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

In the opinion of Kutak Rock LLP, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is included in gross income for federal income tax purposes. Bond Counsel is further 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 expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" in this Official Statement.

STATE OF HAWAII

$700,000,000
Taxable
General Obligation
Bonds of 2021
Series GD

$200,000,000
Taxable
General Obligation
Refunding
Bonds of 2021
Series GE

$25,800,000
Taxable
General Obligation
Refunding
Bonds of 2021
Series GF

$83,750,000
Taxable
General Obligation
Refunding
Bonds of 2021
Series GG

$138,700,000
Taxable
General Obligation
Refunding
Bonds of 2021
Series GH

$105,000,000
Taxable
General Obligation
Refunding
Bonds of 2021
Series GI

$629,705,000
Taxable
General Obligation
Refunding
Bonds of 2021
Series GJ

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

The Taxable General Obligation Bonds of 2021, Series GD (the "Series GD Bonds"), the Taxable General Obligation Refunding Bonds of 2021, Series GE (the "Series GE Bonds"), the Taxable General Obligation Refunding Bonds of 2021, Series GF (the "Series GF Bonds"), the Taxable General Obligation Refunding Bonds of 2021, Series GG (the "Series GG Bonds"), the Taxable General Obligation Refunding Bonds of 2021, Series GH (the "Series GH Bonds"), the Taxable General Obligation Refunding Bonds of 2021, Series GI (the "Series GI Bonds"), and the Taxable General Obligation Refunding Bonds of 2021, Series GJ (the "Series GJ Bonds" and, together with the Series GD Bonds, the Series GE Bonds, the Series GF Bonds, the Series GG Bonds, the Series GH Bonds and the Series GI 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 Series GD Bonds and the Series GE 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 April 1, 2022. The Series GF Bonds, the Series GG Bonds, the Series GH Bonds, the Series GI Bonds and the Series GJ Bonds bear interest payable at the rates set forth on the inside cover page hereof on February 1 and August 1 of each year, commencing February 1, 2022.

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

The proceeds from the sale of the Series GD Bonds will be used to finance, or to reimburse the State for, certain expenditures for public purposes for which appropriations have been made in certain Acts of the Legislature and which the Legislature may from time to time approve, and the costs of acquisition, construction, extension or improvement or various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries, and parks and for certain other public purposes, to pay principal and interest on certain of the Bonds and to pay a portion of the costs of issuance of the Bonds. The proceeds of the Series GE Bonds, the Series GF Bonds, the Series GG Bonds, the Series GH Bonds, the Series GI Bonds and the Series GJ Bonds (collectively, the "Refunding Bonds") are being issued to refund certain outstanding general obligation bond anticipation notes and general obligation bonds of the State of Hawaii and to pay a portion of the costs of issuance of the Bonds. Such refundings are being undertaken to realize aggregate debt service savings and with respect to such general obligation bond anticipation notes, to repay such notes prior to maturity. 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 by Kutak Rock 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 12, 2021.

BofA Securities **Citigroup** **Morgan Stanley**

Jefferies **RBC Capital Markets**

Dated: September 29, 2021

STATE OF HAWAII

$700,000,000 TAXABLE GENERAL OBLIGATION BONDS OF 2021, SERIES GD

Dated: Date of Delivery
Due: October 1, as shown below

Due (October 1)	Principal Amount	Interest Rate	Price	CUSIP† Number (419792)
2022	$29,510,000	0.247%	100.000	A55
2023	29,610,000	0.422	100.000	A63
2024	29,780,000	0.713	100.000	A71
2025	30,300,000	2.750	106.660	A89
2026	30,915,000	1.283	100.000	A97
2027	31,355,000	1.535	100.000	B21
2028	31,870,000	1.710	100.000	B39
2029	32,450,000	1.892	100.000	B47
2030	33,080,000	1.972	100.000	B54
2031	33,750,000	2.042	100.000	B62
2032	34,475,000	2.192	100.000	B70
2033	35,260,000	2.322	100.000	B88
2034	36,110,000	2.422	100.000	B96
2035	37,010,000	2.522	100.000	C20
2036	37,980,000	2.642	100.000	C38
2037	39,020,000	2.760	100.000	C46
2038	40,120,000	2.800	100.000	C53
2039	41,265,000	2.830	100.000	C61
2040	42,455,000	2.850	100.000	C79
2041	43,685,000	2.870	100.000	C87

[*Remainder of page intentionally left blank]*

† 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.

$200,000,000 TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GE
Dated: Date of Delivery
Due: October 1, as shown below

Due (October 1)	Principal Amount	Interest Rate	Price	CUSIP† Number (419792)
2022	$8,555,000	0.247%	100.000	C95
2023	8,585,000	0.422	100.000	D29
2024	8,635,000	0.713	100.000	D37
2025	8,710,000	1.033	100.000	D45
2026	8,810,000	1.283	100.000	D52
2027	8,935,000	1.535	100.000	D60
2028	9,080,000	1.710	100.000	D78
2029	9,245,000	1.892	100.000	D86
2030	9,425,000	1.972	100.000	D94
2031	9,620,000	2.042	100.000	E28
2032	9,825,000	2.192	100.000	E36
2033	10,050,000	2.322	100.000	E44
2034	10,290,000	2.422	100.000	E51
2035	10,545,000	2.522	100.000	E69
2036	10,825,000	2.642	100.000	E77
2037	11,120,000	2.760	100.000	E85
2038	11,435,000	2.800	100.000	E93
2039	11,760,000	2.830	100.000	F27
2040	12,100,000	2.850	100.000	F35
2041	12,450,000	2.870	100.000	F43

$25,800,000 TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GF
Dated: Date of Delivery
Due: February 1, as shown below

Due (February 1)	Principal Amount	Interest Rate	Price	CUSIP† Number (419792)
2022	$25,800,000	0.247%	100.000	F50

$83,750,000 TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GG
Dated: Date of Delivery
Due: August 1, as shown below

Due (August 1)	Principal Amount	Interest Rate	Price	CUSIP† Number (419792)
2022	$83,750,000	0.247%	100.000	F68

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$138,700,000 TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GH
Dated: Date of Delivery
Due: August 1, as shown below

Due (August 1)	Principal Amount	Interest Rate	Price	CUSIP[††] Number (419792)
2023	$138,700,000	0.422%	100.000	F76

$105,000,000 TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GI
Dated: Date of Delivery
Due: August 1, as shown below

Due (August 1)	Principal Amount	Interest Rate	Price	CUSIP[†] Number (419792)
2024	$105,000,000	0.713%	100.000	F84

$629,705,000 TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GJ
Dated: Date of Delivery
Due: August 1, as shown below

Due (August 1)	Principal Amount	Interest Rate	Price	CUSIP[†] Number (419792)
2025	$65,530,000	1.033%	100.000	F92
2026	66,290,000	1.283	100.000	G26
2027	67,235,000	1.535	100.000	G34
2028	68,335,000	1.710	100.000	G42
2029	69,575,000	1.892	100.000	G59
2030	70,935,000	1.972	100.000	G67
2031	72,370,000	2.042	100.000	G75
2032	73,900,000	2.142	100.000	G83
2033	75,535,000	2.222	100.000	G91

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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 THE "BONDS" AND THE "SECURITIES" MEAN, COLLECTIVELY, THE STATE OF HAWAII TAXABLE GENERAL OBLIGATION BONDS OF 2021, SERIES GD, THE STATE OF HAWAII TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GE, THE STATE OF HAWAII TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GF, THE STATE OF HAWAII TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GG, THE STATE OF HAWAII TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GH, THE STATE OF HAWAII TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GI, AND THE STATE OF HAWAII TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2021, SERIES GJ.

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

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE 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 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $150,000).

NOTICE TO PROSPECTIVE INVESTORS IN CANADA

THE 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 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 THE EUROPEAN ECONOMIC AREA AND THE UNITED KINGDOM

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") OR THE UNITED KINGDOM 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 OR THE UNITED KINGDOM 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 OR THE UNITED KINGDOM, 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 OR THE UNITED KINGDOM 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 BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OR THE UNITED KINGDOM 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 OR THE UNITED KINGDOM RETAIL INVESTORS – THE 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 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 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 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 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 BONDS MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

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 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 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 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 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 BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER ARTICLE 4, PARAGRAPH 1 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (ACT NO. 25 OF 1948, AS AMENDED THE "FIEA"). IN RELIANCE UPON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS SINCE THE OFFERING CONSTITUTES THE PRIVATE PLACEMENT TO QUALIFIED INSTITUTIONAL INVESTORS ONLY AS PROVIDED FOR IN "I" OF ARTICLE 2, PARAGRAPH 3, ITEM 2 OF THE FIEA. A TRANSFEROR OF THE 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 MARKETS ACT OF KOREA. THE 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 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 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 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 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.

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

Kutak Rock 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

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$138,700,000 Taxable General Obligation Refunding Bonds of 2021 Series GH	$105,000,000 Taxable General Obligation Refunding Bonds of 2021 Series GI	$629,705,000 Taxable General Obligation Refunding Bonds of 2021 Series GJ

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 $700,000,000 Taxable General Obligation Bonds of 2021, Series GD (the "Series GD Bonds"), its $200,000,000 Taxable General Obligation Refunding Bonds of 2021, Series GE (the "Series GE Bonds"), its $25,800,000 Taxable General Obligation Refunding Bonds of 2021, Series GF (the "Series GF Bonds"), its $83,750,000 Taxable General Obligation Refunding Bonds of 2021, Series GG (the "Series GG Bonds"), its $138,700,000 Taxable General Obligation Refunding Bonds of 2021, Series GH (the "Series GH Bonds"), its $105,000,000 Taxable General Obligation Refunding Bonds of 2021, Series GI (the "Series GI Bonds"), and its $629,705,000 Taxable General Obligation Refunding Bonds of 2021, Series GJ (the "Series GJ Bonds"), in connection with the sale thereof by the State.

The Series GE Bonds, the Series GF Bonds, the Series GG Bonds, the Series GH Bonds, the Series GI Bonds and the Series GJ Bonds are collectively referred to herein as the "Refunding Bonds," and the Series GD Bonds and the Refunding 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").

Purpose

The proceeds from the sale of the Series GD Bonds will be used to finance, or to reimburse the State for, certain expenditures for public purposes for which appropriations have been made in certain Acts of the Legislature and which the Legislature may from time to time approve, and the costs of acquisition,

construction, extension or improvement or various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries, and parks and for certain other public purposes, to pay principal and interest on certain of the Bonds and to pay a portion of the costs of issuance of the Bonds. The proceeds from the Refunding Bonds will be used to refund $200 million in principal amount that remains outstanding of certain taxable general obligation bond anticipation notes of the State, originally issued on April 14, 2020 in the aggregate principal amount of $600 million (the "2020 Notes"), and certain outstanding general obligation bonds of the State (collectively with the 2020 Notes, the "Refunded Bonds"), and to pay a portion of the costs of issuance of the Bonds. See "DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit" in Appendix A. See Appendix I under the caption "—BONDS TO BE REFUNDED."

PLAN OF REFUNDING

Upon delivery of the Refunding Bonds, the State and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), will enter into an Escrow Agreement (the "Escrow Agreement") to provide for the refunding of the Refunded Bonds. See Appendix I under the caption "—BONDS TO BE REFUNDED." The refundings are being undertaken to realize aggregate debt service savings and with respect to the 2020 Notes, to repay such notes prior to maturity. The final payment dates of the Refunded Bonds will be their respective stated maturity dates or, if earlier, designated redemption dates, as shown in Appendix I under the caption "—BONDS TO BE REFUNDED."

The Refunded Bonds to be redeemed prior to maturity will be irrevocably designated for redemption on the applicable redemption dates, and provisions will be made in the Escrow Agreement and otherwise for the giving of the notices of such redemption. The Refunded Bonds may not be redeemed other than as described in Appendix I under the caption "—BONDS TO BE REFUNDED."

The Escrow Agreement creates an irrevocable trust fund (the "Escrow Fund") which is to be held by the Escrow Agent, and the moneys and securities held therein are to be applied to the payment of principal of and interest on the Refunded Bonds. Immediately upon the issuance and delivery of the Refunding Bonds, the State will deposit, or cause to be deposited, with the Escrow Agent, a portion of the proceeds derived from the sale of the Refunding Bonds. Moneys deposited in the Escrow Fund will be invested, at the direction of the State, in noncallable direct obligations of, or to the extent permitted obligations unconditionally guaranteed by, the United States (the "Escrow Securities") which, together with cash held uninvested in the Escrow Fund, will be sufficient, without reinvestment, and will be applied: (i) to pay the principal of and interest on the Refunded Bonds of each particular series and maturity due on and prior to the stated maturity or earlier redemption date of such Refunded Bonds and (ii) to redeem the Refunded Bonds of each particular series and maturity that are irrevocably called for redemption on the corresponding redemption date at the redemption price thereof. See Appendix I under "—BONDS TO BE REFUNDED." The maturing principal of and interest on the Escrow Securities and cash held in the Escrow Fund, in the amounts needed to pay the principal of and interest on the Refunded Bonds, are pledged solely for the benefit of the holders of the Refunded Bonds. The Escrow Securities will be purchased from the Treasury Department of the United States of America or in the open market, in either case at interest rates and prices which will cause the yield thereon, computed in accordance with the provisions of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), not to exceed the applicable yield permitted by such provisions. See "VERIFICATION." If the Escrow Securities are purchased in the open market, they may be purchased from one or more of the underwriters of the Bonds shown on the cover page of this Official Statement.

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 pages hereof, payable, with respect to the Series GD Bonds and the Series GE Bonds, on April 1 and October 1 of each year, commencing on April 1, 2022, and with respect to the Series GF Bonds, the Series GG Bonds, the Series GH Bonds, the Series GI Bonds and the Series GJ Bonds, on February 1 and August 1 of each year, commencing on February 1, 2022 (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.

Book-Entry-Only System

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

Optional Redemption. The Series GD Bonds and Series GE 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 or after August 1, 2031, 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 GF Bonds, Series GG Bonds, Series GH Bonds, Series GI Bonds and Series GJ Bonds are subject to redemption at the option of the State on any date, and the Series GD Bonds and Series GE Bonds are subject to redemption at the option of the State on any date prior to and excluding August 1, 2031, in each case in whole or in part (and if in part in any order of maturity selected by the State and within a maturity on a pro rata basis) at a redemption price equal to the greater of:

(a) 100% of the principal amount of the Bonds to be redeemed; or

(b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months at a discount rate equal to the Comparable

Treasury Yield (defined below) plus (i) with respect to any such Bonds maturing in the years 2022 through 2025, (negative 5) basis points, (ii) with respect to any such Bonds maturing in the years 2026 through 2031, 5 basis points, and (iii) with respect to any such Bonds maturing in the year 2032 and thereafter, 12.5 basis points;

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

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

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

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the series of 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 of Bonds being redeemed.

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

"*Comparable Treasury Yield*" means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the series of 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 of 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 (a) closest to and greater than the remaining term to maturity of the series of Bonds being redeemed; and (b) closest to and less than the remaining term to maturity of the series of Bonds being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

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

Selection for Redemption

If less than all of the Bonds are called for redemption, the State will designate the maturities from which the Bonds are to be redeemed. For so long as the Bonds are registered in book entry form and DTC or a successor securities depository is the sole registered owner of such Bonds, if fewer than all of such Bonds of the same series and 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 of the applicable series on a payment date, and (b) the denominator is equal to the total original par amount of the Bonds of such series.

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 series and 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 series and 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 Appendices A and B to this Official Statement.

Sovereign Immunity

Under the doctrine of sovereign immunity, a state of the United States (including the State) cannot be sued by its own citizens. Under the United States Constitution, a state of the United States (including the State) cannot be sued by citizens of another state of the United States 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, 2020. The State provided certain information, and obtained from other sources believed to be reliable certain other information, set forth in Appendices A and 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

Overview

Like most of the world, the State and its residents have been significantly impacted by the ongoing COVID-19 pandemic. COVID–19, a highly contagious illness caused by a novel strain of coronavirus, was declared a pandemic by the World Health Organization on March 11, 2020, and has had significant adverse health and financial impacts throughout the world. On March 4, 2020, Hawaii Governor David Y. Ige (the "Governor") proclaimed the spread of COVID-19 in Hawaii to be a disaster, and declared a state of emergency. The Governor and the Mayors of the State's counties have since issued a series of supplemental proclamations and executive orders to address the spread of COVID-19, initially closing non-essential business and government activities, then subsequently authorizing re-openings subject to safety regulations. Indoor mask mandates established during this time remain in place statewide.

Safe Travels Program. In March 2020, the State imposed a mandatory 14-day (subsequently reduced to 10 day) self-quarantine requirement for all persons entering the State, as well as for inter-island

travelers to Hawaii Island, Kauai and Maui County. On October 15, 2020, the State's "Safe Travels" pre-travel testing program began to allow travelers from the U.S. mainland, Japan, South Korea and Canada who have received a negative test result from an FDA-approved nucleic acid amplification test administered within 72 hours of their flight from a State-approved COVID-19 testing facility to avoid the otherwise mandatory quarantine. The State subsequently implemented a vaccine exemption program to allow in-State vaccinated interisland travelers to avoid the interisland quarantine requirement, later ending the testing requirements for interisland travel and expanding the vaccine exemption program to allow in-State vaccinated travelers from the mainland United States to avoid testing and quarantine requirements.

On July 8, 2021, the State extended the vaccine exemption program to all individuals fully vaccinated in the United States and its Territories. The State tentatively plans to expand the vaccine exemption program when feasible to visitors from Japan, South Korea, Canada and potentially other countries.

Since the start of the Safe Travels Program, over 5 million visitors have traveled to Hawaii, with over 90% qualifying for exemption from the mandatory quarantine. Nearly all of these visitors have come from the mainland United States. Foreign travel, primarily to and from Asia, has not yet recovered, primarily due to travel restrictions on travelers entering Canada, Australia and Asian countries. In July 2021, 879,551 total visitors and 1,005,853 total passengers (visitors plus returning residents) traveled to Hawaii, constituting approximately 88% and 89%, respectively, of the July 2019 counts of 995,210 total visitors and 1,133,564 total passengers. Of the visitors in July 2021, all but 5,262 international visitors were from the mainland United States. By comparison, there were 254,728 international visitors in July 2019. The 874,289 domestic visitors constituted an 18% increase over the 740,482 domestic visitors in July 2019, and the 987,750 total domestic passengers (domestic visitors plus returning residents) represented a 12% increase from the 882,994 in July 2019.

In July 2021, there were 6,143 flights, representing 1,254,631 airline seats, to and from the State and the U.S. mainland, an increase of nearly 32% from 951,068 airline seats on 4,562 such scheduled flights in July 2019. The 38,107 seats on international flights in July 2021, however, represented less than 13% of the July 2019 total of 303,097 international seats. .

There can be no assurance that any emergency declaration, quarantine requirements and/or pre-testing quarantine exception program as currently in effect and/or as proposed will not be modified, terminated, extended or reinstated, in whole or in part.

Vaccinations. The first dose of the COVID-19 vaccine was administered in the State on December 15, 2020. As of September 8, 2021, over 1.9 million doses of the COVID-19 vaccine had been administered in the State, with approximately 72% of the State's population having received at least one dose of the COVID–19 vaccine, and approximately 64% of the State's population being fully vaccinated.

During the present period of increased COVID-19 infections in the State that began in July 2021 (see "Recent Developments," below), nearly 90% of new hospital admissions for COVID-19 have been unvaccinated individuals, and consequently the State placed a high priority on its vaccination program. The State and its counties have mandated vaccination for all State, county and public school employees (those employees who choose to forego vaccination are required to obtain and submit a negative COVID-19 test at least once per week). The United States Department of Defense and multiple large private employers in the State have announced the intention to similarly require vaccination or frequent testing of their employees.

The State and the counties have also established vaccination and testing sites at schools and other locations, and have also begun a program of temporary "pop-up" vaccination and testing sites at locations

throughout the State. These include a recently established site at the Aloha Stadium and various sites in West O'ahu, which is an area disproportionately impacted by COVID-19.

In September 2021, the State launched its Hawaii SMART Health Card program, which allows vaccinated individuals to upload proof of vaccination to a State database and display their vaccinated status via a QR code on Apple and Android devices.

Recent Developments. Beginning in July of 2021, the emergence of the "Delta" variant of COVID-19 has caused a significant increase in the number of new COVID-19 cases reported in the State, along with much of the rest of the United States. To address the spread of the Delta variant in the State, the Governor issued Executive Order No. 21-05 on August 10, 2021, limiting indoor gatherings to 10 persons and outdoor gatherings to 25 persons, as well as setting maximum numbers for patrons of restaurants, bars and social establishments.

Additionally, on August 22, 2021, the Governor made a public request that potential visitors with trips to the State scheduled for September or October of 2021 delay such trips to November or later. While contract tracing performed by the State suggests that visitors do not represent a significant source of new infections when compared to community spread among unvaccinated individuals in the State's resident population, the State's desire to protect the health and wellbeing of both residents and visitors prompted the Governor's request. Critical care capacity in the State, particularly on Hawaii Island, Kauai, and the islands of Maui County, is limited in comparison to some urbanized areas of the country, and the State has worked to be proactive in protecting the State's healthcare system by attempting to limit the number of persons that will be present in the State during what is projected to represent the peak of the increased caseload created by the Delta variant. To increase system capacity, the State has also applied approximately $46 million in funding from the Federal Emergency Management Agency to temporarily bring approximately 500 additional healthcare professionals into the State, to be deployed at 19 hospitals statewide.

County Emergency Orders

In addition to the Governor's March 2020 proclamation of a state of emergency in the State, the mayors of Hawaii's four counties also each issued proclamations declaring a state of emergency in their respective counties. They subsequently issued a series of orders ("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.

In response to the recent increase in COVID-19 cases within the State (see "Overview—Recent Developments," above), the mayor of the City and County of Honolulu in August 2021 issued a series of new emergency orders limiting the size indoor and outdoor gatherings, limiting numbers of patrons in restaurants, bars and indoor entertainment venues, and, most recently, requiring that such patrons provide

proof of full vaccination or proof of a negative COVID-19 test within the previous 48 hours. Hawaii County also issued new rules in August 2021 limiting the size of indoor and outdoor gatherings, limiting numbers of patrons in restaurants, bars and social establishments, and extending the indoor mask mandate to crowded outdoor settings. Maui County announced its own new rules in early September 2021, limiting capacity on tours and excursions and requiring proof of full vaccination for indoor dining at restaurants. Kauai County is currently working to develop new rules in coordination with the Governor's office.

State Economic Impacts

The initial impact of the COVID-19 pandemic on the State's economy and finances was severe. Economic activity in the State slowed significantly, due to the closure of non-essential businesses and substantial reduction in tourism, the State's largest economic driver. Visitor arrivals to Hawaii dropped from an average of 28,445 visitors per day in 2019 to 166 visitors per day in April 2020. In April 2020, 4,985 visitors came to Hawaii, as compared to 824,610 visitors in April 2019. Unemployment rose to a record high of 21.9% in April and May 2020. Despite this increase in unemployment, however, Hawaii personal income in the second quarter of 2020 increased by more than $11 million due to a significant increase in transfer payments from the federal government in the form of one-time economic impact payments and federally funded unemployment insurance. Home prices in Hawaii rose, matching the national trend, and construction remained strong. U.S. military spending, which represents 6.6% of the State's GDP, was not affected.

In Fall 2020, the tourism industry began reopening with implementation of the Safe Travels Program described above under "Overview—Safe Travels Program." After the commencement of the Safe Travels Program, daily visitor arrivals increased markedly from a few hundred to a few thousand, but arrivals initially remained at less than a fifth of the 2019 level. Average daily arrivals in December 2020 were 7,631. In April 2021, daily visitor counts were more than one half of the pre-pandemic level, with almost all of the recovery taking place in the domestic visitor market. By July 2021, visitor counts were at 88% of the pre-pandemic level (decreasing to 78% in August 2021 and in the first week of September 2021), with domestic visitor counts exceeding 100% of the pre-pandemic level. During this same period of December 2020 to July 2021, hotel occupancy increased from 24% to over 82% (nearly equal to the July 2019 occupancy rate of 85%), and hotel revenue per available room ("RevPAR") increased from $69 to $303 (a 17% increase from the July 2019 RevPar of $260). See also "GENERAL ECONOMIC INFORMATION—Tourism" in Appendix A for additional information on the COVID-19 impact on the visitor industry. A number of hotel operators have taken the opportunity presented by lower occupancies during the pandemic to reinvest in and upgrade their facilities.

By summer 2021, Hawaii's unemployment rate had decreased to 7.3% (compared to 14.1% in July 2020 and 2.5% in July 2019) and initial unemployment claims were down to 2,401 during the first week of September 2021 from a high of 53,112 in the first week of April 2020. Passage of the American Recovery Plan Act in March 2021 has provided a substantial recovery impetus in terms of continuing support to businesses and the unemployed and direct assistance to the State and counties.

The State's expenditures responding to the COVID-19 pandemic were not budgeted, and State general fund tax revenues declined steeply with the initial suspension of economic activity in the spring of 2020. Since that time, revenues have significantly rebounded with the relaxation of health restrictions and the return of visitors during the late spring and early summer of 2021. The Council on Revenues forecasts from May 2020 through May 2021 and actual general fund tax collections reflect this. On May 28, 2020, the Council 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. Preliminary general fund tax revenues for fiscal year 2020 decreased by 6.3%, 0.7% less of a decline than forecasted by the Council. At its meeting on May 25, 2021, the Council forecasted that general fund tax revenues would increase by 5.0% for fiscal

year 2021 from fiscal year 2020, and increase by an additional 3.0% for fiscal year 2022. General fund tax revenue collections for fiscal year 2021 increased by 8.3%, 3.3% more than forecasted by the Council. The Council at its September 7, 2021 meeting increased the forecasted general fund tax revenue growth for fiscal year 2022 to 6.3% from 3.0%, and did not change the forecasted growth for fiscal year 2023 of 4.0% over fiscal year 2022 Preliminary general fund tax revenue collections for the first two months of fiscal year 2022 grew at 7.3% compared to the first two months of fiscal year 2021. See "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 has provided $5.08 billion of funding directly to the State for COVID-19 response and economic support costs, revenue loss and other related costs as of August 1, 2021. The major sources of federal funding are P.L. 116-136, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-260, the Consolidated Appropriations Act, 2021, and P.L. 117-2, the American Rescue Plan (ARP) Act. Under the CARES Act, Hawaii qualified for the minimum allocation of $1.25 billion in Coronavirus Relief Funds (CRF) 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 Hawaii with a population of 500,000 or more). The State subsequently appropriated $175 million in CRF funding to the neighbor island counties of Maui, Hawaii and Kauai on a formulaic basis. Under the ARP Act, Hawaii received $1.64 billion in Coronavirus State Fiscal Relief Funds (CSFRF) and the counties received their own separate allocations from the federal government directly. The Hawaii Legislature appropriated $810 million of CSFRF funds, about 49% of Hawaii's allocation, to repay the advance from the U.S. Department of Labor, cover costs of adjudicating and processing unemployment claims and pay interest from the advance. Additionally, the Hawaii Department of Education received $412 million in ARP Elementary and Secondary School Emergency Relief (ESSER) funds to support Hawaii's public schools during the pandemic. The State of Hawaii publishes a table entitled 'COVID-19 Awards Received by Hawaii State Departments' that can be found at the following URL: https://federalawards.hawaii.gov/. Reference to such website address is for informational purposes only. Such website and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

As of August 27, 2021, the State, counties, its citizens and businesses are estimated to have been allocated nearly $19.4 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 "TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Federal Grants—COVID-19 Grant Programs" 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.

Additional Information

Additional information with respect to State COVID-19 metrics can be found on the following website established by the State at: https://hawaiicovid19.com/. Reference to such website address is for informational purposes only. Such website and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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 (a) 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); (b) 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"); (c) 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 (d) 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 (b) 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

General Matters

Bond Counsel is of the opinion that interest on the Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that, under existing State of Hawaii statutes, 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 and estate taxes and certain franchise taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Hawaii or any other state or jurisdiction.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Bonds under the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder (the "Regulations"), and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Bonds.

In general, interest paid on the Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium

An investor that acquires a Bond for a cost greater than its remaining stated redemption price at maturity and holds such instrument as a capital asset will be considered to have purchased such instrument at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the instrument's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Market Discount

An investor that acquires a Bond for a price less than the adjusted issue price of such instrument may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Bond originally issued at a discount, the amount by which the issue price of such instrument, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest; and (b) in the case of a Bond not originally issued at a discount, the amount by which the stated redemption price of such

instrument at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the instrument, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such an instrument; or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis, or (b) in proportion to the accrual of stated interest or, in the case of a Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Bond that acquired such instrument at a market discount also may be required to defer, until the maturity date of such instrument or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such instrument in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such instrument. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Bond for the days during the taxable year on which the owner held such instrument and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Bonds and to gain on the sale of a Bond.

Sales or Other Dispositions

If an owner of a Bond sells the instrument, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such instrument. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a

Bond should consult its own tax advisor concerning the circumstances in which such instrument would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance

The legal defeasance of a Bond may result in a deemed sale or exchange of such instrument under certain circumstances. The Owner of such a Bond should consult its tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding

An owner of a Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Bonds, if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors

An owner of a Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Bond; provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax may apply to interest paid and original issue discount accruing on Bonds owned by foreign investors. In those instances in which payments of interest on the Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Bond.

Tax-Exempt Investors

In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. Unrelated business taxable income generally means the gross income derived by an organization from any unrelated trade or business as defined in Section 513 of the Code. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness.

Therefore, except to the extent any owner of a Bond incurs acquisition indebtedness with respect to such instrument, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities whose underlying assets are considered to include "plan assets" (within the meaning of 29 C.F.R. Section 2510.3 (as modified by Section 3(42) of ERISA), such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans," and together with arrangements that are subject to Section 4975 of the Code or similar provisions under any other federal, state, local, non-United States or other laws or regulations or similar law, as applicable, "Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Bonds, could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the issuer or conduit borrower, if any, of the Bonds or any dealer of the Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Bonds are acquired by such plans or arrangements with respect to which the issuer or any conduit borrower of the Bonds or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Bonds. The sale of the Bonds to a Plan is in no respect a representation by the issuer or conduit borrower, if any, of the Bonds or any dealer that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular Plan. Any plan proposing to invest in the Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Neither the State nor the Underwriters is acting as a fiduciary, or undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, to such purchaser or transferee with respect to the decision to purchase or hold the Bonds or an interest in the Bonds.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed on persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Bonds on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any similar laws to such investment and whether an exemption would be applicable to the purchase and holding of the Bonds.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock 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 positive outlook, and "AA+" with a stable 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., Citigroup Global Markets Inc., Morgan Stanley & Co. LLC, Jefferies LLC and RBC Capital Markets, LLC (collectively, the "Underwriters") have agreed to purchase the Bonds at an aggregate purchase price of $1,882,083,305.77, which is equal to the principal amount of the Bonds, plus

original issue premium of $2,017,980.00, less an aggregate underwriting discount of $2,889,674.23. 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 ("Jefferies") has entered into a distribution agreement with InspereX LLC ("InspereX") for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells the Bonds to InspereX, it will share a portion of its selling concession compensation with InspereX.

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."

During the past five years, the State failed to file certain defeasance, refunding and redemption notices or failed to file them in a timely manner, and in certain instances did not link certain filings to all affected CUSIP numbers. 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.

VERIFICATION

Causey Demgen & Moore P.C. (the "Verification Agent") will verify from the information provided by BofA Securities, Inc. as to the mathematical accuracy as of the date of issuance of the Bonds of the computations contained in the schedules provided by BofA Securities, Inc. to determine that the anticipated receipts from the securities and cash deposits listed in such schedules to be held in escrow will be sufficient to pay when due the principal and interest payment requirements of the Refunded Bonds. The Verification Agent will express no opinion on the reasonableness of the assumptions provided to them or the likelihood that the principal of and interest on the Bonds will be paid as described in the schedules provided to them.

FINANCIAL STATEMENTS

The General Purpose Financial Statements and additional information as of and for the year ended June 30, 2020, 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.

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, 1,108,229 in 1990, 1,211,537 in 2000, 1,360,301 in 2010 and 1,455,271 in 2020, making the State the 40th most populous state in the Union as of 2020. 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 2020 U.S. Census, 69.9% 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 2020 U.S. Census, approximately 37.2% of the State's population is of Asian descent and 22.9% of the State's population is white. Native Hawaiians and other Pacific Islanders constitute approximately 10.8% of the population. Around 25.3% of Hawaii residents are multi-racial. The balance consists of people of 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 25 members elected for four-year terms and a House of Representatives of 51 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 as a team with the Governor, 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, including issuance of bonds and financing agreements.

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, 2020 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, 2020, 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, 2018, 2019 and 2020 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, 2021, after giving effect to the issuance of the Bonds, after exclusions therefrom permitted by the Constitution, is $961,807,272 in the fiscal year ending June 30, 2023. A summary of debt service on all general obligation bonded indebtedness of the State (including the Bonds) is set forth under "SUMMARY OF DEBT SERVICE" in Part I of Appendix B; however, the debt service excluded in that table includes reimbursements that are made as required, regardless of whether such reimbursements may be excluded under the Constitution, as described below under "—Exclusions."

As calculated from the State Comptroller's Bond Fund report as of June 30, 2021, the amount of authorized but unissued general obligation bonds (including the Bonds) is $3,164,259,013. 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.

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 by Act 149 in December 2016, and an update to the debt affordability study was submitted to the Legislature as so required in December 2018.

The most recent update to the debt affordability study, prepared by PFM Financial Advisors LLC on behalf of the State and the Department of Budget and Finance, was submitted to the Legislature in December 2020. The December 2020 study concluded with respect to State General Fund that based on assumptions within, the State is anticipated to be able to afford the additional debt issuances currently planned by the State. The study highlighted the need to maintain contingency in the budget to absorb expected and unexpected increases in general fund expenditures as well as to offset a decrease in revenues owing to the COVID-19 pandemic or a resulting economic recession. The study highlighted some of the financial challenges the State may face, but acknowledged the past fiscal prudence and financial strength that to date has enabled the State to navigate the pandemic while maintaining its credit quality.

See "COVID–19 DEVELOPMENTS" in the forepart of this Official Statement, "EMPLOYEE RELATIONS; STATE EMPLOYEES' RETIREMENT SYSTEM" in this Appendix A, and "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan" in Part I of Appendix B.

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 25 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 35 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 Section 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" below 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, in which it recommended modernizing the individual income tax, taxing retirement income more evenly, allowing corporations to expense new investments, expanding efforts to collect tax on remote sales, taxing e-cigarettes at rates equivalent to tobacco cigarettes, and establishing a separate commission to examine how to handle unfunded liabilities for State retirees. Although the Legislature did not act on most of the recommendations, it did pass legislation to create a nexus standard for taxing out-of-state businesses on their income earned in Hawaii. The current Tax Review Commission was appointed in 2020 and will 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.

Prior to being amended in recent years as described below, Section 6 of Article VII of the State Constitution provided 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.

In November 2010, Section 6 of Article VII was amended to add a second option to dispose of such excess revenues. As an alternative to providing for a tax refund or tax credit, the Legislature was authorized to 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 transfer of 5% of the General Fund fiscal year-end balance 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.

In November 2016, Section 6 of Article VII was further amended to add more options to dispose of excess revenues. In addition to providing for a tax refund or tax credit or 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. Act 6, SLH 2017, established provisions to prepay general obligation bond debt service, other post-employment benefit liabilities, and pension liabilities in accordance with the 2016 constitutional amendment.

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, but 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 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 take such action, 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 (the fiscal year 2020 balance met the 5% threshold because $345 million was transferred from the EBRF and $303 million was transferred from special funds into the General Fund), 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 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 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 appropriated $250 million from the General Fund for deposit into the EBRF in fiscal year 2021 and $390 million to make an additional other post-employment benefits prefunding payment in fiscal year 2021; however, there are no references in the act authorizing the two appropriations that indicate the appropriations were made pursuant to Section 6 of Article VII.

Although the general fund balance exceeded 5% of general fund revenues for fiscal years 2020 and 2021, fiscal years 2020 and 2021 general fund revenues did not exceed the respective previous years' (fiscal years 2019 and 2020) general fund revenues by more than 5%. Therefore, the 2022 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 temporary supplemental sources of funding in times of emergency, economic downturn, or unforeseen

reduction in revenues, or appropriate general funds for the prepayment of either or both of 1) debt service or 2) pension or other post-employment benefits ("OPEB") 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 2021. 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 2022 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 2021, these taxes represented approximately 89% 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 2021 General Fund revenues were reduced by $648 million as the transfer from the Emergency and Budget Reserve Fund authorized by Act 9, SLH 2020, was processed in fiscal year 2021. Although the transfer was processed in fiscal year 2021, it has been reflected in fiscal year 2020 for the purposes of the General Fund financial plan pursuant to Act 9 which retroactively authorized the transfer 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 2021 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 2021	% of Total Taxes
Individual Net Income	$3,354,561	41.38%
General Excise	3,055,138	37.69
Corporation Net Income	186,347	2.30
Premiums Of Insurance Companies	185,570	2.29
Transient Accommodations	149,647	1.85
Public Service Companies (Act 147, SLH 1963)	125,201	1.54
Tobacco	72,747	0.90
Liquor	45,178	0.56
Inheritance	31,275	0.39
Conveyance (Act 10, SLH 1966)	26,257	0.32
Environmental Response Tax	15,441	0.19
Franchise (Banks and Other Financial Corporations)	30,709	0.04
Rental Motor Vehicle Surcharge Tax	5	0.00
Total	$7,250,445	89.43%

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 2021, the general excise tax comprised approximately 38% 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 CS on 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%. 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. For fiscal year 2021, individual income taxes comprised approximately 41% of all taxes (as reported by DAGS) due to the delay in tax year 2020 income tax filings from April 2021 to July 2021.

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. Act 94, SLH 2015, increased the TAT rate to 9.25% beginning January 1, 2017. 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. Act 86, SLH 2018, reduced the annual allocation to the convention center special fund from $26.5 million to $16.5 million and reduced the annual allocation to the tourism special fund from $82 million to $79 million, effective July 1, 2017. Pursuant to the Governor's emergency proclamations, all of allocations described above were suspended due to the COVID-19 emergency from March 2020 to July 2021, including the $103 million payment to the counties. Act 1, Special Session SLH 2021, lowered the annual allocation to the convention center special fund from $16.5 million to $11 million and eliminated the annual allocations to the tourism special fund and to the counties, effective July 1, 2021. The Act also allowed the counties to establish their own TAT at a rate not to exceed 3% and provided for an appropriation of $60 million dollars in fiscal year 2022 to the Hawaii Tourism Authority from federal funds received by the State under the American Rescue Plan Act. See also the discussion of changes made by the Act in the description of the Council on Revenues' September 2021 General Fund forecast under "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—Introduction" in Part I of Appendix B.

Act 1, 1st Special Session SLH 2017, 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 (this allocation for mass transit was not suspended by the Governor's emergency proclamations). 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. For fiscal year 2021, the General Fund portion of the TAT comprised approximately 2% of all taxes (as reported by DAGS).

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 of 20% for taxable estates exceeding $10 million. 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.

In fiscal year 2021, non-tax revenues were approximately 19% of total General Fund revenues primarily due to a one-time $750 million working capital loan.

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.

The following table provides the special fund tax revenues for fiscal year 2021 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 2021	% of Total Taxes
General Excise	$241,912	2.98%
State Motor Vehicle Weight	88,146	1.09
Liquid Fuel—Highways	67,878	0.84
Transient Accommodations	59,440	0.73
State Vehicle Registration Fee	55,012	0.68
Conveyance (Act 10, SLH 1966)	36,466	0.45.
Tobacco	35,782	0.44
Rental Motor Vehicle Surcharge Tax	32,201	0.40
Environmental Response Tax	7,830	0.10
Premiums of Insurance Companies	2,659	0.03
Franchise (Banks and Other Financial Corp)	2,000	0.02
Liquid Fuel—Small Boats	1,473	0.02
Liquid Fuel—Aviation	1,421	0.02
Employment & Training Fund Assessment	1,272	0.02
Electric Vehicle/Alternative Fuel Surcharge	84	0.00
Public Service Companies (Act 147, SLH 1963)	20	0.00
Total	$633,596	7.82%

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 2021, taxes deposited into Special Funds were approximately 8% 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 0.01%. 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. Act 237, SLH 2021, increases the RSVT rate by $0.50 per rental vehicle day on January 1, 2022 and increasing by an additional $0.50 on January 1 for each subsequent year through 2027.

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 58% 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 20% 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 and 2021, federal funds accounted for 20% and 19% of the total State budget, respectively. It is noted that the COVID-19 federal awards Hawaii received were not part of the State's fiscal year 2020 and 2021 budgets. 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.

Fiscal Year Ended June 30	**Grant Amount (in millions)**
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*
2021	5,567.0*

*Includes $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 and 2021.
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)

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: (a) 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; (b) 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 (c) 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.

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COVID-19 Grant Programs. The following table provides the federal awards allocated, as of August 27, 2021, 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 August 27, 2021, and the majority of the awards are to State agencies

Program	Amount
Grants/Awards	
Coronavirus Preparedness and Response	$ 66,993,822
Families First Coronavirus Response	479,436,558
CARES	7,887,399,723
Paycheck Protection Program and Health Care Enhancement	3,644,073,576
Executive Action	$ 374,468,066
Total for bills passed in 2020	**$12,452,371,745**
Consolidated Appropriations Act	$ 1,384,590,541
American Rescue Plan	5,537,341,136
Coronavirus State Fiscal Relief Fund	1,641,602,610
Coronavirus Local Fiscal Relief Fund	518,162,000
Education	577,680,000
Coronavirus Capital Projects Fund	115,328,000
All other programs	2,684,568,526
Total for bills passed in 2021	**$ 6,921,931,677**
Grand total 2020 and 2021	**$19,374,303,422**

Sources: Hawaii Data Collaborative (https://www.hawaiidata.org/federalfunds)

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 10 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 45 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 10 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 uncertain situation caused by the COVID-19 Delta variant could affect revenues and expenses and necessitate use of EBRF and other reserves in the budget planning 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. 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.

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% 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% 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 (a) debt service, or (b) 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 occurred in fiscal year 2021. To reflect the transfers as authorized, the fiscal year 2020 balance was 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 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 Hawaii's Unemployment Trust Fund advance from the U.S. Department of Labor. It is expected that all of the CRF funds in the EBRF will be expended from the EBRF by December 31, 2021.

For fiscal years 2019 and 2020, general fund balances were greater than 5% of general fund revenues. 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. 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 years' (fiscal years 2018 and 2019) general fund revenues by more than 5%. The 2021 Legislature passed Act 6, SpSLH 2021, that appropriated $250 million in general funds to be deposited into EBRF in fiscal year 2021; however, there is no statement of intent in Act 6 that the appropriation was for the purpose of satisfying the requirement of Section 6 of Article VII.

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The table below provides EBRF balances as of the end of each fiscal year from 2012 through 2021. The amounts reflected in fiscal year 2020 and 2021 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, 2012-2021)

Fiscal Year	$ (Millions)
2012	24.2[1]
2013	24.2[2]
2014	83.2[3]
2015	90.2[4]
2016	100.9[5]
2017	311.3[6]
2018	375.7[7]
2019	378.2[8]
2020	58.9[9]
2021	319.5[10]

[1] 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.
[2] 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.
[3] 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.
[4] In fiscal year 2015, the fund balance increased because $6.7 million from tobacco settlement moneys was deposited into the EBRF.
[5] 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.
[6] 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.
[7] 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.
[8] 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.
[9] 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.
[10] In fiscal year 2021, the fund balance increased because $1.3 million in investment income, $250.0 million pursuant to Act 6, SpSLH 2021; and $8.3 million from tobacco settlement moneys were deposited into the EBRF.
Source: Department of Accounting and General Services

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 46 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 were two deposits of tobacco settlement moneys into the EBRF in fiscal year 2021: the catch-up deposit of $3.07 million for fiscal year 2020, as well as the usual deposit of $5.22 million for fiscal year 2021.

The following table shows annual proceeds from the tobacco settlement for fiscal years 2012 through 2021.

Tobacco Settlement Proceeds
(Fiscal Years Ended June 30, 2012-2021)

Fiscal Year	$ (Millions)
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
2021	37.5

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 July 13, 2021, nine states were still arbitrating the 2004 diligent enforcement issue. Thirty-four states, along with Puerto Rico and Washington, D.C., have 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. In April 2021, Hawaii received its annual MSA payment for 2020 in two installments totaling $37.5 million.

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%) and 2015 (50%) 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. For fiscal year 2021, the HHRF ending balance was $187.2 million.

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 fiscal year 2021 HHRF appropriation did not establish a statutory repayment mechanism. The Governor did not use the HHRF appropriation in fiscal year 2021 and the appropriation authorization lapsed at the end of that fiscal year.

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The following table provides HHRF balances as of the end of each fiscal year from 2012 through 2021:

Hawaii Hurricane Relief Fund Balances
(Fiscal Years Ended June 30, 2012-2021)

Fiscal Year	$ (Millions)
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
2021	187.2

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 years 2021, 2022, and 2023 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 $100,000 or more (amount increased pursuant to Act 203, SLH2021) 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 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 15 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 has six votes, and the mayors of each of the counties, the Chief Justice of the State Judiciary and the Hawaii Health Systems Corporation Board each have one vote. In the case of bargaining units for police officers and fire fighters, the Governor has four votes and the mayors each have one vote. In the case of bargaining units for teachers and educational officers, the Governor has three votes, the State Board of Education has two votes and the state superintendent of education has one vote. In the case of bargaining units for University of Hawaii ("UH") faculty and UH administrative, professional and technical staff, the Governor has three votes, the UH Board of Regents has two votes and the UH president has one vote. Decisions by the employer representatives are 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 includes at least one county. The State legislature passed legislation and the Governor signed into law (Act 31, SLH 2020) that created the fifteenth bargaining unit by moving state and county ocean safety and water safety officers from Unit 14 into another bargaining unit. On January 7, 2021, the Hawaii Labor Relations Board officially recognized the new unit made up of exclusively county employees at the present time and represented by the Hawaii Government Employees Association ("HGEA"). The employer and HGEA are in the process of negotiating an initial contract.

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

The status of negotiations and awards for wages and health benefits for the period from July 1, 2021 to June 30, 2023 for bargaining units with State employees are as follows:

Unit 1 (Blue Collar Workers). The United Public Workers ("UPW") and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in April 2021. The agreement provides for no increase in wages in the first year and a re-opener for possible increases beginning July 1, 2022. Re-opener negotiations are to begin not less than 90 days before the 2022 Legislative Session. The

agreement also provides for increases to employer contributions for Hawaii Employer-Union Trust Health Benefits Fund ("EUTF") plans for both fiscal years 2022 and 2023.

Unit 2 (Blue Collar Supervisors). HGEA and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in April 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. Re-opener negotiations are to begin not less than ninety days before the 2022 Legislative Session. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023.

Unit 3 (White Collar Workers). HGEA and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in April 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. Re-opener negotiations are to begin not less than ninety days before the 2022 Legislative Session. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023.

Unit 4 (White Collar Supervisors). HGEA and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in May 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. Re-opener negotiations are to begin not less than 90 days before the 2022 Legislative Session. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023.

