act 53, SLH 2018, fiscal year 2020 reflects Act 5, SLH 2019, plus Section 44 transfers; fiscal year 2021 reflects SB 126, SD 1, HD 1, CD 1, 2020 Legislative Session; and fiscal years 2022 through 2025 are based on the fiscal year 2021 Executive Supplemental Budget that was updated to incorporate adjustments made by SB 126. Specific appropriations/CB reflects specific appropriations from the 2017 through 2020 Legislatures and associated out year costs, the majority of which are for public union collective bargaining increases. It also includes an estimated \$5 million per year for claims against the State beginning in fiscal year 2021. Other expenditures/adjustments includes increases for: staffing a State forensic facility; additional debt service for various general fund to general obligation bond transfers; estimated annual interest for an Unemployment Insurance cash advance from the U.S. Department of Labor to meet projected Unemployment Insurance benefit payments; and debt service to repay the \$750 million working capital borrowing over a three-year period. These other expenditures/adjustments increases are offset by decreases for: restrictions and projected fixed cost savings in fiscal year 2020; estimated labor cost savings from an approximately 10% furlough from fiscal years 2021 through 2024; estimated savings from temporary suspension of OPEB prefunding beginning in fiscal year 2021; and budget reductions from a program review conducted in conjunction with preparation of the fiscal biennium 2022-2023 Executive Budget starting in fiscal year 2020

The State is pursuing a two-phase approach to manage its general fund budget and financial plan. The initial phase is to take actions as reflected in revenues and expenditures described above to ensure that the State can address revenue shortfalls through fiscal year 2021. The second phase is to undertake a program review in conjunction with preparation of the fiscal biennium 2022-2023 Executive Budget that will be presented to the Legislature during the 2021 legislative session, to ensure that State expenditures are in line with reduced revenue projections going forward. Due to the unprecedented uncertainties caused by the COVID-19 pandemic, the near-term planning horizon of this approach is to create a positive general fund balance for the next fiscal biennium through fiscal year 2023. As the health and economic situation develops and more information becomes available, the State will adjust its planning horizon and considerations for future actions.

In the General Fund financial plan, fiscal year revenues are recognized based upon receipt while fiscal year expenditures are recognized when appropriations are expended or encumbered in that year. At the end of the fiscal year, encumbrances, although they may subsequently lapse, are considered to be expended. Additionally, the Department of Education, by law, is allowed to retain up to 5% of its appropriations up to one year into the next fiscal biennium. For example, \$43.4 million was carried over from fiscal year 2019 to fiscal year 2020 by the Department of Education, but in the financial plan, was considered to be expended in fiscal year 2019.

General Fund Tax Revenues

Receipts of taxes constitute the largest portion of General Fund revenues for the fiscal year ended June 30, 2019, and represent approximately 90% of the total General Fund revenues (as reported by DAGS). Set forth below are the actual, cash-basis General Fund tax revenues for the fiscal year ended June 30, 2019, and estimated tax revenues for the fiscal years ending June 30, 2020 and June 30, 2021 as reported by the Department of Taxation. The estimated tax revenues are based on the forecast for total General Fund revenues from the Council on Revenues' May 29, 2020 report, and the line item projections are prepared by the Department of Taxation to be consistent with the Council's forecast.

GENERAL FUND TAX REVENUES
(Thousands of Dollars)

	Actual*	Estimated	Estimated
	2018-2019	2019-2020	2020-2021
General Excise and Use Tax	\$3,541,389	\$3,342,308	\$3,044,802
Income Tax—Individual	2,568,114	2,399,430	2,058,280
Income Tax—Corporation	163,676	157,280	111,188
Public Service Company Tax	126,691	129,813	131,810
Tax on Insurance Premiums	173,844	169,105	156,699
Tobacco Tax & Licenses	74,526	71,391	70,320
Liquor Tax & Permits	51,913	48,301	44,975
Tax on Banks & Other Financial Corp.	24,808	26,547	32,718
Inheritance and Estate Tax	18,921	19,173	21,232
Conveyance Tax	41,165	38,643	30,533
Transient Accommodation Tax	339,956	223,700	126,248
Miscellaneous Taxes	16,786	16,174	16,036
TOTAL	\$7,141,790	\$6,641,865	\$5,844,841
GROWTH RATE	5.1%	-7.0%	-12.0%

Note: Details may not add to totals due to rounding.

* Unaudited. The State's cash basis statements are not directly comparable with the State's audited financial statements, which are accrual basis.

Sources: Actual collections are from Tax Research and Planning reports. Estimates are from the Council on Revenues' report of May 29, 2020, and line item projections prepared by the Department of Taxation. (Please note that the tax revenue numbers reported by the Department of Taxation may differ from the tax revenue numbers reported by the Department of Accounting and General Services because of accounting system reclassifications and collection timing issues.)

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Actual Collections and Distributions

Set forth below is an unaudited statement of State tax collections and distributions for fiscal years 2018 and 2019 as reported by the State Director of Taxation. The collections from all sources for fiscal year 2019 amounted to \$8.3 billion. This represents a 4.8% increase from the previous fiscal year.

	Fiscal Year Ended June 30	
	2018-2019	2017-2018
<u>State Tax Collections—Source of Revenue</u>	(Thousands of Dollars)	
Banks/Financial Corporations ¹	\$26,808	\$15,712
Conveyances ¹	85,965	100,603
Employment Security Contributions	110,309	110,885
Fuel and Environmental ⁶	206,345	201,778
General Excise License and Registration Fees	737	701
General Excise and Use ²	3,541,389	3,395,566
County Surcharge ³	290,719	281,589
Income—Corporations:		
Declaration of Estimated Taxes	227,904	194,966
Payment with Returns	30,091	25,812
Refunds	-94,319	-89,660
Income—Individuals ¹ :		
Declaration of Estimated Taxes	724,325	700,017
Payment with Returns	262,322	219,989
Withholding tax on Wages	2,102,253	2,032,879
Refunds	-520,284	-522,528
Inheritance and Estate	18,921	29,351
Insurance Premiums	173,844	159,814
Liquor and Permits	51,913	51,383
Motor Vehicle Tax/Fees, Etc. ⁴	196,120	193,241
Public Service Companies	126,691	117,641
Tobacco and Licenses ¹	112,518	120,522
Transient Accommodations Fees/Time Share Occupation Fees	24	22
Transient Accommodations Tax/Time Share Occupation Tax ¹	600,310	554,890
All Other ⁵	118	534
TOTAL	\$8,275,024	\$7,895,708

Note: Details may not add to totals due to rounding.

¹ Gross collection — does not reflect allocation to Special Funds.

² May also contain some revenue from the County Surcharge.

³ Includes amounts allocated as of June 30, 2019 from the surcharges imposed by the City and County of Honolulu, by the County of Hawaii, and by the County of Kauai.

⁴ Includes State Motor Vehicle Weight Tax, Registration Fees, Commercial Driver's License, Periodic Motor Vehicle Inspection Fees, Rental Vehicle Registration Fees and Rental Vehicle Surcharge Tax.

⁵ Includes fuel retail dealer permits, penalties and interest on fuel tax, and permitted transfers.

⁶ Fuel tax collections were \$201,303 thousand for fiscal year 2018. A total of \$475 thousand in undistributed fuel tax from previous years were included in several monthly reports in fiscal year 2018. Fuel tax collections were \$206,162 thousand for fiscal year 2019. A total of \$183 thousand in undistributed fuel tax from previous years were included in several monthly reports in fiscal year 2019.

	Fiscal Year Ended June 30	
	2018-2019	2017-2018
<u>State Tax Collections—Distribution</u>	(Thousands of Dollars)	
State General Fund	\$7,141,790	\$6,796,036
State Highway Fund	279,505	276,727
State Airport Fund	2,605	2,632
Boating Special Fund	1,758	1,722
Environmental Fund	1,339	1,291
Cigarette Stamp Administrative Fund	202	217
Cigarette Stamp Enforcement Fund	1,564	1,675
Compliance Resolution Fund	2,000	2,000
Election Campaign Fund	146	195
Employment Security Fund	110,309	110,885
Rental Housing Fund	38,000	38,000
Convention Center Enterprise Fund	16,500	26,500
Land Conservation Fund	6,800	6,800
Tourism Special Fund	79,000	82,000
School Minor Repairs and Maintenance Fund	71	80
Public Libraries Fund	138	75
Domestic Violence/Child Abuse Neglect Funds	147	170
Cancer Research Fund	12,993	13,917
Trauma System Fund	6,989	7,400
Emergency Medical Service Fund	8,122	8,700
Community Health Centers Fund	8,122	8,700
Energy Security Fund	4,016	3,872
Energy Systems Development Fund	2,677	2,582
Agricultural Development & Food Security Fund	4,016	3,872
Turtle Bay Conservation Easement Fund	1,500	1,500
Land and Development Fund	3,000	3,000
Mass Transit Special Fund	57,354	23,626
Subtotal	\$7,790,663	\$7,424,174
County Surcharge	\$290,719	\$281,589
Distributions to Counties*:		
Fuel Tax	\$90,643	\$86,946
Transient Accommodations Tax	103,000	103,000
Counties Total	\$193,643	\$189,946
TOTAL	\$8,275,024	\$7,895,708

Note: Details may not add to totals due to rounding.

*Refers to distributions received by the Counties from the specified taxes.

Source: State Department of Taxation, Tax Research and Planning Office.

STATE EMPLOYEES' RETIREMENT SYSTEM

A description of the Employees' Retirement System of the State of Hawaii for employees of the State and the counties is provided under "EMPLOYEE RELATIONS; STATE EMPLOYEES' RETIREMENT SYSTEM—State Employees' Retirement System" in APPENDIX A. The following statistical information addresses the entire System, including both State and county employees. The System issues a Comprehensive Annual Financial Report that may be obtained by writing to the Employees' Retirement System of the State of Hawaii, 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813 or by accessing the Employees' Retirement System website at <http://ers.ehawaii.gov>.

Employer Contribution Rate

The schedule which follows shows the statutory total employer contribution rate for all employees based on the last five annual actuarial valuations.

Actuarial Valuation as of June 30	Total Employer Contribution Rate for All Employees (% of total payroll)*	Funding Period (Years)
2015	17.89	26.0
2016	17.91	66.0
2017	19.16	26.0
2018	20.36	25.0
2019	23.61	26.0

* Reflects Act 181, SLH 2004, which amended HRS Sections 88-105, 88-122, 88-123, 88-124, 88-125 & 88-126, and Act 163, SLH 2011 and Act 17, SLH 2017.

The funding period in 2015 remained unchanged due to the offsetting impact from experience gains and the liability increase as a result of the lowering of the investment return assumption to 7.65% by the Board of Trustees effective with the June 30, 2015 valuation. The funding period increased in 2016 due to a combination of factors. The system experienced a loss on the actuarial value of assets due to lower than expected investment performance. The system also experienced liability losses due to higher than expected salary increases during fiscal year 2016. Both of these events increased the funding period of the system. However, the adoption of the new actuarial assumptions by the Board of Trustees in December 2016 (including the decision to lower the investment return assumption to 7.00%) by far had the most impact on the increase in the funding period. The large decrease in funding period in 2017 is primarily due to investment gains and a mandated increase in employer contributions under Act 17, SLH 2017. The decrease in funding period in 2018 was as expected due to aggregate experience closely matching expectations. The funding period increased in 2019 due to liability losses caused by higher than expected salary increases during fiscal year 2019, as well as lower than expected investment performance and the adoption of new actuarial assumptions.

To bring the funding period of the System within 30 years, Act 17, SLH 2017, which became effective July 1, 2017, increased employer contribution requirements as follows:

Employer Contribution effective starting	Police Officers and Firefighters (% of total payroll)	Other Employees (% of total payroll)
July 1, 2017	28.0	18.0
July 1, 2018	31.0	19.0
July 1, 2019	36.0	22.0
July 1, 2020	41.0	24.0

The Legislature included \$134.0 million in fiscal year 2019-2020 and \$97.5 million in fiscal year 2020-2021 in the Executive budget (Act 5, SLH 2019, as amended by SB126, 2020 legislative session, which is subject to possible notice of intent to veto by the Governor by August 31, 2020) to fund the contribution increases required by Act 17, 2017 SLH.

