

**NEW ISSUE****FULL BOOK-ENTRY ONLY****RATINGS:** See “Ratings” herein.

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the State of Hawaii (the “State”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Bonds (defined below) is included in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In the further opinion of Bond Counsel, the Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof except inheritance, transfer, estate and certain franchise taxes. See “TAX MATTERS” in this Official Statement.*



**STATE OF HAWAII**  
**\$750,000,000**  
**Taxable General Obligation Bonds of 2023**  
**Series GM**

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

The Taxable General Obligation Bonds of 2023, Series GM (the “Bonds”) will be issuable in fully registered form and when issued will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). So long as DTC or its nominee is the registered owner of the Bonds, purchases of the Bonds will be made in book entry form only, through brokers and dealers who are, or who act through, DTC participants; beneficial owners of the Bonds will not receive physical delivery of Bond certificates; payment of the principal of and interest and any premium on the Bonds will be made directly to DTC or its nominee; and disbursement of such payments to DTC participants will be the responsibility of DTC and disbursement of such payments to the beneficial owners will be the responsibility of DTC participants. Purchases of the Bonds may be made in the denomination of \$5,000 or any integral multiple thereof. See Appendix H—“PROVISIONS FOR BOOK-ENTRY-ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES” herein. The Bonds will 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, 2024.

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

The proceeds from the sale of the 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, parks, and highways, and for certain other public purposes and to pay a portion of the costs of issuance of the Bonds. See “AUTHORITY AND PURPOSE” herein.

The Bonds are general obligations of the State. The 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.

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.

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**MATURITY SCHEDULE**  
**See Inside Cover Page**

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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 Hawkins Delafield & Wood LLP, Bond Counsel to the State. 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 December 19, 2023.

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

**Jefferies**  
**Loop Capital Markets**  
**Raymond James**  
**Stifel**

**J.P. Morgan**  
**Piper Sandler & Co.**  
**RBC Capital Markets**  
**Wells Fargo Securities**

Dated: December 6, 2023

**STATE OF HAWAII**  
**\$750,000,000 TAXABLE GENERAL OBLIGATION BONDS OF 2023, SERIES GM**  
**Dated: Date of Delivery**

| <b>Due</b>      | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Yield</b> | <b>Price</b> | <b>CUSIP<sup>†</sup> Number<br/>(419792)</b> |
|-----------------|-----------------------------|--------------------------|--------------|--------------|--|
| April 1, 2024   | \$47,270,000                | 5.331%                   | 5.331%       | 100.000      | L61  |
| October 1, 2024 | 22,795,000                  | 5.101                    | 5.101        | 100.000      | L79  |
| October 1, 2025 | 23,950,000                  | 4.801                    | 4.801        | 100.000      | L87  |
| October 1, 2026 | 25,100,000                  | 4.588                    | 4.588        | 100.000      | L95  |
| October 1, 2027 | 26,335,000                  | 5.000                    | 4.509        | 101.683      | M29  |
| October 1, 2028 | 27,685,000                  | 5.000                    | 4.519        | 102.041      | M37  |
| October 1, 2029 | 29,145,000                  | 5.250                    | 4.626        | 103.127      | M45  |
| October 1, 2030 | 30,645,000                  | 4.806                    | 4.806        | 100.000      | M52  |
| October 1, 2031 | 32,150,000                  | 4.771                    | 4.771        | 100.000      | M60  |
| October 1, 2032 | 33,730,000                  | 4.821                    | 4.821        | 100.000      | M78  |
| October 1, 2033 | 35,400,000                  | 4.841                    | 4.841        | 100.000      | M86  |
| October 1, 2034 | 37,170,000                  | 4.921                    | 4.921        | 100.000      | M94  |
| October 1, 2035 | 39,075,000                  | 5.071                    | 5.071        | 100.000      | N28  |
| October 1, 2036 | 41,140,000                  | 5.221                    | 5.221        | 100.000      | N36  |
| October 1, 2037 | 43,355,000                  | 5.271                    | 5.271        | 100.000      | N44  |
| October 1, 2038 | 45,715,000                  | 5.321                    | 5.321        | 100.000      | N51  |
| October 1, 2039 | 48,210,000                  | 5.298                    | 5.298        | 100.000      | N69  |
| October 1, 2040 | 50,845,000                  | 5.348                    | 5.348        | 100.000      | N77  |
| October 1, 2041 | 53,650,000                  | 5.398                    | 5.398        | 100.000      | N85  |
| October 1, 2042 | 56,635,000                  | 5.418                    | 5.418        | 100.000      | N93  |

<sup>†</sup> 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 FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. CUSIP® numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds. None of the State, the Underwriters or their agents or counsel assume responsibility for the accuracy of any CUSIP® numbers.

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

REFERENCES IN THIS SECTION TO THE “ISSUER” MEAN THE STATE OF HAWAII AND REFERENCES TO THE “BONDS” AND THE “SECURITIES” MEAN THE STATE OF HAWAII TAXABLE GENERAL OBLIGATION BONDS OF 2023, SERIES GM.

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 150 UNITS (BEING 30 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF \$150,000).

### **NOTICE TO INVESTORS IN CANADA**

THE BONDS MAY BE SOLD IN CANADA 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 OFFERING CIRCULAR (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 UNDERWRITERS' CONFLICTS OF INTEREST IN CONNECTION WITH THIS OFFERING.

### **NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA ("EEA")**

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 EEA RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, AN "EEA 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"); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED, 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; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE "EU PROSPECTUS REGULATION"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY EEA RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY EEA RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

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

### **NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG**

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN APPROVED BY THE SECURITIES AND FUTURES COMMISSION IN HONG KONG PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) ("SFO") OR ANY REGULATORY AUTHORITY IN HONG KONG. ACCORDINGLY, YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFERING CONTEMPLATED IN THIS OFFICIAL STATEMENT. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THE BONDS MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) ("C(WUMP)O") OR WHICH DO NOT CONSTITUTE AN INVITATION TO THE PUBLIC WITHIN THE MEANING OF THE SFO, OR (II) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE C(WUMP)O. NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE

CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF (A) ONLY TO PERSONS OUTSIDE HONG KONG OR (B) ONLY TO “PROFESSIONAL INVESTORS” IN HONG KONG AS DEFINED IN THE SFO AND ANY RULES MADE THEREUNDER.

### **NOTICE TO PROSPECTIVE INVESTORS IN JAPAN**

THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF IN JAPAN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FINANCIAL INSTRUMENTS AND EXCHANGE ACT OF JAPAN (NO. 25 OF 1948, AS AMENDED, THE “FIEA”). AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA (“QIIS”). A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

### **NOTICE TO INVESTORS IN SWITZERLAND**

THE BONDS MAY NOT BE PUBLICLY OFFERED IN SWITZERLAND AND WILL NOT BE LISTED ON THE SIX SWISS EXCHANGE (“SIX”) OR ON ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A PROSPECTUS OR A KEY INFORMATION DOCUMENT WITHIN THE MEANING OF THE SWISS FEDERAL ACT ON FINANCIAL SERVICES (“FINSA”) OR A LISTING PROSPECTUS WITHIN THE MEANING OF THE SIX LISTING RULES OR THE LISTING RULES OF ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS OR THE OFFERING MAY BE PUBLICLY OFFERED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND. ACCORDINGLY, THIS OFFICIAL STATEMENT MAY BE COMMUNICATED IN OR FROM SWITZERLAND TO A LIMITED NUMBER OF SELECTED INVESTORS ONLY.

NONE OF THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE OFFERING, THE ISSUER OR THE BONDS HAVE BEEN OR WILL BE FILED WITH OR APPROVED BY ANY SWISS REGULATORY AUTHORITY. IN PARTICULAR, THIS OFFICIAL STATEMENT WILL NOT BE FILED WITH, AND THE BONDS WILL NOT BE SUPERVISED BY, THE SWISS FINANCIAL MARKET SUPERVISORY AUTHORITY (“FINMA”).

THE BONDS DO NOT CONSTITUTE COLLECTIVE INVESTMENTS SCHEMES WITHIN THE MEANING OF THE SWISS FEDERAL ACT ON COLLECTIVE INVESTMENT SCHEMES (“CISA”). ACCORDINGLY, INVESTORS ARE EXPOSED TO THE DEFAULT RISK OF THE ISSUER AND DO NOT HAVE THE BENEFIT OF THE SPECIFIC INVESTOR PROTECTION PROVIDED UNDER THE CISA.

### **NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN (THE REPUBLIC OF CHINA)**

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN (THE “FSC”) PURSUANT TO APPLICABLE SECURITIES LAWS AND REGULATIONS OF TAIWAN AND THE BONDS, INCLUDING ANY COPY OF THIS OFFICIAL STATEMENT OR ANY OTHER DOCUMENTS

RELATING TO THE BONDS, MAY NOT BE OFFERED, SOLD, DELIVERED OR DISTRIBUTED WITHIN TAIWAN (THE REPUBLIC OF CHINA) THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION WITH OR APPROVAL OF THE FSC. NO PERSON OR ENTITY IN TAIWAN (THE REPUBLIC OF CHINA) HAS BEEN AUTHORIZED TO OFFER, SELL, DISTRIBUTE, GIVE ADVICE REGARDING OR OTHERWISE INTERMEDIATE THE OFFERING, SALE OR DISTRIBUTION OF THE BONDS UNLESS THE BONDS OFFERED OR SOLD TO INVESTORS IN TAIWAN ARE OTHERWISE THROUGH TAIWAN LICENSED FINANCIAL INSTITUTIONS TO THE EXTENT PERMITTED UNDER RELEVANT TAIWAN LAWS OR REGULATIONS. TAIWAN INVESTORS WHO SUBSCRIBE AND PURCHASE THE BONDS SHALL COMPLY WITH ALL RELEVANT SECURITIES, TAX AND FOREIGN EXCHANGE LAWS AND REGULATIONS IN EFFECT IN TAIWAN.