Unit 5 (Teachers). The Hawaii State Teachers Association ratified a new two-year agreement (July 1, 2021–June 30, 2023) in June 2021. The agreement provides for no increase in wages during the period. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023.

Unit 6 (Educational Officers). HGEA and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in July 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. Re-opener negotiations are to begin not less than ninety days before the 2022 Legislative Session. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023.

Unit 7 (Faculty of the University of Hawaii). University of Hawaii Professional Assembly and the employer reached a two-year agreement (July 1, 2021–June 30, 2023) that was ratified in April 2021. The agreement provides for no wage increases. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023.

Unit 8 (University of Hawaii Administrative, Professional and Technical Staff). University of Hawaii administrative, professional and technical staff and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in April 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. Re-opener negotiations are to begin not less than 90 days before the 2022 Legislative Session. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023.

Unit 9 (Registered Professional Nurses). The current contract, scheduled to expire on June 30, 2021, has been extended pending negotiation of a new contract. Impasse was declared by the Hawaii Labor Relations Board February 1, 2021. An arbitration panel has not yet been established.

Unit 10 (Institutional Health and Correctional Workers). UPW and the employer and the employer reached a two year (July 1, 2021–June 30, 2023) agreement that was ratified in May 2021. The agreement provides for no increase in wages in the first year and a re-opener for possible increases

beginning July 1, 2022. Re-opener negotiations are to begin not less than ninety days before the 2022 Legislative Session. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023.

Unit 11 (Firefighters). The current contract, scheduled to expire on June 30, 2021, has been extended pending negotiation of a new contract. Impasse was declared by the Hawaii Labor Relations Board February 1, 2021. A neutral arbitrator has been selected, but no date has been set for the arbitration hearing.

Unit 13 (Professional and Scientific Employees). HGEA and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in May 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. Re-opener negotiations are to begin not less than 90 days before the 2022 Legislative Session. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023.

Unit 14 (State Law Enforcement Officers). HGEA and the employer reached a two-year (July 1, 2021–June 30, 2023) agreement that was ratified in May 2021. The agreement provides for no increase in wages the first year and a re-opener for possible increases not less than ninety days before the 2022 Legislative Session. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023.

State Employees' Healthcare and Other Insurance Plans

Act 88, SLH 2001, Relating to Public Employee Health Benefits (partially codified as HRS Chapter 87A), established the Hawaii Employer-Union Health Benefits Trust Fund ("Trust Fund"). The Trust Fund provides healthcare and other insurance 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 healthcare and other insurance 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 healthcare and other insurance plans to state and county employees in their bargaining units outside of the Trust Fund. Each VEBA trust was to provide healthcare and other insurance plans to the 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 healthcare and other insurance coverage that they had in their HSTA VEBA trust healthcare and other insurance 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 healthcare and other insurance coverage 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 healthcare and other insurance coverage that they had in their former HSTA VEBA trust healthcare and other insurance 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, 2020 and 2021.

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 Trust Fund's July 1, 2020 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, 2020 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, the ARC using a discount rate of 7%. The Trust Fund Report states that the State's unfunded AAL as of July 1, 2020 is $8.9 billion. The corresponding ARC for the fiscal years ending June 30, 2022 and 2023 are $877.2 million and $839.4 million, respectively, of which it is estimated that 79% is an expense of the General Fund and 21% is to be paid from non-general funds of the State (based on fiscal year 2020 reimbursements which is the last year assessments were made from OPEB prefunding because public employer OPEB pre-funding contributions were suspended for fiscal year 2021 by emergency proclamation). The Trust Fund Report estimates the "pay-as-you-go" funding amounts for fiscal years ending June 30, 2022 and 2023 are $464.1 million and $504.4 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, 2020 actuarial valuation was $2.3 billion and 21.0%, respectively. Investment returns net of fees on OPEB assets during fiscal year 2021 was 27.5% versus the assumed 7%.

The balance of the State's OPEB assets as of June 30, 2021, including the $390 million noted below, amounted to $3.7 billion (preliminary).

On July 17, 2020, the Governor issued a Tenth Proclamation Related to the COVID–19 Emergency, which suspended the provisions of Act 268 (HRS Chapter 87A-42(b)-(f)) that require employer contribution of the ARC for the fiscal year ending June 30, 2021. The 2021 Legislature subsequently enacted Act 229, SLH 2021, which extends such suspension for the fiscal years ending June 30, 2022 and 2023. As a result, for the fiscal year ending June 30, 2021, the State and counties were only required to contribute, and for the fiscal years ending June 30, 2022 and 2023, the State and counties will only be required to contribute, their share of the monthly the "pay-as-you-go" health benefit premiums and claims expenses ("pay-as-you-go" premiums). The State, however, made its full ARC payment for the fiscal year ending June 30, 2021, and also made a payment of $390 million on July 15, 2021. Such $390 million payment is a contribution for the fiscal year ending June 30, 2021, but has a similar effect to funding $390 million of the ARC for the fiscal year ending June 30, 2022 in advance. The State expects to contribute the equivalent of the full ARC

for the fiscal year ending June 30, 2022, and also expects to contribute the full ARC for the fiscal year ending June 30, 2023.

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 — 2023

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	405,743,120	100%	436,712,880	826,712,880***	1,232,456,000
2022	877,193,000	464,088,000	100%	413,105,000	23,105,000***	487,193,000
2023	839,445,000	504,377,000	100%	335,068,000	335,068,000***	839,445,000

*Percentage/amount of the ARC less estimated benefit payments required under Act 268 for fiscal years ending June 30, 2015, 2016, 2017 and 2018.
**Fiscal years 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 are actual, and 2022 and 2023 are projected based on the 2020 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, and 2022 and 2023 were suspended due to COVID–19 by emergency declaration of the Governor on July 17, 2020 and Act 229, SLH 2021, respectively. See the narrative preceding this table for a further description of contributions made and expected to be made by the State in these fiscal years.

Act 268 provides that if the State public employer contributions into the fund are less than the ARC commencing in 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 ARC commencing in fiscal year 2019, transient accommodations tax revenues apportioned to the counties will be used to supplement county public employer contribution amounts. As described above, Act 229 SLH 2021 suspends these requirements for fiscal years 2022 and 2023 (but the State has made and intends to make the contributions described above for such fiscal years).

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 https://portal.ehawaii.gov/, and other information about the System are

available on the System's website at https://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 has continued regular funding of the ERS and has current appropriations for regular funding of the ERS for fiscal years 2022 and 2023. 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 95th Annual Actuarial Valuation for the Year Ended June 30, 2020 (the "2020 Valuation Report"), which is the most recent valuation report of the System.

The information presented in the 2020 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 eighth 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 2020 represented the third year of a four year phase-in of increases in the employer contribution rates. Included in the 2020 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, 2020 is reported as of June 30, 2021). The amount of the ERS net pension liability (measured as of June 30, 2020, the most recent information available) allocated to the State (not including the University of Hawaii) is approximately $8.5 billion, or approximately 56% of the $15.31 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 68% (including the University of Hawaii), with the remaining 32% share as the responsibility of the four counties. Although the State's employer contributions are recorded as expenses of the General Fund, approximately 23% 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 five 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% 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, 2020, the contributory plan covered 5,548 active employees (which includes police and fire) or 8.3% of all active members of the System, the noncontributory plan covered approximately 11,191 active employees or 16.8%, and the Hybrid Plan covered 50,011 active members or 74.9%. 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.

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As of March 31, 2020, the System's membership comprised approximately 66,750 active employees, 9,204 inactive vested members and 51,153 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, 2018, 2019 and 2020:

Category	March 31, 2018	March 31, 2019	March 31, 2020
Active	66,271	66,383	66,750
Inactive, vested	9,249	9,321	9,204
Retirees and beneficiaries	48,569	49,885	51,153
Total	124,089	125,589	127,107

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 April 2021 and presents as of June 30, 2021 the required information measured as of June 30, 2020 as permitted by GASB 68. As reported therein, the total pension liability of the System was $32,691,755,844 and the System's fiduciary net position (representing the value of the assets of the System) was $17,385,480,476, resulting in a net pension liability of the System of $15,306,275,368. Of such liability, the State's proportionate share was approximately $8,546,804,293 (not including approximately $1,889,436,863 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 77%.

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 $15,306,275,368 net pension liability would increase to $19,732,216,656, and applying an 8.00% discount rate, it would decrease to $11,657,505,156.

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 2020 Valuation Report, presenting the actuarial condition of the ERS as of June 30, 2020.

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 2020 Valuation Report reported that the UAAL increased to $14.607 billion as of June 30, 2020, compared to $14.074 billion as of June 30, 2019. The investment returns on financial markets in fiscal year 2020 were less than the 7.0% assumption. Because of the lower return, the funded ratio increased only slightly to 55.3% in 2020 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 2020 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: (a) police officers, firefighters, and corrections officers; and (b) 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 other 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, 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 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, 2020.

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, 2020 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 (a) actuarial gains and losses, (b) changes in actuarial assumptions, or (c) 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, 2020 was 14.12% of payroll, which was 18.27% of payroll less than the total contributions required by law (26.00% from employers plus 6.39% in the aggregate from employees). Since only 7.73% of the employers' 26.00% contribution is required to meet the normal cost (6.39% comes from the employee contribution), it is intended that the remaining 18.27% 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, 2020 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 assumes all assumptions exactly met, including a 7.00% annual return on the current actuarial value of assets.

Projection Results Based on June 30, 2020 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
2020	26.00%	$4,630	$1,204	$32,692	$18,084	$ 14,607	55.3%
2021	25.99	4,747	1,234	33,931	19,176	14,755	56.5
2022	25.99	4,878	1,268	35,170	20,291	14,879	57.7
2023	25.98	5,014	1,303	36,411	21,434	14,978	58.9
2024	25.97	5,155	1,339	37,652	22,605	15,047	60.0
2025	25.96	5,302	1,377	38,891	23,808	15,084	61.2
2026	25.95	5,456	1,416	40,128	25,044	15,084	62.4
2027	25.92	5,616	1,456	41,361	26,317	15,044	63.6
2028	25.92	5,784	1,499	42,590	27,629	14,960	64.9
2029	25.92	5,960	1,545	43,816	28,989	14,827	66.2
2030	25.92	6,142	1,592	45,041	30,402	14,638	67.5
2031	25.92	6,334	1,642	46,264	31,875	14,390	68.9
2032	25.92	6,533	1,693	47,487	33,413	14,074	70.4
2033	25.92	6,740	1,747	48,710	35,025	13,685	71.9
2034	25.92	6,957	1,803	49,934	36,719	13,215	73.5
2035	25.92	7,182	1,862	51,163	38,505	12,658	75.3
2036	25.92	7,416	1,922	52,397	40,393	12,004	77.1
2037	25.92	7,660	1,986	53,640	42,395	11,246	79.0
2038	25.92	7,915	2,052	54,897	44,523	10,373	81.1
2039	25.92	8,182	2,121	56,171	46,794	9,377	83.3
2040	25.92	8,460	2,193	57,468	49,224	8,244	85.7
2041	25.92	8,751	2,268	58,796	51,831	6,965	88.2
2042	25.92	9,053	2,347	60,159	54,633	5,526	90.8
2043	25.92	9,367	2,428	61,564	57,651	3,913	93.6
2044	25.92	9,693	2,513	63,018	60,906	2,112	96.6
2045	25.92	10,032	2,601	64,527	64,419	109	99.8
2046	25.92	10,383	2,692	66,098	68,212	(2,114)	103.2
2047	25.92	10,748	2,786	67,736	72,311	(4,575)	106.8
2048	25.92	11,127	2,884	69,448	76,741	(7,292)	110.5
2049	25.92	11,518	2,986	71,242	81,529	(10,287)	114.4

* Projection assumes all assumptions exactly met, including a 7.00% annual return on the current actuarial value of assets.
Source: 2020 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 2020 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 2011 through 2020 shown below consist of a mix of gross and net of fees.

Fiscal Year	Percentage
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	1.28

Source: Report on Investment Activity for the ERS prepared by The Northern Trust Company (2011 to 2013), The Bank of New York Mellon (2014 to 2020) and reported in the ERS comprehensive annual financial report

The ERS portfolio surpassed $21.4 billion in assets in fiscal year 2021 and significantly exceeded its 7.0% target return with a return of 26.2% (such asset valuation and return are subject to further adjustment prior to finalization). Such return also exceeded benchmark index returns across one, three, five, seven and ten-year horizons. Broad Growth investments—both public (liquid securities) and private (illiquid securities)—have contributed most of the gains with returns of 33.8% and 55.5%, respectively, for fiscal year 2021. Diversifying strategies, which is intended to have low correlation to equity markets and acts as a diversifier in negative equity markets, was slightly positive (+1.8%).

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)
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%
2020	18,084.4	32,691.8	14,607.4	55.3%	4,630.2	315.5%

**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.
Source: 2020 Valuation Report

The 2020 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 $14.070 billion as of June 30, 2016, $15.698 billion as of June 30, 2017, $16.598 billion as of June 30, 2018, $17.227 billion as of June 30, 2019, $17.385 billion as of June 30, 2020 and $21.438 billion as of June 30, 2021 (preliminary and subject to further adjustment). 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, as of June 30, 2019 was $17.2 billion, and as of June 30, 2020 was $17.4 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)
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
2020	18,084.4	17,385.5	96.2	55.3	53.2

Source: The 2011-2020 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 2019 and 2020:

NORMAL COST

	June 30,					
	2019			2020		
	Police and Firefighters	Other Employees	All Employees	Police and Firefighters	Other Employees	All Employees
Normal cost as % of payroll	26.55%	12.46%	14.13%	26.38%	12.44%	14.12%
Employee contribution rate	12.53	5.39	6.24	12.60	5.54	6.39
Effective employer normal cost rate	14.02	7.07%	7.89	13.78	6.90	7.73

Source: 2020 Valuation Report

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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
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
2020	1,098,589

Source: The 2011-2020 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 December 31, 2020 under the new asset allocation policy:

ASSET ALLOCATION
(as of December 31, 2020)

	Actual Allocation		Target Allocation		
Asset Type	Amount ($mm)	Percentage	Amount ($mm)	Percentage*	Allocation Difference
Broad Growth	$14,537.3	74.3%	$14,085.8	72.0%	2.3%
Diversifying Strategies	4,0041.4	20.7	5,477.8	28.0	(7.3)
Opportunities	36.1	0.2	0.0	0.0	0.2
Other	948.8	4.8	0.0	0.0	4.8
Total	$19,563.6	100.0%	$19,563.6	100.0%	

* Target Percentages are the 2020 Risk-Based Policy Targets. Numbers subject to changes and rounding errors.
Source: Valuations provided by BNY Mellon—December 31, 2020; values unaudited

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 2021 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 2021 is 5.9%. In real terms (adjusting for inflation), DBEDT estimates that the 2021 State's GDP growth to be 2.7% 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 positive in the second quarter of 2021. Visitor arrivals, wage and salary jobs, State general fund tax revenues, and private building authorizations all increased in the quarter compared to the second quarter of 2020. Government contracts awarded decreased in the quarter.

In the second quarter of 2021, the total number of visitors arriving by air to Hawaii increased 1,874,057 or 6,094.9%. The daily visitor census increased 2,062.7% in the quarter.

In the second quarter of 2021, jobs in the construction sector increased 4.5% or 1,600 jobs compared with the same quarter of 2020. The government contracts awarded totaled $274.9 million, a decrease of $307.5 million in the second quarter of 2021. In the second quarter of 2021, the permit value for private construction increased $652.7 million or 94.2% compared with the same quarter of 2020. According to the most recent excise tax base data available, current construction put-in-place decreased $128.8 million or 5.2% in the first quarter of 2021, compared with the same quarter of the previous year.

In the second quarter of 2021, State general fund tax revenues were up $1,017.9 million or 74.0% over the same period of 2020. The net individual income tax revenues increased $660.7 million or 125.1%, the state general excise tax revenue increased $219.3 million or 32.4%, net corporate income tax revenues changed from a negative $6.2 million in the second quarter of 2020 to a positive $115.8 million, and the transient accommodations tax (TAT) increased $70.1 million or 147.6%. In the first half of 2021, State

general fund tax revenues increased $819.2 million or 25.9% compared to the same period of the previous year.

Labor market conditions were all positive. In the second quarter of 2021, Hawaii's non-agricultural wage and salary jobs averaged 567,700 jobs, an increase of 52,300 jobs or 10.1% from the same quarter of 2020.

In this quarter, the private sector added about 49,200 non-agricultural jobs compared to the second quarter of 2020. Almost all private sectors added jobs in the quarter. Jobs increased the most in Food Services and Drinking Places, which added 17,800 jobs or 49.6%; followed by Accommodation, which added 10,400 jobs or 60.1%, Professional & Business Services, which added 6,000 jobs or 9.5%, Retail Trade, which added 3,400 jobs or 6.1%, and Transportation, Warehousing & Utilities, which added 3,300 jobs or 13.9% in the quarter. The Government sector added 3,100 jobs or 2.7% in the second quarter of 2021 compared to the same quarter of 2020. The federal government lost 800 jobs or 2.3%, the State Government added 3,600 jobs or 5.7%, and the Local Government added 300 jobs or 1.6%, compared to the second quarter of 2020.

In the first quarter of 2021, total annualized nominal GDP decreased $2,824 million or 3.0%, from the first quarter of 2020. In 2020, total annualized nominal GDP decreased $5,888 million or 6.1% from the same period of the previous year. In the first quarter of 2021, total annualized real GDP (in chained 2012 dollars) decreased $4,183 million or 5.2% from the first quarter of 2020. In 2020, total annualized real GDP decreased $6,609 million or 8.0% from the previous year.

With regards to personal income, in the first quarter of 2021, total non-farm private sector annualized earnings decreased $2,974.1 million or 7.2% from the first quarter of 2020. In dollar terms, the largest decrease occurred in accommodation and food services; followed by transportation and warehousing; arts, entertainment, and recreation; retail trade; and administration and management services. Increases were seen in health care and social assistance, construction, finance and insurance, and professional, scientific, & technical services. During the first quarter of 2021, total government earnings increased $2.4 million or 0.01% from the same quarter of 2020. Earnings from the federal government increased $195.6 million or 2.1%. Earnings from the state and local governments decreased $193.2 million or 2.6% in the quarter.

In the first half of 2021, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 2.6% from the same period in 2020. This is 0.8 of a percentage point below the 3.4% increase for the U.S. average CPI-U but is higher than the first half of 2020 Honolulu CPI-U increase of 1.6% from the same period of the previous year. In the first half of 2021, the Honolulu CPI-U increased the most in Transportation (7.2%), followed by Other Goods and Services (4.8%), Food and Beverages (4.1%), Education and Communication (3.6%), and Housing (1.8%). The price of Apparel decreased 5.5%; and the price of Recreation decreased 0.4% compared to the first half of 2020.

Outlook for the Economy

Hawaii's economy has been greatly impacted by the COVID-19 pandemic. During the April 2020-June 2021 period, the average unemployment rate (not seasonally adjusted) was 12.4%. Hawaii lost 92,600 non-agriculture payroll jobs between the first quarter of 2020 and the second quarter of 2021. All industry sectors lost jobs except for construction jobs. The accommodation and food services & drinking places accounted for 34.0% of the total job losses, with a decline of 31,500 jobs. Overall, statewide non-agriculture payroll jobs decreased by 14.0% during the April 2020-June 2021 period.

Hawaii's unemployment rate increased from 2.0% in the first quarter of 2020 to 19.4% in the second quarter of 2020. After this peak, the rate declined to 14.5% in the third quarter of 2020, 11.2% in the fourth quarter of 2020, 9.1% in the first quarter of 2021, and then 7.8% in the second quarter of 2021.

Visitor arrivals to the State during the second quarter of 2021 totaled 1,904,805, an increase of 6,094.9% from the same quarter in 2020. The average daily visitor census increased 2,062.7% in the second quarter of 2021.

The value of private building permits showed an increase of 94.2% or $652.7 million during the second quarter of 2021. The largest increase occurred in the residential category, which was up by $507.5 million or 163.4%. The value of commercial & industrial building permits declined by 23.9%, and the value for additions & alterations permits increased by 71.2% during the same period. In the second quarter of 2021, the state government spending on capital investment projects (CIP) decreased by 6.2% or $29.1 million.

At the national level, U.S. real GDP growth fell to a negative 9.1% in the second quarter of 2020, following a 0.6% increase in the first quarter. Growth then began to gradually improve with negative 2.9% growth in the third quarter, negative 2.3% in the fourth quarter, positive 0.5% growth in the first quarter of 2021, and positive 12.2% in the second quarter of 2021 as compared to the same quarter in previous year. The Blue Chip Economic Indicators report from August 10, 2021, which is the consensus of 50 economic forecasting organizations, projected that the U.S. economic growth rate for 2021 is forecasted to increase by 6.2%. The report projected a positive 4.4% U.S. economic growth for 2022. The Blue Chip forecasts for foreign countries were all positive for 2021. Based on the above, DBEDT projects that Hawaii's real gross domestic product (GDP), is forecasted to increase by 2.7% in 2021, 2.8% in 2022, 2.1% in 2023, and 2.0% in 2024.

Hawaii is forecasted to welcome 6.8 million visitors in 2021, an increase of 150.0% from the 2020 level. Visitor arrivals is forecasted to increase to 8.8 million in 2022, 9.6 million in 2023, and 10.2 million in 2024. Visitor spending is forecasted to increase 132.9% in 2021, then is forecasted to increase 27.1% in 2022, 10.4% in 2023, and 6.8% in 2024.

Non-agriculture payroll jobs is forecasted to increase 4.9% in 2021, then is forecasted to increase by 6.4% in 2022, 1.9% in 2023, and 1.3% in 2024.

Overall for 2021, the average annual unemployment rate is forecast to be 7.6%, then decrease to 6.4% in 2022, 5.4% in 2023, and 4.7% in 2024. These rates are much higher than Hawaii's average unemployment rate of 2.5% from 2017 to 2019.

Nominal personal income is forecast to increase by 0.9% in 2021 and decrease 3.5% in 2022, It is then expected to increase 3.0% in 2023 and 3.2% in 2024.

Hawaii's consumer inflation rate, as measured by the Honolulu Consumer Price Index for All Urban Consumers, is expected to increase 3.1% in 2021, increase 2.3% in 2022, and increase 2.0% per year in 2023 and 2024.

Hawaii's population is expected to increase 0.1% in 2021 and 2022, increase 0.3% in 2023, and increase 0.2% in 2024.

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

TABLE 1
SELECTED ECONOMIC ACTIVITIES: STATE

Series	1st Quarter			Year-to-Date		
	2020	2021	% Change Year Ago	2020	2021	% Change Year Ago
Civilian labor force, NSA (persons) [1]	$636,950	$647,150	1.6	$655,800	$651,350	-0.7
Civilian employed, NSA	513,300	596,850	16.3	587,400	596,550	1.6
Civilian unemployed, NSA	123,650	50,300	-59.3	68,450	54,800	-19.9
Unemployment rate, NSA (%) [1, 2]	19.4	7.8	-11.6	10.7	8.4	-2.3
Total wage and salary jobs, NSA	519,400	572,700	10.3	592,400	562,600	-5.0
Total non-agric. wage & salary jobs	515,400	567,700	10.1	587,800	557,600	-5.1
Nat. Resources, Mining, Constr.	35,800	37,400	4.5	36,200	36,900	1.9
Manufacturing	11,100	11,300	1.8	12,400	11,200	-9.7
Wholesale Trade	16,000	17,100	6.9	17,000	16,900	-0.6
Retail Trade	55,300	58,700	6.1	63,000	58,900	-6.5
Transp., Warehousing, Util.	23,800	27,100	13.9	30,200	26,400	-12.6
Information	6,700	6,600	-1.5	7,800	6,600	-15.4
Financial Activities	26,800	27,300	1.9	28,300	27,000	-4.6
Professional & Business Services	63,200	69,200	9.5	68,900	68,200	-1.0
Educational Services	11,200	11,900	6.3	12,800	11,800	-7.8
Health Care & Social Assistance	67,700	69,800	3.1	70,800	70,000	-1.1
Arts, Entertainment & Recreation	6,300	8,000	27.0	9,900	7,700	-22.2
Accommodation	17,300	27,700	60.1	30,400	24,500	-19.4
Food Services & Drinking Places	35,900	53,700	49.6	52,600	51,200	-2.7
Other Services	21,700	22,300	2.8	24,900	21,900	-12.0
Government	116,600	119,700	2.7	122,700	118,400	-3.5
Federal	34,700	33,900	-2.3	34,800	33,800	-2.9
State	63,500	67,100	5.7	69,200	66,000	-4.6
Local	18,400	18,700	1.6	18,600	18,700	0.5
Agriculture wage and salary jobs	4,000	5,000	25.0	4,500	5,000	11.1
State general fund revenues ($1,000)	1,376,238	2,394,188	74.0	3,167,285	3,986,520	25.9
General excise and use tax revenues	677,373	896,630	32.4	1,648,646	1,690,060	2.5
Income-individual	528,181	1,188,886	125.1	1,088,237	1,846,304	69.7
Declaration estimated taxes	146,286	593,624	305.8	346,542	807,630	133.1
Payment with returns	72,019	244,434	239.4	113,926	305,758	168.4
Withholding tax on wages	479,059	552,761	15.4	1,050,591	1,114,930	6.1
Refunds ('-' indicates relative to State)	-169,182	-201,932	19.4	-422,821	-382,013	-9.7
Transient accommodations tax	47,469	117,525	147.6	244,614	177,891	-27.3
Honolulu County Surcharge [3]	75,205	88,499.4	17.7	165,638	168,796.2	1.9
Private Building Permits ($1,000)	693,130	1,345,841	94.2	1,477,923	2,148,509	45.4
Residential	310,584	818,035	163.4	539,237	1,123,394	108.3
Commercial & industrial	133,758	101,837	-23.9	254,223	218,748	-14.0
Additions & alterations	248,788	425,969	71.2	684,464	806,367	17.8
Visitor Days - by air	838,075	18,124,888	2,062.7	20,260,480	27,431,121	35.4
Domestic visitor days - by air	829,162	17,968,788	2,067.1	15,196,136	27,096,156	78.3
International visitor days - by air	8,913	156,100	1,651.3	5,064,344	334,965	-93.4
Visitor arrivals by air - by air	30,748	1,904,805	6,094.9	2,126,443	2,751,849	29.4
Domestic flight visitors - by air	29,887	1,896,147	6,244.3	1,513,303	2,735,604	80.8
International flight visitors - by air	861	8,658	905.8	613,140	16,245	-97.4
Visitor expend. - arrivals by air ($1,000)	(NA)	(NA)	(NA)	(NA)	(NA)	(NA)
Hotel occupancy rates (%) [2]	14.7	63.1	48.4	51.3	48.1	-3.2

[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 Oahu'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
2019 TO 2024

Economic Indicators	Actual 2019	Actual 2020[1]	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Total population (thousands)[2]	N/A	1,455	1,457	1,459	1,463	1,466
Visitor arrivals (thousands)[3]	10,387	2,708	6,769	8,785	9,610	10,169
Visitor days (thousands)[3]	90,361	28,696	63,629	78,889	85,382	89,430
Visitor expenditures (million dollars)[3]	$17,844	5,248	12,223	15,533	17,148	18,320
Honolulu CPI-U (1982-84=100)	281.6	286.0	294.8	301.5	307.6	313.7
Personal income (million dollars)	$80,727	86,273	87,057	84,048	86,528	89,276
Real personal income (millions of 2012$)[4]	$61,855	65,210	64,073	62,496	63,077	63,819
Non-agricultural wage & salary jobs (thousands)	$658.5	557.1	584.2	621.4	633.3	641.6
Civilian unemployment rate	2.5	11.6	7.6	6.4	5.4	4.7
Gross domestic product (million dollars)	$95,744	89,856	95,118	99,468	103,558	106,941
Real gross domestic product (millions of 2012$)	$82,471	75,863	77,900	80,059	81,744	83,373
Gross domestic product deflator (2012=100)	116.1	118.4	121.5	124.3	126.7	128.3
	Annual Percentage Change					
Total population	N/A	N/A	0.1	0.1	0.3	0.2
Visitor arrivals	5.0	-73.9	150.0	29.8	9.4	5.8
Visitor days	2.4	-68.2	121.7	24.0	8.2	4.7
Visitor expenditures	1.1	-70.6	132.9	27.1	10.4	6.8
Honolulu CPI-U	1.6	1.6	3.1	2.3	2.0	2.0
Personal income	2.9	6.9	0.9	-3.5	3.0	3.2
Real personal income	0.7	5.4	-1.7	-2.5	0.9	1.2
Non-agricultural wage & salary jobs	0.0	-15.4	4.9	6.4	1.9	1.3
Civilian unemployment rate[5]	0.1	9.1	-4.0	-1.2	-0.9	-0.7
Gross domestic product	2.8	-6.1	5.9	4.6	4.1	3.3
Real gross domestic product	0.3	-8.0	2.7	2.8	2.1	2.0
Gross domestic product deflator (2012=100)	2.5	2.0	2.6	2.3	2.0	1.3

[1] Some of the indicators are preliminary such as visitor arrivals, visitor days and expenditures.
[2] April 1 count.
[3] Visitors who came to Hawaii by air or by cruise ship. Expenditures includes supplementary expenditures.
[4] Using personal income deflator developed by the U.S. Bureau of Economic Analysis and estimated by DBEDT.
[5] Absolute change from previous year.
Source: Hawaii State Department of Business, Economic Development & Tourism, August 26, 2021

Labor Force and Jobs

Hawaii's labor market conditions were all positive in the second quarter of 2021. The civilian labor force and the civilian employment both increased as civilian unemployment and the unemployment rate declined. Civilian non-agricultural wage and salary jobs also increased.

In the second quarter of 2021, the civilian labor force averaged 647,150 people, an increase of 10,200 people or 1.6% from the same quarter of 2020. In the first half of 2021, the civilian labor force declined by 4,450 people or 0.7% from the same period of the previous year.

Civilian employment averaged 596,850 people in the second quarter of 2021, an increase of 83,550 people or 16.3% compared to the same quarter of 2020. In the first half of 2021, average civilian employment increased 9,150 people or 1.6% from the same period of the previous year.

In the second quarter of 2021, the number of civilian unemployed averaged 50,300, a decrease of 73,350 people or 59.3% from the same quarter of 2020. In the first half of 2021, the number of unemployed decreased 13,650 people or 19.9% from the same period of the previous year.

The unemployment rate (not seasonally adjusted) was 7.8% in the second quarter of 2021, 11.6 percentage points below the second quarter of 2020. In the first half of 2021, the unemployment rate decreased 2.3 percentage points from the same period of the previous year's 10.7% to 8.4%.

In the second quarter of 2021, Hawaii's non-agricultural wage and salary jobs averaged 567,700 jobs, an increase of 52,300 jobs or 10.1% from the same quarter of 2020. In the first half of 2021, average non-agricultural wage and salary jobs decreased 5.1% or 30,200 jobs from the same period of the previous year.

The job increase in the second quarter of 2021 was due to job increases in both the private sector and the government sector. In this quarter, the private sector added about 49,200 non-agricultural jobs compared to the second quarter of 2020. Almost all the private sector industries added jobs in the quarter. Jobs increased the most in Food Services and Drinking Places, which added 17,800 jobs or 49.6%; followed by Accommodation, which added 10,400 jobs or 60.1%, Professional & Business Services, which added 6,000 jobs or 9.5%, Retail Trade, which added 3,400 jobs or 6.1%, and Transportation, Warehousing & Utilities, which added 3,300 jobs or 13.9% in the quarter.

The Government sector added 3,100 jobs or 2.7% in the second quarter of 2021 compared to the same quarter of 2020. The federal government lost 800 jobs or 2.3%, the State Government added 3,600 jobs or 5.7%, and the Local Government added 300 jobs or 1.6%, compared to the second quarter of 2020.

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	625,550	2.3%	607,850	2.7%	2.8%
2006	635,400	1.6	619,350	1.9	2.5
2007	636,700	0.2	619,200	0.0	2.7
2008	641,550	0.8	615,750	-0.6	4.0
2009	631,950	-1.5	589,800	-4.2	6.7
2010	648,550	2.6	604,200	2.4	6.8
2011	660,650	1.9	615,450	1.9	6.8
2012	650,400	-1.6	612,000	-0.6	5.9
2013	651,000	0.1	620,000	1.3	4.8
2014	664,000	2.0	635,900	2.6	4.2
2015	670,600	1.0	647,600	1.8	3.4
2016	679,100	1.3	659,550	1.8	2.9
2017	679,800	0.1	664,750	0.8	2.2
2018	675,200	-0.7	659,250	-0.8	2.4
2019	669,200	-0.9	652,750	-1.0	2.5
2020	648,200	-3.1	572,800	-12.2	11.8
2021 *	655,300	-0.1	596,200	1.5	9.0

* First quarter of 2021.
Source: Hawaii State Department of Labor and Industrial Relations

Income and Prices

In the first quarter of 2021, total annualized nominal GDP decreased $2,824 million or 3.0%, from the first quarter of 2020. In 2020, total annualized nominal GDP decreased $5,888 million or 6.1% from the same period of the previous year. In the first quarter of 2021, total annualized real GDP (in chained 2012 dollars) decreased $4,183 million or 5.2% from the first quarter of 2020. In 2020, total annualized real GDP decreased $6,609 million or 8.0% from the previous year.

Hawaii's total personal income increased during the first quarter of 2021 over the same quarter of 2020 mainly due to increased personal current transfer receipts.

In the first quarter of 2021, total nominal annualized personal income (i.e. not adjusted for inflation) increased $13,416.9 million or 16.4% over that of 2020. In 2020, total annualized personal income was $86,273.4 million, an increase of 6.9% from the previous year.

In the first quarter of 2021, wages and salaries decreased $2,638.2 million or 6.6% over that of 2020. In 2020, wages and salaries decreased 7.0% 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 $449.4 million or 4.0% in the first quarter of 2021 from the same quarter of 2020. In 2020, supplements to wages and salaries decreased 5.1% from the previous year.

Proprietors' income increased $144.3 million or 2.1% in the first quarter of 2021 over that of 2020. In 2020, proprietors' income was up 0.2% from the previous year.

Dividends, interest, and rent decreased $211.7 million or 1.2% in the first quarter of 2021 from the same quarter of 2020. In 2020, income in this category was down 0.4% from the previous year.

The annualized personal current transfer receipts grew by $16,211.2 million or 123.7% in the first quarter of 2021 from the same quarter of 2020. In 2020, personal current transfer receipts increased 67.8% from the previous year.

Contributions to government social insurance, which is subtracted from total personal income, decreased $360.8 million or 5.4% in the first quarter of 2021 compared to the first quarter of 2020. In 2020, contributions to government social insurance decreased 5.6% from the previous year.

In the first quarter of 2021, total non-farm private sector annualized earnings decreased $2,974.1 million or 7.2% from the first quarter of 2020. In dollar terms, the largest decrease occurred in accommodation and food services; followed by transportation and warehousing; arts, entertainment, and recreation; retail trade; and administration and management services. Increases were seen in health care and social assistance, construction, finance and insurance, and professional, scientific, & technical services. During the first quarter of 2021, total government earnings increased $2.4 million or 0.01% from the same quarter of 2020. Earnings from the federal government increased $195.6 million or 2.1%. Earnings from the state and local governments decreased $193.2 million or 2.6% in the quarter.

In the first half of 2021, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 2.6% from the same period in 2020. This is 0.8 of a percentage point below the 3.4% increase for the U.S. average CPI-U but is higher than the first half of 2020 Honolulu CPI-U increase of 1.6% from the same period of the previous year. In the first half of 2021, the Honolulu CPI-U increased the most in Transportation (7.2%), followed by Other Goods and Services (4.8%), Food and Beverages (4.1%), Education and Communication (3.6%), and Housing (1.8%). The price of Apparel decreased 5.5%; and the price of Recreation decreased 0.4% compared to the first half of 2020.

TABLE 4
PERSONAL INCOME FOR HAWAII BY MAJOR SOURCES
(IN THOUSANDS OF DOLLARS AT SEASONALLY ADJUSTED ANNUAL RATES AND PERCENT)

					Percentage Change		
					First Quarter 2021		AnnAver
Series*	First Quarter 2020	Fourth Quarter 2020	First Quarter 2021	AnnAver 2020	First Quarter 2020	Fourth Quarter 2020	2020 from 2019
Personal Income	$82,000,341	$84,057,534	$95,417,258	$86,273,417	16.4%	13.5%	6.9%
Earnings by Place of Work	58,268,076	54,615,174	55,324,704	54,131,167	-5.1	1.3	-5.8
Wages and salaries	40,199,783	36,974,499	37,561,562	36,796,855	-6.6	1.6	-7.0
Supplements to Wages and Salaries	11,219,133	10,656,740	10,769,696	10,615,206	-4.0	1.1	-5.1
Employer Contrib. for Employee Pension & Ins. Funds	8,046,266	7,693,334	7,769,853	7,645,115	-3.4	1.0	-5.3
Employer Contributions for Gov't Social Ins.	3,172,867	2,963,406	2,999,843	2,970,092	-5.5	1.2	-4.5
Proprietors' Income	6,849,160	6,983,935	6,993,446	6,719,106	2.1	0.1	0.2
Farm Proprietors' Income	12,103	104,658	30,423	69,471	151.4	-70.9	379.5
Non-Farm Proprietors' Income	6,837,057	6,879,277	6,963,023	6,649,635	1.8	1.2	-0.7
Dividends, Interest, and Rent	17,323,745	17,069,981	17,112,065	17,092,939	-1.2	0.2	-0.4
Plus: Personal Current Transfer Receipts	13,102,531	18,578,687	29,313,709	21,262,128	123.7	57.8	67.8
Social Security Benefits	4,719,914	4,819,618	4,904,743	4,767,448	3.9	1.8	5.0
Medicare Benefits	2,928,003	3,146,046	3,222,093	3,038,527	10.0	2.4	6.6
Medicaid	2,229,928	2,562,837	2,760,204	2,420,754	23.8	7.7	10.0
State Unemployment. Ins. Comp.	206,549	3,453,113	6,011,579	5,952,527	2,810.5	74.1	3,981.5
All Other Personal Current Transfer Receipts	3,018,137	4,597,073	12,415,090	5,082,872	311.3	170.1	73.3
Less: Contributions for Gov't Social Insurance	6,694,011	6,206,308	6,333,220	6,212,816	-5.4	2.0	-5.6
Personal Contributions for Gov't Social Insurance	3,521,144	3,242,902	3,333,377	3,242,724	-5.3	2.8	-6.5
Employer Contributions for Gov't Social Insurance	3,172,867	2,963,406	2,999,843	2,970,092	-5.5	1.2	-4.5
Earnings by Industry	58,268,076	54,615,174	55,324,704	54,131,167	-5.1	1.3	-5.8
Farm Earnings	241,831	339,793	270,136	301,779	11.7	-20.5	30.7
Non-Farm Earnings	58,026,245	54,275,381	55,054,568	53,829,387	-5.1	1.4	-6.0
Private Earnings	41,315,313	37,536,935	38,341,192	37,260,515	-7.2	2.1	-8.5
Forestry, Fishing, & Related Activities	96,639	110,686	105,967	101,658	9.7	-4.3	12.8
Mining	31,661	32,606	33,164	31,938	4.7	1.7	1.4
Utilities	633,359	580,397	581,381	598,144	-8.2	0.2	-1.6
Construction	4,552,914	4,830,293	4,911,968	4,670,351	7.9	1.7	3.6
Manufacturing	978,069	837,435	850,398	869,556	-13.1	1.5	-10.5
Durable Goods	329,624	309,644	310,603	314,916	-5.8	0.3	-5.2
Nondurable Goods	648,445	527,791	539,795	554,640	-16.8	2.3	-13.3
Wholesale Trade	1,453,550	1,309,009	1,365,976	1,337,728	-6.0	4.4	-8.6
Retail Trade	3,472,831	3,171,932	3,234,175	3,154,598	-6.9	2.0	-7.6
Transportation and Warehousing	2,695,109	2,158,766	2,217,257	2,240,949	-17.7	2.7	-14.1
Information	832,190	856,130	847,573	792,057	1.8	-1.0	-8.2
Finance and Insurance	1,846,755	1,988,886	2,079,612	1,887,518	12.6	4.6	6.4
Real Estate and Rental and Leasing	1,951,435	1,962,043	1,970,895	1,882,482	1.0	0.5	-0.9
Prof., Scientific, & Technical Services	3,266,185	3,400,066	3,468,790	3,288,103	6.2	2.0	1.9
Management of Companies and Enterprises	996,349	977,367	1,018,424	969,129	2.2	4.2	-9.3
Admin. & Waste Management Services	2,389,427	2,085,527	2,210,016	2,114,479	-7.5	6.0	-6.3
Educational Services	859,056	866,476	884,783	839,652	3.0	2.1	-1.3
Health Care and Social Assistance	6,049,236	6,336,762	6,415,956	6,043,645	6.1	1.2	2.2
Arts, Entertainment, and Recreation	769,975	412,018	439,879	507,190	-42.9	6.8	-35.3
Accommodation and Food Services	6,025,570	3,397,543	3,445,457	3,726,560	-42.8	1.4	-37.8
Other Services, Except Public Admin.	2,415,003	2,222,993	2,259,521	2,204,780	-6.4	1.6	-7.4
Government and Government Enterprises	16,710,932	16,738,446	16,713,376	16,568,873	0.0	-0.1	0.2
Federal	9,186,072	9,450,832	9,381,710	9,348,291	2.1	-0.7	2.4
Federal, Civilian	4,170,624	4,189,853	4,137,514	4,207,013	-0.8	-1.2	4.1
Military	5,015,448	5,260,979	5,244,196	5,141,278	4.6	-0.3	1.0
State and Local	7,524,860	7,287,614	7,331,666	7,220,582	-2.6	0.6	-2.4

* 2020Q1 to 2020Q4 revised from previous QSER.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, State Quarterly Personal Income, June 22, 2021
http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=3 accessed June 22, 2021

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	86,273	6.9
2021*	95,417	16.4

* First quarter of 2021.
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)

		Honolulu[1]								
Period	U.S.	All Items	Food & Beverages	Housing	Apparel	Transportation	Medical Care	Recreation[2]	Educ. & Comm.[2]	Other Goods & Services
2011	224.939	243.622	232.656	260.606	118.394	229.223	324.2	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
2020	258.811	286.008	301.370	314.089	113.298	212.767	--[3]	135.660	147.241	498.753
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
H2	260.065	286.931	307.600	313.361	110.493	212.484	437.550	135.671	149.410	502.693
2021H1	266.236	292.475	307.098	320.331	109.694	228.406	435.684	135.097	150.327	518.596
Percentage Change From the Same Period in Previous Year										
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
2020	1.2	1.6	4.8	2.0	-1.3	-4.9	--[3]	3.6	2.6	-1.1
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
H2	1.2	1.6	6.9	1.4	-7.1	-5.2	--[3]	4.5	4.2	-0.8
2021H1	3.4	2.6	4.1	1.8	-5.5	7.2	--[3]	-0.4	3.6	4.8

Note: 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 13, 2021

Tourism

Domestic visitor arrivals and international visitor arrivals both increased in the second quarter of 2021.

The total number of visitor arrivals by air increased 1,874,057 or 6,094.9% in the second quarter of 2021, compared to the same quarter of 2020. The total average daily census was up 189,965 or 2,062.7% in the quarter. In the first half of 2021, total visitor arrivals by air increased 625,406 or 29.4%, while the average daily census increased 40,232 or 36.1% from the same period of the previous year.

In the second quarter of 2021, total visitor arrivals on domestic flights increased 1,866,260 or 6,244.3% compared to the same quarter of 2020. In the first half of 2021, domestic arrivals were up 1,222,307 or 80.8% from the same period of the previous year.

Arrivals on international flights increased 7,797 or 905.8% in the second quarter of 2021 compared to the second quarter of 2020. In the first half of 2021, international arrivals decreased 596,895 or 97.4% from the same period of the previous year.

In terms of major market areas, from the second quarter of 2020 to the same period of 2021, arrivals from the U.S. West increased 1,273,892 or 6,702.2%, arrivals from the U.S. East increased 541,129 or 5,813.1%, and arrivals from Japan increased 4,472 or 6,723.4%. In the first half of 2021, arrivals from the U.S. West were up 938,007 or 101.1%; arrivals from the U.S. East were up 284,141 or 54.2%; and Japanese arrivals were down 286,847 or 97.5% from the same period of the previous year.

The total average daily visitor census was up 2,062.7% or 189,965 visitors per day in the second quarter of 2021, over the same quarter of 2020. The domestic average daily census increased 2,067.1% or 188,348 visitors per day, while the international average daily census increased 1,651.3% or 1,617 visitors per day. In the first half of 2021, the domestic average daily census increased 66,207 or 79.3%; and the international average daily census declined 25,975 or 93.3% from the same period of the previous year.

According to the most recent data available, nominal visitor expenditures by air totaled $4.15 billion in the first seven months of 2021, up 1% from $4.11 billion from the same period in 2019.

Total airline capacity, as measured by the number of available seats flown to Hawaii, increased 738.6% or 2,247,615 seats in the second quarter of 2021, domestic seats increased 825.1% or 2,218,639 seats; international seats increased 81.8% or 28,976 seats, compared to the same quarter of 2020. In the first half of 2021, the number of total available seats increased 22.0% or 782,889 seats from the same period of the previous year.

In the second quarter of 2021, the statewide hotel occupancy rate averaged 63.1%, 48.4 percentage points higher than the same quarter of 2020. In the first half of 2021, the statewide hotel occupancy rate averaged 48.1%, 3.2 percentage points lower than the same period of the previous year.

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Table 7
VISITOR ARRIVALS BY AIR
(average length of stay, visitor days, average daily census)

	2017	2018	2019	2020	% Change 2017-2018	% Change 2018-2019	% Change 2019-2020
Total Arrivals:							
Total	9,277,613	9,761,448	10,243,165	2,686,403	5.2%	4.9%	-73.8%
Domestic	6,239,748	6,736,736	7,253,806	2,062,642	8.0	7.7	-71.6
International	3,037,865	3,024,712	2,989,359	623,761	-0.4	-1.2	-79.1
Average Length of Stay:							
Total	9.0	9.0	8.8	10.6	-0.3	-2.6	21.1
Domestic	9.6	9.5	9.2	11.3	-1.5	-3.0	22.9
International	7.8	7.9	7.7	8.4	1.9	-2.3	8.2
Visitor Days:							
Total	83,608,118	87,724,599	89,692,422	28,482,219	4.9	2.2	-68.2
Domestic	59,959,536	63,732,896	66,535,081	23,253,382	6.3	4.4	-65.1
International	23,648,582	23,991,703	23,157,341	5,228,838	1.5	-3.5	-77.4
Average Daily Census:							
Total	229,063	240,341	245,733	78,033	4.9	2.2	-68.2
Domestic	164,273	174,611	182,288	63,708	6.3	4.4	-65.1
International	64,791	65,731	63,445	14,326	1.5	-3.5	-77.4

Source: Hawaii Tourism Authority

TABLE 8
HOTEL OCCUPANCY RATE (%)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Average
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	82.8	79.6	80.8
2020	70.4	14.7	20.7	21.9	37.1
2021	32.4	63.1	N/A	Year-to-Date	48.1

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

Construction and Real Estate

The indicators of Hawaii's construction industry were mixed in the second quarter of 2021. Private building authorizations and construction jobs increased. But government contracts awarded, and State government CIP expenditures decreased in the quarter.