Summary of Actuarial Certification Statement

The summary of the actuarial certification of the Employees' Retirement System as of June 30, 2018 and 2019 is set forth below:

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII Summary of Actuarial Certification as of June 30, 2018 and 2019 (Includes all counties)

ASSETS	2018	2019
Total current assets	\$16,512,744,474	\$17,322,194,107
Present value of future employee contributions	2,425,178,684	2,584,483,322
Present value of future employer normal cost contributions	2,664,690,218	2,757,121,992
Unfunded actuarial accrued liability	3,404,656,909	14,074,253,578
TOTAL ASSETS	<u>\$35,007,270,285</u>	<u>\$36,738,052,999</u>
LIABILITIES		
Present value of benefits to current pensioners and beneficiaries	\$16,008,847,800	\$16,871,118,207
Present value of future benefits to active employees and inactive members	<u>\$18,998,422,485</u>	<u>\$19,866,934,792</u>
TOTAL LIABILITIES	<u>\$35,007,270,285</u>	<u>\$36,738,052,999</u>

Source: Gabriel, Roeder, Smith & Company.

As of June 30, 2019, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the System amounted to approximately \$14.074 billion. The System's funded ratios — assets divided by the actuarial accrued liability — remain unchanged during fiscal year 2019 as shown below:

FUNDED RATIOS	
<u>June 30, 2018</u>	<u>June 30, 2019</u>
55.2%	55.2%

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PART II
GENERAL PURPOSE FINANCIAL STATEMENTS
OF THE STATE OF HAWAII AS OF JUNE 30, 2019
AND INDEPENDENT AUDITORS' REPORT

The State of Hawaii Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 ("CAFR") (i) has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system and may be obtained from its website, <http://emma.msrb.org>, (ii) has been filed on the website of the State of Hawaii Department of Budget and Finance at <http://ags.hawaii.gov/accounting/annual-financial-reports>, (iii) or may be obtained upon request to the State of Hawaii Department of Budget and Finance, 250 South Hotel Street, Honolulu, Hawaii 96813, Attention: Financial Administration Division.

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APPENDIX C

EXTRACT FROM THE CONSTITUTION OF THE STATE OF HAWAII

ARTICLE VII TAXATION AND FINANCE LAPSING OF APPROPRIATIONS

Section 11. All appropriations for which the source is general obligation bond funds or general funds shall be for specified periods. No such appropriation shall be made for a period exceeding three years; provided that appropriations from the state educational facilities improvement special fund may be made for periods exceeding three years to allow for construction or acquisition of public school facilities. Any such appropriation or any portion of any such appropriation that is unencumbered at the close of the fiscal period for which the appropriation is made shall lapse; provided that no appropriation for which the source is general obligation bond funds nor any portion of any such appropriation shall lapse if the legislature determines that the appropriation or any portion of the appropriation is necessary to qualify for federal aid financing and reimbursement. Where general obligation bonds have been authorized for an appropriation, the amount of the bond authorization shall be reduced in an amount equal to the amount lapsed.

DEFINITIONS; ISSUANCE OF INDEBTEDNESS

Section 12. For the purposes of this article:

1. The term “bonds” shall include bonds, notes and other instruments of indebtedness.
2. The term “general obligation bonds” means all bonds for the payment of the principal and interest of which the full faith and credit of the State or a political subdivision are pledged and, unless otherwise indicated, includes reimbursable general obligation bonds.
3. The term “net revenues” or “net user tax receipts” means the revenues or receipts derived from:
 - a. A public undertaking, improvement or system remaining after the costs of operation, maintenance and repair of the public undertaking, improvement or system, and the required payments of the principal of and interest on all revenue bonds issued therefor, have been made; or
 - b. Any payments or return on security under a loan program or a loan thereunder, after the costs of operation and administration of the loan program, and the required payments of the principal of and interest on all revenue bonds issued therefor, have been made.
4. The term “dam and reservoir owner” means any person who has a right to, title to, or an interest in, a dam, a reservoir, or the property upon which a dam, a reservoir, or appurtenant work is located or proposed to be located.
5. The term “person” means an individual, firm, partnership, corporation, association, cooperative or other legal entity, governmental body or agency, board, bureau or other instrumentality thereof, or any combination of the foregoing.
6. The term “rates, rentals and charges” means all revenues and other moneys derived from the operation or lease of a public undertaking, improvement or system, or derived from any payments or return on security under a loan program or a loan thereunder; provided that insurance premium payments, assessments and surcharges, shall constitute rates, rentals and charges of a state property insurance program.
7. The term “reimbursable general obligation bonds” means general obligation bonds issued for a public undertaking, improvement or system from which revenues, or user taxes, or a combination of both, may be

derived for the payment of the principal and interest as reimbursement to the general fund and for which reimbursement is required by law, and, in the case of general obligation bonds issued by the State for a political subdivision, general obligation bonds for which the payment of the principal and interest as reimbursement to the general fund is required by law to be made from the revenue of the political subdivision.

8. The term “revenue bonds” means all bonds payable from the revenues, or user taxes, or any combination of both, of a public undertaking, improvement, system or loan program and any loan made thereunder and secured as may be provided by law, including a loan program to provide loans to a state property insurance program providing hurricane insurance coverage to the general public.

9. The term “special purpose revenue bonds” means all bonds payable from rental or other payments made to an issuer by a person pursuant to contract and secured as may be provided by law.

10. The term “user tax” means a tax on goods or services or on the consumption thereof, the receipts of which are substantially derived from the consumption, use or sale of goods and services in the utilization of the functions or services furnished by a public undertaking, improvement or system; provided that mortgage recording taxes shall constitute user taxes of a state property insurance program.

The legislature, by a majority vote of the members to which each house is entitled, shall authorize the issuance of all general obligation bonds, bonds issued under special improvement statutes and revenue bonds issued by or on behalf of the State and shall prescribe by general law the manner and procedure for such issuance. The legislature by general law shall authorize political subdivisions to issue general obligation bonds, bonds issued under special improvement statutes and revenue bonds and shall prescribe the manner and procedure for such issuance. All such bonds issued by or on behalf of a political subdivision shall be authorized by the governing body of such political subdivision.

Special purpose revenue bonds shall only be authorized or issued to finance facilities of or for, or to loan the proceeds of such bonds to assist:

1. Manufacturing, processing or industrial enterprises;
2. Utilities serving the general public;
3. Health care facilities provided to the general public by not for profit corporations;
4. Early childhood education and care facilities provided to the general public by not for profit corporations;
5. Low and moderate income government housing programs;
6. Not for profit private nonsectarian and sectarian elementary schools, secondary schools, colleges and universities;
7. Agricultural enterprises; or
8. Dam and Reservoir Owners; provided that the bonds are issued for and the proceeds are used to offer loans to assist dam and reservoir owners to improve their facilities to protect public safety and provide significant benefits to the general public as important water sources, each of which is hereinafter referred to in this paragraph as a special purpose entity.

The legislature, by a two-thirds vote of the members to which each house is entitled, may enact enabling legislation for the issuance of special purpose revenue bonds separately for each special purpose entity, and, by a two-thirds vote of the members to which each house is entitled and by separate legislative bill, may authorize the State to issue special purpose revenue bonds for each single project or multi-project program of each special purpose entity; provided that the issuance of such special purpose revenue bonds is found to be in the public interest by the legislature;

and provided further that the State may combine into a single issue of special purpose revenue bonds two or more proposed issues of special purpose revenue bonds to assist:

(1) Not for profit private nonsectarian and sectarian elementary schools, secondary schools, colleges, and universities;

(2) Dam and reservoir owners; or

(3) Agricultural enterprises, separately authorized as aforesaid, in the total amount of not exceeding the aggregate of the proposed separate issues of special purpose revenue bonds. The legislature may enact enabling legislation to authorize political subdivisions to issue special purpose revenue bonds. If so authorized, a political subdivision by a two-thirds vote of the members to which its governing body is entitled and by separate ordinance may authorize the issuance of special purpose revenue bonds for each single project or multi-project program of each special purpose entity; provided that the issuance of such special purpose revenue bonds is found to be in the public interest by the governing body of the political subdivision. No special purpose revenue bonds shall be secured directly or indirectly by the general credit of the issuer or by any revenues or taxes of the issuer other than receipts derived from payments by a person or persons under contract or from any security for such contract or contracts or special purpose revenue bonds and no moneys other than such receipts shall be applied to the payment thereof. The governor shall provide the legislature in November of each year with a report on the cumulative amount of all special purpose revenue bonds authorized and issued, and such other information as may be necessary.

DEBT LIMIT; EXCLUSIONS

Section 13. General obligation bonds may be issued by the State; provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds to exceed: a sum equal to twenty percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance until June 30, 1982; and thereafter, a sum equal to eighteen and one-half percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance. Effective July 1, 1980, the legislature shall include a declaration of findings in every general law authorizing the issuance of general obligation bonds that the total amount of principal and interest, estimated for such bonds and for all bonds authorized and unissued and calculated for all bonds issued and outstanding, will not cause the debt limit to be exceeded at the time of issuance. Any bond issue by or on behalf of the State may exceed the debt limit if an emergency condition is declared to exist by the governor and concurred to by a two-thirds vote of the members to which each house of the legislature is entitled. For the purpose of this paragraph, general fund revenues of the State shall not include moneys received as grants from the federal government and receipts in reimbursement of any reimbursable general obligation bonds which are excluded as permitted by this section.

A sum equal to fifteen percent of the total of the assessed values for tax rate purposes of real property in each political subdivision, as determined by the last tax assessment rolls pursuant to law, is established as the limit of the funded debt of such political subdivision that is outstanding and unpaid at any time.

All general obligation bonds for a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest. The first installment of principal of general obligation bonds and of reimbursable general obligation bonds shall mature not later than five years from the date of issue of such series. The last installment on general obligation bonds shall mature not later than twenty-five years from the date of such issue and the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds and on bonds constituting instruments of indebtedness under which the State or a political subdivision incurs a contingent liability as a guarantor shall mature not later than thirty-five years from the date of such issue. The interest and principal payments of general obligation bonds shall be a first charge on the general fund of the State or political subdivision, as the case may be.

In determining the power of the State to issue general obligation bonds or the funded debt of any political subdivision under Section 12, the following shall be excluded:

1. Bonds that have matured, or that mature in the then current fiscal year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then fiscal year, or for the full payment of which moneys or securities have been irrevocably set aside.

2. Revenue bonds, if the issuer thereof is obligated by law to impose rates, rentals and charges for the use and services of the public undertaking, improvement or system or the benefits of a loan program or a loan thereunder or to impose a user tax, or to impose a combination of rates, rentals and charges and user tax, as the case may be, sufficient to pay the cost of operation, maintenance and repair, if any, of the public undertaking, improvement or system or the cost of maintaining a loan program or a loan thereunder and the required payments of the principal of and interest on all revenue bonds issued for the public undertaking, improvement or system or loan program, and if the issuer is obligated to deposit such revenues or tax or a combination of both into a special fund and to apply the same to such payments in the amount necessary therefor.

3. Special purpose revenue bonds, if the issuer thereof is required by law to contract with a person obligating such person to make rental or other payments to the issuer in an amount at least sufficient to make the required payment of the principal of and interest on such special purpose revenue bonds.

4. Bonds issued under special improvement statutes when the only security for such bonds is the properties benefited or improved or the assessments thereon.

5. General obligation bonds issued for assessable improvements, but only to the extent that reimbursements to the general fund for the principal and interest on such bonds are in fact made from assessment collections available therefor.

6. Reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the general fund are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the immediately preceding fiscal year.

7. Reimbursable general obligation bonds issued by the State for any political subdivision, whether issued before or after the effective date of this section, but only for as long as reimbursement by the political subdivision to the State for the payment of principal and interest on such bonds is required by law; provided that in the case of bonds issued after the effective date of this section, the consent of the governing body of the political subdivision has first been obtained; and provided further that during the period that such bonds are excluded by the State, the principal amount then outstanding shall be included within the funded debt of such political subdivision.

8. Bonds constituting instruments of indebtedness under which the State or any political subdivision incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed seven percent of the principal amount of outstanding general obligation bonds not otherwise excluded under this section; provided that the State or political subdivision shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the State or political subdivision as provided by law.

9. Bonds issued by or on behalf of the State or by any political subdivision to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet casual deficits or failures of revenue, if required to be paid within one year, and bonds issued by or on behalf of the State to suppress insurrection, to repel invasion, to defend the State in war or to meet emergencies caused by disaster or act of God.

The total outstanding indebtedness of the State or funded debt of any political subdivision and the exclusions therefrom permitted by this section shall be made annually and certified by law or as provided by law. For the purposes of Section 12 and this section, amounts received from on-street parking may be considered and treated as revenues of a parking undertaking.

Nothing in Section 12 or in this section shall prevent the refunding of any bond at any time.