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM (“UK”)**

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 UK RETAIL INVESTOR IN THE UK. FOR THESE PURPOSES A “UK RETAIL INVESTOR” MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) 2017/565 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (AS AMENDED, THE “EUWA”); OR (II) A CUSTOMER WITHIN THE MEANING OF PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED, THE “FSMA”) AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (III) NOT A “QUALIFIED INVESTOR” AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “UK PROSPECTUS REGULATION”). CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUWA (AS AMENDED, THE “UK PRIIPS REGULATION”) FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO UK RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY UK RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

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

UK RESTRICTIONS ON SALES—THE BONDS MUST NOT BE OFFERED OR SOLD AND THIS OFFICIAL STATEMENT AND ANY OTHER DOCUMENT IN CONNECTION WITH THE OFFERING AND ISSUANCE OF THE BONDS MUST NOT BE COMMUNICATED OR CAUSED TO BE COMMUNICATED IN THE UNITED KINGDOM EXCEPT TO PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND QUALIFY AS INVESTMENT PROFESSIONALS UNDER ARTICLE 19 (INVESTMENT PROFESSIONALS) OF

THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, (AS AMENDED, THE “ORDER”) OR ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A)-(D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE ORDER OR WHO OTHERWISE FALL WITHIN AN EXEMPTION SET FORTH IN SUCH ORDER SUCH THAT SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED, “FSMA”) DOES NOT APPLY TO THE ISSUER OR ARE PERSONS TO WHOM THIS OFFICIAL STATEMENT OR ANY OTHER SUCH DOCUMENT MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “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.

#### **ADDITIONAL NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM**

THIS OFFICIAL STATEMENT DOES NOT COMPRISE A PROSPECTUS WITH REGARD TO THE ISSUER OR THE BONDS FOR THE PURPOSES OF THE EU PROSPECTUS REGULATION IN RESPECT OF THE EEA OR UNDER THE UK PROSPECTUS REGULATION IN RESPECT OF THE UK. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OR THE UNITED KINGDOM OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

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## **STATE OF HAWAII**



### **ADMINISTRATIVE OFFICIALS**

|                   |                     |
|-------------------|---------------------|
| Dr. Josh Green    | Governor            |
| Sylvia Luke       | Lieutenant Governor |
| Luis P. Salaveria | Director of Finance |
| Anne E. Lopez     | Attorney General    |
| Keith A. Regan    | Comptroller         |

### **BOND COUNSEL TO STATE**

Hawkins Delafield & Wood LLP

This Official Statement, which includes the cover page, the inside 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. Certain other information contained herein has been obtained by the State 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.

## TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| INTRODUCTION .....  | 1           |
| AUTHORITY AND PURPOSE .....   | 1           |
| Authority .....   | 1           |
| Purpose.....  | 1           |
| THE BONDS .....   | 1           |
| Details of the Bonds.....   | 1           |
| Book-Entry-Only System.....   | 1           |
| Optional Redemption of the Bonds.....   | 2           |
| Selection for Redemption.....   | 3           |
| General Redemption Provisions.....  | 4           |
| SECURITY FOR THE BONDS .....  | 5           |
| Security Provisions .....   | 5           |
| Market Risks and Other Risks .....  | 5           |
| Sovereign Immunity.....   | 5           |
| THE STATE OF HAWAII .....   | 6           |
| PENDING LITIGATION .....  | 6           |
| TAX MATTERS.....  | 7           |
| Opinions of Bond Counsel.....   | 7           |
| Certain Federal Income Tax Consequences.....  | 7           |
| Original Issue Discount.....  | 8           |
| Bond Premium .....  | 8           |
| Disposition and Defeasance .....  | 8           |
| Information Reporting and Backup Withholding .....  | 8           |
| U.S. Holders.....   | 9           |
| Miscellaneous .....   | 9           |
| APPROVAL OF LEGAL PROCEEDINGS .....   | 9           |
| RATINGS .....   | 9           |
| UNDERWRITING .....  | 9           |
| MUNICIPAL ADVISOR.....  | 11          |
| CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING STATEMENTS AND<br>PROJECTIONS IN THIS OFFICIAL STATEMENT..... | 11          |
| CONTINUING DISCLOSURE.....  | 12          |
| FINANCIAL STATEMENTS .....  | 12          |
| MISCELLANEOUS .....   | 12          |

## TABLE OF CONTENTS

(continued)

|  | <u>Page</u> |
|--|-------------|
| APPENDIX A: GENERAL INFORMATION ABOUT THE STATE OF HAWAII.....                             | A-1         |
| APPENDIX B: FINANCIAL INFORMATION ABOUT THE STATE OF HAWAII.....                           | B-1         |
| APPENDIX C: EXTRACT FROM THE CONSTITUTION OF THE STATE OF HAWAII .....                     | C-1         |
| APPENDIX D: GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII .....                    | D-1         |
| APPENDIX E: PENDING LITIGATION.....  | E-1         |
| APPENDIX F: FORM OF CONTINUING DISCLOSURE CERTIFICATE.....                                 | F-1         |
| APPENDIX G: PROPOSED FORM OF OPINION OF BOND COUNSEL .....                                 | G-1         |
| APPENDIX H: PROVISIONS FOR BOOK-ENTRY-ONLY SYSTEM AND<br>GLOBAL CLEARANCE PROCEDURES ..... | H-1         |

## **OFFICIAL STATEMENT**

### **STATE OF HAWAII \$750,000,000 TAXABLE GENERAL OBLIGATION BONDS OF 2023 SERIES GM**

#### **INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, the inside cover page 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 \$750,000,000 Taxable General Obligation Bonds of 2023, Series GM (the “Bonds”), in connection with the sale thereof by the State.

#### **AUTHORITY AND PURPOSE**

##### **Authority**

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

##### **Purpose**

The proceeds from the sale of the Bonds will be used to 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, parks, and highways, and for certain other public purposes and to pay a portion of the costs of issuance of the Bonds. See “DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit” in Appendix A.

#### **THE BONDS**

##### **Details of the Bonds**

The Bonds will mature serially on the dates and years, and will bear interest at the rate or rates (calculated on the basis of a 360-day year composed of twelve 30-day months), as shown on the inside cover page hereof, payable on April 1 and October 1 of each year, commencing on April 1, 2024 (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 each series 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 of the Bonds.*** The Bonds maturing on or after October 1, 2034 are subject to redemption prior to their stated maturities, at the option of the State, at any time on or after October 1, 2033, 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 as described below) at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

***Make Whole Optional Redemption of the Bonds.*** The Bonds are subject to redemption at the option of the State on any date prior to and excluding October 1, 2033, 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 on April 1, 2024 through October 1, 2034, ten (10) basis points, and (ii) with respect to any such Bonds maturing on October 1, 2035 through October 1, 2042, fifteen (15) basis points,; plus, in each case, accrued interest on such Bonds to be redeemed to the redemption date.

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

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

“*Comparable Treasury Issue*” means, with respect to any Bond being redeemed, the United States Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of such Bond 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 such Bond.

“*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, with respect to any Bond being redeemed, 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 such Bond. 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 such Bond, 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 Bond being redeemed; and (b) closest to and less than the remaining term to maturity of the Bond 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 any series of the Bonds are called for redemption, the State will designate the maturities from which the Bonds of such series 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 DTC procedures; provided that, so long as the Bonds are held in book entry form, the selection for redemption of the Bonds of such series will be made 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 such Bonds remaining outstanding will be in Authorized Denominations. “Authorized Denominations” means denominations of \$5,000 or any integral multiple of \$5,000 less the principal amount of any optional redemption of any such Bond. 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 a minimum Authorized Denomination, portions of the principal sum thereof in installments of Authorized Denominations 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.

Various factors, including wildfires, seismic events, drought, tsunamis, pandemics, other natural or man-made events, civil unrest or public safety matters may have a material adverse effect on the State's economic conditions, operations and finances. For a description of certain of these factors currently having, and that may have, a material adverse effect on the State's economic conditions, operations and finances, see 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 Annual Comprehensive Financial Report of the State of Hawaii for the State's fiscal year ended June 30, 2022. 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. See "GENERAL ECONOMIC INFORMATION" in Appendix A and "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan" in Part I of Appendix B.

## **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 the following entities and matters:

(i) The Office of Hawaiian Affairs ("OHA") and certain lands (the "Ceded Lands") transferred in 1898 by the Republic of Hawaii to the United States and in 1959, upon the State's admission to the Union, by the United States to the State (as to, among other things, claims to a portion of the income and proceeds of the Ceded Lands). The State intends to defend vigorously against all of the claims referred to in this paragraph (i), and as such claims and related proceedings are further described in Appendix E—"PENDING LITIGATION—Office of Hawaiian Affairs and Ceded Lands."