In the second quarter of 2021, the number of jobs in the construction sector increased 4.5% or 1,600 jobs compared with the same quarter of 2020. In the first half of 2021, the construction sector added 750 jobs or 2.1% from the same period of the previous year.

In the second quarter of 2021, private building authorizations in the State increased $652.7 million or 94.2%, compared with the second quarter of 2020. In the first half of 2021, private building authorizations in the State increased $670.6 million or 45.4% compared with the same period of the previous year.

In the second quarter of 2021, private building authorizations in Honolulu increased $563.2 million or 158.2%, compared with the second quarter of 2020. In the first half of 2021, private building authorizations in Honolulu increased $615.6 million or 77.5%, compared with the same period of the previous year.

In the second quarter of 2021, private building authorizations in Hawaii County increased $93.7 million or 56.1%, compared with the second quarter of 2020. In the first half of 2021, private building authorizations in Hawaii County increased $92.9 million or 28.0%, compared with the same period of the previous year.

In the second quarter of 2021, private building authorizations in Maui County increased $8.9 million or 6.7%, compared with the second quarter of 2020. In the first half of 2021, private building authorizations in Maui County decreased $33.2 million or 11.9% compared with the same period in 2020.

In the second quarter of 2021, private building authorizations (residential only) in Kauai County decreased $13.2 million or 36.2%, compared with the second quarter of 2020. In the first half of 2021, private building authorizations (residential only) in Kauai County decreased $4.7 million or 6.6% compared with the same period of the previous year.

Government contracts awarded decreased $307.5 million or 52.8%, from $582.4 million in the second quarter of 2020 to $274.9 million in the second quarter of 2021. In the first half of 2021, government contracts awarded decreased $1,456.3 million or 75.7%, from $1,924.7 million in the first half of 2020 to $468.4 million in the first half of 2021. The first half of 2020 reflects a January 2020 U.S. Navy award of 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 decreased $29.1 million or 6.2% in the second quarter of 2021 compared with the same quarter of 2020. In the first half of 2021, state government CIP expenditures decreased $87.9 million or 11.1% from the same period of the previous year.

In the second quarter of 2021, Honolulu's median price for single family resales was $960,000, up $169,500 or 21.4% over the same quarter of 2020. The median price for condominium units was $457,500, up $32,500 or 7.6% over the same quarter of 2020. In the second quarter of 2021, the number of single-family unit resales increased 54.3%, and the number of condominium unit resales increased 117.1%, compared with the second quarter of 2020. In the first half of 2021, the number of single-family unit resales increased 32.9%, and condominium unit resales increased 70.7% compared with the same period of the previous year.

In the first half of 2021, Maui County's single-family unit resales median price was $986,000, or a 28.9% increase from the same half of 2020. The condominium unit resales median price was $620,000, or a 9.0% increase from the same half of 2020.

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			
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
2020	9,757.2	3,108.5	1,145.0	478.6	1,484.9	3,080.8
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.	2,243.7	693.1	310.6	133.8	248.8	582.4
3 Qtr.	2,647.9	843.2	297.1	129.9	416.3	266.5
4 Qtr.	2,397.9	787.3	308.6	94.5	384.2	889.5
2021 1 Qtr.	2,339.0	802.7	305.4	116.9	380.4	193.5
2 Qtr.	(NA)	1,345.8	818.0	101.8	426.0	274.9
			Percentage Change From the Same Period in Previous Year			
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
2020	1.5	-3.5	-5.5	35.7	-10.4	418.8
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.	-7.7	-14.3	-3.9	101.2	-40.7	351.2
3 Qtr.	8.3	5.6	11.3	44.4	-5.8	61.0
4 Qtr.	0.6	-7.7	-0.9	-37.1	-1.8	521.3
2021 1 Qtr.	-5.2	2.3	33.5	-2.9	-12.7	-85.6
2 Qtr.	(NA)	94.2	163.4	-23.9	71.2	-52.8

[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 *	Maui County
		In Thousands of Dollars			
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
2020	3,108,490	1,816,672	670,865	149,305	471,647
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
1 Qtr.	784,793	438,633	165,242	35,273	145,645
2 Qtr.	693,130	356,013	167,021	36,476	133,619
3 Qtr.	843,222	577,771	133,443	61,051	70,958
4 Qtr.	787,346	444,255	205,160	16,506	121,425
2021 1 Qtr.	802,667	490,981	164,416	43,719	103,552
2 Qtr.	1,345,841	919,250	260,762	23,285	142,543
		Percentage Change From The Same Period in Previous Year			
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
2020	-3.5	-12.0	21.5	21.3	-2.4
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
3 Qtr.	5.6	26.4	-23.9	104.1	-47.9
4 Qtr.	-7.7	-20.2	57.4	-49.0	-8.8
2021 1 Qtr.	2.3	11.9	-0.5	23.9	-28.9
2 Qtr.	94.2	158.2	56.1	-36.2	6.7

* 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 $9.3 billion in 2020, up 1.6% from the previous year. The total COE of combined military and civilian federal employees in Hawaii accounted for about 19.7% of Hawaii's total COE in 2020. Between 2009 and 2020, the annual average compounded growth rate for COE was 3.2% for federal civilian personnel and 1.2% for military personnel in Hawaii. The military personnel accounted for 55.5% of the total federal COE in 2020. The federal government accounted for about 11.9% of State GDP in Hawaii in 2020, 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 2021 increased 2.1% over the same period of 2020. In 2020, the earnings of federal government employees increased 2.4% from the previous year.

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

Transportation

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

Sea Transportation. The State is dependent on regular maritime shipping service for overseas lifeline support. According to a Hawaii Department of Business and Economic Development and Tourism Study, 80% of all goods are imported into the State and 98% passes through the Statewide Commercial Harbors System ("Harbors System") managed by the Department of Transportation, Harbors Division. 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 2016, 2017, 2018, 2019 and 2020 (the most recent information available) amounted to 21.3 million short tons, 20.8 million short tons, 20.3 million short tons, 21.5 million short tons and 20.0 million short tons, respectively.

The Harbors System is comprised of ten commercial harbors, operated and maintained by the Department of Transportation, Harbors Division as a single integrated system for financial and management purposes. The Harbors System is an Enterprise Fund of the State and is required by Hawaii statutes to be 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 in four counties, indicated as follows: (a) Honolulu Harbor and Kalaeloa Barbers Point Harbor, of the City and County of Honolulu located on the island of Oahu, comprising the Oahu Harbor District; (b) Hilo Harbor and Kawaihae Harbor, of the County of Hawaii, located on the island of Hawaii, comprising the Hawaii Harbor District; (c) Nawiliwili Harbor and Port Allen Harbor, of the County of Kauai, located on the island of Kauai, comprising the Kauai Harbor District; and (d) Kahului Harbor and Hana Harbor located on the island of Maui, Kaunakakai Harbor located on the island of Molokai, and Kaumalapau Harbor located on the island of Lanai, all located in the County of Maui, comprising the Maui Harbor District.

The State uses nine of the 10 commercial harbors, excluding the 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 of containerized cargo and vehicles 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 11.4 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, 11.5 million short tons in fiscal year 2019 and 10.6 million short tons in fiscal year 2020. The Harbors System experienced a drop in cargo activity in fiscal year 2020 due to the effects of COVID-19.

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 Harbors Division manages and implements responsibilities of the HMP and other harbor infrastructure improvements. 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.

The Harbors Division has completed several HMP projects and is in the process of completing the keystone Kapalama Container Terminal. The Phase I container yard project was completed during 2021, and Phase II construction of over 2,000 linear feet of piers began during January 2021 with a projected completion during January 2024.

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 interisland 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 54 gates for overseas and interisland flights with loading bridges and an additional five ground loaded gates in Terminal 3 and G Gates (former Diamond Head concourse). The recently completed Mauka Concourse has provided an additional six wide-body gates or eleven narrow-body gates, these are included in the gate total above. 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 were 37.4 million in fiscal year 2019 but declined to 28.6 million in fiscal year 2020 due to the impact of the COVID-19 pandemic. The preliminary data indicated that the enplaned passenger counts declined further to 12.1 million in fiscal year 2021; but recovered in July 2021 to 81% of the July 2019 level. Total operating revenues declined from $440.8 million in fiscal year 2019 to $383.0 million in fiscal year 2020. $133.3 million of Coronavirus Aid, Relief, and Economic Security (CARES) Act federal stimulus funds were received in fiscal year 2020 and fiscal year 2021 to reduce the impact of the revenue decreases. The Airports Division is in the process of seeking reimbursement of $46.4 million under the Coronavirus Response and Relief Supplemental Appropriations Act of 2021(CRRSA), and $144.3 million under the American Rescue Plan Act of 2021 (ARPA).

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 completed the Terminal Modernization, Phase I at Ellison Onizuka Kona International Airport at Keahole in February 2020, and the Mauka Concourse in August 2021. Construction of the consolidated rental car facility at Daniel K. Inouye International Airport is scheduled to open in December 2021.

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 4,369.15 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 948.82 linear miles of roadways. The most important component of the State Highway System is the 54.87 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 62% 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) as of July 2021. 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.

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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, 2020.

Motor Vehicle Registration

Calendar Year	Passenger Vehicles	Ambulances & Hearses	Buses	Trucks	Motorcycles & Scooters	Trailers	Total
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	199,817	39,137*	28,501	1,308,344
2020	1,000,939	105	1,940	195,274	36,881*	27,399	1,262,538

* Includes mopeds.
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. 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.

For the 2021-22 school year, the State's public schools are focusing on full in-person learning following a hybrid of distance learning and in-person learning that was employed by the State in the 2020-21 school year due to the COVID-19 pandemic. Preparations have been made to have all students attend school on campus, but provisions are available for distance learning at the request of parents, with approval of distance learning requests based on certain criteria and availability and capacity of a school to accommodate distance learning options. Masks are required indoors and recommended for crowed outdoor settings. Public school faculty, staff and volunteers are required to be vaccinated or be subject to mandatory weekly COVID-19 testing. A student vaccination program is being implemented in public high schools and middle schools along with a school-level COVID-19 testing program. Public school student-athletes, athletic staff and volunteers are required to be vaccinated to participate in school-sanctioned athletic activities for school year 2021-22 and the start of the fall athletic season has been delayed to facilitate completion of completion of vaccinations.

In the 2021–2022 school year, system enrollment in 292 K-12 public schools (includes 36 charter schools) decreased to a total of 173,437 from a total of 174,704 for the 2020-2021 school year.

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:

(a) 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;

(b) 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;

(c) 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

(d) 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.

The University of Hawaii system reopened its 10 campuses across the State for the fall 2021 semester on August 23, 2021 for in-person instruction. Students, faculty, staff and visitors who enter onto a UH campus are required to be vaccinated or be subject to weekly COVID-19 testing. Some courses where safe physical social distancing cannot be maintained may require vaccination without exception. Persons on campus need a green "You may report to campus" status with a current date on UH's systemwide health check application. Masks are required indoors and strongly recommended outdoors when three-foot physical distancing cannot be maintained. UH faculty and staff are required to be vaccinated or be subject to weekly COVID-19 testing. A student vaccination program is being implemented on UH campuses along with a campus-level COVID-19 testing program.

In the fall of 2020, 49,594 students attended the University of Hawaii System, 18,025 of them on the Manoa campus. For the fall of 2021, it is projected that 51,395 will attend the University of Hawaii System, 19,512 of them on the Manoa campus. If such projections are accurate, this will be the first time since 2011 that systemwide enrollment has increased.

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 Hawai'i Sea Level Rise and Vulnerability and Adaptation Report ("Hawai'i Sea Level Rise Report"), the 2018 National Climate Assessment, Sea Level Rise Guidance from the City and County of Honolulu Climate Change Commission, and elsewhere.

The State has taken crucial steps to address climate change. On June 7, 2017, the Governor signed Act 32 SLH 2017 (the "Climate Change Act") into law. This marked Hawaii as the first state to enact legislation to mitigate and adapt to climate change in accordance with the Paris Agreement, and formed and

tasked the Hawaii Climate Change Mitigation and Adaptation Commission (the "Climate Commission"). The Climate Commission is tasked 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 and Sustainable Development. 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. Modeling reported by the United Nations' Intergovernmental Panel on Climate Change (IPCC) in its 5th and 6th Assessment Reports and supporting research project that under a high end emissions scenario, global mean sea level will rise approximately 1 meter, relative to year 2000 levels, by the end of the century. However, modeling of gravity and rotation changes associated with loss of the global cryosphere show that waters in the vicinity of Hawaii and other tropical Pacific islands will see 20 to 30% greater sea level rise compared to the global mean. These results, scaled to the national system of tidal stations in Hawaii to account for local oceanographic and geophysical conditions, are used to inform policy development in order to reflect the latest peer-reviewed research.

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 and in 2021 caused a community to be cut off for months.

The Hawaiʻi 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 Hawaiʻi 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 Hawaiʻi 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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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, 2020 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, 2020, 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

As of July 1, 2020

General obligation bonds outstanding		$7,304,598,064
Less excludable reimbursable general obligation bonds[1]		
Harbors	$ 18,689,945	
Land and Natural Resources.....	$ 31,895,000	
Subtotal excludable reimbursable general obligation bonds	$ 50,584,945	
Less all general obligation bonds maturing in the current year	$778,649,097	
Other constitutional deductions[2]	$600,000,000	$1,429,234,042
Net general obligation bonds outstanding .		$5,875,364,022

Footnotes on following page.

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REVENUE BOND INDEBTEDNESS[3]

As of July 1, 2020

Revenue bonds outstanding:		
Airports:		
Airports system	$1,252,420,000	
Airports special facility	445,950,000	$1,698,370,000
Housing:		
Single family mortgage purchase	14,440,449	
Multifamily	437,154,226	451,594,675
Harbors		246,465,000
Highways		423,355,000
University of Hawaii		487,490,000
Hawaiian Home Lands		26,610,000
Hawaiian Health Systems Corporation (Maui Regional Health Care System)		17,063,690
Department of Business, Economic Development and Tourism		97,454,007
Total revenue bonds outstanding		$3,448,402,372

SPECIAL PURPOSE REVENUE BOND INDEBTEDNESS[3]

As of July 1, 2020

Special Purpose Revenue Bonds outstanding:	
Health care facilities	$587,339,919
Utilities serving the general public	542,000,000
Not for profit secondary schools, colleges and university serving the general public	104,520,000
Total special purpose revenue bonds outstanding	$1,233,859,919

[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] The amount of principal and interest on the Taxable General Obligation Bond Anticipation Notes (the "2020 Notes") issued on April 14, 2020, is excluded pursuant to Section 13 of Article VII of the Constitution of the State of Hawaii (the "State"), as the Governor declared that an emergency condition exists due to the COVID-19 pandemic and the 2020 State Legislature concurred with this declaration. Although by emergency declaration the 2020 Notes were authorized to be issued regardless of the State's debt limit, the issuance of the 2020 Notes did not cause the State's debt limit to be exceeded.

[3] 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.

[4] 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, 2020, the State has issued additional general obligation bonds, and has issued general obligation bond anticipation notes that were to 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 were refunded by the State of Hawaii Taxable General Obligation Refunding Bonds of 2020, Series GC. The remaining $200,000,000 of the 2020 Notes are being refunded by the State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GE.

As of July 1, 2021, and not taking into account the anticipated issuance of the Bonds, the State had a total of $8,564,443,064 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, 2020. The greatest amount of principal and interest payable in any fiscal year on outstanding general obligation indebtedness as of July 1, 2020, after exclusions permitted by the Constitution, was $753,610,056 in the fiscal year ending June 30, 2022, which was within the July 1, 2020 debt limit of $1,430,534,652.

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	**2017-2018**	**2018-2019**	**2019-2020**
Total General Fund revenues exclusive of grants from the federal government	$7,660,397,889	$7,916,565,472	$7,637,120,040
Less:			
Receipts in reimbursement of any indebtedness that is excluded in computing the total outstanding indebtedness of the State Agencies	4,396,349	5,915,877	5,911,951
Net General Fund revenues	$7,656,001,540	$7,910,649,595	$7,631,208,089

Sum of net General Fund revenues for preceding three fiscal years	$23,197,859,224
Average of preceding three fiscal years	$7,732,619,741
18.5% of average net General Fund revenues of the three preceding years ended June 30, 2018, 2019 and 2020	$1,430,534,652

NOTE: This Summary Statement is based on the July 1, 2020 statement of indebtedness. See "DEBT STRUCTURE — Outstanding Indebtedness and Debt Limit" in Appendix A.

The July 1, 2020 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, 2021 instead of July 1, 2020) 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, 2021. 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.

GENERAL OBLIGATION BONDS OUTSTANDING

As of July 1, 2020

Reimbursable General Obligation Bonds[1]	**Principal Amount**	**Balance**	**% of Total**
From State Special Funds for			
Commercial Harbors	$18,689,945		
Small Boat Harbors [2]	972,990		
Waiahole Water System [2]	4,899,366		
Land and Natural Resources	$31,895,000		
Total for Special Funds	$56,457,300		
Total Reimbursable General Obligation Bonds		$56,457,300	0.77%
Non-Reimbursable General Obligation Bonds from State General Funds for various purposes.....	$7,248,140,764		
Total Non-Reimbursable General Obligation Bonds		$7,248,140,764	99.23%
Total General Obligation Bonds Issued and Outstanding		$7,304,598,064	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 2021 Notes as of October 1, 2021, 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, 2021
(Amounts in dollars)

Fiscal Year Ending June 30	Total Remaining Principal Amount[2]	Total Principal Payable	Total Interest Payable	Total Debt Service Payable	Less Amounts Reimbursable to General Fund[3]	Debt Service on Series GD/GE/GF/GG/GH/GI/GJ[4] Total Principal Payable for New Bonds	Debt Service on Series GD/GE/GF/GG/GH/GI/GJ[4] Total Interest Payable for New Bonds	Refunded Bonds[5]	Net Debt Service Payable[6]
2022	$8,191,388,064.26	$462,900,000.00	$173,816,844.02	$636,716,844.02	$4,055,832.82	$ 25,800,000.00	$12,754,885.32	$230,023,937.50[7]	$441,191,959.02
2023	7,728,488,064.26	632,345,635.58	279,029,028.98	911,374,664.56	6,522,445.37	121,815,000.00	31,495,723.93	96,963,468.75	961,199,474.37
2024	7,096,142,428.68	640,644,123.43	256,108,089.34	896,752,212.77	6,521,549.89	176,895,000.00	30,972,033.95	151,431,325.00	946,666,371.83
2025	6,455,498,305.25	623,495,472.76	232,780,282.20	856,275,754.96	6,523,426.04	143,415,000.00	30,087,511.02	117,086,075.00	906,168,764.94
2026	5,832,002,832.49	699,730,747.22	209,353,030.92	909,083,778.14	6,523,845.21	104,540,000.00	28,776,161.94	126,137,200.00	909,738,894.87
2027	5,132,272,085.27	521,476,178.14	186,547,088.20	708,023,266.34	4,244,202.70	106,015,000.00	27,296,001.11	82,705,600.00	754,384,464.75
2028	4,610,795,907.13	515,404,106.88	164,971,214.06	680,375,320.94	3,898,978.25	107,525,000.00	25,790,660.49	81,719,100.00	728,072,903.18
2029	4,095,391,800.25	503,544,815.25	143,834,373.44	647,379,188.69	2,958,624.60	109,285,000.00	24,031,019.35	80,740,950.00	696,995,633.44
2030	3,591,846,985.00	476,732,126.14	123,720,362.62	600,452,488.76	2,963,813.41	111,270,000.00	22,044,018.40	80,459,450.00	650,343,243.75
2031	3,115,114,858.86	449,393,918.66	104,412,124.08	553,806,042.74	2,960,893.13	113,440,000.00	19,872,885.80	81,259,500.00	602,898,535.41
2032	2,665,720,940.20	466,722,152.13	87,040,643.20	553,762,795.33	2,963,364.33	115,740,000.00	17,572,662.00	81,294,800.00	602,817,293.00
2033	2,198,998,788.07	411,698,855.90	71,019,453.69	482,718,309.59	2,962,231.88	118,200,000.00	15,113,959.60	81,509,450.00	531,560,587.31
2034	1,787,299,932.17	385,229,932.17	56,577,257.22	441,807,189.39	2,865,933.61	120,845,000.00	12,471,719.65	80,348,300.00	491,909,675.43
2035	1,402,070,000.00	339,915,000.00	43,423,767.71	383,338,767.71	2,751,704.96	46,400,000.00	10,544,572.70	0.00	437,531,635.45
2036	1,062,155,000.00	297,720,000.00	32,541,699.58	330,261,699.58	2,533,575.00	47,555,000.00	9,383,000.15	0.00	384,666,124.73
2037	764,435,000.00	250,235,000.00	22,274,647.38	272,509,647.38	0.00	48,805,000.00	8,138,617.55	0.00	329,453,264.93
2038	514,200,000.00	181,150,000.00	14,030,585.70	195,180,585.70	0.00	50,140,000.00	6,801,971.50	0.00	252,122,557.20
2039	333,050,000.00	132,555,000.00	7,670,640.48	140,225,640.48	0.00	51,555,000.00	5,388,269.50	0.00	197,168,909.98
2040	200,495,000.00	99,035,000.00	3,663,517.51	102,698,517.51	0.00	53,025,000.00	3,916,195.75	0.00	159,639,713.26
2041	101,460,000.00	101,460,000.00	1,235,623.13	102,695,623.13	0.00	54,555,000.00	2,388,483.25	0.00	159,639,106.38
2042	0.00	0.00	0.00	0.00	0.00	56,135,000.00	805,537.25	0.00	56,940,537.25
		$8,191,388,064.26	$2,214,050,273.46	$10,405,438,337.72	$61,250,421.20	$1,882,955,000.00	$345,645,890.21	$1,371,679,156.25	$11,201,109,650.48

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, 2021. All 2020 Notes remaining outstanding are being refunded with proceeds of the Series GE 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 $6,518,727.66 amount reimbursable to the General Fund in the Fiscal Year ending June 30, 2022, only $5,911,307.21 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 principal of the 2020 Notes to be refunded by the Series GE Bonds and debt service on the other Refunded Bonds to be refunded by the Series GF Bonds, Series GG Bonds, Series GH Bonds, Series GI Bonds, and Series GJ Bonds.

6 Approximate. Reflects bond debt service on all outstanding general obligation bonded indebtedness of the State of Hawaii as of July 1, 2021, plus debt service on the Bonds as of their expected date of delivery, taking into account the refunding of the Refunded Bonds.

7 Includes $200,000,000 in refunded principal of the 2020 Notes.

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
2015	1,432	$6,532,613	$35	$6,532,578	$4,562
2016	1,429	6,980,831	35	6,980,796	4,885
2017	1,428	7,661,204	35	7,661,169	5,365
2018	1,435	7,935,461	-	7,935,461	5,530
2019	1,422	7,935,408	-	7,935,408	5,580
2020	1,416	7,312,760	152	7,312,608	5,164

[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 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, 2021, is $11,840,000. 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") and Agency securities; (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 (i) money market mutual funds that invest solely in (A) obligations issued or guaranteed by the United States or an agency thereof and (B) repurchase agreements fully collateralized by any such obligations. 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.

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 on a pooled basis in accordance with Section 36-21, HRS 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 ended June 30, 2021, approximately $8.87 million was credited to the General Fund as investment earnings from the Treasury Investment Pool. The State's total investment portfolio as of June 30, 2021 had a market value (with accruals) of approximately $9.6 billion. Of such amount, approximately 19% consisted of cash in bank demand deposits, approximately 4% was invested in bank

time certificates of deposit, approximately 50% was invested in U.S. Federal Agency and Government-Sponsored Entity Securities, and approximately 27% was invested in U.S. Treasury securities.

SELECTED FINANCIAL STATEMENTS

The following is the balance sheet of the General Fund ending each June 30 from 2016 to 2020. 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, 2020, 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).

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

(Amounts in thousands)

	2016	2017	2018	2019	2020
ASSETS:					
Cash	$ 234,070	$ 120,199	$ 136,303	$ 120,121	$ 104,176
Due from other funds	189,016	177,270	90,172	216,066	195,610
Due from agency funds	-	-	-	-	455,012
Due from Component Units	12,400	18,800	6,000	6,000	6,000
Receivables:					
Taxes	419,220	393,165	302,350	291,052	481,568
Notes	1,380	1,380	1,380	1,411	1,340
Other	7,925	7,901	7,901	8,000	7,900
Total receivables	428,525	402,446	311,631	300,463	490,808
Investments	1,357,484	1,397,849	1,407,702	1,364,567	445,648
Other Assets	9,371	3,901	3,902	3,906	3,902
TOTAL ASSETS	$2,230,866	$2,120,465	$1,955,710	$2,011,123	$1,701,156
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Vouchers payable	$ 146,259	$ 153,109	$ 197,870	$ 140,056	$ 123,599
Other accrued liabilities	286,573	257,458	274,873	244,998	305,837
Due to other funds	35	35	-	-	152
Due to Component Units	2,635	3,792	5,047	3,754	2,979
Unearned revenue	-	-	-	-	-
Total liabilities	435,502	414,394	477,790	388,808	432,567
FUND BALANCES:					
Assigned	394,581	400,529	503,201	475,242	479,071
Unassigned	1,400,783	1,305,542	974,719	1,147,073	789,518
Total fund balances*	1,795,364	1,706,071	1,477,920	1,622,315	1,268,589
TOTAL LIABILITIES AND FUND BALANCES	$2,230,866	$2,120,465	$1,955,710	$2,011,123	$1,701,156

* 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.

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

	2015-2016	% of Total	2016-2017	% of Total	2017-2018	% of Total	2018-2019	% of Total	2019-2020	% of Total
REVENUES:										
General excise tax.....	$3,192,469	49.87%	$ 3,189.599	47.95%	$ 3,420,476	48.40%	$ 3,527,256	47.11%	$3,364,897	46.09%
Income tax-corporation	60,528	0.95	181,843	2.73	111,827	1.58	165,881	2.22	34,439	0.47
Income tax-individual	2,097,351	32.76	2,104,174	31.63	2,344,847	33.18	2,552,773	34.09	2,623,112	35.93
Service companies tax	152,760	2.39	122,159	1.84	117,641	1.66	126,691	1.69	134,639	1.84
Liquor licenses and taxes	50,590	0.79	51,167	0.77	51,383	0.73	51,913	0.69	50,674	0.69
Tobacco licenses and taxes	83,685	1.31	82,792	1.24	79,913	1.13	74,526	1.00	74,858	1.03
Insurance premiums tax	152,622	2.38	164,688	2.48	159,814	2.26	173,844	2.32	180,753	2.48
Rental motor/tour vehicle surcharge tax	1	-	2	-	2	-	3	-	2	-
Inheritance and estate tax	49,613	0.77	18,968	0.29	29,351	0.42	18,921	0.25	45,451	0.62
Franchise tax.....	12,691	0.20	9,174	0.14	13,712	0.19	24,808	0.33	33,271	0.46
Environnemental réponse tax	15,359	0.24	15,090	0.23	15,373	0.22	15,904	0.21	17,244	0.24
Transient accommodations tax*	233,082	3.64	299,712	4.51	304,521	4.31	356,670	4.76	303,176	4.15
Conveyance tax	27,033	0.42	49,737	0.75	55,805	0.79	40,804	0.54	22,746	0.31
Total Taxes	6,127,784	95.72	6,289,105	94.56	6,704,665	94.87	7,129,994	95.21	6,885,262	94.31
Charges for current services and other revenues.....	274,101	4.28	363,313	5.44	362,837	5.13	357,446	4.79	415,348	5.69
TOTAL REVENUES	$6,401,885	100.00%	$ 6,652,418	100.00%	$ 7,067,502	100.00%	$ 7,487,440	100.00%	$7,300,610	100.00%
EXPENDITURES:										
General government..	$ 505,656	9.03	$ 526,006	8.73	$ 567,869	8.63	$ 506,453	7.74	$ 587,460	8.53
Public safety	345,453	6.17	389,190	6.46	430,954	6.55	465,608	7.12	438,510	6.37
Conservation of natural resources.....	50,402	0.90	67,889	1.13	64,986	0.99	72,056	1.10	81,675	1.19
Health.....	614,456	10.97	614,536	10.20	577,749	8.78	750,450	11.47	780,726	11.33
Welfare.....	1,100,399	19.64	1,227,601	20.37	1,186,888	18.05	1,116,455	17.07	1,240,717	18.01
Education										
Higher.....	656,700	11.72	740,102	12.28	766,764	11.66	821,327	12.56	851,779	12.36
Lower and others ..	2,191,107	39.12	2,312,198	38.36	2,495,321	37.94	2,614,444	39.97	2,678,811	38.88
Culture-recreation.....	49,864	0.89	50,107	0.83	56,148	0.85	57,220	0.87	82,271	1.19
Urban redevelopment and housing	11,962	0.21	18,613	0.31	21,105	0.32	32,882	0.50	23,595	0.34
Economic development & assistance.....	43,690	0.78	47,736	0.79	45,527	0.69	52,908	0.81	60,989	0.89
Other	31,927	0.57	33,485	0.54	363,304	5.54	50,866	0.79	62,905	0.91
TOTAL EXPENDITURES	$5,601,616	100.00%	$ 6,027,463	100.00%	$ 6,576,615	100.00%	$ 6,540,669	100.00%	$ 6,889,438	100.00%
OTHER FINANCING SOURCES (USES):										
Transfers in.....	$ 214,284	-	$ 197,119	-	$ 155,213	-	$ 84,441	-	$ 175,694	-
Transfers out.....	(776,011)	-	(1,053,472)	-	(874,368)	-	(887,049)	-	(940,592)	-
Other	70,727	-	142,105	-	117	-	232	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	$(491,000)	-	$ (714,248)	-	$ (719,038)	-	$ (802,376)	-	$ (764,898)	-
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. Pursuant to statute, the Council is required to report its estimates and revisions by 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 and in executing the budgets authorized by the Legislature.

The following is a summary of the Council's actions over the past two years.

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 Hawaii'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 Hawaii'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.

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

May 2020 Forecast
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 September 2020 forecasts for the State General Fund tax revenues FY 2020 through FY 2027 are shown in the table below.

September 2020 Forecast
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).

In January 2021, the Council revised its forecast for fiscal year 2021 from -11.0% to -6.5%, lowered fiscal year 2022 from 8.5% to 6.0%, maintained fiscal year 2023 at 6.0% and fiscal year 2024 at 4.0% and increased fiscal years 2025-2027 from 3.0% to 4.0%. The Council acknowledged the continuing significant uncertainty with its forecasts for fiscal years 2021 and 2022, reporting the following to the Governor:

"The Council's FY 2021 forecast considered the fiscal impacts of the delay in the income tax filing deadline for tax year 2019 from April to Jul 2020, which resulted in a shift of $308 million from FY 2020 to FY 2021. The Council acknowledged that economic activity had rebounded more than expected in the latter part of calendar year 2020 with the opening of tourism under the Safe Travels program. In November and December, tourism appeared to average roughly 25% of the pre-pandemic averages.

Members acknowledged that the COVID-19 pandemic continued to represent a serious risk to public health and the State's economy. Future tax revenues are highly dependent on the trajectory of the virus and the government's ability to simultaneously manage public health risks and economic activity.

The Council expressed concerns about the prolonged restrictions imposed on the Hawaii tourism economy and the potential effects of future shutdowns of non-essential businesses due to spikes in the COVID-19 infection rates. In addition, the Council discussed the impacts on the local economy of the Federal fiscal stimulus packaged that passed December 2020 and the likelihood of additional Federal stimulus. "

In March 2021, the Council revised its forecast for fiscal year 2021 from -6.5% to -2.5%, lowered fiscal year 2022 from 6.0% to 4.0%, lowered fiscal year 2023 from 6.0% to 4.0%, maintained fiscal year 2024 at 4.0%, and lowered fiscal years 2025-2027 from 4.0% to 3.5%. The Council's forecast assumed passage of the $1.9 trillion Federal stimulus bill (the American Rescue Plan Act) as well as the continued relaxation of virus-related restrictions and eventual return to relative normalcy in the near future. The Council also discussed the delayed income tax filing deadline from April 2020 to July 2020 that shifted $308 million from fiscal year 2020 to fiscal 2021, the adverse economic impact of the 2020 pandemic shutdown, the impact of passage of the American Rescue Plan Act, as well as the taxation of Unemployment Insurance and Pandemic Unemployment Assistance program benefits. Despite increased economic activity since the last shutdown in September 2020, the Council recognized the serious risk the virus continues to present to public health and the State's economy.

In May 2021, the Council revised its forecast for fiscal year 2021 from -2.5% to 5.0%, noting the robust year-to-date collections. The Council also lowered its forecast for fiscal year 2022 from 4.0% to 3.0%, maintained fiscal years 2023 and 2024 at 4.0% and raised fiscal years 2025-2027 from 3.5% to 4.0%. The Council cited a rapid increase in tourist arrivals, renewed consumer spending, the economic impact of the $1.9 trillion American Rescue Plan Act, and the reductions in public health risks related to COVID-19 as factors influencing its forecast. The Council also expects the year over year growth rate in fiscal year 2022 to be lower due to the delayed IRS and State income tax filing deadline in 2020 which led to delayed actual payments that shifted approximately $308 million in revenues from fiscal year 2020 to fiscal 2021. The Council also stated the following to the Governor:

> "In addition, the Hawaii government, taxpayers, and nonprofit entities benefited from approximately $20 billion in Federal Coronavirus relief and stimulus funds which were mostly received in FY 2021. The Council expressed uncertainty over whether the economic recovery would gain enough steam for faster economic growth when Federal relief funds are expected to taper off in FY2022 and in future years.
>
> Additional risks that may inhibit the economic recovery include new variants of the virus, slow vaccination efforts in foreign visitor markets, supply constraints in the tourism and other industry sectors, sustained travel hurdles and restrictions, and the continued regulatory restrictions imposed on businesses for public health reasons. The Council expects that visitor arrivals will continue their recovery through the end of the calendar year and into the next few years as the effects of vaccination efforts prompt more people to travel, with domestic travel expected to return more quickly than foreign travel, including visitors from Japan.

Given the prominent role of tourism in Hawaii's economy, the number of visitors to the State will have major impacts on the economy and tax collections. The Council noted that the government's role in facilitating visitor arrivals in a safe and orderly manner is vital for the return of economic growth in Hawaii.

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The May 2021 forecasts for the State General Fund tax revenues FY 2021 through FY 2027 are shown in the table below.

May 2021 Forecast
General Fund Tax Revenues

Fiscal Year	Amount (in Thousands of Dollars)	Growth From Previous Year
2021	$7,029,548	5.0%
2022	$7,240,434	3.0%
2023	$7,530,051	4.0%
2024	$7,831,253	4.0%
2025	$8,144,503	4.0%
2026	$8,470,283	4.0%
2027	$8,809,094	4.0% "

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

In July 2021, the Department of Taxation reported that the fiscal year 2021 preliminary cumulative general fund tax collections were up by 8.1% over the same period in fiscal year 2020. The fiscal year cumulative general fund growth rate for fiscal year 2021 was subsequently revised to 8.3%.

In September 2021, the Council increased its General Fund forecast to 6.3% from 3.0% for fiscal year 2022 and forecasted that General Fund tax revenue growth will be 4.0% for fiscal years 2023-2028. The Council reported the following to the Governor:

> "The upward revision in the 2022 forecast is due to robust year-to-date collections of general excise and income taxes, the rapid recovery of tourist arrivals, and renewed consumer spending. This follows the reduction of the Covid-19 infection rates and easing of pandemic restrictions in Hawaii due to vaccination efforts in the earlier part of the year. The economic impacts of the $1.9 trillion American Rescue Plan Act also contributed to the improved economic outlook.

While increasing vaccination rates have helped, the recent surge in COVID-19 cases in Hawaii due to the highly infectious and more lethal Delta variant and the increased demands on local hospital beds and ICU units pose serious risks to public health and the economic outlook. Although herd immunity may not be reached due to vaccine reluctance and Delta's high transmissibility, a transition toward normalcy may be possible if Covid-19 is managed as an endemic disease. The level of uncertainty regarding the trajectory of the Covid-19 virus remains high.

Risks that may inhibit the economic recovery include significant new variants of the virus, vaccine reluctance, sustained travel restrictions, burdensome regulations imposed on businesses for public health reasons, and significant supply chain disruptions. Furthermore, the significant reduction in Federal stimulus spending that occurred in the last fiscal year will also impact Hawaii's economy. The Council expects that domestic visitor arrivals will continue to recover through the end of the calendar year as the effects of vaccination efforts prompt more people to travel, while international travel will continue to be curtailed due to the effect of the pandemic in other countries.

Given the prominent role of tourism in Hawaii's economy, the number of visitors to the State will have major impacts on the economy and tax collections. The Council noted that the government's role in facilitating visitor arrivals in a safe and orderly manner is vital for the return of economic growth.

The new September 2021 forecasts for the State General Fund tax revenues FY 2022 through FY 2028 are shown in the table below.

September 2021 Forecast
General Fund Tax Revenues

Fiscal Year	Amount (in Thousands of Dollars)	Growth From Previous Year
2022	$7,707,027	6.3%
2023	$8,015,308	4.0%
2024	$8,335,920	4.0%
2025	$8,669,357	4.0%
2026	$9,016,131	4.0%
2027	$9,376,776	4.0%
2028	$9,751,847	4.0% "

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 2021 Legislature including Act 1, SSLH 2021, which: authorizes the counties to establish and administer their own transient accommodations tax (TAT) at a maximum rate of 3% and eliminates the TAT allocation to the counties ($103.0 million); eliminates the TAT allocation to the tourism special fund ($79.0 million); and reduces the TAT allocation to the convention center special fund from $16.5 million to $11.0 million, all of these amendments take effect in fiscal year 2022. Additionally, the Council's forecast adopts adjustments due to Act 226, SLH 2021, which: relaxes the rules on allocating the low-income housing tax credit (LIHTC) and the installment method, at-risk, and passive activity loss rules and allows the Hawaii LIHTC to be claimed in the initial year even if federal Form 8609 has not been received by the taxpayer; prohibits the deductions and expenses claimed by Hawaii taxpayers to exceed the deductions and expenses claimed by all taxpayers on federal returns; and extends the shortened credit period provided by Act 129, SLH 2016, from tax year 2022 through tax year 2027. Act 226 became effective on July 1, 2021 and applies to taxable years beginning after December 31, 2020. The estimated loss to the General Fund is $7.8 million in FY 2022, $24.1 million in FY 2023, $24.9 million in FY 2024, $25.6 million in FY 2025, $26.4 million in FY 2026, $27.2 million in FY 2027, and $28.0 million in FY 2028. The Council also adopted specific adjustments recommended by the Department of Taxation to reflect impacts on General Fund tax collections due to law changes enacted during previous legislative sessions.

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 2027. 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 2020-2027
(in millions of dollars)

	Adj Act[1,9] FY 20	Adj Act [1,9] FY 21	Estimated FY 22	Estimated FY 23	Estimated FY 24	Estimated FY 25	Estimated FY 26	Estimated FY 27
REVENUES[2]								
Executive Branch:								
Growth rate (COR 9.9.20 update)	(6.3)%	8.1%	6.3%	4.0%	4.0%	4.0%	4.0%	4.0%
Tax revenues[3]	6,694.7	7,250.4	7,707.0	8,015.3	8,335.9	8,669.4	9,016.1	9,376.8
Nontax revenues[10]	1,562.2	1,721.5	740.3	750.7	767.1	783.8	887.0	907.8
Judicial Branch revenues	28.2	31.1	27.2	27.2	27.2	27.2	27.2	27.2
Other revenues:[4]	0.0	0.0	(41.1)	(105.1)	0.0	0.0	0.0	0.0
TOTAL REVENUES	8,285.1	9,003.0	8,433.4	8,688.1	9,130.3	9,480.3	9,930.3	10,311.8
EXPENDITURES								
Executive Branch:								
Operating[5]	8,024.0	8,047.9	7,663.9	7,758.6	8,298.5	8,410.4	8,628.9	8,576.8
CIP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Specific appropriation/CB[6]	139.5	829.4	15.7	46.4	47.0	47.1	47.1	47.1
Other expenditures/adjustments:[7]	0.0	0.0	1,064.6	1,174.9	639.4	631.0	628.0	628.1
Sub-total - Exec Branch	8,163.5	8,877.3	8,744.1	8,980.0	8,984.8	9,088.5	9,304.0	9,252.0
Legislative Branch	42.6	41.1	41.1	41.4	41.9	41.9	41.9	41.9
Judicial Branch	172.2	163.0	164.9	165.3	165.8	166.0	166.0	166.0
OHA	3.1	3.0	2.3	2.3	2.3	2.3	2.3	2.3
Counties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lapses[8]	(346.9)	(328.5)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)
TOTAL EXPENDITURES	8,034.5	8,755.8	8,872.3	9,109.0	9,114.8	9,218.7	9,434.1	9,382.2
REV. OVER (UNDER) EXPEND.	250.6	247.2	(439.0)	(420.9)	15.5	261.7	496.2	929.7
CARRY-OVER BALANCE (DEFICIT)								
Beginning	752.1	1,002.7	1,249.9	810.9	390.0	405.5	667.2	1,163.4
Ending[9]	1,002.7	1,249.9	810.9	810.9	390.0	405.5	667.2	1,163.4
Emergency & Budget Reserve Fund (EBRF)	58.9	319.5	1,374.7	1,382.6	1,390.1	1,397.4	1,404.4	1,411.6
EBRF balance as % of prior yr revenues	0.74%	3.86%	15.27%	16.39%	16.00%	15.30%	14.81%	14.21%

Sources: Department of Accounting and General Services; Department of Budget and Finance, September 2021

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

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

[2]Reflects actual FY 2020-2021 revenue collections as reported by the Department of Accounting and General Services that have been adjusted to reflect a $648 million deposit from the Emergency and Budget Reserve Fund in FY 2020 but recorded in FAMIS accounting system in FY 2021.

[3]Reflects FYs 2022-2027 Council on Revenues' September 2021 projections as reported by the Department of Taxation.

[4]Reflects various revenue impacts bills passed by the Legislature, including a renewable energy technology income tax credit.

[5]Executive Branch's FYs 2020 & 2021 expenditures reflect Act 5, SLH 2019, as amended by Acts 7 and 9, SLH 2020 plus Section 44 transfers. FYs 2022-2025 expenditures reflect Act 88, SLH 2021 and Act 6, SpSLH 2021.

[6]Reflects specific appropriations from 2019-2021 Legislatures and estimated out year costs. Also includes $5 million per year for claims against the State beginning in FY 2022.

[7]Includes: A $1.05 billion deposit to the Emergency and Budget Reserve Fund to bring its balance to 15% of prior year revenues, a $250 million dollar additional Other Post-Employment Benefits (OPEB) payment in FY23 and corresponding additional funding for Department of Education (DOE) and University of Hawaii (UH) to meet Elementary and Secondary School Emergency Relief Fund (ESSER) and Higher Education Emergency Relief Fund (HEER) maintenance of effort (MOE) proportional funding requirement, school facilities authority ongoing funding, DOE ESSER funding ongoing costs, UH HEER funding ongoing costs, additional ESSER/HEER MOE funding for DOE and UH as well as additional funding for the following items: 1) OPEB pre-funding payments for FYs 22 & 23, 2) Updated Medicaid requirements for FYs 22 & 23, 3) Coronavirus State and Local Fiscal Recovery Fund ongoing costs, 4) Hawaii Tourism Authority ongoing funding, 5) Increased risk management requirements, 6) Ongoing funding for Department of Public Safety positions, 7) Major Disaster Fund ongoing funding, and 8) Adjustment for partially funded costs in budget. Requires further legislative approval and potentially further federal approval.

[8]Reflects actual FY 2020-2021 general fund lapses as reported by the Department of Accounting and General Services that have been adjusted to reflect a $38.5 million lapse for Kauai Flood that is recorded in FAMIS in FY 2021.

[9]Due to accounting system limitations, the following amounts were reflected in FY 2020 in the financial plan but recorded in FAMIS as FY 2021 transactions: $648 million revenues retroactively auth (Act 9.20, S. 39), $162K for claims against the state, $60.1 million CB auth for FY20 (Act 48.20), and $38.5 million GF lapse for Kauai Flood (Act 9.20, S.16).

[10]FY 21 includes a $750 million working capital loan and $83.2 million that was transferred from various non-general funds to the general fund pursuant to Act 87, SLH 2021.

The preceding General Fund financial plan is based on actual cash-basis general fund tax revenues for fiscal years 2020 and 2021 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 7, 2021 meeting. The estimated non-tax and Judicial Branch revenues reflects the Council on Revenues' September 7, 2021 non-tax revenue projections. Other revenues reflect various revenue impact bills passed by the Legislature, including a renewable energy technology income tax credit. It is noted that fiscal year 2020 non-tax revenues includes a $648 million transfer from the EBRF to the general fund in FY 2020 pursuant to Act 9, SLH 2020. Act 9 was enacted after the end of the fiscal year 2020 and due to limitations to the accounting system was processed in fiscal year 2021. However, the transfer is reflected as authorized in fiscal year 2020 in the General Fund financial plan. It is also noted that fiscal year 2021 non-tax revenues includes a $750 million working capital borrowing authorized by Act 3, SLH 2020, and $83.2 million that was transferred from various non-general funds to the general fund pursuant to Act 87, SLH 2021.

With respect to Executive Branch expenditures, fiscal years 2020 and 2021 reflect Act 5, SLH 2019, as amended by Acts 7 and 9, SLH 2020 plus Section 44 transfers. Fiscal years 2022 through 2027 reflect Act 88, SLH 2021, and Act 6, SpSLH 2021. Specific appropriations/CB reflects specific appropriations from the 2019 through 2021 Legislatures and associated out year costs, the majority of which are for public union collective bargaining increases except for two fiscal year 2021 authorizations including a $250 million appropriation to EBRF and an additional $390 million appropriation for other post-employment benefit payments. 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: a $1.05 billion deposit to EBRF to bring its balance to 15% of prior year revenues, a $250 million OPEB payment in fiscal year 2023 and corresponding funding for the Department of Education (DOE) and University of Hawaii (UH) to meet their respective Elementary and Secondary School Emergency Relief (ESSER) Funds' maintenance of effort proportional funding requirement, ongoing funding for the school facilities authority, ongoing DOE and UH costs currently funded by ESSER and HEER, funds, additional ESSER maintenance of effort funding for DOE and UH corresponding to the following increases: (1) OPEB pre-funding payments for fiscal year 2022 and 2023; (2) updated Medicaid requirements for FY 23; (3) Coronavirus State and Local Fiscal Recovery Fund ongoing costs; (4) Hawaii Tourism Authority ongoing funding; (5) increased risk management requirements; (6) ongoing funding for Department of Public Safety positions; (7) Major Disaster Fund ongoing funding; and (8) adjustment for partially funded costs in the budget (it should be noted that these other expenditures/adjustments will require further legislative approval and potentially further federal approval for funds sourced from COVID-19 funding programs). These other expenditures/adjustments increases are offset by a decrease for estimated Medicaid requirements for FY 2022. It is noted that the General Fund financial plan includes expenditure adjustments to fiscal years 2020 and 2021 to reflect a $60 million general fund appropriation for collective bargaining, and $162,000 general fund appropriation for claims against the State. Due to limitations to the accounting system these items were 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 2020 and 2021 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.