APPENDIX D

GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII

As of July 1, 2020

GENERAL OBLIGATION BONDS AND GENERAL OBLIGATION REFUNDING BONDS OF THE STATE OF HAWAII ISSUED AND OUTSTANDING*

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due (\$)	Outstanding Principal (\$)
June 23, 2009	\$ 500,000,000, Series DQ	5.000%	June 1,	2026	11,930,000.00	11,930,000.00
November 5, 2009	\$ 32,000,000, Series DS, QSCB tax credit bonds	1.000%	September 15,	2020	2,920,000.00	14,880,000.00
		1.200%	September 15,	2021	2,960,000.00	
		1.300%	September 15,	2022	2,960,000.00	
		1.350%	September 15,	2023	3,000,000.00	
		1.450%	September 15,	2024	3,040,000.00	
February 18, 2010	\$ 500,000,000, Series DX, BABs, Optional Make-Whole Redemptions	4.600%	February 1,	2021	28,060,000.00	353,285,000.00
		4.800%	February 1,	2022	29,350,000.00	
		4.950%	February 1,	2023	30,760,000.00	
		5.100%	February 1,	2024	32,280,000.00	
		5.230%	February 1,	2025	33,930,000.00	
		5.330%	February 1,	2026	35,705,000.00	
		5.430%	February 1,	2027	37,605,000.00	
		5.480%	February 1,	2028	39,650,000.00	
		5.510%	February 1,	2029	41,820,000.00	
December 7, 2011	\$ 800,000,000, Series DZ	5.530%	February 1,	2030	44,125,000.00	56,740,000.00
		5.000%	December 1,	2020	23,560,000.00	
		5.000%	December 1,	2021	11,170,000.00	
		3.500%	December 1,	2025	4,400,000.00	
		4.000%	December 1,	2030	10,565,000.00	
December 7, 2011	\$ 403,455,000, Series EA, refunding	4.000%	December 1,	2031	7,045,000.00	220,555,000.00
		3.000%	December 1,	2020	2,745,000.00	
		4.000%	December 1,	2020	16,635,000.00	
		5.000%	December 1,	2020	31,980,000.00	
		3.000%	December 1,	2021	950,000.00	
		4.000%	December 1,	2021	20,165,000.00	
		5.000%	December 1,	2021	32,650,000.00	
		3.250%	December 1,	2022	1,875,000.00	
		4.000%	December 1,	2022	13,765,000.00	
		5.000%	December 1,	2022	40,680,000.00	
		3.000%	December 1,	2023	1,000,000.00	
		5.000%	December 1,	2023	58,110,000.00	
December 4, 2012	\$ 444,000,000, Series EE	2.000%	November 1,	2020	2,620,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due (\$)	Outstanding Principal (\$)
		4.000%	November 1,	2020	1,125,000.00	
		5.000%	November 1,	2020	18,110,000.00	
		5.000%	November 1,	2021	21,195,000.00	
		5.000%	November 1,	2022	1,080,000.00	
		5.000%	November 1,	2025	15,260,000.00	
		5.000%	November 1,	2029	10,220,000.00	
		3.000%	November 1,	2030	35,285,000.00	
		4.000%	November 1,	2031	36,545,000.00	
		4.000%	November 1,	2032	38,040,000.00	179,480,000.00
December 4, 2012	\$ 396,990,000, Series EF, refunding	5.000%	November 1,	2020	48,080,000.00	
		5.000%	November 1,	2021	50,550,000.00	
		5.000%	November 1,	2022	53,140,000.00	
		5.000%	November 1,	2023	55,865,000.00	
		5.000%	November 1,	2024	58,730,000.00	266,365,000.00
December 4, 2012	\$ 26,000,000, Series EG, taxable	1.950%	November 1,	2020	1,430,000.00	
		2.150%	November 1,	2021	1,460,000.00	
		2.250%	November 1,	2022	1,490,000.00	
		2.450%	November 1,	2023	1,525,000.00	
		2.600%	November 1,	2024	1,565,000.00	
		2.750%	November 1,	2025	1,610,000.00	
		2.850%	November 1,	2026	1,655,000.00	
		3.375%	November 1,	2027	1,705,000.00	
		3.050%	November 1,	2028	1,760,000.00	
		3.150%	November 1,	2029	1,815,000.00	
		3.250%	November 1,	2030	1,875,000.00	
		3.350%	November 1,	2031	1,940,000.00	
		3.625%	November 1,	2032	2,010,000.00	21,840,000.00
November 21, 2013	\$ 635,000,000, Series EH	5.000%	August 1,	2020	29,880,000.00	
		5.000%	August 1,	2021	9,680,000.00	
		4.000%	August 1,	2022	9,480,000.00	
		4.000%	August 1,	2023	600,000.00	
		5.000%	August 1,	2023	13,045,000.00	
		5.000%	August 1,	2024	26,905,000.00	
		5.000%	August 1,	2025	37,970,000.00	
		4.000%	August 1,	2026	28,705,000.00	
		4.000%	August 1,	2027	30,945,000.00	
		5.000%	August 1,	2028	31,625,000.00	
		5.000%	August 1,	2029	45,590,000.00	
		5.000%	August 1,	2030	12,415,000.00	
		4.000%	August 1,	2031	7,260,000.00	
		5.000%	August 1,	2031	9,760,000.00	
		5.000%	August 1,	2032	25,445,000.00	
		4.000%	August 1,	2033	17,530,000.00	
		5.000%	August 1,	2033	9,140,000.00	345,975,000.00

