NEW ISSUES
FULL BOOK-ENTRY ONLY **RATINGS: See "Ratings" herein.**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series GA Bonds (as defined herein) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series GA Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is of the opinion that 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. Bond Counsel further observes that interest on the Series 2020 Taxable Bonds (as defined herein) is not excludable from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" in this Official Statement.

STATE OF HAWAII

$147,555,000 **General Obligation Bonds of 2020, Series GA**	**$600,000,000** **Taxable General Obligation Bonds of 2020, Series GB**	**$400,000,000** **Taxable General Obligation Refunding Bonds of 2020, Series GC**

Dated: Date of Delivery **Due: As shown on inside cover page**

The General Obligation Bonds of 2020, Series GA (the "Series GA Bonds"), the Taxable General Obligation Bonds of 2020, Series GB (the "Series GB Bonds") and the Taxable General Obligation Refunding Bonds of 2020, Series GC (the "Series GC Bonds" and, together with the Series GB Bonds, the "Series 2020 Taxable Bonds"; and, the Series 2020 Taxable Bonds collectively with the Series GA Bonds, 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 April 1 and October 1 of each year, commencing October 1, 2021.

The Series GA Bonds are not subject to redemption prior to their stated maturity. The Series GB Bonds and the Series GC Bonds are subject to optional redemption prior to their stated maturities as and to the extent described herein.

The Series GA Bonds and the Series GB Bonds are being issued for the purpose of providing funds to the State of Hawaii for operations and other expenses of the State or other public purposes, including, in respect of the Series GA Bonds, payment of certain costs of issuance of the Bonds. The Series GC Bonds are being issued to refund certain outstanding bond anticipation notes of the State of Hawaii. 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 Orrick, Herrington & Sutcliffe 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 October 29, 2020.

BofA Securities **Morgan Stanley**

Citigroup **Jefferies** **Raymond James**

Dated: October 21, 2020

STATE OF HAWAII

$147,555,000 GENERAL OBLIGATION BONDS OF 2020, SERIES GA
Dated: Date of Delivery
Due: October 1, as shown below

Due	Principal Amount	Interest Rate	Yield	CUSIP† Number (419792)
2021	$147,555,000	5.000%	0.250%	ZG4

$600,000,000 TAXABLE GENERAL OBLIGATION BONDS OF 2020, SERIES GB
Dated: Date of Delivery
Due: October 1, as shown below

Due	Principal Amount	Interest Rate	Price	CUSIP† Number (419792)
2022	$150,000,000	0.429%	100%	ZH2
2023	150,000,000	0.571	100	ZJ8
2024	150,000,000	0.802	100	ZK5
2025	150,000,000	0.852	100	ZL3

$400,000,000 TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2020, SERIES GC
Dated: Date of Delivery
Due: October 1, as shown below

Due	Principal Amount	Interest Rate	Price	CUSIP† Number (419792)
2025	$21,870,000	0.852%	100%	ZM1
2026	22,085,000	1.112	100	ZN9
2027	22,350,000	1.252	100	ZP4
2028	22,660,000	1.518	100	ZQ2
2029	23,020,000	1.618	100	ZR0
2030	23,405,000	1.718	100	ZS8
2031	23,830,000	1.868	100	ZT6
2032	24,295,000	2.018	100	ZU3
2033	24,810,000	2.168	100	ZV1
2034	25,365,000	2.268	100	ZW9
2035	25,960,000	2.368	100	ZX7
2036	26,605,000	2.532	100	ZY5
2037	27,300,000	2.632	100	ZZ2
2038	28,035,000	2.682	100	A22
2039	28,805,000	2.712	100	A30
2040	29,605,000	2.782	100	A48

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† 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. 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 2020 TAXABLE BONDS" OR "SECURITIES" MEAN THE STATE OF HAWAII GENERAL OBLIGATION BONDS OF 2020, SERIES GB AND THE STATE OF HAWAII GENERAL OBLIGATION BONDS OF 2020, SERIES GC.

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 2020 TAXABLE 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 2020 TAXABLE BONDS, OR POSSESSION OR DISTRIBUTION OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2020 TAXABLE BONDS, OR ANY INFORMATION RELATING TO THE PRICING OF THE SERIES 2020 TAXABLE BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

MINIMUM UNIT SALES

THE SERIES 2020 TAXABLE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE SERIES 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

THE SERIES 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 FIFEA. A TRANSFEROR OF THE SERIES 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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 2020 TAXABLE 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

Orrick, Herrington & Sutcliffe 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	STATE OF HAWAII	STATE OF HAWAII
$147,555,000	**$600,000,000**	**$400,000,000**
General Obligation Bonds of 2020, Series GA	**Taxable General Obligation Bonds of 2020, Series GB**	**Taxable General Obligation Refunding Bonds of 2020, Series GC**

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 $147,555,000 aggregate principal amount of General Obligation Bonds of 2020, Series GA (the "Series GA Bonds"), its $600,000,000 aggregate principal amount of Taxable General Obligation Bonds of 2020, Series GB (the "Series GB Bonds") and its $400,000,000 aggregate principal amount of Taxable General Obligation Refunding Bonds of 2020, Series GC (the "Series GC Bonds"), in connection with the sale thereof by the State. The Series GB Bonds and the Series GC Bonds are collectively referred to herein as the "Series 2020 Taxable Bonds." The Series GA Bonds, the Series GB Bonds and the Series GC Bonds are collectively referred to herein as the "Bonds."

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").

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, including the borrowing represented by the Bonds, 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. Although by emergency declaration the Bonds are authorized to be issued regardless of the State's debt limit, the issuance of the Bonds is not expected to cause the State's debt limit to be exceeded.

Purpose

The proceeds from the sale of the Bonds will be used to provide funds to the State of Hawaii for operations and other expenses of the State including as authorized by the Supplemental Appropriations Act of 2020, or other public purposes, including payment of certain costs of issuance of the Bonds, and to refund a portion of certain outstanding taxable general obligation bond anticipation notes of the State of Hawaii issued on April 14, 2020 in the aggregate principal amount of $600 million (the "BANs") and to pay a breakage fee associated with the early repayment of such BANs to Bank of America, N.A., as original purchaser of the BANs. 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 April 1 and October 1 of each year, commencing October 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 Bonds. The 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 Bonds, each in the aggregate principal amount of such maturity (provided that if the aggregate principal amount of any single maturity exceeds $500,000,000, separate bond certificates shall be issued for each $500,000,000 and any amount in excess thereof and subject to any DTC restrictions on the maximum principal amount of a bond certificate), and will be deposited with DTC. Beneficial interests in the 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 Bonds if the book-entry-only system of registration is discontinued.

Optional Redemption of the Bonds

The Series GA Bonds are not subject to redemption prior to their stated maturity.

Optional Redemption. The Series GC Bonds maturing on or after October 1, 2031, are subject to redemption prior to their stated maturities, at the option of the State, at any time on and after October 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 Series GB Bonds are subject to redemption prior to their stated maturities, at the option of the State, 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), on any date at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Series GB 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 Series GB Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series GB Bonds are to be redeemed, discounted to the date on which such Series GB 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 7.5 basis points;

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

The Series GC Bonds are subject to redemption prior to their stated maturities, at the option of the State, at any time prior to and excluding October 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 Series GC 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 Series GC Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series GC Bonds are to be redeemed, discounted to the date on which such Series GC 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, (a) with respect to the Series GC Bonds maturing October 1, 2025 through and including October 1, 2030, 15 basis points, and (b) with respect to the Series GC Bonds maturing October 1, 2031 through and including October 1, 2040, 20 basis points;

plus, in each case, accrued interest on such Series GC 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 Series 2020 Taxable 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 Series 2020 Taxable 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 Series 2020 Taxable Bonds being redeemed.

"Comparable Treasury Price" means, with respect to any date on which a Series 2020 Taxable 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 Series 2020 Taxable 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 Series 2020 Taxable 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 Series 2020 Taxable Bonds being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2020 Taxable 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 Series 2020 Taxable 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 Risks and Other Risks

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 DEVELOPMENTS" 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. None of the Underwriters (as hereinafter defined) and their counsel, Bond Counsel or Accuity LLP, independent auditors, have 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 DEVELOPMENTS," "GENERAL ECONOMIC INFORMATION" in Appendix A and "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS — General Fund Financial Plan" in Part I of Appendix B.

COVID-19 DEVELOPMENTS

Emergency Proclamations

On March 4, 2020, in response to a new disease commonly known as COVID-19 caused by a novel strain of coronavirus, Hawaii Governor David Y. Ige (the "Governor") proclaimed the spread of COVID-19 in Hawaii to be a disaster, declared a state of emergency in Hawaii extending to April 29, 2020, subject to modification, and announced numerous State responses, including the use of disaster relief funds, to address the spread of COVID-19. On March 17, 2020, the Governor asked visitors to postpone their trips to Hawaii. By a supplemental proclamation issued by the Governor on March 21, 2020, the State then implemented a mandatory 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, whether visitors or returning residents. All arriving passengers are subject to health screenings, temperature checks and reporting requirements. On March 23, 2020, by further supplemental emergency proclamation, the Governor issued a stay at home order, directing all persons within the State to stay home in an effort to curtail person-to-person transmission of the virus, except as needed to maintain certain essential functions during the State's COVID-19 response. Since the issuance of the original stay-at-home order, which was replaced by a "safer-at-home" plan announced on May 5, 2020. the State has taken a phased approach to permit gradual, limited reopening of certain businesses and activities on a county-by-county basis, subject to conditions. The Governor has subsequently issued additional supplemental proclamations, including the thirteenth such supplemental declaration issued on September 22, 2020 (the "Thirteenth Proclamation"), and the fourteenth such supplemental declaration issued on October 13, 2020 (the "Fourteenth Proclamation"), and a series of executive orders governing the operation of non-essential business and government activities for the duration of the public health emergency, which the Thirteenth Proclamation extended until October 31, 2020, and the Fourteenth Proclamation further extended until November 30, 2020. The quarantine for persons traveling inter-island in the State was initially suspended effective on June 16, 2020, but was reinstated effective August 11, 2020 for travelers to the counties of Kauaʻi, Hawaiʻi, Maui and Kalawao. Under the Thirteenth Proclamation, beginning October 15, 2020, travelers aged five and older entering the State who provide written confirmation from a State-approved COVID-19 testing facility of a negative test result from a test administered to the traveler within 72 hours of the final leg of departure will be exempted from the mandatory 14-day self-quarantine. The inter-island quarantine for travelers arriving in the counties of Kauaʻi, Hawaiʻi, Maui and Kalawao remains in place; however, the Governor's Thirteenth Proclamation empowers the counties to adopt a negative test exception process for travelers subject to the inter-island travel quarantine. As of October 9, 2020, the State had recorded a total of 166 COVID-19 related deaths and 13,300 cases of the virus since the beginning of the pandemic. The State has 288 contact tracers, each with a capacity to trace 20 people per day, and is currently training additional contact tracers. The State is currently conducting 1,300-1,600 tests daily and has conducted over 265,000 tests in total. There can be no assurance that the emergency declaration, quarantine requirements and/or pre-testing quarantine exception program as currently in effect and/or as proposed will not be modified, terminated or extended, in whole or in part.

State Economic Impacts

The impact on State finances has been severe. 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 August 2020, 22,334 visitors arrived in the State, as compared to 926,417 visitors in August 2019. Visitor arrivals to the State during the second quarter of 2020 totaled 30,748, a decrease of 98.8 percent from the same quarter in 2019. However, these visitors stayed longer in Hawaii with average length of stay at 27.3 days. In 2019 the average length of stay was 8.8 days. In the first eight months of 2020, total visitor arrivals decreased 69.0% compared to the same period in 2019, to 2,201,141 visitors. 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. In the first half of 2020, the statewide hotel occupancy rate averaged 49.7 percent. DBEDT forecasts 2.9 million visitors will travel to Hawaii in 2020, a decrease of 71.9% from 2019. DBEDT forecasts visitor arrivals will increase to 7.2 million in 2021, 8.3 million in 2022, and 9.4 million in 2023. In July, Hawaii was placed on a list of countries and regions that Japan considered safe for the resumption of international travel. On October 9, 2020, Hawaiian Airlines announced it was indefinitely suspending inter-island services from Honolulu to Molokaʻi, Hawaii and Lānaʻi, operated by its fully integrated subsidiary carrier, ʻOhana by Hawaiian. The suspension, which is scheduled to begin November 1, 2020, includes passenger services and cargo-only services within the Hawaiian Islands.

See "GENERAL ECONOMIC INFORMATION—Tourism" in Appendix A for a more detailed overview of COVID-19 impact on the visitor industry.

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. On May 28, 2020, the Council on Revenues forecasted that general fund tax revenues would decrease by 7% for fiscal year 2020 from fiscal year 2019, and decrease by an additional 12% for fiscal year 2021. The amount of the forecasted tax revenue decrease for the two fiscal years is approximately $2.3 billion. Preliminary general fund tax revenues for fiscal year 2020 were -6.3%, 0.7% less of a decline than forecasted by the Council on Revenues on May 28, 2020. At its meeting on September 9, 2020, the Council on Revenues revised its forecast for fiscal year 2021 from -12.0% to -11.0%, lowered forecasted fiscal year 2022 growth from 12.0% to 8.5%, increased fiscal year 2023 forecasted growth from 3.0% to 6.0%, increased forecasted fiscal year 2024 growth from 3.0% to 4.0%, and maintained fiscal year 2025 to fiscal year 2027 forecasted annual growth at 3.0%. The revised amount of the forecasted tax revenue decrease for fiscal year 2020 and fiscal year 2021 is approximately $2.2 billion. See "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan" and "—General Fund Tax Revenues" in Part I of APPENDIX B. The next Council on Revenues report is due on January 10, 2021, pursuant to statute.

The State's seasonally adjusted unemployment rate was 12.5% in August 2020 (compared to 2.7% in August 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. During the April-July 2020 period, the average unemployment rate (not seasonally adjusted) was 18.5%. 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 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 $53.9 as of June 30, 2020, after the $345 million appropriation for fiscal year 2020 to deal with the COVID-19 revenue shortfalls is accounted for. 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.

Federal COVID-19 Aid

In response to the COVID-19 pandemic the federal government 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 has distributed 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. Hawaii qualified for the minimum allocation of $1.25 billion of which $862.8 million was allocated to the State and $387.2 million was allocated to the City and County of Honolulu (the only county in Hawaiʻi with a population of 500,000 or more). The State subsequently appropriated $175 million in CRF funding to Hawaii'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 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 October 8, 2020, the State, counties, its citizens and businesses are estimated to have been allocated over $10.1 billion in federal assistance in the form of grants, loans and forgivable loans from the CARES Act and other sources, not all of which may have been drawn upon. See "GENERAL ECONOMIC INFORMATION—Federal Government and Military" in Appendix A.

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.

County Emergency Orders

In addition to the Governor's emergency proclamation, 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 ("County 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 County Emergency Orders prohibited all non-essential travel and business activity, except designated businesses and operations. The County Emergency Orders initially required everyone except essential workers to shelter in place and work from home through June 2020. The County Emergency Orders were subsequently modified, and most medium risk non-essential businesses were gradually 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. The mayor of the City and County of Honolulu reinstated the prohibition on non-essential business activity for a four-week period beginning August 27, 2020, requiring many businesses that had previously reopened to close before reopening again on September 24, 2020. All businesses and operations permitted to reopen have been ordered to comply with social distancing requirements, wearing face masks and maintaining six feet of distancing or other safety measures for employees and members of the public.

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

Series GA Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the State ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series GA Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is not a specific preference item for purposes of the federal alternative minimum tax. The Series GA 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. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series GA Bonds. Bond Counsel expects to deliver an opinion at the time of issuance of the Series GA Bonds substantially in the form set forth in Appendix G hereto.

To the extent the issue price of any maturity of the Series GA Bonds is less than the amount to be paid at maturity of such Series GA Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series GA Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series GA Bonds which is excluded from gross income for federal income tax purposes and State of Hawaii tax purposes. For this purpose, the issue price of a particular maturity of the Series GA Bonds is the first price at which a substantial amount of such maturity of the Series GA Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series GA Bonds accrues daily over the term to maturity of such Series GA Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series GA Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series GA Bonds. Beneficial Owners of the Series GA Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series GA Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series GA Bonds in the original offering to the public at the first price at which a substantial amount of such Series GA Bonds is sold to the public.

Series GA Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series GA Bonds. The State has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series GA Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series GA Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series GA Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series GA Bonds may adversely affect the value of, or the tax status of interest on, the Series GA Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series GA Bonds is excluded from gross income for federal income tax purposes and that the Series GA Bonds and the income therefrom are exempt from taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series GA Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series GA Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series GA Bonds. Prospective purchasers of the Series GA Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series GA Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the State, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The State has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series GA Bonds ends with the issuance of the Series GA Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the State or the Beneficial Owners regarding the tax exempt status of the Series GA Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the State and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the State legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series GA Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the Series GA Bonds, and may cause the State or the Beneficial Owners to incur significant expense.

Series 2020 Taxable Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the Series 2020 Taxable Bonds and the income therefrom is exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel observes that interest on the Series 2020 Taxable Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2020 Taxable Bonds. Bond Counsel expects to deliver an opinion at the time of issuance of the Series 2020 Taxable Bonds substantially in the form set forth in Appendix G hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2020 Taxable Bonds that acquire their Series 2020 Taxable Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2020 Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2020 Taxable Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2020 Taxable Bonds pursuant to this offering for the issue price that is applicable to such Series 2020 Taxable Bonds (i.e., the price at which a substantial amount of the Series 2020 Taxable Bonds are sold to the public) and who will hold their Series 2020 Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a Beneficial Owner of a Series 2020 Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a Beneficial Owner of a Series 2020 Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2020 Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2020 Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2020 Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Series 2020 Taxable Bonds at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2020 Taxable Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Series 2020 Taxable Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2020 Taxable Bonds is less than the amount to be paid at maturity of such Series 2020 Taxable Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2020 Taxable Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Series 2020 Taxable Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2020 Taxable Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2020 Taxable Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2020 Taxable Bond.

Sale or Other Taxable Disposition of the Series 2020 Taxable Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State) or other disposition of a Series 2020 Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2020 Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2020 Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2020 Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Series 2020 Taxable Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2020 Taxable Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2020 Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2020 Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Series 2020 Taxable Bonds. If the State defeases any Series 2020 Taxable Bond, the Series 2020 Taxable Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Series 2020 Taxable Bond.

Information Reporting and Backup Withholding. Payments on the Series 2020 Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2020 Taxable Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Series 2020 Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2020 Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act," payments of principal of, and interest on, any Series 2020 Taxable Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the State through stock ownership and (2) a bank which acquires such Series 2020 Taxable Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the Beneficial Owner of the Series 2020 Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Series 2020 Taxable Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the State or a deemed retirement due to defeasance of the Series 2020 Taxable Bond) or other disposition of a Series 2020 Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the State) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2020 Taxable Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Series 2020 Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payments of principal and interest on any Series 2020 Taxable Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the Beneficial Owner of the Series 2020 Taxable Bond or a financial institution holding the Series 2020 Taxable Bond on behalf of the Beneficial Owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a Beneficial Owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United

States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Series 2020 Taxable Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2020 Taxable Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2020 Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe 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 stable 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., Jefferies LLC and Raymond James & Associates, Inc. (collectively, the "Underwriters") have agreed to purchase the Bonds at an aggregate purchase price of $1,152,550,078.33, which is equal to the principal amount of the Bonds, plus original issue premium of $6,451,104.60, less an aggregate underwriting discount of $1,456,026.27. 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.

Jefferies LLC, an underwriter of the Bonds, has entered into an agreement (for purposes of this paragraph, the "Agreement") with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. Pursuant to the Agreement, Jefferies LLC will sell Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

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 "SEC Order") on August 26, 2016, in accordance with the specified terms of the Initiative. The SEC Order required the State to: (i) establish, within 180 days of the SEC 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 SEC 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 SEC 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 SEC 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 October 1, 2020, after giving effect to the issuance of the Bonds, after exclusions therefrom permitted by the Constitution, is $942,978,733 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 August 31, 2020, the amount of authorized but unissued general obligation bonds (including the Bonds) is $3,602,247,449. 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, including the borrowing represented by the Bonds, 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. Although by emergency declaration the Bonds are authorized to be issued regardless of the State's debt limit, the issuance of the Bonds is not expected to cause the State's debt limit to be exceeded.

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 DEVELOPMENTS" 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, issued its report to the Legislature on February 8, 2018, and dissolved at the adjournment of the 2018 legislative session. The next Tax Review Commission will be appointed in 2020 and present its report to the 2022 legislative session.

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 so. In fiscal years 2019 and 2020, the General Fund balance exceeded 5% of General Fund revenues for those years. It is noted that the fiscal year 2020 General Fund balance was adjusted to include certain transactions that were authorized for fiscal year 2020 but processed in fiscal year 2021. Due to a combination of timing issues with enactment of various laws and accounting system limitations, certain items were processed in fiscal year 2021 but for the purposes of the General Fund financial plan have been reflected as authorized in fiscal year 2020. See "GENERAL FUND FINANCIAL PLAN" in Appendix B. Although the General Fund balance exceeded 5% of General Fund revenues for fiscal years 2019 and 2020, fiscal years 2019 and 2020 General Fund revenues did not exceed the respective previous year's (fiscal years 2018 and 2019) General Fund revenues by more than 5%. Accordingly, the 2021 Legislature will be 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.

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 2020. As described in "COVID-19 DEVELOPMENTS" 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 other fiscal years, including fiscal year 2021 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 2020, these taxes represented approximately 87% of all tax revenues of the State, and approximately 81% of all General Fund revenues (as reported by the Department of Accounting and General Services ("DAGS")). It is noted that the fiscal year 2020 General Fund revenues were adjusted to include a $648 million transfer from the Emergency and Budget Reserve Fund in fiscal year 2020, pursuant to Act 9, SLH 2020. The transfer was processed in fiscal year 2021 but for the purposes of the General Fund financial plan have been reflected as authorized in fiscal year 2020. This occurred because Act 9 was enacted after fiscal year 2020 ended and because of accounting system limitations. See "GENERAL FUND FINANCIAL PLAN" in Appendix B.

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The following table provides the General Fund tax revenues for fiscal year 2020 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):

General Fund Taxes
(in thousands)

Description		Fiscal Year 2020	% of Total Taxes
General Excise		$3,430,098	44.72%s
Individual Net Income		2,359,003	30.75
Transient Accommodations		337,601	4.40
Premiums Of Insurance Companies		180,753	2.36
Public Service Companies (Act 147, SLH 1963)		134,639	1.76
Tobacco		74,858	0.98
Liquor		50,674	0.66
Inheritance		45,451	0.59
Franchise (Banks and Other Financial Corporations)		33,271	0.43
Conveyance (Act 10, SLH 1966)		22,745	0.30
Environmental Response Tax		17,244	0.22
Corporation Net Income		8,407	0.11
Rental Motor Vehicle Surcharge Tax		2	0.00
	Total	$6,694,747	87.28%

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 2020, the general excise tax comprised approximately 45% 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 2020, individual income taxes comprised approximately 31% 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 9.25% 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 of 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 increased 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 2020, 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 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). In fiscal year 2020, non-tax revenues were approximately 19% of total General Fund revenues, primarily as a result of the one-time transfer of $648 million from the Emergency and Budget Reserve Fund.

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 2020 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):

Special Fund Taxes
(in thousands)

Description		Fiscal Year 2020	% of Total Taxes
General Excise		$267,733	3.49%
Transient Accommodations		137,190	1.79
Liquid Fuel – Highways		77,518	1.01
State Motor Vehicle Weight		76,964	1.00
Rental Motor Vehicle Surcharge Tax		72,500	0.95
State Vehicle Registration Fee		48,049	0.63
Conveyance (Act 10, SLH 1966)		38,364	0.50
Tobacco		37,061	0.48
Environmental Response Tax		8,985	0.12
Premiums of Insurance Companies		2,810	0.04
Liquid Fuel – Aviation		2,384	0.03
Franchise (Banks and Other Financial Corp)		2,000	0.03
Employment & Training Fund Assessment		1,787	0.02
Liquid Fuel – Small Boats		1,668	0.02
Electric Vehicle/Alternative Fuel Surcharge		106	0.00
	Total	$775,119	10.11%

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, 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 repealed 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, SLH 2019 additionally repealed 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 beginning 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 62% 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 22% 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 6% 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 17% to 21% of the State budget through fiscal year 2018 (fiscal year 2017 was the last year of federal stimulus fund appropriations). For fiscal year 2020, federal funds accounted for 20% of the total State budget. It is noted that the COVID federal awards Hawaii received were not part of the State's fiscal year 2020 budget. 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.

Fiscal Year Ended June 30	Grant Amount (in millions)
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
2020	3,817.7*

*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, $15.4 million in fiscal year 2015 from federal stimulus funds (note: amounts for federal stimulus funds do not include the University of Hawaii), and a portion of COVID-19 awards in fiscal year 2020.

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 October 8, 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 October 8, 2020 and the majority of the awards are to State agencies.

Program	Recipients	Amount
Grants/Awards		
Coronavirus Relief Fund	Office of the Governor (distributed to Hawaii, Kauai, and Maui County), City and County of Honolulu	$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	120,353,541
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.	86,576,601
FTA urbanized formula, FTA nonurbanized formula, airports	Hawaii Department of Transportation, City and County of 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.	260,449,672
Total		**$1,958,301,252**

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

See "GENERAL ECONOMIC INFORMATION— Federal Government and Military" in this 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 as 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 EBRF transfers totaling $33.0 million with the total $303.0 million in general and special 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, Act 9, SLH 2020, which became law on July 31, 2020, authorized the transfer of the $303.0 million Act 4 transfers, and $345.0 million of existing funds in the EBRF to the general fund in fiscal year 2020 (the Governor made a corresponding line item reduction for the $432.0 million general fund budget reduction that was vetoed in Act 4). Because Act 9 became law after fiscal year 2020 ended and due to accounting system limitations, the transfers will occur in fiscal year 2021. To reflect the transfers as authorized, the fiscal year 2020 balance will be adjusted to include them and the adjusted remaining balance in the EBRF will be approximately $58.9 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. Act 9 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. The Governor line item vetoed $321 million of the $636.0 million that the Legislature appropriated because of more realistic program costs estimates and concerns with the State's ability to expend the funds for certain programs before December 30, 2020. The Governor has reprogrammed the $321 million to defray the State's direct COVID-19 related expenses, provide economic support to individuals and businesses, and to repay a portion of Hawai‘i's Unemployment Trust Fund advance from the U.S. Department of Labor. By December 31, 2020, all of the CRF funds in the EBRF will have been expended or transferred out of the EBRF.

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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. The amounts reflected in fiscal year 2020 do not include any of the CRF moneys that the Legislature transferred to the EBRF as a temporary depository pursuant to Act 4 and Act 9, SLH 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	58.9(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 fiscal year 2020 EBRF balance was adjusted to include certain transactions that were authorized for fiscal year 2020 but processed in fiscal year 2021 due to a combination of timing issues with enactment of various laws and accounting system limitations.

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. Tobacco settlement payments are generally received in April.

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 was: 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, $4.85 million in tobacco settlement moneys that were supposed to be deposited into the EBRF were instead deposited in fiscal year 2020 due to an inadvertent oversight. Also, in fiscal year 2020, only $1.9 million of the $4.9 million in tobacco settlement moneys in respect of such fiscal year were deposited into the EBRF. Accordingly, there will be two deposits of tobacco settlement moneys into the EBRF in fiscal year 2021: the catch-up deposit for fiscal year 2020, as well as the usual deposit for fiscal year 2021.

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 as required by the MSA may result in a state losing a significant portion of its annual MSA payments. In 2017 the Participating Manufacturers ("PMs") affirmatively challenged the State of Hawaii's Diligent Enforcement for the calendar year 2004. In 2018, the State reached a settlement ("2018 Settlement Agreement") with the Tobacco industry, which resolved the Diligent Enforcement Arbitration Issues for the years 2004 through and including 2017 and resulted in Hawaii receiving approximately $58 million for the settlement of those arbitration years, in addition to its annual 2018 distribution. The 2018 Settlement Agreement 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 just for the 2004 arbitration. As of September 21, 2020, ten states were still arbitrating the 2004 diligent enforcement issue. Thirty-four states, along with Puerto Rico and Washington, D.C., reached a settlement.

After the 2018 Settlement Agreement, the State of Hawaii still faced liability for future years of arbitration from 2018 and into the future. If Hawaii did not settle years 2018 through 2022, Hawaii faced an estimated maximum exposure that ranged from $17.5 million to $21.2 million per year in lost MSA payments – comprising over half of the payments Hawaii could expect to receive in each year. On March 12, 2020, a condition of the 2018 Settlement Agreement was met which automatically settled the years 2018-2019 of the NPM Adjustment arbitration for Hawaii and eight other states (collectively known as the Tranche E group), thus protecting Hawaii from the risk of arbitration for diligent enforcement in those years. On July 31, 2020, Hawaii notified PM counsel and the National Association of Attorneys General that it was opting to treat years 2020-2022 as transition years, another option available to all Tranche E states. Under this option, Hawaii receives 75% of the disputed payment account monies that would otherwise be subject to arbitration and Hawaii is protected from the risk of arbitration through 2022. Also, on July 31, 2020, Hawaii entered into the 2018 Through 2022 NPM Adjustments Settlement Agreement with the PMs, which gives Hawaii additional benefits and protections for potential arbitration in the future. As of September 21, 2020, the District of Columbia, Puerto Rico and thirty-three other states have also signed on to this agreement.

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. Unlike previous HHRF appropriations, the current HHRF appropriation does not establish a statutory repayment mechanism. 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.

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

Over the years, capital improvement projects for public school facilities have generally been funded by moneys in a State Educational Facilities Improvement Special Fund ("SEFISF") established by the State that were subsequently fully capitalized through the issuance of general obligation bonds. The amounts in the SEFISF were to be used solely for capital improvements and facilities under the jurisdiction of the State Department of Education, except public libraries. In light of this arrangement, Act 157, SLH 2013, limited expenditures from the SEFISF to projects authorized prior to July 1, 2016 and repealed 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 were made to SEFISF. Act 72, SLH 2020, repealed the SEFISF as of September 15, 2020 and transferred the remaining balance into a new School Facilities Special Fund established by Act 72.

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 and the Governor signed in law (Act 31, SLH 2020) that creates 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. Implementation details of the formation of this new bargaining unit still need to be worked out.

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 of July 1, 2019 to June 30, 2021 and for the period from July 1, 2021 to June 30, 2023 are 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% effective July 1, 2019 and July 1, 2020. An agreement for additional across the board increases of 1.2% effective January 1, 2020 and January 1, 2021 was ratified in April 2019. Initial proposals for a successor agreement were exchanged on September 30, 2020. No negotiation meetings have been scheduled at this time.

Unit 2 (blue collar supervisors): The current contract expires on June 30, 2021. The agreement was ratified by the Hawaii Government Employees Association ("HGEA") on October 24, 2019, providing for a $2,000 lump sum payment for all employees on July 1, 2019; across-the-board increases and/or step adjustments of 5.29% effective July 1, 2020; and an across-the-board increase of 1.20% effective January 1, 2021. The agreement also provides for adjustments to uniform allowances and meal allowances. Funding for the agreement was approved by the county councils, State legislature, and the Governor signed the funding bill for the State into law. Initial proposals for a successor agreement were exchanged on June 30, 2020. No negotiation meetings have been scheduled at this time.

Unit 3 (white collar workers): The current contract expires June 30, 2021. The agreement was ratified by HGEA on January 8, 2020, providing a $2,800 lump sum payment for all employees on 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 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%. Effective 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. The agreement also provides for adjustments to uniform allowances, and meal allowances. Funding for the agreement was approved by the county councils, State legislature, and the Governor signed the funding bill for the State into law. Initial proposals for a successor agreement were exchanged on June 30, 2020. No negotiation meetings have been scheduled at this time.

Unit 4 (white collar supervisors): The current contract expires June 30, 2021. The agreement was ratified by HGEA on March 3, 2020, providing a 5.98% lump sum payment for all employees on 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% effective July 1, 2020. Effective 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 was approved by the county councils, State legislature, and the Governor signed the funding bill for the State into law. Initial proposals for a successor agreement were exchanged on June 30, 2020. No negotiation meetings have been scheduled at this time.

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% effective 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 on April 1, 2019. Initial proposals for a successor agreement are scheduled to be exchanged on November 30, 2020. No negotiation meetings have been scheduled at this time.

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% effective July 1, 2019 and 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. Initial proposals for a successor agreement were exchanged on June 30, 2020. No negotiation meetings have been scheduled at this time.

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% effective July 1, 2019 and 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% effective January 1, 2020 and January 1, 2021. Funding for the reopener agreement was approved by the county councils, State legislature, and the Governor signed the funding bill for the State into law. Initial proposals for a successor agreement are scheduled to be exchanged on November 4, 2020. No negotiation meetings have been scheduled at this time.

Unit 8 (University of Hawaii administrative, professional and technical staff): The current contract expires June 30, 2021. The agreement for 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% effective July 1, 2020 and 1.20% effective 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 $1,000 or $2,000 lump sum payment for all employees on July 1, 2019, depending of years of service. The agreement also provides for adjustment to meal allowances. Funding for the agreement was approved by the county councils, State legislature, and the Governor signed the funding bill for the State into law. Initial proposals for a successor agreement were exchanged on June 30, 2020. No negotiation meetings have been scheduled at this time.

Unit 9 (registered professional nurses): The current contract expires on June 30, 2021. An arbitration award was issued on 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 was approved by the county councils, State legislature, and the Governor signed the funding bill for the State into law. Initial proposals for a successor agreement were exchanged on June 30, 2020. No negotiation meetings have been scheduled at this time.

Unit 10 (institutional health and correctional workers): UPW and the employer 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 provide across the board increases of 2% effective July 1, 2019 and July 1, 2020. Additional across the board increases of 0.74% effective January 1, 2020 and 1.07% effective January 1, 2021 were ratified in April 2019. The agreement also provides for continuation of the developmental career plan. Initial proposals for a successor agreement were exchanged on September 30, 2020. No negotiation meetings have been scheduled at this time.

Unit 11 (firefighters): An arbitration award for Hawaiʻi 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% effective July 1, 2019 and 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). Initial proposals for a successor agreement are scheduled to be exchanged on December 31, 2020. No negotiation meetings have been scheduled at this time.

Unit 13 (professional and scientific employees): The current contract expires on June 30, 2021. An agreement was ratified by HGEA on October 11, 2019, providing for across-the-board increases of 2.15% effective July 1, 2019 and 2.03% effective 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. Initial proposals for a successor agreement were exchanged on June 30, 2020. Funding for the agreement was approved by the county councils, State legislature, and the Governor signed the funding bill for the State into law. Initial proposals for a successor agreement were exchanged on June 30, 2020. No negotiation meetings have been scheduled at this time.

Unit 14 (State law enforcement officers and State and county ocean safety and water safety officers): The current contract expires on June 30, 2021. An arbitration award was issued April 15, 2020, providing for across the-board-board increases of 4.5% effective July 1, 2019 and July 1, 2020. The award also provides for step movements for eligible employees. Funding for the agreement was approved by the county councils, State legislature, and the Governor signed the funding bill for the State into law. Initial proposals for a successor agreement were exchanged on September 30, 2020. No negotiation meetings have been scheduled at this time.

In addition to the regular negotiations with the abovementioned bargaining units for the upcoming fiscal biennium, the State has initiated negotiations with Units 1, 2, 3, 4, 5, 6, 7, 8, 13 and 14 to institute furloughs this fiscal year through fiscal year 2024 to achieve salary savings that would help address its general revenue shortfalls. See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” in Part I of APPENDIX B.

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, 2019 and 2020.

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, 2021 and 2022 are $842.5 million and $877.2 million, respectively, of which 79% is an expense of the General Fund and 21% 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, 2021 and 2022 are $454.0 million and $495.5 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 (i.e. normal cost) and paying down the unfunded actuarial accrued liability (UAAL) over closed 30-year periods with contributions in the amount of $100 million for fiscal year ending June 30, 2014. The State has met or in some years exceeded its OPEB contribution requirements under Act 268, SLH 2013 as described in the table below. The actuarial value of assets and funded ratio based on the July 1, 2019 actuarial valuation was $1.8 billion and 16.1%, respectively. Investment returns net of fees on OPEB assets during fiscal year 2020 was 1.8% versus the assumed 7%. The market value of the State's OPEB assets amounted to $2.3 billion as of June 30, 2020. On July 17, 2020, Governor David Ige issued a Tenth Proclamation Related to the COVID-19 Emergency which suspended the provisions of Act 268 (HRS Chapter 87A-42(b)-(f)) for the fiscal year ending June 30, 2021 that require employer contribution of the annual required contribution. As a result, the State and counties are required to only contribute their share of the monthly the "pay-as-you-go" health benefit premiums and claims expenses ("pay-as-you-go" premiums) for the fiscal year ending June 30, 2021.

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**	Act 268 Prefunding Requirement %*	Act 268 Prefunding Requirement $	Total Prefunding Contribution**	Total Contributions**
2014	$692,622,000	$279,881,150	N/A	N/A	$100,000,000	$379,881,150
2015	717,689,000	275,614,692	20%	$82,990,000	117,400,000	393,014,692
2016	742,808,000	300,654,770	40%	163,615,000	249,827,434	550,482,204
2017	744,248,000	331,174,888	60%	230,185,000	333,049,894	664,224,782
2018	770,297,000	345,083,003	80%	297,063,000	337,129,000	682,212,003
2019	787,110,000	356,827,495	100%	430,282,505	430,282,505	787,110,000
2020	814,659,000	381,426,549	100%	433,232,451	433,232,451	814,659,000
2021	842,456,000	454,027,000	100%	388,429,000	-0-	454,027,000
2022	877,193,000	495,481,000	100%	381,712,000	-0-	495,481,000

*Percentage/amount of the annual required contribution less estimated benefit payments required under Act 268.
**Fiscal years 2014, 2015, 2016, 2017, 2018, 2019 and 2020 are actual, and 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. Employer annual contributions in excess of the "pay-as-you-go" premiums for fiscal year 2021 were suspended due to COVID-19 by emergency declaration of the Governor on July 17, 2020, and the Administration expects to propose legislation to continue the temporary suspension through fiscal year 2025.

Act 268 provides that if the State public employer contributions into the fund are less than the amount of the annual required contribution commencing with the fiscal year 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 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 public employer contributions in excess of the "pay-as-you-go" premiums starting in fiscal year 2021 in order to help address budget shortfalls resulting from the impacts of the COVID-19 pandemic. For fiscal year 2021, employer contributions in excess of the "pay-as-you-go" premiums are being suspended pursuant to the Governor's emergency order. 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 described 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.ehawaii.gov/, and other information about the System are available on the System's website at http://ers.ehawaii.gov/. Such documents and other information available at such website or linked therefrom are expressly not incorporated herein by this 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 or 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.

Fiscal Year	Percentage
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)

	Actual Allocation		**Target Allocation**		
Asset Type	**Amount ($mm)**	**Percentage**	**Amount ($mm)**	**Percentage***	**Allocation Difference**
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) Third 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/ (documents and other information available at such website or linked therefrom are expressly not incorporated herein by this reference.) 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 11.1 percent. In real terms (adjusting for inflation), DBEDT estimates that the 2020 State's GDP growth to be negative 12.3 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

Hawaii's major economic indicators were mainly negative in the second quarter of 2020. Visitor arrivals, wage and salary jobs, private building authorizations, and State general fund tax revenues all decreased in the quarter compared to the second quarter of 2019. Only government contracts awarded increased in the quarter.

In the second quarter of 2020, the total number of visitors arriving by air to Hawaii decreased 2,576,293 or 98.8 percent. Due to longer lengths of stay, the daily visitor census decreased 96.2 percent in the quarter.

In the second quarter of 2020, jobs in the construction sector increased 0.8 percent or 300 jobs compared with the same quarter of 2019. The government contracts awarded increased from $129.1 million in the second quarter of 2019 to $582.4 million in the second quarter of 2020. In the second quarter of 2020, the permit value for private construction decreased $115.8 million or 14.3 percent compared with the same quarter of 2019. According to the most recent excise tax base data available, current construction put-in-place increased $118.4 million or 5.0 percent in the first quarter of 2020, compared with the same quarter of the previous year.

In the second quarter of 2020, State general fund tax revenues were down $722.6 million or 34.4 percent over the same period of 2019. The net individual income tax revenues decreased $359.7 million or 40.5 percent, the state general excise tax revenue decreased $221.3 million or 24.6 percent, and the transient accommodations tax (TAT) decreased $103.3 million or 68.6 percent. In the first half of 2020, State general fund tax revenues decreased $619.7 million or 16.4 percent, and state general excise tax revenue decreased $166.4 million or 9.2 percent, compared to the same period of the previous year.

Labor market conditions were all negative. In the second quarter of 2020, Hawaii's non-agricultural wage and salary jobs averaged 535,200 jobs, a decrease of 118,400 jobs or 18.1 percent from the same quarter of 2019.

In this quarter, the private sector lost about 106,300 non-agricultural jobs compared to the second quarter of 2019. The largest decrease was in Food Services and Drinking Places, which lost 35,400 jobs or 50.7 percent. This was followed by Accommodation, which lost 25,800 jobs or 60.8 percent, Transportation, Warehousing & Utilities, which lost 8,500 jobs or 25.1 percent, Retail Trade, which lost 7,300 jobs or 10.3 percent, Professional & Business Services, which lost 7,100 jobs or 9.7 percent, and Arts, Entertainment & Recreation, which lost 6,600 jobs or 47.8 percent in the quarter. For the private sector, in the second quarter of 2020, only Natural Resources, Mining & Construction, added 300 jobs or 0.8 percent in the quarter. The Government sector lost 12,100 jobs or 9.5 percent in the second quarter of 2020 compared to the same quarter of 2019. The Federal Government added 100 jobs or 0.3 percent, the State Government lost 11,700 jobs or 15.6 percent, and the Local Government lost 400 jobs or 2.1 percent, compared to the second quarter of 2019.

In the first quarter of 2020, total annualized nominal GDP increased $995 million or 1.0 percent from the first quarter of 2019. In 2019, total annualized nominal GDP increased $3,484 million or 3.7 percent from the previous year. In the first quarter of 2020, total annualized real GDP (in chained 2012 dollars) decreased $1,081 million or 1.3 percent from the first quarter of 2019. In 2019, total annualized real GDP increased $858 million or 1.0 percent from the previous year.

In the first quarter of 2020, total non-farm private sector annualized earnings increased $186.6 million or 0.5 percent from the first quarter of 2019. In dollar terms, the largest increase occurred in health care and social assistance; followed by finance and insurance, administrative & waste management services, retail trade, and transportation and warehousing. During the first quarter of 2020, total government earnings increased $352.7 million or 2.2 percent from the same quarter of 2019. Earnings from the federal government increased $312.3 million or 3.5 percent. Earnings from the state and local governments increased $40.5 million or 0.8 percent in the quarter.

In the first half of 2020, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 1.6 percent from the same period in 2019. This is 0.4 of a percentage point above the 1.2 percent increase for the U.S. average CPI-U; however, it is lower than the first half of 2019 Honolulu CPI-U increase of 2.0 percent from the same period of the previous year. In the first half of 2020, the Honolulu CPI-U increased the most in Apparel (4.9 percent), followed by Food and Beverages (2.7 percent) and Recreation (2.7 percent), Housing (2.6 percent), and Education and Communication (0.9 percent). The price of Transportation decreased 4.5 percent and the price of Other Goods and Services decreased 1.4 percent compared to the first half of 2019.

Outlook for the Economy

Hawaii's economy has been greatly impacted by the COVID-19 pandemic. During the April-July 2020 period, the average unemployment rate (not seasonally adjusted) was 18.5 percent. Hawaii lost 115,000 non-agriculture payroll jobs during the April-July period as compared with the same period a year ago. All industry sectors lost jobs except construction and federal civilian jobs. The leisure and hospitality sector accounted for 58.7 percent of the total job loss at 67,500. Natural resource, mining, & construction sector gained 0.5 percent or 200 jobs, federal civilian job count was flat during this period. Overall, statewide non-agriculture payroll jobs decreased by 17.7 percent in the second quarter of 2020.

Hawaii initial unemployment claims started to rise mid-March and peaked at 53,112 during the first week of April and then gradually declined. During the second week of August, initial unemployment claims were still above 5,000 per week. During 2012-2019 period, the weekly initial unemployment claims averaged 1,442 per week.

Visitor arrivals to the State during the second quarter of 2020 totaled 30,748, a decrease of 98.8 percent from the same quarter in 2019. However, these visitors stayed longer in Hawaii with average length of stay at 27.3 days. In 2019 the average length of stay was 8.8 days.

Value of private building permits showed a decrease of 14.3 percent during the second quarter of 2020. The largest decrease occurred in the additions and alterations category which was down by 40.7 percent. Value of residential building permits was down by 3.9 percent and the value for commercial and industrial category was up by 101.2 percent during the same period. Though the value of private building permits was down, state government spending on capital investment projects (CIP) was up by 10.7 percent during the same time period. State government spent an average of nearly $1.5 billion a year on CIP projects during the last three years (2017-2019).

As of October 8, 2020, federal funds allocated to Hawaii totaled $10.1 billion. Most of these federal funds have been or will be received as household income and will be spent by Hawaii households. These funds helped mitigate the economic impact from COVID-19.

At the national level, the U.S. economic growth rate was at 0.3 percent during the first quarter and declined by 9.1 percent in the second quarter, as compared to the same quarter in 2019. The Blue Chip Economic Indicators report from Aug. 10, 2020, which is the consensus of 50 economic forecasting organizations, projected that the U.S. economic growth rate for 2020 will decrease by 5.2 percent. The report projected a positive 3.8 percent U.S. economic growth for 2021. The Blue Chip forecasts for foreign countries were all negative except China and India which showed small growth.

Based on the above development, and the delayed pre-test program for transpacific travel coupled with the August 25th two-week Stay-at-Home, Work-from-Home Order for Oahu, DBEDT projects that Hawaii's economic growth rate, as measured by the real gross domestic product (GDP), will drop by 12.3 percent in 2020, then will increase at 2.1 percent in 2021, 2.0 percent in 2022, and 1.2 percent in 2023.

Hawaii will welcome 2.9 million visitors in 2020, a decrease of 71.9 percent from the 2019 level. Visitor arrivals will increase to 7.2 million in 2021, 8.3 million in 2022, and 9.4 million in 2023. Visitor spending will decrease 67.8 percent in 2020, then will increase 109.1 percent in 2021, 18.8 percent in 2022, and 14.7 percent in 2023.

Non-agriculture payroll jobs will shrink by 12.1 percent in 2020, then will increase by 8.5 percent in 2021, 2.0 percent in 2022, and 1.5 percent in 2023.

Overall for 2020, the average annual unemployment rate will be at 10.9 percent, then decrease to 7.2 percent in 2021, 6.6 percent in 2022, and 6.3 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 12.1 percent in 2020, then will increase by 5.3 percent in 2021 and 3.9 percent in 2022. Nominal personal income growth rate will be at 3.0 percent in 2023.

Hawaii's consumer inflation rate, as measured by the Honolulu Consumer Price Index for All Urban Consumers, will increase at rates between 1.4 to 1.8 for the next few years.