As the health, economic and budget 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, $85.1 million was carried over from fiscal year 2021 to fiscal year 2022 by the Department of Education, but in the financial plan, was considered to be expended in fiscal year 2021.

General Fund Tax Revenues

Receipts of taxes constitute the largest portion of General Fund revenues for the fiscal year ended June 30, 2021, and represent approximately 81% 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, 2021, and estimated tax revenues for the fiscal years ending June 30, 2022 and June 30, 2023 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, 2021 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* 2020-2021	Estimated 2021-2022	Estimated 2022-2023
General Excise and Use Tax	$3,054,356	$3,708,390	$3,821,198
Income Tax—Individual	3,354,561	3,030,813	3,302,995
Income Tax—Corporation	186,347	90,904	-61,630
Public Service Company Tax	125,201	133,172	140,606
Tax on Insurance Premiums	185,337	169,324	174,940
Tobacco Tax & Licenses	72,747	74,305	75,085
Liquor Tax & Permits	45,178	55,522	58,001
Tax on Banks & Other Financial Corp.	3,079	-480	-14,162
Inheritance and Estate Tax	31,275	24,388	25,012
Conveyance Tax	26,259	23,799	25,416
Transient Accommodation Tax	149,646	376,723	447,649
Miscellaneous Taxes	16,274	20,167	20,198
TOTAL	$7,250,261	$7,707,027	$8,015,308
GROWTH RATE	8.3%	6.3%	4.0%

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

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

[1] The revenue forecast for the Tax on Banks & other Financial Corps Estimated 2022-23 is negative due to the expected losses from the enactment of Act 226, SLH 2021 relating to Low-Income Housing Tax Credits .

Sources: Actual collections are from Tax Research and Planning reports. Estimates are from the Council on Revenues' report of September 9, 2021, 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.)

Actual Collections and Distributions

Set forth below is an unaudited statement of State tax collections and distributions for fiscal years 2020 and 2021 as reported by the State Director of Taxation. The collections from all sources for fiscal year 2021 amounted to $8.2 billion. This represents a 4.4% increase from the previous fiscal year.

	Fiscal Year Ended June 30	
	2020-2021	**2019-2020**
State Tax Collections—Source of Revenue	(Thousands of Dollars)	
Banks/Financial Corporations [1]	$5,079	$35,271
Conveyances [1]	62,725	61,110
Employment Security Contributions	110,591	104,068
Fuel and Environmental [6]	172,064	195,259
General Excise License and Registration Fees	784	639
General Excise and Use [2]	3,080,194	3,436,138
County Surcharge [3]	313,545	329,926
Income—Corporations:		
Declaration of Estimated Taxes	268,539	176,946
Payment with Returns	28,768	7,892
Refunds	-110,627	-176,431
Income—Individuals [1]:		
Declaration of Estimated Taxes	1,258,773	584,539
Payment with Returns	491,227	188,780
Withholding tax on Wages	2,161,103	2,131,242
Refunds	-555,651	-544,745
Inheritance and Estate	31,275	45,451
Insurance Premiums	185,337	180,753
Liquor and Permits	45,178	50,674
Motor Vehicle Tax/Fees, Etc. [4]	170,723	206,714
Public Service Companies	125,201	134,639
Tobacco and Licenses [1]	108,454	111,983
Transient Accommodations Fees/Time Share Occupation Fees	23	20
Transient Accommodations Tax/Time Share Occupation Tax [1]	215,293	564,298
All Other [5]	25	42
TOTAL	$8,168,623	$7,825,208

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, 2021 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 $171,810 thousand for fiscal year 2021. A total of $253 thousand in undistributed fuel taxes from previous years were included in several monthly reports in fiscal year 2021. 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.

	Fiscal Year Ended June 30	
	2020-2021	**2019-2020**
State Tax Collections—Distribution	(Thousands of Dollars)	
State General Fund	$7,250,261	$6,694,808
State Highway Fund	238,593	284,229
State Airport Fund	1,421	2,384
Boating Special Fund	1,473	1,668
Environmental Fund	1,116	1,249
Cigarette Stamp Administrative Fund	194	201
Cigarette Stamp Enforcement Fund	1,453	1,511
Compliance Resolution Fund	2,000	2,000
Election Campaign Fund	129	91
Employment Security Fund	110,591	104,068
Rental Housing Fund	31,366	31,970
Convention Center Enterprise Fund [1]	16,500	13,750
Land Conservation Fund	5,100	6,394
Tourism Special Fund [1]	21,505	65,833
School Minor Repairs and Maintenance Fund	75	61
Public Libraries Fund	163	128
Domestic Violence/Child Abuse Neglect Funds	167	130
Cancer Research Fund	12,110	12,591
Trauma System Fund	6,812	7,082
Emergency Medical Service Fund	7,569	7,869
Community Health Centers Fund	7,569	7,869
Energy Security Fund	1,210	1,367
Energy Systems Development Fund	2,232	2,497
Agricultural Development & Food Security Fund	3,349	3,746
Turtle Bay Conservation Easement Fund [1]	1,500	1,250
Land and Development Fund [1]	0	2,500
Mass Transit Special Fund	19,935	53,857
Tax Administration Fund	32,742	10,759
Subtotal	$7,777,134	$7,321,864
County Surcharge	$313,545	$329,926
Distributions to Counties*:		
Fuel Tax	$77,943	$87,586
Transient Accommodations Tax [1]	0	85,833
Counties Total	$77,943	$173,419
TOTAL	$8,168,623	$7,825,208

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

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

[1] The Governor's Supplementary Proclamations suspended Section 237D-6.5(b), Hawaii Revised Statutes, for the months of May in 2020 through May in 2021. 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 2020 through May 2021, 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)
2016	17.91	66.0
2017	19.16	26.0
2018	20.36	25.0
2019	23.61	26.0
2020	26.00	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 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. The funding period remained unchanged in 2020 due to lower than expected investment performance and liability experience losses.

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 appropriated $842.7 million for fiscal years 2022 and 2023 in the Executive biennium budget (Act 88, SLH 2021) to fully fund the State's contributions 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, 2019 and 2020 is set forth below:

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII
Summary of Actuarial Certification as of June 30, 2019 and 2020
(Includes all counties)

ASSETS	2019	2020
Total current assets	$17,322,194,107	$18,084,382,899
Present value of future employee contributions	2,584,483,322	2,747,542,682
Present value of future employer normal cost contributions	2,757,121,992	2,757,950,458
.....		
Unfunded actuarial accrued liability	14,074,253,578	14,607,372,945
TOTAL ASSETS	$36,738,052,999	$38,197,248,984
LIABILITIES		
Present value of benefits to current pensioners and beneficiaries	$16,871,118,207	$17,720,939,918
Present value of future benefits to active employees and inactive members	$19,866,934,792	$20,476,309,066
TOTAL LIABILITIES	$36,738,052,999	$38,197,248,984

Source: Gabriel, Roeder, Smith & Company.

As of June 30, 2020, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the System amounted to approximately $14.607 billion. The System's funded ratios — assets divided by the actuarial accrued liability — increased during fiscal year 2020 as shown below:

FUNDED RATIOS

June 30, 2019	June 30, 2020
55.2%	55.3%

PART II
GENERAL PURPOSE FINANCIAL STATEMENTS
OF THE STATE OF HAWAII AS OF JUNE 30, 2020
AND INDEPENDENT AUDITORS' REPORT

Following is the State of Hawaii Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020 (the "Comprehensive Annual Financial Report"). For ease of reference, this Part II of Appendix B retains the Comprehensive Annual Financial Report's original pagination as shown on the table of contents of the Comprehensive Annual Financial Report.

In addition, the Comprehensive Annual Financial Report (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 Accounting and General Services at https://ags.hawaii.gov/wp-content/uploads/2021/01/DagsCafr_20200630.pdf, 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, 2020

CURT T. OTAGURO
COMPTROLLER

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STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2020

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

State of Hawaii
Comprehensive Annual Financial Report
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PART I: INTRODUCTORY SECTION

State of Hawaii
Principal Officials for Finance-Related Functions
June 30, 2020

Curt T. Otaguro
Comptroller

Audrey Hidano
Deputy Comptroller

Governor	**David Y. Ige**
Director of Finance	**Craig Hirai**
Director of Taxation	**Isaac W. Choy**
Comptroller	**Curt T. Otaguro**
Deputy Comptroller	**Audrey Hidano**

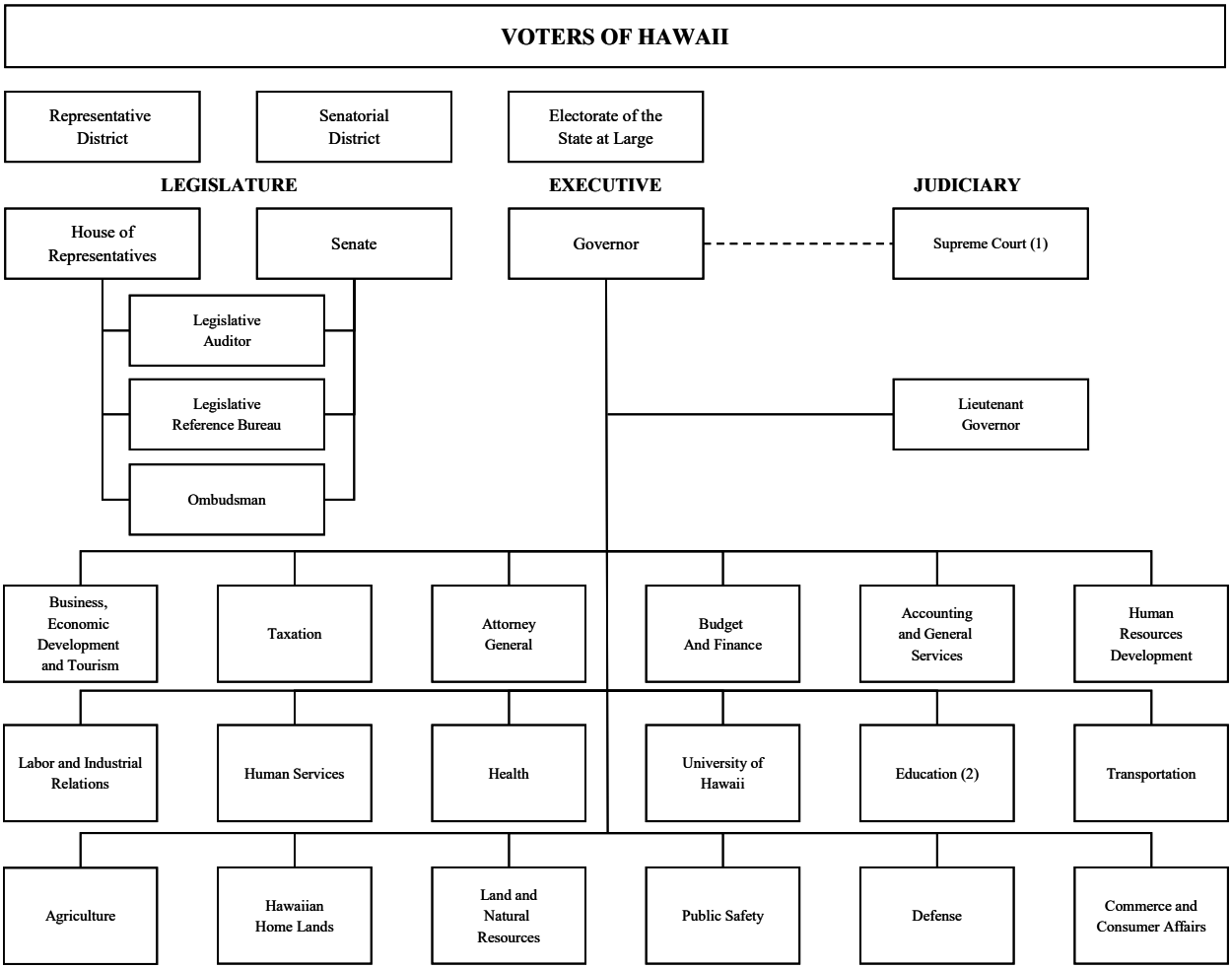
Notes:

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, 2020



(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 30, 2020

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

Labor

For the first time since the fourth quarter of 2010, Hawaii's jobs decreased. During the first nine months of 2020, Hawaii's total civilian employment averaged 566,050 persons, a decrease of 80,000 persons or 12.4% over the same period in 2019. The number of wage and salary jobs was down 76,900 to 581,000 for a decrease of 11.7%. Job decreases were most notable in food services and drinking places (21,500), accommodation (19,800), and transportation, warehousing and utilities (5,900). Only two sectors experienced inclines including natural resources, mining and construction (400) and federal government (400). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 12.3% for the first nine months of 2020, compared to 2.8% for the same period in 2019.

Taxes

The State General Fund tax revenues decreased $680.7 million, or 12.1%, during the first nine months of 2020 compared to the same period in 2019. Among its components, net individual income tax collections decreased $67.1 million or 3.2%, general excise and use tax (GET) collections decreased $393.2 million or 14.4%, and transient accommodations tax (TAT) collections were down $236.4 million or 47.8%. Net corporate income tax revenues decreased $111.2 million or 89.7%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased $14.5 billion, or 9.1% in the first half of 2020 compared to the same period in 2019. Among its components, the fastest growth was seen in personal current transfer receipts which increased $18.3 billion or 73.0% and dividends, interest and rent which increased $184 million or 0.5%. The remaining categories had declines that ranged from 1.3% to 4.0%. Contributions for government social insurance, which are subtracted from personal income, also decreased by 2.3%.

Prices

Honolulu's consumer price index (CPI) increased 1.6% for the first half of 2020 compared to the same period in 2019, above the 1.2% United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in apparel (4.9%), food and beverages (2.7%), recreation (2.7%), housing (2.6%), education and communication (0.9%). Prices decreased for transportation (4.5%) and other goods and services (1.4%).

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2020, total visitor arrivals by air decreased 5,544,000 or 71.7% compared to the same period of 2019. Domestic arrivals (visitors on flights originating inside of the U.S.) decreased 71.3% while international arrivals decreased 72.6%. Total visitor days (visitor arrivals multiplied by average length of stay) decreased 67.4% in the first nine months of 2020 compared to the same period of 2019 and total visitor spending decreased $601.6 million or 13.4% over the same period. Statewide hotel occupancy rate averaged 42.5% in the first nine months of 2020, 38.8% lower than the average rate during the same period of 2019.

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 2020, the construction sector added 400 jobs or 1.2% from the same period of 2019. 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. The construction industry was the only private sector that added jobs in the third quarter of 2020 compared to the same quarter of 2019.

Outlook for Hawaii's Economy

Hawaii's economy has been greatly impacted by the COVID-19 pandemic. During the April-September 2020 period, the average unemployment rate (not seasonally adjusted) was 17.1%. Hawaii lost 114,700 non-agricultural payroll jobs during the April to September period as compared to the same period of 2019. Overall, statewide non-agriculture payroll jobs decreased by 17.1% in

the third quarter of 2020. Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The November 2020 Blue Chip Economic Indicators report expects the U.S. economic growth rate in 2020 to decrease 3.7% and projects a positive 4.0% U.S. economic growth rate for 2021. The Department of Business, Economic Development and Tourism (DBEDT) projects that Hawaii's economic growth rate, as measured by the real gross domestic product (GDP), will decline by 11.2% in 2020, then will increase at 2.1% in 2021, 2.0% in 2022, and 1.2% in 2023.

The visitor arrivals are expected to increase gradually in the next three years to 6.2 million in 2021, 7.7 million in 2022 and 8.8 million in 2023. Visitor spending is also expected to increase gradually over the next three years by 105.6% in 2021, 27.2% in 2022 and 14.1% in 2023.

DBEDT projects total non-agricultural wage and salary jobs to decrease 11.9% in 2020, then will increase by 6.1% in 2021, 2.5% in 2022, and 1.9% in 2023. Nominal Personal Income is expected to decrease 7.8% in 2021 with real GDP projected to decrease 11.2% in 2020, then will increase at 2.1% in 2021, 2.0% in 2022, and 1.2% in 2023.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase at rates between 1.6% and 2.3% in the next few years. The State GDP deflator is forecast to grow 1.8% in 2021.

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 2019 (Act 5, SLH 2019), 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, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13 and 14 have collective bargaining agreements in effect through June 30, 2021.

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 June30, 2020. 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, 2019. 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

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, 2019

Christopher P. Morrill

Executive Director/CEO

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PART II: FINANCIAL SECTION

Accuity LLP
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, 2020, and the related notes to the financial statements, which collectively comprise the State of Hawaii's basic financial statements (pages 28–117) 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	98%	39%
Aggregate Discretely Presented Component Units	19%	26%
Fiduciary Funds	78%	100%

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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, 2020, 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 13–26), budgetary comparison information (pages 120–124 and 136–142), Schedule of the Proportionate Share of the Net Pension Liability (page 125), Schedule of Pension Contributions (page 126), Schedule of the Proportionate Share of the Net OPEB Liability (page 127), and Schedule of OPEB Contributions (page 128) 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 132–135 and 143–147), introductory section (pages 1–7) and statistical section (pages 150–183) 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 30, 2020, 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 30, 2020

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, 2020. 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, 2020 by $3.2 billion (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative $12.3 billion, a decrease of $1.5 billion from the previous year. Net position of governmental activities and business-type activities decreased by $413.2 million and $538.1 million, respectively, due to current year activity. The total deferred outflows of resources decreased to $2.0 billion, a $179.5 million decrease. This was due to the decrease in deferred loss on refunding and deferred outflows on net pension liability in the amounts of $15.9 million and $160.7 million, respectively. The deferred inflows of resources decreased to $164.1 million, with the decrease of both deferred inflows of resources from net pension liability and net other postemployment benefits liability in the amounts of $55.5 million and $35.4 million, respectively.

Fund Highlights

At June 30, 2020, the State's Governmental Funds reported combined ending fund balances of $3.3 billion, a decrease of $244.9 million from the prior fiscal year. Of this amount, $1.3 billion, or 38.7%, of total fund balances was in the General Fund, and the remaining $2.0 billion represent amounts in other funds designated for specific purposes. The Proprietary Funds reported net fund position of $4.5 billion at June 30, 2020, a decrease of $538.1 million during the fiscal year.

Liabilities

The State's liabilities increased during the current year to $28.4 billion, an increase of $1.5 billion. During fiscal 2020, the State issued a bond anticipation note in the amount of $600.0 million.

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 $8.5 million for the fiscal year ended June 30, 2020.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting For Pensions,* the State's liability pensions increased to $7.2 billion, an increase of $389.0 million for the fiscal year ended June 30, 2020.

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, Med-Quest Special Revenue Fund, and Administrative Support 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, Med-Quest Special Revenue Fund, and Administrative Support 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 50–117 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 Fund, Med-Quest Special Revenue Fund, and Administrative Support Special Revenue Fund 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, nonmajor 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 $3.2 billion as of June 30, 2020, and net position decreased $951.3 million, or 42.8% from June 30, 2019 balances. The net position of the governmental activities decreased by $413.2 million, or 5.7%, and business-type activities had a decrease of $538.1 million, or 10.6% due to the fiscal year 2020 activity. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position
June 30, 2020 and 2019
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	$ 5,496,602	$ 4,845,579	$ 3,075,722	$ 3,657,842	$ 8,572,324	$ 8,503,421
Capital assets, net	10,101,526	9,807,124	4,701,609	4,424,224	14,803,135	14,231,348
Total assets	$ 15,598,128	$ 14,652,703	$ 7,777,331	$ 8,082,066	$ 23,375,459	$ 22,734,769
Deferred outflows of resources						
Deferred loss on refunding	$ 119,823	$ 134,575	$ 1,842	$ 2,976	$ 121,665	$ 137,551
Deferred outflows on net pension liability	1,171,683	1,327,625	40,310	45,092	1,211,993	1,372,717
Deferred outflows on net other postemployment benefits liability	676,377	681,561	24,828	22,568	701,205	704,129
Total deferred outflows of resources	$ 1,967,883	$ 2,143,761	$ 66,980	$ 70,636	$ 2,034,863	$ 2,214,397
Liabilities						
Long-term liabilities	$ 22,892,042	$ 22,474,255	$ 2,820,861	$ 2,771,220	$ 25,712,903	$ 25,245,475
Other liabilities	2,211,465	1,358,692	497,210	314,084	2,708,675	1,672,776
Total liabilities	$ 25,103,507	$ 23,832,947	$ 3,318,071	$ 3,085,304	$ 28,421,578	$ 26,918,251
Deferred inflows of resources						
Deferred inflows on net pension liability	$ 50,692	$ 104,223	$ 2,721	$ 4,729	$ 53,413	$ 108,952
Deferred inflows on net other postemployment benefits liability	107,265	141,576	3,421	4,483	110,686	146,059
Total deferred inflows of resources	$ 157,957	$ 245,799	$ 6,142	$ 9,212	$ 164,099	$ 255,011
Net position						
Net investment in capital assets	$ 2,478,200	$ 2,459,159	$ 2,629,344	$ 2,459,973	$ 5,107,544	$ 4,919,132
Restricted	2,345,000	2,089,246	1,639,488	1,580,020	3,984,488	3,669,266
Unrestricted	(12,518,653)	(11,830,687)	251,266	1,018,193	(12,267,387)	(10,812,494)
Total net position	$ (7,695,453)	$ (7,282,282)	$ 4,520,098	$ 5,058,186	$ (3,175,355)	$ (2,224,096)

Analysis of Net Position

By far, the largest portion of the State's net position ($5.1 billion or negative 160.9%) 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 ($4.0 billion or negative 125.5%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative $12.3 billion or 386.3% represents unrestricted net position.

At June 30, 2020, 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 $7.0 billion and net pension liability of $7.2 billion.

Changes in Net Position

The State's net position decreased by $951.3 million, or 42.8%, during the year fiscal ended June 30, 2020. Approximately 52.2% of the State's total revenues came from taxes, while 25.5% resulted from grants and contributions (including federal aid). Charges for various goods and services and other income provided 22.4% 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.

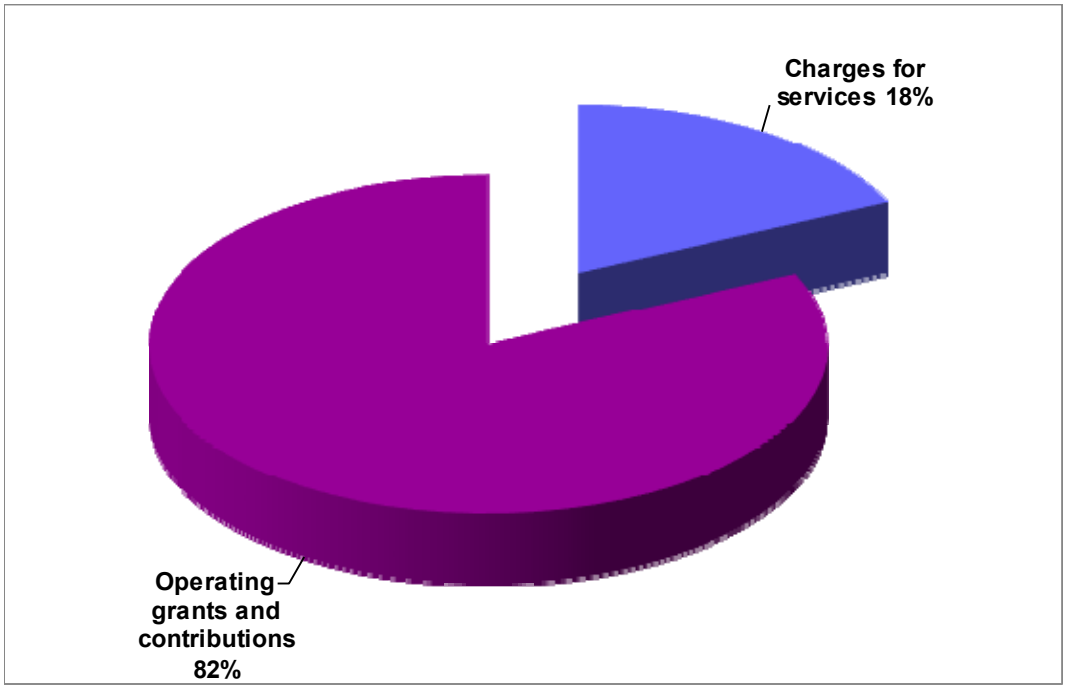
The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019
(Amounts in thousands)

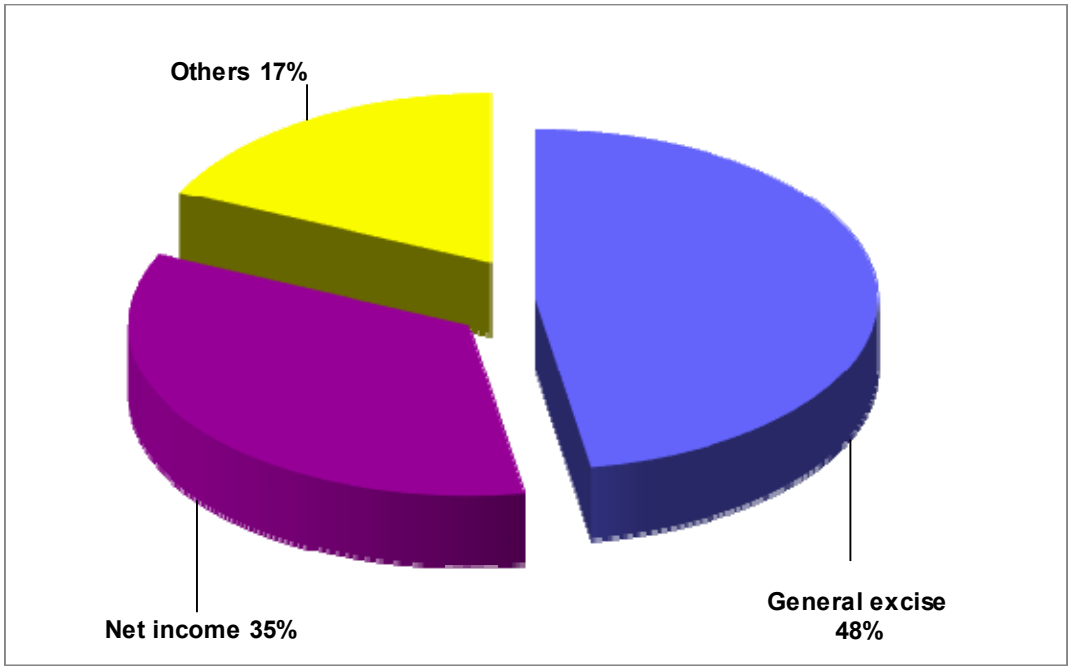
	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	$ 797,989	$ 834,246	$ 2,196,094	$ 1,052,449	$ 2,994,083	$ 1,886,695
Operating grants and contributions	3,597,822	3,082,678	-	-	3,597,822	3,082,678
Capital grants and contributions	-	-	95,720	78,010	95,720	78,010
General revenues						
Taxes	7,571,137	7,797,519	-	-	7,571,137	7,797,519
Investment income and other	164,354	(186,766)	84,866	48,887	249,220	(137,879)
Total revenues	12,131,302	11,527,677	2,376,680	1,179,346	14,507,982	12,707,023
Expenses						
General government	1,129,769	1,054,935	-	-	1,129,769	1,054,935
Public safety	642,353	675,663	-	-	642,353	675,663
Highways	531,105	552,741	-	-	531,105	552,741
Conservation of natural resources	109,093	224,266	-	-	109,093	224,266
Health	1,138,450	1,019,160	-	-	1,138,450	1,019,160
Welfare	3,678,820	3,379,304	-	-	3,678,820	3,379,304
Lower education	3,595,747	3,527,097	-	-	3,595,747	3,527,097
Higher education	1,050,582	950,253	-	-	1,050,582	950,253
Other education	16,936	18,376	-	-	16,936	18,376
Culture and recreation	155,261	110,711	-	-	155,261	110,711
Urban redevelopment and housing	246,495	179,794	-	-	246,495	179,794
Economic development and assistance	4,868	174,629	-	-	4,868	174,629
Interest expense	244,994	251,294	-	-	244,994	251,294
Airports	-	-	559,374	469,321	559,374	469,321
Harbors	-	-	98,998	85,007	98,998	85,007
Unemployment compensation	-	-	2,147,598	165,134	2,147,598	165,134
Nonmajor proprietary funds	-	-	108,798	103,954	108,798	103,954
Total expenses	12,544,473	12,118,223	2,914,768	823,416	15,459,241	12,941,639
Change in net position	(413,171)	(590,546)	(538,088)	355,930	(951,259)	(234,616)
Net position						
Beginning of year	(7,282,282)	(6,691,736)	5,058,186	4,702,256	(2,224,096)	(1,989,480)
End of year	$ (7,695,453)	$ (7,282,282)	$ 4,520,098	$ 5,058,186	$ (3,175,355)	$ (2,224,096)

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

Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2020



Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2020



Analysis of Changes in Net Position
The State's net position decreased by $951.3 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 $413.2 million and Unemployment Compensation Fund of $704.1 million and increase in Airports of $8.2 million, Harbors of $77.3 million, and Nonmajor Proprietary Funds of $80.5 million.

Governmental Activities
Governmental activities decreased the State's net position by $413.2 million. The elements of this decrease are reflected below:

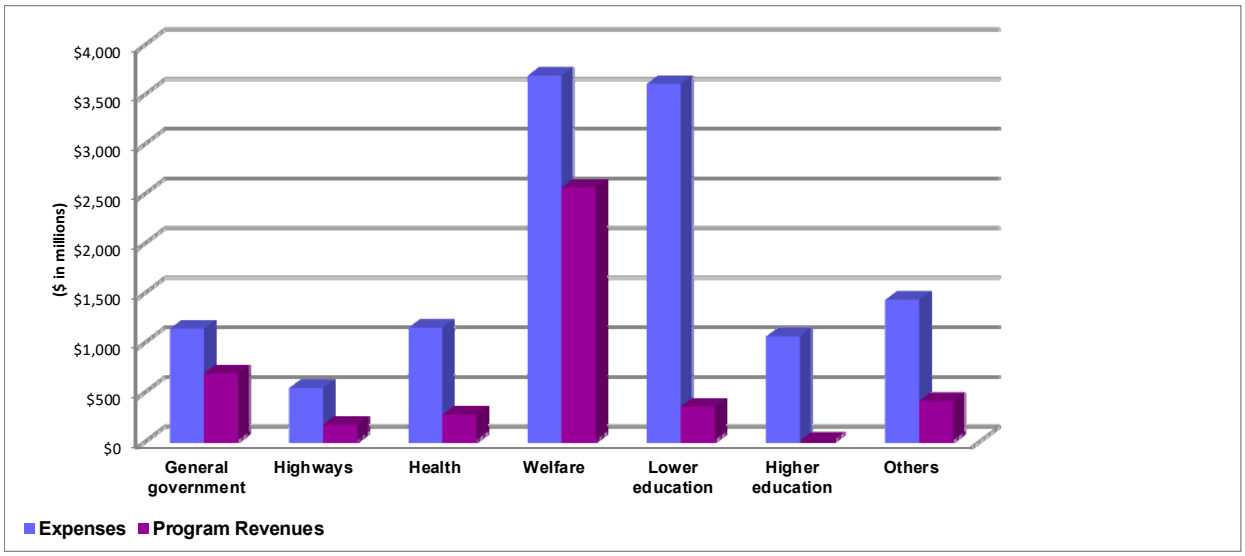
	Governmental Activities (Amounts in thousands)	
	2020	**2019**
General revenues		
Taxes	$ 7,571,137	$ 7,797,519
Interest and investment income and other	164,354	(186,766)
Total general revenues	7,735,491	7,610,753
Expenses, net of program revenues		
General government	451,682	711,458
Public safety	506,210	551,340
Highways	369,022	303,914
Conservation of natural resources	(1,171)	111,119
Health	875,798	747,421
Welfare	1,127,849	1,077,234
Lower education	3,253,012	3,166,635
Higher education	1,050,483	950,253
Other education	16,936	18,376
Culture and recreation	142,028	92,353
Urban redevelopment and housing	201,292	135,497
Economic development and assistance	(89,473)	84,405
Interest expense	244,994	251,294
Total governmental activities expenses, net of program revenues	8,148,662	8,201,299
Decrease in governmental activities net position	$ (413,171)	$ (590,546)

Tax revenues decreased by $226.4 million, or 2.9%, from the previous fiscal year. The decrease was primarily due to a decrease in general excise tax of $127.0 million and corporations and individuals net income taxes of $67.4 million due to decline in the State economy caused by the COVID-19 pandemic and government restrictions to protect the public.

Expenses, net of program revenues decreased by $52.6 million mainly due to the increase in charges for services and operating grants and contributions. The largest variance was in the General government program with an increase in revenues of $334.6 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:

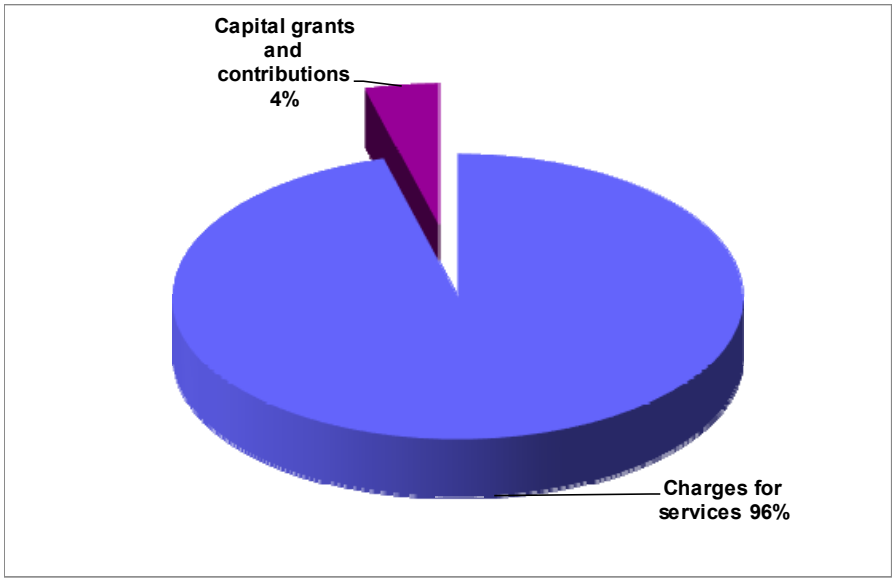
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ended June 30, 2020



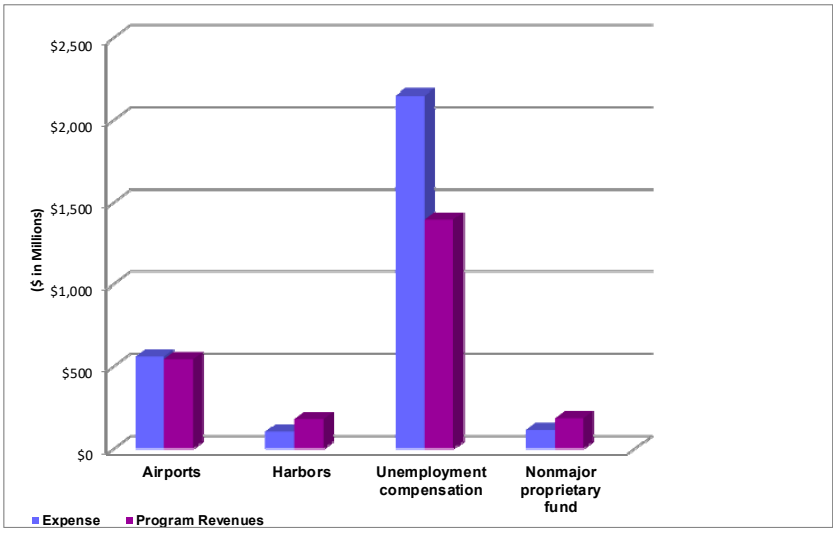
Business-Type Activities

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, 2020



Expenses and Program Revenues – Business-Type Activities
Fiscal Year Ended June 30, 2020



Business-type activities decreased the State's net position by $538.1 million in fiscal 2020, compared to an increase of $355.9 million in fiscal 2019. Key elements of this decrease are as follows:

- Airports' net position increased $8.2 million compared to an increase of $172.2 million in the prior fiscal year. Charges for current services decreased by $87.4 million primarily due to a decrease in landing fees from lower passenger traffic. Operating and capital grants and contributions increased $15.4 million due to an increase in federal capital grants and state capital contributions. Airport's expenses increased $90.1 million due to increases in personnel costs and interest expense on revenue bonds.

- Harbors' net position increased $77.3 million in fiscal 2020 compared to an increase of $105.7 million in fiscal 2019. Charges for current services decreased by $14.6 million due to decreased Wharfage revenues and a decrease in tariff rates, while expenses increased $14.0 million.

- The Unemployment Compensation Fund's net position decreased $704.1 million compared to an increase of $42.0 million in the prior fiscal year. The change was primarily due to an increase in unemployment program revenues of $1.2 billion and increase in unemployment benefits paid of $2.0 billion.

- The Nonmajor Proprietary Fund's net position increased $80.5 million in fiscal 2020 compared to an increase of $36.1 million in fiscal 2019.

- Key elements of the State's business-type activities for the fiscal years ended June 30, 2020 and 2019 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Airports	$ 475,064	$ 562,436	$ 67,183	$ 51,743	$ 542,247	$ 614,179	$ 559,374	$ 469,321	$ (17,127)	$ 144,858
Harbors	176,132	190,717	163	-	176,295	190,717	98,998	85,007	77,297	105,710
Unemployment compensation	1,391,747	193,093	-	-	1,391,747	193,093	2,147,598	165,134	(755,851)	27,959
Nonmajor proprietary funds	153,151	106,203	28,374	26,267	181,525	132,470	108,798	103,954	72,727	28,516
Total	$ 2,196,094	$ 1,052,449	$ 95,720	$ 78,010	$ 2,291,814	$ 1,130,459	$ 2,914,768	$ 823,416	$ (622,954)	$ 307,043

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 $3.3 billion. Of this amount, $16.0 million is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $1.0 billion has been committed to specific purposes. An additional $1.8 billion has been assigned to specific purposes by management. The unassigned fund balance was $427.4 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 $1.3 billion compared to $1.6 billion in fiscal 2019. The fund balance of the State's Capital Projects Fund decreased $152.0 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 $577.5 million and is reflected on the balance sheet as Due to Component Units. The fund balance of the Med-Quest Special Fund decreased $6.6 million, Administrative Support Special Revenue Fund increased by $267.8 million, and other Nonmajor Governmental Funds decreased $390 thousand.

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 $8.2 million, Harbors had an increase in net position of $77.3 million, the Unemployment Compensation Fund had a decrease in net position of $704.1 million, and the Nonmajor Proprietary Funds had an increase in net position of $80.5 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 $684.8 million or 8.3% less than the final budget. The negative variance was attributed to unfavorable tax revenues of $687.1 million and favorable non-tax revenues of $2.4 million. General excise tax, corporate income tax, and individual tax all collected less than what was projected by $235.9 million, $148.6 million and $297.8 million, respectively. The favorable variance in non-tax revenues is mainly comprised of changes for current services and pension and social security reimbursements.

The difference between the final budget and actual expenditures on a budgetary basis was $299.3 million. The difference is mostly due to the general government variance of $159.9 million and lower education variance of $106.0 million. The general government variance is mostly due to $24.1 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 $60.3 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 Highways. The significant negative variance for Public Safety was due to emergency spending from flooding and other natural disasters.

Capital Assets

The State's capital assets for its governmental and business-type activities as of June 30, 2020, amounted to $14.8 billion (net of accumulated depreciation of $13.9 billion), an increase of $571.8 million from fiscal 2019. The increase is due to an increase in governmental activities assets of $793.8 million and in business-type assets of $444.8 million offset by increases in governmental activities and business-type activities accumulated depreciation of $499.4 million and $167.4 million, respectively. Major capital improvement projects, which received funding in the fiscal year ended June 30, 2020, included the following:

- $674.3 million for various capital improvements at airports statewide.
- $449.8 million for various capital improvement projects and repair and maintenance of public school facilities throughout the State.
- $237.9 million for various capital improvement projects at harbors statewide.
- $202.1 million for various highway improvement projects throughout the State.
- $191.1 million for various building 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 $10.6 billion. Of this amount, $7.9 billion comprises debt backed by the full faith and credit of the State and $2.7 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, 2020 and 2019
(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	$ 7,294,070	$ 7,914,382	$ 18,690	$ 21,026	$ 7,312,760	$ 7,935,408
Bond anticipation note	600,000	-	-	-	600,000	-
Revenue bonds	623,120	571,306	2,093,075	1,968,315	2,716,195	2,539,621
Total	$ 8,517,190	$ 8,485,688	$ 2,111,765	$ 1,989,341	$ 10,628,955	$ 10,475,029

The State's total long-term debt increased by $153.9 million, or 1.5%, during the current fiscal year. The increase is primarily due to bond maturities and issuances of GO bond anticipation note and revenue bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2020, the State's underlying general obligation bond ratings were Moody's Investors Service (Aa2), 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, 2020 was $676.9 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 2020 was 14.2%, while the seasonally adjusted national unemployment rate was 6.9%. One year ago, the State's seasonally adjusted unemployment rate stood at 2.7%, while the seasonally adjusted national unemployment rate was 3.6%.

The Council of Revenues in September 2020 revised the State's General Fund tax revenue growth rate for fiscal year 2021 from negative12.0% to negative 11.0%. The council also revised the General Fund tax revenue growth rate for fiscal year 2022 from 12.0% to 8.5%. The Council forecasted that General Fund tax revenues will grow by 6.0%, 4.0%, and 3.0% in fiscal years 2023, 2024, and 2025–2027 respectively.

Cumulative general fund tax revenues for the first five months of fiscal 2021 was $2.7 billion, a decrease of $229.8 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, decreased 24.0%.

On March 4, 2020, the State of Hawaii Governor proclaimed the spread of COVID-19 in Hawaii to be a disaster, declared a state of emergency, and announced State responses, including the use of disaster relief funds, to address the spread of COVID-19. The Governor subsequently issued seventeen supplementary proclamations through December 16, 2020, and a series of executive orders restricting non-essential business, activities, and government operations for the duration of the public health emergency. On March 17, 2020, the Governor asked visitors to postpone their trips to Hawaii and then implemented a mandatory fourteen-day self-quarantine requirement for all persons entering the State, as well as for inter-island travelers.

Since the first case was reported on February 17, 2020, there have been over 19,500 confirmed cases and 278 deaths from COVID-19 in the State as of December 16, 2020. The spread of COVID-19 and responsive measures have had a negative impact on the State's economy. Economic activity in the State has slowed significantly, due to restrictions on non-essential businesses, traveler quarantine requirements, and substantial reduction in visitors to Hawaii. Airlines have suspended nearly all flights to and from the State and the U.S. Mainland and Asia, resulting in a reduction in air seat capacity.

The impact on State finances has been severe. The State's expenditures to respond to the COVID-19 pandemic were not budgeted, and State tax revenues have declined with the suspension of economic activity. It is likely that the fiscal impact of the COVID-19 pandemic will last for several years and continue to change as the situation further develops. The fiscal impact will depend on the future events outside of the State's control, including actions of the federal government. In response to these budget shortfalls, the Governor has imposed a 10% spending restriction on discretionary operating expenses of general funds for all departments and agencies of the Executive Branch for fiscal year 2021. The Governor also implemented a two day per month furlough starting January 1, 2021 for most employees, but in light of the Federal COVID–19 relief bill providing additional aid to state and local governments, the furlough has been postponed to an unknown date.