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due (\$)	Outstanding Principal (\$)
November 21, 2013	\$ 50,860,000, Series EL, refunding	4.000%	August 1,	2020	7,210,000.00	30,805,000.00
		3.000%	August 1,	2021	1,600,000.00	
		5.000%	August 1,	2021	5,930,000.00	
		4.000%	August 1,	2022	7,860,000.00	
		3.000%	August 1,	2023	1,600,000.00	
		5.000%	August 1,	2023	6,605,000.00	
November 21, 2013	\$ 25,000,000, Series EM	2.750%	August 1,	2020	1,250,000.00	22,595,000.00
		3.100%	August 1,	2021	1,285,000.00	
		3.350%	August 1,	2022	1,330,000.00	
		3.500%	August 1,	2023	1,375,000.00	
		3.750%	August 1,	2024	1,425,000.00	
		3.900%	August 1,	2025	1,480,000.00	
		4.050%	August 1,	2026	1,540,000.00	
		4.200%	August 1,	2027	1,605,000.00	
		4.350%	August 1,	2028	1,675,000.00	
		4.450%	August 1,	2029	1,750,000.00	
		4.650%	August 1,	2030	1,835,000.00	
		4.700%	August 1,	2031	1,920,000.00	
		4.750%	August 1,	2032	2,015,000.00	
		4.800%	August 1,	2033	2,110,000.00	
November 21, 2013	\$ 29,795,000, Series EN, QSCB -Direct Payment	2.750%	August 1,	2020	1,865,000.00	26,065,000.00
		3.100%	August 1,	2021	1,865,000.00	
		3.350%	August 1,	2022	1,865,000.00	
		3.500%	August 1,	2023	1,865,000.00	
		3.750%	August 1,	2024	1,865,000.00	
		3.900%	August 1,	2025	1,860,000.00	
		4.050%	August 1,	2026	1,860,000.00	
		4.200%	August 1,	2027	1,860,000.00	
		4.350%	August 1,	2028	1,860,000.00	
		4.450%	August 1,	2029	1,860,000.00	
		4.650%	August 1,	2030	1,860,000.00	
		4.700%	August 1,	2031	1,860,000.00	
		4.750%	August 1,	2032	1,860,000.00	
		4.800%	August 1,	2033	1,860,000.00	
November 25, 2014	\$ 575,000,000, Series EO	4.000%	August 1,	2020	9,510,000.00	
		5.000%	August 1,	2020	16,110,000.00	
		5.000%	August 1,	2021	23,110,000.00	
		5.000%	August 1,	2022	22,905,000.00	
		3.000%	August 1,	2023	2,095,000.00	
		5.000%	August 1,	2023	10,560,000.00	
		4.000%	August 1,	2024	5,305,000.00	
		5.000%	August 1,	2024	25,720,000.00	
		3.000%	August 1,	2025	730,000.00	
		5.000%	August 1,	2025	31,850,000.00	
		4.000%	August 1,	2026	440,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due (\$)	Outstanding Principal (\$)
		5.000%	August 1,	2026	30,825,000.00	
		3.000%	August 1,	2027	2,130,000.00	
		5.000%	August 1,	2027	33,845,000.00	
		5.000%	August 1,	2028	37,795,000.00	
		5.000%	August 1,	2029	37,695,000.00	
		3.250%	August 1,	2029	2,020,000.00	
		5.000%	August 1,	2030	41,735,000.00	
		4.000%	August 1,	2031	23,750,000.00	
		5.000%	August 1,	2031	20,000,000.00	
		4.000%	August 1,	2032	25,740,000.00	
		5.000%	August 1,	2032	20,000,000.00	
		4.000%	August 1,	2033	27,815,000.00	
		5.000%	August 1,	2033	20,000,000.00	
		3.500%	August 1,	2034	7,890,000.00	
		5.000%	August 1,	2034	20,000,000.00	
		4.000%	August 1,	2034	22,060,000.00	521,635,000.00
November 25, 2014	\$ 209,015,000, Series EP, refunding	5.000%	August 1,	2020	22,905,000.00	
		5.000%	August 1,	2021	24,080,000.00	
		5.000%	August 1,	2022	25,315,000.00	
		5.000%	August 1,	2023	26,615,000.00	
		5.000%	August 1,	2024	27,980,000.00	
		5.000%	August 1,	2025	29,410,000.00	
		5.000%	August 1,	2026	30,920,000.00	187,225,000.00
November 25, 2014	\$ 25,000,000, Series EQ, taxable, Make-Whole Optional Redemption	2.368%	August 1,	2020	1,260,000.00	
		2.648%	August 1,	2021	1,290,000.00	
		2.787%	August 1,	2022	1,325,000.00	
		2.957%	August 1,	2023	1,365,000.00	
		3.107%	August 1,	2024	1,405,000.00	
		3.257%	August 1,	2025	1,450,000.00	
		3.357%	August 1,	2026	1,500,000.00	
		3.507%	August 1,	2027	1,555,000.00	
		3.537%	August 1,	2028	1,610,000.00	
		3.637%	August 1,	2029	1,665,000.00	
		3.715%	August 1,	2030	1,730,000.00	
		3.765%	August 1,	2031	1,795,000.00	
		3.815%	August 1,	2032	1,865,000.00	
		3.865%	August 1,	2033	1,940,000.00	
		3.915%	August 1,	2034	2,015,000.00	23,770,000.00
October 29, 2015	\$ 190,000,000, Series ET	2.000%	October 1,	2020	7,975,000.00	
		4.000%	October 1,	2021	8,220,000.00	
		4.000%	October 1,	2022	8,555,000.00	
		3.000%	October 1,	2023	8,860,000.00	
		5.000%	October 1,	2024	9,220,000.00	
		5.000%	October 1,	2025	9,695,000.00	
		4.000%	October 1,	2026	10,140,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due (\$)	Outstanding Principal (\$)
		4.000%	October 1,	2027	10,555,000.00	
		3.000%	October 1,	2028	5,000,000.00	
		5.000%	October 1,	2028	5,990,000.00	
		3.000%	October 1,	2029	11,385,000.00	
		5.000%	October 1,	2030	11,850,000.00	
		5.000%	October 1,	2031	12,460,000.00	
		3.250%	October 1,	2032	12,980,000.00	
		4.000%	October 1,	2033	13,460,000.00	
		4.000%	October 1,	2034	14,010,000.00	
		4.000%	October 1,	2035	14,585,000.00	174,940,000.00
October 29, 2015	\$ 35,000,000, Series EU, Green Bonds	2.000%	October 1,	2020	1,610,000.00	
		3.000%	October 1,	2021	1,650,000.00	
		2.000%	October 1,	2022	1,695,000.00	
		3.000%	October 1,	2023	1,735,000.00	
		2.000%	October 1,	2024	1,780,000.00	
		3.000%	October 1,	2025	1,825,000.00	
		2.500%	October 1,	2026	1,875,000.00	
		3.000%	October 1,	2027	1,930,000.00	
		3.000%	October 1,	2028	1,985,000.00	
		3.000%	October 1,	2029	2,050,000.00	
		3.125%	October 1,	2030	2,110,000.00	
		3.250%	October 1,	2031	2,180,000.00	
		3.250%	October 1,	2032	2,250,000.00	
		3.250%	October 1,	2033	2,325,000.00	
		3.375%	October 1,	2034	2,405,000.00	
		3.500%	October 1,	2035	2,490,000.00	31,895,000.00
October 29, 2015	\$ 25,035,000, Series EX, refunding	4.000%	October 1,	2020	3,375,000.00	
		2.000%	October 1,	2021	3,480,000.00	
		3.000%	October 1,	2022	3,565,000.00	
		3.000%	October 1,	2023	3,675,000.00	
		3.000%	October 1,	2024	3,790,000.00	
		3.000%	October 1,	2025	3,905,000.00	21,790,000.00
October 29, 2015	\$ 212,120,000, Series EY, refunding	5.000%	October 1,	2020	22,110,000.00	
		5.000%	October 1,	2021	23,245,000.00	
		5.000%	October 1,	2022	24,440,000.00	
		5.000%	October 1,	2023	25,690,000.00	
		5.000%	October 1,	2024	27,010,000.00	
		5.000%	October 1,	2025	28,395,000.00	
		5.000%	October 1,	2026	29,850,000.00	
		5.000%	October 1,	2027	31,380,000.00	212,120,000.00
October 29, 2015	\$ 215,590,000, Series EZ, refunding	5.000%	October 1,	2020	17,910,000.00	
		5.000%	October 1,	2021	18,830,000.00	
		5.000%	October 1,	2022	19,795,000.00	
		5.000%	October 1,	2023	20,810,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due (\$)	Outstanding Principal (\$)
		5.000%	October 1,	2024	21,880,000.00	
		5.000%	October 1,	2025	23,000,000.00	
		5.000%	October 1,	2026	24,180,000.00	
		5.000%	October 1,	2027	25,420,000.00	
		5.000%	October 1,	2028	26,725,000.00	198,550,000.00
October 29, 2015	\$ 25,000,000, Series FA, taxable, Make-Whole Optional Redemption	1.950%	October 1,	2020	1,115,000.00	
		2.270%	October 1,	2021	1,140,000.00	
		2.530%	October 1,	2022	1,170,000.00	
		2.680%	October 1,	2023	1,200,000.00	
		4.000%	October 1,	2024	1,240,000.00	
		3.050%	October 1,	2025	1,285,000.00	
		3.150%	October 1,	2026	1,325,000.00	
		3.350%	October 1,	2027	1,370,000.00	
		3.500%	October 1,	2028	1,415,000.00	
		3.650%	October 1,	2029	1,465,000.00	
		3.750%	October 1,	2030	1,520,000.00	
		3.950%	October 1,	2031	1,580,000.00	
		4.050%	October 1,	2032	1,645,000.00	
		4.180%	October 1,	2033	1,715,000.00	
		4.300%	October 1,	2034	1,790,000.00	
		4.400%	October 1,	2035	1,870,000.00	22,845,000.00
April 14, 2016	\$ 500,000,000, Series FB	5.000%	April 1,	2021	20,355,000.00	
		5.000%	April 1,	2022	21,375,000.00	
		5.000%	April 1,	2023	22,485,000.00	
		5.000%	April 1,	2024	23,610,000.00	
		5.000%	April 1,	2025	24,785,000.00	
		4.000%	April 1,	2026	26,025,000.00	
		5.000%	April 1,	2027	27,020,000.00	
		4.000%	April 1,	2028	28,370,000.00	
		4.000%	April 1,	2029	29,505,000.00	
		4.000%	April 1,	2030	30,685,000.00	
		4.000%	April 1,	2031	31,910,000.00	
		3.000%	April 1,	2032	33,190,000.00	
		3.000%	April 1,	2033	34,140,000.00	
		3.000%	April 1,	2034	35,165,000.00	
		3.000%	April 1,	2035	36,220,000.00	
		3.000%	April 1,	2036	37,310,000.00	462,150,000.00
April 14, 2016	\$ 25,000,000, Series FC, taxable, Make-Whole Optional Redemption	1.750%	April 1,	2021	5,140,000.00	5,140,000.00
April 14, 2016	\$ 219,690,000, Series FE, refunding	4.000%	October 1,	2020	450,000.00	
		5.000%	October 1,	2020	17,840,000.00	
		3.000%	October 1,	2021	1,870,000.00	
		5.000%	October 1,	2021	17,340,000.00	
		5.000%	October 1,	2022	20,175,000.00	
		4.000%	October 1,	2023	1,480,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due (\$)	Outstanding Principal (\$)
		5.000%	October 1,	2023	19,720,000.00	
		5.000%	October 1,	2024	22,280,000.00	
		3.000%	October 1,	2025	225,000.00	
		5.000%	October 1,	2025	23,195,000.00	
		5.000%	October 1,	2026	24,620,000.00	
		5.000%	October 1,	2027	25,885,000.00	
		4.000%	October 1,	2028	200,000.00	
		5.000%	October 1,	2028	27,010,000.00	202,290,000.00
April 14, 2016	\$ 119,730,000, Series FF, refunding, taxable, Make-Whole Optional Redemption	1.505%	October 1,	2020	11,060,000.00	
		1.934%	October 1,	2021	11,255,000.00	
		2.074%	October 1,	2022	11,480,000.00	
		2.255%	October 1,	2023	11,730,000.00	
		2.402%	October 1,	2024	12,010,000.00	
		2.552%	October 1,	2025	12,310,000.00	
		2.652%	October 1,	2026	12,635,000.00	
		2.802%	October 1,	2027	12,985,000.00	
		2.902%	October 1,	2028	13,360,000.00	108,825,000.00
October 13, 2016	\$ 375,000,000, Series FG	3.000%	October 1,	2020	1,100,000.00	
		5.000%	October 1,	2020	12,995,000.00	
		3.000%	October 1,	2021	100,000.00	
		5.000%	October 1,	2021	14,705,000.00	
		3.000%	October 1,	2022	2,315,000.00	
		5.000%	October 1,	2022	13,225,000.00	
		4.000%	October 1,	2023	5,000,000.00	
		5.000%	October 1,	2023	11,285,000.00	
		4.000%	October 1,	2024	340,000.00	
		5.000%	October 1,	2024	16,755,000.00	
		4.000%	October 1,	2025	1,125,000.00	
		5.000%	October 1,	2025	16,835,000.00	
		4.000%	October 1,	2026	5,000,000.00	
		5.000%	October 1,	2026	13,855,000.00	
		5.000%	October 1,	2027	19,795,000.00	
		5.000%	October 1,	2028	20,810,000.00	
		5.000%	October 1,	2029	21,875,000.00	
		5.000%	October 1,	2030	22,995,000.00	
		5.000%	October 1,	2031	24,180,000.00	
		4.000%	October 1,	2032	25,285,000.00	
		4.000%	October 1,	2033	26,320,000.00	
		4.000%	October 1,	2034	27,395,000.00	
		4.000%	October 1,	2035	28,515,000.00	
		4.000%	October 1,	2036	29,675,000.00	361,480,000.00
October 13, 2016	\$ 379,295,000, Series FH, refunding	3.000%	October 1,	2021	15,000,000.00	
		5.000%	October 1,	2021	11,715,000.00	
		5.000%	October 1,	2022	27,935,000.00	
		5.000%	October 1,	2023	29,360,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due (\$)	Outstanding Principal (\$)
		5.000%	October 1,	2024	30,875,000.00	
		5.000%	October 1,	2025	32,455,000.00	
		5.000%	October 1,	2026	34,115,000.00	
		5.000%	October 1,	2027	35,870,000.00	
		5.000%	October 1,	2028	37,710,000.00	
		5.000%	October 1,	2029	39,645,000.00	
		4.000%	October 1,	2030	41,460,000.00	
		4.000%	October 1,	2031	43,155,000.00	379,295,000.00
October 13, 2016	\$ 2,710,000, Series FI, refunding	2.000%	October 1,	2021	165,000.00	
		2.000%	October 1,	2022	170,000.00	
		3.000%	October 1,	2023	175,000.00	
		3.000%	October 1,	2024	185,000.00	
		3.000%	October 1,	2025	185,000.00	
		3.000%	October 1,	2026	195,000.00	
		5.000%	October 1,	2027	200,000.00	
		5.000%	October 1,	2028	210,000.00	
		5.000%	October 1,	2029	220,000.00	
		5.000%	October 1,	2030	235,000.00	
		5.000%	October 1,	2031	240,000.00	
		5.000%	October 1,	2032	255,000.00	
		5.000%	October 1,	2033	275,000.00	2,710,000.00
October 13, 2016	\$ 25,000,000, Series FJ, taxable	1.370%	October 1,	2020	4,990,000.00	
		1.620%	October 1,	2021	5,060,000.00	
		1.921%	October 1,	2022	5,155,000.00	15,205,000.00
May 24, 2017	\$ 575,000,000, Series FK	2.000%	May 1,	2021	3,610,000.00	
		4.000%	May 1,	2021	18,915,000.00	
		3.000%	May 1,	2022	4,335,000.00	
		4.000%	May 1,	2022	19,020,000.00	
		2.000%	May 1,	2023	590,000.00	
		4.000%	May 1,	2023	10,000,000.00	
		5.000%	May 1,	2023	13,655,000.00	
		3.000%	May 1,	2024	1,300,000.00	
		4.000%	May 1,	2024	6,000,000.00	
		5.000%	May 1,	2024	18,040,000.00	
		3.000%	May 1,	2025	535,000.00	
		4.000%	May 1,	2025	1,225,000.00	
		5.000%	May 1,	2025	24,760,000.00	
		3.000%	May 1,	2026	695,000.00	
		4.000%	May 1,	2026	85,000.00	
		5.000%	May 1,	2026	27,045,000.00	
		3.000%	May 1,	2027	475,000.00	
		4.000%	May 1,	2027	1,375,000.00	
		5.000%	May 1,	2027	27,350,000.00	
		3.000%	May 1,	2028	500,000.00	
		5.000%	May 1,	2028	30,135,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due (\$)	Outstanding Principal (\$)
		4.000%	May 1,	2029	10,000,000.00	
		5.000%	May 1,	2029	22,155,000.00	
		3.000%	May 1,	2030	5,000,000.00	
		4.000%	May 1,	2030	28,665,000.00	
		4.000%	May 1,	2031	34,960,000.00	
		4.000%	May 1,	2032	36,360,000.00	
		3.250%	May 1,	2033	15,000,000.00	
		5.000%	May 1,	2033	22,815,000.00	
		5.000%	May 1,	2034	39,445,000.00	
		4.000%	May 1,	2035	41,415,000.00	
		4.000%	May 1,	2036	43,070,000.00	
		3.500%	May 1,	2037	20,000,000.00	
		4.000%	May 1,	2037	24,795,000.00	553,325,000.00
May 24, 2017	\$ 229,355,000, Series FN, refunding	5.000%	October 1,	2021	16,035,000.00	
		5.000%	October 1,	2022	16,860,000.00	
		5.000%	October 1,	2023	17,725,000.00	
		5.000%	October 1,	2024	18,630,000.00	
		5.000%	October 1,	2025	19,590,000.00	
		5.000%	October 1,	2026	20,590,000.00	
		5.000%	October 1,	2027	21,650,000.00	
		5.000%	October 1,	2028	22,760,000.00	
		5.000%	October 1,	2029	23,925,000.00	
		5.000%	October 1,	2030	25,150,000.00	
		5.000%	October 1,	2031	26,440,000.00	229,355,000.00
May 24, 2017	\$ 37,500,000, Series FO, taxable, Make-Whole Optional Redemption	2.250%	May 1,	2021	18,920,000.00	18,920,000.00
May 24, 2017	\$ 7,500,000, Series FP, taxable, Make-Whole Optional Redemption	2.100%	May 1,	2021	330,000.00	
		2.400%	May 1,	2022	335,000.00	
		2.600%	May 1,	2023	345,000.00	
		2.800%	May 1,	2024	355,000.00	
		2.950%	May 1,	2025	365,000.00	
		3.050%	May 1,	2026	375,000.00	
		3.200%	May 1,	2027	385,000.00	
		3.300%	May 1,	2028	400,000.00	
		3.400%	May 1,	2029	410,000.00	
		3.550%	May 1,	2030	425,000.00	
		3.650%	May 1,	2031	440,000.00	
		3.700%	May 1,	2032	455,000.00	
		3.740%	May 1,	2033	475,000.00	
		3.790%	May 1,	2034	490,000.00	
		3.840%	May 1,	2035	510,000.00	
		3.890%	May 1,	2036	530,000.00	
		3.940%	May 1,	2037	550,000.00	7,175,000.00