Hawaii's 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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Table 1
SELECTED ECONOMIC ACTIVITIES: STATE

SERIES	2nd QUARTER 2019	2nd QUARTER 2020	2nd QUARTER % CHANGE YEAR AGO	YEAR-TO-DATE 2019	YEAR-TO-DATE 2020	YEAR-TO-DATE % CHANGE YEAR AGO
Civilian labor force, NSA (persons) 1/	663,150	624,600	-5.8	664,600	647,350	-2.6
Civilian employed, NSA	644,400	496,350	-23.0	646,050	574,500	-11.1
Civilian unemployed, NSA	18,800	128,250	582.2	18,550	72,850	292.7
Unemployment rate, NSA (%) 1/ 2/	2.8	20.5	17.7	2.8	11.5	8.7
Total wage and salary jobs, NSA	658,600	539,200	-18.1	660,550	600,750	-9.1
Total non-agric. wage & salary jobs	653,600	535,200	-18.1	655,500	596,300	-9.0
Nat. Resources, Mining, Constr.	37,000	37,300	0.8	36,900	37,400	1.4
Manufacturing	14,000	11,300	-19.3	14,100	12,600	-10.6
Wholesale Trade	18,200	15,800	-13.2	18,300	16,900	-7.7
Retail Trade	70,600	63,300	-10.3	71,100	66,700	-6.2
Transp., Warehousing, Util.	33,800	25,300	-25.1	33,900	29,900	-11.8
Information	8,200	7,500	-8.5	8,700	7,900	-9.2
Financial Activities	29,900	27,500	-8.0	29,800	28,500	-4.4
Professional & Business Services	73,100	66,000	-9.7	73,700	70,200	-4.7
Educational Services	14,100	11,600	-17.7	14,300	13,000	-9.1
Health Care & Social Assistance	72,300	70,900	-1.9	72,500	72,100	-0.6
Arts, Entertainment & Recreation	13,800	7,200	-47.8	13,800	10,400	-24.6
Accommodation	42,400	16,600	-60.8	42,500	29,700	-30.1
Food Services & Drinking Places	69,800	34,400	-50.7	69,900	52,500	-24.9
Other Services	28,400	24,600	-13.4	28,400	26,300	-7.4
Government	128,000	115,900	-9.5	127,700	122,100	-4.4
Federal	33,900	34,000	0.3	34,000	34,300	0.9
State	75,000	63,300	-15.6	74,800	69,100	-7.6
Local	19,000	18,600	-2.1	18,900	18,700	-1.1
Agriculture wage and salary jobs	5,000	4,000	-20.0	5,000	4,500	-10.0
State general fund revenues ($1,000)	2,100,839	1,378,238	-34.4	3,789,027	3,169,285	-16.4
General excise and use tax revenues	898,376	677,077	-24.6	1,814,731	1,648,350	-9.2
Income-individual	887,762	528,080	-40.5	1,412,013	1,088,136	-22.9
Declaration estimated taxes	397,455	146,291	-63.2	537,845	346,548	-35.6
Payment with returns	165,974	72,013	-56.6	204,805	113,920	-44.4
Withholding tax on wages	524,730	479,038	-8.7	1,071,995	1,050,570	-2.0
Refunds ('-' indicates relative to State)	-200,398	-169,182	-15.6	-402,632	-422,821	5.0
Transient accommodations tax	150,535	47,225	-68.6	317,690	244,370	-23.1
Honolulu County Surcharge 3/	77,835	(NA)	(NA)	155,863	(NA)	(NA)
Private Building Permits ($1,000)	808,957	693,130	-14.3	1,569,983	1,477,923	-5.9
Residential	323,215	310,584	-3.9	633,147	539,237	-14.8
Commercial & industrial	66,470	133,758	101.2	112,645	254,223	125.7
Additions & alterations	419,272	248,788	-40.7	824,191	684,464	-17.0
Visitor Days - by air	22,255,007	838,075	-96.2	44,891,780	20,260,480	-54.9
Domestic visitor days - by air	17,120,784	829,162	-95.2	33,146,658	15,196,136	-54.2
International visitor days - by air	5,134,223	8,913	-99.8	11,745,122	5,064,344	-56.9
Visitor arrivals by air - by air	2,607,041	30,748	-98.8	5,094,146	2,126,443	-58.3
Domestic flight visitors - by air	1,915,973	29,887	-98.4	3,597,993	1,513,303	-57.9
International flight visitors - by air	691,068	861	-99.9	1,496,153	613,140	-59.0
Visitor expend. - arrivals by air ($1,000)	4,347,732	(NA)	(NA)	8,828,796	(NA)	(NA)
Hotel occupancy rates (%) 2/	80.3	12.9	-67.4	80.5	49.7	-30.8

NA Not available.
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	10,387	2,922	7,242	8,309	9,362
Visitor days (thousands) 1/	88,285	90,892	30,035	62,962	72,135	81,155
Visitor expenditures (million dollars) 1/	17,643	17,844	5,742	12,005	14,267	16,372
Honolulu CPI-U (1982-84=100)	277.1	281.6	285.5	289.8	294.8	300.1
Personal income (million dollars)	78,721	81,442	71,551	75,375	78,298	80,666
Real personal income (millions of 2012$) 2/	61,931	62,935	54,678	56,915	58,325	59,229
Non-agricultural wage & salary jobs (thousands)	658.3	655.7	576.3	625.2	637.9	647.3
Civilian unemployment rate 3/	2.4	2.7	10.9	7.2	6.6	6.3
Gross domestic product (million dollars)	93,798	97,282	86,479	89,922	93,326	96,092
Real gross domestic product (millions of 2012$)	82,652	83,509	73,208	74,779	76,266	77,183
Gross domestic product deflator (2012=100)	113.5	116.5	118.1	120.3	122.4	124.5
Annual Percentage Change						
Total population	-0.3	-0.4	0.0	0.1	0.3	0.3
Visitor arrivals 1/	5.2	5.0	-71.9	147.9	14.7	12.7
Visitor days 1/	4.9	3.0	-67.0	109.6	14.6	12.5
Visitor expenditures 1/	5.1	1.1	-67.8	109.1	18.8	14.7
Honolulu CPI-U	1.9	1.6	1.4	1.5	1.7	1.8
Personal income	4.0	3.5	-12.1	5.3	3.9	3.0
Real personal income 2/	2.3	1.6	-13.1	4.1	2.5	1.6
Non-agricultural wage & salary jobs	0.5	-0.4	-12.1	8.5	2.0	1.5
Civilian unemployment rate 3/	0.1	0.3	8.2	-3.8	-0.6	-0.3
Gross domestic product	4.9	3.7	-11.1	4.0	3.8	3.0
Real gross domestic product	2.4	1.0	-12.3	2.1	2.0	1.2
Gross domestic product deflator (2012=100)	2.4	2.6	1.4	1.8	1.8	1.7

1/ Visitors who came to Hawaii by air or by cruise ship. Expenditures includes supplementary expenditures.

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, August 26, 2020.

Labor Force and Jobs

Hawaii's labor market conditions were all negative in the second quarter of 2020. The civilian labor force and the civilian employment both decreased. Since the civilian employment decreased more than the decrease in civilian labor force, the civilian unemployment rate increased in the quarter. The civilian non-agricultural wage and salary jobs also decreased.

In the second quarter of 2020, the civilian labor force averaged 624,600 people, a decrease of 38,550 people or 5.8 percent from the same quarter of 2019. In the first half of 2020, the civilian labor force declined by 17,250 people or 2.6 percent from the same period of the previous year.

Civilian employment totaled 496,350 people in the second quarter of 2020, a decrease of 148,050 people or 23.0 percent compared to the same quarter of 2019. In the first half of 2020, average civilian employment decreased 71,550 people or 11.1 percent from the same period of the previous year.

In the second quarter of 2020, the number of civilian unemployed averaged 128,250, an increase of 109,450 people or 582.2 percent from the same quarter of 2019. In the first half of 2020, the number of unemployed increased 54,300 people or 292.7 percent from the same period of the previous year.

The unemployment rate (not seasonally adjusted) was 20.5 percent in the second quarter of 2020, 17.7 percentage points above the second quarter of 2019. In the first half of 2020, the unemployment rate increased 8.7 percentage points from the same period of the previous year to 11.5 percent.

In the second quarter of 2020, Hawaii's non-agricultural wage and salary jobs averaged 535,200 jobs, a decrease of 118,400 jobs or 18.1 percent from the same quarter of 2019. In the first half of 2020, average non-agricultural wage and salary jobs decreased 9.0 percent or 59,200 jobs from the same period of the previous year.

The job decrease in the second quarter of 2020 was due to job decreases in both the private sector and the government sector. In this quarter, the private sector lost about 106,300 non-agricultural jobs compared to the second quarter of 2019. Jobs decreased the most in Food Services and Drinking Places, which lost 35,400 jobs or 50.7 percent; followed by Accommodation, which lost 25,800 jobs or 60.8 percent, Transportation, Warehousing & Utilities, which lost 8,500 jobs or 25.1 percent, Retail Trade, lost 7,300 jobs or 10.3 percent, Professional & Business Services, lost 7,100 jobs or 9.7 percent, and Arts, Entertainment & Recreation, lost 6,600 jobs or 47.8 percent in the quarter. For the private sector, in the second quarter of 2020, only Natural Resources, Mining & Construction, added 300 jobs or 0.8 percent in the quarter.

The Government sector lost 12,100 jobs or 9.5 percent in the second quarter of 2020 compared to the same quarter of 2019. The Federal Government added 100 jobs or 0.3 percent, the State Government lost 11,700 jobs or 15.6 percent, and the Local Government lost 400 jobs or 2.1 percent, compared to the second 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/	647,350	-2.6	574,500	-11.1	11.6

1/ First half of 2020
Source: Hawaii State Department of Labor and Industrial Relations.

Income and Prices

In the first quarter of 2020, total annualized nominal GDP increased $995 million or 1.0 percent, from the first quarter of 2019. In 2019, total annualized nominal GDP increased $3,484 million or 3.7 percent from the previous year. In the first quarter of 2020, total annualized real GDP (in chained 2012 dollars) decreased $1,081 million or 1.3 percent from the first quarter of 2019. In 2019, total annualized real GDP increased $858 million or 1.0 percent from the previous year.

Hawaii's total personal income increased 15.9 percent during the second quarter of 2020 over the same quarter of 2019, the large increase in personal current transfer receipts offset the decreases in other income categories.

In the second quarter of 2020, total nominal annualized personal income (i.e. not adjusted for inflation) increased $12,750.9 million or 15.9 percent over that of 2019. For the first half of 2020, total annualized personal income was $87,496.2 million, an increase of 9.1 percent from the same period in previous year.

In the second quarter of 2020, wages and salaries decreased $3,802.4 million or 9.7 percent over that of 2019. This was the first quarterly decrease since the second quarter of 2010. In 2019, wages and salaries increased 3.3 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, decreased $708.4. million or 6.4 percent in the second quarter of 2020 from the same quarter in 2019. In 2019, supplements to wages and salaries increased 1.6 percent from the previous year.

Proprietors' income decreased $746 million or 11.2 percent in the second quarter of 2020 over that of 2019. In 2019, proprietors' income was up 4.8 percent from the previous year.

Dividends, interest, and rent decreased $132.1 million or 0.8 percent in the second quarter of 2020 from the same quarter of 2019. In 2019, income in this category was up 1.5 percent from the previous year.

The annualized personal current transfer receipts grew by $17,708.5 million or 140.2 percent in the second quarter of 2020 from the same quarter in 2019. In 2019, personal current transfer receipts increased 4.3 percent from the previous year.

Contributions to government social insurance, which is subtracted from total personal income, decreased $431.5million or 6.6 percent in the second quarter of 2020 compared to the second quarter of 2019. In 2019, contributions to government social insurance increased 3.8 percent from the previous year.

In the second quarter of 2020, total non-farm private sector annualized earnings decreased $5,319 million or 9.3 percent from the second quarter of 2019. In dollar terms, the largest decrease occurred in accommodations and food services at $3,377.1 million or 56.8 percent; followed by state and local government at $508.2 million or 6.9 percent, Transportation and warehousing at 390.2 million or 15.2 percent. During the second quarter of 2020, earnings increased in farm, utilities, construction, finance and insurance, professional services, health care and social assistance, and Federal government.

In the first half of 2020, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 1.6 percent from the same period in 2019. This is 0.4 of a percentage point above the 1.2 percent increase for the U.S. average CPI-U but is lower than the first half of 2019 Honolulu CPI-U increase of 2.0 percent from the same period of the previous year. In the first half of 2020, the Honolulu CPI-U increased the most in Apparel (4.9 percent), followed by Food and Beverages (2.7 percent) and Recreation (2.7 percent), Housing (2.6 percent), and Education and Communication (0.9 percent). The price of Transportation decreased 4.5 percent and the price of Other Goods and Services decreased 1.4 percent compared to the first half of 2019.

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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	Second Quarter 2019	Second Quarter 2020	YTD 2019	YTD 2020	Percentage change: Second Quarter 2020 / Second Quarter 2019	Percentage change: YTD 2020 / YTD 2019
PERSONAL INCOME	80,375,328	93,126,244	80,226,604	87,496,166	15.9	9.1
Earnings By Place of Work	57,121,092	51,864,187	57,123,756	54,988,469	-9.2	-3.7
Wages and salaries	39,336,316	35,533,867	39,347,568	37,811,829	-9.7	-3.9
Supplements to wages and salaries	11,142,544	10,434,124	11,161,428	10,812,715	-6.4	-3.1
Emp'er contrib. for emp'ee pension & ins. funds	8,048,848	7,492,957	8,067,954	7,760,077	-6.9	-3.8
Employer contributions for gov't social ins.	3,093,696	2,941,167	3,093,474	3,052,638	-4.9	-1.3
Proprietors' income	6,642,232	5,896,196	6,614,760	6,363,925	-11.2	-3.8
Farm proprietors' income	11,756	52,853	12,334	26,741	-94.7	116.8
Nonfarm proprietors' income	6,630,476	5,843,343	6,602,426	6,337,185	-11.9	-4.0
Dividends, interest, and rent	17,172,236	17,040,097	17,090,078	17,181,921	-0.8	0.5
plus: Personal current transfer receipts	12,628,240	30,336,698	12,558,170	21,720,894	140.2	73.0
Social Security benefits	4,522,704	4,752,483	4,504,394	4,736,199	5.1	5.1
Medicare benefits	2,835,996	3,003,633	2,814,424	2,965,818	5.9	5.4
Medicaid	2,190,956	2,356,242	2,156,320	2,294,637	7.5	6.4
State unempl. ins. comp.	143,876	11,179,943	146,768	5,693,471	7,670.5	3,779.2
All other personal current transfer receipts	2,934,708	9,044,397	2,936,264	6,030,771	208.2	105.4
Less: Contributions for gov't social insurance	6,546,240	6,114,738	6,545,400	6,395,118	-6.6	-2.3
Personal contributions for gov't social ins.	3,452,544	3,173,571	3,451,926	3,342,481	-8.1	-3.2
Employer contributions for gov't social ins.	3,093,696	2,941,167	3,093,474	3,052,638	-4.9	-1.3
Earnings By Industry	57,121,092	51,864,187	57,123,756	54,988,469	-9.2	-3.7
Farm Earnings	225,488	287,565	223,670	258,961	27.5	15.8
Nonfarm Earnings	56,895,604	51,576,622	56,900,086	54,729,508	-9.3	-3.8
Private earnings	40,429,296	35,388,071	40,461,764	38,296,679	-12.5	-5.4
Forestry, fishing, & related activities	88,444	78,335	87,310	86,963	-11.4	-0.4
Mining	32,112	31,491	30,710	31,545	-1.9	2.7
Utilities	616,564	639,626	607,706	635,829	3.7	4.6
Construction	4,487,864	4,573,933	4,503,966	4,550,669	1.9	1.0
Manufacturing	969,080	872,933	971,848	923,921	-9.9	-4.9
Durable goods	330,636	294,849	331,712	312,001	-10.8	-5.9
Nondurable goods	638,444	578,084	640,136	611,920	-9.5	-4.4
Wholesale trade	1,476,784	1,330,811	1,476,502	1,390,681	-9.9	-5.8
Retail trade	3,412,488	3,189,726	3,397,256	3,329,407	-6.5	-2.0
Transportation and warehousing	2,561,580	2,171,410	2,551,636	2,428,036	-15.2	-4.8
Information	826,468	788,808	875,010	809,029	-4.6	-7.5
Finance and insurance	1,792,868	1,921,921	1,767,714	1,882,465	7.2	6.5
Real estate and rental and leasing	1,883,116	1,774,664	1,892,318	1,859,304	-5.8	-1.7
Prof., scientific, & technical services	3,239,212	3,264,561	3,231,586	3,262,580	0.8	1.0
Management of companies and enterprises	1,037,100	979,129	1,072,758	987,543	-5.6	-7.9
Admin. & waste management services	2,251,356	2,077,805	2,245,776	2,232,557	-7.7	-0.6
Educational services	846,560	705,067	845,258	781,717	-16.7	-7.5
Health care and social assistance	5,835,296	5,885,431	5,853,368	5,967,489	0.9	1.9
Arts, entertainment, and recreation	769,712	375,928	770,034	570,773	-51.2	-25.9
Accommodation and food services	5,948,548	2,571,424	5,925,992	4,289,205	-56.8	-27.6
Other services, except public admin.	2,354,144	2,155,068	2,355,016	2,276,971	-8.5	-3.3
Government and government enterprises	16,466,308	16,188,551	16,438,322	16,432,829	-1.7	0.0
Federal	9,092,944	9,323,398	9,064,968	9,237,058	2.5	1.9
Federal, civilian	4,005,248	4,137,376	3,991,734	4,133,776	3.3	3.6
Military	5,087,696	5,186,022	5,073,234	5,103,283	1.9	0.6
State and local	7,373,364	6,865,153	7,373,354	7,195,771	-6.9	-2.4

Source: U.S. Department of Commerce, Bureau of Economic Analysis, State Quarterly Personal Income, September 24, 2020 <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=3> accessed September 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	70,376	5.3
2016	73,048	3.8
2017	76,110	4.2
2018	78,436	3.1
2019	80,727	2.9
2020 1/	87,496	9.1

1/ First half of 2020
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	Transpor-tation	Medical Care	Recre-ation 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
2020H1	257.557	285.086	295.141	314.817	116.103	213.051	(3/)	135.648	145.073	494.813
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
2020H1	1.2	1.6	2.7	2.6	4.9	-4.5	(3/)	2.7	0.9	-1.4

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 July 14, 2020.

Tourism

Due to the impact of COVID-19, domestic visitor arrivals and international visitor arrivals both decreased in the second quarter of 2020. Due to longer lengths of stay, the daily visitor census decreased less than the decrease of visitor arrivals in the quarter.

The total number of visitor arrivals by air decreased 2,576,293 or 98.8 percent in the second quarter of 2020, compared to the same quarter of 2019. The total average daily census was down 235,351 or 96.2 percent in the quarter. In the first half of 2020, total visitor arrivals by air decreased 2,967,703 or 58.3 percent, while the average daily census decreased 136,700 or 55.1 percent from the same period of the previous year.

In the second quarter of 2020, total visitor arrivals on domestic flights decreased 1,886,086 or 98.4 percent compared to the same quarter of 2019. In the first half of 2020, domestic arrivals were down 2,084,690 or 57.9 percent from the same period of the previous year.

Arrivals on international flights decreased 690,207 or 99.9 percent in the second quarter of 2020 compared to the second quarter of 2019. In the first half of 2020, international arrivals decreased 883,013 or 59.0 percent from the same period of the previous year.

In terms of major market areas, from the second quarter of 2019 to the same period of 2020, arrivals from the U.S. West decreased 1,210,368 or 98.5 percent, arrivals from the U.S. East decreased 589,211 or 98.4 percent, and arrivals from Japan decreased 359,239 or 99.98 percent. In the first half of 2020, arrivals from the U.S. West were down 1,330,423 or 58.9 percent; arrivals from the U.S. East were down 662,580 or 55.8 percent; and Japanese arrivals were down 439,940 or 59.9 percent from the same period of the previous year.

In the second quarter of 2020, the length of stay per visitor increased. Due to the longer length of stay, the average total daily visitor census decreased less than the decrease in visitor arrivals in the quarter. The total average daily visitor census was down 96.2 percent or 235,351 visitors per day in the second quarter of 2020, over the same quarter of 2019. The domestic average daily census decreased 95.2 percent or 179,029 visitors per day, while the international average daily census decreased 99.8 percent or 56,322 visitors per day. In the first half of 2020, the domestic average daily census decreased 99,635 or 54.4 percent; and the international average daily census declined 37,064 or 57.1 percent from the same period of the previous year.

According to the most recent data available, nominal visitor expenditures by air totaled $3,879.4 million in the first quarter of 2020, down 13.4 percent or $601.6 million from the same quarter of 2019. In 2019, visitor expenditures increased $193.3 million or 1.1 percent from the previous year.

Total airline capacity, as measured by the number of available seats flown to Hawaii, decreased 91.1 percent or 3,108,589 seats in the second quarter of 2020, domestic seats decreased 89.3 percent or 2,242,338 seats; international seats declined 96.1 percent or 854,812 seats, compared to the same quarter of 2019. In the first half of 2020, the number of total available seats decreased 47.3 percent or 3,193,069 seats from the same period of the previous year.

In the second quarter of 2020, the statewide hotel occupancy rate averaged 12.9 percent, 67.4 percentage points lower than the same quarter of 2019. In the first half of 2020, the statewide hotel occupancy rate averaged 49.7 percent, 30.8 percentage points lower than the same period of the previous year.

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	10,243,165	5.2	5.2	4.9
Domestic	5,968,779	6,239,748	6,736,736	7,253,806	4.5	8.0	7.7
International	2,853,023	3,037,865	3,024,712	2,989,359	6.5	-0.4	-1.2
Average Length of Stay							
Total	9.0	9.0	9.0	8.8	0.1	-0.3	-2.6
Domestic	9.7	9.6	9.5	9.2	-0.5	-1.5	-3.0
International	7.6	7.8	7.9	7.7	1.9	1.9	-2.3
Visitor Days							
Total	79,451,460	83,608,118	87,724,599	89,692,422	5.2	4.9	2.2
Domestic	57,652,742	59,959,536	63,732,896	66,535,081	4.0	6.3	4.4
International	21,798,718	23,648,582	23,991,703	23,157,341	8.5	1.5	-3.5
Average Daily Census							
Total	217,675	229,063	240,341	245,733	5.2	4.9	2.2
Domestic	157,953	164,273	174,611	182,288	4.0	6.3	4.4
International	59,723	64,791	65,731	63,445	8.5	1.5	-3.5

Source: Hawaii Tourism Authority.

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Table 8
HOTEL OCCUPANCY RATE (%)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Average
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	80.3	82.6	79.4	81.2
2020	70.6	12.9	(NA)	Year-to-Date	49.7

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 mixed in the second quarter of 2020. Private building authorizations decreased, but government contracts awarded and construction jobs increased in the quarter.

Construction has been one of the steady contributors to job growth in Hawaii over the past few years. In the second quarter of 2020, the number of jobs in the construction sector increased 0.8 percent or 300 jobs compared with the same quarter of 2019. Construction was the only private sector that added jobs in the second quarter of 2020 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 second quarter of 2020, private building authorizations in the state decreased $115.8 million or 14.3 percent, compared with the second quarter of 2019. In the first half of 2020, private building authorizations in the state decreased $92.1 million or 5.9 percent compared with the same period in 2019.

In the second quarter of 2020, private building authorizations in Honolulu decreased $169.1 million or 32.2 percent, compared with the second quarter of 2019. In the first half of 2020, private building authorizations in Honolulu decreased $254.6 million or 24.3 percent, compared with the same period of the previous year.

In the second quarter of 2020, private building authorizations in Hawaii County increased $45.9 million or 38.0 percent, compared with the second quarter of 2019. In the first half of 2020, private building authorizations in Hawaii County increased $85.9 million or 34.9 percent, compared with the same period of the previous year.

In the second quarter of 2020, private building authorizations in Maui increased $1.1 million or 0.8 percent, compared with the second quarter of 2019. In the first half of 2020, private building authorizations in Maui increased $65.6 million or 30.7 percent compared with the same period in 2019.

In the second quarter of 2020, private building authorizations (residential only) in Kauai County increased $6.2 million or 20.5 percent, compared with the second quarter of 2019. In the first half of 2020, private building authorizations in Kauai County increased $11.0 million or 18.0 percent compared with the same period of the previous year.

Government contracts awarded increased $453.3 million, from $129.1 million in the second quarter of 2019 to $582.4 million in the second quarter of 2020. In the first half of 2020, government contracts awarded increased $1,639.7 million, from $285.0 million to $1,924.7 million. In January 2020, the U.S. Navy awarded a 5-year contract of a $990 million awarded to 7 firms, 5 of which were Hawaii firms. No per-firm awards were specified. State government CIP expenditures increased $45.6 million or 10.7 percent in the second quarter of 2020 compared with the same quarter of 2019. In the first half of 2020, state government CIP expenditures increased $68.5 million or 9.5 percent from the same period of the previous year.

The Honolulu Construction Cost Index increased 3.1 percent in the second quarter of 2020 compared to the same quarter of 2019 for Single Family Residence and increased 2.3 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 second quarter of 2020, Honolulu's median price for single family resales was $790,500, up $15,500 or 2.0 percent over the same quarter of 2019. The median price for condominium units was $425,000, up $2,500 or 0.6 percent over the same quarter of 2019. In the second quarter of 2020, the number of single-family unit resales decreased 17.3 percent, and the number of condominium unit resales decreased 38.1 percent, compared with the second quarter of 2019. In the first half of 2020, the number of single-family unit resales decreased 4.8 percent, and condominium unit resales declined 22.0 percent compared with the same period of the previous year.

In the first half of 2020, Maui County's single-family unit resales median price was $765,173 and the condominium unit resales median price was $569,050.

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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.	2,467.7	784.8	228.7	120.5	435.7	1,342.3
2 Qtr.	(NA)	693.1	310.6	133.8	248.8	582.4
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.	5.0	3.1	-26.2	160.9	7.6	760.8
2 Qtr.	(NA)	-14.3	-3.9	101.2	-40.7	351.2

NA Not available.
1/ Kauai County Private Building Authorizations data consist of residential data only.
2/ Formerly, this category was "Value of Construction Completed", subject to revision by Hawaii State 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

Year		State	City & County of Honolulu	Hawaii County	Kauai County 1/	Maui County
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
	2 Qtr.	693,130	356,013	167,021	36,476	133,619
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
	2 Qtr.	-14.3	-32.2	38.0	20.5	0.8

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 first quarter of 2020 increased 3.5 percent over the same period of 2019. In 2019, the earnings of federal government employees increased 3.9 percent from the previous year.

For the assistance of COVID-19 mitigation and economic recovery, the Federal government has allocated over $10.1 billion to Hawaii and its citizens and businesses as of October 8, 2020, in grants, loans and forgivable loans, not all of which may have been drawn upon, as the chart below shows.

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.

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Federal COVID-19 Funds Allocated to Hawaii as of October 8, 2020

Program	Recipients	Amount
Grants/Awards		
Coronavirus Relief Fund	Office of the Governor (distributed to Hawaii, Kauai, and Maui County), City and County of Honolulu	$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	120,353,541
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.	86,576,601
FTA urbanized formula, FTA nonurbanized formula, airports	Hawaii Department of Transportation, City and County of 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.	260,449,672
Small Business Administration		
Paycheck Protection Program	Small Business	2,478,864,703
Economic Injury Disaster Loan	Small Business	988,979,099
Economic Injury Disaster Loan Advanced Loan Program	Small Business	83,176,000
Internal Revenue Service		
Economic Impact Payments	Tax return filers	1,227,210,226
Unemployment Insurance		
Federal Pandemic Unemployment Compensation ($600/wk)	Unemployed workers	1,712,732,881
Pandemic Unemployment Assistance	Unemployed independent contractors, gig workers, etc.	302,118,712
Pandemic Emergency Unemployment Compensation		22,729,902
Lost Wages Assistance	Provides eligible unemployment claimants a supplemental payment of $300 per week.	370,293,866
DHHS		
Provider Relief Fund	Rural healthcare providers, skilled nursing facilities	482,222,748
USDA		
Coronavirus Food Assistance Program	Producers of agricultural commodities	16,614,065
Supplemental Nutrition Assistance Program – Emergency Allotments	Low income families	84,523,717
Supplemental Nutrition Assistance Program – Pandemic Electronic Benefit Transfer (PEBT)	Low income families	61,188,488
Dept. of Commerce		
Awards to fishery participants	Fisheries	4,337,000
Dept. of Treasury		
Payroll Support Program	Passenger Carriers	314,823,869
Total		**$10,108,116,528**

Sources: Office of Federal Awards Management (https://federalawards.hawaii.gov/featured/managing-coronavirus-federal-aid/); Small Business Administration (https://home.treasury.gov/system/files/136/SBA-Paycheck-Protection-Program-Loan-Report-Round2.pdf; https://www.sba.gov/sites/default/files/2020-09/EIDL%20COVID-19%20Loan%209.14.20.pdf; https://www.sba.gov/sites/default/files/2020-07/EIDL%20COVID-19%20Advance%207.15.20-508.pdf); Internal Revenue Service (https://www.irs.gov/newsroom/irs-statement-on-economic-impact-payments-by-state-as-of-aug-28-2020); Centers for Disease Control & Prevention (https://data.cdc.gov/Administrative/HHS-Provider-Relief-Fund/kh8y-3es6/data); U.S. Department of Agriculture (https://www.farmers.gov/cfap/data); U.S. Department of the Treasury (https://home.treasury.gov/policy-issues/cares/preserving-jobs-for-american-industry/payroll-support-program-payments).

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 (the most recent information available) 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 Kaumalapau 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. While this is the most recent information available, the Harbors System has been monitoring the effects of COVID-19 and expects a drop in cargo activity.

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 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 the 2020-2021 school year, system enrollment decreased from a total of 179,255 in the 2019-2020 school year to a total of 174,704 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 public schools re-opened for the 2020-21 school year on August 17, 2020 after a two week delay for additional teacher training and for health and safety preparations to be completed. For the first quarter of the school year (which ends October 2nd), most students will be receiving distance learning instruction with in-person instruction provided to certain vulnerable students and in three isolated Neighbor Island schools. School campuses are open to school staff and for limited in-person instruction and for student meal distribution. For the remainder of the school year, new COVID-19 benchmarks developed by the Hawaiʻi Department of Health will be used to guide a gradual transition to blended learning models. The benchmarks outline five levels of COVID-19 community transmission that will trigger corresponding learning model parameters for elementary schools and for secondary schools. The benchmarks will be applied for each county and by complex area level (groups of high schools and their feeder elementary and middle schools).

Public schools are allowed 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 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 49,565 will attend the University of Hawaii System, 17,999 of them on the Manoa campus.

The University of Hawaii system reopened its 10 campuses across the State for the fall 2020 semester on August 24, 2020, with online instruction and limited in-person instruction for laboratories, studios, clinical experiences and shops. University campuses are open to faculty, staff and students only but most of the instruction is online and a systemwide telework policy is in effect for faculty and staff. Health services, student services, student advising, food services, computer labs and libraries are available in virtual or hybrid formats and residence halls are open at reduced density levels. The University system will follow a COVID-19 aware approach to campus re-openings that is based on five COVID-19 impact levels (aligned with the State's COVID-19 impact level matrix) and corresponding operational levels for general operations, classes, student housing, offices, fitness facilities, food service, student spaces, bookstore/retail, large outdoor events, large indoor events, travel and construction. Campus openings and operations will match the impact level of the State and the campus' respective county.

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.

As discussed below, climate change produces both sea level rise and unpredictable weather patterns fueling tropical storms, hurricanes, storm surges, heavy rains, high winds, and floods. In many locations across the state, critical technology infrastructure, such extensive aerial and underground network backbones, support facilities, and microwave radio towers, are susceptible to those severe weather outcomes today. Other infrastructure, such as computer servers, storage, network connections, electrical power and cooling equipment located below the ground water table in some locations, now face potential storm flooding and water backups, with future sea level rises increasing those flooding conditions. ETS has started to incrementally move that infrastructure to better protected locations and migrate to more flexible and less vulnerable environments, such as remote cloud computing 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 Hawaiʻi Sea Level Rise and Vulnerability and Adaptation Report ("Hawaiʻi 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 Hawaiʻi 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. Such other information available at such website or linked therefrom are expressly not incorporated herein by this reference.

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, respectively[1]. 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 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.

The Hawai‘i Sea Level Rise 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 Hawai‘i Sea Level Rise 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 Hawai‘i Sea Level Rise 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. Experience from recovery from the above referenced mudslides, flash flooding, volcanic activity has been incorporated these factors.

In 2019, the Climate 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 Climate Ready Hawaii 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 Climate Ready Hawaii Initiative would operationalize these climate change induced risk into standard operating procedures for departments and agencies statewide.

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[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).

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-23)

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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 INDEBTEDNESS[2]

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		$3,236,993,684

SPECIAL PURPOSE REVENUE BOND INDEBTEDNESS[3]

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	$1,322,111,509

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 issued additional 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 $300,000,000 (collectively, the "2020 Notes"). See Appendix D — "GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII." The State has also redeemed and retired other general obligation bonds. All of the 2020 Notes that were scheduled to mature on April 15, 2021 and $100,000,000 of the 2020 Notes that were scheduled to mature on October 1, 2021 are being refunded by the State of Hawaii Taxable General Obligation Refunding Bonds of 2020, Series GC, on the date of delivery thereof.

As of October 1, 2020, and not taking into account the anticipated issuance of the Bonds, the State had a total of $8,100,348,064 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] From State Special Funds for	Principal Amount	Balance	% of Total
Commercial Harbors	$21,026,715		
Small Boat Harbors [2]	$1,102,561		
Waiahole Water System [2]	$5,166,418		
Land and Natural Resources	$33,465,000		
Total for Special Funds	$60,760,694		
Total Reimbursable General Obligation Bonds		$60,760,694	0.84%
Non-Reimbursable General Obligation Bonds from State General Funds for various purposes............	$7,169,072,370		
Total Non-Reimbursable General Obligation Bonds		$7,169,072,370	99.16%
Total General Obligation Bonds Issued and Outstanding		$7,229,833,064	100.00%

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 October 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 SERVICE[1]
As of October 1, 2020
(Amounts in dollars)

						Debt Service on Series GA/GB/GC[4]			
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]	Total Principal Payable for New Bonds	Total Interest Payable for New Bonds	2020 Notes to be Refunded[5]	Net Debt Service Payable[6]
2021	$8,100,348,064.26	$583,460,000.00	$189,903,400.10	$ 773,363,400.10	$4,027,451.97	$ 0.00	$ 0.00	$303,070,000.00	$ 466,265,948.13
2022	7,516,888,064.26	788,400,000.00	291,386,631.03	1,079,786,631.03	6,518,727.66	147,555,000.00	24,188,408.84	100,880,000.00	1,144,131,312.21
2023	6,728,488,064.26	482,345,635.58	267,127,313.78	749,472,949.36	6,522,445.37	150,000,000.00	11,901,715.20	0.00	904,852,219.19
2024	6,246,142,428.68	490,644,123.43	244,956,374.14	735,600,497.57	6,521,549.89	150,000,000.00	11,151,715.20	0.00	890,230,662.88
2025	5,755,498,305.25	473,495,472.76	222,658,317.00	696,153,789.76	6,523,426.04	150,000,000.00	10,121,965.20	0.00	849,752,328.92
2026	5,282,002,832.49	527,860,747.22	200,564,731.92	728,425,479.14	6,523,845.21	171,870,000.00	8,788,299.00	0.00	902,559,932.93
2027	4,754,142,085.27	499,391,178.14	178,613,748.00	678,004,926.14	4,244,202.70	22,085,000.00	7,933,340.20	0.00	703,779,063.64
2028	4,254,750,907.13	493,054,106.88	157,300,577.46	650,354,684.34	3,898,978.25	22,350,000.00	7,670,636.60	0.00	676,476,342.69
2029	3,761,696,800.25	480,884,815.25	136,475,637.24	617,360,452.49	2,958,624.60	22,660,000.00	7,358,736.20	0.00	644,420,564.09
2030	3,280,811,985.00	453,712,126.14	116,719,847.62	570,431,973.76	2,963,813.41	23,020,000.00	7,000,515.00	0.00	597,488,675.35
2031	2,827,099,858.86	425,988,918.66	97,798,889.83	523,787,808.49	2,960,893.13	23,405,000.00	6,613,234.25	0.00	550,845,149.61
2032	2,401,110,940.20	442,892,152.13	80,851,030.10	523,743,182.23	2,963,364.33	23,830,000.00	6,189,613.10	0.00	550,799,431.00
2033	1,958,218,788.07	387,403,855.90	65,297,549.34	452,701,405.24	2,962,231.88	24,295,000.00	5,721,904.35	0.00	479,756,077.71
2034	1,570,814,932.17	360,419,932.17	51,369,429.82	411,789,361.99	2,865,933.61	24,810,000.00	5,207,827.40	0.00	438,941,255.78
2035	1,210,395,000.00	314,550,000.00	38,772,519.81	353,322,519.81	2,751,704.96	25,365,000.00	4,651,247.90	0.00	380,587,062.75
2036	895,845,000.00	271,760,000.00	28,485,457.18	300,245,457.18	2,533,575.00	25,960,000.00	4,056,242.40	0.00	327,728,124.58
2037	624,085,000.00	223,630,000.00	18,862,590.68	242,492,590.68	0.00	26,605,000.00	3,412,056.70	0.00	272,509,647.38
2038	400,455,000.00	153,850,000.00	11,314,616.30	165,164,616.30	0.00	27,300,000.00	2,715,969.40	0.00	195,180,585.70
2039	246,605,000.00	104,520,000.00	5,689,888.43	110,209,888.43	0.00	28,035,000.00	1,980,752.05	0.00	140,225,640.48
2040	142,085,000.00	70,230,000.00	2,449,310.61	72,679,310.61	0.00	28,805,000.00	1,214,206.90	0.00	102,698,517.51
2041	71,855,000.00	71,855,000.00	823,817.58	72,678,817.58	0.00	29,605,000.00	411,805.55	0.00	102,695,623.13
	Totals	$8,100,348,064.26	$2,407,421,677.97	$10,507,769,742.23	$67,740,768.01	$1,147,555,000.00	$138,290,191.44	$403,950,000.00	$11,321,924,165.66

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 October 1, 2020. A portion of the 2020 Notes are being refunded with proceeds of the Series GC Bonds.
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 $4,027,451.97 amount reimbursable to the General Fund in the Fiscal Year ending June 30, 2021, only $3,518,263.14 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 2020 Notes to be refunded by the Series GC Bonds.
6 Approximate. Reflects bond debt service on all outstanding general obligation bonded indebtedness of the State of Hawaii as of October 1, 2020, plus debt service on the Bonds as of their expected date of delivery, taking into account the refunding of the 2020 Notes to be refunded by the Series GC Bonds.

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

Fiscal Year	Population[1]	General Obligation Bonded Debt[2&3]	Less Debt Service Moneys Available[2]	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 August 31, 2020, 9% of the State's investment portfolio and cash in banks consisted of time certificates with banks, 31% consisted of U.S. Federal Agency and Government Sponsored Entity Securities, 48% consisted of U.S. Treasury securities, and 12% 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 fiscal year ending June 30, 2020, approximately $44.2 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 1.82%.

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 DEVELOPMENTS" 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 2018.

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. The projected growth rates were 5.0% for fiscal year 2019 and 4.0% for fiscal year 2020 through fiscal year 2025.

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 of 4.0% growth for fiscal year 2020 through fiscal year 2025.

In March 2019, the Council lowered its forecast for growth in fiscal year 2019 from 4.2% to 3.0% based on expectations of lower economic growth and lower than expected actual tax revenue growth for the first eight months of fiscal year 2019. The Council maintained its annual growth forecast for fiscal year 2020 to fiscal year 2025 at 4.0%.

In May 2019, the Council raised its forecast for growth in fiscal year 2019 from 3.0% to 4.7% based on sharply increased tax collection in April 2019 resulting in a 5.7% cumulative growth rate in actual tax collections for the first ten months of fiscal year 2019. After analysis, the Council concluded that the spike in tax collections were largely due to the newly re-established top income tax rates. The Council believed that the growth of Hawai‘i's economy has decelerated from the previous year, although a strong national economy continues to support the State's economy and provides a floor to growth. The Council maintained its annual growth forecast for fiscal year 2020 to fiscal year 2025 at 4.0%.

In September 2019, the Council raised its forecast for growth in fiscal year 2020 from 4.0% to 4.1% based on its belief that Hawai‘i's economy continues to be strong but citied uncertainty about the future. The Council lowered its growth forecast for fiscal year 2021 and fiscal year 2022 from 4.0% to 3.0% based on the expectation of economic headwinds. The Council also forecast an annual growth rate of 4.0% for fiscal year 2023 through fiscal year 2026 at 4.0%.

In January 2020, the Council maintained its growth forecast for fiscal year 2020 at 4.1%. The Council adjusted its growth forecast for fiscal year 2021 from 3.0% to 4.0%, maintained the growth rate for fiscal year 2022 at 3.0%, decreased the growth rate for fiscal year 2023 from 4.0% to 3.0%, and maintained the annual growth rate of 4.0% for fiscal year 2024 to fiscal year 2026. The Council believed that Hawai‘i's economy continues to be strong but citied uncertainty about the future. The Council acknowledged that the risk of an economic downturn has diminished in the near future and conditions have improved but there were concerns that the economy may have reached the end of its current expansionary cycle.

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. The Council raised its forecast for fiscal year 2022 from 3.0% to 5.0% and forecasted annual growth of 4.0% for fiscal year 2023 to fiscal year 2026 based on the assumption that the effects of COVID-19 virus would not be long term.

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."

In July 2020, the Department of Taxation reported that the fiscal year 2020 preliminary cumulative general fund tax collections were down by 6.2% over the same period in fiscal year 2019. The fiscal year cumulative general fund growth rate for fiscal year 2020 was subsequently revised to -6.3%.

In September 2020, the Council revised its forecast for fiscal year 2021 from -12.0% to -11%, lowered fiscal year 2022 from 12.0% to 8.5%. increased fiscal year 2023 from 3.0% to 6.0%, increased fiscal year 2024 from 3.0% to 4.0% and maintained fiscal years 2025-2027 at 3.0%. The Council also reported the following to the Governor:

"The Council acknowledged the great amount of uncertainty surrounding the forecast figures for FY 2021 and FY 2022. The Council's forecast of 8.5% for FY 2022 resulted in a split 4-3 vote, with the minority stating that the growth rate was likely to be higher.

The Council's FY 2021 forecast considered the fiscal impacts of the delay in the income tax filing deadline from April 2020 to July 2020, which resulted in a shift of $308 million from FY 2020 to FY 2021. This large revenue shift was a reason why the FY 2021 forecast moved from -12.0% to -11.0% as it offset a downward adjustment. The forecast reflects the depressed economic activity resulting from the global pandemic from COVID-19. The Council expressed concerns about the prolonged closure of the Hawaii tourism economy and the effects of shutdowns of non-essential businesses due to spikes in the COVID-19 infection rates. In addition, the Council discussed the expiration of the Federal fiscal stimulus on the local economy in the current year.

There are a number of unknowns that may significantly affect Hawaii's economic activity and State tax collections like the trajectory of the virus, the availability of a vaccine effective treatment, rapid low-cost testing, the State and Federal government's response to the epidemic, reopening the tourism economy and its timing, and the duration of government shut down measures. Council members also had concerns that once the 14-day quarantine is lifted, tourists may not want to fly to Hawaii for a vacation, weddings, or for business travel, and the tourism experience will likely not be the same due to permanent closures of tourist activities, restaurants, and shopping. 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 new forecasts for the State General Fund tax revenues FY 2020 through FY 2027 are shown in the table below.

General Fund Tax Revenues

Fiscal Year	Amount (in Thousands of Dollars)	Growth From Previous Year
2021	$5,958,379	-11.0%
2022	$6,464,841	8.5%
2023	$6,852,731	6.0%
2024	$7,126,840	4.0%
2025	$7,340,645	3.0%
2026	$7,560,864	3.0%
2027	$7,787,690	3.0%

The Council also adopted specific adjustments to reflect impacts on General Fund tax collections due to law changes enacted during previous legislative sessions (as no laws were enacted during the 2020 Session that had significant impact on General Fund forecasts).

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 2020 and estimates for fiscal years 2021 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. Due to a combination of timing issues with enactment of various laws and accounting system limitations, certain items were processed in fiscal year 2021 but for the purposes of the General Fund financial plan have been reflected as authorized in fiscal year 2020. These adjustments are discussed in more detail below. 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	Adj Act[1,9] FY 20	Estimated FY 21	Estimated FY 22	Estimated FY 23	Estimated FY 24	Estimated FY 25
REVENUES[2]								
Executive Branch:								
Growth rate (COR 9.9.20 update)	7.6%	5.1%	(6.3)%	(11.0)%	8.5%	6.0%	4.0%	3.0%
Tax revenues[3]	6,795.4	7,141.3	6,694.7	5,958.4	6,464.8	6,852.7	7,126.8	7,340.6
Nontax revenues	830.5	742.4	914.2	649.5	664.3	673.6	693.0	708.4
Judicial Branch revenues	34.5	32.8	28.2	27.2	27.2	27.2	27.2	27.2
Other revenues:[4]	0.0	0.0	648.0	751.7	1.7	1.7	1.7	1.7
TOTAL REVENUES	7,660.4	7,916.6	8,285.1	7,386.8	7,158.0	7,555.3	7,848.7	8,077.9
EXPENDITURES								
Executive Branch:								
Operating[5]	7,248.5	7,512.2	8,024.0	8,047.9	8,201.0	8,376.1	8,601.2	8,727.0
CIP	10.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Specific appropriation/CB[6]	441.5	356.2	159.5	194.9	187.1	187.1	187.1	187.1
Other expenditures/adjustments:[7]	-	-	-	(533.7)	(1,089.7)	(1,082.9)	(1,068.6)	(780.3)
Sub-total - Exec Branch	7,700.5	7,868.4	8,183.5	7,709.2	7,298.4	7,480.2	7,719.6	8,133.7
Legislative Branch	42.0	43.1	42.6	42.5	42.5	42.5	42.5	42.5
Judicial Branch	165.7	170.3	163.2	157.1	156.8	156.8	156.8	156.8
OHA	3.0	3.0	3.1	3.1	3.1	3.1	3.1	3.1
Counties	0.6	20.7	0.0	0.0	0.0	0.0	0.0	0.0
Lapses[8]	(107.8)	(190.9)	(346.9)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)
TOTAL EXPENDITURES	7,803.9	7,914.7	8,045.5	7,831.9	7,420.8	7,602.6	7,842.0	8,256.1
REV. OVER (UNDER) EXPEND.	(143.6)	1.8	239.6	(445.1)	(262.8)	(47.4)	6.7	(178.2)
CARRY-OVER BALANCE (DEFICIT)								
Beginning	893.8	750.3	752.1	991.7	546.6	283.9	236.5	243.2
Ending[9]	750.3	752.1	991.7	546.6	283.9	236.5	243.2	65.0
Emergency & Budget Reserve Fund (EBRF)	375.7	378.2	58.9	67.5	73.2	79.5	85.9	92.3
Hawaii Hurricane Relief Fund (HHRF)	177.9	183.8	191.3	191.3	191.3	191.3	191.3	191.3
EBRF & HHRF balances as % of prior yr revenues	7.53%	7.34%	3.16%	3.12%	3.58%	3.78%	3.67%	3.61%

Sources: Department of Accounting and General Services; Department of Budget and Finance, September 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 fiscal year ("FY") 2018-2020 revenue collections as reported by the Department of Accounting and General Services.
3 Reflects FYs 2021-2025 Council on Revenues September 2020 projections as reported by the Department of Taxation.
4 Reflects various revenue impacts bills passed by the 2020 Legislature, including general fund to general obligation bond fund swaps, and a $648 million deposit to the general fund from the Emergency and Budget Reserve Fund ("EBRF") in FY 2020. Also includes a $750 million working capital borrowing through short-term general obligation bonds or the Municipal Liquidity Facility ("MLF") in FY 2021.
5 Executive Branch's FY 2019 expenditures reflect Act 49, SLH 2017 as amended by Act 53, SLH 2018; FY 2020-2025 expenditures reflect Act 5, SLH 2019, as amended by Acts 7 and 9, SLH 2020 plus Section 44 transfers.
6 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.
7 Includes: Forensic Facility Staff starting in FY 2022, updated employee health fund annual required cost payments starting in FY 2022, additional interest costs for various general fund to general obligation bond swaps beginning in FY 2024, 9.23% furlough for most bargaining units beginning in December 2020, suspension of prefunding of other post-employment benefit costs in FYs 2021-25, 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.
8 FY 2020 Lapse includes $38.5 million General Fund lapse for Kauai Flood.
9 Due to accounting system limitations, the following adjustments were made to FY 2020: $648 million revenues retroactively authorized (Act 9, SLH 2020, S. 39), $9.0 million retroactively authorized reduction to Judiciary's budget (Act 9, SLH 2020), $20 million retroactively authorized FY 2020 appropriation from General Fund to EBRF (Act 4, SLH 2020), $60.1 million CB authorization for FY 2020 (Act 48, SLH 2020), and $38.5 million FY 2020 General Fund lapse for Kauai Flood that was not reflected in FY 2020 Financial Accounting and Management Information System (FAMIS) (Act 9, SLH 2020, S.16).

The preceding General Fund financial plan is based on actual cash-basis general fund tax revenues for fiscal years 2019 and 2020 as reported by the Department of Accounting and General Services. Fiscal years 2021 through 2025 estimated tax revenues reflect the forecast for general fund revenues from the Council on Revenues' September 9, 2020 meeting. The estimated non-tax and Judicial Branch revenues reflects the Council on Revenues' September 9, 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, a $648 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 in fiscal year 2021. The other revenue increase in fiscal year 2020 of $648 million transfer from the EBRF to the general fund in fiscal year 2020 was authorized by Act 9, SLH 2020. Act 9 was enacted after the end of the fiscal year 2020 and due to limitations to the accounting system will be processed in fiscal year 2021. However, the transfer is reflected as authorized in fiscal year 2020 in the General Fund financial plan.

With respect to Executive Branch expenditures, fiscal year 2019 reflects Act 49, SLH 2017, as amended by Act 53, SLH 2018, fiscal years 2020 through 2025 reflect Act 5, SLH 2019, as amended by Acts 7 and 9, SLH 2020, plus Section 44 transfers. 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 five-year (fiscal year 2022 through 2026) period. These other expenditures/adjustments increases are offset by decreases for: estimated labor cost savings from an approximately 9.23% 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 2022. It is noted that the General Fund financial plan includes expenditure adjustments to fiscal year 2020 to reflect a $9 million reduction to the Judiciary's budget, a $20 million general fund appropriation to the EBRF, and $162,000 general fund appropriation for claims against the State. Due to limitations to the accounting system these items will be processed in fiscal year 2021, but for the purposes of the General Fund financial plan, will be reflected in fiscal year 2020 (the fiscal year for which they were authorized).

For lapses, fiscal years 2019 and 2020 reflect actual cash-basis general fund lapses as reported by the Department of Accounting and General Services. It is noted that the fiscal year 2020 lapse also includes a $38.5 million adjustment to reflect a general fund appropriation that was part of a general fund to general obligation bond transfer in which the general funds were intended to lapse in fiscal year 2020. Due to limitations of the accounting system this item will be processed in fiscal year 2021 but will be reflected in fiscal year 2020 in the General Fund financial plan.