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, 2020
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 880,262	$ 944,699	$ 1,824,961	$ 1,168,733
Receivables				
Taxes	569,020	53,190	622,210	-
Accounts and accrued interest, net	-	53,390	53,390	194,678
Notes, loans, mortgages and contributions, net	142,776	661,079	803,855	679,687
Federal government	83,977	40,731	124,708	715
Premiums	-	75,801	75,801	-
Drug rebate	91,560	-	91,560	-
Other, net	27,933	43,652	71,585	18,865
Total receivables	915,266	927,843	1,843,109	893,945
Internal balances	1,617	(1,617)	-	-
Due from component units	256,000	-	256,000	-
Due from primary government	-	-	-	581,714
Due from agency fund	461,711	-	461,711	-
Investments	2,971,607	84,914	3,056,521	1,134,375
Inventories				
Materials and supplies	-	199	199	21,988
Developments in progress and dwelling units	-	-	-	35,956
Total inventories	-	199	199	57,944
Restricted assets	-	1,113,595	1,113,595	103,527
Other assets				
Prepaid expenses	6,255	6,089	12,344	31,193
Other	3,884	-	3,884	30,064
Total other assets	10,139	6,089	16,228	61,257
Capital assets				
Land and land improvements	2,371,333	2,627,756	4,999,089	599,869
Infrastructure	10,428,613	-	10,428,613	323,886
Construction in progress	1,106,707	1,731,677	2,838,384	399,121
Buildings, improvements and equipment	6,890,008	3,395,316	10,285,324	5,137,036
Intangible assets – software	154,627	-	154,627	-
Accumulated depreciation and amortization	(10,849,762)	(3,053,140)	(13,902,902)	(3,116,251)
Total capital assets, net	10,101,526	4,701,609	14,803,135	3,343,661
Total assets	15,598,128	7,777,331	23,375,459	7,345,156
Deferred outflows of resources				
Deferred asset retirement obligations	-	-	-	2,402
Deferred loss on refunding	119,823	1,842	121,665	11,588
Deferred outflows on net pension liability	1,171,683	40,310	1,211,993	394,007
Deferred outflows on net other postemployment benefits liability	676,377	24,828	701,205	227,750
Total deferred outflows of resources	$ 1,967,883	$ 66,980	$ 2,034,863	$ 635,747

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

State of Hawaii
Statement of Net Position
June 30, 2020
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Vouchers and contracts payable	$ 319,099	$ 284,016	$ 603,115	$ 135,684
Other accrued liabilities	427,731	168,663	596,394	87,172
Advance from federal government	775,181	-	775,181	-
Due to component units	581,714	-	581,714	-
Due to primary government	-	-	-	256,000
Unearned revenue	-	-	-	81,356
Premiums payable	-	44,531	44,531	-
Other	107,740	-	107,740	27,698
Long-term liabilities				
Due within one year				
Payable from restricted assets – revenue bonds payable, net	-	61,989	61,989	-
General obligation (GO) bonds payable	569,751	2,451	572,202	-
Notes, mortgages and installment contracts payable	-	-	-	5,631
Bond anticipation note payable	300,000	-	300,000	-
Accrued vacation and retirement benefits payable	77,765	4,972	82,737	53,746
Revenue bonds payable, net	50,729	-	50,729	21,340
Reserve for losses and loss adjustment costs	33,135	2,419	35,554	8,198
Capital lease obligations	6,481	1,024	7,505	3,583
Lease revenue certificates of participation	-	12,116	12,116	-
Customer facility charge revenue bonds	-	10,140	10,140	-
Due more than one year				
Prepaid airport use charge fund	-	312	312	-
GO bonds payable	6,724,319	16,239	6,740,558	-
Bond anticipation note payable	300,000	-	300,000	-
Notes, mortgages and installment contracts payable	-	-	-	58,470
Accrued vacation and retirement benefits payable	167,631	11,688	179,319	60,837
Revenue bonds payable, net	572,391	2,020,946	2,593,337	501,000
Reserve for losses and loss adjustment costs	237,506	4,525	242,031	20,351
Capital lease obligations	108,666	23,525	132,191	5,402
Lease revenue certificates of participation	-	187,710	187,710	-
Unearned revenue	-	-	-	21,140
Estimated future costs of land sold	-	-	-	36,738
Net pension liability	6,999,063	227,353	7,226,416	2,429,510
Net other postemployment benefits liability	6,744,270	233,452	6,977,722	2,409,409
Other	335	-	335	86,010
Total liabilities	25,103,507	3,318,071	28,421,578	6,309,275
Deferred inflows of resources				
Deferred inflows on net pension liability	50,692	2,721	53,413	43,083
Deferred inflows on net other postemployment benefits liability	107,265	3,421	110,686	34,557
Total deferred inflows of resources	157,957	6,142	164,099	77,640
Net position				
Net investment in capital assets	2,478,200	2,629,344	5,107,544	2,790,432
Restricted for				
Capital maintenance projects	155,486	-	155,486	-
Health and welfare	267,526	-	267,526	-
Natural resources	168,884	-	168,884	-
Native Hawaiian programs	393,280	-	393,280	-
Education	191,276	-	191,276	-
Regulatory and economic development	295,864	-	295,864	-
Administrative support	830,313	-	830,313	-
Other purposes	42,219	-	42,219	-
Bond requirements and other	152	1,639,488	1,639,640	1,245,481
Unrestricted	(12,518,653)	251,266	(12,267,387)	(2,441,925)
Total net position	$ (7,695,453)	$ 4,520,098	$ (3,175,355)	$ 1,593,988

State of Hawaii
Statement of Activities
Year Ended June 30, 2020
(Amounts in thousands)

		Program Revenues			Net Revenue (Expense) and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary government								
Governmental activities								
General government	$ 1,129,769	$ 292,428	$ 385,659	$ -	$ (451,682)	$ -	$ (451,682)	
Public safety	642,353	82,296	53,847	-	(506,210)	-	(506,210)	
Highways	531,105	10,183	151,900	-	(369,022)	-	(369,022)	
Conservation of natural resources	109,093	78,019	32,245	-	1,171	-	1,171	
Health	1,138,450	130,082	132,570	-	(875,798)	-	(875,798)	
Welfare	3,678,820	101,966	2,449,005	-	(1,127,849)	-	(1,127,849)	
Lower education	3,595,747	42,474	300,261	-	(3,253,012)	-	(3,253,012)	
Higher education	1,050,582	65	34	-	(1,050,483)	-	(1,050,483)	
Other education	16,936	-	-	-	(16,936)	-	(16,936)	
Culture and recreation	155,261	8,306	4,927	-	(142,028)	-	(142,028)	
Urban redevelopment and housing	246,495	20,641	24,562	-	(201,292)	-	(201,292)	
Economic development and assistance	4,868	31,529	62,812	-	89,473	-	89,473	
Interest expense	244,994	-	-	-	(244,994)	-	(244,994)	
Total governmental activities	12,544,473	797,989	3,597,822	-	(8,148,662)	-	(8,148,662)	
Business-type activities								
Airports	559,374	475,064	-	67,183	-	(17,127)	(17,127)	
Harbors	98,998	176,132	-	163	-	77,297	77,297	
Unemployment compensation	2,147,598	1,391,747	-	-	-	(755,851)	(755,851)	
Nonmajor proprietary funds	108,798	153,151	-	28,374	-	72,727	72,727	
Total business-type activities	2,914,768	2,196,094	-	95,720	-	(622,954)	(622,954)	
Total primary government	$ 15,459,241	$ 2,994,083	$ 3,597,822	$ 95,720	(8,148,662)	(622,954)	(8,771,616)	
Component units								
University of Hawaii	$ 1,883,252	$ 379,994	$ 437,936	$ -				$ (1,065,322)
Hawaii Housing Finance and Development Corporation	273,016	48,430	20,719	-				(203,867)
Hawaii Public Housing Authority	166,325	25,487	108,069	3,005				(29,764)
Hawaii Health Systems Corporation	701,535	460,131	1,201	18,660				(221,543)
Hawaii Tourism Authority	88,007	6,716	-	-				(81,291)
Hawaii Community Development Authority	19,791	3,766	-	-				(16,025)
Hawaii Hurricane Relief Fund	1	-	-	-				(1)
Total component units	$ 3,131,927	$ 924,524	$ 567,925	$ 21,665				(1,617,813)
General revenues								
Taxes								
General excise tax					3,667,538	-	3,667,538	-
Net income tax – corporations and individuals					2,661,618	-	2,661,618	-
Public service companies tax					134,639	-	134,639	-
Transient accommodations tax					304,012	-	304,012	79,583
Tobacco and liquor tax					150,065	-	150,065	-
Liquid fuel tax					79,187	-	79,187	-
Tax on premiums of insurance companies					183,563	-	183,563	-
Vehicle weight and registration tax					125,119	-	125,119	-
Rental motor/tour vehicle surcharge tax					72,502	-	72,502	-
Franchise tax					35,271	-	35,271	-
Other tax					157,623	-	157,623	-
Interest and investment income					164,354	84,866	249,220	32,248
Payments from the primary government, net					-	-	-	1,299,218
Gifts and subsidies					-	-	-	40,617
Other					-	-	-	27,519
Total general revenues					7,735,491	84,866	7,820,357	1,479,185
Change in net position					(413,171)	(538,088)	(951,259)	(138,628)
Net position								
Beginning of year					(7,282,282)	5,058,186	(2,224,096)	1,732,616
End of year					$ (7,695,453)	$ 4,520,098	$ (3,175,355)	$ 1,593,988

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, 2020
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 104,176	$ 13,178	$ 13,127	$ 293,893	$ 455,888	$ 880,262
Receivables						
Taxes	481,568	-	-	-	-	481,568
Notes and loans, net of allowance for doubtful accounts of $46,949	1,340	-	-	-	141,436	142,776
Federal government	-	-	61,196	-	22,781	83,977
Drug rebate	-	-	91,560	-	-	91,560
Medical assistance	-	-	33	-	-	33
Other	7,900	-	-	-	-	7,900
Due from other funds	195,610	-	-	-	152	195,762
Due from proprietary funds	20	1,597	-	-	-	1,617
Due from agency funds	455,012	-	-	6,700	-	461,712
Due from component units	6,000	-	-	250,000	-	256,000
Investments	445,648	306,244	52,509	1,061,843	1,105,363	2,971,607
Other assets	3,882	-	-	-	-	3,882
Total assets	$ 1,701,156	$ 321,019	$ 218,425	$ 1,612,436	$ 1,725,620	$ 5,578,656
Liabilities and Fund Balances						
Liabilities						
Vouchers and contracts payable	$ 123,599	$ 81,808	$ 4,484	$ 1,405	$ 107,498	$ 318,794
Other accrued liabilities	305,837	-	59,826	5,525	56,539	427,727
Advance from federal government	-	-	-	775,181	-	775,181
Due to other funds	152	-	125,465	-	70,145	195,762
Due to component units	2,979	577,453	-	-	-	580,432
Payable from restricted assets						
Matured bonds and interest payable	-	-	-	-	335	335
Total liabilities	432,567	659,261	189,775	782,111	234,517	2,298,231
Fund balances						
Restricted	-	14,567	-	-	1,451	16,018
Committed	-	9,339	-	702,352	329,879	1,041,570
Assigned	479,071	-	28,650	127,973	1,159,773	1,795,467
Unassigned	789,518	(362,148)	-	-	-	427,370
Total fund balances	1,268,589	(338,242)	28,650	830,325	1,491,103	3,280,425
Total liabilities and fund balances	$ 1,701,156	$ 321,019	$ 218,425	$ 1,612,436	$ 1,725,620	$ 5,578,656

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, 2020
(Amounts in thousands)

Total fund balance – Governmental funds	$ 3,280,425
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	2,371,333
Infrastructure	10,428,613
Construction in progress	1,106,707
Buildings, improvements and equipment	6,890,008
Intangible assets – software	154,627
Accumulated depreciation and amortization	(10,849,762)
	10,101,526
Accrued interest and other payables are not recognized in governmental funds.	(108,053)
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.	113,713
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	(7,294,070)
Bond anticipation note payable	(600,000)
Accrued vacation payable	(245,396)
Revenue bonds payable	(623,120)
Reserve for losses and loss adjustment costs	(270,641)
Other postemployment benefits liability	(6,744,270)
Net pension liability	(6,999,063)
Long-term transactions with component units	(1,283)
Capital lease obligations	(115,147)
	(22,892,990)
Deferred outflows of resources are for future periods and are not reported in the funds. Those deferred outflows consist of	
Deferred loss on refunding	119,823
Deferred outflows on net pension liability	1,171,683
Deferred outflows on other postemployment benefits liability	676,377
	1,967,883
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	(50,692)
Deferred inflows on other postemployment benefits liability	(107,265)
	(157,957)
Net position of governmental activities	$ (7,695,453)

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, 2020
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes						
General excise tax	$ 3,364,897	$ -	$ -	$ 267,733	$ -	$ 3,632,630
Net income tax – corporations and individuals	2,657,551	-	-	-	-	2,657,551
Public service companies tax	134,639	-	-	-	-	134,639
Transient accommodations tax	303,176	-	-	-	-	303,176
Tobacco and liquor tax	125,532	-	-	1,712	22,821	150,065
Liquid fuel tax	-	-	-	-	79,187	79,187
Tax on premiums of insurance companies	180,753	-	-	-	2,810	183,563
Vehicle weight and registration tax	-	-	-	-	125,119	125,119
Rental motor/vehicle surcharge tax	2	-	-	-	72,500	72,502
Franchise tax	33,271	-	-	-	2,000	35,271
Other	85,441	-	-	53,857	18,293	157,591
Total taxes	6,885,262	-	-	323,302	322,730	7,531,294
Interest and investment income	91,740	-	-	20,114	52,500	164,354
Charges for current services	218,697	-	-	78,200	198,112	495,009
Intergovernmental	14,169	-	1,663,018	378,016	1,278,193	3,333,396
Rentals	408	-	-	817	33,810	35,035
Fines, forfeitures and penalties	18,670	-	-	155	9,754	28,579
Licenses and fees	877	-	-	238	44,648	45,763
Revenues from private sources	5,571	-	74,227	2,131	46,472	128,401
Other	65,216	-	95,453	3,680	165,275	329,624
Total revenues	7,300,610	-	1,832,698	806,653	2,151,494	12,091,455
Expenditures						
Current						
General government	587,460	47,018	-	468,341	34,455	1,137,274
Public safety	438,510	31,049	-	27,110	115,422	612,091
Highways	23,600	178,876	-	-	297,736	500,212
Conservation of natural resources	81,675	16,647	-	21	69,040	167,383
Health	780,726	106,663	-	-	209,055	1,096,444
Welfare	1,240,717	1,812	1,750,999	14,582	645,100	3,653,210
Lower education	2,671,404	229,200	-	4,826	445,878	3,351,308
Higher education	851,779	198,803	-	-	-	1,050,582
Other education	7,407	-	-	-	9,529	16,936
Culture and recreation	82,271	15,618	-	13,542	32,308	143,739
Urban redevelopment and housing	23,595	7,828	-	-	46,638	78,061
Economic development and assistance	60,989	29,005	-	-	76,393	166,387
Housing	34,306	119,105	-	-	-	153,411
Other	4,999	-	-	6,896	1,398	13,293
Debt service	-	-	-	-	896,501	896,501
Total expenditures	6,889,438	981,624	1,750,999	535,318	2,879,453	13,036,832
Excess (deficiency) of revenues over (under) expenditures	411,172	(981,624)	81,699	271,335	(727,959)	(945,377)
Other financing sources (uses)						
Issuance of bond anticipation note	-	600,000	-	-	-	600,000
Issuance of revenue and refunding revenue bonds – par	-	81,835	-	-	-	81,835
Issuance of revenue and refunding revenue bonds – premium	-	18,661	-	-	-	18,661
Transfers in	175,694	131,353	3,835	8,160	1,005,861	1,324,903
Transfers out	(940,592)	(2,212)	(92,120)	(11,687)	(278,292)	(1,324,903)
Total other financing sources (uses)	(764,898)	829,637	(88,285)	(3,527)	727,569	700,496
Net change in fund balances	(353,726)	(151,987)	(6,586)	267,808	(390)	(244,881)
Fund balances						
Beginning of year	1,622,315	(186,255)	35,236	562,517	1,491,493	3,525,306
End of year	$ 1,268,589	$ (338,242)	$ 28,650	$ 830,325	$ 1,491,103	$ 3,280,425

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, 2020
(Amounts in thousands)

Total net change in fund balances – Governmental funds	$ (244,881)
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	1,422,646
Capital asset disposals	(628,874)
Accumulated depreciation on disposals	22,781
Depreciation expense	(522,151)
Excess of capital outlay over depreciation expense	294,402
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.	(700,495)
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	564,222
Capital lease payments	7,775
Total long-term debt repayment	571,997
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.	39,843
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	(15,217)
Change in reserve for losses and loss adjustment costs	5,852
Change in accrued interest on bonds payable	(1,397)
Change in accrued interest on capital leases	(1,833)
Amortization of bond premium and deferred amount on refunding	96,539
Net pension activity	(478,927)
Net other postemployment benefits activity	20,946
Total	(374,037)
Change in net position of governmental activities	$ (413,171)

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

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2020
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Assets					
Current assets					
Cash and cash equivalents	$ 494,687	$ 199,316	$ 92,644	$ 158,052	$ 944,699
Investments	-	-	-	84,914	84,914
Restricted assets – cash and short-term investments	220,101	34,357	-	-	254,458
Receivables					
Taxes	46	-	53,144	-	53,190
Accounts and accrued interest, net of allowance for doubtful accounts of $19,061	36,229	16,694	-	467	53,390
Promissory note receivable, net of allowance for doubtful accounts of $2,180	-	409	-	48,647	49,056
Federal government	40,261	-	-	470	40,731
Premiums	-	-	-	75,801	75,801
Other	21,924	-	-	21,728	43,652
Materials and supplies inventory	199	-	-	-	199
Prepaid expenses and other assets	-	808	-	5,281	6,089
Total current assets	813,447	251,584	145,788	395,360	1,606,179
Noncurrent assets					
Capital assets					
Land and land improvements	1,997,185	630,571	-	-	2,627,756
Construction in progress	1,497,315	234,362	-	-	1,731,677
Buildings and improvements	2,403,049	617,192	-	-	3,020,241
Equipment	332,814	28,156	-	14,105	375,075
	6,230,363	1,510,281	-	14,105	7,754,749
Less: Accumulated depreciation	(2,568,037)	(472,448)	-	(12,655)	(3,053,140)
Net capital assets	3,662,326	1,037,833	-	1,450	4,701,609
Promissory note receivable	-	-	-	612,023	612,023
Restricted assets – net direct financing leases	21,878	-	-	-	21,878
Restricted assets – cash and cash equivalents	327,257	188,680	-	-	515,937
Restricted assets – investments	321,322	-	-	-	321,322
Total noncurrent assets	4,332,783	1,226,513	-	613,473	6,172,769
Total assets	5,146,230	1,478,097	145,788	1,008,833	7,778,948
Deferred outflows of resources					
Deferred loss on refunding	353	1,489	-	-	1,842
Deferred outflows on net pension liability	31,846	5,931	-	2,533	40,310
Deferred outflows on net other postemployment benefits liability	19,774	3,574	-	1,480	24,828
Total deferred outflows of resources	$ 51,973	$ 10,994	$ -	$ 4,013	$ 66,980

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

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2020
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Liabilities					
Current liabilities					
Vouchers and contracts payable	$ 47,226	$ 7,605	$ 228,065	$ 1,120	$ 284,016
Payable from restricted assets – contracts payable, accrued interest, and other	120,214	23,389	-	-	143,603
Other accrued liabilities	18,415	-	-	1,293	19,708
Due to governmental funds	20	1,597	-	-	1,617
Benefit claims payable	-	-	-	5,352	5,352
General obligation bonds payable, current portion	-	2,451	-	-	2,451
Reserve for losses and loss adjustment costs	2,143	276	-	-	2,419
Capital lease obligations	-	1,024	-	-	1,024
Lease revenue certificates of participation	12,116	-	-	-	12,116
Customer facility charge revenue bonds	10,140	-	-	-	10,140
Accrued vacation, current portion	4,115	627	-	230	4,972
Payable from restricted assets – revenue bond payable	44,690	17,299	-	-	61,989
Premiums payable	-	-	-	44,531	44,531
Total current liabilities	259,079	54,268	228,065	52,526	593,938
Noncurrent liabilities					
General obligation bonds payable	-	16,239	-	-	16,239
Accrued vacation	8,936	2,092	-	660	11,688
Revenue bonds payable, net of unamortized bond premium and bond discount	1,778,808	242,138	-	-	2,020,946
Reserve for losses and loss adjustment cost	3,422	1,103	-	-	4,525
Capital lease obligations	-	23,525	-	-	23,525
Lease revenue certificates of participation	187,710	-	-	-	187,710
Net pension liability	176,969	37,288	-	13,096	227,353
Net other postemployment benefits liability	180,998	38,397	-	14,057	233,452
Prepaid airport use charge fund	312	-	-	-	312
Total noncurrent liabilities	2,337,155	360,782	-	27,813	2,725,750
Total liabilities	2,596,234	415,050	228,065	80,339	3,319,688
Deferred inflows of resources					
Deferred inflows on net pension liability	1,808	373	-	540	2,721
Deferred inflows on net other postemployment benefits liability	2,691	527	-	203	3,421
Total deferred inflows of resources	4,499	900	-	743	6,142
Net position					
Net investment in capital assets	1,891,249	736,646	-	1,449	2,629,344
Restricted for bond requirements and other	657,898	209,525	-	772,065	1,639,488
Unrestricted	48,323	126,970	(82,277)	158,250	251,266
Net position	$ 2,597,470	$ 1,073,141	$ (82,277)	$ 931,764	$ 4,520,098

State of Hawaii
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2020
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Concession fees	$ 151,025	$ -	$ -	$ -	$ 151,025
Unemployment compensation	-	-	1,391,747	-	1,391,747
Aviation fuel tax	2,191	-	-	-	2,191
Airport use charges	74,357	-	-	-	74,357
Rentals	147,762	27,120	-	-	174,882
Services and others	-	147,896	-	-	147,896
Administrative fees	-	-	-	4,803	4,803
Premium revenue – self insurance	-	-	-	103,180	103,180
Experience refunds, net	-	-	-	41,831	41,831
Other	7,623	1,116	-	3,337	12,076
Total operating revenues	382,958	176,132	1,391,747	153,151	2,103,988
Operating expenses					
Personnel services	219,138	23,692	-	8,227	251,057
Depreciation and amortization	135,992	32,453	-	447	168,892
Repairs and maintenance	53,250	1,550	-	320	55,120
Airports operations	41,935	-	-	-	41,935
Harbors operations	-	18,849	-	-	18,849
General administration	22,111	11,970	-	5,368	39,449
Unemployment compensation	-	-	2,147,598	-	2,147,598
Claims	-	-	-	88,136	88,136
Other	2,610	-	-	6,300	8,910
Total operating expenses	475,036	88,514	2,147,598	108,798	2,819,946
Operating income (loss)	(92,078)	87,618	(755,851)	44,353	(715,958)
Nonoperating revenues (expenses)					
Interest and investment income	25,277	-	51,797	7,792	84,866
Interest expense	(84,338)	(6,107)	-	-	(90,445)
Federal grants	51,506	-	-	-	51,506
Loss on disposal of capital assets	(1)	(4,377)	-	-	(4,378)
Rental car customer and passenger facility charges	93,891	-	-	-	93,891
Other	(1,784)	-	-	-	(1,784)
Total nonoperating revenues (expenses)	84,551	(10,484)	51,797	7,792	133,656
Income (loss) before capital contributions	(7,527)	77,134	(704,054)	52,145	(582,302)
Capital contributions	15,677	163	-	28,374	44,214
Change in net position	8,150	77,297	(704,054)	80,519	(538,088)
Net position					
Beginning of year	2,589,320	995,844	621,777	851,245	5,058,186
End of year	$ 2,597,470	$ 1,073,141	$ (82,277)	$ 931,764	$ 4,520,098

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, 2020
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities					
Cash received from customers	$ 379,859	$ 179,790	$ -	$ -	$ 559,649
Cash received from taxes	-	-	200,589	-	200,589
Cash received from employers and employees for premiums and benefits	-	-	-	661,623	661,623
Cash paid to suppliers	(208,952)	(34,005)	-	(4,595)	(247,552)
Cash paid to employees	(114,596)	(20,923)	-	(8,603)	(144,122)
Cash paid for unemployment compensation	-	-	(1,925,287)	-	(1,925,287)
Cash paid for premiums and benefits payable	-	-	-	(626,034)	(626,034)
Other cash receipts	-	-	1,189,897	-	1,189,897
Net cash provided by (used in) operating activities	56,311	124,862	(534,801)	22,391	(331,237)
Cash flows from noncapital financing activities					
Proceeds from federal operating grants	14,548	-	-	23,314	37,862
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(386,378)	(102,916)	-	(107)	(489,401)
Proceeds from federal, state and capital grants and contributions	25,342	-	-	4,708	30,050
Proceeds from customer facility charge revenue bonds	194,710	-	-	-	194,710
Principal paid on airports system revenue bonds	(42,585)	-	-	-	(42,585)
Repayment of general obligation and revenue bonds principal	-	(19,702)	-	-	(19,702)
Bond issue costs paid	(1,718)	-	-	-	(1,718)
Proceeds from airports system revenue bonds	6,461	-	-	-	6,461
Payments for lease revenue certificates of participation	(10,301)	-	-	-	(10,301)
Payments to refund airports system revenues bonds	(6,314)	-	-	-	(6,314)
Interest paid on outstanding debt	(91,282)	-	-	-	(91,282)
Proceeds from passenger facility charges program	45,611	-	-	-	45,611
Proceeds from rental car customer facility charges program	65,947	-	-	-	65,947
Principal paid on rental car customer facility charges program	(5,120)	-	-	-	(5,120)
Interest paid on bonds	-	(13,284)	-	-	(13,284)
Principal paid on capital lease obligation	-	(915)	-	-	(915)
Principal paid on loan payable	(76,000)	-	-	-	(76,000)
Net cash provided by (used in) capital and related financing activities	(281,627)	(136,817)	-	4,601	(413,843)
Cash flows from investing activities					
Proceeds from sales and maturities of investments	401,698	-	-	-	401,698
Interest received from investments	44,124	14,746	51,795	11,090	121,755
Purchase of investments	(448,856)	-	-	(23,636)	(472,492)
Principal repayments on notes receivable	-	-	-	43,382	43,382
Disbursement of note receivable proceeds	-	-	-	(159,100)	(159,100)
Interest income from notes receivable	-	-	-	1,659	1,659
Administrative loan fees	-	-	-	4,533	4,533
Net cash provided by (used in) investing activities	(3,034)	14,746	51,795	(122,072)	(58,565)
Net increase (decrease) in cash and cash equivalents	(213,802)	2,791	(483,006)	(71,766)	(765,783)
Cash and cash equivalents, including restricted amounts					
Beginning of year	1,255,847	419,562	575,650	229,818	2,480,877
End of year	$ 1,042,045	$ 422,353	$ 92,644	$ 158,052	$ 1,715,094

(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, 2020
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (92,078)	$ 87,618	$ (755,851)	$ 44,353	$ (715,958)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	135,992	32,453	-	447	168,892
Provision for uncollectible accounts	71	5,971	-	-	6,042
Premium reserves held by insurance companies	-	-	-	(35,404)	(35,404)
Principal forgiveness of loans	-	-	-	5,174	5,174
Interest income from loans	-	-	-	(1,708)	(1,708)
Administrative loan fees	-	-	-	(4,803)	(4,803)
Changes in assets, deferred outflows, liabilities and deferred inflows					
Receivables	1,363	(5,077)	(1,261)	11,578	6,603
Prepaid and other expenses	-	-	-	49	49
Other current assets	10	(7)	-	-	3
Net deferred outflows/inflows of resources	(1,081)	463	-	71	(547)
Vouchers and contracts payable	3,442	(1,903)	222,311	291	224,141
Net pension liability	9,360	2,174	-	916	12,450
Other postemployment benefits liability	224	44	-	17	285
Other accrued liabilities	(992)	3,126	-	557	2,691
Benefit claims payable	-	-	-	853	853
Net cash provided by (used in) operating activities	$ 56,311	$ 124,862	$ (534,801)	$ 22,391	$ (331,237)
Supplemental information					
Noncash investing, capital and financing activities					
Amortization of bond discount, bond premium, and loss on refunding	$ (4,521)	$ (627)	$ -	$ -	$ (5,148)
Interest payments relating to special facility revenue bonds	1,222	-	-	-	1,222
Amortization of certificates of participation premium	(557)	-	-	-	(557)
Amounts included in contracts payable for the acquisition of capital assets	83,041	8,964	-	-	92,005
Payments to refund airports system revenue bonds	(241,181)	-	-	-	(241,181)
Proceeds from issuance of refunding airports system revenue bonds	247,642	-	-	-	247,642
Other assets utilized for the acquisition of capital assets	1	1,288	-	-	1,289
Capital contributions	-	163	-	-	163

(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, 2020
(Amounts in thousands)

	Agency Funds	OPEB Trust Fund
Assets		
Cash and cash equivalents	$ 692,039	$ 415,650
Receivables		
Taxes	5,666	-
Rebates and other receivables from insurance companies	-	48,594
Experience refunds due from insurance companies	-	5,926
Other	-	15
Investments		
Certificates of deposit	114,733	-
U.S. government securities	344,199	240,624
Equity securities	-	462,167
Mutual funds	-	71,949
Commingled funds	-	1,812,782
Alternative investments	-	589,910
Real estate	-	375,657
Derivatives	-	(450)
Invested securities lending collateral	-	18,499
Other assets, primarily due from individuals, businesses and counties	5,208	8,165
Total assets	1,161,845	4,049,488
Liabilities and Net Position		
Liabilities		
Vouchers payable	20,975	-
Due to other funds	461,712	-
Due to individuals, businesses and counties	679,158	-
Premium payable	-	26,500
Benefit claims payable	-	19,849
Securities lending collateral	-	18,499
Other accrued liabilities	-	2,553
Total liabilities	1,161,845	67,401
Net position restricted for OPEB	$ -	$ 3,982,087

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, 2020
(Amounts in thousands)

Additions	
Employer contributions	$ 1,112,861
Investment income	
Investing activities	
Interest	65,324
Net appreciation in the fair value of investments	13,786
	79,110
Less: Investment expenses	8,149
Net investment income from investing activities	70,961
Securities lending activities	
Securities lending income	625
Less: Securities lending expenses	137
Net investment income from securities lending activities	488
Total net investment income	71,449
Other revenues, net	382
Total additions	1,184,692
Deductions	
Benefits claims expense and carrier payments	504,885
Total deductions	504,885
Net increase in fiduciary net position	679,807
Net position	
Beginning of year	3,302,280
End of year	$ 3,982,087

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, 2020
(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	$ 102,561	$ 634,592	$ 104,889	$ 199,253
Receivables				
Accounts and accrued interest, net of allowance for doubtful accounts of $63,697	92,146	37,698	655	61,539
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of $2,193	11,554	507	-	-
Federal government	-	-	715	-
Other, net of allowance for doubtful accounts of $136	9,394	2,563	75	6,833
Due from primary government	1,951	5,902	56,303	41,939
Investments	371,244	-	-	7,961
Inventories – materials and supplies	8,601	-	885	12,502
Prepaid expenses and other assets	28,640	1,216	866	-
Total current assets	626,091	682,478	164,388	330,027
Restricted assets				
Cash and cash equivalents	-	14,889	-	22,875
Investments	-	40,561	-	-
Deposits, funded reserves and other	-	1,010	-	-
Total restricted assets	-	56,460	-	22,875
Capital assets				
Land and land improvements	221,000	82,564	25,340	10,807
Infrastructure	279,572	-	-	-
Construction in progress	252,282	-	96,484	30,571
Buildings, improvements and equipment	3,284,334	52,684	724,976	829,546
Less: Accumulated depreciation	(1,843,972)	(38,893)	(465,919)	(534,344)
Total capital assets, net	2,193,216	96,355	380,881	336,580
Other assets				
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of $5,986	19,946	623,447	8,717	-
Due from primary government	474,418	-	-	-
Inventories – developments in progress and dwelling units	-	35,956	-	-
Investments	558,916	-	-	-
Other assets	29,732	-	-	14
Total other assets	1,083,012	659,403	8,717	14
Total assets	3,902,319	1,494,696	553,986	689,496
Deferred outflows of resources				
Deferred asset retirement obligations	2,402	-	-	-
Deferred loss on refunding	11,588	-	-	-
Deferred outflows on net pension liability	297,072	1,835	6,482	87,422
Deferred outflows on net other postemployment benefits liability	165,614	1,174	4,358	55,486
Total deferred outflows of resources	$ 476,676	$ 3,009	$ 10,840	$ 142,908

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
$ 101,815	$ 25,195	$ 428	$ 1,168,733
919	743	978	194,678
-	-	-	12,061
-	-	-	715
-	-	-	18,865
-	1,201	-	107,296
-	-	194,240	573,445
-	-	-	21,988
471	-	-	31,193
103,205	27,139	195,646	2,128,974
24,192	-	-	61,956
-	-	-	40,561
-	-	-	1,010
24,192	-	-	103,527
131,497	128,661	-	599,869
-	44,314	-	323,886
3,739	16,045	-	399,121
229,102	16,394	-	5,137,036
(169,456)	(63,667)	-	(3,116,251)
194,882	141,747	-	3,343,661
-	15,516	-	667,626
-	-	-	474,418
-	-	-	35,956
2,014	-	-	560,930
-	318	-	30,064
2,014	15,834	-	1,768,994
324,293	184,720	195,646	7,345,156
-	-	-	2,402
-	-	-	11,588
984	212	-	394,007
596	522	-	227,750
$ 1,580	$ 734	$ -	$ 635,747

(continued)

State of Hawaii
Component Units
Statement of Net Position
June 30, 2020
(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	$ 64,866	$ 271	$ 6,748	$ 60,312
Other accrued liabilities	78,398	4,726	3,612	-
Due to primary government	6,000	250,000	-	-
Unearned revenue	35,793	385	2,854	42,204
Notes, mortgages and installation contracts payable	-	14	-	5,617
Accrued vacation and retirement benefits payable	37,922	-	-	15,597
Revenue bonds payable, net	19,695	1,645	-	-
Reserve for losses and loss adjustment costs	5,282	-	-	2,916
Capital lease obligations	1,551	-	-	2,032
Other liabilities	5,430	-	1,290	15,297
Total current liabilities	254,937	257,041	14,504	143,975
Noncurrent liabilities				
Notes, mortgages and installment contracts payable	7,400	86	-	50,984
Accrued vacation and retirement benefits payable	44,810	-	-	15,571
Revenue bonds payable, net	486,264	14,736	-	-
Reserve for losses and loss adjustment costs	11,683	-	-	8,668
Capital lease obligations	-	-	-	5,402
Unearned revenue	-	21,140	-	-
Estimated future cost of land sold	-	36,738	-	-
Net pension liability	1,791,098	10,781	40,401	576,688
Net other postemployment benefits liability	1,802,492	10,330	40,340	547,830
Other liabilities	52,364	1,756	1,764	19,297
Total noncurrent liabilities	4,196,111	95,567	82,505	1,224,440
Total liabilities	4,451,048	352,608	97,009	1,368,415
Deferred inflows of resources				
Deferred inflows on net pension liability	15,265	442	647	26,490
Deferred inflows on net other postemployment benefits liability	25,443	158	589	8,293
Total deferred inflows of resources	40,708	600	1,236	34,783
Net position				
Net investment in capital assets	1,674,236	96,255	380,881	302,432
Restricted	1,019,515	97,600	3,001	8,617
Unrestricted	(2,806,512)	950,642	82,699	(881,843)
Total net position	$ (112,761)	$ 1,144,497	$ 466,581	$ (570,794)

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
$ 2,847	$ 640	$ -	$ 135,684
286	150	-	87,172
-	-	-	256,000
-	120	-	81,356
-	-	-	5,631
143	84	-	53,746
-	-	-	21,340
-	-	-	8,198
-	-	-	3,583
-	1,391	4,290	27,698
3,276	2,385	4,290	680,408
-	-	-	58,470
270	186	-	60,837
-	-	-	501,000
-	-	-	20,351
-	-	-	5,402
-	-	-	21,140
-	-	-	36,738
6,523	4,019	-	2,429,510
5,618	2,799	-	2,409,409
-	10,829	-	86,010
12,411	17,833	-	5,628,867
15,687	20,218	4,290	6,309,275
175	64	-	43,083
73	1	-	34,557
248	65	-	77,640
194,881	141,747	-	2,790,432
115,057	1,691	-	1,245,481
-	21,733	191,356	(2,441,925)
$ 309,938	$ 165,171	$ 191,356	$ 1,593,988

(concluded)

State of Hawaii
Component Units
Statement of Activities
Year Ended June 30, 2020
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Expenses	$ 1,883,252	$ 273,016	$ 166,325	$ 701,535
Program revenues				
Charges for services	379,994	48,430	25,487	460,131
Operating grants and contributions	437,936	20,719	108,069	1,201
Capital grants and contributions	-	-	3,005	18,660
Total program revenues	817,930	69,149	136,561	479,992
Net program revenues (expenses)	(1,065,322)	(203,867)	(29,764)	(221,543)
General revenues (expenses)				
Interest and investment income	16,482	-	-	1,217
Transient accommodations tax	-	-	-	-
Payments from State, net	1,046,831	119,125	8,769	127,501
Gifts and subsidies	40,617	-	-	-
Other	18,410	-	422	7,313
Net general revenues	1,122,340	119,125	9,191	136,031
Change in net position	57,018	(84,742)	(20,573)	(85,512)
Net position				
Beginning of year	(169,779)	1,229,239	487,154	(485,282)
End of year	$ (112,761)	$ 1,144,497	$ 466,581	$ (570,794)

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
$ 88,007	$ 19,791	$ 1	$ 3,131,927
6,716	3,766	-	924,524
-	-	-	567,925
-	-	-	21,665
6,716	3,766	-	1,514,114
(81,291)	(16,025)	(1)	(1,617,813)
2,252	607	11,690	32,248
79,583	-	-	79,583
-	1,165	(4,173)	1,299,218
-	-	-	40,617
424	950	-	27,519
82,259	2,722	7,517	1,479,185
968	(13,303)	7,516	(138,628)
308,970	178,474	183,840	1,732,616
$ 309,938	$ 165,171	$ 191,356	$ 1,593,988

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, Session Laws of Hawaii (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 Hoʻola Hamakua
  - Kaʻu 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: Kakaʻako, Kalaeloa and Heʻeia.

  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.

- **Administrative Support Special Revenue Fund** – This fund accounts for the proceeds of specific revenue sources that are for specific purposes of certain administrative agencies.

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 healthcare 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, and 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.

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 general obligation and 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 on pension plan investments, changes in assumptions, the net difference between projected and actual earnings, and changes in proportion on pension plan investments 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, changes in assumptions on pension plan investments, 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.

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, 2020 (amounts expressed in thousands):

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Restricted for						
Welfare	$ -	$ -	$ -	$ -	$ 1,451	$ 1,451
Highways	-	14,567	-	-	-	14,567
	-	14,567	-	-	1,451	16,018
Committed to						
General government	-	-	-	694,186	-	694,186
Public safety	-	-	-	-	76,193	76,193
Highways	-	9,339	-	-	-	9,339
Conservation of natural resources	-	-	-	-	24,961	24,961
Health	-	-	-	-	224,632	224,632
Welfare	-	-	-	-	4,093	4,093
Culture and recreation	-	-	-	8,166	-	8,166
	-	9,339	-	702,352	329,879	1,041,570
Assigned to						
General government	37,458	-	-	126,485	4,166	168,109
Public safety	57,192	-	-	-	65,013	122,205
Highways	3,584	-	-	-	155,486	159,070
Conservation of natural resources	18,315	-	-	-	148,220	166,535
Health	73,655	-	-	-	13,681	87,336
Welfare	184,743	-	28,650	-	249	213,642
Education	80,760	-	-	-	190,936	271,696
Culture and recreation	4,395	-	-	1,488	340	6,223
Urban development and housing	4,353	-	-	-	393,280	397,633
Economic development	14,616	-	-	-	188,402	203,018
	479,071	-	28,650	127,973	1,159,773	1,795,467
Unassigned	789,518	(362,148)	-	-	-	427,370
Total	$ 1,268,589	$ (338,242)	$ 28,650	$ 830,325	$ 1,491,103	$ 3,280,425

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 $5,000,000 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, non-incremental estimates (based on projections of historical developments) of claims incurred but not reported, and non-incremental 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. 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, postponed by GASB Statement No. 95 for one year. The State has not yet determined the effect this Statement will have on its financial statements.

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, postponed by GASB Statement No. 95 for eighteen months. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 89
During fiscal year 2020, the State implemented GASB 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. This Statement did not have any effect on the State's 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, postponed by GASB Statement No. 95 for one year. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 91
During fiscal year 2020, the State implemented GASB 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. This Statement did not have a material effect on the State's financial statements.

GASB Statement No. 92
The GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective at multiple periods depending on when certain Statements are implemented, postponed by GASB Statement No. 95 for one year. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 93
The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020, postponed by GASB Statement No. 95 for one year. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 94
The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 95
During fiscal year 2020, the State implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. The requirements of this Statement are effective immediately. This Statement did not have any effect on the State's financial statements.

GASB Statement No. 96
The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 97
The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The main objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Certain requirements of this Statement are effective immediately while other requirements, like reporting for section 457 plans are effective for fiscal years beginning after June 15, 2021. The State has not determined the effect this Statement will have on its financial statements.

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, 2020 was $1,824,961,000 and $1,113,595,000, respectively, and unrestricted cash for the Fiduciary Funds as of June 30, 2020 was $1,107,689,000.

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 $2,849,256,000 at June 30, 2020. Of that amount, approximately $2,412,308,000 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 $95,595,000 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, 2020 (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	$ 2,228,705	$ 1,431,333	$ 797,372	$ -
Mutual funds	84,914	84,914	-	-
Total investments by fair value level	2,313,619	$ 1,516,247	$ 797,372	$ -
Investments measured at amortized cost				
Certificates of deposit	742,902			
Total investments	$ 3,056,521			
Investments – Fiduciary funds				
Investments by fair value level				
Equity securities	$ 462,167	$ 462,167	$ -	$ -
U.S. government securities	584,823	221,053	363,770	-
Mutual funds	71,949	71,949	-	-
Derivatives	(450)	-	(450)	-
	1,118,489	$ 755,169	$ 363,320	$ -
Investments at net asset value (NAV)				
Commingled funds				
Domestic equity	814,557			
International equity	703,635			
Domestic core fixed income	109,944			
Domestic inflation-linked fixed income	184,646			
Real estate	375,657			
Alternative investments	589,910			
Total investments at fair value	3,896,838			
Investments measured at amortized cost				
Certificates of deposit	114,733			
Total investments	$ 4,011,571			
Invested securities lending collateral at NAV				
Money market fund	$ 18,499			

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 accompanying 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 Level 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, 2020.

(amounts expressed in thousands)	Fair Value	Unfunded Commitments	Redemption Frequency	Required Redemption Notice
Investments measured at NAV				
Commingled funds				
Domestic equity	$ 814,557	None	Daily/Monthly	Same as trade date/ Trade date – 2
International equity	703,635	None	Daily	Same as trade date
Domestic core fixed income	109,944	None	Daily	Trade date – 2
Domestic inflation-linked fixed income	184,646	None	Daily	Trade date – 2
Real estate	375,657	$ 37,606	Quarterly	Various up to trade date – 90
Alternative investments	589,910	411,508	Monthly/Quarterly/ Annually	Various up to trade date – 90
Total investments measured at NAV	$ 2,778,349			
Invested securities lending collateral				
Money market fund	$ 18,499			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, 2020 (amounts expressed in thousands):

	Reported Value	Maturity (in years)		
		Less than 1	1−5	>5
Investments − Primary government				
Certificates of deposit	$ 742,902	$ 686,304	$ 56,598	$ -
U.S. government securities	2,228,705	1,500,400	728,305	-
	2,971,607	$ 2,186,704	$ 784,903	$ -
Mutual funds	84,914			
Total investments	$ 3,056,521			
Investments – Fiduciary funds				
Certificates of deposit	$ 114,733	$ 110,296	$ 4,437	$ -
U.S. government securities	584,823	187,494	397,329	-
Derivatives	(450)	-	(450)	-
	699,106	$ 297,790	$ 401,316	$ -
Equity securities	462,167			
Mutual funds	71,949			
Commingled funds	1,812,782			
Real estate	375,657			
Alternative investments	589,910			
Total investments	$ 4,011,571			

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, 2020, the total securities lent for collateral amounted to $223,492,000. The total cash and noncash collateral received amounted to $18,499,000 and $210,778,000, 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, 2020, 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, 2019	Additions	Deductions	Balance at June 30, 2020
Capital assets not being depreciated				
Land and land improvements	$ 2,357,661	$ 13,675	$ (3)	$ 2,371,333
Construction in progress	1,251,417	456,264	(600,974)	1,106,707
Total capital assets not being depreciated	3,609,078	469,939	(600,977)	3,478,040
Capital assets being depreciated				
Infrastructure	10,163,803	268,309	(3,499)	10,428,613
Buildings and improvements	5,404,818	659,458	(2,945)	6,061,331
Equipment	826,130	24,000	(21,453)	828,677
Intangible assets – software	153,687	940	-	154,627
Total capital assets being depreciated	16,548,438	952,707	(27,897)	17,473,248
Less: Accumulated depreciation and amortization				
Infrastructure	(6,548,999)	(226,401)	114	(6,775,286)
Buildings and improvements	(3,079,236)	(226,490)	5,544	(3,300,182)
Equipment	(599,242)	(61,798)	17,123	(643,917)
Intangible assets – software	(122,915)	(7,462)	-	(130,377)
Total accumulated depreciation and amortization	(10,350,392)	(522,151)	22,781	(10,849,762)
Total capital assets, net	$ 9,807,124	$ 900,495	$ (606,093)	$ 10,101,526

	Business-type Activities			
	Balance at July 1, 2019	Additions	Deductions	Balance at June 30, 2020
Capital assets not being depreciated				
Land and land improvements	$ 690,057	$ 149	$ -	$ 690,206
Construction in progress	1,496,806	448,463	(213,592)	1,731,677
Total capital assets not being depreciated	2,186,863	448,612	(213,592)	2,421,883
Capital assets being depreciated				
Land and improvements	1,893,911	43,639	-	1,937,550
Buildings and improvements	2,863,666	160,591	(4,016)	3,020,241
Equipment	365,501	11,900	(2,326)	375,075
Total capital assets being depreciated	5,123,078	216,130	(6,342)	5,332,866
Less: Accumulated depreciation				
Land and improvements	(1,015,516)	(63,854)	-	(1,079,370)
Buildings and improvements	(1,571,341)	(92,386)	120	(1,663,607)
Equipment	(298,860)	(12,652)	1,349	(310,163)
Total accumulated depreciation	(2,885,717)	(168,892)	1,469	(3,053,140)
Total capital assets, net	$ 4,424,224	$ 495,850	$ (218,465)	$ 4,701,609

Depreciation expense for the fiscal year ended June 30, 2020, was charged to functions/ programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities		
Highways	$	214,207
Lower education		121,763
General government		22,606
Welfare		10,434
Urban redevelopment and housing		23,559
Conservation of natural resources		91,356
Public safety		21,998
Health		7,740
Culture and recreation		3,857
Economic development and assistance		4,631
Total depreciation expense – governmental activities	$	522,151
Business-type activities		
Airports	$	135,992
Harbors		32,453
EUTF		94
DWTLF		217
WPCF		136
Total depreciation expense – business-type activities	$	168,892

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 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 1.00% to 5.53%.

On April 9, 2020, the State issued a $600,000,000 bond anticipation note (BAN) of 2020. In accordance with HRS Section 39-15, the State requires that BANs be converted to long-term obligations within five years of original issue date. The BAN is subject to optional redemption. Outstanding principal amounts that mature on or after April 15, 2021 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, 2020, $1,645,270,000 of bonds outstanding are considered defeased from prior years' refunding bonds. At June 30, 2020, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	$ 6,629,098
Noncallable	75,500
Total general obligation bonds outstanding	6,704,598
Add: Unamortized bond premium	608,162
Less: Amount recorded as a liability of proprietary funds – Harbors	(18,690)
Amount recorded in the governmental activities of the primary government	$ 7,294,070

A summary of general obligation bonds outstanding by series as of June 30, 2020, is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
DQ	June 23, 2009	3.600%–5.000%	June 1, 2020–2026	$ 500,000	$ 11,930
DS	November 5, 2009	0.800%–1.450%	September 15, 2019–2024	32,000	14,880
DX	February 18, 2010	4.450%–5.530%	February 1, 2020–2030	500,000	353,285
DZ	December 7, 2011	3.500%–5.000%	December 1, 2019–2031	800,000	56,740
EA	December 7, 2011	3.000%–5.000%	December 1, 2019–2023	403,455	220,555
EE	December 4, 2012	1.000%–5.000%	November 1, 2019–2032	444,000	179,480
EF	December 4, 2012	5.000%	November 1, 2019–2024	396,990	266,365
EG	December 4, 2012	1.600%–3.625%	November 1, 2019–2032	26,000	21,840
EH	November 21, 2013	4.000%–5.000%	August 1, 2019–2033	635,000	345,975
EL	November 21, 2013	1.500%–5.000%	August 1, 2019–2023	50,860	30,805
EM	November 21, 2013	2.450%–4.800%	August 1, 2019–2033	25,000	22,595
EN	November 21, 2013	2.450%–4.800%	August 1, 2019–2033	29,795	26,065
EO	November 25, 2014	3.000%–5.000%	August 1, 2019–2034	575,000	521,635
EP	November 25, 2014	5.000%	August 1, 2019–2026	209,015	187,225
EQ	November 25, 2014	2.035%–3.915%	August 1, 2019–2034	25,000	23,770
ET	October 29, 2015	2.000%–5.000%	October 1, 2019–2035	190,000	174,940
EU	October 29, 2015	2.000%–3.500%	October 1, 2019–2035	35,000	31,895
EX	October 29, 2015	2.000%–4.000%	October 1, 2019–2025	25,035	21,790
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	198,550
FA	October 29, 2015	1.950%–4.400%	October 1, 2019–2035	25,000	22,845
FB	April 14, 2016	3.000%–5.000%	April 1, 2020–2036	500,000	462,150
FC	April 14, 2016	1.660%–1.750%	April 1, 2020–2021	25,000	5,140
FE	April 14, 2016	3.000%–5.000%	October 1, 2019–2028	219,690	202,290
FF	April 14, 2016	1.309%–2.902%	October 1, 2019–2028	119,730	108,825
FG	October 13, 2016	3.000%–5.000%	October 1, 2019–2036	375,000	361,480
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	15,205
FK	May 24, 2017	2.000%–5.000%	May 1, 2020–2037	575,000	553,325
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	18,920
FP	May 24, 2017	1.850%–3.940%	May 1, 2020–2037	7,500	7,175
FR	December 12, 2017	2.000%–2.180%	October 1, 2019–2021	15,090	7,700
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	17,000
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	50,500
					$ 6,704,598

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 other public purposes.