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due (\$)	Outstanding Principal (\$)
December 21, 2017	\$ 15,090,000, Series FR, Direct Purchase, refunding	2.110%	October 1,	2020	3,810,000.00	7,700,000.00
		2.180%	October 1,	2021	3,890,000.00	
December 21, 2017	\$ 275,363,064.26, Series FS, Direct Purchase, refunding	2.220%	October 1,	2022	19,970,635.58	275,363,064.26
		2.270%	October 1,	2023	20,424,123.43	
		2.340%	October 1,	2024	20,900,472.76	
		2.390%	October 1,	2025	21,400,747.22	
		2.460%	October 1,	2026	21,926,178.14	
		2.520%	October 1,	2027	22,479,106.88	
		2.580%	October 1,	2028	23,059,815.25	
		2.660%	October 1,	2029	23,672,126.14	
		2.730%	October 1,	2030	24,318,918.66	
		2.810%	October 1,	2031	25,002,152.13	
		2.880%	October 1,	2032	25,723,855.90	
		2.950%	October 1,	2033	26,484,932.17	
February 14, 2018	\$ 631,215,000, Series FT	4.000%	January 1,	2022	1,665,000.00	631,215,000.00
		5.000%	January 1,	2022	23,025,000.00	
		3.000%	January 1,	2023	1,395,000.00	
		5.000%	January 1,	2023	24,515,000.00	
		4.000%	January 1,	2024	1,875,000.00	
		5.000%	January 1,	2024	25,305,000.00	
		4.000%	January 1,	2025	4,775,000.00	
		5.000%	January 1,	2025	23,745,000.00	
		3.000%	January 1,	2026	1,300,000.00	
		5.000%	January 1,	2026	28,595,000.00	
		4.000%	January 1,	2027	85,000.00	
		5.000%	January 1,	2027	31,280,000.00	
		4.000%	January 1,	2028	1,035,000.00	
		5.000%	January 1,	2028	31,900,000.00	
		5.000%	January 1,	2029	34,570,000.00	
		5.000%	January 1,	2030	36,295,000.00	
		5.000%	January 1,	2031	38,110,000.00	
		4.000%	January 1,	2032	20,000,000.00	
		5.000%	January 1,	2032	20,020,000.00	
		3.250%	January 1,	2033	760,000.00	
		5.000%	January 1,	2033	41,060,000.00	
		4.000%	January 1,	2034	20,000,000.00	
		5.000%	January 1,	2034	23,895,000.00	
		3.250%	January 1,	2035	25,000,000.00	
		5.000%	January 1,	2035	20,890,000.00	
		3.375%	January 1,	2036	6,280,000.00	
		5.000%	January 1,	2036	41,470,000.00	
		4.000%	January 1,	2037	20,000,000.00	
		5.000%	January 1,	2037	30,035,000.00	
		5.000%	January 1,	2038	52,335,000.00	

February 14, 2018	\$ 50,000,000, Series FU, taxable, Make-Whole Optional Redemption	2.750%	January 1,	2021	17,000,000.00	17,000,000.00
February 21, 2019	\$ 431,665,000, Series FW	2.000%	January 1,	2023	3,000,000.00	
		5.000%	January 1,	2023	14,025,000.00	
		2.000%	January 1,	2024	4,600,000.00	
		5.000%	January 1,	2024	13,185,000.00	
		4.000%	January 1,	2025	4,095,000.00	
		5.000%	January 1,	2025	14,445,000.00	
		5.000%	January 1,	2026	19,425,000.00	
		5.000%	January 1,	2027	20,395,000.00	
		5.000%	January 1,	2028	21,415,000.00	
		4.000%	January 1,	2029	2,500,000.00	
		5.000%	January 1,	2029	19,985,000.00	
		2.500%	January 1,	2030	180,000.00	
		5.000%	January 1,	2030	23,405,000.00	
		5.000%	January 1,	2031	24,760,000.00	
		5.000%	January 1,	2032	26,000,000.00	
		3.000%	January 1,	2033	2,500,000.00	
		5.000%	January 1,	2033	24,795,000.00	
		4.000%	January 1,	2034	13,410,000.00	
		5.000%	January 1,	2034	15,200,000.00	
		3.250%	January 1,	2035	5,000,000.00	
		5.000%	January 1,	2035	24,910,000.00	
		5.000%	January 1,	2036	31,315,000.00	
		4.000%	January 1,	2037	15,290,000.00	
		5.000%	January 1,	2037	17,590,000.00	
		3.500%	January 1,	2038	15,000,000.00	
		5.000%	January 1,	2038	19,375,000.00	
		4.000%	January 1,	2039	12,500,000.00	
		5.000%	January 1,	2039	23,365,000.00	431,665,000.00
February 21, 2019	\$ 75,000,000, Series FX, taxable, Make-Whole Optional Redemption	3.250%	January 1,	2021	24,845,000.00	
		2.770%	January 1,	2022	25,655,000.00	50,500,000.00
April 14, 2020	\$600,000,000 General Obligation Bond Anticipation Notes, taxable	1.460%	April 15,	2021	300,000,000.00	
	Direct Purchase, Make-Whole Redemption (October 15, 2021 maturity only)	1.760%	October 15,	2021	300,000,000.00	600,000,000.00
Total of all State of Hawaii general obligation bonds and general obligation refunding bonds issued and outstanding						\$7,304,598,064.26

* Does not reflect the expected issuance of the State of Hawaii Taxable General Obligation Bonds of 2020, Series FZ, as described in this Official Statement.

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APPENDIX E

PENDING LITIGATION

Office of Hawaiian Affairs and Ceded Lands

In 1898, the former Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the Union in 1959, the United States reconveyed title to those lands (collectively, the "Ceded Lands") to the State of Hawaii (the "State") to be held as a public trust for five purposes: (1) public education; (2) betterment of the conditions of native Hawaiians; (3) development of farm and home ownership; (4) making public improvements; and (5) provision of land for public use. On November 7, 1978, the State Constitution was amended expressly to provide that the Ceded Lands, excluding any "available lands" as defined in the Hawaiian Homes Commission Act of 1920, as amended, were to be held as a public trust for native Hawaiians and the general public, and to establish the Office of Hawaiian Affairs ("OHA") to administer and manage the proceeds and income derived from a pro rata portion of the Ceded Lands as provided by law, to better the conditions of native Hawaiians. Article XII, Sections 4, 5 and 6, Hawaii Constitution. In 1979, the Legislature adopted HRS Chapter 10 ("Chapter 10"), which, as amended in 1980, specified, among other things, that OHA expend 20% of the funds derived by the State from the Ceded Lands for the betterment of native Hawaiians. Since then, the State's management of the Ceded Lands and its disposition of the proceeds and income from the Ceded Lands have been challenged by OHA, and individual native Hawaiians, Hawaiians and non-Hawaiians. Claims have been made under Article XII, Sections 4 and 6 of the Hawaii Constitution to the effect that the State has breached the public trust, and OHA has not received from the Ceded Lands all of the income and proceeds that it should be receiving. Except for the claims pending in the *OHA v. HHA* case discussed below, the Legislature, the state and federal courts, and the State's governors have acted to address the concerns raised. However, there can be no assurance that in the future there will not be asserted against the State new claims made under Article XII, Sections 4 and 6 of the Hawaii Constitution that the State has breached the public trust, or that OHA is not receiving from the Ceded Lands all of the income and proceeds that it should be receiving.

The Office of Hawaiian Affairs v. State of Hawaii; University of Hawaii; Department of Land & Natural Resources; Board of Land & Natural Resources, Civil No. 17-1-1823-11 JPC (1st Cir.). By the letter dated May 31, 2016, addressed to the State's Attorney General and to the Vice-President for Legal Affairs and General Counsel of the University of Hawaii ("UH"), the Office of Hawaiian Affairs gave notice, pursuant to HRS Section 673-3, of its intent to sue the State, the Department of Land and Natural Resources ("DLNR"), and the UH for the State's breach of its fiduciary duties as trustee of the public land trust, in connection with their management of Mauna Kea. OHA filed its Complaint for Declaratory Judgment & Injunctive Relief, Accounting, Restitution, and Damages on November 7, 2017, asserting causes of action for breach of fiduciary duty with respect to the public-land trust and the public-trust doctrine and for breach of contract. The complaint was served on the Attorney General for the State, and DLNR and BLNR on December 20, 2017. The Attorney General filed an answer to the complaint for the State, DLNR and BLNR on January 9, 2018. The University filed a motion to dismiss the complaint on January 10, 2018, to which the State filed a substantive joinder on January 22, 2018. On May 1, 2020, the Circuit Court entered an order dismissing the breach-of-contract claim but allowing the breach-of-fiduciary-duty claim to proceed.

On March 2, 2020, OHA filed a motion for summary judgment regarding the claim for breach of fiduciary duty. On April 30, 2020, the State filed a motion for partial summary judgment with respect to all claims for breach of fiduciary duty brought under Chapter 673, HRS, and with respect to the public-land trust and/or the native Hawaiian public trust. On May 20, 2020, the Circuit Court orally denied both motions.

On May 22, 2020, the State filed its First Amended Answer to the Complaint. Discovery is ongoing, and there is currently no trial date set.

The State intends to defend vigorously against OHA's claims in *The Office of Hawaiian Affairs v. State of Hawaii; University of Hawaii; Department of Land & Natural Resources; Board of Land & Natural Resources*. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. The State is not aware of any other claims OHA may have or assert against the State. Resolution of all of the claims in favor of OHA and its beneficiaries could have a material adverse effect on the State's financial condition.

Department of Hawaiian Home Lands

Individual Claims Cases. In 1991, the Legislature enacted HRS Chapter 674, entitled “Individual Claims Resolution Under the Hawaiian Home Lands Trust,” which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (the “HHCA”) to file claims to recover actual economic damages they believed they suffered from a breach of trust caused by an act or omission of an official of the State between August 21, 1959, when Hawaii became a state, and June 30, 1988. Claims were required to be filed no later than August 31, 1995. There were 4,327 claims filed by 2,753 individuals.

The process was a three step process which: (1) began with informal proceedings presided over by the Hawaiian Home Lands Trust Individual Claims Review Panel (the “Panel”) to provide the Legislature with non binding findings and advisory opinions for each claim; (2) provided for the Legislature’s review and consideration of the Panel’s findings and advisory opinions, and appropriations of funds to pay the actual economic damages the Legislature deemed appropriate; and (3) allowed claimants to bring de novo civil actions by December 31, 1999 if they were not satisfied with the Panel’s findings and advisory opinions, or the Legislature’s response to the Panel’s recommendations.

In 1997, the Legislature declared its intent to postpone acting upon the Panel’s recommendations until all claims had been reviewed and forwarded to it. Legislation to allow the Panel and the Legislature until September 30, 2000 to act on all claims, and postpone the deadline for unsatisfied claimants to file suit until December 31, 2000, was adopted by the Legislature, but vetoed by the Governor in the 1999 regular session, and the Panel sunsetted on December 31, 1999.

On December 29, 1999, three claimants filed a class action lawsuit in the state circuit court for declaratory and injunctive relief and for general, special and punitive damages for breach of trust or fiduciary duty under HRS Chapters 674 and 673, violation of the due process, equal protection and native rights clauses of the State Constitution, and breach of contract under HRS Chapter 661. *Kalima et al. v. State of Hawaii et al.*, Civil No. 994771-12VSM (1st Cir.) (“Kalima I”). Five other claimants filed similar individual claims actions for themselves on or before December 31, 1999. The plaintiffs in these other actions stipulated to stay all proceedings in their actions pending the resolution of all questions of law in Kalima I that are common to the questions of law presented in their suits. Following the dismissal without prejudice of the actions of four of the five claimants, only one lawsuit, *Aguiar v. State of Hawaii, et al.*, Civil No. 99-612 (3rd Cir.) (“Aguiar”), is pending and stayed.

On March 30, 2000, the three named plaintiffs in Kalima I filed a second class action lawsuit in the state circuit court for declaratory and injunctive relief, and for damages under HRS Chapter 673, for the Panel’s and Legislature’s alleged failure to remedy their breach of trust claims under HRS Chapter 674. *Kalima et al. v. State of Hawaii, et al.*, Civil No. 00 1 1041-03 (1st Cir.) (“Kalima II”). All proceedings in this action were stayed by stipulation, pending the resolution of those questions of law in Kalima I that are common to both Kalima I and Kalima II. Kalima I, Kalima II and Aguiar are collectively referred to under this caption as the “Individual Claims Cases.”

The plaintiffs in Kalima I filed a motion for partial summary judgment and asked the circuit court to declare that they were entitled to sue for breach of trust and recover damages under HRS Chapter 674. The State moved to dismiss the complaint and all claims in Kalima I for lack of subject matter jurisdiction. The circuit court granted the plaintiffs’ motion and denied the State’s motion. The State was permitted to take an interlocutory appeal. In an opinion issued June 30, 2006, the Hawaii Supreme Court affirmed the circuit court’s determination that the plaintiffs were entitled to pursue their claims under HRS Chapter 674, but did not have a right to sue under HRS Chapter 661, and remanded the case back to the trial court for further proceedings. *Kalima v. State of Hawaii*, 111 Hawaii 84, 137 P.3d 990 (2006).