(ii) The Hawaiian Home Lands and the Department of Hawaiian Home Lands (as to certain alleged breaches of trust and fiduciary duties and related individual claims by beneficiaries of the Hawaiian Homes Commission Act of 1920, referred to herein as the "Individual Claims Cases"; and separately, as to alleged violations of Article XII, Section 1 of the State Constitution for the Legislature not providing sufficient funding for the Department's Administration and Operating Budget, referred to herein as "Nelson").

The State has agreed on the material terms of a global settlement with the Individual Claims Cases referred to in this paragraph (ii), and as such claims and related proceedings are further described in Appendix E—"PENDING LITIGATION—Department of Hawaiian Home Lands." The State has appropriated and paid \$328,000,000 in general funds to fund the State's payment under the settlement agreement. Under the settlement agreement, the funds are to be held by the Clerk of the Court, First Circuit, State of Hawaii (the "Court") until the Court grants final approval of the settlement. On August 1, 2023, the Court entered an order granting final approval of the settlement and final judgment. The judgment was appealed and the appeal was ultimately dismissed. The class-wide release of claims against the defendants became final with the dismissal of the appeal, and the settlement funds were paid to

the trustee of a qualified settlement trust that has been established to distribute payments to individual class members.

The State intends to defend vigorously against the claims brought against the State in Nelson referred to in this paragraph (ii), and as such claims and related proceedings are further described in Appendix E—“PENDING LITIGATION—Department of Hawaiian Home Lands.”

(iii) The Hawaii Land Use Commission (as to the alleged takings claim resulting from the Hawaii Land Use Commission’s reversion to agricultural classification of land). The State intends to defend vigorously against the claims brought against the State referred to in this paragraph (iii), and as such claims and related proceedings are further described in Appendix E—“PENDING LITIGATION—Land Use Commission.”

(iv) 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). The State intends to defend vigorously against the claims brought against the State, the EUTF, and the EUTF Board referred to in this paragraph (iv), and as such claims and related proceedings are further described in Appendix E—“PENDING LITIGATION—Hawaii Employer Union Health Benefits Trust Fund.”

## **TAX MATTERS**

### **Opinions of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the State, interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In the further opinion of Bond Counsel, the Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof except inheritance, transfer, estate and certain franchise taxes.

### **Certain Federal Income Tax Consequences**

The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of the Bonds by original purchasers of the Bonds who are “U.S. Holders,” as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all currently in effect and all subject to change at any time, possibly with retroactive effect, (ii) assumes that the Bonds will be held as “capital assets,” and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Bonds as a position in a “hedge” or a “straddle,” U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire the Bonds in the secondary market, or individual estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

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

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

### **Original Issue Discount**

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

### **Bond Premium**

In general, if an Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Bond other than “qualified stated interest” (a “Taxable Premium Bond”), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant-yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to the U.S. Holder’s basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder’s original acquisition cost.

### **Disposition and Defeasance**

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

### **Information Reporting and Backup Withholding**

In general, information reporting requirements will apply to non-corporate U.S. Holders with respect to payments of principal, payments of interest and the proceeds of the sale of a Bond before maturity

within the United States. Backup withholding may apply to U.S. Holders of Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder, and which constitutes over withholding, would be allowed as a refund or a credit against such U.S. Holder's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

## **U.S. Holders**

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

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could affect the market price or marketability of the Bonds.

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

## **APPROVAL OF LEGAL PROCEEDINGS**

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

## **RATINGS**

Moody's Investors Service, S&P Global Ratings Inc. and Fitch Ratings have rated the Bonds "Aa2," "AA+" and "AA," respectively. 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 or marketability of the Bonds.

## **UNDERWRITING**

Morgan Stanley & Co. LLC, as representative (the "Representative") for itself and BofA Securities, Inc., Citigroup Global Markets Inc., Jefferies LLC, J.P. Morgan Securities LLC, Loop Capital Markets LLC, Piper Sandler & Co., Raymond James & Associates, Inc., RBC Capital Markets, LLC, Stifel, Nicolaus & Company, Incorporated, and Wells Fargo Bank, National Association (collectively, the "Underwriters"), has agreed to purchase the Bonds at an aggregate purchase price of \$750,643,009.98, which is equal to the

principal amount of the Bonds, plus original issue premium of \$1,919,633.05, less an aggregate underwriting discount of \$1,276,623.07. The Underwriters will be obligated to purchase all of the Bonds if any are purchased.

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

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

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.

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.

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”), an underwriter of the Bonds, 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.

J.P. Morgan Securities LLC (“JPMS”), one of the underwriters of the Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations

through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), one of the underwriters of the Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

### **MUNICIPAL ADVISOR**

The State has retained PFM Financial Advisors LLC (the “Municipal Advisor”) as municipal advisor with respect to the sale 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.”

Within the past five years, the State did not link its 2018 annual report to the CUSIP numbers for certain bond maturities. The State has adopted policies and procedures aimed at ensuring compliance with its continuing disclosure undertakings going forward. The State regularly updates Appendix B, which may involve adding additional financial and operating data, displaying data in a different format, or eliminating data that are no longer material.

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

## **FINANCIAL STATEMENTS**

The General Purpose Financial Statements and additional information as of and for the year ended June 30, 2022, included in the State’s Annual Comprehensive 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 Annual Comprehensive 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

#### TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| INTRODUCTION .....  | A-1         |
| General .....   | A-1         |
| State Government .....  | A-1         |
| Term of Current Administration .....  | A-2         |
| No Voter Initiative and Referendum .....  | A-2         |
| The Counties and Their Relationship to the State .....  | A-2         |
| DEBT STRUCTURE .....  | A-2         |
| Types of Bonds Authorized by the Constitution .....   | A-2         |
| Outstanding Indebtedness and Debt Limit .....   | A-3         |
| Exclusions .....  | A-4         |
| Other Constitutional and Statutory Provisions .....   | A-6         |
| Financing Agreements (Including Leases) .....   | A-6         |
| Reimbursement to State General Fund for Debt Service .....  | A-7         |
| MAUI WILDFIRES .....  | A-7         |
| Overview .....  | A-7         |
| State, County of Maui, and Federal Government Response .....  | A-8         |
| State Economic and Fiscal Impact .....  | A-10        |
| TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM;<br>EXPENDITURE CONTROL ..... | A-12        |
| Introduction .....  | A-12        |
| General Fund .....  | A-12        |
| Taxes and Other Amounts Deposited in General Fund .....   | A-14        |
| Special Funds .....   | A-18        |
| Federal Grants .....  | A-20        |
| Budget System; Legislative Procedure .....  | A-22        |
| Emergency and Budget Reserve Fund; Tobacco Settlement; Hurricane Relief Fund .....                    | A-24        |
| Expenditure Control .....   | A-30        |
| State Educational Facilities Improvement Special Fund .....   | A-31        |
| EMPLOYEE RELATIONS; STATE EMPLOYEES' RETIREMENT SYSTEM .....  | A-32        |
| Employee Relations .....  | A-32        |
| State Employees' Healthcare and Other Insurance Plans .....   | A-35        |
| Other Post-Employment Benefits .....  | A-36        |
| State Employees' Retirement System .....  | A-40        |
| GENERAL ECONOMIC INFORMATION .....  | A-53        |
| General .....   | A-53        |
| State of the Economy .....  | A-54        |
| Outlook for the Economy .....   | A-55        |
| Information on Employment, Wages and Salaries, Tax Revenues and Tax Base .....                        | A-57        |
| Key Economic Indicators .....   | A-58        |
| Labor Force and Jobs .....  | A-58        |
| Income and Prices .....   | A-60        |

|  |      |
|--|------|
| Tourism .....  | A-65 |
| Construction and Real Estate .....                                     | A-68 |
| Federal Government and Military .....                                  | A-72 |
| Transportation .....   | A-72 |
| Education.....   | A-76 |
| State Housing Programs .....   | A-77 |
| CYBERSECURITY .....  | A-78 |
| RISK AND VULNERABILITY FROM CLIMATE CHANGE AND NATURAL DISASTERS ..... | A-79 |
| General .....  | A-79 |
| Certain Climate-Related Events .....                                   | A-79 |
| State Response.....  | A-80 |
| RED HILL BULK FUEL STORAGE FACILITY .....                              | A-81 |