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 planning objective of this approach is to create a positive general fund balance through fiscal year 2025. As the health and economic situation develops and more information becomes available, the State will adjust its plans 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 (except for the adjustments noted above for the General Fund financial plan). 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, $58.3 million was carried over from fiscal year 2020 to fiscal year 2021 by the Department of Education, but in the financial plan, was considered to be expended in fiscal year 2020.

General Fund Tax Revenues

Receipts of taxes constitute the largest portion of General Fund revenues for the fiscal year ended June 30, 2020, and represent approximately 88% 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, 2020, and estimated tax revenues for the fiscal years ending June 30, 2021 and June 30, 2022 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' September 9, 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* 2019-2020	Estimated 2020-2021	Estimated 2021-2022
General Excise and Use Tax	$3,429,459	$3,071,081	$3,409,139
Income Tax—Individual	2,359,003	2,169,448	2,162,570
Income Tax—Corporation	8,407	101,073	98,968
Public Service Company Tax	134,639	136,820	140,686
Tax on Insurance Premiums	180,753	174,280	170,114
Tobacco Tax & Licenses	74,858	72,506	73,784
Liquor Tax & Permits	50,674	43,010	50,916
Tax on Banks & Other Financial Corp.	33,271	35,645	37,653
Inheritance and Estate Tax	45,451	47,760	48,580
Conveyance Tax	22,746	23,745	23,190
Transient Accommodation Tax	337,601	67,167	233,186
Miscellaneous Taxes	17,947	15,844	16,055
TOTAL	$6,694,808	$5,958,379	$6,464,841
GROWTH RATE	-6.3%	-11.0%	8.5%

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 September 9, 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 2019 and 2020 as reported by the State Director of Taxation. The collections from all sources for fiscal year 2020 amounted to $7.8 billion. This represents a 5.4% decrease from the previous fiscal year.

	Fiscal Year Ended June 30	
	2019-2020	**2018-2019**
State Tax Collections—Source of Revenue	(Thousands of Dollars)	
Banks/Financial Corporations [1]	$35,271	$26,808
Conveyances [1]	61,110	85,965
Employment Security Contributions	104,068	110,309
Fuel and Environmental [6]	195,259	206,345
General Excise License and Registration Fees	639	737
General Excise and Use [2]	3,436,138	3,541,389
County Surcharge [3]	329,926	290,719
Income—Corporations:		
Declaration of Estimated Taxes	176,946	227,904
Payment with Returns	7,892	30,091
Refunds	-176,431	-94,319
Income—Individuals [1]:		
Declaration of Estimated Taxes	584,539	724,325
Payment with Returns	188,780	262,322
Withholding tax on Wages	2,131,242	2,102,253
Refunds	-544,745	-520,284
Inheritance and Estate	45,451	18,921
Insurance Premiums	180,753	173,844
Liquor and Permits	50,674	51,913
Motor Vehicle Tax/Fees, Etc. [4]	206,714	196,120
Public Service Companies	134,639	126,691
Tobacco and Licenses [1]	111,983	112,518
Transient Accommodations Fees/Time Share Occupation Fees	20	24
Transient Accommodations Tax/Time Share Occupation Tax [1]	564,298	600,310
All Other [5]	42	118
TOTAL	$7,825,208	$8,275,024

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, 2020 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, Registration Surcharge 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, and penalties and interest on fuel tax.

[6] Fuel & Environmental Tax collections were $195,485 thousand for fiscal year 2020. Of the collections, $226 thousand could not be distributed because the corresponding tax returns were not yet available. Fuel & Environmental 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	
	2019-2020	2018-2019
State Tax Collections—Distribution	(Thousands of Dollars)	
State General Fund	$6,694,808	$7,141,790
State Highway Fund	284,229	279,505
State Airport Fund	2,384	2,605
Boating Special Fund	1,668	1,758
Environmental Fund	1,249	1,339
Cigarette Stamp Administrative Fund	201	202
Cigarette Stamp Enforcement Fund	1,511	1,564
Compliance Resolution Fund	2,000	2,000
Election Campaign Fund	91	146
Employment Security Fund	104,068	110,309
Rental Housing Fund	31,970	38,000
Convention Center Enterprise Fund [1]	13,750	16,500
Land Conservation Fund	6,394	6,800
Tourism Special Fund [1]	65,833	79,000
School Minor Repairs and Maintenance Fund	61	71
Public Libraries Fund	128	138
Domestic Violence/Child Abuse Neglect Funds	130	147
Cancer Research Fund	12,591	12,993
Trauma System Fund	7,082	6,989
Emergency Medical Service Fund	7,869	8,122
Community Health Centers Fund	7,869	8,122
Energy Security Fund	1,367	4,016
Energy Systems Development Fund	2,497	2,677
Agricultural Development & Food Security Fund	3,746	4,016
Turtle Bay Conservation Easement Fund [1]	1,250	1,500
Land and Development Fund [1]	2,500	3,000
Mass Transit Special Fund	53,857	57,354
Tax Administration Fund	10,759	0
Subtotal	$7,321,864	$7,790,663
County Surcharge	$329,926	$290,719
Distributions to Counties*:		
Fuel Tax	$87,586	$90,643
Transient Accommodations Tax [1]	85,833	103,000
Counties Total	$173,419	$193,643
TOTAL	$7,825,208	$7,895,708

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

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

[1] Governor Ige's Sixth Supplementary Proclamation suspended Section 237D-6.5(b), Hawaii Revised Statutes, for the months of May and June in 2020. The Section distributes part of the transient accommodations tax (TAT) to the counties

and to various special funds. With the suspension, all of the TAT collections for May and June in 2020, with the exception of the special levy for Honolulu's rail project, went to the general fund.
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. Such information available at such website or linked therefrom are expressly not incorporated herein by this reference.

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 2020 and $97.5 million in fiscal year 2021 in the Executive budget (Act 5, SLH 2019, as amended by Act 9, SLH 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	$35,007,270,285	$36,738,052,999
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	$18,998,422,485	$19,866,934,792
TOTAL LIABILITIES	$35,007,270,285	$36,738,052,999

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

June 30, 2018	June 30, 2019
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

Following is the State of Hawaii Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019 (the "CAFR"). For ease of reference, this Part II of Appendix B retains the CAFR's original pagination as shown on the table of contents of the CAFR.

In addition, the 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, and (iii) 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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STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CURT T. OTAGURO
COMPTROLLER

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STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CURT T. OTAGURO
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

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PART I: INTRODUCTORY SECTION

State of Hawaii
Principal Officials for Finance-Related Functions
June 30, 2019

Curt T. Otaguro
Comptroller

Audrey Hidano
Deputy Comptroller

Governor	**David Y. Ige**
Director of Finance	**Craig Hirai**
Director of Taxation	**Rona Suzuki**
Comptroller	**Curt T. Otaguro**
Deputy Comptroller	**Audrey Hidano**

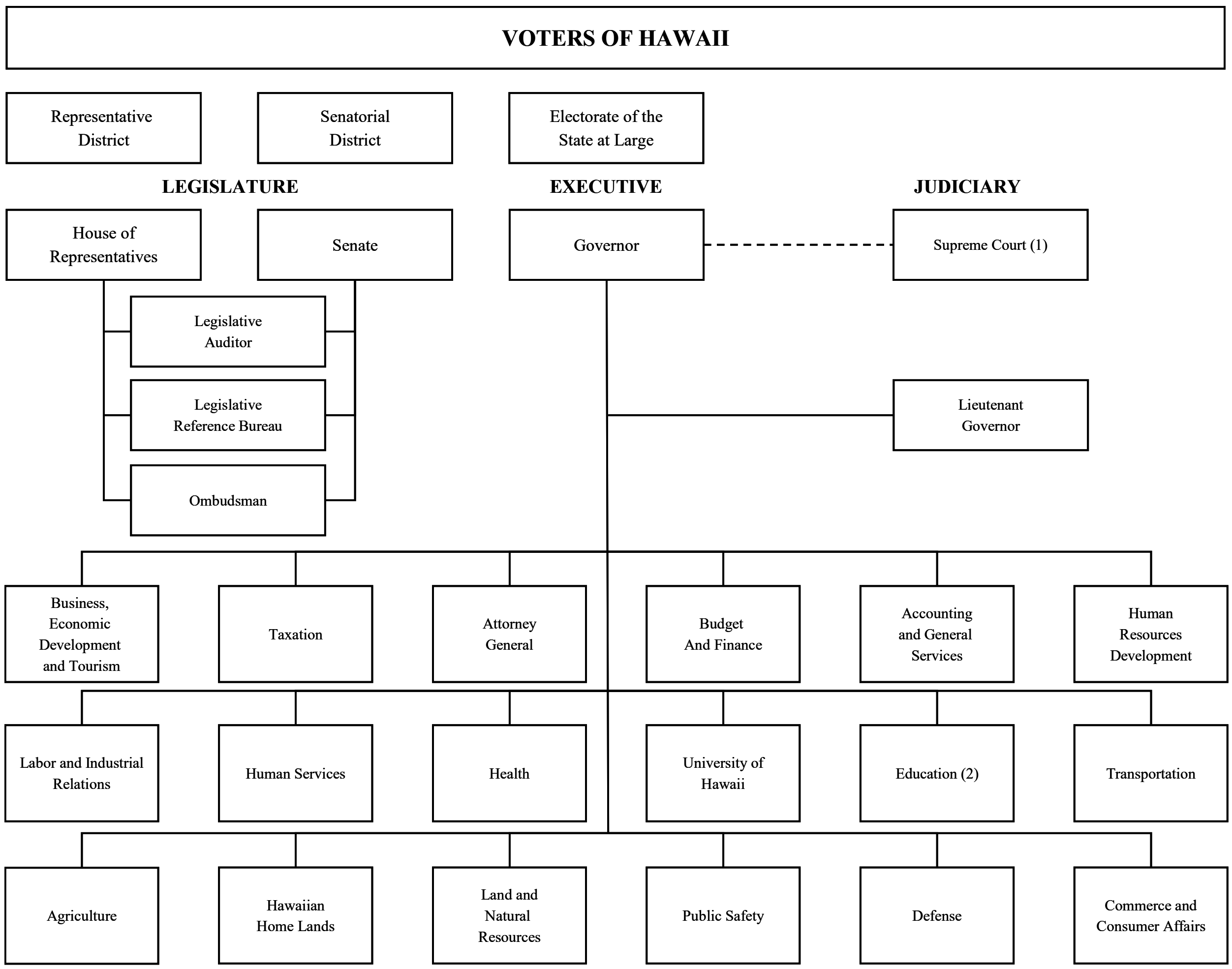
Notes:

The Director of Finance is also department head of the Department of Budget and Finance.

The Comptroller is also department head of the Department of Accounting and General Services.

An organizational chart including those and other departments and agencies of the State of Hawaii government is presented on the following page.

State of Hawaii
Organizational Chart
June 30, 2019



(1) The Governor's appointment of justices of the Supreme Court confirmed by the Senate.

(2) The Board of Education is appointed by the Governor.

DAVID Y. IGE
GOVERNOR

CURT T. OTAGURO
COMPTROLLER

AUDREY HIDANO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

December 19, 2019

To the Honorable Governor of the State of Hawaii
To the Honorable Members of the Thirty-First State
Legislature of the State of Hawaii

In accordance with the provisions of Section 40-5 of the Hawaii Revised Statutes, it is our privilege to present to you the Comprehensive Annual Financial Report (CAFR) of the State of Hawaii (the State) for the fiscal year ended June 30, 2019. The State's Department of Accounting and General Services has prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the State. We believe the information, as presented, is fairly stated in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all the information necessary to enable the reader to gain the maximum understanding of the State's financial affairs has been included.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A is included in Part II of this report.

THE REPORTING ENTITY AND ITS SERVICES

With Hawaii's highly centralized state government, the State provides a full range of services as mandated by statute. These services include, but are not limited to, education (lower and higher), welfare, transportation (highways, airports and harbors), health, hospitals, public safety, housing, culture and recreation, economic development, and conservation of natural resources.

This report includes the various funds comprising the State, including all entities that are accountable to the State. The Employees' Retirement System of the State of Hawaii, which is administered on behalf of public employees for both the state and county governments, and the Office of Hawaiian Affairs, which exists for the betterment of the conditions of native Hawaiians, are not included in the State's basic financial statements because those agencies, based on their fiscal independence and/or separate legal entity status, are not accountable to the State.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the basic financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the State operates.

State of the Economy

Overview
During the third quarter of 2019, Hawaii's economic indicators were mostly positive. Visitor arrivals and expenditures, wage and salary jobs, personal income (through the first quarter of 2019), private building authorizations and State general fund tax revenues all increased compared to third quarter 2018. Only government contracts awarded decreased in the quarter.

Labor

Since the fourth quarter of 2010, Hawaii's jobs increased for the 36th consecutive quarter. During the first nine months of 2019, Hawaii's total civilian employment averaged 645,250 persons, a decrease of 18,000 persons or 2.7% over the same period in 2018. The number of wage and salary jobs was up 1,600 to 662,100 for an increase of 0.2%. Job increases were most notable in food services and drinking places (1,600), state government (1,000), and natural resources, mining and construction (800). A few sectors experienced declines including retail (2,000), manufacturing (300), and arts, entertainment and recreation (300). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 2.8% for the first nine months of 2019, compared to 2.4% for the same period in 2018.

Taxes

The State General Fund tax revenues increased $372.3 million, or 7.1%, during the first nine months of 2019 compared to the same period in 2018. Among its components, net individual income tax collections increased $112.7 million or 5.8%, general excise and use tax (GET) collections increased $157.0 million or 6.1%, and transient accommodations tax (TAT) collections were up $28.0 million or 6.0%. Net corporate income tax revenues increased $52.9 million or 75.1%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased $5.8 billion, or 3.7% in the first half of 2019 compared to the same period in 2018. Among its components, the fastest growth was seen in wages and salaries which increased $2.9 billion or 3.8%, dividends, interest and rent which increased $1.1 billion or 3.2%, and personal current transfer receipts which increased $1.0 billion or 4.1%. Contributions for government social insurance, which are subtracted from personal income, increased by 4.3%.

Prices

Honolulu's consumer price index (CPI) increased 2.0% for the first half of 2019 compared to the same period in 2018, above the 1.7% United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in recreation (4.2%), housing (3.0%), food and beverages (2.4%), education and communication (1.8%) and other goods and services (0.8%). Prices decreased for apparel (2.8%) and transportation (1.3%).

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2019, total visitor arrivals by air increased 394,000 or 5.4% compared to the same period of 2018. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 7.9% while international arrivals decreased 0.3%. Total visitor days (visitor arrivals multiplied by average length of stay) increased 2.7% in the first nine months of 2019 compared to the same period of 2018 and total visitor spending increased $17.0 million or .01% over the same period. Statewide hotel occupancy rate averaged 81.3% in the first nine months of 2019, 0.3% lower than the average rate during the same period of 2018.

Construction

Hawaii's construction industry has been one of the steady contributors to job growth over the past few years. In the first nine months of 2019, the construction sector added 800 jobs or 2.3% from the same period of 2018. Before the recession, specifically the period from 2002 to 2007, construction job growth averaged 8.0% per year. The strength of the current construction job market is a sharp contrast to the recession period. From the second quarter of 2008 until the second quarter of 2011, construction job growth was negative.

Outlook for Hawaii's Economy

The latest Department of Business, Economic Development and Tourism (DBEDT) forecast for Hawaii's economy is continued positive growth for the rest of 2019 and into 2020. Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The November 2019 Blue Chip Economic Consensus Forecasts expects real GDP growth in 2020 to increase 1.8% for the U.S. and 0.3% for Japan.

For 2020, the growth rate of visitor arrivals, visitor days and visitor expenditures are expected to be 2.5%, 2.0% and 2.5%, respectively.

DBEDT projects total non-agricultural wage and salary jobs to increase 0.3% in 2020. Real Personal Income is expected to increase 1.7% in 2020 with real GDP projected to increase 1.2% in 2020.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase 2.3% in 2020. The State GDP deflator is forecast to grow 2.5% in 2020.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and maintaining the State's accounting system, consideration is given to the effectiveness of internal control, which is designed to accomplish certain objectives of management, including:

1. Transactions are executed in accordance with management's general and specific authorization.

2. Transactions are recorded as necessary to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and to maintain accountability for assets.

3. Access to assets is permitted only in accordance with management's authorization.

Internal controls are designed to provide reasonable, but not absolute, assurance that the above objectives were accomplished. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the State's internal controls are effective in accomplishing management's objectives.

By statutory provision, the State prepares a biennial budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2017 (Act 49, SLH 2017), as amended by the Supplemental Appropriations Act of 2018 (Act 053, SLH 2018), and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various Session Laws of Hawaii. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

An allotment system and encumbrance accounting are utilized by the State for budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

EMPLOYEE UNION CONTRACTS

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. Of the 14 collective bargaining units, 13 include State employees. Units 1, 5, 6, 7, 10, and 11 have collective bargaining agreements in effect through June 30, 2021. Units 2, 3, 4, 8, 9, 13, and 14 contracts expired on June 30, 2019. Units 2, 8, 9, and 13 have reached agreements for new contracts that are subject to funding by the 2020 Legislature. Units 3, 4, and 14 are pending arbitrated settlements.

INDEPENDENT AUDIT

Although the State statutes do not require an annual audit of the State's financial statements, the State engaged a firm of independent certified public accountants to audit the State's basic financial statements for the fiscal year ended June 30, 2019. The independent auditors' report has been included in Part II of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

We extend our appreciation to the staff of the various State agencies whose dedicated time and effort made the preparation of this report possible. Their combined efforts have produced a report that we believe will serve as a helpful source of information for anyone having an interest in the financial operations of the State.

Respectfully submitted,

CURT T. OTAGURO
Comptroller, State of Hawaii

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Hawaii

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

PART II: FINANCIAL SECTION

CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

The Auditor
State of Hawaii

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii (the State) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Hawaii's basic financial statements (pages 28–115) as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these respective financial statements based on our audit. We did not audit the financial statements of the Department of Transportation – Airports and Harbors Divisions, which are major enterprise funds; the Hawaii Employer-Union Health Benefits Trust Fund, the Water Pollution Control Revolving Fund, and the Drinking Water Treatment Revolving Loan Fund, which are nonmajor enterprise funds; and the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation which are discretely presented component units, which represent the following percentages of total assets and revenues and additions for the indicated opinion units.

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Business-Type Activities	92%	82%
Aggregate Discretely Presented Component Units	20%	24%
Fiduciary Funds	87%	100%

999 Bishop Street, Suite 1900
Honolulu, Hawaii 96813
Telephone: 808 531 3400 Facsimile: 808 531 3433

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Transportation – Airports and Harbors Divisions, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Hawaii Employer-Union Health Benefits Trust Fund, the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 14–26), budgetary comparison information (pages 118–121 and 132–138), Schedule of the Proportionate Share of the Net Pension Liability (page 122), Schedule of Pension Contributions (page 123), Schedule of the Proportionate Share of the Net OPEB Liability (page 124), Schedule of OPEB Contributions (page 125) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Hawaii's basic financial statements. The combining and individual fund statements (pages 128–131 and 139–143), introductory section (pages 1–8) and statistical section (pages 146–179) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of the State of Hawaii's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the State of Hawaii's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Hawaii's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawaii
December 19, 2019

As management of the State of Hawaii (the State), we offer readers of the State's basic financial statements this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal, which can be found on pages 3–6 of this report.

Financial Highlights

Government-Wide Highlights

The liabilities and deferred inflows of resources of the State exceeded its assets and deferred outflows of resources at June 30, 2019 by $2.2 billion (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative $10.8 billion, a decrease of $505.8 million from the previous year. Net position of governmental activities and business-type activities decreased by $590.5 million and increased by $355.9 million, respectively, due to current year activity. The total deferred outflows of resources decreased to $2.2 billion, a $113.1 million decrease. This was due to the decrease in deferred loss on refunding and deferred outflows on net pension liability in the amounts of $26.9 million and $271.6 million, respectively. The deferred inflows of resources increased to $255.0 million, with the increase of both deferred inflows of resources from net pension liability and net other postemployment benefits liability in the amounts of $20.8 million and $133.1 million, respectively.

Fund Highlights

At June 30, 2019, the State's Governmental Funds reported combined ending fund balances of $3.5 billion, an increase of $57.9 million from the prior fiscal year. Of this amount, $1.6 billion, or 46.0%, of total fund balances was in the General Fund, and the remaining $1.9 billion represent amounts in other funds designated for specific purposes. The Proprietary Funds reported net fund position of $5.1 billion at June 30, 2019, an increase of $355.9 million during the fiscal year.

Liabilities

The State's liabilities increased during the current year to $26.9 billion, an increase of $436.4 million. During fiscal 2019, the State issued General Obligation bonds and Taxable General Obligation bonds in the amounts of $431.7 million and $143.3 million, respectively.

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*, the State's liability for postemployment benefits other than pension increased to $7.0 billion, an increase of $72.1 million for the fiscal year ended June 30, 2019.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting For Pensions,* the State's liability pensions increased to $6.8 billion, an increase of $125.7 million for the fiscal year ended June 30, 2019.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: (1) Government-Wide financial statements, (2) Fund financial statements, and (3) notes to basic financial statements. This report also contains supplementary information required by GASB and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Government-Wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The statement of activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

Both of the Government-Wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the State include general government, public safety, conservation of natural resources, highways, health, welfare, education, culture and recreation, urban redevelopment and housing, economic development and assistance, and interest on long-term debt. The business-type activities of the State include the Department of Transportation – Airports Division (Airports), Department of Transportation – Harbors Division (Harbors), and the Unemployment Compensation Fund, which are considered to be major funds, while the remaining business-type activities are combined into a single aggregate presentation.

The Government-Wide financial statements include not only the State itself (known as the Primary Government), but also the activities of seven legally separate Component Units: the Hawaii Community Development Authority, the Hawaii Health Systems Corporation, the Hawaii Housing Finance and Development Corporation, the Hawaii Hurricane Relief Fund, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, and the University of Hawaii, comprised of the State's public institutions of higher education, for which the State is financially accountable. Financial information for these Component Units is reported separately from the financial information presented for the Primary Government itself. The Component Units issue separate financial statements containing management's discussion and analysis.

The Government-Wide financial statements can be found on pages 28–30 of this report.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: (1) Governmental Funds, (2) Proprietary Funds, and (3) Fiduciary Funds.

Governmental Funds
Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide financial statements. However, unlike the Government-Wide financial statements, Governmental Funds financial statements focus on near term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities in the Government-Wide financial statements.

Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, and Med-Quest Special Revenue Fund, each of which is considered to be a major fund. Data from the other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor Governmental Funds is provided in the form of combining financial statements in the supplementary information section of this report.

The State adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison schedule has been provided for the General Fund and each Special Revenue Fund to demonstrate compliance with this budget. The budgetary comparison schedules for the General Fund and Med-Quest Special Revenue Fund are located in the required supplementary information and the budgetary comparison statements for each of the other Special Revenue Funds are located in the supplementary information section of this report.

The basic Governmental Funds financial statements can be found on pages 32–35 of this report.

Proprietary Funds
Proprietary Funds are used to show activities that operate more like those of commercial enterprises. They are known as Enterprise Funds because they charge fees for services provided to outsiders. They are used to report the same functions presented as business-type activities in the Government-Wide financial statements. The State uses Enterprise Funds to account for the operations of Airports, Harbors, the Unemployment Compensation Fund, and its other business-type activities.

Proprietary Funds provide the same type of information as the Government-Wide financial statements, only in more detail. The Proprietary Funds financial statements provide separate information for Airports, Harbors, and the Unemployment Compensation Fund, each of which are considered to be major funds of the State. Conversely, the other business-type activities are combined into a single, aggregate presentation in the Proprietary Funds financial statements.

The basic Proprietary Funds financial statements can be found on pages 36–40 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the State. Fiduciary Funds are not reflected in the Government-Wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic Fiduciary Funds financial statements can be found on pages 41–42 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements. The notes to basic financial statements can be found on pages 50–115 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents a section of required supplementary information (RSI) other than management's discussion and analysis, which contains budget-to-actual schedules for the State's General and Med-Quest Special Revenue Funds as well as accompanying notes. This section also includes a Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of the Proportionate Share of the Net OPEB Liability, and Schedule of OPEB Contributions.

Other Supplementary Information

The combining financial statements referred to earlier are presented in the supplementary information immediately following the RSI other than management's discussion and analysis. These combining statements provide details about the nonmajor Governmental, Proprietary and Fiduciary Funds. The total columns of these combining financial statements carry to the applicable Fund financial statements.

The statistical section containing information regarding financial trends, revenue capacity and debt capacity, as well as demographic, economic and operating information follows immediately after the supplementary information.

Government-Wide Financial Analysis

The following financial analysis focuses on the Primary Government (governmental and business-type activities of the State). Separate financial statements for each of the State's Component Units, including their respective management's discussion and analysis, can be obtained from the Department of Accounting and General Services.

Net position is a useful indicator of a government's financial position. For the State, total liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by $2.2 billion as of June 30, 2019, and net position decreased $234.6 million, or 11.8% from June 30, 2018 balances. The net position of the governmental activities decreased by $590.5 million, or 8.8%, and business-type activities had an increase of $355.9 million, or 7.6% due to the fiscal year 2019 activity. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position
June 30, 2019 and 2018
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	$ 4,845,579	$ 5,094,004	$ 3,657,842	$ 3,374,748	$ 8,503,421	$ 8,468,752
Capital assets, net	9,807,124	9,824,732	4,424,224	3,972,570	14,231,348	13,797,302
Total assets	$ 14,652,703	$ 14,918,736	$ 8,082,066	$ 7,347,318	$ 22,734,769	$ 22,266,054
Deferred outflows of resources						
Deferred loss on refunding	$ 134,575	$ 160,332	$ 2,976	$ 4,069	$ 137,551	$ 164,401
Deferred outflows on net pension liability	1,327,625	1,591,159	45,092	53,194	1,372,717	1,644,353
Deferred outflows on net other postemployment benefits liability	681,561	502,442	22,568	16,278	704,129	518,720
Total deferred outflows of resources	$ 2,143,761	$ 2,253,933	$ 70,636	$ 73,541	$ 2,214,397	$ 2,327,474
Liabilities						
Long-term liabilities	$ 22,474,255	$ 22,322,613	$ 2,771,220	$ 2,394,343	$ 25,245,475	$ 24,716,956
Other liabilities	1,358,692	1,444,960	314,084	319,984	1,672,776	1,764,944
Total liabilities	$ 23,832,947	$ 23,767,573	$ 3,085,304	$ 2,714,327	$ 26,918,251	$ 26,481,900
Deferred inflows of resources						
Deferred inflows on net pension liability	$ 104,223	$ 84,148	$ 4,729	$ 3,966	$ 108,952	$ 88,114
Deferred inflows on net other postemployment benefits liability	141,576	12,684	4,483	310	146,059	12,994
Total deferred inflows of resources	$ 245,799	$ 96,832	$ 9,212	$ 4,276	$ 255,011	$ 101,108
Net position						
Net investment in capital assets	$ 2,459,159	$ 2,661,730	$ 2,459,973	$ 2,183,188	$ 4,919,132	$ 4,844,918
Restricted	2,089,246	2,028,259	1,580,020	1,444,009	3,669,266	3,472,268
Unrestricted	(11,830,687)	(11,381,725)	1,018,193	1,075,059	(10,812,494)	(10,306,666)
Total net position	$ (7,282,282)	$ (6,691,736)	$ 5,058,186	$ 4,702,256	$ (2,224,096)	$ (1,989,480)

Analysis of Net Position

By far, the largest portion of the State's net position ($4.9 billion or negative 221.1%) reflects its investment in capital assets (e.g., land, infrastructure, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position ($3.7 billion or negative 165.0%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative $10.8 billion or 486.2% represents unrestricted net position.

At June 30, 2019, the State is able to report positive balances in two of the categories of net position for governmental activities and all three categories for business-type activities. The negative balance of unrestricted net position for governmental activities is primarily attributed to the State's net other postemployment benefit liability of $6.9 billion and net pension liability of $6.8 billion.

Changes in Net Position

The State's net position decreased by $234.6 million, or 11.8%, during the year fiscal ended June 30, 2019. Approximately 61.4% of the State's total revenues came from taxes, while 24.9% resulted from grants and contributions (including federal aid). Charges for various goods and services and other income provided 13.7% of the total revenues. The State's expenses cover a range of services. The largest expenses were for higher and lower education, welfare, health, general government, public safety, and highways.

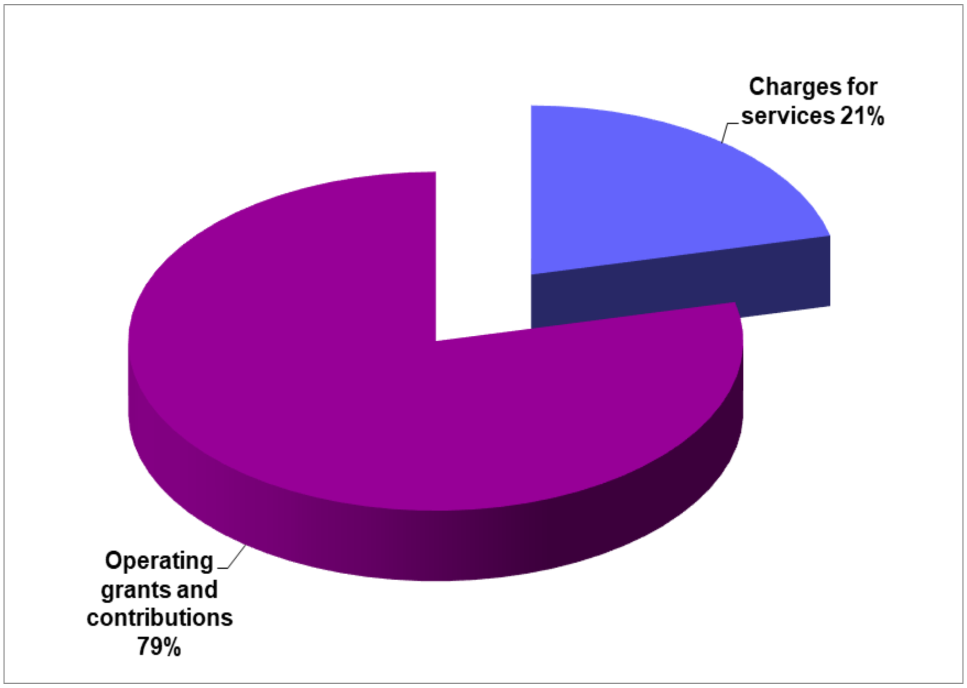
The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018
(Amounts in thousands)

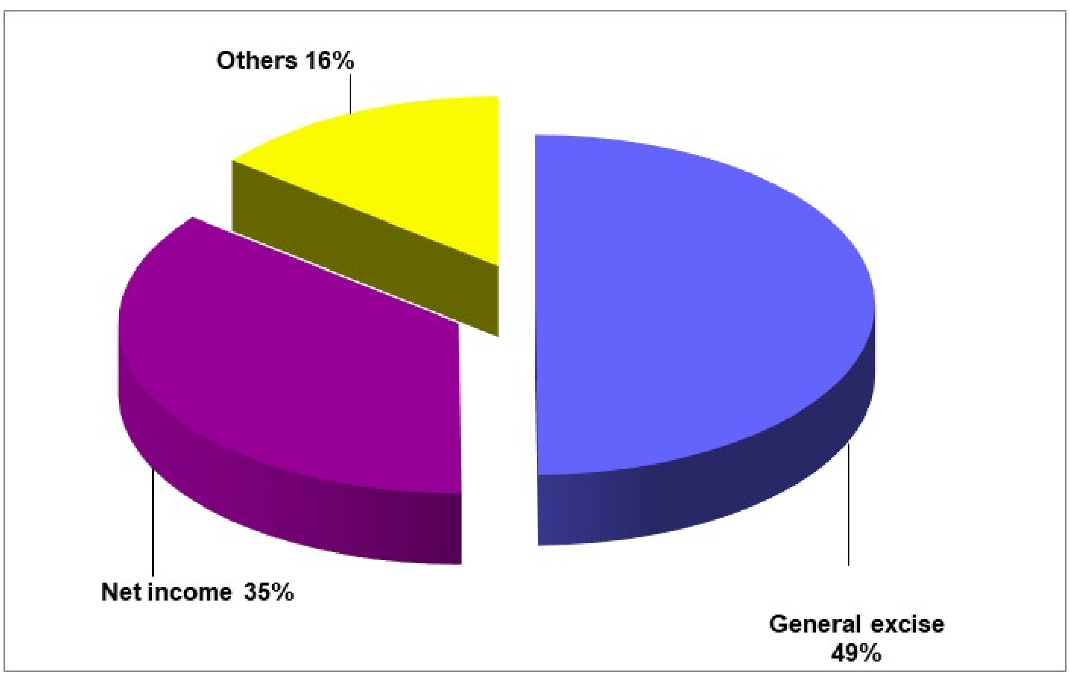
	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	$ 834,246	$ 924,936	$ 1,052,449	$ 1,057,427	$ 1,886,695	$ 1,982,363
Operating grants and contributions	3,082,678	3,154,479	-	-	3,082,678	3,154,479
Capital grants and contributions	-	-	78,010	37,956	78,010	37,956
General revenues						
Taxes	7,797,519	7,140,491	-	-	7,797,519	7,140,491
Investment income and other	(186,766)	(209,632)	48,887	27,352	(137,879)	(182,280)
Total revenues	11,527,677	11,010,274	1,179,346	1,122,735	12,707,023	12,133,009
Expenses						
General government	1,054,935	920,547	-	-	1,054,935	920,547
Public safety	675,663	639,888	-	-	675,663	639,888
Highways	552,741	614,847	-	-	552,741	614,847
Conservation of natural resources	224,266	118,637	-	-	224,266	118,637
Health	1,019,160	874,898	-	-	1,019,160	874,898
Welfare	3,379,304	3,542,771	-	-	3,379,304	3,542,771
Lower education	3,527,097	3,404,645	-	-	3,527,097	3,404,645
Higher education	950,253	950,843	-	-	950,253	950,843
Other education	18,376	23,827	-	-	18,376	23,827
Culture and recreation	110,711	89,647	-	-	110,711	89,647
Urban redevelopment and housing	179,794	392,921	-	-	179,794	392,921
Economic development and assistance	174,629	170,200	-	-	174,629	170,200
Interest expense	251,294	311,340	-	-	251,294	311,340
Airports	-	-	469,321	429,884	469,321	429,884
Harbors	-	-	85,007	92,978	85,007	92,978
Unemployment compensation	-	-	165,134	177,009	165,134	177,009
Nonmajor proprietary fund	-	-	103,954	96,548	103,954	96,548
Total expenses	12,118,223	12,055,011	823,416	796,419	12,941,639	12,851,430
Change in net position	(590,546)	(1,044,737)	355,930	326,316	(234,616)	(718,421)
Net position						
Beginning of year	(6,691,736)	(5,646,999)	4,702,256	4,375,940	(1,989,480)	(1,271,059)
End of year	$ (7,282,282)	$ (6,691,736)	$ 5,058,186	$ 4,702,256	$ (2,224,096)	$ (1,989,480)

The following charts depict revenues of the governmental activities for the fiscal year:

Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2019



Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2019



Analysis of Changes in Net Position

The State's net position decreased by $234.6 million during the current fiscal year. This is explained in the governmental and business-type activities discussion and is primarily due to decrease in net position of governmental activities of $590.5 million and increase in Airports of $172.1 million, Harbors of $105.7 million, Unemployment Compensation Fund of $42.0 million, and Nonmajor Proprietary Funds of $36.1 million.

Governmental Activities

Governmental activities decreased the State's net position by $590.5 million. The elements of this decrease are reflected below:

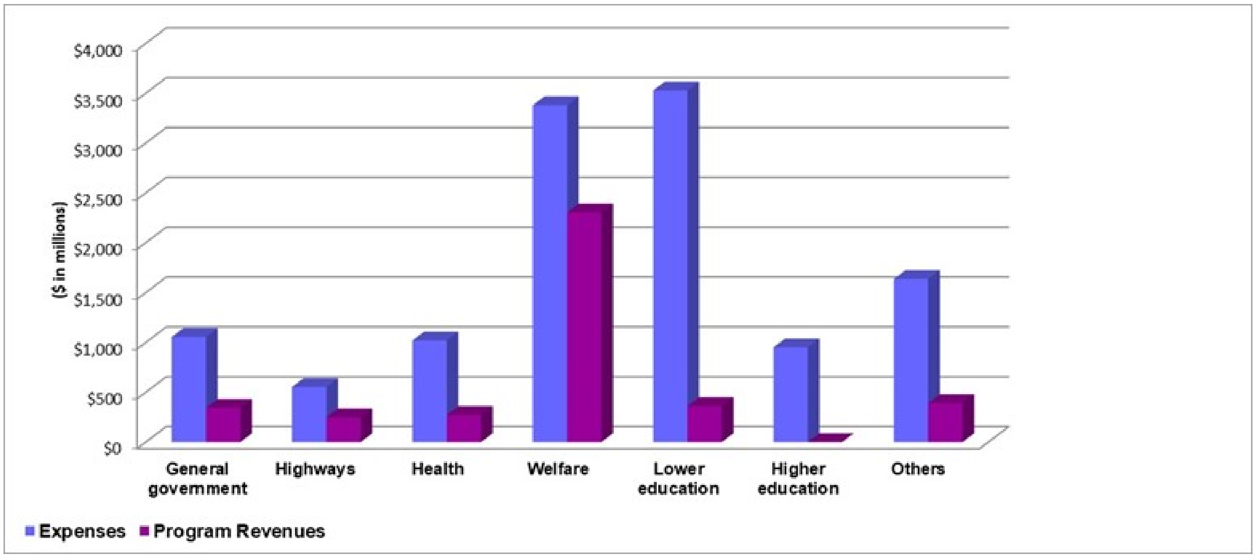
	Governmental Activities (Amounts in thousands)	
	2019	**2018**
General revenues		
Taxes	$ 7,797,519	$ 7,140,491
Interest and investment income and other	(186,766)	(209,632)
Total general revenues	7,610,753	6,930,859
Expenses, net of program revenues		
General government	711,458	569,220
Public safety	551,340	510,970
Highways	303,914	423,411
Conservation of natural resources	111,119	(8,017)
Health	747,421	616,966
Welfare	1,077,234	1,041,241
Lower education	3,166,635	3,086,271
Higher education	950,253	950,843
Other education	18,376	23,827
Culture and recreation	92,353	71,335
Urban redevelopment and housing	135,497	280,613
Economic development and assistance	84,405	97,576
Interest expense	251,294	311,340
Total governmental activities expenses, net of program revenues	8,201,299	7,975,596
Decrease in governmental activities net position	$ (590,546)	$ (1,044,737)

Tax revenues increased by $657.0 million, or 9.2%, from the previous fiscal year. The increase was primarily due to an increase in general excise tax of $240.6 million and corporations and individuals net income taxes of $321.7 million due to growth in the State economy.

Expenses, net of program revenues increased by $225.7 million mainly due to the decrease in charges for services and operating grants and contributions. The largest variance was in the Welfare program with a decrease in revenues of $199.5 million.

A comparison of the cost of services by function of the State's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities. This format identifies the extent to which each governmental function is self-financing through fees and intergovernmental aid or draws from the general revenues of the State:

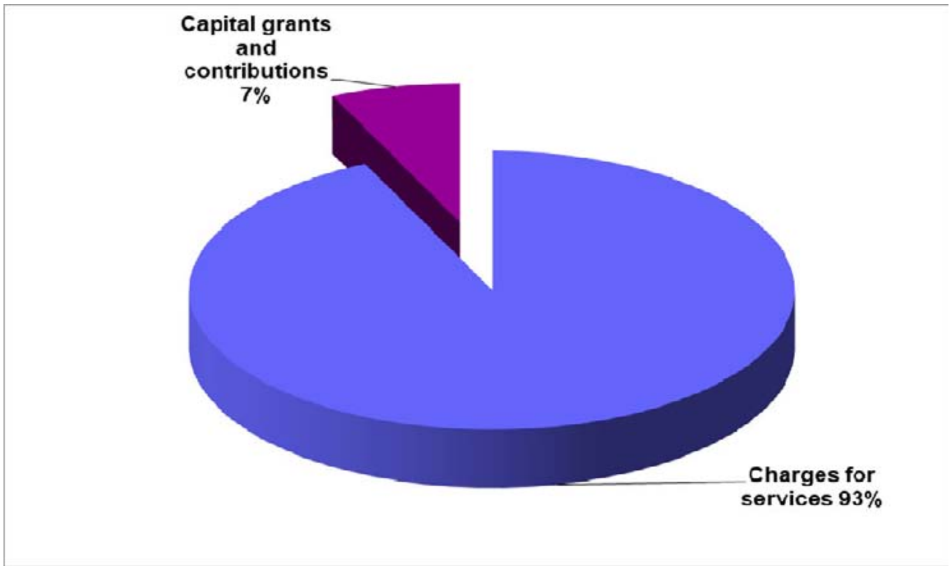
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ended June 30, 2019



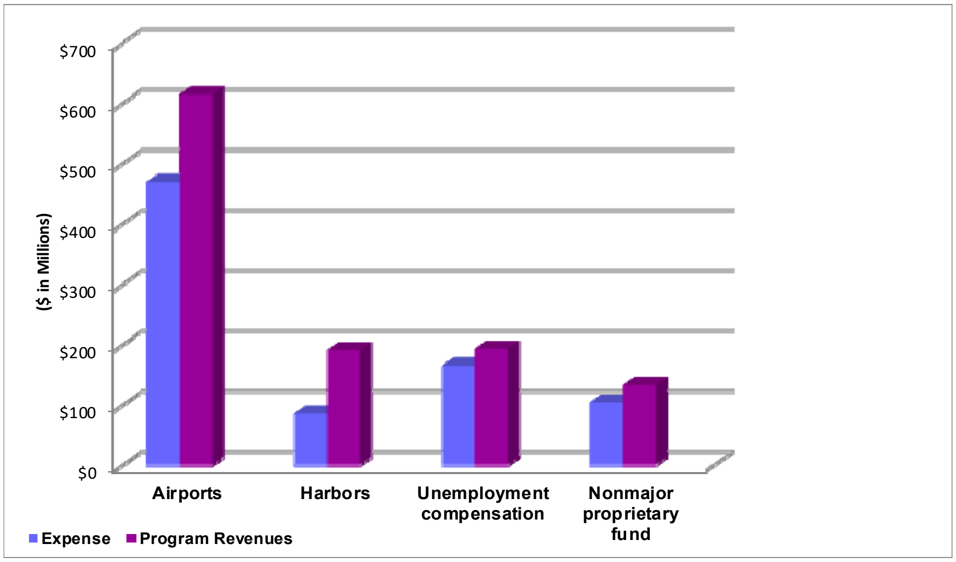
Business-Type Activities

The following charts depict revenues and expenses of the business-type activities for the fiscal year:

Program Revenues by Source – Business-Type Activities
Fiscal Year Ended June 30, 2019



Expenses and Program Revenues – Business-Type Activities
Fiscal Year Ended June 30, 2019



Business-type activities increased the State's net position by $355.9 million in fiscal 2019, compared to an increase of $326.3 million in fiscal 2018. Key elements of this increase are as follows:

- Airports' net position increased $172.2 million compared to an increase of $198.6 million in the prior fiscal year. Charges for current services decreased by $25.2 million primarily due to a decrease in landing fees from lower passenger traffic. Operating and capital grants and contributions increased $22.6 million due to an increase in federal capital grants and state capital contributions. Airport's expenditures increased $39.4 million due to increases in personnel costs and interest expense on revenue bonds.

- Harbors' net position increased $105.7 million in fiscal 2019 compared to an increase of $72.3 million in fiscal 2018. Charges for current services increased by $25.6 million due to Wharfage revenues and an increase in tariff rates, while expenses decreased $8.0 million.

- The Unemployment Compensation Fund's net position increased $42.0 million compared to an increase of $21.8 million in the prior fiscal year. The change was primarily due to an increase in unemployment tax revenues of $6.9 million and decrease in unemployment benefits paid of $11.9 million.

- The Nonmajor Proprietary Fund's net position increased $36.1 million in fiscal 2019 compared to an increase of $33.6 million in fiscal 2018.

- Key elements of the State's business-type activities for the fiscal years ended June 30, 2019 and 2018 are as follows:

Business-Type Activities
(Amounts in thousands)

	Program Revenues									
	Charges for Services		Operating and Capital Grants and Contributions		Total		Expenses		Program Revenues Net of Expenses	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Airports	$ 562,436	$ 587,602	$ 51,743	$ 29,140	$ 614,179	$ 616,742	$ 469,321	$ 429,884	$ 144,858	$ 186,858
Harbors	190,717	165,111	-	153	190,717	165,264	85,007	92,978	105,710	72,286
Unemployment compensation	193,093	186,239	-	-	193,093	186,239	165,134	177,009	27,959	9,230
Nonmajor proprietary funds	106,203	118,475	26,267	8,663	132,470	127,138	103,954	96,548	28,516	30,590
Total	$ 1,052,449	$ 1,057,427	$ 78,010	$ 37,956	$ 1,130,459	$ 1,095,383	$ 823,416	$ 796,419	$ 307,043	$ 298,964

Financial Analysis of the State's Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the State's financing requirements. The fund balance classifications comprise a hierarchy based primarily on the extent the State is bound to honor constraints on the specific purpose for which amounts can be spent.

At the end of the fiscal year, the State's Governmental Funds reported combined ending fund balances of $3.5 billion. Of this amount, $22.0 million is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional $824.0 million has been committed to specific purposes. An additional $1.7 billion has been assigned to specific purposes by management. The unassigned fund balance was $936.1 million at fiscal year end.

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the total fund balance of the General Fund was $1.6 billion compared to $1.5 billion in fiscal 2018. The fund balance of the State's Capital Projects Fund decreased $147.5 million during the fiscal year. The Capital Projects Fund decrease is a result of the State's policy of recording expenditures upon the allotment of general obligation bond appropriations expended by component units and incurring general obligation bond expenditures in excess of cash available. The deficit caused by the recording of expenditures when funds are allotted is $570.5 million and is reflected on the balance sheet as Due to Component Units. The fund balance of the Med-Quest Special Fund increased $11.8 million and other Nonmajor Governmental Funds increased $49.2 million.

Proprietary Funds

The State's Proprietary Funds provide the same type of information found in the Government-Wide financial statements, but in more detail. At the end of the current fiscal year, Airports had an increase in net position of $172.2 million, Harbors had an increase in net position of $105.7 million, the Unemployment Compensation Fund had an increase in net position of $42.0 million, and the Nonmajor Proprietary Funds had an increase in net position of $36.1 million. Other factors concerning the finances of Airports, Harbors, the Unemployment Compensation Fund, and the Nonmajor Proprietary Funds have already been addressed in the discussion of the State's business-type activities.

General Fund Budgetary Highlights

The General Fund revenues were $213.3 million, or 2.8%, more than the final budget. The positive variance was attributed to favorable tax revenues of $168.2 million and favorable non-tax revenues of $45.1 million. General excise tax, corporate income tax, and individual income tax all collected more than what was projected by $64.1 million, $55.8 million, and $56.3 million, respectively. The favorable variance in non-tax revenues is mainly comprised of charges for current services and pension and social security reimbursements.

The difference between the final budget and actual expenditures on a budgetary basis was $164.9 million. This difference is mostly due to the general government variance of $44.6 million and lower education variance of $48.9 million. The general government variance is mostly due to $22.8 million of appropriations made to the State Legislature that can be carried over to the next fiscal year. As in previous years, the positive variance in lower education resulted when the Department of Education carried over $43.7 million of unencumbered appropriations into the next fiscal year. The Department of Education is allowed by statute to carry up to 5% of its unencumbered appropriations. Spending restrictions imposed on all executive branch departments resulted in positive variances across most all functions of government except Public Safety and this was due to emergency spending from flooding.

Capital Assets
The State's capital assets for its governmental and business-type activities as of June 30, 2019, amounted to $14.2 billion (net of accumulated depreciation of $13.2 billion), an increase of $434.0 million from fiscal 2018. The increase is due to an increase in governmental activities assets of $436.6 million and in business-type assets of $602.0 million offset by increases in governmental activities and business-type activities accumulated depreciation of $454.2 million and $150.4 million, respectively. Major capital improvement projects, which received funding in the fiscal year ended June 30, 2019, included the following:

- $386.1 million for various capital improvements at airports statewide.
- $214.5 million for various capital improvement projects and repair and maintenance of public school facilities throughout the State.
- $156.8 million for various capital improvement projects at harbors statewide.
- $48.1 million for various highway improvement projects throughout the State.

Additional information on the State's capital assets can be found in Note 3 to the basic financial statements.

Debt Administration
At the end of the current fiscal year, the State had total bonded debt outstanding of $10.5 billion. Of this amount, $7.9 billion comprises debt backed by the full faith and credit of the State and $2.5 billion (i.e., revenue bonds) is revenue-bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State's total bonded debt is shown below:

Long-Term Debt
June 30, 2019 and 2018
(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	$ 7,914,382	$ 7,912,206	$ 21,026	$ 23,255	$ 7,935,408	$ 7,935,461
Revenue bonds	571,306	633,073	1,968,315	1,567,305	2,539,621	2,200,378
Total	$ 8,485,688	$ 8,545,279	$ 1,989,341	$ 1,590,560	$ 10,475,029	$ 10,135,839

The State's total long-term debt increased by $339.2 million, or 3.4%, during the current fiscal year. The increase resulted from issuances of GO bonds and revenue bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2019, the State's underlying general obligation bond ratings were Moody's Investors Service (Aa1), Standard and Poor's Corporation (AA+) and Fitch Ratings (AA) based on the credit of the State.