The plaintiffs in Kalima I have since filed first and second amended complaints to add 11 plaintiffs, and to divide the class into nine subclasses to include those with claims for damages for injuries allegedly suffered by (1) allegedly waiting too long to receive a homestead (2) being barred from or delayed in receiving a homestead by allegedly ultra vires rules (3) receiving allegedly uninhabitable homesteads (4) allegedly lost applications (5) allegedly defectively constructed homes or infrastructure (6) allegedly being prevented from or delayed in succeeding to a parent’s or spouse’s homestead (7) the manner in which the loans were administered (8) the manner in which the leases were administered and (9) other allegedly wrongful conduct. The court granted the plaintiffs’ motion to try the

waiting list subclass' claims separately and first, and after a six week bifurcated trial to determine liability only, the circuit judge for Kalima II ruled on November 3, 2009 that the State committed three breaches of trust between 1959 and 1988, and further proceedings were necessary to determine the amount of out of pocket damages the waiting list subclass members sustained, if any, as a result of those breaches.

By orders entered on November 24, 2009 and June 6, 2011, respectively, the Waiting List Liability Subclass certified for purposes of determining liability was recertified for the purpose of establishing causation and the fact of damages (over the State's objection), and again as the Waiting List Damages Model Subclass for the purpose of devising a model for use on a class-wide basis to determine the amount of damages subclass members may be awarded. Notice to the putative members of the Waiting List Damages Model Subclass of the right to opt-out of the Waiting List Damages Model Subclass was mailed to all members of the Waiting List Liability Subclass on May 22, 2012, and published on the DHHL Website, and in the DHHL and OHA newsletters.

Multiple motions to establish a damages model were filed and heard between March 2011 and August 31, 2012. Orders were entered on January 24, 2012, and February 4 and 14, 2013. After a three day trial completed on October 3, 2013, the court ruled in a minute order that the annual fair market rental values based on four percent of the fee simple value of a 5,000 square foot lot in Maili, obtained from a "best fit" curve derived from actual fee simple Maili valuations from 1959 through July 8, 2013, could be used to calculate damages for claimants who applied for Oahu residential leases, that for damage calculations the rents adjust annually, and that there are no increases for the consumer price index or other present value adjustments. By a third order entered on October 11, 2013, the court certified a Waiting List Damages Subclass defined as "All chapter 674 Plaintiffs who were on the Department of Hawaiian Home Lands waiting list for a homestead and who submitted a claim to the Hawaiian Home Lands Trust Individual Claims Panel because they were not awarded a homestead in a prompt and efficient manner and suffered actual direct monetary out of pocket loss. The parties have participated in a private mediation on the matters in controversy in the case, pursuant to the circuit court's order approving the parties' Stipulation to Participate in Private Mediation etc., filed on September 13, 2013. To date, no settlement has been reached.

Plaintiffs filed a motion for summary judgment to compute the damages of twelve members of the Waiting List Damages Subclass (none of whom were named plaintiffs) who applied for a residential homestead on Oahu, on January 14, 2015, which the State opposed. The motion was heard on June 30, 2015. An order granting and denying the motion in part was entered on July 26, 2017. The court concluded the Plaintiffs' motion was premature, and entered an order which makes certain findings of facts about twelve members of the Waiting List Subclass, and rules on procedural issues raised in the motion.

The parties have agreed to make every effort to facilitate the entry of a Rule 54(b) judgment disposing of the claims for damages of the members of the waiting list damages subclass, as expeditiously as possible. In furtherance of that effort, Plaintiffs filed the following motions: (1) Plaintiffs' Motion for Partial Summary Judgment on Native Hawaiian Blood Quantum for Waiting List Subclass Members Whose Applications Were Accepted by DHHL on June 2, 2016; (2) Motion for Summary Judgment Regarding the Method for Determining Damages Rules for Inter Island Application Transfers and Intra-Island Application Redesignations filed on June 6, 2016; (3) Motion for Reconsideration of Court's Ruling That Pins 168, 1496, 1309, 530 and 1875 Refused a Homestead Award Verbally Announced on June 30, 2015 filed June 29, 2016; (4) Motion for Sanctions and To Adopt Method for Calculating Damages in Cases Where Defendants Have Lost Application and Award Files filed on June 29, 2016; (5) Plaintiffs' Motion to Set Commencement Date of Homestead Leases for Unimproved or Unsubdivided Lots at Final Subdivision Approval filed June 30, 2016; (6) Plaintiffs Motion to Establish Class List and Waiting Lit Subclass List filed July 1, 2016; and (7) Plaintiffs' Motion to Exclude Proof of Individual out of Pocket Loss in the Claims Administration Process as Judge Hifo Found and Concluded as a Matter of Law That All Waiting List Subclass Members had Actual Out of Pocket Expense filed July 1, 2016. State Defendants filed cross motions to Plaintiffs' motions (1) (2) and (7), and opposed all Plaintiffs' motions. The circuit court heard all motions on September 2, 2016, and took them under advisement. The parties were permitted to file additional motions on or before September 16, 2016. Plaintiffs filed four additional motions: (8) To Determine Damages for Waiting List Subclass members in the Event of Transfer, Succession, and Death; (9) To Adopt Method to Compute Agricultural and Pastoral Damages; (10) To Establish a Claims Administration Process; and (11) For Entry of Judgment for Waiting List Damages Subclass and to Decertify Subclasses 2-9. State Defendants filed three additional motions: (12) For an Order Requiring Substitution for Deceased Class Members; (13) For Adoption of Rules Barring Damages for Claimants Who Resided on Hawaiian Homesteads, and Limiting Damages for Claimants Who Resided Together While Waiting; and (14) Allowing

Discovery of Waiting list Damages Subclass members. The additional motions were heard on November 4, 2016, December 12, 2016, and January 30, 2017.

The circuit court entered orders granting (in whole or in part) Plaintiffs' motions 1 (on 6/19/2017), 2 (on 6/15/2017), 3 (on 7/26/2017), 4 (on 10/6/2017), 5 (on 6/15/2017), 6 (on 7/16/2017), 7 (on 6/15/2017), 8 (on 6/15/2017), 9 (on 7/26/2017), 10 (on 7/26/2017), 11 (on 11/6/2017); denying (in whole or in part) Plaintiffs' motions 1 (on 6/19/2017), 2 (on 6/15/2017); granting State Defendants' motion 14 (on 6/19/2017); denying (in whole or in part) State Defendants' motions 12 (on 6/19/2017), 13 (on 6/15/2017), 14 (on 6/19/2017); granting (in whole or in part) State Defendants' cross motions to Plaintiffs' motions 1 (on 6/19/2017), 7 (on 6/6/2017); and denying (in whole or in part) State Defendants' cross motions to Plaintiffs' motion 2 (on 6/15/2017).

An HRCP Rule 54(b) Final Judgment was entered on January 9, 2018 in favor of the Waiting List Subclass and against the State of Hawaii, State of Hawaii Department of Hawaiian Home Lands, the State of Hawaii Hawaiian Home Lands Trust Individual Claims Review Panel, and the Governor of the State of Hawaii. State Defendants and the Plaintiffs, respectively, filed an appeal and a cross-appeal from the HRCP Rule 54(b) Final Judgment in favor of the Waiting List Subclass and against the State Defendants, in the Intermediate Court of Appeals. The opening briefs in the appeal and cross-appeal were filed on July 25, 2018, and the answering briefs were filed on October 4, 2018. The reply briefs were filed on December 28, 2018. Oral argument has not yet been scheduled.

Plaintiffs filed an Application for Transfer to the Supreme Court of Hawaii on December 31, 2018, and State Defendants informed the Supreme Court that they did not oppose the application in a response to the application filed on January 7, 2019. The case was fully briefed and oral argument was presented in the Supreme Court on August 21, 2019. The case was taken under advisement by the court.

In an opinion issued June 30, 2020, the Supreme Court of Hawaii ruled as follows:

- The Circuit Court did not err in adopting a fair market rental value model to determine damages for each Waiting List Subclass member, as opposed to requiring each member to prove their out-of-pocket loss individually.
- The Circuit Court did not err in adopting State Defendant's "best fit curve" for use in the fair market rental value model.
- The Circuit Court did not err in applying the fair market rental value model, which was created using a sample lot on Oahu, to all Waiting List Subclass members, regardless of whether they lived on another island.
- All Waiting List Subclass members are entitled to damages under the fair market rental value model, and State Defendants have the burden of establishing any applicable defenses that would reduce those damages.
- Damages for Waiting List subclass members cannot be adjusted to present value to account for inflation.
- The Circuit Court erred in ruling that damages for Waiting List Subclass members only begins to accrue 6 years after DHHL received their homestead applications.
- The Circuit Court did not err in finding that the State of Hawaii breached its trust duties by failing to recover lands that were withdrawn from the trust corpus by the federal government before Statehood.
- The Circuit Court did not err in establishing a list of Waiting List Subclass members; each member will go through the claims administration process to determine if they have a viable claim for damages. The court held that inclusion of a claimant on the subclass list does not mean that the claimant is automatically entitled to damages.

The Supreme Court directed that the case be remanded to the Circuit Court for further proceedings consistent with its opinion, but a judgment on appeal has not been entered nor has a Circuit Court judge been assigned to the case. While it is not possible to predict the outcome of this litigation or the scope of damages, if any, the cost to the State could be substantial and could have a material adverse effect on the State's financial condition.

Nelson. In the First Amended Complaint filed on October 19, 2007 in *Nelson et al., v. Hawaiian Homes Commission, et al.*, Civil No. 07-1-1663-08 BIA (1st Cir.) ("Nelson"), the plaintiffs allege all defendants breached their duties under Article XII, Sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Home Lands trust for failing to obtain sufficient funds from the Legislature, and otherwise enforcing the provisions of Article XII, Sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the Hawaiian Homes Commission Act (the "HHC Act") by leasing Hawaiian home lands solely to generate revenue and for commercial developments that are unrelated to actual homesteading programs, and without adhering to the requirements of Section 207(a) of the HHC Act.

The Nelson plaintiffs asked the court to issue a mandatory injunction requiring DHHL and the Hawaiian Homes Commission and its members to seek, and the State to provide, sufficient funds for DHHL to place as many beneficiaries on the land within a reasonable period of time. On January 21, 2009, the court granted the defendants' motion for entry of summary judgment rejecting all claims that are based on the theory that the Hawaii State Legislature, the State of Hawaii, or any State agency or employee, is required to appropriate, request, or otherwise provide or secure particular amounts of money for DHHL and its programs now and in the future. The court concluded that the political question doctrine barred it from deciding those claims because initial policy determinations that the court lacked authority to make were needed to resolve the parties' dispute over the definition and determination of "sufficient sums" as that term is used in Article XII, Section 1 of the Hawaii Constitution. A final judgment in favor of the State was filed on September 23, 2009, and the plaintiffs appealed.

On January 12, 2011, the Intermediate Court of Appeals concluded that the political question doctrine did not preclude the courts from deciding the plaintiffs' claims, and vacated the judgment and remanded the case to the circuit court for further proceedings. The State and Director of Finance filed an application for writ of certiorari in the Hawaii Supreme Court to reverse the Intermediate Court of Appeals' judgment on appeal, and affirm the circuit court's final judgment, on May 4, 2011. In the Hawaii Supreme Court, the DHHL, and the Hawaiian Homes Commission and its members changed their position, and no longer supported the political question doctrine defense.

The Hawaii Supreme Court issued its decision in *Nelson v. Hawaiian Homes Commission*, 127 Hawaii 185 (2012) (*Nelson I*), on May 9, 2012, concluded that there are no judicially manageable standards for determining "sufficient sums" for purposes of (1) developing lots (2) loans, and (3) rehabilitation projects, which are the first three items listed in Article XII, Section 1. The Supreme Court thus held plaintiffs' claims with respect to those items should have been rejected on political question grounds, and the Intermediate Court of Appeals erred in not so concluding. The Hawaii Supreme Court did, however, uphold the Intermediate Court of Appeals as to item (4) of Article XII, Section 1, concluding that there are judicially manageable standards to determine what constitutes sufficient sums for "administrative and operating expenses." The case was remanded to the circuit court for further proceedings.