## INDEX OF TABLES

| <u>Page</u>  | <u>Page</u> |
|--|-------------|
| Table 1 - General Fund Tax Revenues.....   | A-15        |
| Table 2 - County Surcharge & Maximum<br>General Excise (GE) Tax Rates.....   | A-16        |
| Table 3 - County Surcharge & Transient<br>Accommodations Tax Rate .....  | A-17        |
| Table 4 - Special Fund Tax Revenues .....  | A-19        |
| Table 5 - Federal Grant Funding.....   | A-21        |
| Table 6 - Federal Awards Allocated Related<br>to COVID-19 .....  | A-22        |
| Table 7 - Emergency and Budget Reserve<br>Fund Balances .....  | A-26        |
| Table 8 - Tobacco Settlement Proceeds .....  | A-28        |
| Table 9 - Hawaii Hurricane Relief Fund<br>Balances.....  | A-30        |
| Table 10 - Schedule of Funding Progress .....  | A-39        |
| Table 11 - State EUTF Contributions Fiscal<br>Years 2014 — 2025.....   | A-40        |
| Table 12 - System’s Membership .....   | A-44        |
| Table 13 - Employer Contribution<br>Requirement .....  | A-46        |
| Table 14 - Increased Employer Contribution<br>Requirements .....   | A-46        |
| Table 15 - Projection Results Based on June<br>30, 2022 Actuarial Valuation.....   | A-48        |
| Table 16 - Actual Investment Returns .....   | A-49        |
| Table 17 - Schedule of Funding Progress .....  | A-50        |
| Table 18 - Value of Assets Comparison .....  | A-51        |
| Table 19 - Normal Cost.....  | A-51        |
| Table 20 - Schedule of Employer<br>Contributions .....   | A-52        |
| Table 21 - Asset Allocation .....  | A-53        |
| Table 22 - Selected Economic Activities -<br>State .....   | A-57        |
| Table 23 - Actual and Forecast Key<br>Economic Indicators for Hawaii 2021 to<br>2026.....  | A-58        |
| Table 24 - Civilian Labor Force and<br>Employment .....  | A-60        |
| Table 25 - Personal Income for Hawaii by<br>Major Sources.....   | A-62        |
| Table 26 - Personal Income .....   | A-63        |
| Table 27 - Honolulu and U.S. Consumer<br>Price Index, All Urban Consumers.....   | A-64        |
| Table 28 - Visitor Arrivals by Air.....  | A-67        |
| Table 29 - Hotel Occupancy Rate (%).....   | A-68        |
| Table 30 - Estimated Value of Completed<br>Construction, New Private Building<br>Authorizations, and Government<br>Contracts Awarded ..... | A-70        |
| Table 31 - Estimated Value of Private<br>Building Construction Authorizations, By<br>County .....  | A-71        |
| Table 32 - Motor Vehicle Registration .....  | A-76        |

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 west of 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 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 its 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. Approximately 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 judicial branch and the executive 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. Among its powers, the Legislature has the ability to increase taxes (see "TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL") and authorize the incurrence of debt without voter approval (see "—No Voter Initiative and Referendum" and "DEBT STRUCTURE" below).

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 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 the Governor's inability to exercise and discharge the powers and duties of the Governor's office, the Lieutenant Governor, also elected for a four-year term as a team with the Governor, serves as the chief executive. The Governor and Lieutenant Governor are the only directly elected executive branch officials. Among other powers, the Governor has executive authority to control spending by restricting, delaying or suspending appropriations.

The executive and administrative offices are limited to not more than twenty principal departments under the supervision of the Governor. The executive functions have been grouped into nineteen departments (Act 278, SLH 2022, establishes the Department of Law Enforcement, which became effective on July 8, 2022 and re-establishes the Department of Public Safety as the Department of Corrections and Rehabilitation effective on January 1, 2024). The heads of the departments are appointed by the Governor, with the advice and consent of the Senate. 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.

### **Term of Current Administration**

The current Governor, Dr. Josh Green, was inaugurated as the ninth governor of the State on December 5, 2022. The State Constitution limits the Governor's term of office to two consecutive four-year terms. The terms of department heads appointed by the Governor, including the Director of Finance, end on December 7, 2026 with the exception of the Chairpersons of the Board of Agriculture, Board of Land and Natural Resources and Hawaiian Homes Commission whose terms end on December 31, 2026.

### **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 which the full faith and credit of the State or a political subdivision are pledged to the payment of the principal and interest for such bonds and, unless otherwise indicated, includes reimbursable general obligation bonds hereinafter described); 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 to vote. 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, 2023 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, 2023, 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 also Appendix D—“GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII” for a description of the general obligation bonds and general obligation refunding bonds of the State outstanding as of October 1, 2023.

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, 2021, 2022 and 2023 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 TABLE 4—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, 2023, after giving effect to the issuance of the Bonds, and after exclusions therefrom permitted by the Constitution, is \$1,032,952,707 in the fiscal year ending June 30, 2026. A summary of debt service on all general obligation bonded indebtedness of the State (including the Bonds) is set forth in TABLE 6—Summary of Debt Service in Part I of Appendix B; however, the debt service excluded in that TABLE 6 includes reimbursements that are made as required, regardless of whether such reimbursements may be excluded under the Constitution, as described below under “—Exclusions.”

As calculated from the State Comptroller’s Bond Fund report as of August 31, 2023, the amount of authorized but unissued general obligation bonds (including the Bonds) is \$4,980,684,354.80. 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, 2027.

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. Act 149 requires that an update to the debt affordability study be submitted to the Legislature every two years. The most recent debt affordability study was submitted to the Legislature in December 2022.

The December 2022 update to the debt affordability study, prepared by PFM Financial Advisors LLC on behalf of the State and the Department of Budget and Finance, concluded with respect to the 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, as long as the new issuances keep pace with the State’s economic expansion and revenue growth. The study highlighted the need to maintain sufficient contingency in the budget to absorb expected and unexpected increases in general fund expenditures as well as to offset a decrease in revenues due to a possible economic recession in 2023. The study highlighted some of the financial challenges the State may face, but acknowledged the past fiscal prudence and financial strength that has enabled the State to navigate the COVID-19 pandemic. The State anticipates that the debt affordability study will be further updated in the last quarter of calendar year 2024.

See “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 to vote. 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 “INFORMATION ABOUT INDEBTEDNESS—Certificates of Participation and Lease Purchase Agreements” in Part I of Appendix B.

### **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 TABLE 5—General Obligation Bonds Outstanding in Part I of Appendix B for a tabular summary of reimbursable and non-reimbursable general obligation bonds.

## **MAUI WILDFIRES**

### **Overview**

On August 8, 2023, a series of wildfires broke out on the island of Maui. The wildfires caused widespread damage in the town of Lahaina. Lahaina is on the northwest coast of the island of Maui, and is part of the general area known as West Maui (which includes Lahaina and the temporarily impacted areas of Kapalua, Napili and Kaanapali). As of the 2020 census, Lahaina had a population of 12,702, Maui island had a population of 154,100, and the whole State had a population of 1,455,271.

As of November 20, 2023, 100 people have been confirmed dead from the wildfires and 4 people remain missing. The wildfires destroyed over 2,000 residential homes and displaced over 8,000 residents. The wildfires also impacted approximately 700 business establishments, initially leading to a loss of

approximately 10,000 direct jobs and approximately \$2.9 million in household income per day. Early estimates from the Pacific Disaster Center project that \$5.5 billion will be required to rebuild the damaged areas; however, such estimates are preliminary and may be subject to revision as more information becomes available.

Tourism—a significant driver of Maui’s economy—was adversely impacted in the weeks immediately following the wildfires. In August 2023, 88 transpacific flights to and from Maui were cancelled, which represented 23,083 air seats. The passenger count to Kahului Airport in Maui decreased by over 70% in the days after the fire, from 7,000 passengers a day to 2,000 passengers a day. The University of Hawaii Economic Research Organization (“UHERO”) estimates that in the weeks following the wildfires, visitor spending in the County of Maui was down by approximately \$13 million per day.

While the County of Maui experienced a decline in visitors immediately after the wildfires, the other islands did not experience any observable declines and reported higher occupancy rates after the wildfires. The net impact to the State in August 2023 was an approximately 15% decline in total visitors compared to the number of visitors in August 2022. Nonessential travel to affected areas in West Maui was restricted immediately following the wildfires. By November 1, 2023, all of West Maui—except Lahaina—was reopened to the public, including tourists. Maui tourism has started to show signs of recovery—in October 2023, the domestic passenger count to Maui was down by approximately 33.5% compared to October 2022, while the domestic passenger count to Maui in August 2023 was down by 50.8% compared to August 2022 figures. Statewide, total passenger count as of October 2023 was 103% of October 2022 figures. See “GENERAL ECONOMIC INFORMATION—Tourism” herein.

According to the Hawaii State Department of Business, Economic Development and Tourism, the number of units or rooms available for visitor accommodations was 487 in Lahaina, 11,936 in West Maui, 21,604 in Maui County, and 81,102 in the whole State.

Immediately following the wildfires, the State worked with the County of Maui, the federal government, and private groups to provide assistance to affected residents, including providing temporary housing, restoring critical services such as power and water, debris cleanup, providing financial assistance, addressing school closures, and addressing critical infrastructure (including the harbor in Lahaina, which is indefinitely closed). The County of Maui and the State are currently taking steps to develop and implement an economic restoration plan for the County of Maui, including promoting Maui tourism. The State is also pursuing other efforts to address the legal and other economic impacts of the wildfires, including the possibility of establishing with other parties a humanitarian fund for wildfire victims; however, the nature of such efforts and their sources of funding remain uncertain at this juncture.

### **State, County of Maui, and Federal Government Response**

On August 8, 2023, the Acting Governor of the State issued a proclamation declaring a state of emergency in the counties of Maui and Hawaii, and subsequently extended the emergency declaration to the entire State. The Acting Governor and the Governor then issued additional proclamations invoking emergency provisions and suspending certain provisions of various laws, in order to provide an effective response to the emergency.