The State Constitution limits the amount of general obligation bonds that may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit. The legal debt margin at June 30, 2019 was $576.8 million.

Additional information on the State's long-term debt can be found in Notes 4, 5 and 6 to the basic financial statements.

Economic Factors and Next Year's Budget

The statewide seasonally adjusted unemployment rate for October 2019 was 2.7%, while the seasonally adjusted national unemployment rate was 3.6%. One year ago, the State's seasonally adjusted unemployment rate stood at 2.3%, while the seasonally adjusted national unemployment rate was 3.7%.

The Council of Revenues in September 2019 revised the State's General Fund tax revenue growth rate for fiscal year 2020 from 4.0% to 4.1%.

Cumulative general fund tax revenues for the first five months of fiscal 2020 was $3.0 billion, an increase of $163.2 million from the same period last fiscal year. General excise and use tax collections, which are the largest source of revenue and a good measure of economic growth, increased 3.7%.

In December 2019, Fitch Ratings upgraded the State's general obligation bond rating from AA to AA+. The upgrade reflects Fitch's expectations for the State's resilient economy and continued strong operating performance.

The State is optimistic about the recovery of Hawaii's economy but remains cautious about its sustainability in the face of numerous uncertainties. Therefore, the Governor has imposed a 5% spending restriction on discretionary operating expenses of general funds for all departments and agencies of the Executive Branch for fiscal year 2020.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller, Department of Accounting and General Services, P.O. Box 119, Honolulu, Hawaii 96810-0119. General information about the State can be found at the State's website: *http://www.hawaii.gov*.

BASIC FINANCIAL STATEMENTS

State of Hawaii
Statement of Net Position
June 30, 2019
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 493,489	$ 1,535,710	$ 2,029,199	$ 1,033,180
Receivables				
Taxes	338,661	52,122	390,783	-
Accounts and accrued interest, net	-	82,709	82,709	192,771
Notes, loans, mortgages and contributions, net	119,276	550,516	669,792	600,339
Federal government	25,504	13,086	38,590	1,041
Premiums	-	43,894	43,894	-
Drug rebate	114,914	-	114,914	-
Other, net	28,636	63,772	92,408	13,844
Total receivables	626,991	806,099	1,433,090	807,995
Internal balances	1,617	(1,617)	-	-
Due from component units	6,000	-	6,000	-
Due from primary government	-	-	-	577,167
Investments	3,708,594	61,278	3,769,872	1,102,349
Inventories				
Materials and supplies	-	209	209	19,289
Developments in progress and dwelling units	-	-	-	33,872
Total inventories	-	209	209	53,161
Restricted assets	-	1,248,837	1,248,837	106,152
Other assets				
Prepaid expenses	5,002	7,326	12,328	22,982
Other	3,886	-	3,886	38,324
Total other assets	8,888	7,326	16,214	61,306
Capital assets				
Land and land improvements	2,357,661	2,583,968	4,941,629	563,324
Infrastructure	10,163,803	-	10,163,803	305,213
Construction in progress	1,251,417	1,496,806	2,748,223	380,032
Buildings, improvements and equipment	6,230,948	3,229,167	9,460,115	4,986,591
Intangible assets – software	153,687	-	153,687	-
Accumulated depreciation and amortization	(10,350,392)	(2,885,717)	(13,236,109)	(2,945,603)
Total capital assets, net	9,807,124	4,424,224	14,231,348	3,289,557
Total assets	14,652,703	8,082,066	22,734,769	7,030,867
Deferred outflows of resources				
Deferred loss on refunding	134,575	2,976	137,551	13,097
Deferred outflows on net pension liability	1,327,625	45,092	1,372,717	444,776
Deferred outflows on net other postemployment benefits liability	681,561	22,568	704,129	257,539
Total deferred outflows of resources	$ 2,143,761	$ 70,636	$ 2,214,397	$ 715,412

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Statement of Net Position
June 30, 2019
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Vouchers and contracts payable	$ 354,391	$ 61,459	$ 415,850	$ 135,365
Other accrued liabilities	316,609	208,997	525,606	99,138
Due to component units	577,167	-	577,167	-
Due to primary government	-	-	-	6,000
Due to federal government	4,091	-	4,091	-
Unearned revenue	-	-	-	44,156
Premiums payable	-	43,628	43,628	-
Other	106,434	-	106,434	15,126
Long-term liabilities				
Due within one year				
Payable from restricted assets – revenue bonds payable, net	-	59,965	59,965	-
General obligation (GO) bonds payable	620,402	2,336	622,738	-
Notes, mortgages and installment contracts payable	-	-	-	1,729
Accrued vacation and retirement benefits payable	87,238	4,948	92,186	48,586
Revenue bonds payable, net	48,682	-	48,682	20,871
Reserve for losses and loss adjustment costs	44,282	1,840	46,122	9,635
Capital lease obligations	7,772	915	8,687	3,382
Lease revenue certificates of participation	-	10,301	10,301	-
Customer facility charge revenue bonds	-	5,120	5,120	-
Payable from restricted assets – loan payable	-	76,000	76,000	-
Due more than one year				
Prepaid airport use charge fund	-	312	312	-
GO bonds payable	7,293,980	18,690	7,312,670	-
Notes, mortgages and installment contracts payable	-	-	-	42,238
Accrued vacation and retirement benefits payable	142,941	11,067	154,008	58,900
Revenue bonds payable, net	522,624	1,903,230	2,425,854	526,702
Reserve for losses and loss adjustment costs	232,211	3,496	235,707	19,701
Capital lease obligations	115,150	24,549	139,699	5,969
Lease revenue certificates of participation	-	200,382	200,382	-
Unearned revenue	-	-	-	21,456
Estimated future costs of land sold	-	-	-	38,982
Net pension liability	6,622,548	214,902	6,837,450	2,296,241
Net other postemployment benefits liability	6,736,090	233,167	6,969,257	2,406,686
Other	335	-	335	97,718
Total liabilities	23,832,947	3,085,304	26,918,251	5,898,581
Deferred inflows of resources				
Deferred inflows on net pension liability	104,223	4,729	108,952	69,444
Deferred inflows on net other postemployment benefits liability	141,576	4,483	146,059	45,638
Total deferred inflows of resources	245,799	9,212	255,011	115,082
Net position				
Net investment in capital assets	2,459,159	2,459,973	4,919,132	2,715,255
Restricted for				
Capital maintenance projects	187,428	-	187,428	-
Health and welfare	279,219	-	279,219	-
Natural resources	163,295	-	163,295	-
Native Hawaiian programs	381,029	-	381,029	-
Education	198,732	-	198,732	-
Regulatory and economic development	283,218	-	283,218	-
Administrative support	562,517	-	562,517	-
Other purposes	33,808	-	33,808	-
Bond requirements and other	-	1,580,020	1,580,020	1,155,666
Unrestricted	(11,830,687)	1,018,193	(10,812,494)	(2,138,305)
Total net position	$ (7,282,282)	$ 5,058,186	$ (2,224,096)	$ 1,732,616

State of Hawaii
Statement of Activities
Year Ended June 30, 2019
(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary government								
Governmental activities								
General government	$ 1,054,935	$ 302,275	$ 41,202	$ -	$ (711,458)	$ -	$ (711,458)	
Public safety	675,663	85,361	38,962	-	(551,340)	-	(551,340)	
Highways	552,741	11,857	236,970	-	(303,914)	-	(303,914)	
Conservation of natural resources	224,266	78,916	34,231	-	(111,119)	-	(111,119)	
Health	1,019,160	138,013	133,726	-	(747,421)	-	(747,421)	
Welfare	3,379,304	98,405	2,203,665	-	(1,077,234)	-	(1,077,234)	
Lower education	3,527,097	43,014	317,448	-	(3,166,635)	-	(3,166,635)	
Higher education	950,253	-	-	-	(950,253)	-	(950,253)	
Other education	18,376	-	-	-	(18,376)	-	(18,376)	
Culture and recreation	110,711	12,495	5,863	-	(92,353)	-	(92,353)	
Urban redevelopment and housing	179,794	25,190	19,107	-	(135,497)	-	(135,497)	
Economic development and assistance	174,629	38,720	51,504	-	(84,405)	-	(84,405)	
Interest expense	251,294	-	-	-	(251,294)	-	(251,294)	
Total governmental activities	12,118,223	834,246	3,082,678	-	(8,201,299)	-	(8,201,299)	
Business-type activities								
Airports	469,321	562,436	-	51,743	-	144,858	144,858	
Harbors	85,007	190,717	-	-	-	105,710	105,710	
Unemployment compensation	165,134	193,093	-	-	-	27,959	27,959	
Nonmajor proprietary funds	103,954	106,203	-	26,267	-	28,516	28,516	
Total business-type activities	823,416	1,052,449	-	78,010	-	307,043	307,043	
Total primary government	$ 12,941,639	$ 1,886,695	$ 3,082,678	$ 78,010	(8,201,299)	307,043	(7,894,256)	
Component units								
University of Hawaii	$ 1,864,750	$ 395,300	$ 443,786	$ -				$ (1,025,664)
Hawaii Housing Finance and Development Corporation	43,802	69,012	23,046	-				48,256
Hawaii Public Housing Authority	152,247	24,814	96,053	6,799				(24,581)
Hawaii Health Systems Corporation	624,123	447,884	1,026	10,267				(164,946)
Hawaii Tourism Authority	108,350	9,325	-	-				(99,025)
Hawaii Community Development Authority	8,466	2,419	-	-				(6,047)
Hawaii Hurricane Relief Fund	3	-	-	-				(3)
Total component units	$ 2,801,741	$ 948,754	$ 563,911	$ 17,066				(1,272,010)
General revenues								
Taxes								
General excise tax					3,794,587	-	3,794,587	-
Net income tax – corporations and individuals					2,728,991	-	2,728,991	-
Public service companies tax					126,691	-	126,691	-
Transient accommodations tax					356,670	-	356,670	95,500
Tobacco and liquor tax					151,438	-	151,438	-
Liquid fuel tax					85,146	-	85,146	-
Tax on premiums of insurance companies					176,420	-	176,420	-
Vehicle weight and registration tax					136,142	-	136,142	-
Rental motor/tour vehicle surcharge tax					57,994	-	57,994	-
Franchise tax					26,808	-	26,808	-
Other tax					156,632	-	156,632	-
Interest and investment income					40,141	48,887	89,028	68,103
Payments from the primary government, net					-	-	-	1,128,122
Gifts and subsidies					-	-	-	37,956
Other					(2,797)	-	(2,797)	(1,123)
Debt cancellation with State					(224,110)	-	(224,110)	224,110
Total general revenues					7,610,753	48,887	7,659,640	1,552,668
Change in net position					(590,546)	355,930	(234,616)	280,658
Net position								
Beginning of year					(6,691,736)	4,702,256	(1,989,480)	1,451,958
End of year					$ (7,282,282)	$ 5,058,186	$ (2,224,096)	$ 1,732,616

The accompanying notes are an integral part of the basic financial statements.

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State of Hawaii
Governmental Funds
Balance Sheet
June 30, 2019
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 120,121	$ 5,408	$ 8,716	$ 359,244	$ 493,489
Receivables					
Taxes	291,052	-	-	-	291,052
Notes and loans, net of allowance for doubtful accounts of $46,848	1,411	-	-	143,368	144,779
Drug rebate	-	-	114,914	-	114,914
Medical assistance	-	-	636	-	636
Other	8,000	-	-	-	8,000
Due from other funds	216,066	-	-	-	216,066
Due from proprietary funds	20	1,597	-	-	1,617
Due from component units	6,000	-	-	-	6,000
Investments	1,364,567	468,273	100,239	1,775,515	3,708,594
Other assets	3,886	-	-	-	3,886
Total assets	$ 2,011,123	$ 475,278	$ 224,505	$ 2,278,127	$ 4,989,033
Liabilities and Fund Balances					
Liabilities					
Vouchers and contracts payable	$ 140,056	$ 91,049	$ 4,270	$ 117,013	$ 352,388
Other accrued liabilities	244,998	-	28,831	42,780	316,609
Due to federal government	-	-	4,091	-	4,091
Due to other funds	-	-	152,077	63,989	216,066
Due to component units	3,754	570,484	-	-	574,238
Payable from restricted assets					
Matured bonds and interest payable	-	-	-	335	335
Total liabilities	388,808	661,533	189,269	224,117	1,463,727
Fund balances					
Restricted	-	15,340	-	6,666	22,006
Committed	-	6,013	-	817,945	823,958
Assigned	475,242	-	35,236	1,232,763	1,743,241
Unassigned	1,147,073	(207,608)	-	(3,364)	936,101
Total fund balances	1,622,315	(186,255)	35,236	2,054,010	3,525,306
Total liabilities and fund balances	$ 2,011,123	$ 475,278	$ 224,505	$ 2,278,127	$ 4,989,033

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019
(Amounts in thousands)

Total fund balance – Governmental funds	$ 3,525,306
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of	
Land and land improvements	2,357,661
Infrastructure	10,163,803
Construction in progress	1,251,417
Buildings, improvements and equipment	6,230,948
Intangible assets – software	153,687
Accumulated depreciation and amortization	(10,350,392)
	9,807,124
Accrued interest and other payables are not recognized in governmental funds.	(108,444)
Other assets and liabilities are not available to pay or be used for current-period expenditures and are not recognized in governmental funds, such as unearned revenue and settlement receivables.	72,619
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of	
General obligation bonds payable	(7,914,382)
Accrued vacation payable	(230,179)
Revenue bonds payable	(571,306)
Reserve for losses and loss adjustment costs	(276,493)
Other postemployment benefits liability	(6,736,090)
Net pension liability	(6,622,548)
Long-term transactions with component units	(2,929)
Capital lease obligations	(122,922)
	(22,476,849)
Deferred outflows of resources are for future periods and are not reported in the funds. Those deferred outflows consist of	
Deferred loss on refunding	134,575
Deferred outflows on net pension liability	1,327,625
Deferred outflows on other postemployment benefits liability	681,561
	2,143,761
Deferred inflows of resources benefit future periods and are not reported in the funds. Those deferred inflows consist of	
Deferred inflows on net pension liability	(104,223)
Deferred inflows on other postemployment benefits liability	(141,576)
	(245,799)
Net position of governmental activities	$ (7,282,282)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2019
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
General excise tax	$ 3,527,256	$ -	$ -	$ 267,329	$ 3,794,585
Net income tax – corporations and individuals	2,718,654	-	-	-	2,718,654
Public service companies tax	126,691	-	-	-	126,691
Transient accommodations tax	356,670	-	-	-	356,670
Tobacco and liquor tax	126,439	-	-	24,999	151,438
Liquid fuel tax	-	-	-	85,146	85,146
Tax on premiums of insurance companies	173,844	-	-	2,576	176,420
Vehicle weight and registration tax	-	-	-	136,142	136,142
Rental motor/vehicle surcharge tax	3	-	-	57,991	57,994
Franchise tax	24,808	-	-	2,000	26,808
Other	75,629	-	-	81,003	156,632
Total taxes	7,129,994	-	-	657,186	7,787,180
Interest and investment income	18,950	-	-	21,191	40,141
Charges for current services	224,570	-	-	293,961	518,531
Intergovernmental	14,075	-	1,488,969	1,280,494	2,783,538
Rentals	339	-	-	37,692	38,031
Fines, forfeitures and penalties	22,815	-	-	14,698	37,513
Licenses and fees	1,784	-	-	46,181	47,965
Revenues from private sources	4,620	-	67,392	50,005	122,017
Other	70,293	-	68,107	231,025	369,425
Total revenues	7,487,440	-	1,624,468	2,632,433	11,744,341
Expenditures					
Current					
General government	506,453	83,562	-	417,539	1,007,554
Public safety	465,608	32,154	-	136,358	634,120
Highways	13,031	187,742	-	325,375	526,148
Conservation of natural resources	72,056	20,354	-	52,973	145,383
Health	750,450	58,583	-	200,512	1,009,545
Welfare	1,116,455	4,321	1,594,302	617,391	3,332,469
Lower education	2,606,362	276,102	-	451,646	3,334,110
Higher education	821,327	128,926	-	-	950,253
Other education	8,082	-	-	10,294	18,376
Culture and recreation	57,220	15,798	-	43,363	116,381
Urban redevelopment and housing	32,882	9,487	-	36,867	79,236
Economic development and assistance	52,908	20,125	-	79,559	152,592
Housing	34,090	50,942	-	-	85,032
Other	3,745	-	-	9,946	13,691
Debt service	-	-	-	855,374	855,374
Total expenditures	6,540,669	888,096	1,594,302	3,237,197	12,260,264
Excess (deficiency) of revenues over (under) expenditures	946,771	(888,096)	30,166	(604,764)	(515,923)
Other financing sources (uses)					
Issuance of GO bonds – par	-	575,000	-	-	575,000
Issuance of GO bonds – premium	232	-	-	69,730	69,962
Other financing uses – other	-	(1,402)	-	-	(1,402)
Payment to refunded bond escrow agent	-	-	-	(69,730)	(69,730)
Transfers in	84,441	168,586	3,847	957,899	1,214,773
Transfers out	(887,049)	(1,563)	(22,213)	(303,948)	(1,214,773)
Total other financing sources (uses)	(802,376)	740,621	(18,366)	653,951	573,830
Net change in fund balances	144,395	(147,475)	11,800	49,187	57,907
Fund balances					
Beginning of year	1,477,920	(38,780)	23,436	2,004,823	3,467,399
End of year	$ 1,622,315	$ (186,255)	$ 35,236	$ 2,054,010	$ 3,525,306

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2019
(Amounts in thousands)

Total net change in fund balances – Governmental funds	$ 57,907
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are	
Capital asset additions	1,831,534
Capital asset disposals	(1,394,950)
Accumulated depreciation on disposals	8,945
Depreciation expense	(463,137)
Excess of capital outlay over depreciation expense	(17,608)
Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, this is the amount of proceeds received from general obligation and revenue bonds issued.	(644,962)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of	
Bond principal retirement	590,882
Capital lease additions, net	6,975
Total long-term debt repayment	597,857
Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered available revenues and are deferred in the governmental funds.	10,337
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Change in accrued vacation payable	3,568
Change in reserve for losses and loss adjustment costs	(29,239)
Change in accrued interest on bonds payable	(8,592)
Change in accrued interest on capital leases	(1,924)
Amortization of bond premium and deferred amount on refunding	(132,077)
Net pension activity	(406,338)
Net other postemployment benefits activity	(19,475)
Total	(594,077)
Change in net position of governmental activities	$ (590,546)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2019
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Assets					
Current assets					
Cash and cash equivalents	$ 503,263	$ 226,979	$ 575,650	$ 229,818	$ 1,535,710
Investments	-	-	-	61,278	61,278
Restricted assets – cash and short-term investments	230,682	34,728	-	-	265,410
Receivables					
Taxes	239	-	51,883	-	52,122
Accounts and accrued interest, net of allowance for doubtful accounts of $13,291	57,339	24,954	-	416	82,709
Promissory note receivable, net of allowance for doubtful accounts of $2,589	-	388	-	42,232	42,620
Federal government	12,968	-	-	118	13,086
Premiums	-	-	-	43,894	43,894
Other	30,934	-	-	32,838	63,772
Materials and supplies inventory	209	-	-	-	209
Prepaid expenses and other assets	-	1,997	-	5,329	7,326
Total current assets	835,634	289,046	627,533	415,923	2,168,136
Noncurrent assets					
Capital assets					
Land and land improvements	1,957,915	626,053	-	-	2,583,968
Construction in progress	1,303,766	193,040	-	-	1,496,806
Buildings and improvements	2,283,304	580,362	-	-	2,863,666
Equipment	322,344	28,686	-	14,471	365,501
	5,867,329	1,428,141	-	14,471	7,309,941
Less: Accumulated depreciation	(2,432,597)	(440,440)	-	(12,680)	(2,885,717)
Net capital assets	3,434,732	987,701	-	1,791	4,424,224
Promissory note receivable	-	-	-	507,896	507,896
Restricted assets – net direct financing leases	21,878	-	-	-	21,878
Restricted assets – cash and cash equivalents	521,902	157,855	-	-	679,757
Restricted assets – investments	281,792	-	-	-	281,792
Total noncurrent assets	4,260,304	1,145,556	-	509,687	5,915,547
Total assets	5,095,938	1,434,602	627,533	925,610	8,083,683
Deferred outflows of resources					
Deferred loss on refunding	845	2,131	-	-	2,976
Deferred outflows on net pension liability	35,252	6,969	-	2,871	45,092
Deferred outflows on net other postemployment benefits liability	17,721	3,473	-	1,374	22,568
Total deferred outflows of resources	$ 53,818	$ 12,573	$ -	$ 4,245	$ 70,636

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2019
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Liabilities					
Current liabilities					
Vouchers and contracts payable	$ 45,318	$ 9,507	$ 5,756	$ 878	$ 61,459
Payable from restricted assets – contracts payable, accrued interest, and other	143,344	38,342	-	-	181,686
Other accrued liabilities	21,116	-	-	1,696	22,812
Due to governmental funds	20	1,597	-	-	1,617
Benefit claims payable	-	-	-	4,499	4,499
General obligation bonds payable, current portion	-	2,336	-	-	2,336
Reserve for losses and loss adjustment costs	1,656	184	-	-	1,840
Capital lease obligations	-	915	-	-	915
Lease revenue certificates of participation	10,301	-	-	-	10,301
Customer facility charge revenue bonds	5,120	-	-	-	5,120
Accrued vacation, current portion	3,925	774	-	249	4,948
Payable from restricted assets – revenue bond payable	42,585	17,380	-	-	59,965
Payable from restricted assets – loan payable	76,000	-	-	-	76,000
Premiums payable	-	-	-	43,628	43,628
Total current liabilities	349,385	71,035	5,756	50,950	477,126
Noncurrent liabilities					
General obligation bonds payable	-	18,690	-	-	18,690
Accrued vacation	8,642	1,888	-	537	11,067
Revenue bonds payable, net of unamortized bond premium and bond discount	1,643,793	259,437	-	-	1,903,230
Reserve for losses and loss adjustment cost	2,605	891	-	-	3,496
Capital lease obligations	-	24,549	-	-	24,549
Lease revenue certificates of participation	200,382	-	-	-	200,382
Net pension liability	167,609	35,114	-	12,179	214,902
Net other postemployment benefits liability	180,774	38,353	-	14,040	233,167
Prepaid airport use charge fund	312	-	-	-	312
Total noncurrent liabilities	2,204,117	378,922	-	26,756	2,609,795
Total liabilities	2,553,502	449,957	5,756	77,706	3,086,921
Deferred inflows of resources					
Deferred inflows on net pension liability	3,411	682	-	636	4,729
Deferred inflows on net other postemployment benefits liability	3,523	692	-	268	4,483
Total deferred inflows of resources	6,934	1,374	-	904	9,212
Net position					
Net investment in capital assets	1,791,656	666,526	-	1,791	2,459,973
Restricted for bond requirements and other	658,049	177,801	-	744,170	1,580,020
Unrestricted	139,615	151,517	621,777	105,284	1,018,193
Net position	$ 2,589,320	$ 995,844	$ 621,777	$ 851,245	$ 5,058,186

State of Hawaii
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2019
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Concession fees	$ 183,275	$ -	$ -	$ -	$ 183,275
Unemployment compensation	-	-	193,093	-	193,093
Aviation fuel tax	2,608	-	-	-	2,608
Airport use charges	82,988	-	-	-	82,988
Rentals	162,519	29,866	-	-	192,385
Services and others	-	159,189	-	-	159,189
Administrative fees	-	-	-	4,054	4,054
Premium revenue – self insurance	-	-	-	90,427	90,427
Experience refunds, net	-	-	-	6,467	6,467
Other	9,411	1,662	-	5,255	16,328
Total operating revenues	440,801	190,717	193,093	106,203	930,814
Operating expenses					
Personnel services	199,609	22,302	-	8,518	230,429
Depreciation and amortization	121,992	28,994	-	413	151,399
Repairs and maintenance	46,989	1,925	-	173	49,087
Airports operations	45,946	-	-	-	45,946
Harbors operations	-	17,098	-	-	17,098
General administration	23,101	13,336	-	4,743	41,180
Unemployment compensation	-	-	165,134	-	165,134
Claims	-	-	-	86,463	86,463
Other	1,261	-	-	3,644	4,905
Total operating expenses	438,898	83,655	165,134	103,954	791,641
Operating income	1,903	107,062	27,959	2,249	139,173
Nonoperating revenues (expenses)					
Interest and investment income	27,338	-	14,000	7,549	48,887
Interest expense	(30,423)	(1,077)	-	-	(31,500)
Federal grants	1,616	-	-	-	1,616
Loss on disposal of capital assets	(1,666)	(275)	-	-	(1,941)
Rental car customer and passenger facility charges	125,650	-	-	-	125,650
Other	(2,349)	-	-	-	(2,349)
Total nonoperating revenues (expenses)	120,166	(1,352)	14,000	7,549	140,363
Income before capital contributions	122,069	105,710	41,959	9,798	279,536
Capital contributions	50,127	-	-	26,267	76,394
Change in net position	172,196	105,710	41,959	36,065	355,930
Net position					
Beginning of year	2,417,124	890,134	579,818	815,180	4,702,256
End of year	$ 2,589,320	$ 995,844	$ 621,777	$ 851,245	$ 5,058,186

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2019
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities					
Cash received from customers	$ 420,876	$ 164,651	$ -	$ -	$ 585,527
Cash received from taxes	-	-	188,059	-	188,059
Cash received from employers and employees for premiums and benefits	-	-	-	625,821	625,821
Cash paid to suppliers	(173,986)	(31,862)	-	(4,220)	(210,068)
Cash paid to employees	(106,259)	(19,915)	-	(8,395)	(134,569)
Cash paid for unemployment compensation	-	-	(164,192)	-	(164,192)
Cash paid for premiums and benefits payable	-	-	-	(614,000)	(614,000)
Other cash receipts	-	-	4,420	-	4,420
Net cash provided by (used in) operating activities	140,631	112,874	28,287	(794)	280,998
Cash flows from noncapital financing activities					
Proceeds from federal operating grants	5,361	-	-	20,915	26,276
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(493,665)	(69,337)	-	(40)	(563,042)
Proceeds from federal, state and capital grants and contributions	43,503	-	-	3,702	47,205
Proceeds from customer facility charge revenue bonds	467,362	-	-	-	467,362
Principal paid on airports system revenue bonds	(40,755)	-	-	-	(40,755)
Repayment of general obligation and revenue bonds principal	-	(18,983)	-	-	(18,983)
Bond issue costs paid	(2,313)	-	-	-	(2,313)
Payments for lease revenue certificates of participation	(7,331)	-	-	-	(7,331)
Interest paid on outstanding debt	(74,770)	-	-	-	(74,770)
Proceeds from passenger facility charges program	45,490	-	-	-	45,490
Proceeds from rental car customer facility charges program	76,392	-	-	-	76,392
Principal paid on rental car customer facility charges program	(5,030)	-	-	-	(5,030)
Interest paid on bonds	-	(14,023)	-	-	(14,023)
Principal paid on capital lease obligation	-	(812)	-	-	(812)
Receipts – other	(36)	-	-	-	(36)
Net cash provided by (used in) capital and related financing activities	8,847	(103,155)	-	3,662	(90,646)
Cash flows from investing activities					
Proceeds from sales and maturities of investments	212,675	-	-	-	212,675
Interest received from investments	7,993	3,257	13,998	4,908	30,156
Purchase of investments	(204,941)	-	-	(5,470)	(210,411)
Principal repayments on notes receivable	-	-	-	44,983	44,983
Disbursement of note receivable proceeds	-	-	-	(67,558)	(67,558)
Interest income from notes receivable	-	-	-	1,655	1,655
Administrative loan fees	-	-	-	4,025	4,025
Net cash provided by (used in) investing activities	15,727	3,257	13,998	(17,457)	15,525
Net increase in cash and cash equivalents	170,566	12,976	42,285	6,326	232,153
Cash and cash equivalents, including restricted amounts					
Beginning of year	1,085,281	406,586	533,365	223,492	2,248,724
End of year	$ 1,255,847	$ 419,562	$ 575,650	$ 229,818	$ 2,480,877

(continued)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2019
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Reconciliation of operating income to net cash provided by (used in) operating activities					
Operating income	$ 1,903	$ 107,062	$ 27,959	$ 2,249	$ 139,173
Adjustments to reconcile operating income to net cash provided by (used in) operating activities					
Depreciation and amortization	121,992	28,994	-	413	151,399
Provision for uncollectible accounts	4,015	998	-	-	5,013
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund	118	-	-	-	118
Premium reserves held by insurance companies	-	-	-	13,835	13,835
Principal forgiveness of loans	-	-	-	3,308	3,308
Interest income from loans	-	-	-	(1,639)	(1,639)
Administrative loan fees	-	-	-	(4,054)	(4,054)
Non-imposed fringe benefits	-	-	-	11	11
Transfer out of prepaid airport use charge fund	(19,000)	-	-	-	(19,000)
Changes in assets, deferred outflows, liabilities and deferred inflows					
Receivables	19,655	(2,891)	(614)	(15,954)	196
Prepaid and other expenses	-	-	-	10	10
Other current assets	(6)	-	-	-	(6)
Net deferred outflows/inflows of resources	5,271	1,087	-	389	6,747
Vouchers and contracts payable	(229)	590	942	51	1,354
Net pension liability	1,949	701	-	295	2,945
Other postemployment benefits liability	1,778	348	-	135	2,261
Other accrued liabilities	3,185	(24,015)	-	767	(20,063)
Benefit claims payable	-	-	-	(610)	(610)
Net cash provided by (used in) operating activities	$ 140,631	$ 112,874	$ 28,287	$ (794)	$ 280,998
Supplemental information					
Noncash investing, capital and financing activities					
Amortization of bond discount, bond premium, and loss on refunding	$ (2,138)	$ (507)	$ -	$ -	$ (2,645)
Interest payments relating to special facility revenue bonds	1,222	-	-	-	1,222
Amortization of certificates of participation premium	(764)	-	-	-	(764)
Amounts included in contracts payable for the acquisition of capital assets	142,353	26,368	-	-	168,721
Interest capitalized in capital assets	51,011	5,218	-	-	56,229
Other assets utilized for the acquisition of capital assets	-	7,178	-	-	7,178
In-kind contribution from the Environmental Protection Agency	-	-	-	600	600

(concluded)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2019
(Amounts in thousands)

	Agency Funds	OPEB Trust Fund
Assets		
Cash and cash equivalents	$ 129,810	$ 263,806
Receivables		
Taxes	14,557	-
Rebates and other receivables from insurance companies	-	41,559
Experience refunds due from insurance companies	-	790
Other	-	71
Investments		
Certificates of deposit	91,806	-
U.S. government securities	261,292	240,827
Equity securities	-	458,650
Mutual funds	-	96,493
Commingled funds	-	1,625,932
Alternative investments	-	297,517
Real estate	-	313,905
Derivatives	-	(298)
Invested securities lending collateral	-	25,872
Other assets, primarily due from individuals, businesses and counties	2,061	8,165
Total assets	499,526	3,373,289
Liabilities and Net Position		
Liabilities		
Vouchers payable	19,226	-
Due to individuals, businesses and counties	480,300	-
Premium payable	-	24,907
Benefit claims payable	-	18,065
Securities lending collateral	-	25,872
Other accrued liabilities	-	2,165
Total liabilities	499,526	71,009
Net position restricted for OPEB	$ -	$ 3,302,280

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Statement of Changes in Fiduciary Net Position – OPEB Trust Fund
Year Ended June 30, 2019
(Amounts in thousands)

Additions	
Employer contributions	$ 1,077,342
Investment income	
Investing activities	
Interest	70,146
Net appreciation in the fair value of investments	67,658
	137,804
Less: Investment expenses	6,545
Net investment income from investing activities	131,259
Securities lending activities	
Securities lending income	631
Less: Securities lending expenses	155
Net investment income from securities lending activities	476
Total net investment income	131,735
Experience refunds due from insurance companies	3,839
Other revenues, net	21,675
Total additions	1,234,591
Deductions	
Benefits claims expense and carrier payments	510,821
Other expenses	916
Total deductions	511,737
Net increase in fiduciary net position	722,854
Net position	
Beginning of year, as previously reported	2,370,482
Adjustment for change in reporting entity	208,944
Beginning of year, as restated	2,579,426
End of year	$ 3,302,280

The accompanying notes are an integral part of the basic financial statements.

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State of Hawaii
Component Units
Statement of Net Position
June 30, 2019
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Assets				
Current assets				
Cash and cash equivalents	$ 131,839	$ 559,607	$ 101,341	$ 118,030
Receivables				
Accounts and accrued interest, net of allowance for doubtful accounts of $63,866	89,596	42,983	773	55,519
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of $471	18,895	3,442	-	-
Federal government	-	-	1,041	-
Other, net of allowance for doubtful accounts of $136	-	2,215	277	11,352
Due from primary government	944	33,109	86,669	39,634
Investments	361,376	-	-	7,608
Inventories – materials and supplies	7,281	-	692	11,316
Prepaid expenses and other assets	19,970	1,863	16	-
Total current assets	629,901	643,219	190,809	243,459
Restricted assets				
Cash and cash equivalents	-	11,801	-	22,276
Investments	-	45,933	-	-
Deposits, funded reserves and other	-	1,259	-	-
Total restricted assets	-	58,993	-	22,276
Capital assets				
Land and land improvements	210,068	49,895	25,340	10,613
Infrastructure	260,899	-	-	-
Construction in progress	240,255	-	89,379	29,951
Buildings, improvements and equipment	3,181,781	52,702	701,171	807,069
Less: Accumulated depreciation	(1,729,678)	(38,579)	(444,809)	(501,998)
Total capital assets, net	2,163,325	64,018	371,081	345,635
Other assets				
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of $4,244	20,607	533,079	8,717	-
Due from primary government	408,524	1,306	-	-
Inventories – developments in progress and dwelling units	-	33,872	-	-
Investments	542,497	851	-	-
Other assets	34,021	-	-	3,981
Total other assets	1,005,649	569,108	8,717	3,981
Total assets	3,798,875	1,335,338	570,607	615,351
Deferred outflows of resources				
Deferred loss on refunding	13,097	-	-	-
Deferred outflows on net pension liability	332,235	2,257	7,509	101,367
Deferred outflows on net other postemployment benefits liability	161,135	1,095	4,036	89,985
Total deferred outflows of resources	$ 506,467	$ 3,352	$ 11,545	$ 191,352

The accompanying notes are an integral part of the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 95,979	$ 26,063	$ 321	$ 1,033,180
2,377	440	1,083	192,771
-	-	-	22,337
-	-	-	1,041
-	-	-	13,844
-	6,981	-	167,337
-	-	186,522	555,506
-	-	-	19,289
528	605	-	22,982
98,884	34,089	187,926	2,028,287
24,883	-	-	58,960
-	-	-	45,933
-	-	-	1,259
24,883	-	-	106,152
131,497	135,911	-	563,324
-	44,314	-	305,213
9,924	10,523	-	380,032
217,292	26,576	-	4,986,591
(161,931)	(68,608)	-	(2,945,603)
196,782	148,716	-	3,289,557
-	15,599	-	578,002
-	-	-	409,830
-	-	-	33,872
3,495	-	-	546,843
-	322	-	38,324
3,495	15,921	-	1,606,871
324,044	198,726	187,926	7,030,867
-	-	-	13,097
996	412	-	444,776
458	830	-	257,539
$ 1,454	$ 1,242	$ -	$ 715,412

(continued)

State of Hawaii
Component Units
Statement of Net Position
June 30, 2019
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Liabilities				
Current liabilities				
Vouchers and contracts payable	$ 66,398	$ 568	$ 8,199	$ 55,360
Other accrued liabilities	90,835	4,162	3,803	-
Due to primary government	6,000	-	-	-
Unearned revenue	43,416	385	205	-
Notes, mortgages and installation contracts payable	16	14	-	1,699
Accrued vacation and retirement benefits payable	32,404	-	-	15,945
Revenue bonds payable, net	19,165	1,706	-	-
Reserve for losses and loss adjustment costs	5,972	-	-	3,663
Capital lease obligations	1,425	-	-	1,957
Other liabilities	6,753	-	1,175	844
Total current liabilities	272,384	6,835	13,382	79,468
Noncurrent liabilities				
Notes, mortgages and installment contracts payable	8,184	100	-	33,954
Accrued vacation and retirement benefits payable	44,803	-	-	13,611
Revenue bonds payable, net	507,762	18,940	-	-
Reserve for losses and loss adjustment costs	11,666	-	-	8,035
Capital lease obligations	-	-	-	5,969
Unearned revenue	-	21,456	-	-
Estimated future cost of land sold	-	38,982	-	-
Net pension liability	1,695,800	10,139	37,880	542,374
Net other postemployment benefits liability	1,800,496	10,316	40,289	547,179
Other liabilities	64,246	1,777	1,661	19,205
Total noncurrent liabilities	4,132,957	101,710	79,830	1,170,327
Total liabilities	4,405,341	108,545	93,212	1,249,795
Deferred inflows of resources				
Deferred inflows on net pension liability	36,227	691	1,006	31,216
Deferred inflows on net other postemployment benefits liability	33,553	215	780	10,974
Total deferred inflows of resources	69,780	906	1,786	42,190
Net position				
Net investment in capital assets	1,625,457	63,904	371,080	309,318
Restricted	935,283	89,749	3,231	8,658
Unrestricted	(2,730,519)	1,075,586	112,843	(803,258)
Total net position	$ (169,779)	$ 1,229,239	$ 487,154	$ (485,282)

The accompanying notes are an integral part of the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 3,854	$ 986	$ -	$ 135,365
150	188	-	99,138
-	-	-	6,000
-	150	-	44,156
-	-	-	1,729
114	123	-	48,586
-	-	-	20,871
-	-	-	9,635
-	-	-	3,382
-	2,268	4,086	15,126
4,118	3,715	4,086	383,988
-	-	-	42,238
213	273	-	58,900
-	-	-	526,702
-	-	-	19,701
-	-	-	5,969
-	-	-	21,456
-	-	-	38,982
6,277	3,771	-	2,296,241
5,612	2,794	-	2,406,686
-	10,829	-	97,718
12,102	17,667	-	5,514,593
16,220	21,382	4,086	5,898,581
212	92	-	69,444
96	20	-	45,638
308	112	-	115,082
196,781	148,715	-	2,715,255
112,189	6,556	-	1,155,666
-	23,203	183,840	(2,138,305)
$ 308,970	$ 178,474	$ 183,840	$ 1,732,616

(concluded)

State of Hawaii
Component Units
Statement of Activities
Year Ended June 30, 2019
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Expenses	$ 1,864,750	$ 43,802	$ 152,247	$ 624,123
Program revenues				
Charges for services	395,300	69,012	24,814	447,884
Operating grants and contributions	443,786	23,046	96,053	1,026
Capital grants and contributions	-	-	6,799	10,267
Total program revenues	839,086	92,058	127,666	459,177
Net program revenues (expenses)	(1,025,664)	48,256	(24,581)	(164,946)
General revenues (expenses)				
Interest and investment income	(31,513)	84,779	-	1,685
Transient accommodations tax	-	-	-	-
Payments from State, net	953,037	27,798	31,611	120,232
Gifts and subsidies	37,956	-	-	-
Debt cancellation with State	-	-	-	-
Other	(4,477)	-	846	146
Net general revenues	955,003	112,577	32,457	122,063
Change in net position	(70,661)	160,833	7,876	(42,883)
Net position				
Beginning of year	(99,118)	1,068,406	479,278	(442,399)
End of year	$ (169,779)	$ 1,229,239	$ 487,154	$ (485,282)

The accompanying notes are an integral part of the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 108,350	$ 8,466	$ 3	$ 2,801,741
9,325	2,419	-	948,754
-	-	-	563,911
-	-	-	17,066
9,325	2,419	-	1,529,731
(99,025)	(6,047)	(3)	(1,272,010)
2,280	800	10,072	68,103
95,500	-	-	95,500
-	(470)	(4,086)	1,128,122
-	-	-	37,956
224,110	-	-	224,110
1,240	1,122	-	(1,123)
323,130	1,452	5,986	1,552,668
224,105	(4,595)	5,983	280,658
84,865	183,069	177,857	1,451,958
$ 308,970	$ 178,474	$ 183,840	$ 1,732,616

1. Summary of Significant Accounting Policies

The basic financial statements of the State of Hawaii (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The State's significant accounting policies are described below.

Reporting Entity
The accompanying basic financial statements present the financial activity of the State (Primary Government) and its Component Units, entities for which the Primary Government is considered to be financially accountable. Discretely presented Component Units are legally separate organizations for which the Primary Government is financially accountable or for which the nature and significance of their relationship to the Primary Government are such that exclusion would cause the State's reporting entity to be misleading or incomplete.

Primary Government
The following branches and departments are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Executive:

- Accounting and General Services
- Agriculture
- Attorney General
- Budget and Finance
- Business, Economic Development and Tourism
- Commerce and Consumer Affairs
- Defense
- Education
- Hawaiian Home Lands
- Health
- Human Resource Development
- Human Services
- Labor and Industrial Relations
- Land and Natural Resources
- Public Safety
- Taxation
- Transportation

Judicial

Legislative

Discretely Presented Component Units
The Component Units column in the basic financial statements includes the financial data for the State's discretely presented Component Units. They are reported in a separate column to emphasize their legal separation from the State. The discretely presented Component Units are:

- ***University of Hawaii*** – The University of Hawaii (UH) is Hawaii's sole public higher education system. Hawaii Revised Statutes (HRS) Chapter 304 governs the activities of the UH.

  The UH is comprised of ten campuses and provides a broad range of degree (baccalaureate to post-doctoral level) programs, through a framework of sixteen colleges and nine professional schools. Through its seven community colleges on Oahu, Hawaii, Maui and Kauai, the UH offers certificate and associate degree programs and in certain areas, baccalaureate degrees. In addition to organized research institutes and administrative service and distance learning centers, the UH houses more than a hundred centers with a research, instruction or public service purpose. The UH is also engaged in instructional research and service activities at hundreds of Hawaii schools, hospitals and community sites, and carries out these activities across the Pacific Islands and in foreign countries.

  The UH Board of Regents is appointed by the Governor of the State of Hawaii. The UH is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The UH's complete financial statements are available online at: *https://www.hawaii.edu/offices/budget-finance/*.

- ***Hawaii Housing Finance and Development Corporation*** – The Hawaii Housing Finance and Development Corporation (HHFDC) was established by Act 196, SLH 2005, as amended by Act 180, SLH 2006. The HHFDC is a corporate body placed within the Department of Business Economic Development and Tourism (DBEDT) for administrative purposes. The HHFDC's mission is to increase the supply of workforce and affordable homes by providing tools and resources to facilitate housing development. Tools and resources include housing tax credits, low interest construction loans, equity gap loans, developable land, and expedited land use approvals.

  The HHFDC's Board of Directors is appointed by the Governor of the State of Hawaii. The HHFDC is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The HHFDC's complete financial statements are available online at: *http://dbedt.hawaii.gov/hhfdc/resources/Reports/*.

- ***Hawaii Public Housing Authority*** – The Hawaii Public Housing Authority (HPHA) was established by Act 196, SLH 2005, as amended by Act 180, SLH 2006. The HPHA is administratively attached to the Department of Human Services. Its mission is to provide safe, decent and sanitary dwellings for low and moderate income residents of the State of Hawaii and to operate its housing program in accordance with federal and State of Hawaii laws and regulations.

  The HPHA's Board of Directors is appointed by the Governor of the State of Hawaii. The HPHA is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The HPHA's complete financial statements are available online at: *http://www.hpha.hawaii.gov/reportsstudies/index.htm*

- ***Hawaii Health Systems Corporation*** – Act 262, SLH 1996, transferred all facilities previously under the Department of Health – Division of Community Hospitals to the Hawaii Health Systems Corporation (HHSC). The HHSC is administratively attached to the Department of Health. Its mission is to provide and enhance accessible and comprehensive healthcare services that are quality-driven, customer-focused, and cost-effective. It operates the following facilities:

  East Hawaii Region:
  - Hilo Medical Center
  - Hale Ho'ola Hamakua
  - Ka'u Hospital
  - Yukio Okutsu Veterans Care Home

  West Hawaii Region:
  - Kona Community Hospital
  - Kohala Hospital

  Kauai Region:
  - Kauai Veterans Memorial Hospital
  - Samuel Mahelona Memorial Hospital

  Oahu Region:
  - Leahi Hospital
  - Maluhia

  Kahuku Medical Center

  The HHSC's Board of Directors is appointed by the Governor of the State of Hawaii. The HHSC is a public body corporate and politic and an instrumentality and agency of the State of Hawaii that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The HHSC's complete financial statements are available online at: *https://www.hhsc.org/about-us/hhsc-reports/*.

- ***Hawaii Tourism Authority*** – The Hawaii Tourism Authority (HTA) was established by Act 156, SLH 1998. The HTA is administratively attached to DBEDT. The HTA is responsible for developing and implementing a strategic tourism marketing plan and developing measures of effectiveness to assess the overall benefits and effectiveness of the marketing plan as it relates to the State's tourism industry, employment taxes, and lesser-known and underutilized destinations.

  Effective July 2002, in accordance with Executive Order No. 3817, the HTA assumed control and management of the Hawaii Convention Center (Center). Effective July 1, 2002, the Center, by statute, became the responsibility of the HTA. The Center offers approximately 350,000 square feet of rentable space including 51 meeting rooms.

  The HTA's Board of Directors is appointed by the Governor of the State of Hawaii. The HTA is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. Information for obtaining the HTA's complete financial statements may be obtained from the Hawaii Tourism Authority, 1801 Kalakaua Avenue, Honolulu, Hawaii 96815.

- ***Hawaii Community Development Authority*** – The Hawaii Community Development Authority (HCDA) was established by HRS Chapter 206E to join the strengths of private enterprise, public development, and regulation into a form capable of long-term planning and implementation of improved community development in the urban areas of the State of Hawaii. The HCDA was established as a body corporate and a public instrumentality of the State and is administratively attached to DBEDT. The HCDA has three Community Development Districts: Kaka‘ako, Kalaeloa and He‘eia.

  The HCDA's Board of Directors is appointed by the Governor of the State of Hawaii. The HCDA is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. Information for obtaining the HCDA's complete financial statements may be obtained from the Hawaii Community Development Authority, 547 Queen Street, Honolulu, Hawaii 96813.

- ***Hawaii Hurricane Relief Fund*** – The Hawaii Hurricane Relief Fund (HHRF) was organized pursuant to and operates in accordance with HRS Chapter 431P. The HHRF was established as a public body and a body corporate and politic and is administratively attached to the Department of Commerce and Consumer Affairs.

  The HHRF was primarily organized to provide residential and commercial hurricane property insurance coverage to Hawaii consumers in situations where insurance companies will not underwrite such business in the State. Due to the increase in availability of hurricane insurance coverage from the private sector, the HHRF ceased writing policies effective December 1, 2000. However, it was determined that the HHRF should not be dissolved as it may need to reenter the insurance market in the future.

  In the event of dissolution of the HHRF, the net monies within the hurricane reserve trust fund shall revert to the State General Fund after any payments on behalf of licensed property and casualty insurers or the State that are required to be made pursuant to any federal disaster insurance program enacted to provide insurance or reinsurance for hurricane risks.

  The HHRF's Board of Directors is appointed by the Governor of the State of Hawaii. The HHRF is financially accountable, poses a financial burden or benefit to the State, and is therefore included as a discretely presented Component Unit. Information for obtaining the HHRF's complete financial statements may be obtained from the Department of Commerce and Consumer Affairs, 335 Merchant Street, Honolulu, Hawaii 96813.

The Employees' Retirement System of the State of Hawaii (ERS), which is administered on behalf of public employees for both the State and county governments, and the Office of Hawaiian Affairs (OHA), which exists for the betterment of the conditions of native Hawaiians, are excluded from the State's reporting entity because those agencies, based on the fiscal independence and/or separate legal entity status, are not accountable to the State.

Government-Wide and Fund Financial Statements
The Government-Wide financial statements (the statement of net position and the statement of activities) report information of all of the nonfiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these Government-Wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment or component unit. Taxes and other items not included in program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position is restricted when legally enforceable enabling legislation places restrictions or when restrictions are externally imposed by citizens and/or public interest groups. Additionally, restricted net position is reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the government has other cause for reconsideration. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, Fiduciary Funds, and discretely presented Component Units. However, the Fiduciary Funds are not included in the Government-Wide financial statements. Major individual Governmental Funds and major individual Proprietary Funds are reported as separate columns in the Fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements
The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Funds Financial Statements
The Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the current fiscal year. Revenues susceptible to accrual include taxpayer-assessed tax revenues.