A trial in circuit court was held, and, on November 27, 2015, the circuit court issued its Findings of Fact, Conclusions of Law and Order. That Order declared and ordered the following: 1) the State of Hawai'i has failed to provide sufficient funds to the Department of Hawaiian Home Lands for its administrative and operating budget in violation of the State's constitutional duty to do so under article XII, section 1 of the Hawai'i Constitution; 2) the State of Hawai'i must fulfill its constitutional duty by appropriating sufficient general funds to the Department of Hawaiian Home Lands for its administrative and operating budget so that the Department does not need to use or rely on revenue directly or indirectly from general leases to pay for these expenses; 3) although what is "sufficient" will change over the years, the sufficient sums that the legislature is constitutionally obligated to appropriate in general funds for DHHL's administrative and operating budget (not including significant repairs) is more than \$28 million for fiscal year 2015 16. The Court also ruled that 4) prior to 2012, the DHHL Defendants breached their trust duties by failing

to take all reasonable efforts — including filing suit — to obtain all the funding it needs for its administrative and operating budget, and 5) the defendants shall prospectively fulfill their constitutional duties and trust responsibilities; they are enjoined from violating these obligations. (The circuit court also ordered that plaintiffs could collect their costs from the State of Hawaii. The Clerk taxed costs in the amount of \$12,117.66. State Defendants filed a motion to reduce taxation of costs, which motion was partially granted, the circuit court reducing taxed costs to \$11,942.96.) After judgment was entered, the State Defendants filed a motion for reconsideration or to alter or amend the judgment and order on December 21, 2015. The circuit court granted the State’s motion for reconsideration in part and denied it in part. The circuit court rejected State Defendants’ position that the legislature, and not the courts, has the exclusive prerogative to decide what is a “sufficient sum” for DHHL’s administrative and operating (A&O) budget under Article XII, Section 1. It also rejected State Defendants’ position that there was insufficient evidence to support the circuit court’s conclusion that the “sufficient sum” for DHHL’s A&O budget is more than \$28 million for fiscal year 2015-16.

The circuit court, however, granted reconsideration with respect to State Defendants’ position that the judicial courts lack the authority, under separation of powers doctrine, to order the legislative branch to appropriate any particular amount of funds to DHHL, by amending paragraphs 3 and 5 of its original Order. Amended paragraph 3 no longer mentions the legislature, and does not mention more than \$28 million. It instead only states that \$9,632,000 is not sufficient, and that the State of Hawai’i is required to fund DHHL’s A&O expenses by making sufficient general funds available to DHHL for its A&O budget for fiscal year 2015-16. Paragraph 5 was amended to say only that the Defendants “must fulfill their constitutional duty and trust responsibilities” (but without the original line saying Defendants “shall prospectively” fulfill those duties and responsibilities), and the original line saying Defendants are “enjoined from violating these obligations” was removed.

Plaintiffs filed a motion for reconsideration asking the circuit court to add into its revised order a statement saying that “Sufficient sums for DHHL’s (A&O) budget (not including significant repairs) is more than \$28 million for fiscal year 2015-16.” The motion was denied. State Defendants filed a notice of appeal, and Plaintiffs filed a notice of cross-appeal. (The circuit court also taxed the State of Hawai’i an additional \$386.34.) The appeal and cross-appeal were filed in the Intermediate Court of Appeals. The parties filed briefs in both appeals, and the Legislature requested, was allowed, and filed an amicus curiae brief in support of the State Defendants’ positions on February 23, 2017. On March 8, 2017, in response to the DHHL Defendants’ application for transfer, the Hawaii Supreme Court transferred the appeal and cross-appeal from the Intermediate Court of Appeals to the Hawaii Supreme Court. By its decision filed on February 9, 2018, in *Nelson v. Hawaiian Homes Commission*, 141 Hawaii 411 (Nelson II), the Hawaii Supreme Court vacated the judgment and amended judgment, and remanded the case to the circuit court after directing the circuit court to use a baseline of \$1.3 to \$1.6 million, adjusted for inflation, to determine whether the State provided sufficient sums for DHHL’s fiscal year 2015-2016 administrative and operating budget.

On remand, the circuit court directed, and the parties filed motions that set out their positions on how the court should proceed in response to the Nelson II decision. State Defendants filed a motion for summary judgment which asked the court to use the methodology set out in a stipulation entered into by the parties immediately prior to the 2015 trial, to derive and then apply the resulting inflation adjustment to the \$1.3 to \$1.6 baseline specified in Nelson II, and establish and compare the resulting “sufficient sum” against the sum the Legislature appropriated for DHHL’s fiscal year 2015-2016 administrative and operating budget, to declare that State Defendants provided sums for DHHL’s fiscal year 2015-2016 administrative and operating budget. The Plaintiffs’ motion acknowledged that State Defendants provided sufficient sums for DHHL fiscal year 2015-2016 operating budget, but “nonetheless failed to provide sufficient funds to the [DHHL] in violation of their constitutional duty to do so under Haw. Const., Art. XII, §1, for many, many years,” and asked the circuit court to declare that “the State of Hawaii failed to provide sufficient funds to the [DHHL].” The DHHL Defendants’ motion asked the circuit court to set inflation rate or, alternatively, for a full evidentiary hearing on three issues: (1) what “inflation” means in the context of the case; (2) whether \$1.3-\$1.6 was DHHL’s actual administrative and operating budget in 1978, and (3) whether the DHHL’s 1978 budget, adjusted for inflation, accurately reflects the “sufficient sums” the legislature is constitutionally required to provide. The motions were heard on June 1, 2020, and denied in a Minute Order filed on June 23, 2020 which provides that the circuit “court will hold an evidentiary hearing, applying the Hawaii Rules of Evidence, to complete the task the court was given on remand: to determine the administrative and operating budget for the 2015-2016 budget for 2015-2016 fiscal year by using the 1978 baseline of \$1.3 to \$1.6 adjusted for inflation.”

DW Aina Le'a Development, LLC v. State. Case No. 17-16280, 9th Circuit. Plaintiff DW Aina Le'a filed a complaint in State Circuit Court alleging a takings claim in violation of the Hawai'i and U.S. Constitutions resulting from the Hawai'i Land Use Commission's reversion to agricultural classification of land Plaintiff had contracted to purchase from a third party for development purposes. The Hawai'i Supreme Court ruled in a separate case that the LUC's reversion was improper. In its complaint, Plaintiff alleged damages of not less than \$200 million resulting from the taking.

The State removed the case to federal district court and then filed a motion to dismiss based on the statute of limitations. The State successfully argued that Plaintiff's takings claim was time barred, and the district court granted the State's motion to dismiss the case on June 13, 2017. Plaintiff appealed to the Ninth Circuit on June 20, 2017. Oral arguments were heard in February 2019, and Circuit Court certified a question to the Hawaii Supreme Court, asking "[w]hat the applicable statute of limitations for a claim against the State[. . .] alleging an unlawful taking of '[p]rivate property. . . for public use without compensation,'" Haw. Const. art. I, §20?" The new certified question case in the Hawai'i Supreme Court is docketed as SCCQ-19-0000156, is fully briefed, and remains under advisement.

Hawaii Employer Union Health Benefits Trust Fund

In June 2006, certain retired public employees ("Plaintiffs") filed a class action lawsuit in the First Circuit Court, State of Hawaii, against the State, all of the counties of the State, the Hawaii Employer-Union Health Benefits Trust Fund (the "EUTF"), and the EUTF Board of Trustees (collectively, the "Defendants"). See *Marion Everson, et al. v. State of Hawaii, et al.*, Civil No. 06-1-1141-06, First Circuit Court, State of Hawaii ("Civil No. 06 1 1141 06"). In relevant part, Plaintiffs claimed that Defendants violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapters 87 and 87A by not providing health care benefits to retirees and their dependents that are equivalent to those provided to active employees and their dependents.

Following a related proceeding that commenced in 2007, the Hawaii Supreme Court held that health benefits for retired state and county employees constitute "accrued benefits" pursuant to Article XVI, Section 2 of the Hawaii Constitution, but that HRS Chapter 87A (particularly HRS Section 87A 23) did not require that retiree health benefits reasonably approximate those provided to active employees. See *Everson v. State*, 122 Hawaii 401, P.3d 282 (2010). The Hawaii Supreme Court did not decide when retiree health benefits "accrued" so as to be protected under Article XVI, Section 2 of the Hawaii Constitution nor did it decide whether the enactment of any part of HRS Chapter 87A violated Article XVI, Section 2 of the Hawaii Constitution.

In December 2010, Plaintiffs filed a Second Amended Complaint in Civil No. 06-1-1140-06 (*nka James Dannenberg, et al. v. State of Hawaii, et al.*) claiming that Defendants have violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapter 87 by failing to provide them and other State and county retirees with: (a) health care benefits that are equivalent to those provided to State and county active employees; and/or (b) health care benefits that are equivalent to benefits provided to other employee beneficiaries and dependent beneficiaries, regardless of age. The Second Amended Complaint also claims that State and county employees who retired prior to July 1, 2001, are contractually entitled to have their employers pay for all their health plan premiums despite the contribution caps in Sections 87A-33 through 87A-36, HRS. The Second Amended Complaint also claims that the EUTF was negligent in failing to properly interpret constitutional, statutory, and contractual requirements when it created retiree health plans. Plaintiffs seek declaratory and injunctive relief and monetary damages. The monetary damages sought are: (1) the amount that retirees and their dependents have had to personally pay for health care because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; (2) damages for health care that retirees and their dependents have foregone because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; and (3) damages for pain and suffering. On August 29, 2013, the First Circuit Court entered an Order Granting Plaintiffs' Motion for Class Action Certification. The class certified is all employees (and their dependent beneficiaries) who began working for the Territory of Hawaii, State of Hawaii, or any political subdivision thereof, before July 1, 2003, and who have accrued or will accrue a right to post retirement health benefits as a retiree or dependent beneficiary of such a retiree. This includes: (a) those who have not yet received any post-retirement health benefits from Defendants as a retiree or dependent beneficiary of such a retiree; and (b) those who have received any post-retirement benefits from Defendants since July 1, 2003 as a retiree or dependent beneficiary of such a retiree. For purposes of damages only, if any, the class shall also include the estates and heirs of any deceased retiree or deceased dependent beneficiary of a retiree who is or was a member of the class. On December 10, 2012, Plaintiff

filed Plaintiffs' Motion for Partial Summary Judgment seeking judgment in their favor and against Defendants on the liability issues in the lawsuit, i.e., that Plaintiffs be granted their requested declaratory and injunctive relief, and that Defendants be found liable for monetary damages in an amount to be determined later. On July 25, 2013, State Defendants filed State Defendants' Motion for Partial Summary Judgment seeking judgment in their favor and against Plaintiffs on all of Plaintiffs' claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual, and statutory rights of Plaintiffs by not providing health care benefits for retirees and their dependents that are equivalent to those provided to active employees and their dependents; (2) State Defendants have violated the constitutional and contractual rights of Plaintiffs by not providing health care benefits to retirees and their dependents that are equivalent to those provided to other employee beneficiaries and dependent beneficiaries, regardless of age; and (3) State Defendants were negligent in providing health benefits to retirees and their dependents. Both motions were heard by the First Circuit Court on October 30, 2013. On October 16, 2014, the court issued an order denying Plaintiffs' Motion for Partial Summary Judgment and granting State Defendants' Motion for Partial Summary Judgment. The one remaining claim was voluntarily dismissed by the Plaintiffs by stipulation and Plaintiffs timely appealed. Out of an abundance of caution, State Defendants cross-appealed in order to address some erroneous conclusions in the circuit court's summary judgment order, in the event Plaintiffs prevail on their appeal and a remand is necessary. On State Defendants' motion, the case was transferred to the Hawaii Supreme Court. Briefing on the appeal and cross-appeal was completed in October 2015. In May 2016, the case was argued before the Hawaii Supreme Court. In its opinion filed on October 21, 2016, 139 Hawaii 39, 383 P.3d 1177, the Hawaii Supreme Court held: (1) benefits protected by Article XVI, Section 2 of the State Constitution, include retiree health benefits which accrue upon an employee's enrollment in the Employees' Retirement System (ERS), subject to any conditions precedent in place at the time of enrollment that must be satisfied; (2) Article XVI, Section 2 protects accrued health benefits, not parity between the health benefits of retirees and active employees; (3) the retirement health benefits that were promised to retirees at the time of their enrollment in the ERS is the starting point for determining what constitutes a retiree's accrued health benefits; (4) the legislature may change health benefits provided to retirees, as long as the changes do not diminish or impair a retiree's accrued health benefits; and (5) genuine issues of material facts precluded the court from determining whether the plaintiffs' accrued retirement health benefits had been diminished or impaired, and required a remand of the case to the circuit court for further proceedings to determine whether the plaintiffs' accrued retirement health benefits had been diminished or impaired.