The State, the County of Maui, the federal government, and private groups have been working closely since the wildfires in order to provide an aligned and effective response to the emergency. The County of Maui created a new Maui County Office of Recovery to address intermediate and long-term disaster recovery needs and serve as the center of coordination for community planning; housing; infrastructure; natural, historical and cultural resources; economic resiliency; and health and social service systems. The State is committed to supporting the County of Maui’s efforts towards economic recovery,

and has appointed a Disaster Management Coordinator in the Office of the Governor to coordinate with the County of Maui. The State is working closely with the County of Maui to delineate and streamline the State and the County of Maui's respective roles in the recovery and rebuilding efforts.

***Housing.*** Immediately following the wildfires, the State worked with the County of Maui, the federal government, and private groups to arrange temporary housing for approximately 8,000 displaced residents in hotels and vacation rentals. As of November 20, 2023, 6,669 individuals are being housed in non-congregate housing, primarily in 33 hotels.

The County of Maui and the State have begun the process of transitioning survivors out of hotels and into medium-term housing, including additional vacation rentals and condo-hotel housing. The State is currently negotiating market rates for these contracts. The County of Maui and the State are currently exploring longer-term solutions to house displaced residents, including host housing support programs and building housing on State property; however, the nature of such solutions and sources of funding remain uncertain.

For its part, the federal government, through the Federal Emergency Management Agency ("FEMA"), agreed to a 100% funding of temporary housing for displaced residents through September 29, 2023, a 100% funding for non-congregate housing for three months, and a 90% funding for non-congregate housing (with a 10% match by the State) for at least 18 months. According to FEMA, the average qualified applicant on Maui is expected to receive approximately \$3,500 per month in FEMA rental assistance.

***Debris Cleanup.*** Debris cleanup is currently underway, through the coordinated efforts of the County of Maui, the State, and the federal government through FEMA, the U.S. Environmental Protection Agency (the "EPA"), and the U.S. Army Corps of Engineers. Debris cleanup is planned to be done in two phases: (i) during the first phase, the EPA will remove hazardous materials from all fire-impacted properties, and (ii) during the second phase, FEMA and the U.S. Army Corps of Engineers will lead the removal of fire-damaged debris from private property. Debris clean-up is currently in the first phase. As of November 20, 2023, the EPA has removed hazardous materials from 1,435 parcels out of over 1,600 parcels (approximately 88.7%). Full debris removal is anticipated to take over a year. The State currently projects full debris removal to cost approximately \$1.5 billion, which the State expects will be funded primarily by federal funds.

On September 22, 2023, President Biden issued an order, pursuant to which federal funds for debris removal were authorized at 100% of the total eligible costs for a continuous 180-day period of the State's choosing within the first nine months from the start of the incident period, and federal funds for emergency protective measures, including direct federal assistance, were authorized at 100% of the total eligible costs for a continuous 90-day period of the State's choosing within the first six months from the start of the incident period. Upon the expiration of these periods, the State expects to provide a 10% match towards debris removal costs.

***Financial Assistance.*** The State, the County of Maui, the federal government, and private groups have provided significant financial assistance to affected residents and businesses. For example, the State is providing tax relief, including extensions and waivers, for taxpayers who experienced losses as a result of the wildfires, and has also provided \$15 million of forgivable loans to businesses. The State, through the Department of Human Services, is also offering financial assistance to survivors through federally funded programs including the Supplemental Nutrition Assistance Program (SNAP) and the Disaster Supplemental Nutrition Assistance Program (D-SNAP). The State has also used \$100 million of Temporary Assistance for Needy Families (TANF) reserve funds to provide assistance for impacted families.

As of November 20, 2023, FEMA has disbursed over \$37.7 million in assistance through the Individual and Households Program, and the Small Business Association has approved approximately \$243.0 million of business and residential loans.

Since the wildfires, affected residents have also benefitted from over \$200 million of private donations that have been raised from individuals and organizations such as the American Red Cross, the Hawaii Community Foundation's Maui Strong Fund, GoFundMe, Maui United Way, and the People's Fund of Maui.

**Infrastructure.** The State is planning for the remediation and reconstruction of State-owned facilities that were damaged by the wildfires, including schools, the library, housing facilities and State roads. The State is also currently working with the County of Maui to repair and reconstruct critical power infrastructure in Lahaina.

On August 30, 2023, the Biden Administration pledged \$95 million in Bipartisan Infrastructure Law funding to strengthen the State's electrical grid and position the State to better withstand future storms. Further, for State-owned facilities damaged by the wildfires, FEMA has agreed to provide 100% funding through the Public Assistance Program to restore such damaged facilities for 180 days, and 90% funding thereafter (with a 10% match by the State), after State insurance funds are utilized.

**Other State Responses.** The Attorney General of the State selected the Fire Safety Research Institute ("FSRI"), a nonprofit research organization, to conduct an independent analysis and assessment of the policies and performance of State and county agencies in preparing for and responding to the Maui wildfires. FSRI will complete a thorough investigation of government agency actions up to and during the first 24 to 72 hours of the fire and its aftermath, with the goal of preventing a similar tragedy from happening in the future. The final report is expected in late 2024, upon which the Attorney General will share the findings with the public.

In response to the wildfires, the Governor has indicated that the current Administration and the Legislature during the 2024 legislative session will focus on ways to mitigate the risk of future wildfires and other climate catastrophes. The State is currently pursuing investments to control wild grasslands, relocate utility poles underground, create firebreaks and modernize warning systems, among other strategies. In addition, the Administration is currently working on a draft bill to submit to the Legislature, proposing a 1.75% increase in transient accommodations taxes. Such taxes would be earmarked for future climate-related remediation costs. There can be no guarantee that this bill will be submitted to the Legislature or that the Legislature will pass this bill or any similar bills in the future. See "RISK AND VULNERABILITY FROM CLIMATE CHANGE AND NATURAL DISASTERS" herein.

### **State Economic and Fiscal Impact**

The State is currently still assessing the damage caused by the wildfires and evaluating the impact of the wildfires on property and the State's citizens. The long-term implications of the wildfires for the State's economy and finances cannot be determined at this juncture; however, the State believes it is well-positioned to respond to the financial and economic challenges caused by the wildfires. The State has also been named as a defendant in several lawsuits arising out of the Maui wildfires. The State is unable to predict the magnitude of its potential liability under these lawsuits, if any. See "PENDING LITIGATION—Maui Wildfires" in Appendix E.

**Direct State Revenue Impacts.** While initial estimates after the wildfires indicated up to a \$30 million per month impact on overall State General Fund tax revenues, the State anticipates such impact to improve as tourism recovers. The Council on Revenues, at its September 7, 2023 meeting, lowered its

revenue growth forecast for fiscal year 2024 to 1.3% from 4.0%, but also increased its revenue growth forecast for fiscal year 2025 from 3.5% to 5.2%. The decrease in fiscal year 2024 results in a downward adjustment of fiscal year 2024 revenues by approximately \$316 million, offset by better than expected non-tax revenues, resulting in a net decline of \$222 million. The revenue decline is attributed to the economic impacts of the Maui wildfires, which are expected to adversely impact tourism revenues and other economic activity, and a decrease in tax collections. However, the increased forecast for fiscal year 2025 reflects the positive impacts of recovery construction and the influx of federal and private resources in response to the wildfires. In September 2023, UHERO also forecasted a 0.5% decline in the State's domestic gross product for calendar years 2023 and 2024 in large part due to the Maui wildfires. UHERO also forecasts a 0.5% increase in the State's gross domestic product in calendar years 2025 through 2028 as the State recovers from the wildfires, supported in part by an influx of federal and private resources. See "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS" in Part I of Appendix B.

**Known Direct State Costs.** As of November 2023, the State anticipates State costs related to the wildfires to include approximately \$150 million for debris clean-up and approximately \$30.0 million for non-congregate housing, each representing the State's up to 10% share of such costs. These costs are currently being paid by FEMA, although the State expects to receive invoices from FEMA for the State's share in the debris clean-up and housing of residents in non-congregate facilities. The State cannot predict when FEMA will invoice the State for these costs, but has budgeted for these costs within the General Fund financial plan.

The State is also funding other near-term disaster-related costs directly. The State has funded its Major Disaster Fund at \$100 million in order to fund these costs. The Major Disaster Fund is funded by a deposit of \$65.0 million from the General Fund, \$30 million from the Governor's contingency funds, and \$5 million from prior appropriations. The \$65 million funding for the Major Disaster Fund is included within the State General Fund financial plan. As of November 17, 2023, the State has used approximately \$40.7 million of the fund for disaster-related costs. The State anticipates it will be reimbursed by FEMA for most of these costs, although there can be no reassurance that the State will be reimbursed by FEMA or when such reimbursements will be made. The State currently plans to fund the \$65 million deposit into the Major Disaster Fund through a redirection of existing one-time appropriations within the General Fund financial plan.

While the State cannot predict future recovery costs to the State at this juncture, the State is preparing for future wildfire recovery costs by setting aside contingencies of \$200 million for fiscal year 2025 and \$100 million for each of fiscal years 2026 and 2027.

See "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan" in Part I of Appendix B.

**Federal Assistance and Other Resources.** The State plans to maximize the use of federal assistance and private sector resources to mitigate wildfire-related costs. While the total support to the State and the County of Maui from federal sources is uncertain at this juncture, the State expects significant federal funds to cover wildfire-related costs over the next several years. Further, the State anticipates insurance proceeds to play a significant role towards the County of Maui's and the State's recovery efforts.