A summary of the general obligation bond premium activity for fiscal year 2020 is as follows (amounts expressed in thousands):

Balance – July 1, 2019	$	705,575
Current-year amortization		(97,413)
Balance – June 30, 2020	$	608,162

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			
2021	$ 476,563	$ 288,701	$ 765,264
2022	481,938	263,144	745,082
2023	459,674	241,916	701,590
2024	467,385	220,334	687,719
2025	449,619	198,654	648,273
2026–2030	2,054,361	686,899	2,741,260
2031–2035	1,525,475	268,979	1,794,454
2036–2040	487,830	39,458	527,288
	$ 6,402,845	$ 2,208,085	$ 8,610,930

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

	Principal	Interest	Total
Fiscal Year			
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	20,900	5,975	26,875
2026–2030	112,538	21,840	134,378
2031–2034	101,530	5,972	107,502
	$ 283,063	$ 61,564	$ 344,627

A summary of debt service requirements to maturity on the governmental activities' bond anticipation note is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2021	$ 300,000	$ 4,830	$ 304,830
2022	300,000	2,640	302,640
	$ 600,000	$ 7,470	$ 607,470

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
2021	$ 2,451	$ 930	$ 3,381
2022	2,572	808	3,380
2023	2,701	680	3,381
2024	2,835	546	3,381
2025	2,977	404	3,381
2026–2028	5,154	400	5,554
	$ 18,690	$ 3,768	$ 22,458

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, 2020 was $676,925,000.

At June 30, 2020, general obligation bonds authorized but unissued were approximately $2,799,730,000.

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 December 11, 2019, the Department of Transportation – Highways Division (Highways) issued $81,835,000 of State of Hawaii Revenue Bonds Series 2019A (the 2019A Bonds). The 2019A Bonds bear interest at rates ranging from 3.0% to 5.0% and mature in annual installments through 2040. These bonds were issued at a premium of $18,660,847. The 2019A Bonds maturing on and before January 1, 2029 are not subject to redemption prior to their respective maturity dates. The 2019A Bonds maturing on or after January 1, 2030 are subject to redemption prior to their respective maturity dates at the option of the State at 100% plus accrued interest.

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, Highways issued $103,395,000 in State of Hawaii Highway Revenue Bonds of 2016, 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 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 1.3% to 5.0% to advance refund $111,590,000 of certain highway revenue bonds previously issued. Due to the advanced refunding, the Highways increased its total debt service payments over the next 10 years by $14,904,000 and incurred an economic loss (difference between the present values of the debt service payments on the old and new debt) of $13,575,000. 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 $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 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 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.

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

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, 2020 (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
Highways					
2005B	March 15, 2005	5.25%	July 1, 2019–2021	$ 123,915	$ 12,555
2011A	December 15, 2011	2.50%–5.00%	January 1, 2020–2032	112,270	37,605
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	82,430
2014B	August 14, 2014	5.00%	January 1, 2020–2026	32,285	21,105
2016A	September 8, 2016	1.25%–5.00%	January 1, 2020–2036	103,395	90,590
2016B	September 8, 2016	4.00%–5.00%	January 1, 2021–2030	101,090	100,270
2019A	December 11, 2019	3.00%–5.00%	January 1, 2023–2040	81,835	81,835
DHHL					
2017	August 25, 2017	3.00%–5.00%	April 1, 2020–2032	30,940	26,610
DBEDT					
2014A-A1	November 13, 2014	1.467%	July 1, 2022	50,000	2,420
2014A-A2	November 13, 2014	3.242%	January 1, 2031	100,000	100,000
					560,515
Add: Unamortized bond premium					62,605
					$ 623,120

A summary of the revenue bond premium activity for fiscal year 2020 is as follows (amounts expressed in thousands):

	Revenue Bonds
Balance – July 1, 2019	$ 51,302
Current-year additions	18,661
Current-year amortization	(7,358)
Balance – June 30, 2020	$ 62,605

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

	Principal	Interest	Total
Fiscal Year			
2021	$ 42,381	$ 24,906	$ 67,287
2022	40,066	22,982	63,048
2023	40,122	21,393	61,515
2024	41,620	19,902	61,522
2025	43,118	18,057	61,175
2026–2030	205,993	61,192	267,185
2031–2035	109,390	22,316	131,706
2036–2040	37,825	4,986	42,811
	$ 560,515	$ 195,734	$ 756,249

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, 2020 (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	$ 230,790
2010B, refunding	3.00%–5.00%	2020	166,000	21,650
2011, refunding	2.00%–5.00%	2024	300,885	150,400
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
2018C, refunding	3.58%	2028	93,175	93,175
2018D, refunding	5.00%	2034	142,150	142,150
			$ 1,840,135	1,297,110
Add: Unamortized premium				82,200
Less: Unamortized discount				(1,762)
				1,377,548
Less: Current portion				(44,690)
Noncurrent portion				$ 1,332,858

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 issued and delivered 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 through 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 through 2034.

On April 7, 2020, the Airports Division issued the Series 2018C and Series 2018D Bonds to refund a portion of its outstanding Series 2010A Bonds. Of the net proceeds of $247,641,537 (after payment of $154,328 in underwriting fees, insurance, and other costs), along with an additional $4,204,417 from the debt service reserve account, $251,691,625 was deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of Refunding Series 2010A bonds on July 1, 2020. As a result, the refunded portion of the Refunding Series 2010A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $7,137 (deferred gain on refunding of $1,309,991 for Series 2018C Bonds and deferred loss on refunding of $1,302,854 for Series 2018D Bonds). This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the next 9 to 15 years.

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, 2020 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. At June 30, 2020, the outstanding balance of the Series 2017A Bonds is $239,655,000 with a maturity date of July 1, 2047.

In August 2019, the Airports Division issued $194,710,000 of airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2019A) at interest rates ranging from 1.819% to 2.733%. The Series 2019A Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements for the Series 2019 Bonds and to pay certain costs of issuance relating to the Series 2019 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. At June 30, 2020, the outstanding balance of the Series 2019A Bonds is $194,710,000 with a maturity of July 1, 2047.

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, 2020 (amounts expressed in thousands):

				Current			
Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Principal Due July 1, 2020	Due January 1, 2021	Total	Noncurrent
2010	July 1, 2040	3.00%–5.75%	$ 201,390	$ 9,340	$ -	$ 9,340	$ 145,180
2013	July 1, 2029	3.25%	23,615	60	-	60	13,345
2016	January 1, 2031	1.99%–3.09%	113,660	3,625	4,265	7,890	83,675
			$ 338,665	$ 13,025	$ 4,265	17,290	242,200
Add: Unamortized premium (discount)						9	(62)
						$ 17,299	$ 242,138

Debt service requirements to maturity on the business-type activities' revenue bonds for fiscal years ending June 30, 2020 are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2021	$ 72,120	$ 85,746	$ 157,866
2022	75,535	85,419	160,954
2023	78,790	82,135	160,925
2024	77,885	78,820	156,705
2025	80,610	75,529	156,139
2026–2030	303,300	341,256	644,556
2031–2035	296,775	276,704	573,479
2036–2040	365,470	199,734	565,204
2041–2045	410,950	106,862	517,812
2046–2048	251,255	19,921	271,176
	$ 2,012,690	$ 1,352,126	$ 3,364,816

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, 2020, revenue bonds authorized, but unissued, were approximately $5,316,759,000.

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, 2020 amounted to approximately $1,233,860,000. At June 30, 2020, special purpose revenue bonds of $1,629,081,000 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, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
General obligation bonds payable	$ 6,922,014	$ -	$ (519,169)	$ 6,402,845	$ 476,563
Add: Unamortized premium	705,575	-	(97,413)	608,162	89,378
Direct placements	286,793	-	(3,730)	283,063	3,810
Total general obligation bonds payable	7,914,382	-	(620,312)	7,294,070	569,751
Revenue bonds payable	520,004	81,834	(41,323)	560,515	42,381
Add: Unamortized premium	51,302	18,661	(7,358)	62,605	8,348
Total revenue bonds payable	571,306	100,495	(48,681)	623,120	50,729
Bond anticipation note	-	600,000	-	600,000	300,000
Accrued vacation payable	230,179	113,097	(97,880)	245,396	77,765
Reserve for losses and loss adjustment costs	276,493	32,472	(38,324)	270,641	33,135
Net pension liability	6,622,548	678,563	(302,048)	6,999,063	-
Net other postemployment benefits liability	6,736,090	548,411	(540,231)	6,744,270	-
Capital lease obligations	122,922	-	(7,775)	115,147	6,481
Total	$ 22,473,920	$ 2,073,038	$ (1,655,251)	$ 22,891,707	$ 1,037,861

	Business-type Activities				
	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
General obligation bonds payable, net	$ 21,026	$ -	$ (2,336)	$ 18,690	$ 2,451
Revenue bonds payable	1,893,110	430,035	(310,455)	2,012,690	72,120
Add: Unamortized premium, net	75,205	10,207	(5,027)	80,385	9
Total revenue bonds payable	1,968,315	440,242	(315,482)	2,093,075	72,129
Accrued vacation and retirement benefits payable	16,015	7,923	(7,278)	16,660	4,972
Reserve for losses and loss adjustment costs	5,336	3,547	(1,939)	6,944	2,419
Net pension liability	214,902	29,914	(17,463)	227,353	-
Net other postemployment benefits liability	233,167	20,255	(19,970)	233,452	-
Capital lease obligations	236,147	-	(11,772)	224,375	13,140
Prepaid airport use charge fund	312	-	-	312	-
Loan payable	76,000	-	(76,000)	-	-
Total	$ 2,771,220	$ 501,881	$ (452,240)	$ 2,820,861	$ 95,111

The accrued vacation liability attributable to the governmental activities will be liquidated by the State's governmental funds. Approximately 83%, 16%, 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, 2020.

The net pension and net OPEB liabilities will be liquidated by the General Fund.

7. Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2020 (amounts expressed in thousands):

	Due From	Due To
Governmental Funds		
General Fund		
Special Revenue Funds	$ 70,145	$ -
Med-Quest Special Revenue Fund	125,465	-
Proprietary Fund	20	-
Debt Service Fund	-	152
	195,630	152
Capital Projects Fund		
Proprietary Fund	1,597	-
Med-Quest Special Revenue Fund		
General Fund	-	125,465
Nonmajor Governmental Funds		
General Fund	152	70,145
Proprietary Funds		
Airports	-	20
Harbors	-	1,597
	-	1,617
	$ 197,379	$ 197,379

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, 2020, transfers by fund were as follows (amounts expressed in thousands):

	Transfers In	Transfers Out
Governmental Funds		
General Fund		
Med-Quest Special Revenue Fund	$ 91,614	$ 3,590
Capital Projects Fund	-	2,792
Administrative Support Special Revenue Fund	7,903	4,091
Nonmajor Governmental Funds	76,177	930,119
	175,694	940,592
Capital Projects Fund		
General Fund	2,792	-
Administrative Support Special Revenue Fund	-	2,212
Nonmajor Governmental Funds	128,561	-
	131,353	2,212
Med-Quest Special Revenue Fund		
General Fund	3,590	91,614
Nonmajor Governmental Funds	245	506
	3,835	92,120
Administrative Support Special Revenue Fund		
General Fund	4,091	7,903
Capital Projects Fund	2,212	-
Nonmajor Governmental Funds	1,857	3,784
	8,160	11,687
Nonmajor Governmental Funds		
General Fund	930,119	76,177
Capital Projects Fund	-	128,561
Med-Quest Special Revenue Fund	506	245
Administrative Support Special Revenue Fund	3,784	1,857
Other Nonmajor Governmental Funds	71,452	71,452
	1,005,861	278,292
	$ 1,324,903	$ 1,324,903

The General Fund transferred approximately $830,765,000 to the Nonmajor Governmental Funds for debt service payments and approximately $107,035,000 to subsidize various Special Revenue Funds' programs, and approximately $2,792,000 to the Capital Projects Fund to finance capital projects. Approximately $128,561,000 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 2030. Future minimum lease commitments for noncancelable operating leases as of June 30, 2020, were as follows (amounts expressed in thousands):

Fiscal Year		
2021	$	16,808
2022		12,684
2023		7,832
2024		4,981
2025		2,053
2026–2030		768
Total future minimum lease payments	$	45,126

Rent expenditures for operating leases for the fiscal year ended June 30, 2020 amounted to approximately $36,163,000.

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 the 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. Payments commenced on May 1, 2010 and continued through May 1, 2020 with interest rates ranging from 2.0% to 5.0%. As of June 30, 2020, the capital lease obligation was fully paid.

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

	Principal	Interest	Total
Fiscal Year			
2021	$ 6,481	$ 4,154	$ 10,635
2022	7,037	3,898	10,935
2023	7,761	3,620	11,381
2024	8,456	3,312	11,768
2025	9,221	2,972	12,193
2026–2030	51,076	9,500	60,576
2031–2034	25,115	1,224	26,339
Total future minimum lease payments	$ 115,147	$ 28,680	$ 143,827

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, 2020, the outstanding balance of the lease revenue COPS and the unamortized premium were approximately $198,547,000 and $1,279,000, respectively. Future lease rent payments for the lease revenue COPS as of June 30, 2020 are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2021	$ 12,116	$ 8,551	$ 20,667
2022	13,753	7,982	21,735
2023	15,204	7,343	22,547
2024	17,224	6,633	23,857
2025	19,760	5,797	25,557
2026–2030	101,936	13,204	115,140
2031–2034	18,554	1,100	19,654
	$ 198,547	$ 50,610	$ 249,157

Harbors – Equipment Lease Agreement
Harbors entered into an equipment lease purchase agreement to fund the installation and acquisition of energy conservation measures at selected Harbors Division locations. Annual lease payments commenced on October 1, 2017 and will continue through October 1, 2032 at an interest rate of 2.74%. Future minimum lease commitments as of June 30, 2020 were as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2021	$ 1,024	$ 673	$ 1,697
2022	1,140	645	1,785
2023	1,264	613	1,877
2024	1,396	579	1,975
2025	1,537	540	2,077
2026–2030	10,131	1,985	12,116
2031–2033	8,057	443	8,500
	$ 24,549	$ 5,478	$ 30,027

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 2020 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 $2,191,000 for fiscal year 2020.

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

- Landing fees amounted to approximately $75,922,000 for fiscal year 2020. Airport landing fees are shown, net of aviation fuel tax credits of approximately $2,191,000, for fiscal year 2020 on the statement of revenues, expenses, and changes in net position, which resulted in net airport landing fees of approximately $74,357,000 for fiscal year 2020. 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 47% of the airport landing fees for overseas flights for fiscal year 2020, and are scheduled to increase 1% annually until it reaches 100%.

- Nonexclusive joint-use premise charges for terminal rentals amounted to approximately $64,137,000 for fiscal year 2020. 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 $60,841,000 for fiscal year 2020, and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to approximately $32,853,000 for fiscal year 2020.

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, 2020 was approximately $67,183,000.

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 24% of total concession fees revenues for the fiscal year ended June 30, 2020.

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, SLH 2009-883.

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 2087. 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, 2020 amounted to $27,120,000 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, 2020 (amounts expressed in thousands):

	Proprietary Funds		
	Airports	Harbors	Total
Fiscal Year			
2021	$ 101,245	$ 7,677	$ 108,922
2022	92,820	8,005	100,825
2023	84,519	8,024	92,543
2024	78,970	7,880	86,850
2025	63,887	7,752	71,639
2026–2030	155,403	38,692	194,095
2031–2035	20,868	34,288	55,156
2036–2040	4,855	27,483	32,338
2041–2045	5,939	20,722	26,661
2046–2050	7,005	8,727	15,732
2051–2055	-	7,737	7,737
2056–2060	-	6,583	6,583
2061–2065	-	5,137	5,137
2066–2070	-	5,137	5,137
2071–2075	-	5,137	5,137
2076–2080	-	5,137	5,137
2081–2085	-	5,137	5,137
2086–2088	-	2,187	2,187
	$ 615,511	$ 211,442	$ 826,953

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, 2020, net investments in direct financing leases of Airports consisted of the following (amounts expressed in thousands):

Total minimum lease payments receivable	$ 29,262
Less: Amount representing interest	(9,012)
	20,250
Cash with trustee and other	1,628
	$ 21,878

Minimum future rentals to be received under direct financing leases of Airports as of June 30, 2020, consisted of the following (amounts expressed in thousands):

Fiscal Year		
2021	$	1,222
2022		1,222
2023		1,222
2024		1,222
2025		1,222
2026–2028		24,780
	$	30,890

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, 2020, the principal amount due to the HHFDC is approximately $1,283,000.

Pursuant to Act 9, SLH 2020, the amount payable from HHFDC to the State of $250,000,000 at June 30, 2020 represents amounts due to the Emergency and Budget Reserve Fund.

Hawaii Health Systems Corporation
The amount due to the State of $19,008,000 at June 30, 2020 is comprised of cash advances that was assumed by the HHSC.

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, 2020, interest and dividends earned and earmarked for transfer into the State General Fund amounted to $4,290,000.

Hawaii Tourism Authority
The governor's Sixth Supplementary (emergency) Proclamation, issued on April 25, 2020, suspended specific provisions of law. Included were Sections 237D-6.5(b), HRS, distribution of the TAT. The Proclamation was extended through December 31, 2020.

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/re-entry 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 2020 were 36% for police officers and firefighters and 22% for all other employees. Contributions to the pension plan from the State was approximately $563,879,000 for the fiscal year ended June 30, 2020.

Per 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 36% on July 1, 2019; and increased to 41% on July 1, 2020. The rate for all other employees increased to 22% on July 1, 2019; and increased to 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, 2020, the State reported a liability of approximately $7.2 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the State's proportion was 55.7491% which was a decrease of 0.3407% from its proportion measured as of June 30, 2018.

The following changes were made to the actuarial assumptions as of June 30, 2018 to June 30, 2019:

- The assumed salary increase schedules include an ultimate component for general wage inflation that may add on additional increases for individual merit and then an additional component for step rates based on service.
- Mortality rates generally decreased due to the continued improvements in using a fully generational approach and Scale BB.
- The rates of disability of active employees increased for all general employees and teachers, and for police and fire from duty-related reasons.
- There were minor increases in the retirement rates for members in certain groups based on age, employment group, and/or membership class.

There were no changes between the measurement date, June 30, 2019, and the reporting date, June 30, 2020, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2020, the State recognized pension expense of approximately $1,042,451,000. At June 30, 2020, 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	$ 131,323	$ (14,158)
Changes in assumptions	498,005	(116)
Net difference between projected and actual earnings on pension plan investments	1,005	-
Changes in proportion and differences between State contributions and proportionate share of contributions	17,781	(39,139)
State contributions subsequent to the measurement date	563,879	-
Total	$ 1,211,993	$ (53,413)

At June 30, 2020, the approximate $563,879,000 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,		
2021	$	355,062
2022		157,447
2023		32,458
2024		43,468
2025		6,266
	$	594,701

Actuarial Assumptions
The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS Board of Trustees on August 12, 2019, based on the 2018 Experience Study for the five-year period from July 1, 2013 through June 30, 2018:

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	$ 9,378,109	$ 7,226,416	$ 5,677,236

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, 2020. Excess payments of $14,122,000 are being applied to amounts due in fiscal year 2021.

Postemployment Healthcare and Life Insurance Benefits

Plan Description
The State provides certain healthcare 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 at https://eutf.hawaii.gov/reports/. The report may also 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, 2019, the State had the following number of plan members covered:

Inactive plan members or beneficiaries currently receiving benefits	36,993
Inactive plan members entitled to but not yet receiving benefits	7,678
Active plan members	50,591
Total plan members	95,262

Contributions
Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the State was $593,980,000 for the fiscal year ended June 30, 2020. 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, 2020, the State reported a net OPEB liability of approximately $7.0 billion. The net OPEB liability was measured as of July 1, 2019, 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, 2019, and the reporting date, June 30, 2020, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2020, the State recognized OPEB expense of approximately $533,745,000. At June 30, 2020, 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	$ -	$ (110,686)
Changes in assumptions	102,353	-
Net difference between projected and actual earnings on OPEB plan investments	11,471	-
State contributions subsequent to the measurement date	587,381	-
Total	$ 701,205	$ (110,686)

At June 30, 2020, the approximate $587,381,000 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, 2021.

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	$ (1,920)
2021	(1,920)
2022	546
2023	1,176
2024	5,256
	$ 3,138

Actuarial Assumptions
The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 13, 2020, based on the experience study covering the five-year period ended June 30, 2018 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 8.00%; declining to a rate of 4.86% after 12 years
HMO*	Initial rates of 8.00%; declining to a rate of 4.86% after 12 years
Contribution	Initial rates of 5.00% ; declining to a rate of 4.7% after 11 years
Dental	Initial rates of 5.00% for the first two years; followed by 4.00%
Vision	Initial rates of 0.00% for the first two 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%	8.80%
U.S. microcap	7.0%	7.30%
U.S. equity	15.0%	5.35%
Non-U.S. equity	17.0%	6.90%
Global options	7.0%	4.75%
Core real estate	10.0%	3.90%
Private credit	6.0%	5.60%
Core bonds	3.0%	1.50%
TIPS	5.0%	1.20%
Long treasuries	6.0%	2.00%
Alternative risk premia	5.0%	2.75%
Trend following	9.0%	3.25%
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, 2019.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 7,953,187	$ 983,930	$ 6,969,257
Service cost	178,385	-	178,385
Interest on the total OPEB liability	562,281	-	562,281
Difference between expected and actual experience	(4,682)	-	(4,682)
Changes of assumptions	45,192	-	45,192
Employer contributions	-	593,980	(593,980)
Net investment income	-	54,004	(54,004)
Benefit payments	(269,274)	(269,274)	-
Administrative expense	-	(371)	371
Other	-	125,098	(125,098)
Net changes	511,902	503,437	8,465
Ending balance	$ 8,465,089	$ 1,487,367	$ 6,977,722

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	$ 8,313,832	$ 6,977,722	$ 5,923,468

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	$ 5,875,442	$ 6,977,722	$ 8,401,855

Payables to the OPEB Plan
The State's employer contributions payable to the EUTF by fiscal year end was paid by June 30, 2020.

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, 2020, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds		
Agriculture	$	4,899
Natural Resources		32,868
	$	37,767

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, 2020, accumulated sick leave was approximately $1,250,493,000.

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, 2020, the City and County of Honolulu, Hawaii County, and Kauai County had adopted ordinances for a surcharge.

The governor's Sixth Supplementary (emergency) Proclamation, issued on April 25, 2020, suspended specific provisions of law. Included were Sections 237D-6.5, HRS, distribution of the TAT. The Proclamation was extended through December 31, 2020 which resulted in no TAT revenues distributed through November 30, 2020. A total of $17,167,000 in TAT revenues was not distributed during the last two months of fiscal 2020.

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, 2020 include (amounts expressed in thousands):

Fund Type	
General	$ 523,756
Capital Projects	2,716,716
Med-Quest Special Revenue	40,472
Administrative Support Special Revenue	27,173
Other Governmental	1,411,699
	$ 4,719,816

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, 2020.

Proprietary Fund Type – Enterprise Funds

Construction and Service Contracts
At June 30, 2020, the Enterprise Funds had commitments of approximately $691,730,000 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, 2020, 2019 and 2018 approximated $466,000, $10,553,000 and $5,948,000, 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 $35,309,000 during the fiscal year ended June 30, 2020. As of June 30, 2020, the State expects to receive $20,000,000 for the first six months of fiscal 2021.

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.

On March 2, 2020, OHA filed a motion for summary judgment regarding the claim for fiduciary duty. On April 20, 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 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. 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 on 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 their fair market value model.

- The circuit court did not err in applying the fair market value rental value model, which was created using a sample lot on Oahu, to all Waiting List Subclass members, regardless of whether they lived in another island.

- All Waiting List Subclass members are entitled to damages under the fair market rental value model, and State Defendants have the burden of establishing any applicable defenses that would reduce those damages.

- Damages for Waiting List Subclass members cannot be adjusted to present value to account for inflation.
- The circuit court erred in ruling that damages for Waiting List Subclass members only begins to accrue six 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 is automatically entitled to damages.

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

Nelson – In the First Amended Complaint filed on October 19, 2007 in *Nelson et al., v. Hawaiian Homes Commission, et al.*, Civil No. 07-1-1663-08 BIA (1st Cir.) *(Nelson)*, the plaintiffs allege all defendants breached their duties under Article XII, Sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Home Lands trust for failing to obtain sufficient funds from the Legislature, and otherwise enforcing the provisions of Article XII, Sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the Hawaiian Homes Commission Act (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. On May 4, 2011, 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. 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 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 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 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. 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. 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 fiscal year 2016 budget by using the 1978 baseline of $1,300,000 to $1,600,000 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 $1,300,000 to $1,600,000 for inflation, and determining whether the Legislature had provided sufficient sums for DHHL's fiscal year 2016 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.

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 healthcare 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) healthcare benefits that are equivalent to those provided to State and county active employees; and/or (b) healthcare 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 healthcare because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; (2) damages for healthcare 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 healthcare 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 healthcare 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.

A trial date has been set commencing October 26, 2021 and the State intends to vigorously defend 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.

Tax Foundation of Hawaii
On October 21, 2015, the Tax Foundation of Hawaii filed a class action lawsuit against the State of Hawaii seeking a judicial determination that the 10% withheld from the County Surcharge on State General Excise Tax under Section 248-2.6(a), HRS, is unconstitutional because it exceeds the actual cost for the State to assess, collect and distribute the County Surcharges to the City and County of Honolulu (*Tax Foundation of the State of Hawaii v. State of Hawaii, Case No. 15-a-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 (through 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 to the Hawaii Supreme Court. On July 6, 2017, the case was argued 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 10% 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 claim in their favor in this case could have a material adverse on the State's financial condition.

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 legislative appropriations of 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 $5,000,000 self-insured retention per occurrence. The annual aggregate per occurrence is $9,000,000 and for crime loss, $10,000,000 with no aggregate limit. Losses under the deductible amount but over the Risk Management Office authority or over the aggregate limit are typically paid from legislative appropriations of the State's General Fund.

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, 2020, 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, 2020 and 2019, respectively (amounts expressed in thousands):

	2020	2019
Unpaid losses and loss adjustment costs		
Beginning of the fiscal year	$ 276,493	$ 247,254
Incurred losses and loss adjustment costs		
Provision for insured events of current fiscal year	47,698	71,490
Change in provision for insured events of prior fiscal years	(15,226)	3,569
Total incurred losses and loss adjustment costs	32,472	75,059
Payments		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(17,536)	(11,432)
Losses and loss adjustment costs attributable to insured events of prior fiscal year	(20,788)	(34,388)
Total payments	(38,324)	(45,820)
Unpaid losses and loss adjustment costs		
End of the fiscal year	$ 270,641	$ 276,493

14. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus infection known as COVID-19 to be a global pandemic. The financial impact of COVID-19 on the economy of the United States, including Hawaii, is expected to be significant. Management is currently evaluating the short-term and long-term impact that COVID-19 could have on the State's operations. Because of the uncertainties surrounding the duration and severity of this pandemic, management is unable to make a reasonable estimate regarding the long-term effect on its operations and financial condition.

The 14th supplementary proclamation, issued on October 13, 2020, suspended specific provisions of law. Included were Sections 87A-42(b)- (f), HRS, other postemployment benefits trust, 87A-43, HRS, payment of public employer contributions to the other postemployment benefits trust, and 237-31(3), HRS, remittances, related to the requirement for public employers to pay the annual required contribution to the EUTF in fiscal year 2021.

As of June 2020, the State received approximately $862.8 million in funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), of which approximately $88.4 million of eligible expenses were incurred in fiscal year 2020. The balance will be applied to fiscal year 2021 eligible expenses.

Aloha Stadium
After 45 years, Aloha Stadium, which has hosted University of Hawaii Warriors football, NFL Pro Bowls, Major League Baseball, and some concerts is reducing operations at least three years before a replacement stadium will be built. On December 17, 2020, it was announced that a temporary moratorium on new events and reduced operations are in place due to ongoing COVID-19 safety restrictions and budgetary issues. The pandemic restrictions have severely limited revenue-generation opportunities. There is no specific timeline on how long the moratorium may last.

All events reserved prior to the announcement will still be honored, which include the Hula Bowl in January 2021. Activities in the parking lot, such as the drive-thru holiday wonderland fundraiser and Saturday swap meets, will continue.

COVID-19 Pandemic Relief Package
In December 2020, the U.S. Congress passed and the President signed an approximately $900 billion pandemic relief package that would deliver long-sought cash to businesses and individuals and resources to vaccinate the nation. The aid package does not provide designated funding to state and local government to help with revenue shortfalls. However, it does provide direct funding for mitigation measures the State would have to pay for otherwise, such as vaccine distribution, testing, contact tracing, education, unemployment assistance, rent relief, and help for small businesses, among others.

Collective Bargaining Agreements
The Hawaii State Constitution under Article XIII, Section 2, grants public employees in the State the right to organize for the purpose of collective bargaining as provided by law. HRS Chapter 89 provides for the recognized bargaining units for public employees throughout the State. Each bargaining unit is represented by an employee organization otherwise known as the exclusive representative or "union" of all employees in the unit, which negotiates wages, hours, and terms and conditions of employment with the public employers. As of September 15, 2020, all collective bargaining agreements are effective through June 30, 2021.

Department of Transportation – Airports Division
On October 21, 2020, Airports issued $582,490,000 of airports system revenue bonds (Series 2020 A–E) at interest rates ranging from 1.82% to 3.484%. The amounts are not included in the revenue bonds payable balance as of June 30, 2020.

Department of Transportation – Harbors Division
Harbors executed a contract with BofA Securities, Inc. on November 19, 2020 to underwrite a total of $266,550,000 of Hawaii Harbors System Revenue Bonds (Revenue Bonds). This contract allows for a public sale of $147,520,000 Series A of 2020 Revenue Bonds (AMT), $15,685,000 Series B of 2020 Revenue Bonds (Taxable), and $103,345,000 Series C of 2020 Revenue Bonds (Non-AMT), all of these Series are the 2020 Revenue Bonds. The closing date for this public sale of the 2020 Revenue Bonds was December 2, 2020. Proceeds in the amount of $145,090,000 from the Series A of 2020 Revenue Bonds (AMT) and proceeds of $9,770,000 from the Series B of 2020 Revenue Bonds (Taxable) will be used to provide funding for the Harbors Division Capital Improvement Program, primarily for the Kapalama Container Terminal Phase I and Phase II projects.

The remaining proceeds obtained from the Series A and the Series B of 2020 Revenue Bonds will be used to partially refund existing Series A and Series B of 2010 Revenue Bonds balances outstanding as of June 30, 2020. The Series C of 2020 Revenue Bonds (Non-AMT) will refund the remaining portion of the existing Series A of 2010 Revenue Bonds (Non-AMT) balances outstanding as of June 30, 2020.

Department of Transportation – Highways Division
Highways will issue $23,130,000 of State of Hawaii Revenue Bonds Series 2019B (the 2019B Bonds) with a forward delivery scheduled for October 7, 2021. The 2019B Bonds bear interest at rates 5.0% and mature in annual installments through 2032. These bonds were issued at a premium of $4,051,000. The Highways Division issued the bonds to advance refund $26,825,000 of the outstanding callable series 2011A bonds with interest rates ranging from 4.0% to 5.0%. The 2019B Bonds are not subject to redemption prior to their respective maturity dates.

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, 2020
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues				
Taxes				
General excise tax	$ 3,632,594	$ 3,665,396	$ 3,429,459	$ (235,937)
Net income tax				
Corporations	125,521	156,960	8,407	(148,553)
Individuals	2,631,165	2,656,822	2,359,003	(297,819)
Inheritance and estate tax	30,621	19,280	45,451	26,171
Liquor permits and tax	53,392	52,573	50,674	(1,899)
Public service companies tax	127,152	131,151	134,639	3,488
Tobacco tax	83,110	75,370	74,858	(512)
Tax on premiums of insurance companies	167,000	170,000	180,753	10,753
Franchise tax (banks and other financial institutions)	13,035	26,547	33,271	6,724
Transient accommodations tax	420,732	388,990	337,601	(51,389)
Other taxes, primarily conveyances tax	52,770	38,788	40,631	1,843
Total taxes	7,337,092	7,381,877	6,694,747	(687,130)
Non-taxes				
Interest and investment income	10,012	71,767	91,740	19,973
Charges for current services	359,800	361,844	357,674	(4,170)
Intergovernmental	11,848	11,905	14,169	2,264
Rentals	825	751	408	(343)
Fines, forfeitures and penalties	23,200	22,657	18,670	(3,987)
Licenses and fees	1,030	1,030	877	(153)
Revenues from private sources	3,001	3,001	5,571	2,570
Debt service requirements	6,519	6,519	6,519	-
Other	290,844	394,781	380,988	(13,793)
Total non-taxes	707,079	874,255	876,616	2,361
Total revenues	8,044,171	8,256,132	7,571,363	(684,769)
Expenditures				
General government	3,452,404	3,525,771	3,365,828	159,943
Public safety	311,020	311,550	357,654	(46,104)
Highways	75	23,075	4,922	18,153
Conservation of natural resources	66,137	66,144	61,086	5,058
Health	546,321	546,425	545,328	1,097
Hospitals	125,986	125,986	125,701	285
Welfare	1,229,867	1,229,886	1,201,250	28,636
Lower education	1,845,243	1,856,275	1,750,304	105,971
Higher education	524,579	524,684	521,081	3,603
Other education	6,646	6,646	6,098	548
Culture and recreation	57,510	57,543	56,093	1,450
Economic development and assistance	71,525	71,527	51,230	20,297
Housing	36,859	33,860	33,415	445
Other	18,788	22,065	22,099	(34)
Total expenditures	8,292,960	8,401,437	8,102,089	299,348
Excess of expenditures over revenues	(248,789)	(145,305)	(530,726)	(385,421)
Other financing sources – Transfers in	36,775	66,613	65,757	(856)
Excess of expenditures and other sources over revenues	$ (212,014)	$ (78,692)	$ (464,969)	$ (386,277)

State of Hawaii
Med-Quest Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2020
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues – non-taxes				
Intergovernmental	$ -	$ -	$ 233	$ 233
Revenues from private sources	-	-	74,227	74,227
Other	-	-	3,590	3,590
Total revenues – non-taxes	-	-	78,050	78,050
Total revenues	-	-	78,050	78,050
Expenditures				
Welfare	118,701	118,701	84,881	33,820
Total expenditures	118,701	118,701	84,881	33,820
Excess of expenditures over revenues	$ (118,701)	$ (118,701)	$ (6,831)	$ 111,870

State of Hawaii
Administrative Support Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2020
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenues				
Taxes				
Tobacco tax	$ 1,652	$ 1,752	$ 1,712	$ (40)
Transient accommodations tax	-	60,670	53,857	(6,813)
Total taxes	1,652	62,422	55,569	(6,853)
Non-taxes				
Interest and investment income	3,287	3,597	4,947	1,350
Charges for current services	45,128	51,177	79,569	28,392
Rentals	4,135	4,351	3,967	(384)
Fines, forfeitures and penalties	225	225	155	(70)
Licenses and fees	100	200	238	38
Revenues from private sources	1,665	1,670	2,131	461
Other	11,239	16,511	11,416	(5,095)
Total non-taxes	65,779	77,731	102,423	24,692
Total revenues	67,431	140,153	157,992	17,839
Expenditures				
General government	448,271	1,749,331	380,420	1,368,911
Public safety	12,459	12,459	9,742	2,717
Conservation of natural resources	285	285	-	285
Welfare	656	656	556	100
Lower education	7,290	7,290	4,826	2,464
Culture and recreation	14,872	14,665	13,274	1,391
Other	27,285	26,951	7,093	19,858
Total expenditures	511,118	1,811,637	415,911	1,395,726
Excess of expenditures over revenues	$ (443,687)	$ (1,671,484)	$ (257,919)	$ 1,413,565

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 2019 (Act 113 SLH 2019) and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH. During July 2020, Act 7 SLH 2020 and Act 9 SLH 2020 retroactively amended certain budgeted expenditures from the General Appropriation Act of 2019.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2019–2021 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 Funds 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, 2020, there were no expenditures in excess of appropriations in the individual funds.

To the extent not expended or encumbered, General Fund and Special Revenue Funds 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 Funds are presented in the General Fund and Special Revenue Funds 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
Major Governmental Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2020
(Amounts in thousands)

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2020 follows (amounts expressed in thousands):

	General Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund
Deficiency of revenues and other sources under expenditures – actual (budgetary basis)	$ (464,969)	$ (6,831)	$ (257,919)
Transfers	765,052	88,442	167
Reserve for encumbrances at fiscal year end*	518,432	-	7,007
Expenditures for liquidation of prior fiscal year encumbrances	(527,240)	(545,328)	(17,819)
Revenues and expenditures for unbudgeted programs and capital projects accounts, net	(2,792)	509,505	1,064,982
Tax refunds payable	(47,133)	-	-
Accrued liabilities	(67,092)	(30,401)	98
Accrued revenues	236,914	66,312	(525,181)
Excess of revenues over expenditures – GAAP basis	$ 411,172	$ 81,699	$ 271,335

* 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)

	2020	2019	2018	2017	2016	2015	2014
State of Hawaii, excluding UH**							
State's proportion of the net pension liability	55.749%	56.090%	56.607%	56.600%	57.238%	58.483%	57.638%
State's proportionate share of the net pension liability	$ 7,865	$ 7,438	$ 7,331	$ 7,567	$ 4,999	$ 4,689	$ 5,148
State's covered payroll	$ 2,616	$ 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	300.6%	292.8%	286.5%	303.2%	206.2%	200.3%	236.5%
Plan fiduciary net position as a percentage of total net pension liability	54.9%	55.5%	54.8%	51.3%	62.4%	63.9%	58.0%
UH							
Proportion of the net pension liability	12.641%	12.732%	12.730%	12.750%	13.110%	13.600%	13.750%
Proportionate share of the net pension liability	$ 1,791	$ 1,696	$ 1,649	$ 1,704	$ 1,145	$ 1,090	$ 1,228
Covered payroll	$ 603	$ 592	$ 587	$ 569	$ 565	$ 551	$ 518
Proportionate share of the net pension liability as a percentage of its covered payroll	297.0%	286.5%	280.9%	299.5%	202.7%	197.8%	237.1%
Plan fiduciary net position as a percentage of total net pension liability	54.9%	55.5%	54.8%	51.3%	62.4%	63.9%	58.0%

* Information for 2011–2013 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)

	2020	2019	2018	2017	2016	2015	2014
State of Hawaii, excluding UH**							
Statutorily required contribution	$ 606	$ 508	$ 470	$ 445	$ 432	$ 410	$ 380
Contributions in relation to the contractually required contribution	606	508	470	445	432	410	380
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State's covered payroll	$ 2,689	$ 2,616	$ 2,540	$ 2,559	$ 2,496	$ 2,424	$ 2,341
Contributions as a percentage of covered payroll	22.5%	19.4%	18.5%	17.4%	17.3%	16.9%	16.2%
UH							
Statutorily required contribution	$ 134	$ 115	$ 111	$ 99	$ 97	$ 94	$ 88
Contributions in relation to the contractually required contribution	134	115	111	99	97	94	88
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 606	$ 603	$ 592	$ 587	$ 569	$ 565	$ 551
Contributions as a percentage of covered payroll	22.1%	19.1%	18.8%	16.9%	17.0%	16.6%	16.0%

* Information for 2011–2013 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)

	2020	2019	2018
Total OPEB liability			
Service cost	$ 236,384	$ 229,157	$ 220,828
Interest	745,104	709,522	670,530
Differences between expected and actual experience	(6,204)	(209,802)	-
Changes of assumptions or other inputs	59,886	126,979	-
Benefit payments	(356,827)	(345,476)	(331,522)
Net change in total OPEB liability	678,343	510,380	559,836
Total OPEB liability – beginning	10,704,566	10,194,186	9,634,350
Total OPEB liability – ending	$ 11,382,909	$ 10,704,566	$ 10,194,186
Plan fiduciary net position			
Employer contributions	$ 787,110	$ 682,605	$ 659,271
Net investment income	71,563	78,648	66,007
Benefit payments	(356,827)	(345,476)	(331,522)
Administrative expense	(492)	(258)	(169)
Other	165,770	-	5,300
Net change in plan fiduciary net position	667,124	415,519	398,887
Plan fiduciary net position – beginning	1,295,035	879,516	480,629
Plan fiduciary net position – ending	$ 1,962,159	$ 1,295,035	$ 879,516
Net OPEB liability – ending	$ 9,420,750	$ 9,409,531	$ 9,314,670
Plan fiduciary net position as a percentage of total OPEB liability	20.83%	13.76%	9.44%
Covered payroll	$ 2,615,866	$ 2,539,755	$ 2,559,162
Net OPEB liability as a percentage of covered payroll	360.14%	370.49%	363.97%

Note: Amounts include all component units and the Office of Hawaiian Affairs.

* Information for 2011–2017 is unavailable.

State of Hawaii
Schedule of OPEB Contributions
Last Ten Fiscal Years*
(Amounts in thousands)

	2020	2019	2018
Actuarially determined contribution	$ 814,659	$ 787,110	$ 770,297
Contributions in relation to the actuarially determined contribution	780,200	816,763	682,605
Contribution deficiency (excess)	$ 34,459	$ (29,653)	$ 87,692
Covered payroll	$ 2,688,865	$ 2,615,866	$ 2,539,755
Contributions as a percentage of covered payroll	29%	31%	27%

Actuarial valuation date	July 1, 2019
Actuarial cost method	Entry age normal
Amortization method**	Level percent, closed
Remaining amortization period	25 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 2011–2017 is unavailable.

** Closed bases are established at each valuation for new unfunded liabilities.

*** Blended rates for medical and prescription drugs.

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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.