Taxpayer-assessed tax revenues primarily consist of income and general excise taxes. Other revenues which are not considered susceptible to accrual and, therefore, are not accrued include fines, forfeitures and penalties, licenses, permits, and franchise taxes.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs which is generally within 12 months of the end of the current fiscal year. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred as of fiscal year-end and funds are available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements
The financial statements of the Proprietary Funds, Fiduciary Funds, and Component Units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the Government-Wide financial statements described above. The financial statements of the Other Postemployment Benefits (OPEB) Trust Fund are reported as a fiduciary fund using the economic resource measurement focus and the accrual basis of accounting. Agency Funds do not have a measurement focus and report only assets and liabilities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Accounting
The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying Fund financial statements have been classified into the following major and nonmajor Governmental and Proprietary Funds. In addition, a description of the Fiduciary Funds and Component Units are as follows:

Governmental Fund Types – The State reports the following major Governmental Funds:

- ***General Fund*** – This fund is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- ***Capital Projects Fund*** – This fund accounts for substantially all of the financial resources obtained and used for the acquisition or construction of the State's capital assets and facilities. Such resources are derived principally from proceeds of general obligation and revenue bond issues, federal grants, and transfers from the Special Revenue Funds.

- ***Med-Quest Special Revenue Fund*** – This fund accounts for the State's Medicaid program through which healthcare is provided to the low-income population. The Medicaid program is jointly financed by the State and the federal government.

The nonmajor Governmental Funds are comprised of the following:

- ***Special Revenue Funds*** – These funds account for the financial resources obtained from specific revenue sources and used for restricted purposes.

- ***Debt Service Fund*** – This fund accounts for the financial resources obtained and used for the payment of principal and interest on long-term bond obligations. This fund also accounts for financial resources obtained and used to refund existing debt.

Proprietary Fund Type – Enterprise Funds – The major Enterprise Funds are comprised of the following:

- ***Department of Transportation – Airports Division*** (Airports) – Airports operates the State's airports and air navigation facilities and is responsible for general supervision of aeronautics within the State.

- ***Department of Transportation – Harbors Division*** (Harbors) – Harbors maintains and operates the State's commercial harbors system.

- ***Unemployment Compensation Fund*** – This fund accounts for the unemployment compensation benefits to qualified recipients.

The nonmajor Enterprise Funds are comprised of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), the Water Pollution Control Revolving Fund (WPCF), and the Drinking Water Treatment Revolving Loan Fund (DWTLF). The EUTF accounts for the benefits relating to active employees and beneficiaries, which includes medical, dental and life insurance coverage. The WPCF accounts for loans to county agencies for the construction of wastewater treatment facilities. The DWTLF accounts for loans to county agencies for construction of drinking water treatment facilities.

Fiduciary Fund Types –

- ***Agency Funds*** – Agency Funds account for various taxes, deposits and property held by the State, pending distribution to other governments and individuals.

- ***OPEB Trust Fund*** – This fund accounts for retiree healthcare benefits, which includes medical, dental and life insurance coverage as well as for plan assets and related expenses from the pre-funding contributions made by the State and counties. The OPEB Trust Fund meets the criteria for plans that are administered as trusts or equivalent arrangements.

Component Units – Component Units are comprised of the following:

- ***UH*** – Comprises the State's public institutions of higher education.
- ***HHFDC*** – Finances housing programs for residents of the State.
- ***HPHA*** – Manages federal and state housing programs.
- ***HHSC*** – Provides quality health care for the people of the State.
- ***HTA*** – Manages the State's convention center and markets the State's visitor industry.
- ***HCDA*** – Coordinates private and public community development for residents of the State.
- ***HHRF*** – Funds, assesses and provides, when necessary, hurricane property insurance to residents of the State.

Cash and Cash Equivalents
Cash and cash equivalents include all cash, repurchase agreements, U.S. government securities with original maturities of three months or less, and time certificates of deposit. For purposes of the statement of cash flows, the State has defined cash equivalents to be all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Receivables and Payables
Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-Wide financial statements as internal balances.

All tax and other receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

Investments
The State's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles.

Inventories
Inventories of developments in progress and units available for sale are stated at the lower of cost or estimated net realizable value, with cost being determined by the specific-identification method. All estimated carrying costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Units available for sale include constructed units, developed lots, and repurchased units available for sale. Developments in progress include construction in progress and land held for future development.

Materials and supplies inventories are stated at cost, with cost being determined principally using the first-in, first-out method.

Restricted Assets
Revenue bond indentures authorize the State's trustees to invest monies in time certificates of deposit, money market funds, and investment securities, including U.S. government or agency obligations, certain municipal bonds, and repurchase agreements. Uninsured time certificates of deposit are required to be collateralized by investment securities of an equal or greater market value. The underlying securities for repurchase agreements are required to be U.S. government or agency obligations of an equal or greater market value held by the State's agent in the State's name.

Capital Assets
Capital assets, which include land and land improvements, infrastructure assets (e.g., roads, bridges, sidewalks and similar items), buildings and improvements, equipment, and computer software, are reported in the applicable governmental and business-type activities columns, as well as the Component Units column, in the Government-Wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Major outlays for capital assets and improvements capitalized as projects are constructed to the extent the State's capitalization thresholds are met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned, on the invested proceeds over the same period.

The State's capitalization thresholds are $5,000 for equipment, and $100,000 for land and land improvements, infrastructure, and buildings and improvements. The Primary Government's capitalization threshold is $1,000,000 for purchased and internally generated software and $100,000 for other intangible assets. Component units and major enterprise funds establish separate capitalization thresholds and estimated useful lives, as appropriate. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts, and any resulting gain or loss is recognized in the statement of activities.

Capital assets of the Primary Government, as well as the Component Units, are depreciated or amortized using the straight-line method over the following estimated useful lives:

Infrastructure	12–50 years
Buildings and improvements	15–30 years
Equipment	5–7 years
Computer software	5–15 years
Other intangible assets	30 years

Works of art and historical treasures held for public exhibition, education or research in furtherance of public service, rather than financial gain, are capitalized. These items are protected, kept encumbered, conserved, and preserved by the State. It is the State's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Deferred Outflows of Resources and Deferred Inflows of Resources
Deferred outflows (inflows) of resources represent a consumption of (benefit to) net position that applies to a future period. The State defers recognition of the loss on debt refunding related to issuance of its revenue bonds and amortizes these costs over the life of the bonds using the effective interest rate method.

The deferred outflow of resources related to pensions and OPEB resulted from differences between expected and actual experiences, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion which will be amortized over five years, and the State's contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans which will be recognized as a reduction of the net pension liability and net OPEB liability in the subsequent fiscal year. The deferred inflow of resources related to pension and OPEB resulted from differences between expected and actual experiences, the net difference between projected and actual earnings and changes in proportion of the pension plan which will be amortized over five years.

Compensated Absences
It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the Government-Wide, Proprietary Funds, and Component Units financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations
In the Government-Wide financial statements, Proprietary Fund financial statements, and Component Unit financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, Proprietary Fund, or Component Units statement of net position. Initial-issue bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the effective-interest method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or the remaining life of the refunded debt. Bond issuance costs, except any portion related to prepaid insurance costs, are expensed in the period incurred. Amortization of bond premiums or discounts, prepaid insurance costs, and deferred amounts on refunding is included in interest expense.

In the Fund financial statements, Governmental Funds recognize bond premiums, discounts and prepaid insurance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Balance
In the Government-Wide financial statements and Proprietary Funds and Component Units financial statements, net position is reported in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position represents net position restricted by parties outside of the State (such as citizens, public interest groups, or the judiciary), or imposed by law through enabling legislation, and includes unspent proceeds of bonds issued to acquire or construct capital assets.

In the Fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The State classifies fund balance based primarily on the extent to which a government is bound to follow constraints on how resources can be spent in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Classifications include:

- **Restricted** – Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments. Sources of these externally enforceable legal restrictions include creditors, grantors or other governments.

- **Committed** – Balances that can only be used for specific purposes pursuant to constraints imposed by formal action (i.e., legislation) of the State's Legislature, the highest level of decision-making authority. Legislation is required to modify or rescind a fund balance commitment.

- **Assigned** – Balances that are constrained by management to be used for specific purposes, as authorized by the Hawaii Revised Statutes, but are not restricted or committed. For general fund only, encumbrance balances at fiscal year-end are classified as assigned.

- **Unassigned** – Residual balances that are not contained in the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance.

The State spends restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the State would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The following table presents the State's fund balance by major function at June 30, 2019 (amounts expressed in thousands):

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Restricted for					
Welfare	$ -	$ -	$ -	$ 6,666	$ 6,666
Highways	-	15,340	-	-	15,340
	-	15,340	-	6,666	22,006
Committed to					
General government	-	-	-	435,107	435,107
Public safety	-	-	-	78,852	78,852
Highways	-	6,013	-	-	6,013
Conservation of natural resources	-	-	-	35,655	35,655
Health	-	-	-	233,217	233,217
Welfare	-	-	-	3,710	3,710
Culture and recreation	-	-	-	31,404	31,404
	-	6,013	-	817,945	823,958
Assigned to					
General government	70,838	-	-	92,744	163,582
Public safety	19,561	-	-	53,807	73,368
Highways	3,615	-	-	187,428	191,043
Conservation of natural resources	19,651	-	-	130,797	150,448
Health	78,396	-	-	3,754	82,150
Welfare	160,397	-	35,236	-	195,633
Education	101,167	-	-	198,402	299,569
Culture and recreation	5,146	-	-	6,793	11,939
Urban development and housing	5,208	-	-	381,029	386,237
Economic development	11,263	-	-	178,009	189,272
	475,242	-	35,236	1,232,763	1,743,241
Unassigned	1,147,073	(207,608)	-	(3,364)	936,101
Total	$ 1,622,315	$ (186,255)	$ 35,236	$ 2,054,010	$ 3,525,306

The following describes the purposes, by function, for the most significant fund balances:

- **Urban development and housing** – To develop and deliver Hawaiian home lands to native Hawaiians by identifying and assessing the needs of beneficiaries of the Hawaiian Homes Commission Act; to develop, market and manage lands not immediately needed; to develop lands for homesteading and income-producing purposes; and to develop waiting lists of applicants for homestead leases.

- **Highways** – To provide a safe, efficient, accessible and sustainable inter-modal transportation system that ensures the mobility of people and enhances and/or preserves economic prosperity and the quality of life. This is accomplished through planning, designing and supervising the construction and maintenance of the State Highway System.

- **Education** – For the public education system, to serve the community by developing the academic achievement, character and social-emotional well-being of the State's students to the fullest potential and to work with partners, families and communities to ensure that all students reach their aspirations from early-learning through college, career and citizenship. For the public charter commission, to authorize high-quality public charter schools throughout the State.

- **Health** – To administer programs designed to protect, preserve, care for, and improve the physical and mental health of the people of the State.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS, and additions to/deductions from the ERS fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

Postemployment Benefits Other Than Pensions
For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Hawaii Employer-Union Health Benefits Trust Fund, and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

Nonexchange Transactions
The Enterprise Funds and Component Units recognize contributed capital as nonoperating revenues.

Medicare and Medicaid Reimbursements
Revenues from services reimbursed under Medicare and Medicaid programs are recorded at the estimated reimbursable amounts. Final determination of the amounts earned is subject to review by the fiscal intermediary or a peer review organization. The State administration's opinion is that adequate provision has been made for any adjustments that may result from such reviews.

Fair Value Measurements
The State measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value, as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- **Level 2** – Inputs other than quoted market prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.

- **Level 3** – Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

Risk Management
The State is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation. The State generally retains the first $1,000,000 per occurrence of property losses such as fires and 3% of a property's replacement cost value for catastrophic losses such as hurricanes, earthquakes and floods; the first $4,000,000 with respect to general liability claims; and the first $500,000 of losses due to crime and cyber liability. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is $200,000,000, except for terrorism, which is $100,000,000 per occurrence. The annual aggregate limit for general liability losses is $9,000,000 per occurrence, $50,000,000 for cyber liability losses and, for crime losses, the limit per occurrence is $10,000,000 with no aggregate limit. The State also has an insurance policy to cover medical malpractice risk in the amount of $35,000,000 per occurrence and $39,000,000 in the aggregate. The State is generally self-insured for workers' compensation and automobile claims.

The estimated reserve for losses and loss adjustment costs includes the accumulation of estimates for losses and claims reported prior to fiscal year-end, nonincremental estimates (based on projections of historical developments) of claims incurred but not reported, and nonincremental estimates of costs for investigating and adjusting all incurred and unadjusted claims. Amounts reported are subject to the impact of future changes in economic and social conditions. The State believes that, given the inherent variability in any such estimates, the reserves are within a reasonable and acceptable range of adequacy. Reserves are continually monitored and reviewed and, as settlements are made and reserves adjusted, the differences are reported in current operations. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.

Deferred Compensation Plan
The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the accompanying basic financial statements.

Use of Estimates
The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Newly Issued Accounting Pronouncements

GASB Statement No. 83
During fiscal year 2019, the State implemented GASB Statement No. 83, *Certain Asset Retirement Obligations.* The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations related to tangible capital assets. This statement requires recognition of a liability for legal obligations to perform asset retirement activities related to tangible capital assets. This Statement did not have any effect on the State's financial statements.

GASB Statement No. 84
The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Other than the OPEB Trust Fund, which implemented the Statement early in fiscal year 2019, the State has not yet determined the effect this Statement will have on its financial statements. Net position restricted for postemployment benefits other than pensions was $2,579,426,000 as of July 1, 2018, as restated.

GASB Statement No. 87
The GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 88
During fiscal year 2019, the State implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The applicable disclosures related to this Statement are included in the respective notes for debt.

GASB Statement No. 89
The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement replaces paragraph 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 90
The GASB issued Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 91
The GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Other than HHFDC, which implemented the Statement early in fiscal year 2019, the State has not yet determined the effect this Statement will have on its financial statements. At June 30, 2019, the HHFDC conduit debt amounted to approximately $276,946,000.

2. Cash and Investments

The Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance pools and invests any monies of the State, which in the Director of Finance's judgment, are in excess of the amounts necessary for meeting the specific requirements of the State. Investment earnings are allocated to the Primary Government based on its equity interest in the pooled monies. Legally authorized investments include obligations of or guaranteed by the U.S. government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally-insured financial institutions.

Cash
The State maintains bank accounts for various purposes at locations throughout the State and the nation. Bank deposits for the State Treasury are under the custody of the Director of Finance. For financial statement reporting purposes, cash and cash equivalents consist of cash, time certificates of deposit, and money market accounts. Cash and cash equivalents also include repurchase agreements and U.S. government securities with original maturities of three months or less.

The carrying amount of the State's unrestricted and restricted deposits (cash, time certificates of deposit, and money market accounts) for the Primary Government as of June 30, 2019 was $2,029,199,000 and $945,167,000, respectively, and unrestricted cash for the Fiduciary Funds as of June 30, 2019 was $393,616,000.

Information relating to the bank balance, insurance and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Total bank balances of deposits for the Primary Government and Fiduciary Funds amounted to approximately $2,136,808,000 at June 30, 2019. Of that amount, approximately $2,104,675,000 represents bank balances covered by federal deposit insurance or by collateral held either by the State Treasury or by the State's fiscal agents in the name of the State. Bank balances of $575,554,000 represent deposits with the U.S. Department of the Treasury for the State's Unemployment Trust Fund, which were uncollateralized, and the Special Revenue Funds' and Proprietary Funds' cash in bank, which was uninsured and uncollateralized. The Special Revenue Funds' and Proprietary Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

Investments
The State holds investments both for its own benefit and as an agent for other parties.

Further, the State pools all excess funds into an investment pool that is administered by the State Department of Budget and Finance (Budget and Finance). The pool's investment options are limited to investments listed in the HRS.

At the end of each quarter, Budget and Finance allocates the investment pool amount to each of the participants including those participants who are part of the Proprietary Funds and Fiduciary Funds. The allocation is based on the average monthly investment balance of each participant in the investment pool.

The EUTF maintains a separate investment pool. The EUTF board is responsible for safekeeping these monies and has appointed an Investment Committee responsible for investing EUTF assets in compliance with HRS Sections 87A-24(2) and 88-119. Money is invested in accordance with EUTF's investment policy.

The following table presents the fair value of the State's investments by level of input at June 30, 2019 (amounts expressed in thousands):

		Fair Value Measurements Using		
	Reported Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments − Primary government				
Investments by fair value level				
U.S. government securities	$ 2,749,621	$ 1,112,238	$ 1,637,383	$ -
Mutual funds	33,472	33,472	-	-
Commingled funds				
Domestic equity	8,845	8,845	-	-
International equity	7,102	7,102	-	-
Total investments by fair value level	2,799,040	$ 1,161,657	$ 1,637,383	$ -
Investments measured at amortized cost				
Certificates of deposit	964,234			
Investments at net asset value (NAV)				
Alternative investments	6,598			
Total investments	$ 3,769,872			
Investments – Fiduciary funds				
Investments by fair value level				
Equity securities	$ 458,650	$ 458,650	$ -	$ -
U.S. government securities	502,119	105,896	396,223	-
Mutual funds	96,493	96,493	-	-
Derivatives	(298)	-	(298)	-
	1,056,964	$ 661,039	$ 395,925	$ -
Investments at net asset value (NAV)				
Commingled funds				
Domestic equity	688,146			
International equity	606,617			
Domestic core fixed income	90,368			
Domestic inflation-linked fixed income	240,801			
Real estate	313,905			
Alternative investments	297,517			
Total investments at fair value	3,294,318			
Investments measured at amortized cost				
Certificates of deposit	91,806			
Total investments	$ 3,386,124			
Invested securities lending collateral at NAV				
Money market fund	$ 25,872			

Cash and Cash Equivalents, Certificates of Deposit, and Repurchase Agreements

The State considers all cash and investments with original maturities of three months or less to be cash equivalents. The carrying amounts reported in the Statement of Net Position for cash equivalents, certificates of deposit, and repurchase agreements are measured at amortized cost.

The following methods and assumptions were used by the State in estimating the fair value of its financial instruments:

- ***Debt securities*** – Debt securities held by the State consist of U.S. government obligations including U.S. Treasury bills and U.S. Treasury notes and bonds. The fair value of these investments are based on quoted prices in active markets or other observable inputs, including pricing matrices. These investments are categorized in either Level 1 or 2 of the fair value hierarchy.

- ***Mutual funds*** – The mutual funds held by the State are open-ended mutual funds that are registered with the Securities Exchange Commission (SEC). The fair value of these mutual funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily NAV and to transact at that price. These investments are categorized in Level 1 of the fair value hierarchy.

- ***Commingled funds*** – Investments in commingled funds are valued at the NAV of units of a bank commingled investment vehicle. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities.

- ***Money market funds*** – Investments in money market funds are valued at the NAV of the custodian bank liquid asset portfolio. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities.

The preceding measurements described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. It is likely that the State's investments have fluctuated since June 30, 2019.

(amounts expressed in thousands)	Fair Value	Unfunded Commitments	Redemption Frequency	Required Redemption Notice
Investments measured at NAV				
Commingled funds				
Domestic equity	$ 688,146	None	Daily/Quarterly	Same as trade date
International equity	606,617	None	Daily	Trade date – 1 month
Domestic core fixed income	90,368	None	Daily	Trade date – 2
Domestic inflation-linked fixed income	240,801	None	Daily	Trade date – 2
Real estate	313,905	None	Quarterly	Trade date – 30
Alternative investments	297,517	$ 387,018	Monthly/Quarterly/ Annually	Various up to trade date – 90
Total investments measured at NAV	$ 2,237,354			
Invested securities lending collateral				
Money market fund	$ 25,872			Same as trade date

- ***Domestic equity*** – Northern Trust Russell 3000 Index Fund – Lending – primary objective is to approximate the risk and return characteristics of the Russell 3000 Index. This Index is commonly used to represent the broad U.S. equity market.

- ***International equity*** – Northern Trust Common All Country World Index (ACWI) EX-US Fund – Lending – primary objective is to provide investment results that approximate the overall performance of the MSCI All Country World ex-US Index.

- ***Domestic core fixed income*** – BlackRock U.S. Debt Index Fund B – primary objective is to provide investment results that correspond generally to the price and yield performance of Barclays U.S. Aggregate Bond Index.

- ***Domestic inflation-linked fixed income*** – BlackRock U.S. Inflation-Linked Bond Fund B – primary objective is to maximize real return by investing in inflation-linked fixed income securities issued by the U.S. government.

- ***Money market fund*** – The Northern Trust Corporation Liquid Asset Portfolio is a money market fund that seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market investments.

The following table presents the State's investments by maturity period at June 30, 2019 (amounts expressed in thousands):

	Reported Value	Maturity (in years)		
		Less than 1	1−5	>5
Investments − Primary government				
Certificates of deposit	$ 964,234	$ 926,936	$ 37,298	$ -
U.S. government securities	2,749,621	1,494,928	1,254,693	-
	3,713,855	$ 2,421,864	$ 1,291,991	$ -
Mutual funds	33,472			
Commingled funds	15,947			
Alternative investments	6,598			
Total investments	$ 3,769,872			
Investments – Fiduciary funds				
Certificates of deposit	$ 91,806	$ 88,255	$ 3,551	$ -
U.S. government securities	502,119	142,332	359,787	-
Derivatives	(298)	-	(298)	-
	593,627	$ 230,587	$ 363,040	$ -
Equity securities	458,650			
Mutual funds	96,493			
Commingled funds	1,625,932			
Real estate	313,905			
Alternative investments	297,517			
Total investments	$ 3,386,124			

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the State's investment policy generally limits maturities on investments to not more than five years from the date of investment.

Credit Risk

The State's general investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating.

Custodial Risk
For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The State's investments are held at broker/dealer firms, which are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. Excess SIPC coverage is provided by the firms' insurance policies. In addition, the State requires the institutions to set aside in safekeeping certain types of securities to collateralize repurchase agreements. The State monitors the market value of these securities and obtains additional collateral when appropriate.

Concentration of Credit Risk
The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The EUTF's asset allocation and investment policy allows for active and passive investments in international securities. The foreign currency risk exposure to the State arises from the international equity investment holdings, including commingled funds, common stocks, and exchange traded funds.

Securities Lending
The EUTF participates in a securities lending program administered by its custodian bank, Northern Trust. Under this program, which is permissible by State statutes and EUTF's investment policy, certain equity securities are lent to participating broker-dealers and banks (borrowers). In return, the EUTF receives cash, securities and/or letters of credit as collateral at 102% to 105% of the principal plus accrued interest for reinvestment. The collateral is marked to market daily. If the market value of the collateral falls below the minimum collateral requirements, additional collateral is provided. Accordingly, management believes that the EUTF has no credit risk exposure to borrowers because the amounts the EUTF owed the borrowers equaled or exceeded the amounts the borrowers owed the EUTF. The contract with the EUTF requires the custodian bank to indemnify the EUTF. In the event a borrower goes into default, the custodian bank will liquidate the collateral to purchase replacement securities. Any shortfall between the replacement securities cost and the collateral value is covered by the custodian bank. All securities loans can be terminated on demand within a period specified in each agreement by either the EUTF or the borrowers.

Cash collateral is invested in a separate account by the custodian bank using approved lender's investment guidelines. As such, maturities of the investments made with cash collateral generally do not match the maturities of the securities loans. The EUTF does not impose any restrictions on the amount of loans the bank custodian makes on behalf of the EUTF. The securities lending program in which the EUTF participates only allows pledging or selling securities in the case of borrower default.

At June 30, 2019, the total securities lent for collateral amounted to $127,639,000. The total cash and noncash collateral received amounted to $25,872,000 and $104,385,000, respectively.

Each of the four commingled funds held in the EUTF investment pool participates in securities lending.

3. Capital Assets

For the fiscal year ended June 30, 2019, capital assets activity for the Primary Government (governmental activities and business-type activities) was as follows (amounts expressed in thousands):

	Governmental Activities			
	Balance at July 1, 2018	Additions	Deductions	Balance at June 30, 2019
Capital assets not being depreciated				
Land and land improvements	$ 2,345,569	$ 831,491	$ (819,399)	$ 2,357,661
Construction in progress	1,366,622	449,793	(564,998)	1,251,417
Total capital assets not being depreciated	3,712,191	1,281,284	(1,384,397)	3,609,078
Capital assets being depreciated				
Infrastructure	9,945,196	218,607	-	10,163,803
Buildings and improvements	5,092,805	312,213	(200)	5,404,818
Equipment	817,053	19,430	(10,353)	826,130
Intangible assets – software	153,687	-	-	153,687
Total capital assets being depreciated	16,008,741	550,250	(10,553)	16,548,438
Less: Accumulated depreciation and amortization				
Infrastructure	(6,329,452)	(219,547)	-	(6,548,999)
Buildings and improvements	(2,923,320)	(156,316)	400	(3,079,236)
Equipment	(545,132)	(62,655)	8,545	(599,242)
Intangible assets – software	(98,296)	(24,619)	-	(122,915)
Total accumulated depreciation and amortization	(9,896,200)	(463,137)	8,945	(10,350,392)
Total capital assets, net	$ 9,824,732	$ 1,368,397	$ (1,386,005)	$ 9,807,124

	Business-type Activities			
	Balance at July 1, 2018	Additions	Deductions	Balance at June 30, 2019
Capital assets not being depreciated				
Land and land improvements	$ 676,155	$ 13,902	$ -	$ 690,057
Construction in progress	1,452,919	588,196	(544,309)	1,496,806
Total capital assets not being depreciated	2,129,074	602,098	(544,309)	2,186,863
Capital assets being depreciated				
Land and improvements	1,461,618	432,293	-	1,893,911
Buildings and improvements	2,765,740	97,926	-	2,863,666
Equipment	351,492	15,251	(1,242)	365,501
Total capital assets being depreciated	4,578,850	545,470	(1,242)	5,123,078
Less: Accumulated depreciation				
Land and improvements	(964,420)	(51,096)	-	(1,015,516)
Buildings and improvements	(1,486,833)	(84,508)	-	(1,571,341)
Equipment	(284,101)	(15,795)	1,036	(298,860)
Total accumulated depreciation	(2,735,354)	(151,399)	1,036	(2,885,717)
Total capital assets, net	$ 3,972,570	$ 996,169	$ (544,515)	$ 4,424,224

Depreciation expense for the fiscal year ended June 30, 2019, was charged to functions/ programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities		
Highways	$	204,980
Lower education		120,027
General government		29,784
Welfare		27,505
Urban redevelopment and housing		23,795
Conservation of natural resources		19,794
Public safety		19,328
Health		7,927
Culture and recreation		5,224
Economic development and assistance		4,773
Total depreciation expense – governmental activities	$	463,137
Business-type activities		
Airports	$	121,992
Harbors		28,994
EUTF		84
DWTLF		90
WPCF		239
Total depreciation expense – business-type activities	$	151,399

4. General Obligation Bonds Payable

The State issues general obligation bonds primarily to provide for the acquisition and construction of major capital facilities. Although certain general obligation debt is being retired from the resources of the Proprietary Funds – Airports and Harbors and is recorded in those funds, all general obligation bonds are backed solely by the full faith and credit of the State.

All issues contain call provisions except Series DT, issued November 24, 2009; Series DY, issued February 18, 2010; Series EL, issued November 21, 2013; Series EX, issued October 29, 2015; Series FJ, issued October 13, 2016; and Series FR, issued December 12, 2017. Stated interest rates range from 0.80% to 5.53%.

On February 21, 2019, the State issued $431,665,000 of general obligation bonds of 2019 Series FW and $143,335,000 of taxable general obligation bonds of 2019 Series FX and FY. New issues Series FW and FX were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method. The bonds within Series FX are subject to optional redemption. The bonds within Series FW that mature on or after January 1, 2029 are subject to optional redemption with restrictions.

The State defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust, to provide for all future debt service payments on the refunding bonds. Accordingly, the trust accounts and the refunded bonds are not included in the State's basic financial statements. At June 30, 2019, $1,712,465,000 of bonds outstanding is considered defeased. At June 30, 2019, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	$ 7,056,193
Noncallable	173,640
Total general obligation bonds outstanding	7,229,833
Add: unamortized bond premium	705,575
Less: Amount recorded as a liability of proprietary funds – Harbors	(21,026)
Amount recorded in the governmental activities of the primary government	$ 7,914,382

A summary of general obligation bonds outstanding by series as of June 30, 2019, is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
DN	December 16, 2008	5.000%	August 1, 2019	$ 100,000	$ 1,825
DQ	June 23, 2009	3.600%–5.000%	June 1, 2020–2026	500,000	17,860
DS	November 5, 2009	0.800%–1.450%	September 15, 2019–2024	32,000	17,760
DT	November 24, 2009	3.500%–5.000%	November 1, 2019	204,140	38,090
DX	February 18, 2010	4.450%–5.530%	February 1, 2020–2030	500,000	380,150
DY	February 18, 2010	4.000%–5.000%	February 1, 2020	221,625	41,225
DZ	December 7, 2011	3.500%–5.000%	December 1, 2019–2031	800,000	74,835
EA	December 7, 2011	3.000%–5.000%	December 1, 2019–2023	403,455	269,610
EE	December 4, 2012	1.000%–5.000%	November 1, 2019–2032	444,000	200,360
EF	December 4, 2012	5.000%	November 1, 2019–2024	396,990	312,100
EG	December 4, 2012	1.600%–3.625%	November 1, 2019–2032	26,000	23,245
EH	November 21, 2013	4.000%–5.000%	August 1, 2019–2033	635,000	374,455
EL	November 21, 2013	1.500%–5.000%	August 1, 2019–2023	50,860	37,730
EM	November 21, 2013	2.450%–4.800%	August 1, 2019–2033	25,000	23,810
EN	November 21, 2013	2.450%–4.800%	August 1, 2019–2033	29,795	27,930
EO	November 25, 2014	3.000%–5.000%	August 1, 2019–2034	575,000	546,130
EP	November 25, 2014	5.000%	August 1, 2019–2026	209,015	209,015
EQ	November 25, 2014	2.035%–3.915%	August 1, 2019–2034	25,000	25,000
ET	October 29, 2015	2.000%–5.000%	October 1, 2019–2035	190,000	182,640
EU	October 29, 2015	2.000%–3.500%	October 1, 2019–2035	35,000	33,465
EX	October 29, 2015	2.000%–4.000%	October 1, 2019–2025	25,035	25,035
EY	October 29, 2015	5.000%	October 1, 2020–2027	212,120	212,120
EZ	October 29, 2015	5.000%	October 1, 2019–2028	215,590	215,590
FA	October 29, 2015	1.950%–4.400%	October 1, 2019–2035	25,000	23,935
FB	April 14, 2016	3.000%–5.000%	April 1, 2020–2036	500,000	481,535
FC	April 14, 2016	1.660%–1.750%	April 1, 2020–2021	25,000	10,195
FE	April 14, 2016	3.000%–5.000%	October 1, 2019–2028	219,690	219,690
FF	April 14, 2016	1.309%–2.902%	October 1, 2019–2028	119,730	119,730
FG	October 13, 2016	3.000%–5.000%	October 1, 2019–2036	375,000	375,000
FH	October 13, 2016	3.000%–5.000%	October 1, 2021–2031	379,295	379,295
FI	October 13, 2016	2.000%–5.000%	October 1, 2021–2033	2,710	2,710
FJ	October 13, 2016	1.151%–1.921%	October 1, 2019–2022	25,000	20,130
FK	May 24, 2017	2.000%–5.000%	May 1, 2020–2037	575,000	575,000
FN	May 24, 2017	5.000%	October 1, 2021–2031	229,355	229,355
FO	May 24, 2017	1.850%–2.250%	May 1, 2020–2021	37,500	37,500
FP	May 24, 2017	1.850%–3.940%	May 1, 2020–2037	7,500	7,500
FR	December 12, 2017	2.000%–2.180%	October 1, 2019–2021	15,090	11,430
FS	December 12, 2017	2.220%–2.950%	October 1, 2022–2033	275,363	275,363
FT	February 14, 2018	3.000%–5.000%	January 1, 2022–2038	631,215	631,215
FU	February 14, 2018	2.200%–2.750%	January 1, 2020–2021	50,000	33,605
FW	February 21, 2019	2.000% - 5.000%	January 1, 2023-2039	431,665	431,665
FX	February 21, 2019	2.650% - 3.250%	January 1, 2020-2022	75,000	75,000
					$ 7,229,833

The general obligation bonds outstanding financed the Hawaiian Home Lands Trust settlement and the acquisition, construction, extension or improvement of various public improvement projects, including public buildings and facilities, public schools, community college and university facilities, public libraries and parks, and for other public purposes.

A summary of the general obligation bond premium activity for fiscal year 2019 is as follows (amounts expressed in thousands):

Balance – July 1, 2018	$ 741,508
GO bond series FW – FY	69,962
Current-year amortization	(105,895)
Balance – June 30, 2019	$ 705,575

A summary of debt service requirements to maturity on the governmental activities' general obligation bonds is as follows (amounts expressed in thousands):

	Principal	Interest	Total
Fiscal Year			
2020	$ 519,259	$ 302,563	$ 821,822
2021	476,449	283,844	760,293
2022	481,937	263,143	745,080
2023	459,674	241,917	701,591
2024	467,385	220,334	687,719
2025–2029	2,132,020	786,632	2,918,652
2030–2034	1,645,925	338,767	1,984,692
2035–2039	739,365	68,591	807,956
	$ 6,922,014	$ 2,505,791	$ 9,427,805

A summary of debt service requirements to maturity on the governmental activities' direct placements is as follows:

	Principal	Interest	Total
Fiscal Year			
2020	$ 3,730	$ 7,329	$ 11,059
2021	3,810	7,252	11,062
2022	3,890	7,169	11,059
2023	19,971	6,905	26,876
2024	20,424	6,451	26,875
2025–2029	109,766	24,612	134,378
2030–2034	125,202	9,176	134,378
	$ 286,793	$ 68,894	$ 355,687

A summary of debt service requirements to maturity on the business-type activities' general obligation bonds are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2020	$ 2,336	$ 1,044	$ 3,380
2021	2,450	930	3,380
2022	2,573	808	3,381
2023	2,701	680	3,381
2024	2,835	546	3,381
2025–2028	8,131	804	8,935
	$ 21,026	$ 4,812	$ 25,838

The State Constitution limits the amount of general obligation bonds which may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit on the aforementioned issues. The legal debt margin at June 30, 2019 was $576,777,000.

At June 30, 2019, general obligation bonds authorized but unissued were approximately $2,305,793,000.

5. Revenue Bonds Payable

Governmental Activities

Revenue bonds are payable from and collateralized by each Department's revenues generated from certain capital improvement projects. On August 25, 2017, the Department of Hawaiian Home Lands (DHHL) issued $30,940,000 in State of Hawaii Revenue Bonds, Series 2017, with interest rates ranging from 3.00% to 5.00% to refund State of Hawaii Revenue Bonds, Series 2009 previously issued by DHHL. The bonds are payable on April 1 and October 1, annually through 2032.

On September 8, 2016, the Department of Transportation – Highways Division (Highways) issued $103,395,000 in State of Hawaii Highway Revenue Bonds of 2016, Series A, with interest rates ranging from 1.25% to 5.0% to provide funds for certain highway capital improvement projects. The bonds are payable annually on January 1 through 2036.

On September 8, 2016, Highways issued $101,090,000 in State of Hawaii Highway Revenue Bonds of 2016, Series B, with interest rates ranging from 2.0% to 5.0% to refund certain outstanding Highway Revenue Bonds. The bonds are payable annually on January 1, commencing 2021 through 2030.

On November 13, 2014, the DBEDT issued $150,000,000 in State of Hawaii Green Energy Market Securitization Bonds of 2014, Series A, to provide funds for environmentally beneficial projects. The Series A is comprised of Tranche A-1 for $50,000,000 and Tranche A-2 for $100,000,000. The interest rate for Tranche A-1 is 1.467%, with bonds payable semi-annually on January 1 and July 1 through 2020. The interest rate for Tranche A-2 is 3.242%, with bonds payable semi-annually beginning July 1, 2020 through January 1, 2029. Both tranches have a final maturity date which is two years later than the scheduled final payment date to allow for any final true-ups for balances owed.

On August 14, 2014, Highways issued $103,375,000 in State of Hawaii Highway Revenue Bonds of 2014, Series A, with interest rates ranging from 2.0% to 5.0% to provide funds for certain highway capital improvement projects. The bonds are payable annually on January 1 through 2034.

On August 14, 2014, Highways issued $32,285,000 in State of Hawaii Highway Revenue Bonds of 2014, Series B, with interest rates ranging from 3.0% to 5.0% to advance refund $36,195,000 of certain highway revenue bonds previously issued. The bonds are payable annually on January 1 through 2026.

On December 15, 2011, Highways issued $112,270,000 in State of Hawaii Highway Revenue Bonds of 2011, Series A, with interest rates ranging from 0.75% to 5.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on January 1 through 2032.

On December 15, 2011, Highways issued $5,095,000 in State of Hawaii Highway Revenue Bonds of 2011, Series B, with an interest rate of 4.0% to advance refund $5,400,000 of certain outstanding highway revenue bonds previously issued. The bond is payable on January 1, 2023.

On December 17, 2008, Highways issued $125,175,000 in State of Hawaii Highway Revenue Bonds, Series 2008, with interest rates ranging from 4.0% to 6.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on January 1 through 2029.

On March 15, 2005, Highways issued $123,915,000 of State of Hawaii Highway Revenue Bonds of 2005, Series B, with interest rates ranging from 3.0% to 5.25% to advance refund $128,705,000 of certain outstanding highway revenue bonds previously issued. The bonds are payable annually on July 1 through 2021.

On July 1, 1998, Highways issued State of Hawaii Highway Revenue Bonds, Series of 1998, in the principal amount of $94,920,000. Bond proceeds related to this issue amounted to $97,542,000, of which $71,921,000 was used to finance certain highway improvements and other related projects for the state highways system, and $25,621,000 was used to advance refund certain outstanding highway revenue bonds. The difference in the principal amount and proceeds relates to bond premium and accrued interest. The bonds bear interest ranging from 4.5% to 5.5% and matured on July 1, 2018.

The bonds are payable solely from and collateralized by the revenues, consisting primarily of highway fuel taxes, vehicle registration fees, vehicle weight taxes, and rental motor vehicle and tour vehicle surcharge taxes.

In addition to the proceeds from the State of Hawaii Highway Revenue Bonds of 2005, Series B, the proceeds of the State of Hawaii Highway Revenue Bond of 2011, and a portion of the proceeds of the State of Hawaii Highway Revenue Bonds, Series of 1998 (see above) were placed in irrevocable trusts and used to purchase securities of the U.S. government to meet the debt service requirements of the refunded bonds.

The liabilities for the refunded bond issues and the related securities and trust accounts are not included in the accompanying basic financial statements, as DHHL and Highways defeased their obligations for payment of those bonds upon completion of those refunding transactions.

The following is a summary of the State's revenue bonds issued and outstanding at June 30, 2019 (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
Highways					
2005 B	March 15, 2005	5.25%	July 1, 2019–2021	$ 123,915	$ 20,285
2008	December 17, 2008	5.00%	January 1, 2020	125,175	6,115
2011A	December 15, 2011	2.50%–5.00%	January 1, 2020–2032	112,270	42,650
2011B	December 15, 2011	4.00%	January 1, 2023	5,095	5,095
2014A	August 14, 2014	5.00%	January 1, 2020–2034	103,375	86,435
2014B	August 14, 2014	5.00%	January 1, 2020–2026	32,285	24,060
2016A	September 8, 2016	1.25%–5.00%	January 1, 2020–2036	103,395	94,585
2016B	September 8, 2016	4.00%–5.00%	January 1, 2021–2030	101,090	100,270
DHHL					
2017	August 25, 2017	3.00%–5.00%	April 1, 2020–2032	30,940	28,265
DBEDT					
2014A-A1	November 13, 2014	1.467%	July 1, 2022	50,000	12,244
2014A-A2	November 13, 2014	3.242%	January 1, 2031	100,000	100,000
					520,004
Add: Unamortized bond premium					51,302
					$ 571,306

A summary of the revenue bond premium activity for fiscal year 2019 is as follows (amounts expressed in thousands):

	Revenue Bonds
Balance – July 1, 2018	$ 59,078
Current-year amortization	(7,776)
Balance – June 30, 2019	$ 51,302

Debt service requirements to maturity on revenue bonds are aggregated below (amounts expressed in thousands):

	Principal	Interest	Total
Fiscal Year			
2020	$ 41,324	$ 22,388	$ 63,712
2021	42,381	20,718	63,099
2022	40,066	19,014	59,080
2023	37,107	17,425	54,532
2024	38,515	16,024	54,539
2025–2029	204,676	53,789	258,465
2030–2034	101,045	15,845	116,890
2035–2036	14,890	899	15,789
	$ 520,004	$ 166,102	$ 686,106

Business-Type Activities
Revenue bonds are backed by a pledge of resources derived from users of the related facilities and are not supported by the full faith and credit of the State.

Airports System Revenue Bonds
The Airports system revenue bonds are payable solely from and collateralized by airport revenues, which include all aviation fuel taxes levied. The Airports system revenue bonds are subject to redemption at the option of the Department of Transportation (DOT) and the State during specific years at prices ranging from 102% to 100% of principal.

The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2019 (amounts expressed in thousands):

Series	Interest Rates	Final Maturity Date (July 1)	Original Amount of Issue	Outstanding Amount
2010A, refunding	2.00%–5.25%	2039	$ 478,980	$ 476,430
2010B, refunding	3.00%–5.00%	2020	166,000	43,815
2011, refunding	2.00%–5.00%	2024	300,885	170,565
2015A, non-refunding	4.125%–5.00%	2045	235,135	235,135
2015B, non-refunding	4.00%	2045	9,125	9,125
2018A, non-refunding	5.00%	2048	388,560	388,560
2018B, non-refunding	3.00%–5.00%	2027	26,125	26,125
			$ 1,604,810	1,349,755
Add: Unamortized premium				75,292
Less: Unamortized discount				(49)
				1,424,998
Less: Current portion				(42,585)
Noncurrent portion				$ 1,382,413

In August 2018, Airports executed two forward delivery bond purchase contracts relating to its $93,175,000 Airports System Revenue Bonds, Refunding Series 2018C and $142,150,000 Airports System Revenue Bonds, Refunding Series 2018D. Subject to the terms of such contracts, Airports expects to issue and deliver the Series 2018C Bonds and the Series 2018D Bonds in April 2020 to refund $245,385,000 of outstanding Series 2010A Bonds on July 1, 2020.

Airports entered into these agreements with the respective purchasers for the purpose of effecting a refunding of an outstanding issue that cannot be advance refunded.

On August 9, 2018, the purchaser agreed to purchase the Series 2018C Bonds in the principal amount of $93,175,000 for the amount of $93,175,000. The Series 2018C Bonds will bear an interest rate of 3.58% and maturity dates ranging from 2021–2028.

On August 9, 2018, the purchaser agreed to purchase the Series 2018D Bonds in the principal amount of $142,150,000 at a price of $154,466,536. The Series 2018D Bonds will bear an interest rate of 5.00% with maturity dates ranging from 2029–2034.

Airports Special Facility Leases and Revenue Bonds
Airports entered into two special facility lease agreements with Continental Airlines, Inc. (Continental) in November 1997 and July 2000. The construction of the related facilities was financed by special facility revenue bonds issued by Airports in the amounts of $25,255,000 and $16,600,000, respectively. The $16,600,000 special facility revenue bond was called in full on May 18, 2015. The remaining bond is payable solely from and collateralized solely by certain rentals and other monies derived from the special facility.

$25,255,000 Issue
The bonds bear interest at 5.625% per annum, and are subject to redemption on or after November 15, 2007 at the option of Airports upon the request of Continental at prices ranging from 101% to 100%, depending on the dates of redemption, or at 100% plus interest, if the facilities are destroyed or damaged extensively.

Interest-only payments of $611,000 are due semiannually on May 15 and November 15 of each year until the bonds mature on November 15, 2027, at which time the entire principal amount is due.

Special facility revenue bonds payable at June 30, 2019 consisted of $21,725,000, and is classified as noncurrent.

The special facility lease is accounted for and recorded as a direct financing lease. The remaining lease payments to be paid by the lessees (including debt service requirements on the special facility revenue bonds) are recorded as a restricted asset, and the special facility revenue bonds outstanding are recorded as a liability in the accompanying basic financial statements.

In July 2017, Airports issued $249,805,000 of Airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2017A) at interest rates ranging from 1.70% to 4.14%. The Series 2017 Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirement for the Series 2017 Bonds and to pay certain costs of issuance relating to the Series 2017 bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the Rental Motor Vehicle Customer Facility Charge imposed by the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports system.

Harbors Revenue Bonds
The Harbors revenue bonds are collateralized by a charge and lien on the gross revenues of the commercial harbors system and upon all improvements and betterments thereto, and all funds and securities created in whole or in part from revenues or from the proceeds of any bonds issued. The Harbors revenue bonds are subject to redemption at the option of the DOT and the State during specific years at prices ranging from 102% to 100% of face value.

The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2019 (amounts expressed in thousands):

Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Current: Principal Due July 1, 2019	Current: Due January 1, 2020	Total	Noncurrent
2010	July 1, 2040	3.00%–5.75%	$ 201,390	$ 5,755	$ -	$ 5,755	$ 154,520
2013	July 1, 2029	3.25%	23,615	3,210	-	3,210	13,405
2016	January 1, 2031	1.99%–3.09%	113,660	3,550	4,850	8,400	91,565
			$ 338,665	$ 12,515	$ 4,850	17,365	259,490
Add: Unamortized premium (discount)						15	(53)
						$ 17,380	$ 259,437

Debt service requirements to maturity on the business-type activities' revenue bonds for fiscal years ending June 30 are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2020	$ 65,070	$ 85,330	$ 150,400
2021	67,205	85,430	152,635
2022	70,100	82,418	152,518
2023	73,245	79,242	152,487
2024	72,225	76,041	148,266
2025–2029	298,285	338,604	636,889
2030–2034	269,405	273,751	543,156
2035–2039	315,140	203,212	518,352
2040–2044	362,040	119,008	481,048
2045–2049	300,395	35,125	335,520
	$ 1,893,110	$ 1,378,161	$ 3,271,271

The above debt service requirements are set forth based upon funding requirements. Principal and interest payments are required to be funded in the twelve-month and six-month periods, respectively, preceding the date on which the payments are due.

Revenue Bonds Authorized, but Unissued
At June 30, 2019, revenue bonds authorized, but unissued, were approximately $5,542,247,000.

Special Purpose Revenue Bonds
HRS Chapter 39A authorizes the State (with legislative approval) to issue special purpose revenue bonds. Proceeds from those bonds are loaned to certain enterprises for projects deemed to be in the public interest. The bonds are not general obligations of the State and are payable solely from monies received by the State under project agreements with the recipients of the bond proceeds. Accordingly, the State has not included those bonds in its basic financial statements. Bonds outstanding at June 30, 2019 amounted to approximately $1,322,112,000. At June 30, 2019, special purpose revenue bonds of $1,402,599,000 were authorized, but unissued.

6. Changes in Long-Term Liabilities

Changes in the long-term liabilities for the Primary Government (governmental activities and business-type activities) were as follows (amounts expressed in thousands):

	Governmental Activities				
	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General obligation bonds payable	$ 6,880,245	$ 575,000	$ (533,231)	$ 6,922,014	$ 519,259
Add: Unamortized premium	741,508	69,962	(105,895)	705,575	97,413
Direct placements	290,453	-	(3,660)	286,793	3,730
Total general obligation bonds payable	7,912,206	644,962	(642,786)	7,914,382	620,402
Revenue bonds payable	573,995	-	(53,991)	520,004	41,324
Add: Unamortized premium	59,078	-	(7,776)	51,302	7,358
Total revenue bonds payable	633,073	-	(61,767)	571,306	48,682
Accrued vacation payable	233,747	116,342	(119,910)	230,179	87,238
Reserve for losses and loss adjustment costs	247,254	75,059	(45,820)	276,493	44,282
Net pension liability	6,499,819	380,677	(257,948)	6,622,548	-
Net other postemployment benefits liability	6,666,282	701,036	(631,228)	6,736,090	-
Capital lease obligations	129,897	-	(6,975)	122,922	7,772
Total	$ 22,322,278	$ 1,918,076	$ (1,766,434)	$ 22,473,920	$ 808,376

	Business-type Activities				
	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General obligation bonds payable, net	$ 23,255	$ -	$ (2,229)	$ 21,026	$ 2,336
Revenue bonds payable	1,540,965	414,685	(62,540)	1,893,110	65,070
Add: Unamortized premium, net	26,340	52,677	(3,812)	75,205	15
Total revenue bonds payable	1,567,305	467,362	(66,352)	1,968,315	65,085
Accrued vacation and retirement benefits payable	15,570	7,690	(7,245)	16,015	4,948
Reserve for losses and loss adjustment costs	5,178	1,982	(1,824)	5,336	1,840
Net pension liability	211,957	20,130	(17,185)	214,902	-
Net other postemployment benefits liability	230,905	18,789	(16,527)	233,167	-
Capital lease obligations	244,979	-	(8,832)	236,147	11,216
Prepaid airport use charge fund	19,194	118	(19,000)	312	-
Loan payable	76,000	-	-	76,000	76,000
Total	$ 2,394,343	$ 516,071	$ (139,194)	$ 2,771,220	$ 161,425

The accrued vacation liability attributable to the governmental activities will be liquidated by the State's governmental funds. Approximately 82%, 17%, and 1% of the accrued vacation liability has been paid by the General Fund, Special Revenue Funds, and Capital Projects Fund, respectively, during the fiscal year ended June 30, 2019.

7. Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2019 (amounts expressed in thousands):

	Due From	Due To
Governmental Funds		
General Fund		
Special Revenue Funds	$ 63,989	$ -
Med-Quest Special Revenue Fund	152,077	-
Proprietary Fund	20	-
	216,086	-
Capital Projects Fund		
Proprietary Fund	1,597	-
Med-Quest Special Revenue Fund		
General Fund	-	152,077
Nonmajor Governmental Funds		
General Fund	-	63,989
Proprietary Funds		
Airports	-	20
Harbors	-	1,597
	-	1,617
	$ 217,683	$ 217,683

The interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occurred, transactions are recorded, and payment between funds are made.

8. Transfers

Transfers between funds occur when a fund receiving revenues transfers resources to a fund where the resources are to be expended, or when nonrecurring or nonroutine transfers between funds occur. For the fiscal year ended June 30, 2019, transfers by fund were as follows (amounts expressed in thousands):

	Transfers In	Transfers Out
Governmental Funds		
General Fund		
Med-Quest Special Revenue Fund	$ 21,728	$ 3,764
Capital Projects Fund	-	13,209
Nonmajor Governmental Funds	62,713	870,076
	84,441	887,049
Capital Projects Fund		
General Fund	13,209	-
Nonmajor Governmental Funds	155,377	1,563
	168,586	1,563
Med-Quest Special Revenue Fund		
General Fund	3,764	21,728
Nonmajor Governmental Funds	83	485
	3,847	22,213
Nonmajor Governmental Funds		
General Fund	870,076	62,713
Capital Projects Fund	1,563	155,377
Med-Quest Special Revenue Fund	485	83
Other Nonmajor Governmental Funds	85,775	85,775
	957,899	303,948
	$ 1,214,773	$ 1,214,773

The General Fund transferred approximately $774,990,000 to the Nonmajor Governmental Funds for debt service payments and approximately $98,850,000 to subsidize various Special Revenue Funds' programs, and approximately $13,209,000 to the Capital Projects Fund to finance capital projects. Approximately $155,377,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

9. Leases

Lease Commitments

Governmental Activities

The State leases office facilities and equipment under various operating leases expiring through fiscal 2029. Future minimum lease commitments for noncancelable operating leases as of June 30, 2019, were as follows (amounts expressed in thousands):

Fiscal Year		
2020	$	19,642
2021		14,700
2022		11,320
2023		5,814
2024		2,584
2025–2029		600
Total future minimum lease payments	$	54,660

Rent expenditures for operating leases for the fiscal year ended June 30, 2019 amounted to approximately $35,464,000.

On July 25, 2017, the State issued $15,125,000 in Certificates of Participation (COPS) 2017 Series A to fully refund $24,500,000 of the 2009 Series A Certificate which proceeds were used to purchase the Kapolei State Office Building and Capitol District Building. Wells Fargo Bank, NA was paid $18,739,000 by the Bank of New York Mellon Trust Company, NA on August 25, 2017 from the net proceeds of $20,292,000 which include original issue premium of $2,614,000 and funds on hand of $2,553,000. The remaining amounts of $152,000 was used as cost of issuance and $1,401,000 was deposited to Certificate Reserve Fund. Payments of principal and interest commenced on November 1, 2017 and will be payable every May 1 and November 1 until 2031, with interest rates ranging from 2% to 4% until 2022 and fixed at 5% starting in 2023.

An equipment lease purchase agreement between the Department of Transportation Highways Division and Johnson Controls, Inc. was entered into on July 8, 2015 to fund the construction, acquisition and installation of energy conservation systems throughout the State. The proceeds of $60,286,091 were deposited into an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the Highways Division. Payments commenced on August 1, 2017 and continue through August 1, 2031 at an interest rate of 2.63%.

An equipment lease purchase agreement between DAGS and Banc of America Public Capital Corp. was entered into on August 1, 2013, to fund the construction, acquisition and installation of energy conservation systems throughout the State. The proceeds of $18,835,000 were deposited in an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the State. Payments commenced on March 20, 2014 and continue through September 20, 2033 at an interest rate of 3.63%.

On April 14, 2011, an equipment lease purchase agreement between the Department of Public Safety and Capital One Public Funding, LLC was entered into, to fund the acquisition and installation of energy conservation equipment at the Halawa Correctional Facility and Oahu Community Correctional Center. An escrow agent to provide for future vendor payments as requested by the State deposited the proceeds of $25,512,000 in an escrow fund. Payments commenced on May 1, 2012 and continue through November 1, 2030 at an interest rate of 5.021%.

An equipment lease purchase agreement between the DAGS and Capital One Public Funding, LLC was entered into on September 3, 2009, to fund the acquisition and installation of energy conservation equipment at various State buildings in the downtown Honolulu district. The proceeds of $12,377,000 were deposited in an escrow fund by an escrow agent to provide for future vendor payments as requested by the State. Payments commenced on June 1, 2010 and continue through June 1, 2026 at an interest rate of 5.389%.

On November 5, 2009, the State issued $41,120,000 in COPS 2009 Series A to fully refund $47,185,000 of the 1998 Series A Certificates and the 2000 Series A Certificates, which proceeds were used to purchase the Kapolei State Office Building and the Capitol District Building. The net proceeds of $43,490,000 (including a premium of $2,876,000 and after-payment of $503,000 in underwriting fees) were deposited to the Depository Trust Company in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding COPS. As a result, these certificates are considered to be defeased, and the liability for these certificates has been removed from the Government-Wide financial statements. Due to the advance refunding, the State reduced its total debt service payments over the next ten years by $7,487,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7,061,000. Payments commenced on May 1, 2010 and continue through May 1, 2020 with interest rates ranging from 2.0% to 5.0%. The 2009 Series A Certificates are subject to prepayment prior to their maturity dates in the event of a casualty loss or governmental taking of all or a portion of the premises subject to the leases but are not otherwise subject to prepayment prior to maturity.

Future minimum lease payments for these capital leases are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2020	$ 7,772	$ 4,460	$ 12,232
2021	6,481	4,154	10,635
2022	7,037	3,898	10,935
2023	7,761	3,620	11,381
2024	8,457	3,312	11,769
2025–2029	48,712	11,298	60,010
2030–2034	36,702	2,398	39,100
Total future minimum lease payments	$ 122,922	$ 33,140	$ 156,062

Capital assets acquired under these capital leases are as follows (amounts expressed in thousands):

Asset type		
Buildings and improvements	$	56,245
Equipment		117,010
Total assets	$	173,255

Business-Type Activities

Airports – Lease Revenue Certificates of Participation
Airports entered into a lease agreement with Johnson Controls, Inc. in December 2013. The costs relating to the lease and installation of certain equipment to implement the energy performance contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of $167,740,000 at interest rates ranging from 3.00% to 5.25%.

On April 13, 2016, Airports entered into a lease agreement with Johnson Controls, Inc. amending the Energy Performance Contract dated December 19, 2013 to finance improvements to Daniel K. Inouye International Airport's cooling infrastructure. The costs relating to the lease and installation of certain equipment to implement the third amendment to the Energy Performance Contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of $8,056,521 at an interest rate of 1.74%.

On March 31, 2017, Airports entered into a lease agreement with Johnson Controls, Inc. amending the Energy Performance Contract dated December 19, 2013 to finance improvements to the lighting infrastructure at multiple airports. The costs relating to the purchase and installation of certain equipment to implement the fourth amendment to the Energy Performance Contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of $51,473,427 at an interest rate of 2.87%.

The lease revenue COPS are payable from revenue derived by Airports from the ownership and operation of the Airports system and the receipts from aviation fuel taxes imposed by the State. The COPS represent participation in equipment lease rent payments made by the Department of Transportation. Lease rent payments to holders of the COPS are payable from revenues and aviation fuel taxes, subordinate in right of payments of debt service on bonds.

The outstanding lease revenue certificates of participation contain a provision that if the Airports Division is unable to make payment, outstanding amounts are due immediately. The lease revenue certificates of participation contains a subjective acceleration clause that allows the holders to accelerate payment of the entire principal amount to become immediately due if the holders determine that a material adverse change occurs.

At June 30, 2019, the outstanding balance of the lease revenue COPS and the unamortized premium were approximately $208,848,000 and $1,835,000, respectively. Future lease rent payments for the lease revenue COPS as of June 30, 2019 are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2020	$ 10,301	$ 9,040	$ 19,341
2021	12,115	8,551	20,666
2022	13,753	7,982	21,735
2023	15,204	7,343	22,547
2024	17,224	6,633	23,857
2025–2029	117,154	18,370	135,524
2030–2034	23,097	1,730	24,827
	$ 208,848	$ 59,649	$ 268,497

Lease Rentals

Airports – Airport-Airline Lease Agreement
The DOT and the airline companies serving the Airports system (signatory airlines) operated pursuant to an airport-airline lease agreement that was originally set to expire on July 31, 1992. Under the lease agreement, the signatory airlines each have the nonexclusive right to use the facilities, equipment, improvements and services of the Airports system and to occupy certain premises and facilities thereon. The lease agreement was extended under a series of five subsequent agreements, the last of which was executed in June 1994, and extended the expiration date to June 30, 1997 (hereafter the lease agreement and the five subsequent agreements are collectively referred to as the "lease extension agreement"). The lease extension agreement contains a provision under which the expiration date is automatically extended on a quarterly basis after June 30, 1997, unless terminated by either party upon at least 60 days prior written notice. In October 2007, the DOT and a majority of the signatory airlines executed the first amended lease extension agreement effective January 1, 2008.

Under the first amended lease extension agreement, the Airports system rates and charges are calculated using a rate-making methodology that recovers costs of specific airport system facilities from the signatory airlines that directly use them. The Airports system rates and charges consist of the following: (1) exclusive-use terminal charges based on a cost center residual rate-setting methodology and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space, except for commuter terminal space) based on a cost center residual rate-setting methodology and recovered on a per enplaning or deplaning passenger basis, (3) commuter terminal charges based on appraisal and recovered on a per enplaning passenger basis, (4) international arrivals building charges based on a cost center residual rate-setting methodology and recovered on a per deplaning international passenger basis, (5) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (6) system support charges based on an Airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Airports – Prepaid Airport Use Charge Fund
The DOT and the signatory airlines entered into an agreement in August 1995 to extend the prepaid airport use charge fund (PAUCF). Net excess payments for fiscal years 1996 through 2018 have been transferred to the PAUCF.

Airports – Aviation Fuel Tax
In May 1996, the Department of Taxation issued a tax information release which stated that, effective July 1, 1996, the Hawaii fuel tax will not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination. The aviation fuel tax amounted to approximately $2,608,000 for fiscal year 2019.

Airports – System Rates and Charges
Signatory and non-signatory airlines were assessed the following rates and charges:

- Landing fees amounted to approximately $85,492,000 for fiscal year 2019. Airport landing fees are shown, net of aviation fuel tax credits of approximately $2,503,000, for fiscal year 2019 on the statement of revenues, expenses and changes in net position, which resulted in net airport landing fees of approximately $82,988,000 for fiscal year 2019. Airport landing fees are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. Airport interisland landing fees for signatory airlines were set at 46% of the airport landing fees for overseas flights for fiscal year 2019, and are scheduled to increase 1% annually until it reaches 100%.
- Nonexclusive joint-use premise charges for terminal rentals amounted to approximately $79,560,000 for fiscal year 2019. Overseas and interisland joint-use premise charges were established to recover Airports system costs allocable to the overseas and interisland terminals joint-use space based on terminal rental rates, and are recovered based on a computed rate per enplaning or deplaning passenger.
- Exclusive use premise charges amounted to approximately $60,790,000 for fiscal year 2019, and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to approximately $28,805,000 for fiscal year 2019.

Airports – Other Operating Leases
Airports leases certain building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of those leases range from 4 to 15 years for concessionaires and up to 65 years for other airport users. Concessionaire lease rentals are generally based on the greater of a percentage of sales or a minimum guarantee. Percentage rent included in concession fees revenues for the fiscal year ended June 30, 2019 was approximately $87,677,000.

Concession fees revenues from the DFS Group L.P. (DFS), which operates the in-bond (duty free) concession, the Honolulu International Airport retail concession, and the Kahului retail concession, accounted for approximately 22% of total concession fees revenues for the fiscal year ended June 30, 2019.

DFS was awarded a ten-year lease agreement for the in-bond concessions with the term commencing on June 1, 2007, and terminating on May 31, 2017. On August 31, 2010, the lease was amended under provisions of Act 33, 2009, Hawaii Session Laws 883.

Effective October 31, 2014, the in-bond concession lease agreement was amended and the lease was extended through May 31, 2027. The amended lease contract provides (1) for the period from June 1, 2017 through May 31, 2019, $40 million, (2) for the period of June 1, 2019 through May 31, 2020, $47.5 million, (3) for the period June 1, 2020 through May 31, 2021, 85% of the actual annual fee paid and payable (either minimum annual guarantee (MAG) rent or percentage rent) for the previous year, (4) for the period of June 1, 2021 through May 31, 2022, the same as the previous year, (5) for the period of June 1, 2022 through May 31, 2023, 85% of the actual fee paid and payable for the previous year, and (6) for the period from June 1, 2023 through May 31, 2027, the same as the MAG rent for the period of June 1, 2022 through May 31, 2023. The percentage fee for the extension period will be set at 30% of gross receipts from on-airport sales and 18% of gross receipts from off-airport sales. Percentage fee for merchandise converted from duty free status to duty paid status shall be 1.25%, and the concession fee for items that are "High Price/Low Margin Merchandise" shall be 2.5% of the gross receipts from the sale. In addition, DFS agreed to pay $27.9 million for improvements to the Central Waiting Lobby Building at Daniel K. Inouye International Airport.

In March 2009, DFS was awarded a five-year lease agreement for the retail concession at the Daniel K. Inouye International Airport, with the term commencing on April 1, 2009, and scheduled to terminate on March 14, 2014. Rents were computed as the higher of (1) percentage rent of 20% of gross receipts, and (2) MAG rent (85% of the actual annual fee paid for the preceding year). The lease agreement was extended for a holdover period through March 31, 2015. During the holdover period, the MAG rent was $12 million. Subsequently, on October 31, 2014, the lease agreement was amended to extend the term through March 31, 2025. The amendment provided that the MAG rent be $12 million for the period April 1, 2015 through March 31, 2016 and, for each subsequent year thereafter, the MAG rent will be 85% of the actual annual fee paid for the preceding year.

Harbors – Leasing Operations
Harbors leases land, wharf and building spaces under month-to-month revocable permits and long-term leases. The long-term leases expire during various years through August 2072. Those leases generally call for rental increases every five to ten years based on a step-up or independent appraisals of the fair rental value of the leased property.

Revenues for the fiscal year ended June 30, 2019 amounted to $29,866,000 and have been included in rental revenues.

The following schedule presents the approximate future minimum lease rentals under noncancelable operating leases of the Proprietary Funds as of June 30, 2019 (amounts expressed in thousands):

	Proprietary Funds		
	Airports	**Harbors**	**Total**
Fiscal Year			
2020	$ 157,047	$ 5,653	$ 162,700
2021	116,716	5,916	122,632
2022	108,703	5,932	114,635
2023	105,636	6,056	111,692
2024	103,455	5,900	109,355
2025–2029	346,244	28,793	375,037
2030–2034	17,691	25,942	43,633
2035–2039	5,152	18,322	23,474
2040–2044	5,147	15,292	20,439
2045–2049	5,937	9,798	15,735
2050–2054	-	7,884	7,884
2055–2059	-	7,094	7,094
2060–2064	-	5,272	5,272
2065–2069	-	5,137	5,137
2070–2073	-	3,217	3,217
	$ 971,728	$ 156,208	$ 1,127,936

Net Investment in Direct Financing Leases

Certain leases of state-owned special facilities to parties engaged in airline operations are accounted for as direct financing leases. At June 30, 2019, net investments in direct financing leases of Airports consisted of the following (amounts expressed in thousands):

Total minimum lease payments receivable	$ 30,503
Less: Amount representing interest	(10,235)
	20,268
Cash with trustee and other	1,610
	$ 21,878

Minimum future rentals to be received under direct financing leases of Airports as of June 30, 2019, consisted of the following (amounts expressed in thousands):

Fiscal Year	
2020	$ 1,222
2021	1,222
2022	1,222
2023	1,222
2024	1,222
2025–2029	26,002
	$ 32,112

10. Significant Transactions with Component Units

Hawaii Housing Finance and Development Corporation

Amounts payable from the State to the HHFDC represent amounts due from DHHL related to a previous agreement to transfer certain land and development rights to the State. Pursuant to this agreement, the State was required to commence 15 annual $1,700,000 payments to the HHFDC in December 2004. Effective at that time, the HHFDC recorded the sale of the land and development rights at the net present value of the estimated future cash flows from the State using an imputed interest rate. As of June 30, 2019, the principal amount due to the HHFDC is approximately $2,929,000.

Hawaii Health Systems Corporation

The amount due to the State of $19,008,000 at June 30, 2019 is comprised of cash advances that was assumed by the HHSC.

Hawaii Tourism Authority

During the period from October 1992 through April 1998, the State issued a series of general obligation bonds whose proceeds were used to fund the construction of the Center. These bonds are obligations of the State and are secured by the State's full faith and credit. The debt service for the general obligation bonds is to be primarily funded by an allocated portion of the State's transient accommodations tax (TAT) revenue and revenue generated from the operation of the Center. Through June 30, 2000 and from July 1, 2000 to June 30, 2002, these funds were collected and accounted for by the Convention Center Authority (CCA) and Budget and Finance, respectively.

Effective July 1, 2002, the Convention Center Fund was established by Act 253, SLH 2002. In accordance with Act 253, the Convention Center Fund was placed within the HTA and was created to receive all revenues generated from the Center's operations and an allocated portion of the revenues received from the State's TAT. Act 253 further states that all funds collected by the Convention Center Fund are to be used to pay all expenses arising from the use and operation of the Center and to pay any and all debt service relating to the Center. However, responsibility for debt service payments to the bondholders on the general obligation bonds referred to above remains with the State through Budget and Finance.

The creation of the Convention Center Fund provided the HTA the ability to reimburse Budget and Finance for debt service payments in accordance with a predetermined payment plan, which had been assigned to the HTA by the CCA. The terms of the payment plan required the HTA to reimburse Budget and Finance for principal and interest payments at an imputed interest rate of 6% through January 1, 2027. The payment plan was not directly related to the actual debt service on the general obligation bonds issued to finance the Hawaii Convention Center.

On July 1, 2018, Act 086, SLH 2018, cancelled the HTA's remaining outstanding amount on the debt service payments. Approximately $224,110,000 of principal was cancelled.

Hawaii Hurricane Relief Fund

In 2002, Act 179, SLH 2002, provided that all interest and dividends earned from the principal in the hurricane reserve trust fund be transferred and deposited into the State General Fund each year that the hurricane reserve trust fund remains in existence, beginning with fiscal year 2003. For the year ended June 30, 2019, interest and dividends earned and earmarked for transfer into the State General Fund amounted to $4,086,000.

11. Retirement Benefits

Pension Plan

Plan Description
Generally, all full-time employees of the State and counties are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at the ERS website: *http://ers.ehawaii.gov/resources/financials.*

Benefits Provided
The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement plans. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or surviving dependent children, no benefit is payable.

  Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

  Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with five years of credited service are eligible to retire at age 55. Police officers and firefighters with 25 years of credited service are eligible to retire at any age, provided the last five years is service credited in these occupations.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

  Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

  Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.25% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with ten years of credited service are eligible to retire at age 60. Police officers and firefighters with 25 years of credited service are eligible to retire at age 55, provided the last five years is service credited in these occupations.

- *Disability and Death Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

  For police officers and firefighters, ordinary disability benefits are 1.75% of average final compensation for each year of service and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

  Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

Hybrid Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

- *Death Benefits* – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/ reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

  Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.

- *Disability and Death Benefits* – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2019 were 31% for police officers and firefighters and 19% for all other employees. Contributions to the pension plan from the State was approximately $481,656,000 for the fiscal year ended June 30, 2019.

Pursuant to Act 17, SLH 2017, employer contributions from the State and counties are expected to increase over four years beginning July 1, 2017. The rate for police and firefighters increased to 31% on July 1, 2018; and increases to 36% on July 1, 2019 and 41% on July 1, 2020. The rate for all other employees increased to 19% on July 1, 2018; and increases to 22% on July 1, 2019 and 24% on July 1, 2020.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary, except for police officers and firefighters who are required to contribute 12.2% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary, except for police officers and firefighters who are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the State reported a liability of approximately $6.8 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2018, the State's proportion was 56.0898% which was a decrease of 0.5175% from its proportion measured as of June 30, 2017.

There was no change in actuarial assumptions as of June 30, 2017 to June 30, 2018. There were no changes between the measurement date, June 30, 2018, and the reporting date, June 30, 2019, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2019, the State recognized pension expense of approximately $860,066,000. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 126,127	$ (42,311)
Changes in assumptions	743,455	-
Net difference between projected and actual earnings on pension plan investments	-	(14,577)
Changes in proportion and differences between State contributions and proportionate share of contributions	21,479	(52,064)
State contributions subsequent to the measurement date	481,656	-
Total	$ 1,372,717	$ (108,952)

At June 30, 2019, the approximate $481,656,000 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Year ending June 30,	
2020	$ 369,269
2021	308,593
2022	113,276
2023	(9,814)
2024	785
	$ 782,109

Actuarial Assumptions
The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS Board of Trustees on December 12, 2016, based on the 2015 Experience Study for the five-year period from July 1, 2010 through June 30, 2015:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return	7.00% per year, compounded annual including inflation

There were no changes to ad hoc postemployment benefits including cost of living allowances.

Post-retirement mortality rates are based on the 2016 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2016 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of RP-2014 mortality table based on the occupation of the member.

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Client-Constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with a replacement” that directly keys in on specific plan-level risk factors as stipulated by the ERS Board of Trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return (real returns and inflation) by the target asset allocation percentage. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Strategic allocation (risk-based classes)		
Broad growth	63.0%	7.1%
Principal protection	7.0%	2.5%
Real return	10.0%	4.1%
Crisis risk offset	20.0%	4.6%
Total investments	100.0%	

Discount Rate
The discount rate used to measure the net pension liability was 7.00%, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (amounts expressed in thousands):

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
State's proportionate share of the net pension liability	$ 8,893,950	$ 6,837,450	$ 5,142,264

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. The ERS complete financial statements are available at *http://ers.ehawaii.gov/resources/financials*.

Payables to the Pension Plan

The State's employer contributions payable to the ERS by fiscal year end was paid by June 30, 2019. Excess payments of $7,709,000 are being applied to amounts due in fiscal year 2020.

Postemployment Health Care and Life Insurance Benefits

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public. The report may be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75%

of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Employees Covered by Benefit Terms
At July 1, 2018, the following number of plan members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	36,340
Inactive plan members entitled to but not yet receiving benefits	7,588
Active plan members	50,519
Total plan members	94,447

Contributions
Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the State was $518,614,000 for the fiscal year ended June 30, 2019. The employer is required to make all contributions for members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2019, the State reported a net OPEB liability of approximately $7.0 billion. The net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2018, and the reporting date, June 30, 2019, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2019, the State recognized OPEB expense of approximately $643,257,000. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (133,000)
Changes in assumptions	80,495	-
Net difference between projected and actual earnings on OPEB plan investments	-	(13,059)
State contributions subsequent to the measurement date	623,634	-
Total	$ 704,129	$ (146,059)

At June 30, 2019, the approximate $623,634,000 reported as deferred outflows of resources related to OPEB resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year ending June 30,		
2020	$	(14,462)
2021		(14,462)
2022		(14,462)
2023		(11,295)
2024		(10,883)
	$	(65,564)

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 8, 2018, based on the experience study covering the five-year period ended June 30, 2015 as conducted for the ERS:

Inflation	2.50%
Salary increases	3.50% to 7.00% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO*	Initial rates of 10.00%; declining to a rate of 4.86% after 13 years
HMO*	Initial rates of 10.00%; declining to a rate of 4.86% after 13 years
Contribution	Initial rates of 4.00% and 5.00%; declining to a rate of 4.70% after 12 years
Dental	Initial rates of 5.00% for the first three years; followed by 4.00%
Vision	Initial rates of 0.00% for the first three years; followed by 2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private equity	10.0%	8.65%
U.S. microcap	7.0%	7.00%
U.S. equity	15.0%	5.05%
Non-U.S. equity	17.0%	6.50%
Global options	7.0%	4.50%
Core real estate	10.0%	4.10%
Private credit	6.0%	5.25%
Core bonds	3.0%	1.30%
TIPS	5.0%	0.75%
Long treasuries	6.0%	1.90%
Alternative risk premia	5.0%	2.45%
Trend following	9.0%	3.00%
Total investments	100.0%	

Single Discount Rate
The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00% and the municipal bond rate of 3.62% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"). Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position
The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at *https://eutf.hawaii.gov/reports/*.

Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2018.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 7,565,424	$ 668,237	$ 6,897,187
Service cost	174,103	-	174,103
Interest on the total OPEB liability	539,064	-	539,064
Difference between expected and actual experience	(159,399)	-	(159,399)
Changes of assumptions	96,473	-	96,473
Employer contributions	-	518,614	(518,614)
Net investment income	-	59,753	(59,753)
Benefit payments	(262,478)	(262,478)	-
Administrative expense	-	(196)	196
Net changes	387,763	315,693	72,070
Ending balance	$ 7,953,187	$ 983,930	$ 6,969,257

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following table presents the State's net OPEB liability calculated using the discount rate of 7.00%, as well as what the State's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate (amounts expressed in thousands):

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
State's proportionate share of the net OPEB liability	$ 8,239,334	$ 6,969,257	$ 5,971,288

The following table presents the State's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the State's net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate (amounts expressed in thousands):

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
State's proportionate share of the net OPEB liability	$ 5,916,899	$ 6,969,257	$ 8,334,987

Payables to the OPEB Plan

The State's employer contributions payable to the EUTF by fiscal year end was paid by June 30, 2019.

12. Commitments and Contingencies

Commitments

General Obligation Bonds
The State has issued general obligation bonds in which repayments, including interest, are reimbursed from specific revenue sources of the Special Revenue Funds with terms corresponding to that of the related general obligation bonds (see Note 4). At June 30, 2019, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds		
Agriculture	$	5,166
Natural Resources		34,568
	$	39,734

Accumulated Sick Leave
Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2019, accumulated sick leave was approximately $1,219,128,000.

Intergovernmental Expenditures
In accordance with HRS Section 237D-6.5, as amended by Act 1, SLH Special Session 2017, $103,000,000 in transient accommodation tax revenues collected are to be distributed annually to the counties.

Pursuant to HRS Section 248-2.7, the State has established a mass transit Special Fund. For the period beginning on January 1, 2018 to December 31, 2030, transient accommodations tax and surcharge on state tax revenues allocated to the mass transit special fund pursuant to HRS Sections 237D-2(e), and 248-2.6 shall be deposited into the special fund. As of June 30, 2019, the City and County of Honolulu, Hawaii County and Kauai County had adopted ordinances for a surcharge.

Encumbrances
Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. These amounts generally will become liabilities in future periods.

Significant encumbrances at June 30, 2019 include (amounts expressed in thousands):

Fund Type		
General	$	587,577
Capital Projects		2,067,244
Med-Quest Special Revenue		35,966
Other Governmental		1,444,133
	$	4,134,920

Guarantees of Indebtedness

The State is authorized to guarantee indebtedness of others at a maximum amount of approximately $233,500,000 for aquaculture/agriculture loans, Hawaiian Home Lands loans, various projects involving mortgage loans for rental homes made by private nonprofit corporations or governmental corporations, mortgage loans for housing projects, and rental assistance obligations of Component Units – HHFDC and HPHA. The State has not paid, nor does it expect to pay, any amounts as a result of such guarantees as of June 30, 2019.

Proprietary Fund Type – Enterprise Funds

Construction and Service Contracts

At June 30, 2019, the Enterprise Funds had commitments of approximately $807,244,000 for construction and service contracts.

Contingencies

The State has been named as defendant in numerous lawsuits and claims arising in the normal course of operations. To the extent that the outcome of such litigation has been determined to result in probable financial loss to the State, such loss has been accrued in the basic financial statements. Of the remaining claims, a number of claims may possibly result in adverse judgments against the State. However, such claim amounts cannot be reasonably estimated at this time. The litigation payments relating to the years ended June 30, 2019, 2018 and 2017 approximated $10,553,000, $5,948,000 and $6,368,000, respectively.

Tobacco Settlement

In November 1998, the State settled its tobacco lawsuit as part of a nationwide settlement involving 46 other states and various tobacco industry defendants. Under the settlement, those tobacco companies that have joined in the Master Settlement Agreement (MSA) will pay the State approximately $1.3 billion over a 25-year period. The State is to receive proceeds from this settlement in January and April of the subsequent year through 2004 and thereafter on April 15 of each subsequent year. The State received approximately $34,802,000 during the fiscal year ended June 30, 2019. As of June 30, 2019, the State expects to receive $20,000,000 for the first six months of fiscal 2020.

The MSA requires the State to diligently enforce certain requirements enacted in the Tobacco Liability Act. Failure may result in a state losing a significant portion of its MSA payments. Participating tobacco manufacturers who have joined in the MSA are challenging whether the State of Hawaii diligently enforced the provisions of the Tobacco Liability Act for the entirety of 2004. Preliminary phases of the 2004 Diligent Enforcement Arbitration commenced, and in March 2018, the State agreed to a multi-million dollar arbitration settlement with the Tobacco Industry to avoid the expense and uncertainty of arbitrating each calendar year from 2004 through and including 2017. During the fiscal year ended June 30, 2018, the State received a lump sum arbitration settlement of approximately $58,711,000. The settlement was reduced by approximately $15,875,000 in a “one time” arbitration credit and other arbitration adjustments. The arbitration settlement also resulted in credits over a five-year period, beginning in 2018. The State expects reductions of approximately $6 million through fiscal year 2022.

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 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 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. 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.

In OHA v. HHA, OHA filed suit on July 27, 1995 (*OHA v. HHA, et al.*, Civil No. 95-2682-07 (1st Cir.)) against the Hawaii Housing Authority (the HHA, since succeeded by the Hawaii Public Housing Authority, as described below), the executive director of the HHA, the board members of the HHA, and the Director of Finance to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of Ceded Lands which were transferred to the HHA for its use to develop, construct and manage additional affordable public rental housing units under HRS Chapter 201G. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in *OHA, et al. v. State of Hawaii, et al.,* Civil No. 94-0205-01 (1st Cir.). The September 12, 2001 decision of the Hawaii Supreme Court (*OHA v. State of Hawaii,* 96 Haw. 399 (2001)) includes elements, with which OHA disagrees, that would require dismissal of OHA's claims in *OHA v. HHA*. On November 20, 2018, State Defendants and the Plaintiffs executed and filed with the First Circuit Court a stipulation for dismissal with prejudice of all claims and parties to this case.

The Housing Finance and Development Corporation and the HHA were merged into the Housing and Community Development Corporation of Hawaii, after the above-described suits against them were filed. This corporation subsequently was bifurcated into the Hawaii Housing Finance and Development Corporation and the Hawaii Public Housing Authority.

In *OHA v. State of Hawaii, UH, DLNR, Board of Land and Natural Resources (BLNR)*, Civil No. 17-1-1823-11 JPC (1st Cir.) letter dated May 31, 2016, addressed to the State's Attorney General and the vice president for Legal Affairs and General Counsel of the University of Hawaii, OHA gave notice, pursuant to HRS Section 673-3, of its intent to sue the State, the Department of Land and Natural Resources, and the University of Hawaii 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 and Injunctive Relief, Accounting, Restitution, and Damages on November 7, 2017. The complaint was served on the Attorney General for the State of Hawaii, DLNR and BLNR on December 20, 2017, and the Attorney General filed an answer to the complaint 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. The hearing on the motion has been continued.

The State intends to defend vigorously against OHA's claim in *OHA v. HHA* and in *OHA v. State of Hawaii, UH, DLNR, BLNR*. 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 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

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 (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. 99-4771 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 make 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.

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 14, 2013. After a three-day trial completed on October 3, 2013, the court ruled in a minute order that (1) the annual fair market rental values used to calculate damages for claimants who applied for Oahu residential leases be based on 4% 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, (2) for damage calculations the rents adjust annually, and (3) that there are no increases for the consumer price index or other present value adjustments. However, to date, no proceeding or procedure has been scheduled or devised to apply the damages model to determine whether and how much each claimant would be awarded in damages. 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.

On January 20, 2015, Plaintiffs filed a motion for summary judgment to compute the damages of members of the Waiting List Damages Subclass (none of whom were named plaintiffs) who applied for a residential homestead on Oahu. 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 final judgment in the case as expeditiously as possible. In furtherance of that effort, Plaintiffs filed seven motions in June and July of 2016. The State filed cross motions to three of Plaintiffs' motions, and opposed all Plaintiffs' motions. The circuit court heard all motions on September 2, 2016, and took them under advisement. Plaintiffs filed four additional motions and the State filed three additional motions, which were heard on November 4, 2016, December 12, 2016, and January 30, 2017, respectively.

The circuit court has entered orders granting (in whole or in part) eleven of Plaintiffs' motions and denying (in whole or in part) two of Plaintiffs' motions. The circuit court entered orders granting (in whole or in part) three of the State's motions and cross motions and denying (in whole or in part) three of the State's motions and cross motions and denying (in whole or in part) four of the State's motions and cross motions.

An HRCP Rule 54(b) Final Judgment was entered on January 9, 2018 in favor of the Waiting List Subclass and against the State, DHHL, the DHHL 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 through October 4, 2018. The reply briefs were filed on December 28, 2018. Oral arguments and the answering briefs have 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 on January 7, 2019.

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 (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.

As beneficiaries of the Hawaiian Home Lands trust and 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, DHHL, and the Hawaiian Homes Commission and its members changed their position, and no longer supported the political question doctrine defense.

On May 9, 2012, the Hawaii Supreme Court 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 Hawaii 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. However, the Hawaii Supreme Court did 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." Determination of this amount awaits further litigation in the circuit court on remand. Pursuant to the Judgment on Appeal issued on July 25, 2013, the case was remanded to the circuit court for further proceedings.

On November 27, 2015, the circuit court issued its Findings of Fact, Conclusions of Law, and Order, which declared and ordered (1) the State has failed to provide sufficient funds to DHHL for its administrative and operating budget (budget) in violation of the State's constitutional duty, (2) the State must fulfill its constitutional duty by appropriating sufficient general funds to DHHL for its budget so that DHHL does not need to use or rely on revenue from general leases, and (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 budget (not including significant repairs) is more than $28 million for fiscal year 2015–2016. The circuit court also ruled that prior to 2012, DHHL breached its trust duties by failing to take all reasonable efforts, including filing suit, to obtain all the funding it needs for its budget, and shall prospectively fulfill its constitutional duties and trust responsibilities and are enjoined from violating these obligations.

On December 21, 2015, after judgment was entered, the State filed a motion for reconsideration or to alter or amend the judgment and order, which the court granted in part and denied in part. The court rejected the State's position that (1) the legislature, not the courts, has the exclusive prerogative to decide what is a "sufficient sum" for DHHL's budget under Article XII, Section 1, and (2) there was insufficient evidence to support the court's conclusion that the "sufficient sum" for DHHL's budget is more than $28 million for fiscal year 2015–2016. The court granted reconsideration with the State's position that the judicial courts lack the authority, under the separation of powers doctrine, to order the legislative branch to appropriate any particular amount of funds to DHHL. The court amended its original Order to state that $9,632,000 is not sufficient and that the State is required to fund DHHL's expenses by making sufficient general funds available to DHHL for fiscal year 2015–2016.

Plaintiffs filed a motion for reconsideration which the court denied. The State filed a notice of appeal and the Plaintiff filed a notice of cross-appeal, both filed in the Intermediate Court of Appeals. Briefing in both appeals is completed, and on February 23, 2017, the Legislature was allowed, and filed an amicus curiae brief in support of the State's positions. On March 8, 2017, in response to the DHHL's application for transfer, the Hawaii Supreme Court transferred the appeal and cross-appeal from the Intermediate Court of Appeals to the Hawaii Supreme Court. The Hawaii Supreme Court heard oral arguments in the appeal and cross-appeal on July 6, 2017. By its decision filed on February 9, 2018, the Hawaii Supreme Court vacated and remanded the case to the circuit court after holding that the circuit court is 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 administrative and operating budget. The case has been assigned to the circuit court, and the court set a status conference for December 16, 2019.

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.

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 EUTF, and the EUTF's 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 Hawai'i 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. In January 2011, the Defendants filed an answer denying the substantive allegations of the Second Amended Complaint.

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 health 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, Plaintiffs 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, and taken under advisement. On October 16, 2014, the Court issued an Order Denying Plaintiffs' Motion for Partial Summary Judgment and Order Granting State Defendants' Motion for Partial Summary Judgment (Order). The Court ruled that Plaintiffs' accrued health benefits have not been reduced, diminished or impaired inasmuch as the health benefits that retirees received under the Hawaii Public Employees Health Fund. Plaintiffs filed a motion for reconsideration of the Order or alternatively for an interlocutory appeal. On November 13, 2014, the Court issued a minute order denying the motion. On State Defendants' motion, the case was transferred to the Hawaii Supreme Court. Briefing was completed in October 2015. In October 2016, the Hawaii Supreme Court issued an opinion affirming the circuit court's decision in the State's favor, but also ruled that the State was not entitled to judgment as a matter of law, and remanded the case to the trial court. Plaintiffs filed their Third Amended Complaint on December 28, 2017. Since that time, the parties have conducted discovery and have filed several motions, including motions related to the purported class of plaintiffs. The State's motion to decertify the class was granted; therefore, later in the litigation, Plaintiffs will need to file a new motion to certify the class in this case. On December 3, 2018, Plaintiffs consequently filed a Motion for Recertification of the Class and for Certification of a Damages

Subclass. On February 6, 2019, the Court granted Plaintiffs' Motion for Recertification and an Order granting Plaintiffs' Motion for Recertification was filed on June 21, 2019. The parties are continuing their efforts to conduct and complete discovery in preparation for trial.

The State intends to vigorously contest all claims in this case. Resolution of the plaintiffs' claims in their favor could have a material adverse effect on the State's financial condition.

Tax Foundation of Hawaii
On October 21, 2015, the Tax Foundation of Hawaii filed a declaratory action challenging the State's 10% deduction, pursuant to HRS Section 248-2.6(a), from the surcharge on Honolulu's general excise tax that funds the Honolulu rail project. The Tax Foundation argued that only administrative costs of the surcharge could be retained by the State and the rest of the funds should be paid to the City and County of Honolulu.

The State's Motion to Dismiss was granted during the circuit court proceedings, based on the exclusion for tax controversies in the declaratory judgment act. However, the Tax Foundation appealed and the case was transferred to the Hawaii Supreme Court. Oral arguments were held on July 6, 2017. Following the 2017 Special Session of the Legislature, the State submitted an HRAP Rule 28(j) letter to the Court reporting the enactment of Act 1 (S.B. 4), 29th Leg., 1st Spec. Sess. (2017). The appeal is pending.

Although the case involves injunctive relief, the Tax Foundation also requested reimbursement to the City and County of Honolulu of prior deductions from the surcharge. Therefore, it is unclear how much potential liability the State is facing. The 10% deduction totals $184.2 million from January 2007 to January 2016. Consequently, an adverse ruling from the Supreme Court could be significant. The State intends to vigorously contest all claims in this case.

13. Risk Management

The State records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance
The State has an insurance policy with various insurers for property coverage. The limit of loss per occurrence is $200,000,000, except for terrorism losses, which has a $100,000,000 per occurrence limit. There are two different types of deductibles for the property coverage. The deductible for losses such as hurricanes, floods and earthquakes are 3% of the replacement costs to the property subject to a $1,000,000 per occurrence minimum. The deductible for all other perils such as a fire is $1,000,000. The deductible for terrorism coverage is $1,000,000.

Crime Insurance
The State also has a crime insurance policy for various types of coverages with a limit of loss of $10,000,000 per occurrence with a $500,000 deductible per occurrence, except for claims expense coverage, which has a $100,000 limit per occurrence and a $1,000 deductible. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services, and losses not covered by insurance are paid from the State's General Fund.

General Liability (Including Torts)
Liability claims up to $10,000 and automobile claims up to $15,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, employment liability, and employee benefits liability insurance policy in force with a $4,000,000 self-insured retention per occurrence. The annual aggregate per occurrence is $9,000,000.

Cyber Liability Insurance
The State is insured for various types of cyber-related activities with a loss limit of $50,000,000 with a deductible of $500,000 per occurrence. This policy includes (with sub-limits) system failure business interruption, dependent business interruption, dependent business interruption system failure, and Payment Card Industry – Data Security Standard coverage.

Medical Insurance
The State's community hospitals included in the HHSC are insured by a comprehensive hospital professional liability policy. The policy covers losses from personal injury, professional liability, patient property damage, and employee benefits. This policy covers losses up to a limit of $35,000,000 per occurrence and $39,000,000 in aggregate.

Self-Insured Risks
The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses up to $15,000 are administered by the Risk Management Office. The State administers its workers' compensation losses.

Reserve for Losses and Loss Adjustment Costs
A liability for workers' compensation and general liability claims is established if information indicates that a loss has been incurred as of June 30, 2019, and the amount of the loss can be reasonably estimated. The liability also includes an estimate for amounts incurred but not reported. The amount of the estimated loss is recorded in the accompanying statement of net position, as those losses will be liquidated with future expendable resources. The estimated losses are generally paid from legislative appropriations of the State's General Fund.

The following table represents changes in the amount of the estimated losses and the loss adjustment costs for governmental activities at June 30, 2019 and 2018, respectively (amounts expressed in thousands):

	2019	2018
Unpaid losses and loss adjustment costs		
Beginning of the fiscal year	$ 247,254	$ 198,319
Incurred losses and loss adjustment costs		
Provision for insured events of current fiscal year	71,490	82,875
Change in provision for insured events of prior fiscal years	3,569	4,258
Total incurred losses and loss adjustment costs	75,059	87,133
Payments		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(11,432)	(9,443)
Losses and loss adjustment costs attributable to insured events of prior fiscal year	(34,388)	(28,755)
Total payments	(45,820)	(38,198)
Unpaid losses and loss adjustment costs		
End of the fiscal year	$ 276,493	$ 247,254

14. Subsequent Events

Department of Transportation – Airports Division
In August 2019, Airports issued $194,710,000 of airports system customer facility charge revenue bonds. The Series 2019A bonds have interest rates ranging from 1.82% to 2.73%. The Series 2019A bonds were issued for the purposes of funding the costs of design, development and construction of consolidated rental car facility projects at certain airports of the airport system of the State, the costs associated with the refunding of certain outstanding indebtedness of the State, the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirement for the Series 2019A bonds, and certain costs of issuance related to the Series 2019A bonds. The bonds are special limited obligations of the State, payable solely from and secured solely by the receipts from the collection of the Rental Motor Vehicle Customer Facility Charge imposed by the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airport System.

Loans Payable – Airports
In August 2014, the State, acting through the DOT, entered into a loan agreement with Hawaii Regional Center, LP I and Hawaii Regional Center, LP II (together, the Lenders), with CanAM HI GP I, LLC, acting as the agent of the Lenders. The Lenders were established to permit foreign investors to invest in certain projects at the Hawaii Airports System pursuant to an Immigration Investor Program (EB-5) provided through legislation enacted by the United States Congress in 1990. The total amount the State may borrow under the agreement is $76,000,000. The EB-5 loan is the first series of obligations issued under an Indenture of Trust between the State, acting through the DOT and MUFG Union Bank, N.A., as Trustee, and is payable solely from the Trust Estate, with customer facility charges being the primary component.

The EB-5 loan is not payable from revenue and aviation fuel taxes, which the DOT has pledged for the repayment of airports system revenue bonds issued under the Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds.

The loan bears interest at a rate of 1.50% with interest payments due semiannually on July 1 and January 1. For the year ended June 30, 2019, the Airports Division incurred interest of $1,140,000. At June 30, 2019, the outstanding balance on the loan facility amounted to $76,000,000. The loan was paid in full on August 27, 2019.

Department of Transportation – Highways Division
In December 2019, Highways issued $81,835,000 in Series 2019A Highway revenue bonds. The Series 2019A bonds have interest rates ranging from 3.00% to 5.00%. The Series 2019A bonds were issued to provide funds for certain highway capital improvement projects, to pay the costs of issuance of the Series 2019A bonds, and to purchase an insurance policy as a Support Facility for deposit to the Highway Senior Debt Reserve Subaccount to satisfy the Reserve Requirements. The bonds are special limited obligations of the State, payable solely from and secured solely by the Pledged Funds under the Certificate of the Director of Transportation, consisting principally of highway fuel license taxes, vehicle registration fees, vehicle weight taxes, and various vehicle surcharge taxes.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

State of Hawaii
Required Supplementary Information
Other Than Management's Discussion and Analysis
(Unaudited)

State of Hawaii
General Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2019
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues				
Taxes				
General excise tax	$ 3,491,007	$ 3,477,250	$ 3,541,389	$ 64,139
Net income tax				
Corporations	91,428	107,867	163,676	55,809
Individuals	2,410,225	2,511,805	2,568,114	56,309
Inheritance and estate tax	19,657	29,967	18,921	(11,046)
Liquor permits and tax	52,527	52,332	51,913	(419)
Public service companies tax	130,221	122,217	126,691	4,474
Tobacco tax	85,184	81,316	74,526	(6,790)
Tax on premiums of insurance companies	169,000	164,000	173,844	9,844
Franchise tax (banks and other financial institutions)	6,018	11,269	24,808	13,539
Transient accommodations tax	349,558	368,444	339,956	(28,488)
Other taxes, primarily conveyances tax	52,265	46,580	57,454	10,874
Total taxes	6,857,090	6,973,047	7,141,292	168,245
Non-taxes				
Interest and investment income	10,012	18,945	18,950	5
Charges for current services	333,920	349,527	363,041	13,514
Intergovernmental	12,244	12,245	14,075	1,830
Rentals	698	624	339	(285)
Fines, forfeitures and penalties	21,739	23,645	22,815	(830)
Licenses and fees	1,010	1,293	1,784	491
Revenues from private sources	3,001	3,001	4,620	1,619
Debt service requirements	32,949	6,522	6,512	(10)
Other	307,130	256,136	284,889	28,753
Total non-taxes	722,703	671,938	717,025	45,087
Total revenues	7,579,793	7,644,985	7,858,317	213,332
Expenditures				
General government	3,355,985	3,280,092	3,235,471	44,621
Public safety	294,940	312,129	316,124	(3,995)
Highways	11,500	38,500	16,125	22,375
Conservation of natural resources	60,781	61,664	55,029	6,635
Health	524,295	532,162	519,966	12,196
Hospitals	118,432	118,432	118,432	-
Welfare	1,244,592	1,267,091	1,245,041	22,050
Lower education	1,725,641	1,805,577	1,756,668	48,909
Higher education	483,058	509,202	506,149	3,053
Other education	6,516	6,610	6,098	512
Culture and recreation	53,401	55,589	52,483	3,106
Economic development and assistance	44,919	45,973	43,253	2,720
Housing	39,437	43,683	42,990	693
Other	25,321	28,943	26,895	2,048
Total expenditures	7,988,818	8,105,647	7,940,724	164,923
Excess of expenditures over revenues	(409,025)	(460,662)	(82,407)	378,255
Other financing sources – Transfers in	46,269	72,861	58,249	(14,612)
Excess of expenditures and other sources over revenues	$ (362,756)	$ (387,801)	$ (24,158)	$ 363,643

State of Hawaii
Med-Quest Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2019
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues – non-taxes				
Intergovernmental	$ -	$ -	$ 910	$ 910
Revenues from private sources	-	-	65,882	65,882
Other	-	-	3,847	3,847
Total revenues – non-taxes	-	-	70,639	70,639
Total revenues	-	-	70,639	70,639
Expenditures				
Welfare	93,698	93,700	60,469	33,231
Total expenditures	93,698	93,700	60,469	33,231
Excess (deficiency) of revenues over (under) expenditures	$ (93,698)	$ (93,700)	$ 10,170	$ 103,870

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the General Fund Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act of 2017 (Act 049, SLH 2017) and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2017–2019 biennial budget and executive supplemental budget.

The General Fund and Special Revenue Funds have legally appropriated annual budgets. The Capital Projects Fund's appropriated budgets are for projects that may extend over several fiscal years.

The final legally adopted budgets in the accompanying General Fund and Special Revenue Fund Schedules of Revenues and Expenditures – Budget and Actual (Budgetary Basis) represent the original appropriations, transfers and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detailed level of control are maintained by and are available at the Department of Accounting and General Services. During the fiscal year ended June 30, 2019, there were no expenditures in excess of appropriations in the individual funds.

To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse dates and any other contingencies, which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the General Fund and Special Revenue Fund are presented in the General Fund and Special Revenue Fund schedules of revenues and expenditures – budget and actual (budgetary basis). The State's annual budget is prepared on the cash basis of accounting except for the encumbrance of purchase order and contract obligations (basis difference), which is a departure from GAAP.