**Reserves.** In recent years, the State has also bolstered its reserves to their highest levels, and currently maintains high liquidity. As of the date of this Official Statement, the State has not drawn on its Emergency and Budget Reserve Fund nor has it entered into any borrowings for wildfire-related costs. See "TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Budget System; Legislative Procedure" and "—Emergency and Budget Reserve Fund; Tobacco Settlement; Hurricane Relief Fund."

## **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 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 most recent Tax Review Commission was appointed in 2020 and issued its report to the 2022 legislative session on December 20, 2021. Although the Legislature did not act on most of the recommendations, it did increase funding for the Department of Taxation as recommended by the Commission.

### **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. See “—Emergency and Budget Reserve Fund; Tobacco Settlement; Hurricane Relief Fund” below for additional information on the EBRF.

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 prepayment of either or both of debt service for general obligation bonds issued by the State or pension or other post-employment benefit (“OPEB”) liabilities accrued for State employees. Act 6, SLH 2017, established provisions to prepay general obligation bond debt service, OPEB liabilities, and pension liabilities in accordance with the 2016 Constitutional amendment.

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 “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” in Part I of Appendix B. Although the General Fund balance exceeded 5% of General Fund revenues for fiscal years 2019 and 2020, fiscal years 2019 and 2020 General Fund revenues did not exceed the respective previous year’s (fiscal years 2018 and 2019) General Fund revenues by more than 5%. Accordingly, the Legislature appropriated \$250 million from the General Fund for deposit into the EBRF in fiscal year 2021 and \$390 million to make an additional OPEB 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.

In fiscal years 2020 and 2021, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the Legislature passed Act 115, SLH 2022, to provide for a \$100 or \$300 refund depending on filing status and income in 2022, which caused an approximately \$315 million decline in fiscal year 2023 General Fund revenues. Act 115 also provides for a deposit of \$500 million in the EBRF and a \$300 million deposit into the Pension Accumulation Fund (which is expected to be deposited in fiscal year 2024) under section 88-114, HRS.

In fiscal years 2021 and 2022, General Fund revenues also exceeded the respective previous years’ (fiscal years 2020 and 2021) General Fund revenues by more than 5%, and the EBRF balance for fiscal year 2022 was less than 10% of fiscal year 2021 General Fund revenues. Therefore, the Director of Finance transferred 5% of the fiscal year 2022 General Fund balance, or approximately \$130 million, to the EBRF pursuant to Section 328L-3, HRS during the second quarter of fiscal year 2023.

For fiscal years 2022 and 2023, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the 2024 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 OPEB liabilities. In fiscal years 2022 and 2023, General Fund revenues did not exceed the respective previous years’ (fiscal years 2021 and 2022) General Fund revenues by more than 5%.

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 2023. As described in “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 2023 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 2023, these General Fund taxes represented approximately 89% of all tax revenues of the State, and approximately 90% of all General Fund revenues (as reported by the Department of Accounting and General Services (“DAGS”)). See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” in Part I of Appendix B. Pursuant to Act 72, SLH 2022, from the revenues collected under chapter 241 each fiscal year, the first \$2,000,000 of such revenues will be deposited with the Director of Finance to the credit of the compliance resolution fund as established pursuant to section 26-9(o) before tax credits are realized, and any revenues collected in excess of \$2,000,000 at the close of any fiscal year shall be deposited into the General Fund.

*[Remainder of page intentionally left blank.]*



The following TABLE 1 provides the actual General Fund tax revenues for fiscal year 2023 as reported by DAGS. 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 (see TABLE 12 under “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Tax Revenues” in Appendix B). As of October 2023, year-to-date General Fund tax revenues were up 7.6% compared to the same period in fiscal year 2023.

**TABLE 1**  
**General Fund Tax Revenues**  
**(in thousands)**

| <b>Description</b>                                 | <b>Fiscal Year<br/>2023</b> | <b>% of<br/>Total Taxes*</b> |
|--|-----------------------------|------------------------------|
| General Excise                                     | \$4,409,201                 | 42.57%                       |
| Individual Net Income                              | 3,099,886                   | 29.93                        |
| Transient Accommodations**                         | 756,564                     | 7.30                         |
| Corporation Net Income                             | 316,831                     | 3.06                         |
| Premiums Of Insurance Companies                    | 203,791                     | 1.97                         |
| Public Service Companies (Act 147, SLH 1963)       | 142,195                     | 1.37                         |
| Tobacco  | 59,070                      | 0.57                         |
| Inheritance  | 58,083                      | 0.56                         |
| Liquor   | 54,513                      | 0.53                         |
| Conveyance (Act 10, SLH 1966)                      | 49,032                      | 0.47                         |
| Franchise (Banks and Other Financial Corporations) | 28,969                      | 0.28                         |
| Environmental Response Tax                         | 22,074                      | 0.21                         |
| Rental Motor Vehicle Surcharge Tax                 | 8                           | 0.00                         |
| <b>Total</b>                                       | <b>\$9,200,217</b>          | <b>88.83%</b>                |

Note: Totals reflect rounding.

\* Percentages are calculated on all State taxes. See Table 4 for other State taxes.

\*\* Net of transfers described below under “—Transient Accommodations Tax.”

**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 2023, the General Fund portion of the general excise tax comprised approximately 43% of all State taxes (as reported by DAGS).

Under the authorization of Act 1, 1st Special Session SLH 2017, each county enacted ordinances that allow such county to impose a county surcharge on the general excise tax and/or extend the sunset date of such surcharge to December 31, 2030 (the State’s base rate does not sunset). The following TABLE 2 provides a summary of the current county surcharge and maximum general excise tax pass-on rates:

**TABLE 2**  
**County Surcharge & Maximum General Excise (GE) Tax Rates\***

| <b>County</b>     | <b>State Base Rate</b> | <b>Surcharge Rate<sup>1</sup></b> | <b>Effective Date of Surcharge</b>  |
|-------------------|------------------------|-----------------------------------|-------------------------------------|
| Hawaii            | 4.00%                  | 0.50%                             | January 1, 2020 - December 31, 2030 |
| Honolulu          | 4.00%                  | 0.50%                             | January 1, 2007 - December 31, 2030 |
| Kauai             | 4.00%                  | 0.50%                             | January 1, 2019 - December 31, 2030 |
| Maui <sup>2</sup> | 4.00%                  | 0.50%                             | January 1, 2024 - December 31, 2030 |

\* General excise tax ("GET") is levied on the gross receipts of a business, including amounts that are passed on and collected as GET from customers. To account for this imposition, the maximum rate that may be passed on to customers is higher than the statutory rate of 4.5% (4% GET + 0.5% county surcharge).

<sup>1</sup> Counties are authorized to adopt a surcharge on the 4% GE tax rate.

<sup>2</sup> Maui's County Surcharge will not be effective until January 1, 2024 after which Maui's effective GET Rate will be 4.50% (inclusive of 0.50% County Surcharge).

Source: State of Hawaii Department of Taxation

**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, State 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. 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 2023, individual income taxes comprised approximately 30% of all State taxes (as reported by DAGS).

**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 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. Act 1, 1st Special Session SLH 2017, also increased the TAT rate from 9.25% to 10.25% effective January 1, 2018 and allocates through December 31, 2030 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.

Pursuant to the Governor's emergency proclamations, all of the 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 in fiscal year 2022 to the Hawaii Tourism Authority from federal funds received by the State under the American Rescue Plan Act (“ARPA”). As of January 1, 2022, each county has established and made effective a local TAT at a rate of 3.0%. The effective total and combined TAT is at a rate of 13.25% in each of the counties. For fiscal year 2023, the General Fund portion of the TAT comprised approximately 7% of all State taxes (as reported by DAGS).

The following TABLE 3 provides a summary of the current surcharge and TAT rate for each county:

**TABLE 3**  
**County Surcharge & Transient Accommodations Tax Rate**

| <b>County</b> | <b>State Base Rate</b> | <b>Surcharge Rate</b> | <b>Total Rate</b> |
|---------------|------------------------|-----------------------|-------------------|
| Honolulu      | 10.25%                 | 3.00%                 | 13.2500%          |
| Kauai         | 10.25                  | 3.00                  | 13.2500           |
| Hawaii        | 10.25                  | 3.00                  | 13.2500           |
| Maui          | 10.25                  | 3.00                  | 13.2500           |

**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 allocated to 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, a gallonage tax imposed on those who sell or use liquor, and a gallonage tax imposed on distributors of liquid fuel.

**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 and 2011, however, non-tax revenues were approximately 16% of total General Fund revenues, primarily as a result of one-time revenue sources. 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 and the first full year of reimbursements from non-general funds for OPEB. 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 which was taken out during the fall of 2021 (prior to the availability of additional federal funding authorized in early 2022) to provide contingency cashflow because of the impact of COVID-19 travel restrictions on General Fund revenues. In fiscal year 2023, non-tax revenues were approximately 10% of General Fund revenues primarily due to the proportionate increased levels of General Fund tax revenues compared to previous fiscal years.