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, 2020
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Assets						
Cash and cash equivalents	$ 42,587	$ 30,917	$ 53,706	$ 13,047	$ 97,611	$ 112,285
Notes and loans receivable, net	-	21,475	-	-	-	56,356
Due from federal government	-	-	-	22,781	-	-
Due from other funds	-	-	-	-	-	-
Investments	170,350	123,668	214,821	52,187	124,578	5,390
Total assets	$ 212,937	$ 176,060	$ 268,527	$ 88,015	$ 222,189	$ 174,031
Liabilities and Fund Balances						
Liabilities						
Vouchers and contracts payable	$ 47,011	$ 2,720	$ 19,469	$ 13,600	$ 13,476	$ 1,424
Other accrued liabilities	10,440	4,056	10,745	588	17,437	1,219
Due to other funds	-	400	-	68,186	-	-
Payable from restricted assets – Matured bonds and interest payable	-	-	-	-	-	-
Total liabilities	57,451	7,176	30,214	82,374	30,913	2,643
Fund balances						
Restricted	-	-	-	1,299	-	-
Committed	-	24,961	224,632	4,093	-	-
Assigned	155,486	143,923	13,681	249	191,276	171,388
Total fund balances	155,486	168,884	238,313	5,641	191,276	171,388
Total liabilities and fund balances	$ 212,937	$ 176,060	$ 268,527	$ 88,015	$ 222,189	$ 174,031

Employment	Regulatory	Hawaiian Programs	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
$ 4,520	$ 22,907	$ 67,847	$ 10,126	$ 455,553	$ 335	$ 455,888
-	-	63,605	-	141,436	-	141,436
-	-	-	-	22,781	-	22,781
-	-	-	-	-	152	152
18,079	91,631	264,157	40,502	1,105,363	-	1,105,363
$ 22,599	$ 114,538	$ 395,609	$ 50,628	$ 1,725,133	$ 487	$ 1,725,620
$ 2,624	$ 1,006	$ 2,329	$ 3,839	$ 107,498	$ -	$ 107,498
2,961	6,070	-	3,023	56,539	-	56,539
-	-	-	1,559	70,145	-	70,145
-	-	-	-	-	335	335
5,585	7,076	2,329	8,421	234,182	335	234,517
-	-	-	-	1,299	152	1,451
-	76,193	-	-	329,879	-	329,879
17,014	31,269	393,280	42,207	1,159,773	-	1,159,773
17,014	107,462	393,280	42,207	1,490,951	152	1,491,103
$ 22,599	$ 114,538	$ 395,609	$ 50,628	$ 1,725,133	$ 487	$ 1,725,620

State of Hawaii
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2020
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Revenues						
Taxes						
Franchise tax	$ -	$ -	$ -	$ -	$ -	$ -
Tobacco and liquor taxes	-	-	22,821	-	-	-
Liquid fuel tax	77,285	234	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Vehicle weight and registration tax	119,564	-	5,555	-	-	-
Rental motor/tour vehicle surcharge tax	72,500	-	-	-	-	-
Other	-	13,890	1,249	-	-	1,367
Total taxes	269,349	14,124	29,625	-	-	1,367
Interest and investment income	11,101	5,757	7,915	75	1,736	4,860
Charges for current services	3,879	35,581	41,478	272	31,492	22,673
Intergovernmental	51,673	24,017	124,551	689,256	283,347	13,020
Rentals	757	9,718	-	-	540	1,392
Fines, forfeitures and penalties	3,505	126	650	-	-	-
Licenses and fees	2,043	719	2,654	78	36	9
Revenues from private sources	-	39	34,991	32	11,150	228
Other	100,230	7,119	1,593	1,280	17,797	7,172
Total revenues	442,537	97,200	243,457	690,993	346,098	50,721
Expenditures						
Current						
General government	-	7,204	194	-	-	-
Public safety	-	2,273	-	-	-	-
Highways	297,736	-	-	-	-	-
Conservation of natural resources	-	68,090	-	-	-	950
Health	-	-	209,053	-	-	-
Welfare	-	-	-	643,561	-	-
Lower education	-	-	-	-	445,878	-
Other education	-	-	-	9,529	-	-
Culture and recreation	-	12,537	-	-	2,900	-
Urban redevelopment and housing	-	-	-	638	-	-
Economic development and assistance	-	2,735	-	-	-	28,073
Other	613	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	298,349	92,839	209,247	653,728	448,778	29,023
Excess (deficiency) of revenues over (under) expenditures	144,188	4,361	34,210	37,265	(102,680)	21,698
Other financing sources (uses)						
Transfers in	54	3,405	418	2,260	96,380	170
Transfers out	(176,183)	(2,177)	(33,286)	(40,896)	(1,156)	(13,359)
Total other financing sources (uses)	(176,129)	1,228	(32,868)	(38,636)	95,224	(13,189)
Net change in fund balances	(31,941)	5,589	1,342	(1,371)	(7,456)	8,509
Fund balances						
Beginning of year	187,427	163,295	236,971	7,012	198,732	162,879
End of year	$ 155,486	$ 168,884	$ 238,313	$ 5,641	$ 191,276	$ 171,388

Employment	Regulatory	Hawaiian Programs	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
$ -	$ 2,000	$ -	$ -	$ 2,000	$ -	$ 2,000
-	-	-	-	22,821	-	22,821
-	-	-	1,668	79,187	-	79,187
-	2,810	-	-	2,810	-	2,810
-	-	-	-	125,119	-	125,119
-	-	-	-	72,500	-	72,500
1,787	-	-	-	18,293	-	18,293
1,787	4,810	-	1,668	322,730	-	322,730
444	3,636	16,087	889	52,500	-	52,500
2,038	26,204	3,229	31,266	198,112	-	198,112
42,186	78	1,843	48,222	1,278,193	-	1,278,193
-	-	17,400	4,003	33,810	-	33,810
2,066	1,871	-	1,536	9,754	-	9,754
-	38,187	-	922	44,648	-	44,648
-	-	-	32	46,472	-	46,472
432	568	22,719	6,365	165,275	-	165,275
48,953	75,354	61,278	94,903	2,151,494	-	2,151,494
-	10,641	-	16,416	34,455	-	34,455
1,919	56,102	-	55,128	115,422	-	115,422
-	-	-	-	297,736	-	297,736
-	-	-	-	69,040	-	69,040
2	-	-	-	209,055	-	209,055
-	-	-	1,539	645,100	-	645,100
-	-	-	-	445,878	-	445,878
-	-	-	-	9,529	-	9,529
-	-	-	16,871	32,308	-	32,308
-	-	46,000	-	46,638	-	46,638
45,585	-	-	-	76,393	-	76,393
785	-	-	-	1,398	-	1,398
-	-	-	-	-	896,501	896,501
48,291	66,743	46,000	89,954	1,982,952	896,501	2,879,453
662	8,611	15,278	4,949	168,542	(896,501)	(727,959)
1,360	707	-	4,454	109,208	896,653	1,005,861
(138)	(7,066)	(3,027)	(1,004)	(278,292)	-	(278,292)
1,222	(6,359)	(3,027)	3,450	(169,084)	896,653	727,569
1,884	2,252	12,251	8,399	(542)	152	(390)
15,130	105,210	381,029	33,808	1,491,493	-	1,491,493
$ 17,014	$ 107,462	$ 393,280	$ 42,207	$ 1,490,951	$ 152	$ 1,491,103

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2020
(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	$ 84,073	$ 77,285	$ (6,788)	$ 250	$ 233	$ (17)
Vehicle registration fee tax	46,625	42,600	(4,025)	-	1,668	1,668
State vehicle weight tax	83,979	76,964	(7,015)	-	-	-
Rental/tour vehicle surcharge tax	55,394	72,500	17,106	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	6,800	6,394	(406)
Environmental response tax	-	-	-	3,800	3,746	(54)
Transient accommodations tax	-	-	-	3,000	3,750	750
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	270,071	269,349	(722)	13,850	15,791	1,941
Non-taxes						
Interest and investment income	2,327	10,759	8,432	1,289	3,134	1,845
Charges for current services	1,320	3,879	2,559	36,350	48,094	11,744
Intergovernmental	-	638	638	-	41	41
Rentals	1,000	757	(243)	8,797	13,726	4,929
Fines, forfeitures and penalties	5,791	3,505	(2,286)	182	154	(28)
Licenses and fees	2,152	2,043	(109)	954	719	(235)
Revenues from private sources	-	-	-	336	39	(297)
Other	59	2,363	2,304	3,476	9,105	5,629
Total non-taxes	12,649	23,944	11,295	51,384	75,012	23,628
Total revenues	282,720	293,293	10,573	65,234	90,803	25,569
Expenditures						
General government	-	-	-	7,555	5,734	1,821
Public safety	-	-	-	1,440	872	568
Highways	336,480	275,419	61,061	-	-	-
Conservation of natural resources	-	-	-	70,848	48,347	22,501
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	-	-	-	-	-	-
Culture and recreation	-	-	-	10,962	7,711	3,251
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	1,842	617	1,225	-	-	-
Total expenditures	338,322	276,036	62,286	90,805	62,664	28,141
Excess (deficiency) of revenues over (under) expenditures	$ (55,602)	$ 17,257	$ 72,859	$ (25,571)	$ 28,139	$ 53,710

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)
$ -	$ -	$ -	$ -	$ -	$ -
5,775	5,555	(220)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
24,440	22,821	(1,619)	-	-	-
-	-	-	-	-	-
1,291	1,249	(42)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,506	29,625	(1,881)	-	-	-
493	7,914	7,421	-	75	75
90,580	77,453	(13,127)	305	272	(33)
1,550	5,373	3,823	240	883	643
-	-	-	-	-	-
1,147	647	(500)	-	-	-
3,835	2,654	(1,181)	128	78	(50)
36,604	34,962	(1,642)	35	3	(32)
913	1,334	421	1,000	951	(49)
135,122	130,337	(4,785)	1,708	2,262	554
166,628	159,962	(6,666)	1,708	2,262	554
293	209	84	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
227,994	182,408	45,586	-	-	-
-	-	-	7,735	1,545	6,190
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
228,287	182,617	45,670	7,735	1,545	6,190
$ (61,659)	$ (22,655)	$ 39,004	$ (6,027)	$ 717	$ 6,744

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2020
(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	1,367	(2,433)
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	3,800	1,367	(2,433)
Non-taxes						
Interest and investment income	71	1,528	1,457	2,489	4,506	2,017
Charges for current services	41,721	29,321	(12,400)	16,986	22,651	5,665
Intergovernmental	30	5,085	5,055	-	56	56
Rentals	75	540	465	2,116	1,392	(724)
Fines, forfeitures and penalties	-	-	-	-	-	-
Licenses and fees	750	36	(714)	15	9	(6)
Revenues from private sources	276	61	(215)	3,073	208	(2,865)
Other	2,152	12,914	10,762	4,910	7,342	2,432
Total non-taxes	45,075	49,485	4,410	29,589	36,164	6,575
Total revenues	45,075	49,485	4,410	33,389	37,531	4,142
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,100	-	1,100
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	102,398	50,706	51,692	-	-	-
Culture and recreation	4,000	1,825	2,175	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	103,275	39,577	63,698
Other	-	-	-	-	-	-
Total expenditures	106,398	52,531	53,867	104,375	39,577	64,798
Excess (deficiency) of revenues over (under) expenditures	$ (61,323)	$ (3,046)	$ 58,277	$ (70,986)	$ (2,046)	$ 68,940

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	1,787	438	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	2,000	-
-	-	-	2,600	2,810	210
1,349	1,787	438	4,600	4,810	210
11,500	360	(11,140)	294	3,636	3,342
2,135	2,038	(97)	27,146	26,204	(942)
-	1,191	1,191	-	-	-
-	-	-	-	-	-
1	2,066	2,065	2,862	1,871	(991)
-	-	-	40,190	38,187	(2,003)
-	-	-	-	-	-
-	-	-	4,241	5,193	952
13,636	5,655	(7,981)	74,733	75,091	358
14,985	7,442	(7,543)	79,333	79,901	568
-	-	-	17,687	16,889	798
-	-	-	69,459	58,888	10,571
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
26,675	4,608	22,067	-	-	-
-	-	-	-	-	-
26,675	4,608	22,067	87,146	75,777	11,369
$ (11,690)	$ 2,834	$ 14,524	$ (7,813)	$ 4,124	$ 11,937

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2020
(Amounts in thousands)

	Hawaiian Programs			All Other		
	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	-	-	-	-	-	-
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	-	-	-
Non-taxes						
Interest and investment income	80	702	622	43	254	211
Charges for current services	-	32	32	8,852	18,533	9,681
Intergovernmental	-	750	750	1,187	916	(271)
Rentals	16,938	16,404	(534)	-	-	-
Fines, forfeitures and penalties	-	-	-	2,359	1,507	(852)
Licenses and fees	-	-	-	680	922	242
Revenues from private sources	-	-	-	36	32	(4)
Other	3,610	10,990	7,380	7,526	10,253	2,727
Total non-taxes	20,628	28,878	8,250	20,683	32,417	11,734
Total revenues	20,628	28,878	8,250	20,683	32,417	11,734
Expenditures						
General government	-	-	-	19,860	16,617	3,243
Public safety	-	-	-	63,603	14,490	49,113
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	1,550	1,169	381
Lower education	-	-	-	-	-	-
Culture and recreation	-	-	-	20,537	17,387	3,150
Urban redevelopment and housing	12,125	5,065	7,060	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenditures	12,125	5,065	7,060	105,550	49,663	55,887
Excess (deficiency) of revenues over (under) expenditures	$ 8,503	$ 23,813	$ 15,310	$ (84,867)	$ (17,246)	$ 67,621

Total Special Revenue Funds		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
$ 84,323	$ 77,518	$ (6,805)
52,400	49,823	(2,577)
83,979	76,964	(7,015)
55,394	72,500	17,106
1,349	1,787	438
24,440	22,821	(1,619)
6,800	6,394	(406)
8,891	6,362	(2,529)
3,000	3,750	750
2,000	2,000	-
2,600	2,810	210
325,176	322,729	(2,447)
18,586	32,868	14,282
225,395	228,477	3,082
3,007	14,933	11,926
28,926	32,819	3,893
12,342	9,750	(2,592)
48,704	44,648	(4,056)
40,360	35,305	(5,055)
27,887	60,445	32,558
405,207	459,245	54,038
730,383	781,974	51,591
45,395	39,449	5,946
135,602	74,250	61,352
336,480	275,419	61,061
70,848	48,347	22,501
227,994	182,408	45,586
9,285	2,714	6,571
102,398	50,706	51,692
35,499	26,923	8,576
12,125	5,065	7,060
129,950	44,185	85,765
1,842	617	1,225
1,107,418	750,083	357,335
$ (377,035)	$ 31,891	$ 408,926

(concluded)

State of Hawaii
Nonmajor Special Revenue Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2020
(Amounts in thousands)

Excess of revenues and other sources over expenditures – actual (budgetary basis)	$	31,891
Reserve for encumbrance at year end*		151,783
Expenditures for liquidation of prior fiscal year encumbrances		(363,341)
Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds		121,044
Transfers		226,079
Accrued liabilities		(482,169)
Accrued revenues		483,255
Excess of expenditures over revenues – GAAP basis	$	168,542

*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, 2020
(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	$ 36,445	$ 97,758	$ 23,849	$ 158,052
Investments	84,914	-	-	84,914
Receivables				
Accounts and accrued interest	-	348	119	467
Promissory note receivable	-	35,517	13,130	48,647
Federal government	-	-	470	470
Premiums	75,801	-	-	75,801
Other	19,762	1,178	788	21,728
Prepaid expenses and other assets	5,281	-	-	5,281
Total current assets	222,203	134,801	38,356	395,360
Capital assets – equipment	10,610	732	2,763	14,105
Less: Accumulated depreciation	(10,315)	(278)	(2,062)	(12,655)
Net capital assets	295	454	701	1,450
Promissory note receivable	-	421,589	190,434	612,023
Total noncurrent assets	295	422,043	191,135	613,473
Total assets	222,498	556,844	229,491	1,008,833
Deferred outflows of resources				
Deferred outflows on net pension liability	1,162	838	533	2,533
Deferred outflows on net other postemployment benefits liability	854	358	268	1,480
Total deferred outflows of resources	$ 2,016	$ 1,196	$ 801	$ 4,013
Liabilities				
Current liabilities				
Vouchers and contracts payable	$ 359	$ 157	$ 604	$ 1,120
Other accrued liabilities	1,293	-	-	1,293
Benefits claims payable	5,352	-	-	5,352
Accrued vacation, current portion	114	70	46	230
Premiums payable	44,531	-	-	44,531
Total current liabilities	51,649	227	650	52,526
Noncurrent liabilities				
Accrued vacation	297	188	175	660
Net pension liability	6,369	4,045	2,682	13,096
Net other postemployment benefits liability	7,499	3,741	2,817	14,057
Total noncurrent liabilities	14,165	7,974	5,674	27,813
Total liabilities	65,814	8,201	6,324	80,339
Deferred inflows of resources				
Deferred inflows on net pension liability	42	28	470	540
Deferred inflows on net other postemployment benefits liability	113	45	45	203
Total deferred inflows of resources	155	73	515	743
Net position				
Net investment in capital assets	295	454	700	1,449
Restricted for bond requirements and other	-	549,312	222,753	772,065
Unrestricted	158,250	-	-	158,250
Total net position	$ 158,545	$ 549,766	$ 223,453	$ 931,764

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2020
(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	$ -	$ 2,449	$ 2,354	$ 4,803
Premium revenue – self insurance	103,180	-	-	103,180
Experience refunds, net	41,831	-	-	41,831
Other	1,628	1,249	460	3,337
Total operating revenues	146,639	3,698	2,814	153,151
Operating expenses				
Personnel services	5,528	1,551	1,148	8,227
Depreciation	94	136	217	447
Repairs and maintenance	197	-	123	320
General administration	3,205	963	1,200	5,368
Claims	88,136	-	-	88,136
Other	435	2,478	3,387	6,300
Total operating expenses	97,595	5,128	6,075	108,798
Operating income (loss)	49,044	(1,430)	(3,261)	44,353
Nonoperating revenues				
Interest and investment income	3,855	3,301	636	7,792
Income (loss) before capital contributions	52,899	1,871	(2,625)	52,145
Capital contributions	-	11,356	17,018	28,374
Change in net position	52,899	13,227	14,393	80,519
Net position				
Beginning of year	105,646	536,539	209,060	851,245
End of year	$ 158,545	$ 549,766	$ 223,453	$ 931,764

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2020
(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	$ 661,623	$ -	$ -	$ 661,623
Cash paid to suppliers	(3,342)	(124)	(1,129)	(4,595)
Cash paid to employees	(4,954)	(2,096)	(1,553)	(8,603)
Cash paid for premiums and benefits payable	(626,034)	-	-	(626,034)
Net cash provided by (used in) operating activities	27,293	(2,220)	(2,682)	22,391
Cash flows from noncapital financing activities				
Proceeds from federal operating grants	-	8,869	14,445	23,314
Cash flows from capital financing activities				
Purchase of equipment	(28)	(6)	(73)	(107)
State capital contributions	-	2,488	2,220	4,708
Net cash provided by (used in) capital financing activities	(28)	2,482	2,147	4,601
Cash flows from investing activities				
Purchase of investments	(23,636)	-	-	(23,636)
Principal repayments on notes receivable	-	31,967	11,415	43,382
Disbursement of notes receivable proceeds	-	(130,752)	(28,348)	(159,100)
Interest income from notes receivable	-	1,216	443	1,659
Administrative loan fees	-	2,195	2,338	4,533
Interest received from investments	3,855	6,168	1,067	11,090
Net cash used in investing activities	(19,781)	(89,206)	(13,085)	(122,072)
Net increase (decrease) in cash and cash equivalents	7,484	(80,075)	825	(71,766)
Cash and cash equivalents, including restricted amounts				
Beginning of year	28,961	177,833	23,024	229,818
End of year	$ 36,445	$ 97,758	$ 23,849	$ 158,052
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 49,044	$ (1,430)	$ (3,261)	$ 44,353
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	94	136	217	447
Principal forgiveness of loan	-	2,474	2,700	5,174
Interest income from loans	-	(1,248)	(460)	(1,708)
Administrative loan fees	-	(2,449)	(2,354)	(4,803)
Premium reserves held by insurance companies	(35,404)	-	-	(35,404)
Change in assets, deferred outflows, liabilities and deferred inflows				
Receivables	11,580	(2)	-	11,578
Prepaid and other expenses	49	-	-	49
Net deferred outflows/inflows of resources	16	12	43	71
Vouchers and contracts payable	11	45	235	291
Net pension liability	483	238	195	916
Other postemployment benefits liability	10	4	3	17
Other accrued liabilities	557	-	-	557
Benefits claim payable	853	-	-	853
Net cash provided by (used in) operating activities	$ 27,293	$ (2,220)	$ (2,682)	$ 22,391

State of Hawaii
Fiduciary Funds
Combining Statement of Fiduciary Net Position – Agency Funds
June 30, 2020
(Amounts in thousands)

	Agency Funds			Total Agency Funds
	Tax Collections	Custodial	Other	
Assets				
Cash and cash equivalents	$ 1,946	$ 193,444	$ 496,649	$ 692,039
Receivables – taxes	-	-	5,666	5,666
Investments	7,959	315,518	135,455	458,932
Other assets, primarily due from individuals, businesses and counties	5,208	-	-	5,208
Total assets	$ 15,113	$ 508,962	$ 637,770	$ 1,161,845
Liabilities				
Vouchers payable	$ 15,113	$ 6	$ 5,857	$ 20,976
Due to other funds	-	-	461,711	461,711
Due to individuals, businesses and counties	-	508,956	170,202	679,158
Total liabilities	$ 15,113	$ 508,962	$ 637,770	$ 1,161,845

State of Hawaii
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year Ended June 30, 2020
(Amounts in thousands)

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Tax collections				
Assets				
Cash and cash equivalents	$ 977	$ 9,650,070	$ (9,649,101)	$ 1,946
Due from individuals, businesses and counties	2,061	9,653,217	(9,650,070)	5,208
Investments	11,238	7,959	(11,238)	7,959
Total assets	$ 14,276	$ 19,311,246	$ (19,310,409)	$ 15,113
Liabilities				
Vouchers payable	$ 14,276	$ 15,113	$ (14,276)	$ 15,113
Total liabilities	$ 14,276	$ 15,113	$ (14,276)	$ 15,113
Custodial				
Assets				
Cash and cash equivalents	$ 119,394	$ 4,589,982	$ (4,515,932)	$ 193,444
Investments	239,114	315,518	(239,114)	315,518
Total assets	$ 358,508	$ 4,905,500	$ (4,755,046)	$ 508,962
Liabilities				
Vouchers payable	$ 90	$ 6	$ (90)	$ 6
Due to individuals, businesses and counties	358,418	4,589,949	(4,439,411)	508,956
Total liabilities	$ 358,508	$ 4,589,955	$ (4,439,501)	$ 508,962
Other				
Assets				
Cash and cash equivalents	$ 9,439	$ 617,480	$ (130,270)	$ 496,649
Receivables	14,557	5,666	(14,557)	5,666
Investments	102,746	135,455	(102,746)	135,455
Total assets	$ 126,742	$ 758,601	$ (247,573)	$ 637,770
Liabilities				
Vouchers payable	$ 4,860	$ 5,857	$ (4,860)	$ 5,857
Due to other funds	-	461,711	-	461,711
Due to individuals, businesses and counties	121,882	146,912	(98,592)	170,202
Total liabilities	$ 126,742	$ 614,480	$ (103,452)	$ 637,770
Total – All agency funds				
Assets				
Cash and cash equivalents	$ 129,810	$ 14,857,532	$ (14,295,303)	$ 692,039
Receivables	14,557	5,666	(14,557)	5,666
Due from individuals, businesses and counties	2,061	9,653,217	(9,650,070)	5,208
Investments	353,098	458,932	(353,098)	458,932
Total assets	$ 499,526	$ 24,975,347	$ (24,313,028)	$ 1,161,845
Liabilities				
Vouchers payable	$ 19,226	$ 20,976	$ (19,226)	$ 20,976
Due to other funds	-	461,711	-	461,711
Due to individuals, businesses and counties	480,300	4,736,861	(4,538,003)	679,158
Total liabilities	$ 499,526	$ 5,219,548	$ (4,557,229)	$ 1,161,845

PART III: STATISTICAL SECTION
(UNAUDITED)

State of Hawaii
Statistical Section (Unaudited)
June 30, 2020

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, 2020
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Governmental activities					
Net investment in capital assets	$ 2,478,200	$ 2,459,159	$ 2,661,730	$ 2,787,289	$ 2,727,055
Restricted	2,345,000	2,089,246	2,028,259	1,799,903	1,591,701
Unrestricted	(12,518,653)	(11,830,687)	(11,381,725)	(7,996,567)	(7,190,837)
Total governmental activities net position	$ (7,695,453)	$ (7,282,282)	$ (6,691,736)	$ (3,409,375)	$ (2,872,081)
Business-type activities					
Net investment in capital assets	$ 2,629,344	$ 2,459,973	$ 2,183,188	$ 2,022,844	$ 1,871,554
Restricted	1,639,488	1,580,020	1,444,009	1,309,392	1,305,799
Unrestricted	251,266	1,018,193	1,075,059	1,141,536	1,058,108
Total business-type activities net position	$ 4,520,098	$ 5,058,186	$ 4,702,256	$ 4,473,772	$ 4,235,461
Primary government					
Net investment in capital assets	$ 5,107,544	$ 4,919,132	$ 4,844,918	$ 4,810,133	$ 4,598,609
Restricted	3,984,488	3,669,266	3,472,268	3,109,295	2,897,500
Unrestricted	(12,267,387)	(10,812,494)	(10,306,666)	(6,855,031)	(6,132,729)
Total primary government net position	$ (3,175,355)	$ (2,224,096)	$ (1,989,480)	$ 1,064,397	$ 1,363,380

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.

2015	2014	2013	2012	2011
$ 2,826,649	$ 2,772,220	$ 2,863,379	$ 2,794,481	$ 3,326,245
1,445,824	1,128,678	1,051,548	930,294	917,730
(7,379,890)	(3,096,065)	(2,669,391)	(2,394,874)	(2,384,187)
$ (3,107,417)	$ 804,833	$ 1,245,536	$ 1,329,901	$ 1,859,788
$ 1,773,613	$ 1,653,902	$ 1,599,483	$ 1,560,267	$ 1,476,136
1,227,441	1,160,551	1,068,146	966,042	956,894
995,207	1,050,981	899,740	649,583	579,383
$ 3,996,261	$ 3,865,434	$ 3,567,369	$ 3,175,892	$ 3,012,413
$ 4,600,262	$ 4,426,122	$ 4,462,862	$ 4,354,748	$ 4,802,381
2,673,265	2,289,229	2,119,694	1,896,336	1,874,624
(6,384,683)	(2,045,084)	(1,769,651)	(1,745,291)	(1,804,804)
$ 888,844	$ 4,670,267	$ 4,812,905	$ 4,505,793	$ 4,872,201

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2020
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Expenses					
Governmental activities					
General government	$ 1,129,769	$ 1,054,935	$ 920,547	$ 631,052	$ 688,394
Public safety	642,353	675,663	639,888	552,671	485,985
Highways	531,105	552,741	614,847	457,374	399,997
Conservation of natural resources	109,093	224,266	118,637	161,924	107,740
Health	1,138,450	1,019,160	874,898	889,216	878,610
Welfare	3,678,820	3,379,304	3,542,771	3,481,679	3,343,392
Lower education	3,595,747	3,527,097	3,404,645	3,157,517	2,840,782
Higher education	1,050,582	950,253	950,843	899,199	673,217
Other education	16,936	18,376	23,827	27,248	23,379
Culture and recreation	155,261	110,711	89,647	106,875	106,511
Urban redevelopment and housing	246,495	179,794	392,921	245,819	122,981
Economic development and assistance	4,868	174,629	170,200	161,077	163,935
Interest expense	244,994	251,294	311,340	212,042	210,204
Total governmental activities expenses	12,544,473	12,118,223	12,055,011	10,983,693	10,045,127
Business-type activities					
Airports	559,374	469,321	429,884	408,517	377,393
Harbors	98,998	85,007	92,978	101,180	93,088
Unemployment compensation	2,147,598	165,134	177,009	173,735	144,481
Nonmajor proprietary funds	108,798	103,954	96,548	110,907	112,323
Total business-type activities expenses	2,914,768	823,416	796,419	794,339	727,285
Total primary government expenses	$ 15,459,241	$ 12,941,639	$ 12,851,430	$ 11,778,032	$ 10,772,412
Program revenues					
Governmental activities					
Charges for services					
General government	$ 292,428	$ 302,275	$ 319,043	$ 289,116	$ 209,598
Health	130,082	138,013	126,046	143,363	136,429
Other	375,479	393,958	479,847	357,034	371,823
Operating grants and contributions	3,597,822	3,082,678	3,154,479	3,068,752	2,986,842
Capital grants and contributions	-	-	-	-	113,006
Total governmental activities program revenues	4,395,811	3,916,924	4,079,415	3,858,265	3,817,698
Business-type activities					
Charges for services					
Airports	475,064	562,436	587,602	511,018	459,269
Unemployment compensation	1,391,747	193,093	186,239	176,212	187,215
Others	329,283	296,920	283,586	269,694	218,552
Capital grants and contributions	95,720	78,010	37,956	51,091	80,173
Total business-type activities program revenues	2,291,814	1,130,459	1,095,383	1,008,015	945,209
Total primary government program revenues	$ 6,687,625	$ 5,047,383	$ 5,174,798	$ 4,866,280	$ 4,762,907
Net (expense) revenue					
Governmental activities	$ (8,148,662)	$ (8,201,299)	$ (7,975,596)	$ (7,125,428)	$ (6,227,429)
Business-type activities	(622,954)	307,043	298,964	213,676	217,924
Total primary government net expenses	$ (8,771,616)	$ (7,894,256)	$ (7,676,632)	$ (6,911,752)	$ (6,009,505)

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.

2015	2014	2013	2012	2011
$ 595,278	$ 567,941	$ 531,839	$ 552,788	$ 535,434
504,343	533,727	451,946	502,002	471,459
426,142	554,039	490,091	516,924	450,548
89,176	101,587	52,208	96,349	89,021
871,563	849,493	813,190	773,288	816,525
3,196,602	2,879,813	2,798,053	2,464,582	2,553,829
2,729,789	2,685,037	2,592,125	2,598,444	2,545,980
761,837	693,292	654,611	672,716	707,381
21,664	21,766	20,086	16,753	14,018
84,265	104,303	94,679	111,628	108,697
115,653	137,160	173,677	23,888	66,144
179,485	166,455	172,602	209,460	238,315
247,059	239,760	241,677	243,938	239,836
9,822,856	9,534,373	9,086,784	8,782,760	8,837,187
350,041	346,699	366,918	353,541	354,368
87,031	89,327	90,548	84,826	80,355
186,893	244,947	336,931	468,610	561,548
112,209	87,031	66,119	169,166	250,346
736,174	768,004	860,516	1,076,143	1,246,617
$ 10,559,030	$ 10,302,377	$ 9,947,300	$ 9,858,903	$ 10,083,804
$ 248,915	$ 223,066	$ 267,081	$ 266,878	$ 270,078
136,547	130,338	56,963	32,339	46,215
314,099	287,937	170,603	121,928	112,479
2,809,460	2,660,770	2,589,537	2,370,437	2,837,464
139,977	97,290	96,184	97,322	132,825
3,648,998	3,399,401	3,180,368	2,888,904	3,399,061
434,489	404,442	431,708	343,279	387,484
239,375	353,546	507,096	533,963	535,243
238,852	203,979	215,243	272,317	341,707
72,140	98,628	64,313	85,899	75,324
984,856	1,060,595	1,218,360	1,235,458	1,339,758
$ 4,633,854	$ 4,459,996	$ 4,398,728	$ 4,124,362	$ 4,738,819
$ (6,173,858)	$ (6,134,972)	$ (5,906,416)	$ (5,893,856)	$ (5,438,126)
248,682	292,591	357,844	159,315	93,141
$ (5,925,176)	$ (5,842,381)	$ (5,548,572)	$ (5,734,541)	$ (5,344,985)

(continued)

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2020
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
General revenues and other changes in net position					
Governmental activities					
Taxes					
General excise tax	$ 3,667,538	$ 3,794,587	$ 3,553,975	$ 3,189,599	$ 3,192,469
Net income tax – corporations and individuals	2,661,618	2,728,991	2,407,338	2,330,408	2,160,872
Public service companies tax	134,639	126,691	117,641	122,159	152,760
Transient accommodations tax	304,012	356,670	304,521	299,712	233,082
Tobacco and liquor tax	150,065	151,438	157,988	160,906	161,239
Liquid fuel tax	79,187	85,146	85,211	84,933	89,702
Tax on premiums of insurance companies	183,563	176,420	162,318	166,836	154,690
Vehicle weight and registration tax	125,119	136,142	135,080	132,974	130,051
Rental motor/tour vehicle surcharge tax	72,502	57,994	54,846	53,189	54,873
Franchise tax	35,271	26,808	15,712	11,174	14,691
Other tax	157,623	156,632	145,861	103,204	109,072
Interest and investment income	164,354	40,141	36,527	30,676	22,564
Other	-	(2,797)	4,538	-	(13,300)
Assumption agreement with State, net	-	-	(250,697)	-	-
Debt cancellation with State	-	(224,110)	-	-	-
Total governmental activities	7,735,491	7,610,753	6,930,859	6,685,770	6,462,765
Business-type activities					
Interest and investment income	84,866	48,887	27,352	25,324	21,276
Other	-	-	-	-	-
Total business-type activities	84,866	48,887	27,352	25,324	21,276
Total primary government	$ 7,820,357	$ 7,659,640	$ 6,958,211	$ 6,711,094	$ 6,484,041
Changes in net position					
Governmental activities	$ (413,171)	$ (590,546)	$ (1,044,737)	$ (439,658)	$ 235,336
Business-type activities	(538,088)	355,930	326,316	239,000	239,200
Total primary government	$ (951,259)	$ (234,616)	$ (718,421)	$ (200,658)	$ 474,536

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.

2015	2014	2013	2012	2011
$ 3,021,418	$ 2,816,346	$ 2,991,792	$ 2,774,636	$ 2,507,980
2,073,015	1,840,890	1,795,683	1,633,085	1,477,624
163,481	166,179	163,930	150,528	117,940
202,345	188,721	186,377	138,529	60,839
165,137	155,990	161,066	170,824	173,851
88,449	88,707	87,645	88,842	91,265
147,767	139,074	133,585	119,472	140,586
125,113	124,686	121,605	98,187	59,476
51,941	42,853	52,112	106,417	43,892
19,930	38,983	22,673	7,229	33,682
76,222	96,131	80,081	70,873	67,799
16,024	13,163	25,502	5,347	55,852
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6,150,842	5,711,723	5,822,051	5,363,969	4,830,786
17,567	12,805	14,633	4,164	33,587
-	-	19,000	-	-
17,567	12,805	33,633	4,164	33,587
$ 6,168,409	$ 5,724,528	$ 5,855,684	$ 5,368,133	$ 4,864,373
$ (23,016)	$ (423,249)	$ (84,365)	$ (529,887)	$ (607,340)
266,249	305,396	391,477	163,479	126,728
$ 243,233	$ (117,853)	$ 307,112	$ (366,408)	$ (480,612)

(concluded)

State of Hawaii
Financial Trends Information
Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2020
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
General Fund (under GASB 54)					
Assigned	$ 479,071	$ 475,242	$ 503,201	$ 400,529	$ 394,581
Unassigned	789,518	1,147,073	974,719	1,305,542	1,400,783
Total General Fund	$ 1,268,589	$ 1,622,315	$ 1,477,920	$ 1,706,071	$ 1,795,364
All other governmental funds (under GASB 54)					
Restricted	$ 16,018	$ 22,006	$ 25,653	$ 110,750	$ 15,557
Committed	1,041,570	823,958	805,502	688,980	401,313
Assigned	1,316,396	1,267,999	1,226,984	1,117,520	1,199,080
Unassigned	(362,148)	(210,972)	(68,660)	(116,880)	(340,671)
Total all other governmental funds	$ 2,011,836	$ 1,902,991	$ 1,989,479	$ 1,800,370	$ 1,275,279

2015	2014	2013	2012	2011
$ 205,242	$ 256,483	$ 271,020	$ 236,779	$ 210,164
1,384,053	1,079,180	1,154,253	570,659	346,882
$ 1,589,295	$ 1,335,663	$ 1,425,273	$ 807,438	$ 557,046
$ 25,370	$ 27,145	$ 21,854	$ 109	$ 21,582
449,290	497,932	486,240	518,374	600,125
1,009,503	739,279	612,762	532,466	339,337
(576,980)	(588,405)	(611,097)	(408,575)	(766,665)
$ 907,183	$ 675,951	$ 509,759	$ 642,374	$ 194,379

State of Hawaii
Financial Trends Information
Changes in Fund Balances – Governmental Funds
(Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2020
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Revenues					
Taxes					
General excise tax	$ 3,632,630	$ 3,794,585	$ 3,553,975	$ 3,189,599	$ 3,192,469
Net income tax – corporations and individuals	2,657,551	2,718,654	2,456,674	2,286,017	2,157,879
Public service companies tax	134,639	126,691	117,641	122,159	152,760
Transient accommodations tax	303,176	356,670	304,521	299,712	233,082
Tobacco and liquor tax	150,065	151,438	157,988	160,906	161,239
Liquid fuel tax	79,187	85,146	85,211	84,933	89,702
Tax on premiums of insurance companies	183,563	176,420	162,318	166,836	154,690
Vehicle weight and registration tax	125,119	136,142	135,080	132,974	130,051
Rental motor/tour vehicle surcharge tax	72,502	57,994	54,846	53,189	54,873
Franchise tax	35,271	26,808	15,712	11,174	14,691
Other	157,591	156,632	145,861	103,204	109,072
Total taxes	7,531,294	7,787,180	7,189,827	6,610,703	6,450,508
Interest and investment income	164,354	40,141	36,527	30,676	22,564
Charges for current services	495,009	518,531	477,717	460,211	431,181
Intergovernmental	3,333,396	2,783,538	2,878,717	2,938,557	2,995,768
Rentals	35,035	38,031	35,466	35,530	32,371
Fines, forfeitures and penalties	28,579	37,513	38,767	39,203	35,738
Licenses and fees	45,763	47,965	47,066	46,893	45,738
Revenues from private sources	128,401	122,017	184,661	105,857	126,450
Other	329,624	369,425	428,066	248,389	169,533
Total revenues	12,091,455	11,744,341	11,316,814	10,516,019	10,309,851
Expenditures					
Current					
General government	1,137,274	1,007,554	807,032	701,083	673,236
Public safety	612,091	634,120	579,980	531,545	479,047
Highways	500,212	526,148	609,538	461,523	389,744
Conservation of natural resources	167,383	145,383	157,639	180,697	181,563
Health	1,096,444	1,009,545	827,592	873,703	876,820
Welfare	3,653,210	3,332,469	3,495,974	3,442,279	3,349,414
Lower education	3,351,308	3,334,110	3,226,275	2,973,583	2,828,013
Higher education	1,050,582	950,253	950,843	899,199	673,217
Other education	16,936	18,376	23,827	27,248	23,379
Culture and recreation	143,739	116,381	104,964	104,655	101,351
Urban redevelopment and housing	78,061	79,236	124,292	63,807	54,446
Economic development and assistance	166,387	152,592	167,614	179,127	159,483
Housing	153,411	85,032	256,386	133,010	58,381
Other	13,293	13,691	12,388	10,613	20,193
Debt service					
Principal	564,222	464,518	464,518	484,274	444,791
Interest and others	332,279	390,856	321,150	296,482	315,321
Total expenditures	13,036,832	12,260,264	12,130,012	11,362,828	10,628,399
Excess of expenditures over revenues	(945,377)	(515,923)	(813,198)	(846,809)	(318,548)
Other financing sources (uses)					
Proceeds from borrowing and refunding	700,496	644,962	1,200,004	2,161,677	1,835,677
Payments to escrow agent	-	(69,730)	(424,887)	(879,070)	(989,950)
Transfers in	1,324,903	1,214,773	1,291,815	1,444,931	1,276,279
Transfers out	(1,324,903)	(1,214,773)	(1,291,815)	(1,444,931)	(1,276,279)
Other	-	(1,402)	(961)	-	46,986
Total other financing sources	700,496	573,830	774,156	1,282,607	892,713
Net change in fund balances	$ (244,881)	$ 57,907	$ (39,042)	$ 435,798	$ 574,165
Total debt service as a percent of noncapital expenditures (1)	7.4%	7.5%	7.0%	7.3%	7.6%

(1) Total debt service as a percent of noncapital expenditures is computed by debt service principal plus debt service interest and others divided by total expenditures less debt service principal and debt service interest and others.

2015	2014	2013	2012	2011
$ 3,021,418	$ 2,816,346	$ 2,991,792	$ 2,774,636	$ 2,507,980
2,047,327	1,840,963	1,804,409	1,633,412	1,473,188
163,481	166,179	163,930	150,528	117,940
202,345	188,721	186,377	138,529	60,839
165,137	155,990	161,066	170,824	173,851
88,449	88,707	87,645	88,842	91,265
147,767	139,074	133,585	119,472	140,586
125,113	124,686	121,605	98,187	59,476
51,941	42,853	52,112	106,417	43,892
19,930	38,983	22,673	7,229	33,682
76,222	96,131	80,079	70,873	67,799
6,109,130	5,698,633	5,805,273	5,358,949	4,770,498
16,024	13,163	25,502	5,347	55,854
384,380	363,791	369,269	337,765	348,108
2,803,989	2,650,876	2,372,480	2,238,639	2,567,266
31,127	31,846	28,633	25,421	23,319
37,201	33,087	36,802	35,083	34,712
42,463	47,209	46,839	46,390	41,557
121,366	112,916	104,670	65,085	54,857
191,472	173,483	235,516	152,091	343,318
9,737,152	9,125,004	9,024,984	8,264,770	8,239,489
573,820	543,129	408,538	487,596	487,848
484,960	519,954	432,024	454,957	423,716
455,563	403,559	418,991	414,629	376,780
145,516	108,703	92,601	98,428	93,600
855,797	828,088	779,755	729,841	757,482
3,192,807	2,945,370	2,773,241	2,443,936	2,526,743
2,619,156	2,603,774	2,358,763	2,330,130	2,208,303
761,837	693,292	654,611	672,716	707,380
21,664	21,766	20,086	16,753	14,018
96,676	107,846	107,940	109,974	117,306
71,384	65,228	66,243	48,484	73,789
176,919	158,379	157,468	147,445	158,104
48,565	63,683	112,614	46,133	61,352
15,179	29,818	32,716	12,108	12,223
444,791	458,983	399,382	313,721	191,244
289,524	278,315	288,267	274,039	266,737
10,254,158	9,829,887	9,103,240	8,600,890	8,476,625
(517,006)	(704,883)	(78,256)	(336,120)	(237,136)
1,518,709	948,190	1,066,848	1,600,308	-
(516,839)	(185,560)	(503,372)	(565,801)	-
1,171,272	1,066,780	1,033,917	950,717	921,433
(1,171,272)	(1,066,780)	(1,033,917)	(950,717)	(921,433)
-	18,835	-	-	37,889
1,001,870	781,465	563,476	1,034,507	37,889
$ 484,864	$ 76,582	$ 485,220	$ 698,387	$ (199,247)
7.7%	7.9%	8.0%	7.2%	5.7%

State of Hawaii
Revenue Capacity Information
Personal Income by Industry
Ten Years Ended June 30, 2020
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Farm earnings	$ 249	$ 271	$ 284	$ 274	$ 284
Nonfarm wage and salary worker					
Goods-producing industries					
Forestry, fishing-related activities, and other	90	97	94	87	76
Mining	32	31	35	35	39
Construction	4,531	4,538	4,372	4,391	4,038
Manufacturing – durable and nondurable goods	948	975	959	921	918
Subtotal goods – producing industries	5,601	5,641	5,460	5,434	5,071
Service-producing industries					
Transportation, communication and utilities	4,802	3,064	2,965	2,714	2,639
Trade	3,170	4,841	4,659	4,574	4,419
Information	830	893	766	711	742
Finance, insurance and real estate	3,714	3,626	3,373	3,192	3,051
Service	21,500	21,964	21,051	19,595	19,087
State and local government	7,313	7,235	6,907	6,970	6,949
Federal government	9,219	8,990	8,505	8,491	8,614
Subtotal service-producing industries	50,548	50,613	48,226	46,247	45,501
Total nonfarm wage and salary worker	56,149	56,254	53,686	51,681	50,572
Other (1)	27,963	23,638	22,506	21,042	19,814
Total personal income	$ 84,361	$ 80,163	$ 76,476	$ 72,997	$ 70,670
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.

2015	2014	2013	2012	2011
$ 318	$ 349	$ 243	$ 288	$ 288
76	66	60	60	42
41	37	39	35	33
3,542	3,328	3,236	3,046	2,843
878	833	804	767	768
4,537	4,264	4,139	3,908	3,686
2,424	2,316	2,178	1,889	1,783
4,130	4,089	3,929	3,768	3,666
718	711	692	645	711
3,110	3,267	2,752	2,329	2,081
17,608	17,126	16,423	15,438	15,075
6,426	6,089	5,873	5,425	5,327
8,400	8,139	8,507	10,094	9,531
42,816	41,737	40,354	39,588	38,174
47,353	46,001	44,493	43,496	41,860
19,092	18,270	18,473	16,144	15,981
$ 66,763	$ 64,620	$ 63,209	$ 59,928	$ 58,129
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, 2020

	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
2020	11.00% + $16,379	$ 200,000	11.00% + $32,757	$ 400,000	11.00% + $24,568	$ 300,000
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

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, 2020
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Taxable sales by activities					
Retailing	$ 35,679	$ 36,801	$ 35,454	$ 30,747	$ 29,498
Services	16,750	16,927	16,375	14,162	13,667
Contracting	9,541	9,706	8,914	8,418	8,185
Hotel rentals	5,215	5,669	5,527	4,898	4,442
All other rentals	8,667	8,564	8,171	6,669	6,474
All other (4%)	5,893	6,543	6,545	5,918	5,407
Subtotal	81,745	84,210	80,986	70,812	67,673
Producing	303	296	359	324	295
Manufacturing	561	596	640	731	734
Wholesaling	17,417	18,062	17,590	14,462	13,864
Use (0.5%)	6,886	7,280	7,640	6,799	7,354
Services (intermediary)	1,007	1,005	903	870	708
Insurance solicitors	702	754	650	495	485
Subtotal	26,876	27,993	27,782	23,681	23,440
Total all activities	$ 108,621	$ 112,203	$ 108,768	$ 94,493	$ 91,113

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.

2015	2014	2013	2012	2011
$ 29,987	$ 31,152	$ 29,636	$ 29,095	$ 25,887
13,361	13,795	12,985	12,696	11,944
7,322	7,046	7,547	6,253	5,687
4,328	4,279	3,871	3,431	3,024
6,544	6,472	6,377	6,154	5,999
5,486	5,683	5,337	5,160	4,825
67,028	68,427	65,753	62,789	57,366
321	436	399	401	370
716	1,876	639	681	698
14,294	14,675	14,430	14,442	13,121
7,127	6,489	8,867	8,005	6,669
716	1,096	628	653	577
489	485	464	477	480
23,663	25,057	25,427	24,659	21,915
$ 90,691	$ 93,484	$ 91,180	$ 87,448	$ 79,281

State of Hawaii
Revenue Capacity Information
Sales Tax Revenue Payers by Industry
Ten Years Ended June 30, 2020
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2020		2019		2018		2017		2016	
	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	$ 1,427,180	41.5%	$ 1,472,039	41.5%	$ 1,418,176	41.8%	$ 1,229,860	38.0%	$ 1,179,911	36.8%
Services	670,010	19.5%	677,082	19.1%	655,007	19.3%	566,466	17.5%	546,684	17.1%
Contracting	381,641	11.1%	388,249	11.0%	356,576	10.5%	336,717	10.4%	327,394	10.2%
Theater, amusement, etc.	16,661	0.5%	19,978	0.6%	19,182	0.6%	17,248	0.5%	15,931	0.5%
Interest	127,396	3.7%	141,903	4.0%	142,359	4.2%	134,441	4.2%	1	0.0%
Commissions	51,076	1.5%	54,981	1.6%	55,832	1.6%	49,209	1.5%	44,777	1.4%
Hotel rentals	208,581	6.1%	226,764	6.4%	221,084	6.5%	195,919	6.0%	177,671	5.5%
All other rentals	346,685	10.1%	342,572	9.7%	326,823	9.6%	266,758	8.2%	258,977	8.1%
Use (4%)	40,580	1.2%	44,847	1.3%	44,390	1.3%	35,845	1.1%	35,620	1.1%
All other (4%)	-	0.0%	-	0.0%	-	0.0%	-	0.0%	119,948	3.7%
Producing	1,514	0.1%	1,480	0.0%	1,794	0.1%	1,619	0.1%	1,473	0.0%
Manufacturing	2,807	0.1%	2,981	0.1%	3,201	0.1%	3,657	0.1%	3,670	0.1%
Wholesaling	87,088	2.5%	90,308	2.6%	87,952	2.6%	72,309	2.2%	69,322	2.2%
Use (0.5%)	34,428	1.0%	36,398	1.0%	38,201	1.1%	33,996	1.0%	36,872	1.2%
Services (Intermediary)	5,033	0.1%	5,026	0.1%	4,514	0.1%	4,352	0.1%	3,539	0.1%
Insurance solicitors	1,053	0.0%	1,131	0.0%	975	0.0%	743	0.1%	728	0.0%
Unallocated collections	34,405	1.0%	35,650	1.0%	19,500	0.6%	290,086	9.0%	383,736	12.0%
Total	$ 3,436,138	100.0%	$ 3,541,389	100.0%	$ 3,395,566	100.0%	$ 3,239,225	100.0%	$ 3,206,254	100.0%

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

Note: Information for number of filers is not available.

2015		2014		2013		2012		2011	
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
$ 1,199,488	39.4%	$ 1,246,061	43.3%	$ 1,185,446	40.3%	$ 1,163,805	43.1%	$ 1,035,465	41.5%
534,442	17.5%	551,784	19.2%	519,419	17.6%	507,864	18.9%	477,753	19.3%
292,874	9.6%	281,839	9.8%	301,875	10.3%	250,122	9.3%	227,497	9.1%
15,955	0.5%	15,619	0.5%	15,986	0.5%	15,776	0.6%	14,945	0.6%
1	0.0%	3	0.0%	3	0.0%	4	0.0%	74	0.0%
45,619	1.5%	45,125	1.6%	42,064	1.4%	38,848	1.4%	36,574	1.5%
173,100	5.7%	171,162	5.9%	154,837	5.3%	137,222	5.1%	120,954	4.8%
261,743	8.6%	258,886	9.0%	255,074	8.7%	246,151	9.1%	239,944	9.6%
39,884	1.3%	40,277	1.4%	41,015	1.4%	41,797	1.5%	37,316	1.5%
118,014	3.9%	126,306	4.4%	114,396	3.9%	109,989	4.1%	104,073	4.2%
1,605	0.1%	2,181	0.1%	1,997	0.1%	2,004	0.1%	1,850	0.1%
3,581	0.1%	9,380	0.3%	3,194	0.1%	3,402	0.1%	3,488	0.1%
71,471	2.3%	73,373	2.5%	72,149	2.4%	72,210	2.7%	65,608	2.6%
35,634	1.2%	32,446	1.1%	44,337	1.5%	40,026	1.5%	33,347	1.3%
3,578	0.1%	5,480	0.2%	3,139	0.1%	3,265	0.1%	2,886	0.1%
733	0.0%	728	0.0%	697	0.0%	716	0.0%	721	0.0%
250,484	8.2%	19,893	0.7%	188,859	6.4%	64,750	2.4%	93,312	3.7%
$ 3,048,206	100.0%	$ 2,880,543	100.0%	$ 2,944,487	100.0%	$ 2,697,951	100.0%	$ 2,495,807	100.0%

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type
Ten Years Ended June 30, 2020
(Amounts in thousands except per capita data)

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Governmental activities					
General obligation bonds	$ 7,294,070	$ 7,914,382	$ 7,912,206	$ 7,635,827	$ 6,953,431
Revenue bonds	623,120	571,306	633,073	692,742	615,120
Capital leases	115,147	122,922	129,897	143,622	149,477
Total governmental activities	8,032,337	8,608,610	8,675,176	8,472,191	7,718,028
Business-type activities					
General obligation bonds	18,690	21,026	23,255	25,377	27,400
Revenue bonds	2,093,075	1,968,315	1,567,305	1,375,442	1,429,980
Lease revenue certificates of participation	224,375	236,147	244,979	252,806	179,985
Loan payable	-	76,000	76,000	76,000	34,910
Total business-type activities	2,336,140	2,301,488	1,911,539	1,729,625	1,672,275
Total primary government	$ 10,368,477	$ 10,910,098	$ 10,586,715	$ 10,201,816	$ 9,390,303
Hawaii total personal income	$ 84,361,000	$ 80,163,000	$ 76,476,000	$ 72,997,000	$ 71,767,000
Debt as a percentage of personal income	12.3%	13.6%	13.8%	14.0%	13.1%
Hawaii population	1,416	1,422	1,435	1,428	1,429
Amount of debt per capita	$ 7,322	$ 7,672	$ 7,378	$ 7,144	$ 6,571

Note: Details regarding the State's outstanding debt can be found in the notes to basic financial statements.