State of Hawaii
General Fund and Med-Quest Special Revenue Fund
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2019
(Amounts in thousands)

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2019 follows (amounts expressed in thousands):

	General Fund	Med-Quest Special Revenue Fund
Excess (deficiency) of revenues and other sources over (under) expenditures – actual (budgetary basis)	$ (82,407)	$ 10,170
Transfers	860,625	18,227
Reserve for encumbrances at fiscal year end*	523,421	-
Expenditures for liquidation of prior fiscal year encumbrances	(506,317)	(429,677)
Revenues and expenditures for unbudgeted programs and capital projects accounts, net	(13,215)	485,205
Tax refunds payable	42,661	-
Accrued liabilities	175,959	(53,434)
Accrued revenues	(53,956)	(325)
Excess of revenues over expenditures – GAAP basis	$ 946,771	$ 30,166

* Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

State of Hawaii
Schedule of the Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*
(Amounts in millions)

	2019	2018	2017	2016	2015	2014
State of Hawaii, excluding UH**						
State's proportion of the net pension liability	56.090%	56.607%	56.600%	57.238%	58.483%	57.638%
State's proportionate share of the net pension liability	$ 7,438	$ 7,331	$ 7,567	$ 4,999	$ 4,689	$ 5,148
State's covered payroll	$ 2,540	$ 2,559	$ 2,496	$ 2,424	$ 2,341	$ 2,177
State's proportionate share of the net pension liability as a percentage of its covered payroll	292.8%	286.5%	303.2%	206.2%	200.3%	236.5%
Plan fiduciary net position as a percentage of total net pension liability	55.5%	54.8%	51.3%	62.4%	63.9%	58.0%
UH						
Proportion of the net pension liability	12.732%	12.730%	12.750%	13.110%	13.600%	13.750%
Proportionate share of the net pension liability	$ 1,696	$ 1,649	$ 1,704	$ 1,145	$ 1,090	$ 1,228
Covered payroll	$ 592	$ 587	$ 569	$ 565	$ 551	$ 518
Proportionate share of the net pension liability as a percentage of its covered payroll	286.5%	280.9%	299.5%	202.7%	197.8%	237.1%
Plan fiduciary net position as a percentage of total net pension liability	55.5%	54.8%	51.3%	62.4%	63.9%	58.0%

* Information for 2010–2013 is unavailable.

** Amounts consist of the primary government and discretely presented component units other than UH.

State of Hawaii
Schedule of Pension Contributions
Last Ten Fiscal Years*
(Amounts in millions)

	2019	2018	2017	2016	2015	2014
State of Hawaii, excluding UH**						
Statutorily required contribution	$ 508	$ 470	$ 445	$ 432	$ 410	$ 380
Contributions in relation to the contractually required contribution	508	470	445	432	410	380
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
State's covered payroll	$ 2,616	$ 2,540	$ 2,559	$ 2,496	$ 2,424	$ 2,341
Contributions as a percentage of covered payroll	19.4%	18.5%	17.4%	17.3%	16.9%	16.2%
UH						
Statutorily required contribution	$ 115	$ 111	$ 99	$ 97	$ 94	$ 88
Contributions in relation to the contractually required contribution	115	111	99	97	94	88
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 603	$ 592	$ 587	$ 569	$ 565	$ 551
Contributions as a percentage of covered payroll	19.1%	18.8%	16.9%	17.0%	16.6%	16.0%

* Information for 2010–2013 is unavailable.

** Amounts consist of the primary government and discretely presented component units other than UH.

State of Hawaii
Schedule of the Proportionate Share of the Net OPEB Liability
Last Ten Fiscal Years*
(Amounts in thousands)

	2019	2018
Total OPEB liability		
Service cost	$ 229,157	$ 220,828
Interest	709,522	670,530
Differences between expected and actual experience	(209,802)	-
Changes of assumptions or other inputs	126,979	-
Benefit payments	(345,476)	(331,522)
Net change in total OPEB liability	510,380	559,836
Total OPEB liability – beginning	10,194,186	9,634,350
Total OPEB liability – ending	$ 10,704,566	$ 10,194,186
Plan fiduciary net position		
Employer contributions	$ 682,605	$ 659,271
Net investment income	78,648	66,007
Benefit payments	(345,476)	(331,522)
Administrative expense	(258)	(169)
Other	-	5,300
Net change in plan fiduciary net position	415,519	398,887
Plan fiduciary net position – beginning	879,516	480,629
Plan fiduciary net position – ending	$ 1,295,035	$ 879,516
Net OPEB liability – ending	$ 9,409,531	$ 9,314,670
Plan fiduciary net position as a percentage of total OPEB liability	13.76%	9.44%
Covered payroll	$ 2,539,755	$ 2,559,162
Net OPEB liability as a percentage of covered payroll	370.49%	363.97%

Note: Amounts include Office of Hawaiian Affairs.

* Information for 2010–2017 is unavailable.

State of Hawaii
Schedule of OPEB Contributions
Last Ten Fiscal Years*
(Amounts in thousands)

	2019	2018
Actuarially determined contribution	$ 787,110	$ 770,297
Contributions in relation to the actuarially determined contribution	816,763	682,605
Contribution deficiency	$ (29,653)	$ 87,692
Covered payroll	$ 2,615,866	$ 2,539,755
Contributions as a percentage of covered payroll	31%	27%

Actuarial valuation date	July 1, 2018
Actuarial cost method	Entry age normal
Amortization method**	Level percent, closed
Remaining amortization period	26 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	7.0%
Projected salary increases	3.5%
Healthcare inflation rates	
PPO***	6.6% and 9.0% initial, 4.86% after 14 years
HMO***	9.0% initial, 4.86% after 14 years
Dental	3.5%
Vision	2.5%
Medicare Part B	2.0% and 5.0% initial, 4.7% after 14 years

* Information for 2010–2017 is unavailable.

** Closed bases are established at each valuation for new unfunded liabilities.

*** Blended rates for medical and prescription drugs.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds
The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. Certain Special Revenue Funds are presented separately in the accompanying combining financial statements, with the remainder grouped as a single entity. The Special Revenue Funds are as follows:

Highways – Accounts for programs related to maintaining and operating land transportation facilities.

Natural Resources – Accounts for programs related to the conservation, development and utilization of agriculture, aquaculture, water, land and other natural resources of the State.

Health – Accounts for programs related to mental health, nutrition services, communicable disease and for other public health services.

Human Services – Accounts for social service programs, which include public welfare, eligibility and disability determination, and housing assistance.

Education – Accounts for programs related to instructional education, school food services and student driver education.

Economic Development – Accounts for programs related to the development and promotion of industry and international commerce, energy development and management, economic research and analysis, and the utilization of resources.

Employment – Accounts for programs related to employment and training, disability compensation, placement services, and occupational safety and health.

Regulatory – Accounts for programs related to consumer protection, business registration and cable television regulation.

Hawaiian Programs – Accounts for programs related to the betterment of the conditions of native Hawaiians.

Administrative Support – Accounts for programs of certain administrative agencies.

All Other – Accounts for programs related to water recreation, inmate stores, and driver training and education.

Debt Service Fund
The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds serviced by the General Fund and general obligation bonds and revenue bonds serviced by the Special Revenue Funds.

State of Hawaii
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Assets						
Cash and cash equivalents	$ 20,287	$ 11,836	$ 20,967	$ 4,144	$ 70,996	$ 119,263
Notes and loans receivable, net	-	22,162	-	25,504	-	31,204
Investments	233,308	136,109	241,117	47,664	154,562	14,596
Total assets	$ 253,595	$ 170,107	$ 262,084	$ 77,312	$ 225,558	$ 165,063
Liabilities and Fund Balances						
Liabilities						
Vouchers and contracts payable	$ 59,298	$ 3,498	$ 18,456	$ 8,184	$ 12,681	$ 1,608
Other accrued liabilities	6,870	2,564	6,657	481	14,145	576
Due to other funds	-	750	-	61,635	-	-
Payable from restricted assets –						
Matured bonds and interest payable	-	-	-	-	-	-
Total liabilities	66,168	6,812	25,113	70,300	26,826	2,184
Fund balances						
Restricted	-	-	-	6,666	-	-
Committed	-	35,655	233,217	3,710	-	-
Assigned	187,427	127,640	3,754	-	198,732	162,879
Unassigned	-	-	-	(3,364)	-	-
Total fund balances	187,427	163,295	236,971	7,012	198,732	162,879
Total liabilities and fund balances	$ 253,595	$ 170,107	$ 262,084	$ 77,312	$ 225,558	$ 165,063

Employment	Regulatory	Hawaiian Programs	Administrative Support	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
$ 1,519	$ 8,728	$ 27,065	$ 70,576	$ 3,528	$ 358,909	$ 335	$ 359,244
-	-	64,498	-	-	143,368	-	143,368
17,467	100,376	290,756	498,988	40,572	1,775,515	-	1,775,515
$ 18,986	$ 109,104	$ 382,319	$ 569,564	$ 44,100	$ 2,277,792	$ 335	$ 2,278,127
$ 2,263	$ 393	$ 1,290	$ 3,530	$ 5,812	$ 117,013	$ -	$ 117,013
1,593	3,501	-	3,472	2,921	42,780	-	42,780
-	-	-	45	1,559	63,989	-	63,989
-	-	-	-	-	-	335	335
3,856	3,894	1,290	7,047	10,292	223,782	335	224,117
-	-	-	-	-	6,666	-	6,666
-	78,852	-	466,511	-	817,945	-	817,945
15,130	26,358	381,029	96,006	33,808	1,232,763	-	1,232,763
-	-	-	-	-	(3,364)	-	(3,364)
15,130	105,210	381,029	562,517	33,808	2,054,010	-	2,054,010
$ 18,986	$ 109,104	$ 382,319	$ 569,564	$ 44,100	$ 2,277,792	$ 335	$ 2,278,127

State of Hawaii
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2019
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Revenues						
Taxes						
Franchise tax	$ -	$ -	$ -	$ -	$ -	$ -
Tobacco and liquor taxes	-	-	23,233	-	-	-
Liquid fuel tax	83,138	250	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Vehicle weight and registration tax	130,313	-	5,829	-	-	-
Rental motor/tour vehicle surcharge tax	57,991	-	-	-	-	-
General excise tax	-	-	-	-	-	-
Other	-	17,120	1,339	-	-	4,016
Total taxes	271,442	17,370	30,401	-	-	4,016
Interest and investment income	2,933	1,874	1,500	14	418	2,398
Charges for current services	4,013	35,707	45,428	280	42,599	19,526
Intergovernmental	61,774	26,681	125,948	644,944	302,574	8,503
Rentals	1,000	10,522	-	-	436	1,206
Fines, forfeitures and penalties	4,686	130	964	15	-	-
Licenses and fees	2,158	836	3,281	107	970	10
Revenues from private sources	-	25	34,488	36	10,178	156
Other	175,197	6,298	1,779	1,641	16,266	3,818
Total revenues	523,203	99,443	243,789	647,037	373,441	39,633
Expenditures						
Current						
General government	-	6,520	247	-	-	-
Public safety	-	1,982	-	-	-	-
Highways	325,375	-	-	-	-	-
Conservation of natural resources	-	52,811	-	-	-	-
Health	-	-	200,512	-	-	-
Welfare	-	-	-	602,435	-	-
Lower education	-	-	-	-	446,406	-
Other education	-	-	-	10,294	-	-
Culture and recreation	-	11,963	-	-	2,027	-
Urban redevelopment and housing	-	-	-	1,270	-	-
Economic development and assistance	-	8,733	-	-	-	34,510
Other	617	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	325,992	82,009	200,759	613,999	448,433	34,510
Excess (deficiency) of revenues over (under) expenditures	197,211	17,434	43,030	33,038	(74,992)	5,123
Other financing sources (uses)						
Issuance of GO bonds – premium	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfers in	160	958	264	412	93,628	1,905
Transfers out	(217,411)	(17,626)	(2,841)	(31,578)	-	(13,376)
Total other financing sources (uses)	(217,251)	(16,668)	(2,577)	(31,166)	93,628	(11,471)
Net change in fund balances	(20,040)	766	40,453	1,872	18,636	(6,348)
Fund balances						
Beginning of year	207,467	162,529	196,518	5,140	180,096	169,227
End of year	$ 187,427	$ 163,295	$ 236,971	$ 7,012	$ 198,732	$ 162,879

Employment	Regulatory	Hawaiian Programs	Administrative Support	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
$ -	$ 2,000	$ -	$ -	$ -	$ 2,000	$ -	$ 2,000
-	-	-	1,766	-	24,999	-	24,999
-	-	-	-	1,758	85,146	-	85,146
-	2,576	-	-	-	2,576	-	2,576
-	-	-	-	-	136,142	-	136,142
-	-	-	-	-	57,991	-	57,991
-	-	-	267,329	-	267,329	-	267,329
1,175	-	-	57,353	-	81,003	-	81,003
1,175	4,576	-	326,448	1,758	657,186	-	657,186
186	687	7,442	3,521	218	21,191	-	21,191
2,293	27,197	3,945	84,440	28,533	293,961	-	293,961
38,431	554	1,798	33,712	35,575	1,280,494	-	1,280,494
-	-	18,202	1,000	5,326	37,692	-	37,692
1,063	5,739	-	141	1,960	14,698	-	14,698
-	37,573	-	269	977	46,181	-	46,181
-	-	3,000	2,086	36	50,005	-	50,005
752	445	17,308	3,379	4,142	231,025	-	231,025
43,900	76,771	51,695	454,996	78,525	2,632,433	-	2,632,433
-	17,315	-	376,763	16,694	417,539	-	417,539
4,306	47,029	-	25,855	57,186	136,358	-	136,358
-	-	-	-	-	325,375	-	325,375
-	-	-	27	135	52,973	-	52,973
-	-	-	-	-	200,512	-	200,512
-	-	-	13,202	1,754	617,391	-	617,391
-	-	-	4,940	300	451,646	-	451,646
-	-	-	-	-	10,294	-	10,294
-	-	-	13,195	16,178	43,363	-	43,363
-	-	35,597	-	-	36,867	-	36,867
36,316	-	-	-	-	79,559	-	79,559
3,001	-	-	6,328	-	9,946	-	9,946
-	-	-	-	-	-	855,374	855,374
43,623	64,344	35,597	440,310	92,247	2,381,823	855,374	3,237,197
277	12,427	16,098	14,686	(13,722)	250,610	(855,374)	(604,764)
-	-	-	-	-	-	69,730	69,730
-	-	-	-	-	-	(69,730)	(69,730)
-	35	-	670	4,493	102,525	855,374	957,899
-	(3,600)	(3,010)	(13,635)	(871)	(303,948)	-	(303,948)
-	(3,565)	(3,010)	(12,965)	3,622	(201,423)	855,374	653,951
277	8,862	13,088	1,721	(10,100)	49,187	-	49,187
14,853	96,348	367,941	560,796	43,908	2,004,823	-	2,004,823
$ 15,130	$ 105,210	$ 381,029	$ 562,517	$ 33,808	$ 2,054,010	$ -	$ 2,054,010

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2019
(Amounts in thousands)

	Highways			Natural Resources		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	$ 83,853	$ 83,138	$ (715)	$ 250	$ 250	$ -
Vehicle registration fee tax	46,193	46,249	56	-	-	-
State vehicle weight tax	82,339	84,065	1,726	-	-	-
Rental/tour vehicle surcharge tax	53,720	57,991	4,271	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	6,800	8,604	1,804
Environmental response tax	-	-	-	3,800	4,016	216
Transient accommodations tax	-	-	-	3,000	4,500	1,500
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	266,105	271,443	5,338	13,850	17,370	3,520
Non-taxes						
Interest and investment income	2,703	2,771	68	1,043	904	(139)
Charges for current services	45,007	4,013	(40,994)	35,013	35,556	543
Intergovernmental	32,444	890	(31,554)	-	119	119
Rentals	1,000	1,000	-	8,717	10,496	1,779
Fines, forfeitures and penalties	5,256	4,686	(570)	178	130	(48)
Licenses and fees	2,168	2,158	(10)	779	836	57
Revenues from private sources	-	-	-	336	25	(311)
Other	64	7,690	7,626	3,349	7,940	4,591
Total non-taxes	88,642	23,208	(65,434)	49,415	56,006	6,591
Total revenues	354,747	294,651	(60,096)	63,265	73,376	10,111
Expenditures						
General government	-	-	-	7,053	7,053	-
Public safety	-	-	-	1,518	1,109	409
Highways	316,523	248,841	67,682	-	-	-
Conservation of natural resources	-	-	-	71,187	51,877	19,310
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	-	-	-	-	-	-
Culture and recreation	-	-	-	10,374	6,354	4,020
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	1,842	617	1,225	-	-	-
Total expenditures	318,365	249,458	68,907	90,132	66,393	23,739
Excess (deficiency) of revenues over (under) expenditures	$ 36,382	$ 45,193	$ 8,811	$ (26,867)	$ 6,983	$ 33,850

Health			Human Services		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
5,718	5,829	111	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
25,000	23,233	(1,767)	-	-	-
-	-	-	-	-	-
1,007	1,339	332	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,725	30,401	(1,324)	-	-	-
552	4	(548)	-	14	14
88,126	86,436	(1,690)	305	287	(18)
1,550	2,738	1,188	240	1,085	845
-	-	-	-	-	-
1,076	964	(112)	-	15	15
3,862	3,281	(581)	128	107	(21)
36,620	34,488	(2,132)	35	36	1
680	1,416	736	-	1,159	1,159
132,466	129,327	(3,139)	708	2,703	1,995
164,191	159,728	(4,463)	708	2,703	1,995
292	249	43	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
210,299	147,240	63,059	-	-	-
-	-	-	5,735	794	4,941
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
210,591	147,489	63,102	5,735	794	4,941
$ (46,400)	$ 12,239	$ 58,639	$ (5,027)	$ 1,909	$ 6,936

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2019
(Amounts in thousands)

	Education			Economic Development		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	$ -	$ -	$ -	$ -	$ -	$ -
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	3,800	4,016	216
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	3,800	4,016	216
Non-taxes						
Interest and investment income	61	-	(61)	874	1,018	144
Charges for current services	43,489	36,706	(6,783)	16,887	15,876	(1,011)
Intergovernmental	5	4,206	4,201	-	608	608
Rentals	75	436	361	2,056	1,200	(856)
Fines, forfeitures and penalties	-	-	-	-	-	-
Licenses and fees	783	970	187	-	10	10
Revenues from private sources	226	139	(87)	2,750	156	(2,594)
Other	2,018	15,546	13,528	3,202	5,550	2,348
Total non-taxes	46,657	58,003	11,346	25,769	24,418	(1,351)
Total revenues	46,657	58,003	11,346	29,569	28,434	(1,135)
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,100	-	1,100
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	1,000	950	50
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	96,895	54,317	42,578	-	-	-
Culture and recreation	4,000	899	3,101	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	147,378	40,321	107,057
Other	-	-	-	-	-	-
Total expenditures	100,895	55,216	45,679	149,478	41,271	108,207
Excess (deficiency) of revenues over (under) expenditures	$ (54,238)	$ 2,787	$ 57,025	$ (119,909)	$ (12,837)	$ 107,072

Employment			Regulatory		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,349	1,175	(174)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	2,000	-
-	-	-	2,150	2,574	424
1,349	1,175	(174)	4,150	4,574	424
11,500	77	(11,423)	294	687	393
1,734	2,205	471	26,407	27,197	790
-	820	820	-	-	-
-	-	-	-	-	-
1	1,063	1,062	2,862	5,739	2,877
-	-	-	39,444	37,573	(1,871)
-	-	-	-	-	-
-	125	125	4,241	4,830	589
13,235	4,290	(8,945)	73,248	76,026	2,778
14,584	5,465	(9,119)	77,398	80,600	3,202
-	-	-	15,451	14,523	928
3,043	2,290	753	61,378	51,138	10,240
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,203	1,948	9,255	-	-	-
3,191	3,001	190	-	-	-
17,437	7,239	10,198	76,829	65,661	11,168
$ (2,853)	$ (1,774)	$ 1,079	$ 569	$ 14,939	$ 14,370

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2019
(Amounts in thousands)

	Hawaiian Programs			Administrative Support		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	$ -	$ -	$ -	$ -	$ -	$ -
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	1,652	1,766	114
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	-	57,354	57,354
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	1,652	59,120	57,468
Non-taxes						
Interest and investment income	80	25	(55)	3,312	708	(2,604)
Charges for current services	-	36	36	44,315	86,590	42,275
Intergovernmental	-	-	-	-	4,064	4,064
Rentals	17,111	17,045	(66)	4,135	4,300	165
Fines, forfeitures and penalties	-	-	-	225	141	(84)
Licenses and fees	-	-	-	100	243	143
Revenues from private sources	-	3,000	3,000	1,660	2,086	426
Other	4,130	12,451	8,321	16,095	3,548	(12,547)
Total non-taxes	21,321	32,557	11,236	69,842	101,680	31,838
Total revenues	21,321	32,557	11,236	71,494	160,800	89,306
Expenditures						
General government	-	-	-	91,150	51,048	40,102
Public safety	-	-	-	12,617	10,686	1,931
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	285	-	285
Health	-	-	-	-	-	-
Welfare	-	-	-	651	583	68
Lower education	-	-	-	7,290	4,940	2,350
Culture and recreation	-	-	-	13,737	13,339	398
Urban redevelopment and housing	11,925	6,814	5,111	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	-	-	-	25,273	6,065	19,208
Total expenditures	11,925	6,814	5,111	151,003	86,661	64,342
Excess (deficiency) of revenues over (under) expenditures	$ 9,396	$ 25,743	$ 16,347	$ (79,509)	$ 74,139	$ 153,648

All Other			Total Special Revenue Funds		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
$ -	$ -	$ -	$ 84,103	$ 83,388	$ (715)
-	-	-	51,911	52,078	167
-	-	-	82,339	84,065	1,726
-	-	-	53,720	57,991	4,271
-	-	-	1,349	1,175	(174)
-	-	-	26,652	24,999	(1,653)
-	-	-	6,800	8,604	1,804
-	-	-	8,607	9,371	764
-	-	-	3,000	61,854	58,854
-	-	-	2,000	2,000	-
-	-	-	2,150	2,574	424
-	-	-	322,631	388,099	65,468
54	42	(12)	20,473	6,250	(14,223)
8,607	17,868	9,261	309,890	312,770	2,880
1,117	1,484	367	35,356	16,014	(19,342)
-	-	-	33,094	34,477	1,383
2,281	1,925	(356)	11,879	14,663	2,784
675	977	302	47,939	46,155	(1,784)
34	36	2	41,661	39,966	(1,695)
7,533	8,030	497	41,312	68,285	26,973
20,301	30,362	10,061	541,604	538,580	(3,024)
20,301	30,362	10,061	864,235	926,679	62,444
20,211	16,083	4,128	134,157	88,956	45,201
21,586	13,925	7,661	101,242	79,148	22,094
-	-	-	316,523	248,841	67,682
-	-	-	72,472	52,827	19,645
-	-	-	210,299	147,240	63,059
1,550	1,114	436	7,936	2,491	5,445
-	-	-	104,185	59,257	44,928
20,493	17,142	3,351	48,604	37,734	10,870
-	-	-	11,925	6,814	5,111
-	-	-	158,581	42,269	116,312
-	-	-	30,306	9,683	20,623
63,840	48,264	15,576	1,196,230	775,260	420,970
$ (43,539)	$ (17,902)	$ 25,637	$ (331,995)	$ 151,419	$ 483,414

(concluded)

State of Hawaii
Nonmajor Special Revenue Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2019
(Amounts in thousands)

Excess of revenues over expenditures – actual (budgetary basis)	$	151,419
Reserve for encumbrance at year end*		157,111
Expenditures for liquidation of prior fiscal year encumbrances		(482,450)
Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds		299,600
Transfers		137,450
Accrued liabilities		(463,243)
Accrued revenues		450,723
Excess of revenues over expenditures – GAAP basis	$	250,610

*Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Fund Net Position
June 30, 2019
(Amounts in thousands)

	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Assets				
Current assets				
Cash and cash equivalents	$ 28,961	$ 177,833	$ 23,024	$ 229,818
Investments	61,278	-	-	61,278
Receivables				
Accounts and accrued interest	-	314	102	416
Promissory note receivable	-	30,913	11,319	42,232
Federal government	-	-	118	118
Premiums	43,894	-	-	43,894
Other	27,845	3,792	1,201	32,838
Prepaid expenses and other assets	5,329	-	-	5,329
Total current assets	167,307	212,852	35,764	415,923
Capital assets – equipment	10,583	726	3,162	14,471
Less: Accumulated depreciation	(10,221)	(142)	(2,317)	(12,680)
Net capital assets	362	584	845	1,791
Promissory note receivable	-	329,883	178,013	507,896
Total noncurrent assets	362	330,467	178,858	509,687
Total assets	167,669	543,319	214,622	925,610
Deferred outflows of resources				
Deferred outflows on net pension liability	1,333	918	620	2,871
Deferred outflows on net other postemployment benefits liability	784	328	262	1,374
Total deferred outflows of resources	$ 2,117	$ 1,246	$ 882	$ 4,245
Liabilities				
Current liabilities				
Vouchers and contracts payable	$ 348	$ 143	$ 387	$ 878
Other accrued liabilities	1,696	-	-	1,696
Benefits claims payable	4,499	-	-	4,499
Accrued vacation, current portion	110	77	62	249
Premiums payable	43,628	-	-	43,628
Total current liabilities	50,281	220	449	50,950
Noncurrent liabilities				
Accrued vacation	244	151	142	537
Net pension liability	5,886	3,807	2,486	12,179
Net other postemployment benefits liability	7,489	3,737	2,814	14,040
Total noncurrent liabilities	13,619	7,695	5,442	26,756
Total liabilities	63,900	7,915	5,891	77,706
Deferred inflows of resources				
Deferred inflows on net pension liability	91	50	495	636
Deferred inflows on net other postemployment benefits liability	149	61	58	268
Total deferred inflows of resources	240	111	553	904
Net position				
Net investment in capital assets	362	584	845	1,791
Restricted for bond requirements and other	-	535,955	208,215	744,170
Unrestricted	105,284	-	-	105,284
Total net position	$ 105,646	$ 536,539	$ 209,060	$ 851,245

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2019
(Amounts in thousands)

	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Operating revenues				
Administrative fees	$ -	$ 1,747	$ 2,307	$ 4,054
Premium revenue – self insurance	90,427	-	-	90,427
Experience refunds, net	6,467	-	-	6,467
Other	3,616	1,198	441	5,255
Total operating revenues	100,510	2,945	2,748	106,203
Operating expenses				
Personnel services	5,213	2,088	1,217	8,518
Depreciation	84	90	239	413
Repairs and maintenance	67	-	106	173
General administration	3,008	760	975	4,743
Claims	86,463	-	-	86,463
Other	249	1,056	2,339	3,644
Total operating expenses	95,084	3,994	4,876	103,954
Operating income (loss)	5,426	(1,049)	(2,128)	2,249
Nonoperating revenues				
Interest and investment income	3,306	3,557	686	7,549
Income (loss) before capital contributions	8,732	2,508	(1,442)	9,798
Capital contributions	-	16,283	9,984	26,267
Change in net position	8,732	18,791	8,542	36,065
Net position				
Beginning of year	96,914	517,748	200,518	815,180
End of year	$ 105,646	$ 536,539	$ 209,060	$ 851,245

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2019
(Amounts in thousands)

	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities				
Cash received from employers and employees for premiums and benefits	$ 625,821	$ -	$ -	$ 625,821
Cash paid to suppliers	(3,190)	(149)	(881)	(4,220)
Cash paid to employees	(4,738)	(2,033)	(1,624)	(8,395)
Cash paid for premiums and benefits payable	(614,000)	-	-	(614,000)
Net cash provided by (used in) operating activities	3,893	(2,182)	(2,505)	(794)
Cash flows from noncapital financing activities				
Proceeds from federal operating grants	-	12,980	7,935	20,915
Cash flows from capital financing activities				
Purchase of equipment	(24)	(16)	-	(40)
State capital contributions	-	2,054	1,648	3,702
Net cash provided by (used in) capital financing activities	(24)	2,038	1,648	3,662
Cash flows from investing activities				
Purchase of investments	(5,470)	-	-	(5,470)
Principal repayments on notes receivable	-	31,189	13,794	44,983
Disbursement of notes receivable proceeds	-	(40,786)	(26,772)	(67,558)
Interest income from notes receivable	-	1,209	446	1,655
Administrative loan fees	-	1,705	2,320	4,025
Interest received from investments	3,306	1,286	316	4,908
Net cash used in investing activities	(2,164)	(5,397)	(9,896)	(17,457)
Net increase (decrease) in cash and cash equivalents	1,705	7,439	(2,818)	6,326
Cash and cash equivalents, including restricted amounts				
Beginning of year	27,256	170,394	25,842	223,492
End of year	$ 28,961	$ 177,833	$ 23,024	$ 229,818
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 5,426	$ (1,049)	$ (2,128)	$ 2,249
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	84	90	239	413
Principal forgiveness of loan	-	1,627	1,681	3,308
Interest income from loans	-	(1,198)	(441)	(1,639)
Administrative loan fees	-	(1,747)	(2,307)	(4,054)
Non-imposed fringe benefits	-	6	5	11
Premium reserves held by insurance companies	13,835	-	-	13,835
Change in assets, deferred outflows, liabilities and deferred inflows				
Receivables	(15,957)	3	-	(15,954)
Prepaid and other expenses	10	-	-	10
Net deferred outflows/inflows of resources	198	46	145	389
Vouchers and contracts payable	(125)	(40)	216	51
Net pension liability	190	49	56	295
Other postemployment benefits liability	75	31	29	135
Other accrued liabilities	767	-	-	767
Benefits claim payable	(610)	-	-	(610)
Net cash provided by (used in) operating activities	$ 3,893	$ (2,182)	$ (2,505)	$ (794)
Supplemental information				
Noncash investing, capital and financing activities				
In-kind contribution from the Environmental Protection Agency	$ -	$ 600	$ -	$ 600

State of Hawaii
Fiduciary Funds
Combining Statement of Fiduciary Net Position – Agency Funds
June 30, 2019
(Amounts in thousands)

	Agency Funds			Total
	Tax Collections	Custodial	Other	Agency Funds
Assets				
Cash and cash equivalents	$ 977	$ 119,394	$ 9,439	$ 129,810
Receivables – taxes	-	-	14,557	14,557
Investments	11,238	239,114	102,746	353,098
Other assets, primarily due from individuals, businesses and counties	2,061	-	-	2,061
Total assets	$ 14,276	$ 358,508	$ 126,742	$ 499,526
Liabilities				
Vouchers payable	$ 14,276	$ 90	$ 4,860	$ 19,226
Due to individuals, businesses and counties	-	358,418	121,882	480,300
Total liabilities	$ 14,276	$ 358,508	$ 126,742	$ 499,526

State of Hawaii
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year Ended June 30, 2019
(Amounts in thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Tax collections				
Assets				
Cash and cash equivalents	$ 229	$ 9,837,837	$ (9,837,089)	$ 977
Due from individuals, businesses and counties	7,808	9,832,090	(9,837,837)	2,061
Investments	2,312	11,238	(2,312)	11,238
Total assets	$ 10,349	$ 19,681,165	$ (19,677,238)	$ 14,276
Liabilities				
Vouchers payable	$ 10,349	$ 14,276	$ (10,349)	$ 14,276
Total liabilities	$ 10,349	$ 14,276	$ (10,349)	$ 14,276
Custodial				
Assets				
Cash and cash equivalents	$ 101,212	$ 4,385,664	$ (4,367,482)	$ 119,394
Due from individuals, businesses and counties	80,697	-	(80,697)	-
Investments	327,327	239,114	(327,327)	239,114
Total assets	$ 509,236	$ 4,624,778	$ (4,775,506)	$ 358,508
Liabilities				
Vouchers payable	$ 14	$ 90	$ (14)	$ 90
Due to individuals, businesses and counties	509,222	4,385,664	(4,536,468)	358,418
Total liabilities	$ 509,236	$ 4,385,754	$ (4,536,482)	$ 358,508
Other				
Assets				
Cash and cash equivalents	$ 10,550	$ 53,484	$ (54,595)	$ 9,439
Receivables	12,875	14,557	(12,875)	14,557
Investments	95,115	102,746	(95,115)	102,746
Total assets	$ 118,540	$ 170,787	$ (162,585)	$ 126,742
Liabilities				
Vouchers payable	$ 177	$ 4,860	$ (177)	$ 4,860
Due to individuals, businesses and counties	118,363	55,165	(51,646)	121,882
Total liabilities	$ 118,540	$ 60,025	$ (51,823)	$ 126,742
Total – All agency funds				
Assets				
Cash and cash equivalents	$ 111,991	$ 14,276,985	$ (14,259,166)	$ 129,810
Receivables	12,875	14,557	(12,875)	14,557
Due from individuals, businesses and counties	88,505	9,832,090	(9,918,534)	2,061
Investments	424,754	353,098	(424,754)	353,098
Total assets	$ 638,125	$ 24,476,730	$ (24,615,329)	$ 499,526
Liabilities				
Vouchers payable	$ 10,540	$ 19,226	$ (10,540)	$ 19,226
Due to individuals, businesses and counties	627,585	4,440,829	(4,588,114)	480,300
Total liabilities	$ 638,125	$ 4,460,055	$ (4,598,654)	$ 499,526

PART III: STATISTICAL SECTION

This Part of the State's comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information on the State's overall financial health.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

State of Hawaii
Financial Trends Information
Net Position by Component (Accrual Basis of Accounting)
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	**2018**	**2017**	**2016**	**2015**
Governmental activities					
Net investment in capital assets	$ 2,459,159	$ 2,661,730	$ 2,787,289	$ 2,727,055	$ 2,826,649
Restricted	2,089,246	2,028,259	1,799,903	1,591,701	1,445,824
Unrestricted	(11,830,687)	(11,381,725)	(7,996,567)	(7,190,837)	(7,379,890)
Total governmental activities net position	$ (7,282,282)	$ (6,691,736)	$ (3,409,375)	$ (2,872,081)	$ (3,107,417)
Business-type activities					
Net investment in capital assets	$ 2,459,973	$ 2,183,188	$ 2,022,844	$ 1,871,554	$ 1,773,613
Restricted	1,580,020	1,444,009	1,309,392	1,305,799	1,227,441
Unrestricted	1,018,193	1,075,059	1,141,536	1,058,108	995,207
Total business-type activities net position	$ 5,058,186	$ 4,702,256	$ 4,473,772	$ 4,235,461	$ 3,996,261
Primary government					
Net investment in capital assets	$ 4,919,132	$ 4,844,918	$ 4,810,133	$ 4,598,609	$ 4,600,262
Restricted	3,669,266	3,472,268	3,109,295	2,897,500	2,673,265
Unrestricted	(10,812,494)	(10,306,666)	(6,855,031)	(6,132,729)	(6,384,683)
Total primary government net position	$ (2,224,096)	$ (1,989,480)	$ 1,064,397	$ 1,363,380	$ 888,844

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statements No. 68 and No. 71.

Amounts prior to fiscal 2017 have not been restated for GASB Statement No. 82.

Amounts prior to fiscal 2018 have not been restated for GASB Statement No. 75.

2014	2013	2012	2011	2010
$ 2,772,220	$ 2,863,379	$ 2,794,481	$ 3,326,245	$ 3,118,606
1,128,678	1,051,548	930,294	917,730	655,238
(3,096,065)	(2,669,391)	(2,394,874)	(2,384,187)	(1,306,716)
$ 804,833	$ 1,245,536	$ 1,329,901	$ 1,859,788	$ 2,467,128
$ 1,653,902	$ 1,599,483	$ 1,560,267	$ 1,476,136	$ 1,469,676
1,160,551	1,068,146	966,042	956,894	922,846
1,050,981	899,740	649,583	579,383	493,163
$ 3,865,434	$ 3,567,369	$ 3,175,892	$ 3,012,413	$ 2,885,685
$ 4,426,122	$ 4,462,862	$ 4,354,748	$ 4,802,381	$ 4,588,282
2,289,229	2,119,694	1,896,336	1,874,624	1,578,084
(2,045,084)	(1,769,651)	(1,745,291)	(1,804,804)	(813,553)
$ 4,670,267	$ 4,812,905	$ 4,505,793	$ 4,872,201	$ 5,352,813

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Expenses					
Governmental activities					
General government	$ 1,054,935	$ 920,547	$ 631,052	$ 688,394	$ 595,278
Public safety	675,663	639,888	552,671	485,985	504,343
Highways	552,741	614,847	457,374	399,997	426,142
Conservation of natural resources	224,266	118,637	161,924	107,740	89,176
Health	1,019,160	874,898	889,216	878,610	871,563
Welfare	3,379,304	3,542,771	3,481,679	3,343,392	3,196,602
Lower education	3,527,097	3,404,645	3,157,517	2,840,782	2,729,789
Higher education	950,253	950,843	899,199	673,217	761,837
Other education	18,376	23,827	27,248	23,379	21,664
Culture and recreation	110,711	89,647	106,875	106,511	84,265
Urban redevelopment and housing	179,794	392,921	245,819	122,981	115,653
Economic development and assistance	174,629	170,200	161,077	163,935	179,485
Interest expense	251,294	311,340	212,042	210,204	247,059
Total governmental activities expenses	12,118,223	12,055,011	10,983,693	10,045,127	9,822,856
Business-type activities					
Airports	469,321	429,884	408,517	377,393	350,041
Harbors	85,007	92,978	101,180	93,088	87,031
Unemployment compensation	165,134	177,009	173,735	144,481	186,893
Nonmajor proprietary funds	103,954	96,548	110,907	112,323	112,209
Total business-type activities expenses	823,416	796,419	794,339	727,285	736,174
Total primary government expenses	$ 12,941,639	$ 12,851,430	$ 11,778,032	$ 10,772,412	$ 10,559,030
Program revenues					
Governmental activities					
Charges for services					
General government	$ 302,275	$ 319,043	$ 289,116	$ 209,598	$ 248,915
Health	138,013	126,046	143,363	136,429	136,547
Other	393,958	479,847	357,034	371,823	314,099
Operating grants and contributions	3,082,678	3,154,479	3,068,752	2,986,842	2,809,460
Capital grants and contributions	-	-	-	113,006	139,977
Total governmental activities program revenues	3,916,924	4,079,415	3,858,265	3,817,698	3,648,998
Business-type activities					
Charges for services					
Airports	562,436	587,602	511,018	459,269	434,489
Unemployment compensation	193,093	186,239	176,212	187,215	239,375
Others	296,920	283,586	269,694	218,552	238,852
Capital grants and contributions	78,010	37,956	51,091	80,173	72,140
Total business-type activities program revenues	1,130,459	1,095,383	1,008,015	945,209	984,856
Total primary government program revenues	$ 5,047,383	$ 5,174,798	$ 4,866,280	$ 4,762,907	$ 4,633,854
Net (expense) revenue					
Governmental activities	$ (8,201,299)	$ (7,975,596)	$ (7,125,428)	$ (6,227,429)	$ (6,173,858)
Business-type activities	307,043	298,964	213,676	217,924	248,682
Total primary government net expenses	$ (7,894,256)	$ (7,676,632)	$ (6,911,752)	$ (6,009,505)	$ (5,925,176)

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statements No. 68 and No. 71.

Amounts prior to fiscal 2017 have not been restated for GASB Statement No. 82.

Amounts prior to fiscal 2018 have not been restated for GASB Statement No. 75.

2014	2013	2012	2011	2010
$ 567,941	$ 531,839	$ 552,788	$ 535,434	$ 421,327
533,727	451,946	502,002	471,459	538,110
554,039	490,091	516,924	450,548	466,322
101,587	52,208	96,349	89,021	81,561
849,493	813,190	773,288	816,525	858,476
2,879,813	2,798,053	2,464,582	2,553,829	2,348,190
2,685,037	2,592,125	2,598,444	2,545,980	2,616,768
693,292	654,611	672,716	707,381	700,335
21,766	20,086	16,753	14,018	14,034
104,303	94,679	111,628	108,697	108,247
137,160	173,677	23,888	66,144	101,505
166,455	172,602	209,460	238,315	209,611
239,760	241,677	243,938	239,836	210,243
9,534,373	9,086,784	8,782,760	8,837,187	8,674,729
346,699	366,918	353,541	354,368	336,127
89,327	90,548	84,826	80,355	68,291
244,947	336,931	468,610	561,548	686,141
87,031	66,119	169,166	250,346	256,205
768,004	860,516	1,076,143	1,246,617	1,346,764
$ 10,302,377	$ 9,947,300	$ 9,858,903	$ 10,083,804	$ 10,021,493
$ 223,066	$ 267,081	$ 266,878	$ 270,078	$ 231,629
130,338	56,963	32,339	46,215	98,547
287,937	170,603	121,928	112,479	111,295
2,660,770	2,589,537	2,370,437	2,837,464	2,598,141
97,290	96,184	97,322	132,825	144,445
3,399,401	3,180,368	2,888,904	3,399,061	3,184,057
404,442	431,708	343,279	387,484	324,577
353,546	507,096	533,963	535,243	486,476
203,979	215,243	272,317	341,707	344,889
98,628	64,313	85,899	75,324	98,099
1,060,595	1,218,360	1,235,458	1,339,758	1,254,041
$ 4,459,996	$ 4,398,728	$ 4,124,362	$ 4,738,819	$ 4,438,098
$ (6,134,972)	$ (5,906,416)	$ (5,893,856)	$ (5,438,126)	$ (5,490,672)
292,591	357,844	159,315	93,141	(92,723)
$ (5,842,381)	$ (5,548,572)	$ (5,734,541)	$ (5,344,985)	$ (5,583,395)

(continued)

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
General revenues and other changes in net position					
Governmental activities					
Taxes					
General excise tax	$ 3,794,587	$ 3,553,975	$ 3,189,599	$ 3,192,469	$ 3,021,418
Net income tax – corporations and individuals	2,728,991	2,407,338	2,330,408	2,160,872	2,073,015
Public service companies tax	126,691	117,641	122,159	152,760	163,481
Transient accommodations tax	356,670	304,521	299,712	233,082	202,345
Tobacco and liquor tax	151,438	157,988	160,906	161,239	165,137
Liquid fuel tax	85,146	85,211	84,933	89,702	88,449
Tax on premiums of insurance companies	176,420	162,318	166,836	154,690	147,767
Vehicle weight and registration tax	136,142	135,080	132,974	130,051	125,113
Rental motor/tour vehicle surcharge tax	57,994	54,846	53,189	54,873	51,941
Franchise tax	26,808	15,712	11,174	14,691	19,930
Other tax	156,632	145,861	103,204	109,072	76,222
Interest and investment income	40,141	36,527	30,676	22,564	16,024
Other	(2,797)	4,538	-	(13,300)	-
Assumption agreement with State, net	-	(250,697)	-	-	-
Debt cancellation with State	(224,110)	-	-	-	-
Total governmental activities	7,610,753	6,930,859	6,685,770	6,462,765	6,150,842
Business-type activities					
Interest and investment income	48,887	27,352	25,324	21,276	17,567
Other	-	-	-	-	-
Total business-type activities	48,887	27,352	25,324	21,276	17,567
Total primary government	$ 7,659,640	$ 6,958,211	$ 6,711,094	$ 6,484,041	$ 6,168,409
Changes in net position					
Governmental activities	$ (590,546)	$ (1,044,737)	$ (439,658)	$ 235,336	$ (23,016)
Business-type activities	355,930	326,316	239,000	239,200	266,249
Total primary government	$ (234,616)	$ (718,421)	$ (200,658)	$ 474,536	$ 243,233

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statements No. 68 and No. 71.

Amounts prior to fiscal 2017 have not been restated for GASB Statement No. 82.

Amounts prior to fiscal 2018 have not been restated for GASB Statement No. 75.

2014	2013	2012	2011	2010
$ 2,816,346	$ 2,991,792	$ 2,774,636	$ 2,507,980	$ 2,279,310
1,840,890	1,795,683	1,633,085	1,477,624	1,408,965
166,179	163,930	150,528	117,940	157,661
188,721	186,377	138,529	60,839	32,635
155,990	161,066	170,824	173,851	149,596
88,707	87,645	88,842	91,265	82,780
139,074	133,585	119,472	140,586	105,848
124,686	121,605	98,187	59,476	58,659
42,853	52,112	106,417	43,892	40,401
38,983	22,673	7,229	33,682	20,666
96,131	80,081	70,873	67,799	32,165
13,163	25,502	5,347	55,852	124,516
-	-	-	-	(3,034)
-	-	-	-	-
-	-	-	-	-
5,711,723	5,822,051	5,363,969	4,830,786	4,490,168
12,805	14,633	4,164	33,587	68,950
-	19,000	-	-	-
12,805	33,633	4,164	33,587	68,950
$ 5,724,528	$ 5,855,684	$ 5,368,133	$ 4,864,373	$ 4,559,118
$ (423,249)	$ (84,365)	$ (529,887)	$ (607,340)	$ (1,000,504)
305,396	391,477	163,479	126,728	(23,773)
$ (117,853)	$ 307,112	$ (366,408)	$ (480,612)	$ (1,024,277)

(concluded)

State of Hawaii
Financial Trends Information
Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	**2018**	**2017**	**2016**	**2015**
General Fund					
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved	N/A	N/A	N/A	N/A	N/A
Total General Fund	N/A	N/A	N/A	N/A	N/A
All other governmental funds					
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved, reported in					
Capital projects fund	N/A	N/A	N/A	N/A	N/A
Special revenue funds	N/A	N/A	N/A	N/A	N/A
Total all other governmental funds	N/A	N/A	N/A	N/A	N/A
General Fund (under GASB 54)					
Assigned fund balance	$ 475,242	$ 503,201	$ 400,529	$ 394,581	$ 205,242
Unassigned fund balance	1,147,073	974,719	1,305,542	1,400,783	1,384,053
Total General Fund	$ 1,622,315	$ 1,477,920	$ 1,706,071	$ 1,795,364	$ 1,589,295
All other governmental funds (under GASB 54)					
Restricted fund balance	$ 22,006	$ 25,653	$ 110,750	$ 15,557	$ 25,370
Committed fund balance	823,958	805,502	688,980	401,313	449,290
Assigned fund balance	1,267,999	1,226,984	1,117,520	1,199,080	1,009,503
Unassigned fund balance	(210,972)	(68,660)	(116,880)	(340,671)	(576,980)
Total all other governmental funds	$ 1,902,991	$ 1,989,479	$ 1,800,370	$ 1,275,279	$ 907,183

Note: Beginning fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance has not been restated for prior years.

N/A Not applicable.