## **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 4 provides the special fund tax revenues for fiscal year 2023 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):

*[Remainder of page intentionally left blank.]*

**TABLE 4**  
**Special Fund Tax Revenues**  
**(in thousands)**

| <b>Description</b>                                 | <b>Fiscal Year<br/>2023</b> | <b>% of<br/>Total Taxes*</b> |
|--|-----------------------------|------------------------------|
| General Excise                                     | \$322,827                   | 3.12%                        |
| Rental Motor Vehicle Surcharge Tax                 | 101,442                     | 0.98                         |
| Transient Accommodations                           | 98,207                      | 0.95                         |
| State Motor Vehicle Weight                         | 86,216                      | 0.83                         |
| Liquid Fuel—Highways                               | 77,586                      | 0.75                         |
| Liquid Fuel—Highways                               | 77,586                      | 0.75                         |
| State Vehicle Registration Fee                     | 52,336                      | 0.51                         |
| Conveyance (Act 10, SLH 1966)                      | 43,100                      | 0.42                         |
| Tobacco  | 18,469                      | 0.18                         |
| Environmental Response Tax                         | 4,004                       | 0.04                         |
| Premiums of Insurance Companies                    | 3,283                       | 0.03                         |
| Liquid Fuel—Aviation                               | 3,088                       | 0.03                         |
| Liquid Fuel—Small Boats                            | 1,686                       | 0.02                         |
| Employment & Training Fund Assessment              | 1,823                       | 0.02                         |
| Franchise (Banks and Other Financial Corporations) | 2,000                       | 0.02                         |
| Electric Vehicle/Alternative Fuel Surcharge        | 962                         | 0.01                         |
| <b>Total</b>                                       | <b>\$817,029</b>            | <b>7.89%</b>                 |

Note: Totals reflect rounding.

\* Percentages are calculated on all State taxes.

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 2023, 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, 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 increased 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, increased the RVST 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. Act 62, SLH 2023, effective on January 1, 2024, imposes an excise tax of 70% of the wholesale price of each electronic smoking device or e-liquid. 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**

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.

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 57% 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 19% of such federal grants were used to support programs in the public schools, community colleges, and the university system. Transportation and highway safety activities received about 7% of all federal grants, primarily for interstate highway construction. Employment programs, including unemployment compensation benefit payments, accounted for about 1% of such federal receipts. Other programs accounted for the balance of such receipts. In past years, federal funds generally accounted for approximately 15% to 21% of the total State budget for each year. With the receipt of federal stimulus funds in fiscal years 2010 to 2013, the portion of the State budget made up by federal funds increased to 23% in fiscal year 2010 and 20% in fiscal year 2011 and has been approximately 17% to 21% of the State budget through fiscal year 2018 (fiscal year 2017 was the last year of federal stimulus fund appropriations from the American Recovery and Reinvestment Act of 2009 ("ARRA")). For fiscal year 2020 and 2021, federal funds accounted for 20% and 19% of the total State budget, respectively. For fiscal year 2022, federal funds accounted for 26% of the total State budget due to the receipt of Coronavirus Aid, Relief, and Economic Security ("CARES") Act and ARPA funds, as further described below. For fiscal year 2023, federal funds accounted for 23% of the total State budget.

The State is unable to predict whether federal grant funding received by the State’s departments, agencies, and institutions in the current or any future fiscal year will be similar to historical levels. See “MAUI WILDFIRES—Federal Assistance” herein.

The following TABLE 5 sets forth the State’s federal grant funding for fiscal years 2014 through 2023.

**TABLE 5**  
**Federal Grant Funding**

| <b>Fiscal Year<br/>Ended June 30</b> | <b>Grant Amount<br/>(in millions)</b> | <b>% of State Budget</b> |
|--------------------------------------|---------------------------------------|--------------------------|
| 2014                                 | \$2,665.6*                            | 22.73%                   |
| 2015                                 | 2,751.2*                              | 22.65                    |
| 2016                                 | 2,988.8                               | 23.24                    |
| 2017                                 | 2,802.8                               | 20.45                    |
| 2018                                 | 3,022.3                               | 21.42                    |
| 2019                                 | 2,886.6                               | 19.99                    |
| 2020                                 | 3,817.7*                              | 24.42                    |
| 2021                                 | 5,567.0*                              | 35.47                    |
| 2022                                 | 4,348.4*                              | 27.15                    |
| 2023                                 | 3,981.8**                             | 23.06                    |

\* Includes \$35.3 million in fiscal year 2014, \$15.4 million in fiscal year 2015 from federal ARRA stimulus funds (note: amounts for federal stimulus funds do not include the University of Hawaii), and a portion of COVID-19 awards in fiscal years 2020, 2021 and 2022.

\*\* Federal funds received by the University of Hawaii are not included in amounts for fiscal year 2023.

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).

**COVID-19 Grant Programs.** In response to the COVID-19 pandemic, the federal government provided approximately \$5.2 billion of funding directly to the State for COVID-19 response and economic support costs, revenue loss and other related costs as of June 30, 2022. The two largest sources of federal funding provided to the State in response to COVID-19 were the CARES Act and ARPA. Under the CARES Act, the State 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 ARPA, the State received \$1.64 billion in Coronavirus State Fiscal Relief Funds (“CSFRF”) and the counties received their own separate allocations directly from the federal government. The Hawaii Legislature appropriated \$810 million of CSFRF funds, approximately 49% of the State’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 ARPA Elementary and Secondary School Emergency Relief funds to support Hawaii’s public schools during the pandemic. In addition, the State received an additional approximately \$2.31 billion in combined federal COVID-19 funding from the CARES Act, ARPA, the Coronavirus Preparedness and Response Supplemental Appropriation Act 2020, the Families First Coronavirus Response Act, 2020, the Paycheck Protection Program and Healthcare Enhancement Act, and the Consolidated Appropriations Act, 2021.

As of June 30, 2022, the State, counties, its citizens and businesses are estimated to have been allocated nearly \$24.4 billion in federal assistance in the form of grants, loans and forgivable loans from

the CARES Act, ARPA and other sources, not all of which may have been drawn upon. As September 30, 2023, the State estimates that there is approximately \$35 million of CSFRF funds that have not been allocated, and \$115 million of CRF funds that have not been expended.

The future impact of COVID-19, any future variants thereof, or another pandemic on the State's finances may depend on circumstances outside of the State's control, including actions of the federal government and other foreign governments. The State does not anticipate, nor is the State dependent upon, the receipt of any future federal COVID-19 funding or grants.

The following TABLE 6 provides the federal awards allocated, as of June 30, 2022, to the State, Counties, non-profits and other entities for COVID-19 mitigation and economic recovery purposes.

**TABLE 6**  
**Federal Awards Allocated Related to COVID-19**

| <b>Program</b>  | <b>Amount</b>                   |
|---|---------------------------------|
| Grants/Awards   |                                 |
| Coronavirus Preparedness and Response                   | \$ 9,297,567                    |
| Families First Coronavirus Response                     | 354,216,247                     |
| CARES Act   | 16,426,482,636                  |
| Paycheck Protection Program and Health Care Enhancement | 55,896,102                      |
| Executive Action  | 371,000,000                     |
| Other Appropriation Acts                                | 4,933,437                       |
| Consolidated Appropriations Act of 2021                 | 1,494,974,215                   |
| American Rescue Plan                                    |                                 |
| 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                       | 115,475,318                     |
| All other programs                                      | 2,812,968,950                   |
| Grand Total All Appropriations                          | <u><u>\$ 24,382,689,082</u></u> |

Sources: Federal Fund Information for States (FFIS)

***Inflation Reduction Act.*** On August 16, 2022, President Biden signed into law the Inflation Reduction Act (H.R. 5376, 117th Congress). Under the Inflation Reduction Act, \$121,990,397 has been allocated to the State, of which \$4,612,144 has been awarded to State departments as of September 30, 2023. There has also been allocated \$25 million to the federal Office of Native Hawaiian Relations for federal fiscal year 2022, to remain available until September 30, 2031, for Native Hawaiian climate resilience and adaptation activities.

## **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 rolling timeframe of six years. The operating and capital improvement requirements are evaluated together to ensure 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, 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, 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 December 1, 2022, the Governor issued an updated State Reserve Policy, Administrative Directive No. 22-01, 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. In addition, the updated policy established an overall target balance of either 25% of General Fund revenue or, if the EBRF fund balance objective is met, 20% of General Fund revenue. The overall target balance includes the unassigned General Fund carryover balance, EBRF balance and Hawaii Hurricane Relief Fund balance. Such amounts are intended to help ensure that the State maintains appropriate long-term reserve levels, liquidity, and financial flexibility to mitigate the consequences of future emergencies and recessions. For fiscal year 2023, the State's unassigned General Fund carryover

balance exceeds the 5.0% target but the EBRF balance is slightly below the 10.0% target. The overall target balance for fiscal year 2023 exceeds the 25.0% overall target. Although the State is committed to maintaining its reserves, it is unable to predict whether the reserve targets will be met in future fiscal years.

### **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.

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.