Plaintiffs moved, and over the State Defendants' objections, were permitted to file a third amended complaint on December 28, 2017, to which all defendants filed answers by January 22, 2018. On June 7, 2018, State Defendants filed a Motion to Decertify the Class and a Motion for Partial Judgment on the Pleadings Regarding Contribution Caps. Plaintiffs filed a Motion for Partial Summary Judgment on Methodology for Measuring Diminishment & Impairment of Benefits and for Calculating Damages on June 8, 2018, and a Motion for Certification of Damages Subclass on June 20, 2018. All motions were heard on July 18, 2018, at which time Plaintiffs withdrew their motion for partial summary judgment on methodology. By orders entered on August 28, 2018, State Defendants' Motion to Decertify the Class was granted without prejudice to the Plaintiffs' filing a new class certification motion at a later time and Plaintiffs' Motion for Certification of Damages Subclass was denied without prejudice as premature. By a stipulation and order entered on November 19, 2018, State Defendants' motion for partial judgment on the pleadings was denied without prejudice as to the issue of ripeness, denied as to the issue of relation back, and denied without prejudice as to all remaining issues. Plaintiffs' thereafter filed a Motion for Re-Certification of the Class and For Certification of a Damages Subclass on December 3, 2018. Plaintiffs' Motion for Re-Certification was heard on February 6, 2019, and over the State Defendants' strenuous opposition thereto, the Court issued an Order granting Plaintiffs' Motion for Re-Certification on June 6, 2019.

A trial date has been set commencing October 26, 2021 before the Honorable Jeffrey P. Crabree, and the State intends to vigorously defend against all claims brought against the State, the EUTF, and the EUTF Board in the case. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the Plaintiffs' claims in their favor in this case could have a material adverse effect on the State's financial condition.

Department of Taxation

On October 21, 2015, the Tax Foundation of the State of Hawaii filed a class action lawsuit against the State of Hawaii seeking a judicial determination that the ten percent withheld from the County Surcharge on State General Excise Tax under section 248-2.6(a), Hawaii Revised Statutes, is unconstitutional because it exceeds the actual cost

for the State to assess, collect and distribute the County Surcharge to the City and County of Honolulu. *See Tax Foundation of the State of Hawaii v. State of Hawaii*, Case No. 15-1-2020-10 (1st Cir.). Since 2007, the Department of Budget and Finance has transferred \$228.4 million from County Surcharge Proceeds into the General Fund (thru December 31, 2018). The circuit court entered a final judgment in favor of the State on June 1, 2016, and the plaintiff has appealed that ruling to the State Intermediate Court of Appeals and that ruling is pending. On January 13, 2017, the case was transferred from the State Intermediate Court of Appeals to the Hawaii Supreme Court. On July 6, 2017, the case was argued before the Hawaii Supreme Court and the Court took the case under advisement. On March 21, 2019, the Hawaii Supreme Court issued an opinion in the State's favor concluding that the withholding of ten percent of the County Surcharge was permitted by statute. The case was remanded back to the Circuit Court with instructions to grant the State's motion for summary judgment.

The State intends to vigorously defend against all claims brought against the State in this case. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiff's claims in their favor in this case could have a material adverse effect on the State's financial condition.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

STATE OF HAWAII

\$995,000,000

Taxable General Obligation Bonds of 2020, Series FZ

(Base CUSIP: 419792)

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the State of Hawaii (the “State”) in connection with the issuance of its \$995,000,000 aggregate principal amount of Taxable General Obligation Bonds of 2020, Series FZ (the “Bonds”). The Bonds are being issued pursuant to the authority of the Constitution and laws of the State, including, in particular, certain acts of the Legislature of the State, as implemented by that certain Certificate of the Director of Finance of the State of Hawaii providing for the issuance of the Bonds (the “Bond Certificate”). Pursuant to Section 403 of the Bond Certificate, the State covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2 12(b)(5)(i).

Section 2. Definitions. In addition to the definitions set forth in the Bond Certificate, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the State pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the Director of Finance or any successor Dissemination Agent designated in writing by the State and which has filed with the State a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access website of the MSRB, currently located at <http://emma.msrb.org>.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, or any successor thereto, in each case as amended from time to time.

“Financial Obligation” shall mean a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Exchange Act) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in subsection 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“Participating Underwriters” shall mean any original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The State shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the State’s fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2020, provide to the MSRB an Annual report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Audited financial statements of the State may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the State’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 15 business days prior to said date, the State shall provide the Annual Report to the Dissemination Agent (if other than the State).

(c) If the State is unable to provide to the MSRB an Annual Report by the date required in subsection (a) above, the State shall provide to the MSRB a notice in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall (if the Dissemination Agent is other than the State), file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Contents of Annual Reports. The State’s Annual Report shall contain or include by reference updates of the following information included in APPENDIX B to the final Official Statement (the “Official Statement”) dated August 5, 2020, relating to the Bonds:

- (1) Summary of Total Indebtedness of the State of Hawaii;
- (2) Revenue Projections; Certain Tax Collections — General Fund Tax Revenues; and
- (3) Revenue Projections; Certain Tax Collections — Actual Collections and Distributions.

The audited financial statements of the State for the prior fiscal year shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the State’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a), the Annual Report shall contain unaudited financial statements, if available, without the State having to undertake to prepare unaudited financial statements exclusively for the purpose of satisfying this Section 4, in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Updates of APPENDIX B may involve adding additional financial and operating data, displaying data in a different format, or eliminating data that are no longer material.

Any of such information may be included by specific reference to other documents, including official statements of debt issues of the State or related public entities, which have been (i) available to the public on the MSRB’s website or (ii) filed with the Securities and Exchange Commission. The State shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the State shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) modifications to rights of Bondholders, if material;
- (4) bond calls, if material, and tender offers;
- (5) defeasances;
- (6) rating changes;
- (7) adverse tax opinions, material notices of determinations with respect to the tax status of the Tax Exempt 2019 Bonds or other material events affecting the tax-exempt status of the Tax-Exempt 2019 Bonds;
- (8) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (9) unscheduled draws on the credit enhancements reflecting financial difficulties;
- (10) substitution of credit or liquidity providers or their failure to perform;
- (11) release, substitution or sale of property securing repayment of the Bonds, if material;
- (12) bankruptcy, insolvency, receivership or similar event of the State;

(Note to clause 12: For the purposes of the event identified in clause 12 above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.)

(13) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) the incurrence of a Financial Obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect holders or beneficial holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

For the purposes of the events identified in subparagraphs (15) and (16) and the definition of “Financial Obligation” in Section 2 hereof, reference to the Rule includes the guidance provided by the SEC in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

(b) The State shall in a timely manner, not in excess of ten (10) business days after the occurrence of a Listed Event, (i) where relevant pursuant to subsection (a) above, determine if such event would be material under applicable federal securities laws, and (ii) in all events, file notice of such occurrence with the MSRB.

Section 6. Filings with MSRB. All Annual Reports, notices of Listed Events and other notices and information provided to the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word-searchable except for non textual elements), accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The State's obligations under this Disclosure Certificate shall terminate with respect to each Bond upon the legal defeasance or payment in full of such Bond. If the obligations of the State under this Disclosure Certificate with respect to all Bonds terminate prior to the final maturity of the Bonds, the State shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 8. Dissemination Agent. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the State pursuant to this Disclosure Certificate.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this, Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4 or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Bond Certificate for amendments to the Bond Certificate with the consent of Holders or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the State shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the State. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the State chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is

specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the State to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the State to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Bond Certificate with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the State to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the State, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 13. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State of Hawaii, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State of Hawaii; provided, however, that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

STATE OF HAWAII

By: _____
Craig K. Hirai
Director of Finance
State of Hawaii

EXHIBIT A

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING
BOARD OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: State of Hawaii
State of Hawaii Taxable General Obligation Bonds of 2020, Series FZ
Date of Issuance: August 12, 2020

NOTICE IS HEREBY GIVEN that the State has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Certificate dated August 12, 2020. [The State anticipates that the Annual Report will be filed by _____.]

Dated: STATE OF HAWAII

By: _____

Name: _____

Title: _____

APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

August 12, 2020

State of Hawaii
Honolulu, Hawaii

Ladies and Gentlemen:

We have acted as bond counsel to the State of Hawaii (the “State”) in connection with the issuance by the State of \$995,000,000 aggregate principal amount of State of Hawaii Taxable General Obligation Bonds of 2020, Series FZ (the “Bonds”), pursuant to the provisions of Part I of Chapter 39, Hawaii Revised Statutes, a Certificate of the Director of Finance of the State dated as of August 5, 2020, providing for the issuance of the Bonds (the “Certificate”), and various acts of the Legislature of the State identified in the Certificate.

At your request we have examined into the validity of the Bonds and certain other matters as expressly set forth below. We have examined the Constitution and statutes of the State; the Certificate; a certificate of the Governor of the State approving the issuance of the Bonds; certificates and opinions of the Attorney General of the State; a specimen Bond; and such other records and documents, and have made such other examination of applicable law and fact, as we have considered necessary or appropriate for purposes of this letter.

Based on the foregoing, and subject to the assumptions and limitations referred to below, we are of the opinion that:

1. The Bonds have been duly authorized and issued in accordance with the Constitution and laws of the State and constitute valid general obligations of the State.
2. The full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Bonds, and principal and interest payments on the Bonds are a first charge on the general fund of the State.
3. Interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.
4. Under existing laws of the State, the Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes.

The opinions expressed in paragraphs 1 and 2 above may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors’ rights, the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law, and limitations on legal remedies against the State. Furthermore, no opinion is expressed as to the availability of any particular remedy.

We express no opinion as to any federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 3 and 4 hereof. We render our opinions under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinions to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion as to the effect of any action hereafter taken or not taken by the State in reliance upon an opinion of counsel other than ourselves regarding federal, state or local tax matters.

We express no opinion herein as to the accuracy, adequacy, sufficiency or completeness of the Official Statement dated August 5, 2020 (or any update or amendment thereof or supplement thereto) relating to the Bonds, or any other financial or other information which has been or may be supplied to purchasers or prospective purchasers of the Bonds.

This letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred.

This letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this letter to reflect any action hereafter taken or not taken, or any facts or circumstances, or changes in law or in interpretations thereof, that may hereafter occur, or for any other reason.

Very truly yours,

HAWKINS DELAFIELD & WOOD LLP

APPENDIX H

PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

The information set forth in this APPENDIX H is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (DTC, Euroclear and Clearstream together, the “Clearing Systems”) currently in effect. The information in this APPENDIX H concerning the Clearing Systems has been obtained from sources believed to be reliable, but the Issuer does not take any responsibility for the accuracy, completeness or adequacy of the information in this APPENDIX H. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references herein and in the Bond Issuance Certificate to the Bondholders, registered owners or owners (or similar terms) of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

DTC Book-Entry-Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Issuance Certificate. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

NONE OF THE ISSUER, THE PAYING AGENT OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, OR FOR ANY PRINCIPAL OF OR INTEREST PAYMENT THEREON.

The Issuer and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive registered owner of the Bonds registered in its name for the purposes of payment of the principal of, or interest on, the Bonds, giving any notice permitted or required to be given to registered owners under the Bond Issuance Certificate, registering the transfer of the Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Issuer and the Paying Agent shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Issuer (kept by the Paying Agent) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal of or interest on the Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the Issuer; or other action taken by DTC as registered owner.

THE ABOVE INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY-ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE ISSUER BELIEVES TO BE RELIABLE, BUT THE ISSUER TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Global Clearance Procedures

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (DTC, Euroclear and Clearstream together, the "Clearing Systems") currently in effect. The information in this subsection concerning the Clearing Systems has been obtained from sources believed to be reliable. No representation is made herein by the Issuer as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Series FZ Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Beneficial interests in the Series FZ Bonds may be held through DTC, Clearstream Banking, S.A. ("Clearstream") or Euroclear Bank SA/NV ("Euroclear") as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system.

Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures. The Series FZ Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Series FZ Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfer Procedures. Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected by DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time.

The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Issuer will not impose any fees in respect of holding the Series FZ Bonds; however, holders of book-entry interests in the Series FZ Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and Clearstream.

Initial Settlement. Interests in the Series FZ Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series FZ Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Series FZ Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Series FZ Bonds against payment (value as on the date of delivery of the Series FZ Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series FZ Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Series FZ Bonds following confirmation of receipt of payment to the Issuer on the date of delivery of the Series FZ Bonds.

Secondary Market Trading. Secondary market trades in the Series FZ Bonds will be settled by transfer of title to book-entry interests in Euroclear, Clearstream or DTC, as the case may be. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the FZ Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Series FZ Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series FZ Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations. Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Series FZ Bonds through Euroclear or Clearstream on

days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Series FZ Bonds, or to receive or make a payment or delivery of the Series FZ Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing Information. It is expected that the Series FZ Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The CUSIP numbers for the Series FZ Bonds are set forth on the inside cover of the Official Statement.

General. Neither Euroclear nor Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

NONE OF THE ISSUER, THE PAYING AGENT OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY FOR THE PERFORMANCE BY EUROCLEAR OR CLEARSTREAM OR THEIR RESPECTIVE DIRECT OR INDIRECT PARTICIPANTS OR ACCOUNT HOLDERS OF THEIR RESPECTIVE OBLIGATIONS UNDER THE RULES AND PROCEDURES GOVERNING THEIR OPERATIONS OR THE ARRANGEMENTS REFERRED TO ABOVE.

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