2014	2013	2012	2011	2010
N/A	N/A	N/A	N/A	$ 243,485
N/A	N/A	N/A	N/A	(210,551)
N/A	N/A	N/A	N/A	$ 32,934
N/A	N/A	N/A	N/A	$ 2,275,968
N/A	N/A	N/A	N/A	(1,651,855)
N/A	N/A	N/A	N/A	293,625
N/A	N/A	N/A	N/A	$ 917,738
$ 256,483	$ 271,020	$ 236,779	$ 210,164	N/A
1,079,180	1,154,253	570,659	346,882	N/A
$ 1,335,663	$ 1,425,273	$ 807,438	$ 557,046	N/A
$ 27,145	$ 21,854	$ 109	$ 21,582	N/A
497,932	486,240	518,374	600,125	N/A
739,279	612,762	532,466	339,337	N/A
(588,405)	(611,097)	(408,575)	(766,665)	N/A
$ 675,951	$ 509,759	$ 642,374	$ 194,379	N/A

State of Hawaii
Financial Trends Information
Changes in Fund Balances – Governmental Funds
(Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Revenues					
Taxes					
General excise tax	$ 3,794,585	$ 3,553,975	$ 3,189,599	$ 3,192,469	$ 3,021,418
Net income tax – corporations and individuals	2,718,654	2,456,674	2,286,017	2,157,879	2,047,327
Public service companies tax	126,691	117,641	122,159	152,760	163,481
Transient accommodations tax	356,670	304,521	299,712	233,082	202,345
Tobacco and liquor tax	151,438	157,988	160,906	161,239	165,137
Liquid fuel tax	85,146	85,211	84,933	89,702	88,449
Tax on premiums of insurance companies	176,420	162,318	166,836	154,690	147,767
Vehicle weight and registration tax	136,142	135,080	132,974	130,051	125,113
Rental motor/tour vehicle surcharge tax	57,994	54,846	53,189	54,873	51,941
Franchise tax	26,808	15,712	11,174	14,691	19,930
Other	156,632	145,861	103,204	109,072	76,222
Total taxes	7,787,180	7,189,827	6,610,703	6,450,508	6,109,130
Interest and investment income (loss)	40,141	36,527	30,676	22,564	16,024
Charges for current services	518,531	477,717	460,211	431,181	384,380
Intergovernmental	2,783,538	2,878,717	2,938,557	2,995,768	2,803,989
Rentals	38,031	35,466	35,530	32,371	31,127
Fines, forfeitures and penalties	37,513	38,767	39,203	35,738	37,201
Licenses and fees	47,965	47,066	46,893	45,738	42,463
Revenues from private sources	122,017	184,661	105,857	126,450	121,366
Other	369,425	428,066	248,389	169,533	191,472
Total revenues	11,744,341	11,316,814	10,516,019	10,309,851	9,737,152
Expenditures					
Current					
General government	1,007,554	807,032	701,083	673,236	573,820
Public safety	634,120	579,980	531,545	479,047	484,960
Highways	526,148	609,538	461,523	389,744	455,563
Conservation of natural resources	145,383	157,639	180,697	181,563	145,516
Health	1,009,545	827,592	873,703	876,820	855,797
Welfare	3,332,469	3,495,974	3,442,279	3,349,414	3,192,807
Lower education	3,334,110	3,226,275	2,973,583	2,828,013	2,619,156
Higher education	950,253	950,843	899,199	673,217	761,837
Other education	18,376	23,827	27,248	23,379	21,664
Culture and recreation	116,381	104,964	104,655	101,351	96,676
Urban redevelopment and housing	79,236	124,292	63,807	54,446	71,384
Economic development and assistance	152,592	167,614	179,127	159,483	176,919
Housing	85,032	256,386	133,010	58,381	48,565
Other	13,691	12,388	10,613	20,193	15,179
Debt service					
Principal	464,518	464,518	484,274	444,791	444,791
Interest and others	390,856	321,150	296,482	315,321	289,524
Total expenditures	12,260,264	12,130,012	11,362,828	10,628,399	10,254,158
Excess of expenditures over revenues	(515,923)	(813,198)	(846,809)	(318,548)	(517,006)
Other financing sources (uses)					
Proceeds from borrowing and refunding	644,962	1,200,004	2,161,677	1,835,677	1,518,709
Payments to escrow agent	(69,730)	(424,887)	(879,070)	(989,950)	(516,839)
Transfers in	1,214,773	1,291,815	1,444,931	1,276,279	1,171,272
Transfers out	(1,214,773)	(1,291,815)	(1,444,931)	(1,276,279)	(1,171,272)
Other	(1,402)	(961)	-	46,986	-
Total other financing sources	573,830	774,156	1,282,607	892,713	1,001,870
Net change in fund balances	$ 57,907	$ (39,042)	$ 435,798	$ 574,165	$ 484,864
Total debt service as a percent of noncapital expenditures	7.5%	7.0%	7.3%	7.6%	7.7%

2014	2013	2012	2011	2010
$ 2,816,346	$ 2,991,792	$ 2,774,636	$ 2,507,980	$ 2,279,310
1,840,963	1,804,409	1,633,412	1,473,188	1,408,965
166,179	163,930	150,528	117,940	157,661
188,721	186,377	138,529	60,839	32,635
155,990	161,066	170,824	173,851	149,596
88,707	87,645	88,842	91,265	82,780
139,074	133,585	119,472	140,586	105,848
124,686	121,605	98,187	59,476	58,659
42,853	52,112	106,417	43,892	40,401
38,983	22,673	7,229	33,682	20,666
96,131	80,079	70,873	67,799	32,165
5,698,633	5,805,273	5,358,949	4,770,498	4,368,686
13,163	25,502	5,347	55,854	124,518
363,791	369,269	337,765	348,108	364,893
2,650,876	2,372,480	2,238,639	2,567,266	2,432,369
31,846	28,633	25,421	23,319	19,712
33,087	36,802	35,083	34,712	35,982
47,209	46,839	46,390	41,557	36,641
112,916	104,670	65,085	54,857	57,850
173,483	235,516	152,091	343,318	182,367
9,125,004	9,024,984	8,264,770	8,239,489	7,623,018
543,129	408,538	487,596	487,848	436,290
519,954	432,024	454,957	423,716	457,058
403,559	418,991	414,629	376,780	442,971
108,703	92,601	98,428	93,600	88,873
828,088	779,755	729,841	757,482	801,923
2,945,370	2,773,241	2,443,936	2,526,743	2,315,726
2,603,774	2,358,763	2,330,130	2,208,303	2,325,066
693,292	654,611	672,716	707,380	700,335
21,766	20,086	16,753	14,018	14,033
107,846	107,940	109,974	117,306	108,536
65,228	66,243	48,484	73,789	115,796
158,379	157,468	147,445	158,104	166,320
63,683	112,614	46,133	61,352	24,153
29,818	32,716	12,108	12,223	4,460
458,983	399,382	313,721	191,244	179,624
278,315	288,267	274,039	266,737	248,551
9,829,887	9,103,240	8,600,890	8,476,625	8,429,715
(704,883)	(78,256)	(336,120)	(237,136)	(806,697)
948,190	1,066,848	1,600,308	-	1,150,482
(185,560)	(503,372)	(565,801)	-	(619,708)
1,066,780	1,033,917	950,717	921,433	721,810
(1,066,780)	(1,033,917)	(950,717)	(921,433)	(721,810)
18,835	-	-	37,889	4,415
781,465	563,476	1,034,507	37,889	535,189
$ 76,582	$ 485,220	$ 698,387	$ (199,247)	$ (271,508)
7.9%	8.0%	7.2%	5.7%	5.4%

State of Hawaii
Revenue Capacity Information
Personal Income by Industry
Ten Years Ended June 30, 2019
(Amounts in millions)

	Fiscal Year Ended June 30, 2019	2018	2017	2016	2015
Farm earnings	$ 271	$ 284	$ 274	$ 284	$ 318
Nonfarm wage and salary worker					
Goods-producing industries					
Forestry, fishing-related activities, and other	97	94	87	76	76
Mining	31	35	35	39	41
Construction	4,538	4,372	4,391	4,038	3,542
Manufacturing – durable and nondurable goods	975	959	921	918	878
Subtotal goods – producing industries	5,641	5,460	5,434	5,071	4,537
Service-producing industries					
Transportation, communication and utilities	3,064	2,965	2,714	2,639	2,424
Trade	4,841	4,659	4,574	4,419	4,130
Information	893	766	711	742	718
Finance, insurance and real estate	3,626	3,373	3,192	3,051	3,110
Service	21,964	21,051	19,595	19,087	17,608
State and local government	7,235	6,907	6,970	6,949	6,426
Federal government	8,990	8,505	8,491	8,614	8,400
Subtotal service-producing industries	50,613	48,226	46,247	45,501	42,816
Total nonfarm wage and salary worker	56,254	53,686	51,681	50,572	47,353
Other (1)	23,638	22,506	21,042	19,814	19,092
Total personal income	$ 80,163	$ 76,476	$ 72,997	$ 70,670	$ 66,763
Total direct income tax rate (2)	N/A	N/A	N/A	N/A	N/A

(1) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

(2) The total direct rate for personal income is not available.

Source: State of Hawaii Department of Business, Economic Development and Tourism – Data Book and Quarterly Statistical and Economic Report (QSER)
Bureau of Economic Analysis – SQ5N Personal Income by major source and earnings by major NAICS industry.

2014	2013	2012	2011	2010
$ 349	$ 243	$ 288	$ 288	$ 250
66	60	60	42	45
37	39	35	33	51
3,328	3,236	3,046	2,843	2,598
833	804	767	768	766
4,264	4,139	3,908	3,686	3,460
2,316	2,178	1,889	1,783	1,718
4,089	3,929	3,768	3,666	3,651
711	692	645	711	732
3,267	2,752	2,329	2,081	2,014
17,126	16,423	15,438	15,075	14,901
6,089	5,873	5,425	5,327	5,609
8,139	8,507	10,094	9,531	9,252
41,737	40,354	39,588	38,174	37,877
46,001	44,493	43,496	41,860	41,337
18,270	18,473	16,144	15,981	14,661
$ 64,620	$ 63,209	$ 59,928	$ 58,129	$ 56,248
N/A	N/A	N/A	N/A	N/A

State of Hawaii
Revenue Capacity Information
Personal Income Tax Rates
Ten Years Ending December 31, 2019

	Top Income Tax Rate is Applied to Taxable Income in Excess of					
Year	Top Rate	Single	Top Rate	Married Filing Jointly	Top Rate	Head of Household
2019	11.00% + $16,379	$ 200,000	11.00% + $32,757	$ 400,000	11.00% + $24,568	$ 300,000
2018	8.25% + $3,214	48,000	8.25% + $6,427	96,000	8.25% + $4,820	72,000
2017	8.25% + $3,214	48,000	8.25% + $6,427	96,000	8.25% + $4,820	72,000
2016	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2015	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2014	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2013	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2012	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2011	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2010	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000

Source: State of Hawaii, Department of Taxation.

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State of Hawaii
Revenue Capacity Information
Taxable Sales by Industry
Ten Years Ended June 30, 2019
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Taxable sales by activities					
Retailing	$ 36,801	$ 35,454	$ 30,747	$ 29,498	$ 29,987
Services	16,927	16,375	14,162	13,667	13,361
Contracting	9,706	8,914	8,418	8,185	7,322
Hotel rentals	5,669	5,527	4,898	4,442	4,328
All other rentals	8,564	8,171	6,669	6,474	6,544
All other (4%)	6,543	6,545	5,918	5,407	5,486
Subtotal	84,210	80,986	70,812	67,673	67,028
Producing	296	359	324	295	321
Manufacturing	596	640	731	734	716
Wholesaling	18,062	17,590	14,462	13,864	14,294
Use (0.5%)	7,280	7,640	6,799	7,354	7,127
Services (intermediary)	1,005	903	870	708	716
Insurance solicitors	754	650	495	485	489
Subtotal	27,993	27,782	23,681	23,440	23,663
Total all activities	$ 112,203	$ 108,768	$ 94,493	$ 91,113	$ 90,691

General excise and use tax is imposed on the gross income received by the business, as follows:

- 4% of sales of tangible personal property, services, contracting, theater amusement and broadcasting, commissions, transient accommodation rentals, other rentals, interest, and other business activities;
- 0.5% of sales from wholesaling, manufacturing, producing, wholesale services, and imports for resale;
- 0.15% on insurance producer commissions.

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

2014	2013	2012	2011	2010
$ 31,152	$ 29,636	$ 29,095	$ 25,887	$ 23,919
13,795	12,985	12,696	11,944	11,154
7,046	7,547	6,253	5,687	5,864
4,279	3,871	3,431	3,024	2,606
6,472	6,377	6,154	5,999	5,778
5,683	5,337	5,160	4,825	4,360
68,427	65,753	62,789	57,366	53,681
436	399	401	370	340
1,876	639	681	698	704
14,675	14,430	14,442	13,121	12,207
6,489	8,867	8,005	6,669	6,430
1,096	628	653	577	572
485	464	477	480	502
25,057	25,427	24,659	21,915	20,755
$ 93,484	$ 91,180	$ 87,448	$ 79,281	$ 74,436

State of Hawaii
Revenue Capacity Information
Sales Tax Revenue Payers by Industry
Ten Years Ended June 30, 2019
(Amounts in thousands)

Fiscal Year Ended June 30,

	2019		2018		2017		2016		2015	
	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
Retailing	$ 1,472,039	41.5%	$ 1,418,176	41.8%	$ 1,229,860	38.0%	$ 1,179,911	36.8%	$ 1,199,488	39.4%
Services	677,082	19.1%	655,007	19.3%	566,466	17.5%	546,684	17.1%	534,442	17.5%
Contracting	388,249	11.0%	356,576	10.5%	336,717	10.4%	327,394	10.2%	292,874	9.6%
Theater, amusement, etc.	19,978	0.6%	19,182	0.6%	17,248	0.5%	15,931	0.5%	15,955	0.5%
Interest	141,903	4.0%	142,359	4.2%	134,441	4.2%	1	0.0%	1	0.0%
Commissions	54,981	1.6%	55,832	1.6%	49,209	1.5%	44,777	1.4%	45,619	1.5%
Hotel rentals	226,764	6.4%	221,084	6.5%	195,919	6.0%	177,671	5.5%	173,100	5.7%
All other rentals	342,572	9.7%	326,823	9.6%	266,758	8.2%	258,977	8.1%	261,743	8.6%
Use (4%)	44,847	1.3%	44,390	1.3%	35,845	1.1%	35,620	1.1%	39,884	1.3%
All other (4%)	-	0.0%	-	0.0%	-	0.0%	119,948	3.7%	118,014	3.9%
Producing	1,480	0.0%	1,794	0.1%	1,619	0.1%	1,473	0.0%	1,605	0.1%
Manufacturing	2,981	0.1%	3,201	0.1%	3,657	0.1%	3,670	0.1%	3,581	0.1%
Wholesaling	90,308	2.6%	87,952	2.6%	72,309	2.2%	69,322	2.2%	71,471	2.3%
Use (0.5%)	36,398	1.0%	38,201	1.1%	33,996	1.0%	36,872	1.2%	35,634	1.2%
Services (Intermediary)	5,026	0.1%	4,514	0.1%	4,352	0.1%	3,539	0.1%	3,578	0.1%
Insurance solicitors	1,131	0.0%	975	0.0%	743	0.1%	728	0.0%	733	0.0%
Unallocated collections	35,650	1.0%	19,500	0.6%	290,086	9.0%	383,736	12.0%	250,484	8.2%
Total	$ 3,541,389	100.0%	$ 3,395,566	100.0%	$ 3,239,225	100.0%	$ 3,206,254	100.0%	$ 3,048,206	100.0%

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

Note: Information for number of filers is not available

2014		2013		2012		2011		2010	
Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
$ 1,246,061	43.3%	$ 1,185,446	40.3%	$ 1,163,805	43.1%	$ 1,035,465	41.5%	$ 956,761	41.3%
551,784	19.2%	519,419	17.6%	507,864	18.9%	477,753	19.3%	446,142	19.3%
281,839	9.8%	301,875	10.3%	250,122	9.3%	227,497	9.1%	234,562	10.1%
15,619	0.5%	15,986	0.5%	15,776	0.6%	14,945	0.6%	13,378	0.6%
3	0.0%	3	0.0%	4	0.0%	74	0.0%	191	0.0%
45,125	1.6%	42,064	1.4%	38,848	1.4%	36,574	1.5%	33,024	1.4%
171,162	5.9%	154,837	5.3%	137,222	5.1%	120,954	4.8%	104,260	4.5%
258,886	9.0%	255,074	8.7%	246,151	9.1%	239,944	9.6%	231,123	10.0%
40,277	1.4%	41,015	1.4%	41,797	1.5%	37,316	1.5%	34,484	1.5%
126,306	4.4%	114,396	3.9%	109,989	4.1%	104,073	4.2%	93,327	4.0%
2,181	0.1%	1,997	0.1%	2,004	0.1%	1,850	0.1%	1,697	0.1%
9,380	0.3%	3,194	0.1%	3,402	0.1%	3,488	0.1%	3,517	0.2%
73,373	2.5%	72,149	2.4%	72,210	2.7%	65,608	2.6%	61,036	2.6%
32,446	1.1%	44,337	1.5%	40,026	1.5%	33,347	1.3%	32,152	1.4%
5,480	0.2%	3,139	0.1%	3,265	0.1%	2,886	0.1%	2,862	0.1%
728	0.0%	697	0.0%	716	0.0%	721	0.0%	753	0.0%
19,893	0.7%	188,859	6.4%	64,750	2.4%	93,312	3.7%	67,165	2.9%
$ 2,880,543	100.0%	$ 2,944,487	100.0%	$ 2,697,951	100.0%	$ 2,495,807	100.0%	$ 2,316,434	100.0%

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type
Ten Years Ended June 30, 2019
(Amounts in thousands except per capita data)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Governmental activities					
General obligation bonds	$ 7,914,382	$ 7,912,206	$ 7,635,827	$ 6,953,431	$ 6,503,281
Revenue bonds	571,306	633,073	692,742	615,120	666,202
Capital leases	122,922	129,897	143,622	149,477	96,175
Total governmental activities	8,608,610	8,675,176	8,472,191	7,718,028	7,265,658
Business-type activities					
General obligation bonds	21,026	23,255	25,377	27,400	29,332
Revenue bonds	1,968,315	1,567,305	1,375,442	1,429,980	1,218,943
Lease revenue certificates of participation	236,147	244,979	252,806	179,985	172,864
Loan payable	76,000	76,000	76,000	34,910	34,910
Total business-type activities	2,301,488	1,911,539	1,729,625	1,672,275	1,456,049
Total primary government	$ 10,910,098	$ 10,586,715	$ 10,201,816	$ 9,390,303	$ 8,721,707
Hawaii total personal income	$ 80,163,000	$ 76,476,000	$ 72,997,000	$ 71,767,000	$ 66,763,000
Debt as a percentage of personal income	13.6%	13.8%	14.0%	13.1%	13.1%
Hawaii population	1,422	1,435	1,428	1,429	1,432
Amount of debt per capita	$ 7,672	$ 7,378	$ 7,144	$ 6,571	$ 6,091

Source: State of Hawaii, Comprehensive Annual Financial Reports.
State of Hawaii, Department of Business, Economic Development and Tourism – QSER.

Note: Details regarding the State’s outstanding debt can be found in the notes to basic financial statements.

2014	2013	2012	2011	2010
$ 5,784,139	$ 5,534,921	$ 5,475,348	$ 4,987,544	$ 5,157,198
412,725	441,150	468,180	378,625	400,215
102,622	89,879	95,340	100,520	64,385
6,299,486	6,065,950	6,038,868	5,466,689	5,621,798
31,176	32,934	34,611	36,221	37,362
1,278,137	1,326,112	1,370,314	1,410,624	1,248,680
173,771	-	-	-	-
-	-	-	-	-
1,483,084	1,359,046	1,404,925	1,446,845	1,286,042
$ 7,782,570	$ 7,424,996	$ 7,443,793	$ 6,913,534	$ 6,907,840
$ 64,620,000	$ 63,209,000	$ 59,928,000	$ 58,129,000	$ 56,248,000
12.0%	11.7%	12.4%	11.9%	12.3%
1,420	1,404	1,392	1,375	1,300
$ 5,481	$ 5,288	$ 5,348	$ 5,028	$ 5,314

State of Hawaii
Debt Capacity Information
Ratios of Net General Bonded Debt Outstanding
Ten Years Ended June 30, 2019
(Amounts in thousands except ratio data)

Fiscal Year	Taxable Sales (1)	Population (2)	General Obligation Bonded Debt (3)(4)	Less: Debt Services Monies Available (3)	Net General Obligation Bonded Debt	Percentage of Taxable Sales	Net General Obligation Bonded Debt Per Capita
2019	$ 112,203,000	1,422	$ 7,914,382	$ -	$ 7,914,382	7.1%	$ 5,566
2018	108,768,000	1,435	7,912,206	-	7,912,206	7.3%	5,514
2017	94,493,000	1,428	7,635,827	35	7,635,792	8.1%	5,347
2016	91,113,000	1,429	6,953,431	35	6,953,396	7.6%	4,866
2015	90,691,000	1,432	6,503,281	35	6,503,246	7.2%	4,541
2014	93,484,000	1,420	5,784,139	35	5,784,104	6.2%	4,073
2013	91,181,000	1,404	5,534,921	63	5,534,858	6.1%	3,942
2012	87,448,000	1,392	5,475,348	64	5,475,284	6.3%	3,933
2011	79,281,000	1,375	4,987,544	109	4,987,435	6.3%	3,627
2010	74,436,000	1,300	5,157,198	118	5,157,080	6.9%	3,967

(1) **Source:** State of Hawaii, Department of Taxation.

(2) **Source:** State of Hawaii, Department of Business, Economic Development and Tourism – Census Data.

(3) **Source:** State of Hawaii, Department of Accounting and General Services, Accounting Division.

(4) Excludes Enterprise Funds and Component Unit – UH general obligation bonds.

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State of Hawaii
Debt Capacity Information
Legal Debt Margin Information
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Average general fund revenues of the three preceding fiscal years	$ 7,637,553	$ 7,359,330	$ 6,997,106	$ 6,577,966	$ 6,294,642
Constitutional debt limit percentage	18.5%	18.5%	18.5%	18.5%	18.5%
Constitutional debt limit for total principal and interest payable in a current or future year	1,412,947	1,361,476	1,294,465	1,216,924	1,164,509
Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year	(836,170)	(792,143)	(739,852)	(712,592)	(693,934)
Legal debt margin	$ 576,777	$ 569,333	$ 554,613	$ 504,332	$ 470,575
Legal debt margin as a percentage of the debt limit	40.8%	41.8%	42.8%	41.4%	40.4%

The formula for the legal debt limit is contained in Article VII, Section 13 of the State Constitution.

2014	2013	2012	2011	2010
$ 5,987,800	$ 5,659,152	$ 5,197,547	$ 4,992,943	$ 5,032,973
18.5%	18.5%	18.5%	18.5%	18.5%
1,107,743	1,046,943	961,546	923,694	931,100
(693,677)	(693,592)	(667,041)	(618,711)	(610,255)
$ 414,066	$ 353,351	$ 294,505	$ 304,983	$ 320,845
37.4%	33.8%	30.6%	33.0%	34.5%

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenue bonds – Airports										
Gross revenue (1)	$ 495,315	$ 466,317	$ 431,726	$ 381,404	$ 355,948	$ 341,155	$ 385,841	$ 319,542	$ 322,639	$ 295,087
Less: Operating expenses (2)	316,905	299,799	288,644	259,223	253,581	246,982	244,328	230,224	218,290	214,208
Net available revenue	178,410	166,518	143,082	122,181	102,367	94,173	141,513	89,318	104,349	80,879
Debt services										
Principal	42,585	40,755	38,935	37,290	35,725	34,210	40,305	30,579	25,370	23,615
Interest (3)	47,423	46,454	45,182	42,532	41,671	23,414	40,705	34,440	35,319	21,300
Total debt services	90,008	87,209	84,117	79,822	77,396	57,624	81,010	65,019	60,689	44,915
Coverage (4)	198%	191%	170%	153%	132%	163%	175%	137%	172%	180%
Revenue bonds – Harbors										
Gross revenue (5)	$ 198,605	$ 170,560	$ 140,052	$ 131,858	$ 124,663	$ 122,379	$ 114,640	$ 104,678	$ 88,018	$ 74,155
Less: Operating expenses (6)	47,461	53,543	53,396	47,133	43,132	43,837	44,048	41,202	37,650	36,930
Net available revenue	151,144	117,017	86,656	84,725	81,531	78,542	70,592	63,476	50,368	37,225
Debt services	28,936	29,114	31,176	31,187	31,176	31,528	31,531	27,770	27,965	23,226
Coverage (4)	522%	402%	278%	272%	262%	249%	224%	229%	180%	160%
Revenue bonds – Highways										
Gross revenue	N/A	N/A	N/A	N/A	N/A	$ 255,431	$ 256,102	$ 232,543	$ 197,142	$ 184,852
Less: Operating expenses	N/A	N/A	N/A	N/A	N/A	205,872	184,696	173,811	165,857	179,400
Net available revenue	N/A	N/A	N/A	N/A	N/A	49,559	71,406	58,732	31,285	5,452
Debt services										
Principal	42,735	40,765	37,790	34,920	31,890	28,825	27,170	22,465	21,570	20,535
Interest	19,299	21,186	19,320	20,571	19,402	19,036	20,245	18,906	17,195	18,028
Total debt services	62,034	61,951	57,110	55,491	51,292	47,861	47,415	41,371	38,765	38,563
Coverage (7)	N/A	N/A	N/A	N/A	N/A	104%	151%	142%	81%	14%
Revenue bonds – Department of Hawaiian Home Lands										
Revenue	$ 17,361	$ 17,564	$ 15,867	$ 14,730	$ 15,230	$ 15,763	$ 12,585	$ 12,078	$ 12,036	$ 11,939
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	17,361	17,564	15,867	14,730	15,230	15,763	12,585	12,078	12,036	11,939
Debt services										
Principal	1,575	1,100	850	810	775	740	710	680	655	640
Interest	1,435	887	2,163	2,201	2,237	2,270	2,301	2,328	2,254	2,370
Total debt services	3,010	1,987	3,013	3,011	3,012	3,010	3,011	3,008	2,909	3,010
Coverage (4)	577%	884%	527%	489%	506%	524%	418%	402%	414%	397%

(1) Total operating revenues plus interest income and federal operating grants, exclusive of interest earned on investment in financing leases.

(2) Total operating expenses other than depreciation less (plus) excess of actual disbursements over (under) required reserve for major maintenance, renewal and replacement plus amounts required to be paid into the General Fund for general obligation bond requirements.

(3) For purposes of calculating the debt service requirement, interest payment for Airports system revenue bonds exclude the amortization of the deferred loss on refunding and original issue discount and premium, which are reported as interest expense for financial statement reporting purposes.

For fiscal years 2016, 2015 and 2014, Airports transferred $4,000,000, $18,500,000 and $19,000,000, respectively, of available funds from the Prepaid Airport Use Charge Fund into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required to be deposited to the interest account, pursuant to the provisions of Section 6.01 in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds."

(4) Revenue bond indentures require a minimum debt service coverage percentage of 125%.

(5) Total operating and nonoperating revenues exclusive of interest income on investment in financing leases and special facility construction fund and revenue fund investments.

(6) Total operating expenses other than depreciation, less State of Hawaii surcharge for central service expenses.

(7) Highways revenue bond indentures require a minimum debt service coverage percentage of 100% during a routine year, 200% during the year bonds are issued, and 135% is required for any year Highways' funds are transferred out (i.e., General Fund).

N/A Not available

Coverage equals net available revenue divided by debt services.

Source: Airports Audited Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Airports Division.
Harbors Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Harbors Division.
Highways Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Highways Division.
DHHL Audited Financial Statements and Schedules of the State of Hawaii, Department of Hawaiian Home Lands.

State of Hawaii
Demographic and Economic Information
Demographic and Economic Statistics
Ten Years Ended June 30, 2019

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Population (in thousands)										
State	1,422	1,435	1,428	1,429	1,432	1,420	1,404	1,392	1,375	1,300
Percentage change	-0.91%	0.49%	-0.07%	-0.21%	0.85%	1.14%	0.86%	1.24%	5.77%	0.15%
National	331,884	327,734	325,719	323,128	321,419	318,857	316,129	313,914	311,592	308,746
Percentage change	1.27%	0.62%	0.80%	0.53%	0.80%	0.86%	0.71%	0.75%	0.92%	0.57%
Total personal income (in millions)										
State	$ 80,163	$ 76,476	$ 72,997	$ 70,670	$ 66,763	$ 64,620	$ 63,209	$ 59,928	$ 58,129	$ 56,248
Percentage change	4.82%	4.77%	3.29%	5.85%	3.32%	2.23%	5.47%	3.09%	3.34%	3.37%
National	$ 17,855,326	$ 17,189,635	$ 16,152,011	$ 15,725,128	$ 14,991,944	$ 14,420,041	$ 13,904,502	$ 13,150,560	$ 12,691,347	$ 12,530,101
Percentage change	3.87%	6.42%	2.71%	4.89%	3.97%	3.71%	5.73%	3.62%	1.29%	4.28%
Per capita personal income (in thousands)										
State	$ 56,373	$ 53,293	$ 51,118	$ 49,454	$ 46,622	$ 45,507	$ 45,021	$ 43,052	$ 42,276	$ 43,268
Percentage change	5.78%	4.25%	3.36%	6.07%	2.45%	1.08%	4.57%	1.84%	(2.29%)	3.21%
National	$ 53,890	$ 52,450	$ 49,589	$ 48,665	$ 46,643	$ 45,224	$ 43,984	$ 41,892	$ 40,731	$ 40,584
Percentage change	2.75%	5.77%	1.90%	4.34%	3.14%	2.82%	4.99%	2.85%	0.36%	3.69%
Resident civilian labor force and employment										
Civilian labor force employed	656,546	669,642	672,675	660,942	645,092	624,638	615,546	615,333	591,329	587,304
Unemployed	18,013	14,508	19,800	22,563	27,729	30,142	33,913	43,321	39,941	41,600
Unemployment rate	2.70%	2.10%	2.90%	3.30%	4.10%	4.60%	5.20%	6.60%	6.30%	6.60%

Source: State of Hawaii, Department of Business, Economic Development and Tourism – QSER.
Bureau of Economic Analysis – Regional Economic Accounts.
State of Hawaii, Department of Labor and Industrial Relations –
Hawaii Workforce Infonet (HWI).

Note: The Per Capita Personal Income amount is computed by dividing Personal Income by Population, multiplied by 1,000.

State of Hawaii
Demographic and Economic Information
Ten Largest Private Sector Employers
June 30, 2019 and June 30, 2010

2019

Employer	Employees	Percentage of Total State Employment
First Hawaiian Bank	2,202	0.3%
Hawaii Pacific Health	6,984	1.0%
Hawaiian Airlines	5,727	0.9%
Hawaiian Electric Industries, Inc.	3,895	0.6%
Kaiser Permanente Hawaii	2,968	0.4%
Kamehameha Schools	3,870	0.6%
Kokusai Kogyo Kanri Kabushiki Kaisha – U.S. Operations	2,884	0.4%
Outrigger Hospitality Group	3,900	0.6%
Servco Pacific Inc.	2,360	0.4%
The Queen's Health Systems	7,038	1.0%

2010

Employer	Employees	Percentage of Total State Employment
Alexander & Baldwin, Inc.	2,215	0.3%
Bank of Hawaii Corp	2,418	0.4%
Hawaii Pacific Health	5,344	0.8%
Hawaiian Airlines	3,844	0.6%
Hawaiian Electric Industries, Inc.	3,400	0.5%
Hilton Waikoloa Village	3,200	0.5%
Kaiser Permanente Hawaii	4,400	0.7%
Kyo-ya Co., Ltd	3,535	0.6%
Outrigger Enterprise Group	3,554	0.6%
The Queen's Health Systems	5,148	0.8%

Source: Hawaii Business, Annual August Issue.
State of Hawaii, Department of Labor and Industrial Relations – HWI – Labor (Total State Employees).

Note: Total Annual Average Employment for Hawaii for fiscal year 2019 – 672,000 and for fiscal year 2010 – 636,000.

Listed alphabetically.

State of Hawaii
Demographic and Economic Information
State Employees by Function
Ten Years Ended June 30, 2019

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government	4,533	4,517	4,538	4,537	4,571	4,572	4,419	4,394	4,381	4,381
Public safety	3,207	3,265	3,336	3,316	3,197	3,175	2,981	2,903	2,864	2,880
Transportation	2,210	2,229	2,234	2,263	2,295	2,254	2,275	2,202	2,160	2,158
Conservation of natural resources	1,079	1,051	1,008	1,015	1,007	1,007	972	929	941	983
Health	5,246	5,325	5,127	6,544	6,731	6,813	7,136	6,919	6,876	6,863
Welfare	1,948	1,957	1,940	1,913	1,927	1,941	1,940	1,800	1,788	1,848
Lower education	22,122	22,016	21,531	21,841	21,707	21,797	21,976	21,909	21,917	22,090
Higher education	8,660	8,647	8,620	8,746	8,802	9,080	8,978	8,795	8,687	8,732
Other education	493	508	486	496	488	492	-	454	473	482
Urban redevelopment and housing	138	132	130	118	123	127	116	127	130	146
Economic development and assistance	702	814	730	749	761	759	781	815	816	835
Total	50,338	50,461	49,680	51,538	51,609	52,017	51,574	51,247	51,033	51,398

Source: State of Hawaii, Department of Human Resources Development.

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2019

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
General government					
Tax Commission					
Total individual net income returns	838,441	808,183	704,250	768,261	715,706
Number of individual net income returns filed electronically	579,720	552,464	536,273	529,527	509,409
Percentage of individual net income returns transmitted electronically	69.14%	68.36%	76.15%	68.93%	71.18%
Public safety					
Inmate population					
In-state facilities	3,991	4,017	4,052	4,584	4,683
Out-of-state facilities	1,507	1,460	1,617	1,386	1,341
Total	5,498	5,477	5,669	5,970	6,024
Conservation and natural resources					
Parks and Recreation					
Number of state-owned parks	51	52	54	54	52
Health					
Environmental health					
Air quality sites monitored	20	20	14	14	14
Water quality stations	197	187	169	160	161
Revolving loan funds	200	192	186	176	159
Mental health					
Adult consumers served	7,124	8,328	9,295	7,828	8,282
Individuals with developmental disabilities served	3,251	2,956	2,863	2,738	2,705
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF)					
Families per-month average	4,362	4,813	5,750	6,918	8,102
Average time on assistance	19.7	18.1	18.1	18.1	17.5
Monthly benefits paid for the month of July (in millions)	$ 2.48	$ 2.26	$ 2.98	$ 3.90	$ 3.60
General assistance					
Individuals per month	5,396	5,575	5,651	5,676	5,699
Food stamp program					
Number of persons participating	154,161	164,788	170,850	173,780	191,918
Number of households participating	79,702	84,297	85,491	87,636	96,502
Benefits issued (in millions)	$ 36.89	$ 39.78	$ 40.26	$ 40.23	$ 49.90
Medicaid programs					
Med-Quest enrollment	336,202	353,058	352,991	350,358	332,197

2014	2013	2012	2011	2010
737,205	612,373	703,262	747,237	665,057
483,817	397,178	430,421	388,463	322,515
65.63%	64.86%	61.20%	51.99%	48.49%
4,456	4,438	4,396	4,423	4,047
1,363	1,415	1,677	1,667	1,940
5,819	5,853	6,073	6,090	5,987
51	53	53	53	53
13	14	12	14	13
173	173	193	201	290
149	133	120	109	107
10,408	10,728	11,062	11,194	14,633
2,615	2,599	2,558	2,438	2,661
8,927	10,075	10,300	10,014	9,448
N/A	14.6	13.5	13.0	15.0
$ 4.10	$ 5.47	$ 6.42	$ 6.17	$ 5.29
5,598	5,687	5,633	5,298	5,068
193,565	187,062	172,676	154,496	133,043
98,440	94,649	86,418	77,133	66,885
$ 43.39	$ 40.33	$ 37.18	$ 33.42	$ 28.74
325,510	292,423	287,902	272,218	259,307

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2019

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Lower education					
Number of schools	292	292	290	290	289
Number of students	181,278	180,837	181,550	181,995	182,384
Staff					
Classroom teachers	12,132	12,033	11,782	11,747	11,663
Librarians	135	143	149	160	173
Counselors	660	653	634	634	623
Administrators	1,056	1,036	995	943	914
Other support staff	9,194	9,277	9,039	9,113	9,052
Total	23,177	23,142	22,599	22,597	22,425
Higher education					
Enrollment					
Number of credit students	49,977	51,063	51,674	53,418	55,756
Degrees earned					
Certificates/Associate Degrees/Advanced Professional certificates	5,191	4,912	5,102	5,192	4,830
Bachelor's degrees	4,681	4,693	4,735	4,841	4,599
Master's degrees/Professional diploma	868	1,035	1,040	1,126	1,035
Doctor's degrees/First Professional	479	513	482	472	579
Other	80	62	49	49	61
Total	11,299	11,215	11,408	11,680	11,104
Degrees by campus/college					
University of Hawaii at Manoa	4,551	4,726	4,712	5,104	4,923
University of Hawaii at Hilo	895	942	955	893	905
University of Hawaii at West Oahu	643	613	623	474	439
Hawaii Community College	587	586	576	693	569
Honolulu Community College	906	778	900	886	725
Kapiolani Community College	1,212	1,276	1,356	1,383	1,335
Kauai Community College	343	211	258	248	264
Leeward Community College	1,135	1,102	1,019	1,057	1,000
Maui Community College	701	638	668	594	575
Windward Community College	326	343	341	348	369
Total	11,299	11,215	11,408	11,680	11,104

N/A Not available.

Source: General Government – State of Hawaii, Department of Taxation.
Public Safety – State of Hawaii, Department of Public Safety.
Conservation of Natural Resources – State of Hawaii, Department of Land and Natural Resources.
Health – State of Hawaii, Department of Health.
Welfare – State of Hawaii, Department of Human Services.
Lower Education – State of Hawaii, Department of Education.
Higher Education – University of Hawaii.

2014	2013	2012	2011	2010
288	286	286	287	286
185,273	183,251	181,213	178,208	178,649
11,781	11,632	11,458	11,046	11,262
185	192	199	204	225
625	629	627	618	646
833	823	806	734	728
9,014	8,987	8,975	8,408	8,607
22,438	22,263	22,065	21,010	21,468
57,052	58,941	60,295	60,330	60,090
5,158	4,097	3,638	3,324	3,025
4,408	4,236	4,055	3,796	3,593
1,179	1,095	1,287	1,269	1,216
467	508	494	496	351
66	65	154	103	106
11,278	10,001	9,628	8,988	8,291
4,949	4,737	4,767	4,675	4,414
806	809	915	731	601
352	349	301	255	242
669	552	452	405	426
683	551	565	559	486
1,513	1,193	987	851	783
203	216	196	208	162
1,090	770	721	657	608
660	601	560	482	416
353	223	164	165	153
11,278	10,001	9,628	8,988	8,291

(concluded)

State of Hawaii
Operating Information
Capital Assets Statistics by Function
Ten Years Ended June 30, 2019

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government										
Department of Accounting and General Services										
Buildings	79	79	79	81	79	78	74	74	74	74
Vehicles	675	644	644	673	650	650	608	600	592	582
Department of the Attorney General										
Buildings	6	6	6	6	6	6	5	5	5	5
Vehicles	3	3	3	4	3	3	3	3	3	3
The Judiciary										
Buildings	19	19	19	19	19	19	19	18	18	18
Vehicles	-	-	18	18	18	18	18	18	17	16
Other departments										
Buildings	21	21	21	21	23	23	22	24	24	24
Vehicles	3	3	3	3	3	4	4	4	4	4
Public safety										
Department of Public Safety										
Buildings and correction facilities	76	76	76	76	77	75	74	74	74	73
Vehicles	354	353	290	302	306	279	274	277	278	277
Department of Defense										
Buildings	99	99	99	99	99	98	98	97	97	96
Vehicles	128	121	108	104	96	128	118	112	81	79
Department of Commerce and Consumer Affairs										
Buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	-	-	-	-	-	-	-	-	-	1
Highways										
Department of Transportation										
Highway lane miles	2,497	2,489	2,489	2,487	2,477	2,488	N/A	N/A	N/A	2,497
Highway bridges	752	752	752	752	752	752	N/A	N/A	N/A	752
Buildings	40	40	40	40	39	37	36	36	34	34
Vehicles	1,077	1,101	1,043	989	971	982	984	951	958	968

(continued)

N/A Not available

Source: Buildings and Vehicles – State of Hawaii, Department of Accounting and General Services.
Lane Miles – State of Hawaii, Department of Transportation.
Land Area and Highway Bridges – State of Hawaii, Data Book 2019.

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Conservation of natural resources										
Department of Land and Natural Resources										
Land area (in square miles)	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423
Buildings	97	97	97	97	97	96	94	93	95	95
Vehicles	969	927	886	855	824	785	788	756	758	732
Department of Agriculture										
Buildings	33	33	33	33	33	32	32	32	32	32
Vehicles	165	163	159	161	164	166	167	170	176	186
Health										
Department of Health										
Buildings	73	73	73	74	74	74	74	74	74	74
Vehicles	278	269	258	241	230	227	238	252	259	280
Welfare										
Department of Human Services										
Buildings	18	18	18	18	18	18	18	18	18	18
Vehicles	94	95	99	99	104	116	110	107	111	111
Lower education										
Department of Education										
Buildings	8	8	8	8	8	8	8	8	8	8
Other education										
Department of Education – libraries										
Buildings	39	38	38	39	38	38	38	34	34	34
Vehicles	33	33	29	29	29	25	27	28	27	28
Urban redevelopment and housing										
Department of Hawaiian Home Lands										
Buildings	19	19	19	19	18	18	18	18	18	18
Vehicles	46	47	42	39	36	33	37	33	34	34
Economic development and assistance										
Department of Business, Economic Development and Tourism										
Buildings	33	32	32	32	32	32	32	33	33	33
Vehicles	32	32	30	32	32	28	30	32	33	34
Department of Labor and Industrial Relations										
Buildings	8	8	8	8	8	8	8	8	8	8
Vehicles	2	2	2	2	2	2	2	2	2	2

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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 October 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	1.200%	September 15,	2021	2,960,000.00	
		tax credit bonds	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	11,960,000.00
February 18, 2010	$	500,000,000, Series DX, BABs,	4.600%	February 1,	2021	28,060,000.00	
		Optional Make-Whole Redemptions	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	
			5.530%	February 1,	2030	44,125,000.00	353,285,000.00
December 7, 2011	$	800,000,000, Series DZ	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	
			4.000%	December 1,	2031	7,045,000.00	56,740,000.00
December 7, 2011	$	403,455,000, Series EA, refunding	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	220,555,000.00
December 4, 2012	$	444,000,000, Series EE	2.000%	November 1,	2020	2,620,000.00	
			4.000%	November 1,	2020	1,125,000.00	
			5.000%	November 1,	2020	18,110,000.00	

Date of Issue		Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due ($)	Outstanding Principal ($)
			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,	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	316,095,000.00
November 21, 2013	$	50,860,000, Series EL, refunding	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	

Date of Issue		Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due ($)	Outstanding Principal ($)
			3.000%	August 1,	2023	1,600,000.00	
			5.000%	August 1,	2023	6,605,000.00	23,595,000.00
November 21, 2013	$	25,000,000, Series EM	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	21,345,000.00
November 21, 2013	$	29,795,000, Series EN, QSCB	3.100%	August 1,	2021	1,865,000.00	
		-Direct Payment	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	24,200,000.00
November 25, 2014	$	575,000,000, Series EO	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	
			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	

Date of Issue		Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due ($)	Outstanding Principal ($)
			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	496,015,000.00
November 25, 2014	$	209,015,000, Series EP, refunding	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	164,320,000.00
November 25, 2014	$	25,000,000, Series EQ, taxable,	2.648%	August 1,	2021	1,290,000.00	
		Make-Whole Optional Redemption	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	22,510,000.00
October 29, 2015	$	190,000,000, Series ET	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	
			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	166,965,000.00

Date of Issue		Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due ($)	Outstanding Principal ($)
October 29, 2015	$	35,000,000, Series EU, Green Bonds	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	30,285,000.00
October 29, 2015	$	25,035,000, Series EX, refunding	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	18,415,000.00
October 29, 2015	$	212,120,000, Series EY, refunding	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	190,010,000.00
October 29, 2015	$	215,590,000, Series EZ, refunding	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	
			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	180,640,000.00
October 29, 2015	$	25,000,000, Series FA, taxable,	2.270%	October 1,	2021	1,140,000.00	
		Make-Whole Optional Redemption	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	

Date of Issue		Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due ($)	Outstanding Principal ($)
			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	21,730,000.00
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	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	
			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	184,000,000.00
April 14, 2016	$	119,730,000, Series FF, refunding,	1.934%	October 1,	2021	11,255,000.00	
		taxable,	2.074%	October 1,	2022	11,480,000.00	
		Make-Whole Optional Redemption	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	

Date of Issue		Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due ($)	Outstanding Principal ($)
			2.902%	October 1,	2028	13,360,000.00	97,765,000.00
October 13, 2016	$	375,000,000, Series FG	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	347,385,000.00
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	
			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	

Date of Issue		Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due ($)	Outstanding Principal ($)
			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	1.620%	October 1,	2021	5,060,000.00	
			1.921%	October 1,	2022	5,155,000.00	10,215,000.00
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	
			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	

Date of Issue		Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due ($)	Outstanding Principal ($)
			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
December 21, 2017	$	15,090,000, Series FR, Direct Purchase, refunding	2.180%	October 1,	2021	3,890,000.00	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	
			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	275,363,064.26
February 14, 2018	$	631,215,000, Series FT	4.000%	January 1,	2022	1,665,000.00	
			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	

Date of Issue		Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due ($)	Outstanding Principal ($)
			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	631,215,000.00
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	

Date of Issue		Original Principal and Description	Rate of Interest	Outstanding Maturity Dates		Outstanding Amount Due ($)	Outstanding Principal ($)
			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,	3.250%	January 1,	2021	24,845,000.00	
		Make-Whole Optional Redemption	2.770%	January 1,	2022	25,655,000.00	50,500,000.00
April 14, 2020	$	600,000,000 General Obligation	1.460%	April 15,	2021	300,000,000.00	
		Bond Anticipation Notes, taxable	1.760%	October 15,	2021	300,000,000.00	600,000,000.00
		Direct Purchase, Make-Whole					
		Redemption (October 15, 2021 maturity only)					
August 12, 2020	$	950,000,000, Series FZ, taxable,	0.670%	August 1,	2025	55,235,000.00	
		Make-Whole Optional Redemption	0.893%	August 1,	2026	55,670,000.00	
			2.000%	August 1,	2027	56,485,000.00	
			1.145%	August 1,	2028	57,380,000.00	
			1.295%	August 1,	2029	58,080,000.00	
			1.395%	August 1,	2030	58,870,000.00	
			1.595%	August 1,	2031	59,755,000.00	
			1.695%	August 1,	2032	60,745,000.00	
			1.865%	August 1,	2033	61,840,000.00	
			1.975%	August 1,	2034	63,040,000.00	
			2.065%	August 1,	2035	64,325,000.00	
			2.145%	August 1,	2036	65,695,000.00	
			2.215%	August 1,	2037	67,140,000.00	
			2.245%	August 1,	2038	68,655,000.00	
			2.283%	August 1,	2039	70,230,000.00	
			2.293%	August 1,	2040	71,855,000.00	995,000,000.00
		Total of all State of Hawaii general obligation bonds and general obligation refunding bonds issued and outstanding					$8,100,348,064.26

* Does not reflect the expected issuance of the State of Hawaii General Obligation Bonds of 2020, Series GA, State of Hawaii Taxable General Obligation Bonds of 2020, Series GB or State of Hawaii Taxable General Obligation Refunding Bonds of 2020, Series GC, 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, including those that applied for leases on other islands.
- 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, and judgment on appeal was entered on July 21, 2020. A Circuit Court judge has not yet 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.

On July 24, 2020, plaintiffs' counsel filed motions for attorneys' fees and costs, seeking over a million dollars in lodestar and enhanced fees for their work on the appeal and interim fees. The State opposed the amount requested. The motions are currently pending before the Supreme Court of Hawaii.

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) (<u>Nelson I</u>), 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 fiscal year by using the 1978 baseline of $1.3 to $1.6 adjusted for inflation."

A two-day evidentiary hearing was held on September 9 and 10, 2020, at which each of the parties presented differing expert testimony for adjusting the 1978 baseline of $1.3 to $1.6 million for inflation, and determining whether the Legislature had provided sufficient sums for DHHL's fiscal year 2015-16 administrative and operating budget. Proposed findings of fact and conclusions of law are to be filed by the parties on October 5, 2020, after which the court will hear closing arguments, and rule, or take the matter under advisement.

Land Use Commission

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
$147,555,000
General Obligation Bonds of 2020, Series GA

STATE OF HAWAII
$600,000,000
Taxable General Obligation Bonds of 2020, Series GB

STATE OF HAWAII
$400,000,000
Taxable General Obligation Refunding Bonds of 2020, Series GC

(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 $147,555,000 aggregate principal amount of General Obligation Bonds of 2020, Series GA (the "Series GA Bonds"), $600,000,000 aggregate principal amount of Taxable General Obligation Bonds of 2020, Series GB (the "Series GB Bonds") and $400,000,000 aggregate principal amount of Taxable General Obligation Refunding Bonds of 2020, Series GC (the "Series GC Bonds" and together with the Series GA Bonds and the Series GB Bonds, 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 October 21, 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 Series GA Bonds or other material events affecting the tax-exempt status of the Series GA 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 General Obligation Bonds of 2020, Series GA, Taxable State of Hawaii General Obligation Bonds of 2020, Series GB, and Taxable State of Hawaii General Obligation Refunding Bonds of 2020, Series GC
Date of Issuance:	___________, 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 ___________, 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

[Closing Date]

State of Hawaii
Honolulu, Hawaii

State of Hawaii
General Obligation Bonds of 2020, Series GA,
Taxable General Obligation Bonds of 2020, Series GB and
Taxable General Refunding Obligation Bonds of 2020, Series GC
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the State of Hawaii (the "State") in connection with the issuance of $147,555,000 aggregate principal amount of State of Hawaii General Obligation Bonds of 2020, Series GA (the "Series GA Bonds"), $600,000,000 aggregate principal amount of State of Hawaii Taxable General Obligation Bonds of 2020, Series GB (the "Series GB Bonds") and $400,000,000 aggregate principal amount of State of Hawaii Taxable General Obligation Refunding Bonds of 2020, Series GC (the "Series GC Bonds") and, together with the Series GA Bonds and the Series GB Bonds, the "Bonds"), pursuant to a Certificate of the Director of Finance of the State dated October 21, 2020 (the "Certificate"), and various acts of the Legislature of the State identified in the Certificate.

In such connection, we have reviewed the Certificate, the Tax Certificate of the State in respect of the Series GA Bonds, dated the date hereof (the "Tax Certificate"), certificates and opinions of the Attorney General of the State and certificates of other officers of the State, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the State. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Certificate and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series GA Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Certificate and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the State.

2. The Certificate has been duly executed and delivered by the Director of Finance and constitutes the valid and binding obligation of the State.

3. Interest and principal payments on the Bonds are a first charge on the general fund of the State to the punctual payment of which the full faith and credit of the State are pledged.

4. Interest on the Series GA Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series GA Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We observe that interest on the Series GB Bonds and the Series GC Bonds is not excludable from gross income for federal income tax purposes. 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. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE 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"). 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 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 2020 Taxable 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 2020 Taxable 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 depositary 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 2020 Taxable 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 2020 Taxable 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 2020 Taxable Bonds; however, holders of book-entry interests in the Series 2020 Taxable 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 2020 Taxable Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series 2020 Taxable Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Series 2020 Taxable Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Series 2020 Taxable Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2020 Taxable 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 2020 Taxable Bonds following confirmation of receipt of payment to the Issuer on the date of delivery of the Series 2020 Taxable Bonds.

Secondary Market Trading. Secondary market trades in the Series 2020 Taxable 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 Series 2020 Taxable 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 2020 Taxable Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series 2020 Taxable 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 2020 Taxable 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 2020 Taxable Bonds, or to receive or make a payment or delivery of the Series 2020 Taxable 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 2020 Taxable Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The CUSIP numbers for the 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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STATE OF HAWAII • General Obligation Bonds of 2020, Series GA, Taxable General Obligation Bonds of 2020, Series GB and Taxable General Obligation Refunding Bonds of 2020, Series GC

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