Source: State of Hawaii, Comprehensive Annual Financial Reports.
State of Hawaii, Department of Business, Economic Development and Tourism – QSER.

2015	2014	2013	2012	2011
$ 6,503,281	$ 5,784,139	$ 5,534,921	$ 5,475,348	$ 4,987,544
666,202	412,725	441,150	468,180	378,625
96,175	102,622	89,879	95,340	100,520
7,265,658	6,299,486	6,065,950	6,038,868	5,466,689
29,332	31,176	32,934	34,611	36,221
1,218,943	1,278,137	1,326,112	1,370,314	1,410,624
172,864	173,771	-	-	-
34,910	-	-	-	-
1,456,049	1,483,084	1,359,046	1,404,925	1,446,845
$ 8,721,707	$ 7,782,570	$ 7,424,996	$ 7,443,793	$ 6,913,534
$ 66,763,000	$ 64,620,000	$ 63,209,000	$ 59,928,000	$ 58,129,000
13.1%	12.0%	11.7%	12.4%	11.9%
1,432	1,420	1,404	1,392	1,375
$ 6,091	$ 5,481	$ 5,288	$ 5,348	$ 5,028

State of Hawaii
Debt Capacity Information
Ratios of Net General Bonded Debt Outstanding
Ten Years Ended June 30, 2020
(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
2020	$ 108,621,000	1,416	$ 7,312,760	$ 152	$ 7,312,608	6.7%	5,164
2019	112,203,000	1,422	7,935,408	-	7,935,408	7.1%	5,580
2018	108,768,000	1,435	7,935,461	-	7,935,461	7.3%	5,530
2017	94,493,000	1,428	7,661,204	35	7,661,169	8.1%	5,365
2016	91,113,000	1,429	6,980,831	35	6,980,796	7.7%	4,885
2015	90,691,000	1,432	6,532,613	35	6,532,578	7.2%	4,562
2014	93,484,000	1,420	5,815,315	35	5,815,280	6.2%	4,095
2013	91,181,000	1,404	5,567,855	63	5,567,792	6.1%	3,966
2012	87,448,000	1,392	5,509,959	64	5,509,895	6.3%	3,958
2011	79,281,000	1,375	5,023,765	109	5,023,656	6.3%	3,654

(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 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, 2020
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Average general fund revenues of the three preceding fiscal years	$ 7,732,620	$ 7,637,553	$ 7,359,330	$ 6,997,106	$ 6,577,966
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	1,430,535	1,412,947	1,361,476	1,294,465	1,216,924
Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year	(753,610)	(836,170)	(792,143)	(739,852)	(712,592)
Legal debt margin	$ 676,925	$ 576,777	$ 569,333	$ 554,613	$ 504,332
Legal debt margin as a percentage of the debt limit	47.3%	40.8%	41.8%	42.8%	41.4%

The formula for the legal debt limit is contained in Article VII, Section 13 of the State Constitution.

2015	2014	2013	2012	2011
$ 6,294,642	$ 5,987,800	$ 5,659,152	$ 5,197,547	$ 4,992,943
18.5%	18.5%	18.5%	18.5%	18.5%
1,164,509	1,107,743	1,046,943	961,546	923,694
(693,934)	(693,677)	(693,592)	(667,041)	(618,711)
$ 470,575	$ 414,066	$ 353,351	$ 294,505	$ 304,983
40.4%	37.4%	33.8%	30.6%	33.0%

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage
Ten Years Ended June 30, 2020
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue bonds – Airports										
Gross revenue (1)	$ 486,117	$ 495,315	$ 466,317	$ 431,726	$ 381,404	$ 355,948	$ 341,155	$ 385,841	$ 319,542	$ 322,639
Less: Operating expenses (2)	339,043	316,905	299,799	288,644	259,223	253,581	246,982	244,328	230,224	218,290
Net available revenue	147,074	178,410	166,518	143,082	122,181	102,367	94,173	141,513	89,318	104,349
Debt services										
Principal	44,690	42,585	40,755	38,935	37,290	35,725	34,210	40,305	30,579	25,370
Interest (3)	51,751	47,423	46,454	45,182	42,532	41,671	23,414	40,705	34,440	35,319
Total debt services	96,441	90,008	87,209	84,117	79,822	77,396	57,624	81,010	65,019	60,689
Coverage (4)	153%	198%	191%	170%	153%	132%	163%	175%	137%	172%
Revenue bonds – Harbors										
Gross revenue (5)	$ 183,623	$ 198,605	$ 170,560	$ 140,052	$ 131,858	$ 124,663	$ 122,379	$ 114,640	$ 104,678	$ 88,018
Less: Operating expenses (6)	48,834	47,461	53,543	53,396	47,133	43,132	43,837	44,048	41,202	37,650
Net available revenue	134,789	151,144	117,017	86,656	84,725	81,531	78,542	70,592	63,476	50,368
Debt services	28,940	28,936	29,114	31,176	31,187	31,176	31,528	31,531	27,770	27,965
Coverage (4)	466%	522%	402%	278%	272%	262%	249%	224%	229%	180%
Revenue bonds – Highways										
Gross revenue	N/A	N/A	N/A	N/A	N/A	N/A	$ 255,431	$ 256,102	$ 232,543	$ 197,142
Less: Operating expenses	N/A	N/A	N/A	N/A	N/A	N/A	205,872	184,696	173,811	165,857
Net available revenue	N/A	N/A	N/A	N/A	N/A	N/A	49,559	71,406	58,732	31,285
Debt services										
Principal	29,845	42,735	40,765	37,790	34,920	31,890	28,825	27,170	22,465	21,570
Interest	17,630	19,299	21,186	19,320	20,571	19,402	19,036	20,245	18,906	17,195
Total debt services	47,475	62,034	61,951	57,110	55,491	51,292	47,861	47,415	41,371	38,765
Coverage (7)	N/A	N/A	N/A	N/A	N/A	N/A	104%	151%	142%	81%
Revenue bonds – Department of Hawaiian Home Lands										
Revenue	$ 16,434	$ 17,361	$ 17,564	$ 15,867	$ 14,730	$ 15,230	$ 15,763	$ 12,585	$ 12,078	$ 12,036
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	16,434	17,361	17,564	15,867	14,730	15,230	15,763	12,585	12,078	12,036
Debt services										
Principal	1,655	1,575	1,100	850	810	775	740	710	680	655
Interest	1,372	1,435	887	2,163	2,201	2,237	2,270	2,301	2,328	2,254
Total debt services	3,027	3,010	1,987	3,013	3,011	3,012	3,010	3,011	3,008	2,909
Coverage (4)	543%	577%	884%	527%	489%	506%	524%	418%	402%	414%

(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, 2020

	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Population (in thousands)										
State	1,416	1,422	1,435	1,428	1,429	1,432	1,420	1,404	1,392	1,375
Percentage change	(0.42%)	(0.91%)	0.49%	(0.07%)	(0.21%)	0.85%	1.14%	0.86%	1.24%	5.77%
National	329,872	331,884	327,734	325,719	323,128	321,419	318,857	316,129	313,914	311,592
Percentage change	(0.61%)	1.27%	0.62%	0.80%	0.53%	0.80%	0.86%	0.71%	0.75%	0.92%
Total personal income (in millions)										
State	$ 84,361	$ 80,163	$ 76,476	$ 72,997	$ 70,670	$ 66,763	$ 64,620	$ 63,209	$ 59,928	$ 58,129
Percentage change	5.24%	4.82%	4.77%	3.29%	5.85%	3.32%	2.23%	5.47%	3.09%	3.34%
National	$ 17,829,250	$ 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
Percentage change	(0.15%)	3.87%	6.42%	2.71%	4.89%	3.97%	3.71%	5.73%	3.62%	1.29%
Per capita personal income (in thousands)										
State	$ 59,577	$ 56,373	$ 53,293	$ 51,118	$ 49,454	$ 46,622	$ 45,507	$ 45,021	$ 43,052	$ 42,276
Percentage change	5.68%	5.78%	4.25%	3.36%	6.07%	2.45%	1.08%	4.57%	1.84%	(2.29%)
National	$ 54,049	$ 53,890	$ 52,450	$ 49,589	$ 48,665	$ 46,643	$ 45,224	$ 43,984	$ 41,892	$ 40,731
Percentage change	0.30%	2.75%	5.77%	1.90%	4.34%	3.14%	2.82%	4.99%	2.85%	0.36%
Resident civilian labor force and employment										
Civilian labor force employed	612,221	656,546	669,642	672,675	660,942	645,092	624,638	615,546	615,333	591,329
Unemployed	45,125	18,013	14,508	19,800	22,563	27,729	30,142	33,913	43,321	39,941
Unemployment rate	6.86%	2.70%	2.10%	2.90%	3.30%	4.10%	4.60%	5.20%	6.60%	6.30%

Note: The Per Capita Personal Income amount is computed by dividing Personal Income by Population, multiplied by 1,000.

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).

State of Hawaii
Demographic and Economic Information
Ten Largest Private Sector Employers
June 30, 2020 and June 30, 2011

2020			2011		
Employer	Employees	Percentage of Total State Employment	Employer	Employees	Percentage of Total State Employment
Hawaii Pacific Health	7,273	1.1%	Alexander & Baldwin, Inc.	2,300	0.4%
Hawaiian Airlines	6,012	0.9%	Bank of Hawaii Corp	2,484	0.4%
Hawaiian Electric Industries, Inc.	3,845	0.6%	First Hawaiian Bank	2,231	0.4%
Kamehameha Schools	3,758	0.6%	Hawaii Pacific Health	5,490	0.9%
Kokusai Kogyo Kanri Kabushiki Kaisha – U.S. Operations	2,926	0.4%	Hawaiian Airlines	4,000	0.6%
L&L Hawaii	2,188	0.3%	Hilton Waikoloa Village	4,645	0.7%
Outrigger Hospitality Group	3,800	0.6%	Kaiser Permanente Hawaii	4,400	0.7%
Securitas Security Services USA Inc.	2,344	0.3%	Kyo-ya Co., Ltd	3,700	0.6%
Servco Pacific Inc.	2,157	0.3%	Outrigger Enterprise Group	3,103	0.5%
The Queen's Health Systems	7,479	1.1%	The Queen's Health Systems	5,166	0.8%

Note: Total Annual Average Employment for Hawaii for fiscal year 2020 – 672,000 and for fiscal year 2011 – 636,000.

Listed alphabetically.

Source: Hawaii Business, Annual August Issue.
State of Hawaii, Department of Labor and Industrial Relations – HWI – Labor (Total State Employees).

State of Hawaii
Demographic and Economic Information
State Employees by Function
Ten Years Ended June 30, 2020

	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government	4,478	4,533	4,517	4,538	4,537	4,571	4,572	4,419	4,394	4,381
Public safety	3,161	3,207	3,265	3,336	3,316	3,197	3,175	2,981	2,903	2,864
Transportation	2,258	2,210	2,229	2,234	2,263	2,295	2,254	2,275	2,202	2,160
Conservation of natural resources	1,144	1,079	1,051	1,008	1,015	1,007	1,007	972	929	941
Health	5,204	5,246	5,325	5,127	6,544	6,731	6,813	7,136	6,919	6,876
Welfare	1,915	1,948	1,957	1,940	1,913	1,927	1,941	1,940	1,800	1,788
Lower education	21,995	22,122	22,016	21,531	21,841	21,707	21,797	21,976	21,909	21,917
Higher education	8,633	8,660	8,647	8,620	8,746	8,802	9,080	8,978	8,795	8,687
Other education	497	493	508	486	496	488	492	-	454	473
Urban redevelopment and housing	136	138	132	130	118	123	127	116	127	130
Economic development and assistance	698	702	814	730	749	761	759	781	815	816
Total	50,119	50,338	50,461	49,680	51,538	51,609	52,017	51,574	51,247	51,033

Source: State of Hawaii, Department of Human Resources Development.

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2020

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
General government					
Tax Commission					
Total individual net income returns	693,152	838,441	808,183	704,250	768,261
Number of individual net income returns filed electronically	543,820	579,720	552,464	536,273	529,527
Percentage of individual net income returns transmitted electronically	78.46%	69.14%	68.36%	76.15%	68.93%
Public safety					
Inmate population					
In-state facilities	3,326	3,991	4,017	4,052	4,584
Out-of-state facilities	1,199	1,507	1,460	1,617	1,386
Total	4,525	5,498	5,477	5,669	5,970
Conservation and natural resources					
Parks and Recreation					
Number of state-owned parks	50	51	52	54	54
Health					
Environmental health					
Air quality sites monitored	21	20	20	14	14
Water quality stations	197	197	187	169	160
Revolving loan funds	208	200	192	186	176
Mental health					
Adult consumers served	7,990	7,124	8,328	9,295	7,828
Individuals with developmental disabilities served	3,548	3,251	2,956	2,863	2,738
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF)					
Families per-month average	4,569	4,362	4,813	5,750	6,918
Average time on assistance	16.7	19.7	18.1	18.1	18.1
Monthly benefits paid for the month of July (in millions)	$ 2.71	$ 2.48	$ 2.26	$ 2.98	$ 3.90
General assistance					
Individuals per month	5,634	5,396	5,575	5,651	5,676
Food stamp program					
Number of persons participating	154,669	154,161	164,788	170,850	173,780
Number of households participating	79,811	79,702	84,297	85,491	87,636
Benefits issued (in millions)	$ 37.07	$ 36.89	$ 39.78	$ 40.26	$ 40.23
Medicaid programs					
Med-Quest enrollment	361,912	336,202	353,058	352,991	350,358

2015	2014	2013	2012	2011
715,706	737,205	612,373	703,262	747,237
509,409	483,817	397,178	430,421	388,463
71.18%	65.63%	64.86%	61.20%	51.99%
4,683	4,456	4,438	4,396	4,423
1,341	1,363	1,415	1,677	1,667
6,024	5,819	5,853	6,073	6,090
52	51	53	53	53
14	13	14	12	14
161	173	173	193	201
159	149	133	120	109
8,282	10,408	10,728	11,062	11,194
2,705	2,615	2,599	2,558	2,438
8,102	8,927	10,075	10,300	10,014
17.5	N/A	14.6	13.5	13.0
$ 3.60	$ 4.10	$ 5.47	$ 6.42	$ 6.17
5,699	5,598	5,687	5,633	5,298
191,918	193,565	187,062	172,676	154,496
96,502	98,440	94,649	86,418	77,133
$ 49.90	$ 43.39	$ 40.33	$ 37.18	$ 33.42
332,197	325,510	292,423	287,902	272,218

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2020

	Fiscal Year Ended June 30,				
	2020	2019	2018	2017	2016
Lower education					
Number of schools	293	292	292	290	290
Number of students	181,088	181,278	180,837	181,550	181,995
Staff					
Classroom teachers	12,221	12,132	12,033	11,782	11,747
Librarians	126	135	143	149	160
Counselors	660	660	653	634	634
Administrators	1,093	1,056	1,036	995	943
Other support staff	9,236	9,194	9,277	9,039	9,113
Total	23,336	23,177	23,142	22,599	22,597
Higher education					
Enrollment					
Number of credit students	49,594	49,977	51,063	51,674	53,418
Degrees earned					
Certificates/Associate Degrees/Advanced Professional certificates	4,800	5,191	4,912	5,102	5,192
Bachelor's degrees	4,473	4,681	4,693	4,735	4,841
Master's degrees/Professional diploma	1,031	868	1,035	1,040	1,126
Doctor's degrees/First Professional	489	479	513	482	472
Other	54	80	62	49	49
Total	10,847	11,299	11,215	11,408	11,680
Degrees by campus/college					
University of Hawaii at Manoa	4,519	4,551	4,726	4,712	5,104
University of Hawaii at Hilo	801	895	942	955	893
University of Hawaii at West Oahu	709	643	613	623	474
Hawaii Community College	552	587	586	576	693
Honolulu Community College	922	906	778	900	886
Kapiolani Community College	1,100	1,212	1,276	1,356	1,383
Kauai Community College	290	343	211	258	248
Leeward Community College	1,087	1,135	1,102	1,019	1,057
Maui Community College	593	701	638	668	594
Windward Community College	274	326	343	341	348
Total	10,847	11,299	11,215	11,408	11,680

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.

2015	2014	2013	2012	2011
289	288	286	286	287
182,384	185,273	183,251	181,213	178,208
11,663	11,781	11,632	11,458	11,046
173	185	192	199	204
623	625	629	627	618
914	833	823	806	734
9,052	9,014	8,987	8,975	8,408
22,425	22,438	22,263	22,065	21,010
55,756	57,052	58,941	60,295	60,330
4,830	5,158	4,097	3,638	3,324
4,599	4,408	4,236	4,055	3,796
1,035	1,179	1,095	1,287	1,269
579	467	508	494	496
61	66	65	154	103
11,104	11,278	10,001	9,628	8,988
4,923	4,949	4,737	4,767	4,675
905	806	809	915	731
439	352	349	301	255
569	669	552	452	405
725	683	551	565	559
1,335	1,513	1,193	987	851
264	203	216	196	208
1,000	1,090	770	721	657
575	660	601	560	482
369	353	223	164	165
11,104	11,278	10,001	9,628	8,988

(concluded)

State of Hawaii
Operating Information
Capital Assets Statistics by Function
Ten Years Ended June 30, 2020

	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government										
Department of Accounting and General Services										
Buildings	79	79	79	79	81	79	78	74	74	74
Vehicles	692	675	644	644	673	650	650	608	600	592
Department of the Attorney General										
Buildings	6	6	6	6	6	6	6	5	5	5
Vehicles	4	3	3	3	4	3	3	3	3	3
The Judiciary										
Buildings	19	19	19	19	19	19	19	19	18	18
Vehicles	-	-	-	18	18	18	18	18	18	17
Other departments										
Buildings	21	21	21	21	21	23	23	22	24	24
Vehicles	3	3	3	3	3	3	4	4	4	4
Public safety										
Department of Public Safety										
Buildings and correction facilities	76	76	76	76	76	77	75	74	74	74
Vehicles	370	354	353	290	302	306	279	274	277	278
Department of Defense										
Buildings	99	99	99	99	99	99	98	98	97	97
Vehicles	126	128	121	108	104	96	128	118	112	81
Department of Commerce and Consumer Affairs										
Buildings	4	4	4	4	4	4	4	4	4	4
Highways										
Department of Transportation										
Highway lane miles	2,478	2,497	2,489	2,489	2,487	2,477	2,488	N/A	N/A	N/A
Highway bridges	752	752	752	752	752	752	752	N/A	N/A	N/A
Buildings	40	40	40	40	40	39	37	36	36	34
Vehicles	1,063	1,077	1,101	1,043	989	971	982	984	951	958

(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 2020.

	Fiscal Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
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	97	96	94	93	95
Vehicles	982	969	927	886	855	824	785	788	756	758
Department of Agriculture										
Buildings	33	33	33	33	33	33	32	32	32	32
Vehicles	164	165	163	159	161	164	166	167	170	176
Health										
Department of Health										
Buildings	73	73	73	73	74	74	74	74	74	74
Vehicles	272	278	269	258	241	230	227	238	252	259
Welfare										
Department of Human Services										
Buildings	18	18	18	18	18	18	18	18	18	18
Vehicles	93	94	95	99	99	104	116	110	107	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	39	38	38	39	38	38	38	34	34
Vehicles	31	33	33	29	29	29	25	27	28	27
Urban redevelopment and housing										
Department of Hawaiian Home Lands										
Buildings	19	19	19	19	19	18	18	18	18	18
Vehicles	50	46	47	42	39	36	33	37	33	34
Economic development and assistance										
Department of Business, Economic Development and Tourism										
Buildings	33	33	32	32	32	32	32	32	33	33
Vehicles	29	32	32	30	32	32	28	30	32	33
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 25 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 35 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.

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APPENDIX D

GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII

As of July 1, 2021

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	Amount Due	Outstanding Principal
June 23, 2009	$ 500,000,000, Series DQ	5.000%	June 1, 2026	$ 11,930,000.00	$ 11,930,000.00
November 5, 2009	32,000,000, Series DS, QSCB tax credit bonds	1.200	September 15, 2021	2,960,000.00	
		1.300	September 15, 2022	2,960,000.00	
		1.350	September 15, 2023	3,000,000.00	
		1.450	September 15, 2024	3,040,000.00	11,960,000.00
February 18, 2010	$ 500,000,000, Series DX, BABs, 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	325,225,000.00
December 7, 2011	$ 800,000,000, Series DZ	5.000	December 1, 2021	11,170,000.00	33,180,000.00
		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	33,180,000.00
December 7, 2011	$ 403,455,000, Series EA, refunding	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	169,195,000.00
December 4, 2012	$ 444,000,000, Series EE	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	157,625,000.00
December 4, 2012	$ 396,990,000, Series EF, refunding	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	218,285,000.00
December 4, 2012	$ 26,000,000, Series EG, taxable	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	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		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	20,410,000.00
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	
		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—Direct Payment	3.100	August 1, 2021	1,865,000.00	
		3.350	August 1, 2022	1,865,000.00	
		3.500	August 1, 2023	1,865,000.00	
		3.750	August 1, 2024	1,865,000.00	
		3.900	August 1, 2025	1,860,000.00	
		4.050	August 1, 2026	1,860,000.00	
		4.200	August 1, 2027	1,860,000.00	
		4.350	August 1, 2028	1,860,000.00	
		4.450	August 1, 2029	1,860,000.00	
		4.650	August 1, 2030	1,860,000.00	
		4.700	August 1, 2031	1,860,000.00	
		4.750	August 1, 2032	1,860,000.00	
		4.800	August 1, 2033	1,860,000.00	24,200,000.00
November 25, 2014	$ 575,000,000, Series EO	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	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		5.000	August 1, 2028	37,795,000.00	
		5.000	August 1, 2029	37,695,000.00	
		3.250	August 1, 2029	2,020,000.00	
		5.000	August 1, 2030	41,735,000.00	
		4.000	August 1, 2031	23,750,000.00	
		5.000	August 1, 2031	20,000,000.00	
		4.000	August 1, 2032	25,740,000.00	
		5.000	August 1, 2032	20,000,000.00	
		4.000	August 1, 2033	27,815,000.00	
		5.000	August 1, 2033	20,000,000.00	
		3.500	August 1, 2034	7,890,000.00	
		5.000	August 1, 2034	20,000,000.00	
		4.000	August 1, 2034	22,060,000.00	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, Make-Whole Optional Redemption	2.648	August 1, 2021	1,290,000.00	
		2.787	August 1, 2022	1,325,000.00	
		2.957	August 1, 2023	1,365,000.00	
		3.107	August 1, 2024	1,405,000.00	
		3.257	August 1, 2025	1,450,000.00	
		3.357	August 1, 2026	1,500,000.00	
		3.507	August 1, 2027	1,555,000.00	
		3.537	August 1, 2028	1,610,000.00	
		3.637	August 1, 2029	1,665,000.00	
		3.715	August 1, 2030	1,730,000.00	
		3.765	August 1, 2031	1,795,000.00	
		3.815	August 1, 2032	1,865,000.00	
		3.865	August 1, 2033	1,940,000.00	
		3.915	August 1, 2034	2,015,000.00	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
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	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		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, Make-Whole Optional Redemption	2.270	October 1, 2021	1,140,000.00	
		2.530	October 1, 2022	1,170,000.00	
		2.680	October 1, 2023	1,200,000.00	
		4.000	October 1, 2024	1,240,000.00	
		3.050	October 1, 2025	1,285,000.00	
		3.150	October 1, 2026	1,325,000.00	
		3.350	October 1, 2027	1,370,000.00	
		3.500	October 1, 2028	1,415,000.00	
		3.650	October 1, 2029	1,465,000.00	
		3.750	October 1, 2030	1,520,000.00	
		3.950	October 1, 2031	1,580,000.00	
		4.050	October 1, 2032	1,645,000.00	
		4.180	October 1, 2033	1,715,000.00	
		4.300	October 1, 2034	1,790,000.00	
		4.400	October 1, 2035	1,870,000.00	21,730,000.00
April 14, 2016	$ 500,000,000, Series FB	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	441,795,000.00
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	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		5.000	October 1, 2028	27,010,000.00	184,000,000.00
April 14, 2016	$ 119,730,000, Series FF, refunding, taxable, Make-Whole Optional Redemption	1.934	October 1, 2021	11,255,000.00	
		2.074	October 1, 2022	11,480,000.00	
		2.255	October 1, 2023	11,730,000.00	
		2.402	October 1, 2024	12,010,000.00	
		2.552	October 1, 2025	12,310,000.00	
		2.652	October 1, 2026	12,635,000.00	
		2.802	October 1, 2027	12,985,000.00	
		2.902	October 1, 2028	13,360,000.00	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	
		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	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	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		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	530,800,000.00
May 24, 2017	$ 229,355,000, Series FN, refunding	5.000	October 1, 2021	16,035,000.00	
		5.000	October 1, 2022	16,860,000.00	
		5.000	October 1, 2023	17,725,000.00	
		5.000	October 1, 2024	18,630,000.00	
		5.000	October 1, 2025	19,590,000.00	
		5.000	October 1, 2026	20,590,000.00	
		5.000	October 1, 2027	21,650,000.00	
		5.000	October 1, 2028	22,760,000.00	
		5.000	October 1, 2029	23,925,000.00	
		5.000	October 1, 2030	25,150,000.00	
		5.000	October 1, 2031	26,440,000.00	229,355,000.00
May 24, 2017	$ 7,500,000, Series FP, taxable, Make-Whole Optional Redemption	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	6,845,000.00
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	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		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	
		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 21, 2019	$ 431,665,000, Series FW	2.000	January 1, 2023	3,000,000.00	
		5.000	January 1, 2023	14,025,000.00	
		2.000	January 1, 2024	4,600,000.00	
		5.000	January 1, 2024	13,185,000.00	
		4.000	January 1, 2025	4,095,000.00	
		5.000	January 1, 2025	14,445,000.00	
		5.000	January 1, 2026	19,425,000.00	
		5.000	January 1, 2027	20,395,000.00	
		5.000	January 1, 2028	21,415,000.00	
		4.000	January 1, 2029	2,500,000.00	
		5.000	January 1, 2029	19,985,000.00	
		2.500	January 1, 2030	180,000.00	
		5.000	January 1, 2030	23,405,000.00	
		5.000	January 1, 2031	24,760,000.00	
		5.000	January 1, 2032	26,000,000.00	
		3.000	January 1, 2033	2,500,000.00	
		5.000	January 1, 2033	24,795,000.00	
		4.000	January 1, 2034	13,410,000.00	
		5.000	January 1, 2034	15,200,000.00	
		3.250	January 1, 2035	5,000,000.00	
		5.000	January 1, 2035	24,910,000.00	
		5.000	January 1, 2036	31,315,000.00	
		4.000	January 1, 2037	15,290,000.00	
		5.000	January 1, 2037	17,590,000.00	
		3.500	January 1, 2038	15,000,000.00	
		5.000	January 1, 2038	19,375,000.00	
		4.000	January 1, 2039	12,500,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		5.000	January 1, 2039	23,365,000.00	431,665,000.00
February 21, 2019	$ 75,000,000, Series FX, taxable, Make-Whole Optional Redemption	2.770	January 1, 2022	25,655,000.00	25,655,000.00
April 14, 2020	$ 600,000,000, General Obligation Bond Anticipation Notes, taxable, Direct Purchase, Make-Whole Redemption (October 15, 2021 maturity only)	1.760	October 15, 2021	200,000,000.00	200,000,000.00
August 12, 2020	$ 995,000,000, Series FZ, taxable, Make-Whole Optional Redemption	0.670	August 1, 2025	55,235,000.00	
		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
October 29, 2020	$ 147,555,000, Series GA	5.000	October 1, 2021	147,555,000.00	147,555,000.00
October 29, 2020	$ 600,000,000, Series GB, taxable, Make-Whole Optional Redemption	0.429	October 1, 2022	150,000,000.00	
		0.571	October 1, 2023	150,000,000.00	
		0.802	October 1, 2024	150,000,000.00	
		0.852	October 1, 2025	150,000,000.00	600,000,000.00
October 29, 2020	$ 400,000,000, Series GC, refunding, taxable, Make-Whole Optional Redemption	0.852	October 1, 2025	21,870,000.00	
		1.112	October 1, 2026	22,085,000.00	
		1.252	October 1, 2027	22,350,000.00	
		1.518	October 1, 2028	22,660,000.00	
		1.618	October 1, 2029	23,020,000.00	
		1.718	October 1, 2030	23,405,000.00	
		1.868	October 1, 2031	23,830,000.00	
		2.018	October 1, 2032	24,295,000.00	
		2.168	October 1, 2033	24,810,000.00	
		2.268	October 1, 2034	25,365,000.00	
		2.368	October 1, 2035	25,960,000.00	
		2.532	October 1, 2036	26,605,000.00	
		2.632	October 1, 2037	27,300,000.00	
		2.682	October 1, 2038	28,035,000.00	
		2.712	October 1, 2039	28,805,000.00	
		2.782	October 1, 2040	29,605,000.00	$ 400,000,000.00
Total of all State of Hawaii general obligation bonds and general obligation refunding bonds issued and outstanding					$8,564,443,064.26

[*] Does not reflect the issuance of the State of Hawaii Taxable General Obligation Bonds of 2021, Series GD, State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GE, State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GF, State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GG, State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GH, State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GI, and State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GJ, as described in this Official Statement.

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 United States 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: (a) public education, (b) betterment of the conditions of native Hawaiians, (c) development of farm and home ownership, (d) making public improvements, and (e) 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. 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. On March 23, 2021, OHA and the defendants entered into a stipulation dismissing, with prejudice, all claims asserted by OHA for monetary damages. Such stipulation does not affect OHA's pending claims for declaratory and prospective injunctive relief. The State is not aware of any other claims that OHA may have or assert against the State. Resolution of any 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 2,721 individuals.

The process was a three step process which: (a) 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; (b) 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 (c) 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 (a) allegedly waiting too long to receive a homestead, (b) being barred from or delayed in receiving a homestead by allegedly ultra vires rules, (c) receiving allegedly uninhabitable homesteads, (d) allegedly lost applications, (e) allegedly defectively constructed homes or infrastructure, (f) allegedly being prevented from or delayed in succeeding to a parent's or spouse's homestead, (g) the manner in which

the loans were administered, (h) the manner in which the leases were administered, and (i) 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 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, 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 12 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 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.

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:

(a) 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.

(b) The Circuit Court did not err in adopting State Defendant's "best fit curve" for use in the fair market rental value model.

(c) 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.

(d) 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.

(e) Damages for Waiting List subclass members cannot be adjusted to present value to account for inflation.

(f) The Circuit Court erred in ruling that damages for Waiting List Subclass members only begins to accrue six years after DHHL received their homestead applications.

(g) 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.

(h) 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. 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 were granted in part and denied in part by the Supreme Court of Hawaii, which reduced the total amount to $370,418.91.

While it is not possible to predict the outcome of this litigation or the scope of damages, if any, the cost to the State could be substantial and could have a material adverse effect on the State's financial condition.

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

The Nelson plaintiffs asked the court to issue a mandatory injunction requiring DHHL and the Hawaiian Homes Commission and its members to seek, and the State to provide, sufficient funds for DHHL to place as many beneficiaries on the land within a reasonable period of time. On January 21, 2009, the court granted the defendants' motion for entry of summary judgment rejecting all claims that are based on the theory that the Hawaii State Legislature, the State of Hawaii, or any State agency or employee, is required to appropriate, request, or otherwise provide or secure particular amounts of money for DHHL and its programs now and in the future. The court concluded that the political question doctrine barred it from

deciding those claims because initial policy determinations that the court lacked authority to make were needed to resolve the parties' dispute over the definition and determination of "sufficient sums" as that term is used in Article XII, Section 1 of the Hawaii Constitution. A final judgment in favor of the State was filed on September 23, 2009, and the plaintiffs appealed.

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

The Hawaii Supreme Court issued its decision in *Nelson v. Hawaiian Homes Commission*, 127 Hawaii 185 (2012) (Nelson I), on May 9, 2012, concluded that there are no judicially manageable standards for determining "sufficient sums" for purposes of (a) developing lots, (b) loans, and (c) 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: (a) the State of Hawaii 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 Hawaii Constitution; (b) the State of Hawaii 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; and (c) 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 (i) 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 (ii) 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 Hawaii 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 Hawaii 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: (a) what "inflation" means in the context of the case; (b) whether $1.3-$1.6 was DHHL's actual administrative and operating budget in 1978, and (c) 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. On December 18, 2020, the circuit court entered its Findings of Fact, Conclusions of Law, and Order in favor of the State Defendants. The court found that, by appropriating over $17 million for FY 2016, the State Defendants provided "sufficient sums" for DHHL's administrative

and operating budget for FY 2015-16, using the only judicially discoverable and manageable standard identified in Nelson I: the 1978 baseline of $1.3 to 1.6 million, adjusted for inflation. Final judgment was entered on May 25, 2021. DHHL filed a notice of appeal on June 23, 2021, and Plaintiffs filed a notice of cross-appeal on June 24, 2021. The appeal is currently pending in the Hawaii Intermediate Court of Appeals.

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 Hawaii and U.S. Constitutions resulting from the Hawaii Land Use Commission's reversion to agricultural classification of land Plaintiff had contracted to purchase from a third party for development purposes. The Hawaii 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 of Appeals thereafter 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 parties submitted briefing to the Hawaii Supreme Court on this question (the State's answering brief was filed on September 13, 2019). The Hawaii Supreme Court set oral argument for April 15, 2020, but in light of the COVID-19 pandemic, subsequently cancelled the oral argument and decided the question without oral argument. The Court's decision was issued on December 17, 2020. It responded to the certified question by holding that "the statute of limitations for a takings claim under the Hawaii Constitution is six years pursuant to HRS § 657-1(4).

Following the Hawaii Supreme Court's decision on the certified question, the Ninth Circuit Court of Appeals, on January 25, 2021, issued a memorandum disposition holding that DW's state and federal takings claims were timely, reversing the District Court's decision, and remanding for further proceedings. Following remand, the District Court reopened the case on January 22, 2021. On April 12, 2021, DW disclosed that it is seeking $360 million in damages. Litigation is currently in the discovery phase. A trial date is currently set commencing March 22, 2022. The State intends to vigorously defend against the taking claim brought against the State.

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: (i) 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, (ii) 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 (iii) 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: (aa) 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; (bb) Article XVI, Section 2 protects accrued health benefits, not parity between the health benefits of retirees and active employees; (cc) 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; (dd) 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 (ee) 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 for October 26, 2021, and discovery has commenced. 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.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$700,000,000 Taxable General Obligation Bonds of 2021 Series GD	**$200,000,000 Taxable General Obligation Refunding Bonds of 2021 Series GE**	**$25,800,000 Taxable General Obligation Refunding Bonds of 2021 Series GF**	**$83,750,000 Taxable General Obligation Refunding Bonds of 2021 Series GG**
$138,700,000 Taxable General Obligation Refunding Bonds of 2021 Series GH	**$105,000,000 Taxable General Obligation Refunding Bonds of 2021 Series GI**	**$629,705,000 Taxable General Obligation Refunding Bonds of 2021 Series GJ**	

(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 $700,000,000 Taxable General Obligation Bonds of 2021, Series GD (the "Series GD Bonds"), its $200,000,000 Taxable General Obligation Refunding Bonds of 2021, Series GE (the "Series GE Bonds"), its $25,800,000 Taxable General Obligation Refunding Bonds of 2021, Series GF (the "Series GF Bonds"), its $83,750,000 Taxable General Obligation Refunding Bonds of 2021, Series GG (the "Series GG Bonds"), its $138,700,000 Taxable General Obligation Refunding Bonds of 2021, Series GH (the "Series GH Bonds"), its $105,000,000 Taxable General Obligation Refunding Bonds of 2021, Series GI (the "Series GI Bonds"), and its $629,705,000 Taxable General Obligation Refunding Bonds of 2021, Series GJ (the "Series GJ Bonds" and together with the Series GD Bonds, the Series GE Bonds, the Series GF Bonds, the Series GG Bonds, the Series GH Bonds and the Series GI 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*" shall mean 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 (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of clause (a) or (b). 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, 2021, 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 Section 3(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:

(a) Summary of Total Indebtedness of the State of Hawaii;

(b) Revenue Projections; Certain Tax Collections—General Fund Tax Revenues; and

(c) 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 Section 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:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to rights of Bondholders, if material;

(iv) bond calls, if material, and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions, material notices of determinations with respect to the tax status of the Bonds or other material events affecting the tax-exempt status of the Bonds;

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties;

(x) substitution of credit or liquidity providers or their failure to perform;

(xi) release, substitution or sale of property securing repayment of the Bonds, if material;

(xii) bankruptcy, insolvency, receivership or similar event of the State;

(**Note to Section 5(a)(xii)**: For the purposes of the event identified in Section 5(a)(xii) 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.)

(xiii) 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;

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

(xv) 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

(xvi) 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 Sections 5(a)(xv) and (xvi) 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 10 business days after the occurrence of a Listed Event, (i) where relevant pursuant to Section 5(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 Section 3(a), 4 or 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 (A) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c); and (B) 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

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

Name of Issuer:	State of Hawaii
	State of Hawaii Taxable General Obligation Bonds of 2021, Series GD, State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GE, State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GF, State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GG, State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GH State of Hawaii Taxable General Obligation Refunding Bonds of 2021, Series GI State of Hawaii, and Taxable General Obligation Refunding Bonds of 2021, Series GJ
Date of Issuance:	October 12, 2021

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 October 12, 2021. [The State anticipates that the Annual Report will be filed by _____.]

Dated: _____

STATE OF HAWAII

By: _____

Name: _____

Title: _____

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APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

October 12, 2021

State of Hawaii
Honolulu, Hawaii

STATE OF HAWAII

$700,000,000 Taxable General Obligation Bonds of 2021, Series GD	**$200,000,000 Taxable General Obligation Refunding Bonds of 2021 Series GE**	**$25,800,000 Taxable General Obligation Refunding Bonds of 2021 Series GF**	**$83,750,000 Taxable General Obligation Refunding Bonds of 2021 Series GG**

$138,700,000 Taxable General Obligation Refunding Bonds of 2021 Series GH	**$105,000,000 Taxable General Obligation Refunding Bonds of 2021 Series GI**	**$629,705,000 Taxable General Obligation Refunding Bonds of 2021 Series GJ**

(Base CUSIP: 419792)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the State of Hawaii (the "State") of $700,000,000 aggregate principal amount of its Taxable General Obligation Bonds of 2021, Series GD (the "Series GD Bonds"), $200,000,000 aggregate principal amount of its Taxable General Obligation Refunding Bonds of 2021, Series GE (the "Series GE Bonds"), $25,800,000 aggregate principal amount of its Taxable General Obligation Refunding Bonds of 2021, Series GF (the "Series GF Bonds"), $83,750,000 aggregate principal amount of its Taxable General Obligation Refunding Bonds of 2021, Series GG (the "Series GG Bonds"), $138,700,000 aggregate principal amount of its Taxable General Obligation Refunding Bonds of 2021, Series GH (the "Series GH Bonds"), $105,000,000 aggregate principal amount of its Taxable General Obligation Refunding Bonds of 2021, Series GI (the "Series GI Bonds"), and $629,705,000 aggregate principal amount of its Taxable General Obligation Refunding Bonds of 2021, Series GJ (the "Series GJ Bonds" and, together with the Series GD Bonds, the Series GE Bonds, the Series GF Bonds, the Series GG Bonds, the Series GH Bonds, and the Series GI Bonds, the "Bonds"), pursuant to a Certificate of the Director of Finance of the State dated October 12, 2021 (the "Certificate"), and various acts of the Legislature of the State identified in the Certificate.

In such connection, we have reviewed the Certificate, certificates and opinions of the Attorney General 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 judicial 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 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 the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and 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.

The rights and obligations of the State under the Bonds and the Certificate and their enforceability may be subject to applicable bankruptcy, insolvency, 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 of Hawaii. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, choice of law, choice of forum, choice of venue or waiver severability provisions contained in the foregoing documents. 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 have been duly authorized and issued in accordance with the Constitution and laws of the State and constitute valid general obligations of the State.

2. The Certificate has been duly executed and delivered by the Director of Finance and constitutes the valid obligation of the State.

3. Interest and principal payments on the Bonds are a first charge on the General Fund of the State and the full faith and credit of the State are pledged to the punctual payment thereof.

4. Interest on the Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. Purchasers of the Bonds should consult their own tax advisors as to the tax consequences of purchasing or owning the Bonds.

5. The Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer and estate taxes and certain franchise taxes.

Very truly yours,

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 State of Hawaii (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 section 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 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 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 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 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 Bonds; however, holders of book-entry interests in the 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 Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Bonds will be

credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the 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 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 Bonds following confirmation of receipt of payment to the Issuer on the date of delivery of the Bonds.

Secondary Market Trading. Secondary market trades in the 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 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 Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the 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 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 Bonds, or to receive or make a payment or delivery of the 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 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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APPENDIX I

BONDS TO BE REFUNDED

The final payment dates of the Refunded Bonds will be their respective stated maturity dates or, if earlier, designated redemption dates, as shown in the table below.

Schedule of Bonds to be Refunded

Refunded Bonds	Principal Amount	Stated Maturity	Interest Rate	Redemption Date	Redemption Price	Original CUSIP[1]	Outstanding CUSIP[1][2]
Series DQ	$11,930,000	6/1/2026	5.00%	11/12/2021	100%	419787FL5	419792NK8
Series DZ	4,400,000	12/1/2025	3.50	12/1/2021	100	419791F78	419791F78
Series DZ	10,565,000	12/1/2030	4.00	12/1/2021	100	419791G44	419792TP1
Series DZ	7,045,000	12/1/2031	4.00	12/1/2021	100	419791G51	419792TQ9
Series EA	40,680,000	12/1/2022	5.00	12/1/2021	100	419791E46	419791E46
Series EA	58,110,000	12/1/2023	5.00	12/1/2021	100	419791D54	419791D54
Series EA	1,875,000	12/1/2022	3.25	12/1/2021	100	419791C48	419791C48
Series EA	1,000,000	12/1/2023	3.00	12/1/2021	100	419791C55	419791C55
Series EA	13,765,000	12/1/2022	4.00	12/1/2021	100	419791D47	419791D47
Series EE	15,260,000	11/1/2025	5.00	11/1/2022	100	419791Q43	419792UU8
Series EE	10,220,000	11/1/2029	5.00	11/1/2022	100	419791Q84	419792UW4
Series EE	35,285,000	11/1/2030	3.00	11/1/2022	100	419791Q92	419791Q92
Series EE	36,545,000	11/1/2031	4.00	11/1/2022	100	419791R26	419791R26
Series EE	38,040,000	11/1/2032	4.00	11/1/2022	100	419791R34	419791R34
Series EF	55,865,000	11/1/2023	5.00	11/1/2022	100	419791T99	419791T99
Series EF	58,730,000	11/1/2024	5.00	11/1/2022	100	419791U22	419791U22
Series EH	26,905,000	8/1/2024	5.00	8/1/2023	100	419791Y93	419792VD5
Series EH	37,970,000	8/1/2025	5.00	8/1/2023	100	419791Z27	419791Z27
Series EH	28,705,000	8/1/2026	4.00	8/1/2023	100	419791Z35	419792VE3
Series EH	30,945,000	8/1/2027	4.00	8/1/2023	100	419791Z43	419792VF0
Series EH	31,625,000	8/1/2028	5.00	8/1/2023	100	419791Z50	419792VG8
Series EH	45,590,000	8/1/2029	5.00	8/1/2023	100	419791Z68	419791Z68
Series EH	12,415,000	8/1/2030	5.00	8/1/2023	100	419791Z76	419792VP8
Series EH	7,260,000	8/1/2031	4.00	8/1/2023	100	419791Z84	419791Z84
Series EH	9,760,000	8/1/2031	5.00	8/1/2023	100	4197912B3	419792VM5
Series EH	25,445,000	8/1/2032	5.00	8/1/2023	100	419791Z92	419792VQ6
Series EH	17,530,000	8/1/2033	4.00	8/1/2023	100	4197912A5	4197912A5
Series EH	9,140,000	8/1/2033	5.00	8/1/2023	100	4197912C1	419792VN3
Series EO	5,000,000	8/1/2027	5.00	8/1/2024	100	4197915Y0	4197915Y0
Series EO	5,000,000	8/1/2028	5.00	8/1/2024	100	4197915R5	4197915R5
Series EO	10,500,000	8/1/2029	5.00	8/1/2024	100	4197915Z7	4197915Z7
Series EO	18,500,000	8/1/2033	4.00	8/1/2024	100	4197915W4	4197915W4
Series EO	20,000,000	8/1/2033	5.00	8/1/2024	100	4197916L7	4197916L7
Series EP	29,410,000	8/1/2025	5.00	8/1/2024	100	4197916V5	4197916V5
Series EP	30,920,000	8/1/2026	5.00	8/1/2024	100	4197916W3	4197916W3
Series ET	11,850,000	10/1/2030	5.00	10/1/2025	100	419792AN6	419792AN6
Series ET	12,460,000	10/1/2031	5.00	10/1/2025	100	419792AP1	419792AP1
Series ET	12,980,000	10/1/2032	3.25	10/1/2025	100	419792AQ9	419792AQ9
Series ET	13,460,000	10/1/2033	4.00	10/1/2025	100	419792AR7	419792AR7
Series EZ	25,420,000	10/1/2027	5.00	10/1/2025	100	419792CQ7	419792CQ7
Series EZ	26,725,000	10/1/2028	5.00	10/1/2025	100	419792CR5	419792CR5

[1] Copyright, American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for convenience of reference only. Neither the State nor the Underwriters take any responsibility for the accuracy of such numbers.

[2] Includes un-refunded CUSIP if a maturity had previously been partially refunded.