For fiscal years 2020 and 2021, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the 2022 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 prepayment of either or both of 1) debt service or 2) pension or OPEB liabilities. Pursuant to Article VII, Section 6 of the Hawaii State Constitution, the Legislature passed Act 115, SLH 2022, to provide for a \$100 or \$300 tax refund depending on filing status and income in 2022. Act 115 also provides for a deposit of \$500 million in the EBRF and a \$300 million deposit into the Pension Accumulation Fund (which deposit into the Pension Accumulation Fund is expected to be made in fiscal year 2024) under section 88-114, HRS. In fiscal years 2021 and 2022, General Fund revenues also exceeded the respective previous years’ (fiscal years 2020 and 2021) General Fund revenues by more than 5%, and the EBRF balance for fiscal year 2022 was less than 10% of fiscal year 2021 General Fund revenues. Therefore, the Director of Finance

transferred 5% of the fiscal year 2022 General Fund balance, or approximately \$130 million, to the EBRF pursuant to Section 328L-3, HRS, during the second quarter of fiscal year 2023.

During the 2023 regular session, the Legislature appropriated \$500 million in General Funds (as part of the Department of Budget and Finance’s fiscal year 2024 operating budget) for deposit to the EBRF. These funds were transferred to the EBRF during the second quarter of fiscal year 2024.

For fiscal years 2022 and 2023, the General Fund balance exceeded 5% of General Fund revenues for those years. Accordingly, the 2024 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 OPEB liabilities. In fiscal years 2022 and 2023, General Fund revenues did not exceed the respective previous years’ (fiscal years 2021 and 2022) General Fund revenues by more than 5%.

See “—General Fund” above.

*[Remainder of page intentionally left blank.]*

The following TABLE 7 provides EBRF balances as of the end of each fiscal year from 2014 through 2023. 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. As discussed above, the State has deposited \$500 million into the EBRF in the second quarter of fiscal year 2024.

**TABLE 7**  
**Emergency and Budget Reserve Fund Balances**  
**(Fiscal Years Ended June 30, 2014-2023)**

| <b>Fiscal Year</b> | <b>\$ (Millions)</b> |
|--------------------|----------------------|
| 2014               | \$83.2 <sup>1</sup>  |
| 2015               | 90.2 <sup>2</sup>    |
| 2016               | 100.9 <sup>3</sup>   |
| 2017               | 311.3 <sup>4</sup>   |
| 2018               | 375.7 <sup>5</sup>   |
| 2019               | 378.2 <sup>6</sup>   |
| 2020               | 58.9 <sup>7</sup>    |
| 2021               | 319.5 <sup>8</sup>   |
| 2022               | 325.8 <sup>9</sup>   |
| 2023               | 973.8 <sup>10</sup>  |

<sup>1</sup> 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.

<sup>2</sup> In fiscal year 2015, the fund balance increased because \$6.7 million from tobacco settlement moneys was deposited into the EBRF.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> In fiscal year 2020, the fund balance was reduced by a \$345.0 million transfer to the General Fund to offset revenue losses from the effects of the COVID-19 pandemic and by increases of \$13.9 million in investment income, \$5.0 million pursuant to Act 44, SLH 2019, and \$6.7 million from tobacco settlement moneys 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.

<sup>8</sup> 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.

<sup>9</sup> In fiscal year 2022, the fund balance increased because \$0.9 million in investment income and \$5.4 million from tobacco settlement moneys were deposited into the EBRF.

<sup>10</sup> In fiscal year 2023, the fund balance increased due to \$9.4 million in investment income, and deposits into the EBRF of \$500.0 million pursuant to Act 119, SLH 2022, \$130.0 million pursuant to Section 6 of Article VII and Section 328L-3, HRS, and \$5.7 million from tobacco settlement moneys. Does not reflect \$500 million deposited into the EBRF in October 2023 as approved by the State Legislature, bringing the total balance to approximately \$1.5 billion.

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 the State. In consideration for a release of past, present, and certain future claims against them, the Master Settlement Agreement obligates these participating manufacturers (“PMs”) to pay substantial sums to the settling states (tied in part to the volume of tobacco product sales). The annual PMs’

payments to the 46 states have ranged from \$5 billion to \$7 billion in recent years. These payments are to be made in perpetuity.

The annual MSA disbursements are generally received by the states in April. Due to various adjustments built into the MSA, including adjustments based on inflation, cigarette shipment, volume, the non-participating manufacturer (“NPM”) adjustment and other factors, the disbursements have generally decreased over time. Through June 30, 2023, Hawaii has received approximately \$1.1 billion in MSA payments.

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 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 General Fund.

On April 19, 2018, Hawaii received an aggregate payment of \$84.7 million that included a \$58.7 million lump sum arbitration settlement of NPM 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.

*[Remainder of page intentionally left blank.]*

The following TABLE 8 shows annual proceeds from the tobacco settlement for fiscal years 2014 through 2023.

**TABLE 8**  
**Tobacco Settlement Proceeds**  
**(Fiscal Years Ended June 30, 2014-2023)**

| <u>Fiscal Year</u> | <u>\$ (Millions)</u> |
|--------------------|----------------------|
| 2014               | \$52.7               |
| 2015               | 47.2                 |
| 2016               | 49.3                 |
| 2017               | 48.7                 |
| 2018               | 84.7                 |
| 2019               | 34.8                 |
| 2020               | 35.3                 |
| 2021               | 37.5                 |
| 2022               | 38.4                 |
| 2023               | 40.9                 |

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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 in 1999 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 PMs 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 PMs affirmatively challenged the State’s diligent enforcement for the calendar year 2004. In 2018, the State, along with eight other arbitrating states, joined the NPM Adjustment Settlement Agreement (“NPMASA”) with the PMs, which resolved the diligent enforcement arbitration issues for the years 2004 through and including 2017 and resulted in the State receiving approximately \$58 million for the settlement of those arbitration years, in addition to its annual 2018 distribution. The NPMASA 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 in litigation costs just for the 2004 arbitration. On September 1, 2021, the arbitration panels issued orders for the 2004 arbitration, finding that six states (Idaho, Illinois, Iowa, Maryland, Ohio, and Wisconsin) prevailed as to their diligent enforcement. Two states, Missouri and Washington, were found by the arbitration panel to be non-diligent. On October 27, 2022, a separate arbitration panel also handling the 2004 arbitration found New Mexico to be non-diligent. On August 30, 2023, a New Mexico state court vacated the arbitration panel’s decision. The PMs are expected to appeal the court’s ruling. The fact that at least two states were found non-diligent means that these states face the potential loss of tens of millions of dollars in expected annual MSA payments. The full scope of their losses is still being litigated in 2023.

After joining the NPMASA, the State still faced liability for future years of arbitration from 2018 and into the future. If the State did not settle years 2018 through 2022, the State 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 the State could expect to receive in each year. On March 12, 2020, a condition of the NPMASA was met which automatically settled the years 2018-2019 of the NPM Adjustment arbitration for the State and eight other states (collectively known as the Tranche E group), thus

protecting the State from the risk of arbitration for diligent enforcement in those years. On July 31, 2020, the State 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, the State receives 75% of the disputed payment account monies that would otherwise be subject to arbitration and the State is protected from the risk of arbitration through 2022. Also, on July 31, 2020, the State entered into the 2018 through 2022 NPM Adjustment Settlement Agreement (effectively an extension of the NPMASA) with the PMs, which gave the State additional benefits and protections for potential arbitration in the future. Along with the District of Columbia and Puerto Rico, there are currently 36 states that have signed onto this agreement, including Illinois, which settled in 2022, and Iowa, which settled in 2023. Two states, New York and Montana, have entered into separate agreements. Although the NPMASA is still in effect, because sales year 2022 has passed, the State again faces the risk of losing tens of millions of dollars from future MSA payments, if the State is found to be non-diligent for sales year 2023 and into the future in arbitration. Because Illinois has already settled through sales year 2028, and Iowa has settled through 2029, the State and all of the other signatory states are currently negotiating with PM counsel to reach agreement on a similar extension. In April 2023, the State received its annual MSA payment for 2022 in two installments totaling \$40.9 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 from the HHRF 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. Pursuant to Chapter 431P-16, HRS, funds in the HHRF are held outside the State’s treasury and are invested pursuant to policies adopted by the board of directors of the HHRF.

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. From time to time the Legislature has appropriated moneys from the HHRF to be deposited into the General Fund for various governmental purposes and provided a statutory mechanism to repay the HHRF in future fiscal years. For fiscal year 2023, the HHRF ending balance decreased to \$169.0 million due to losses in market value of the investment portfolio.

The following TABLE 9 provides HHRF balances as of the end of each fiscal year from 2014 through 2023:

**TABLE 9**  
**Hawaii Hurricane Relief Fund Balances**  
**(Fiscal Years Ended June 30, 2014-2023)**

| <u>Fiscal Year</u> | <u>\$ (Millions)</u> |
|--------------------|----------------------|
| 2014               | \$126.6              |
| 2015               | 182.4                |
| 2016               | 186.9                |
| 2017               | 182.2                |
| 2018               | 177.9                |
| 2019               | 183.8                |
| 2020               | 191.3                |
| 2021               | 187.2                |
| 2022               | 173.0                |
| 2023               | 169.0                |

Source: Department of Commerce and Consumer Affairs

### **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 to vote, 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. During the last thirty years, the expenditure ceiling was exceeded in fiscal years 1993, 2007, 2023, and 2024. The Legislature exceeded the expenditure ceiling in fiscal year 2023 in making the \$500 million deposit to the EBRF and the \$300 million deposit to the Pension Accumulation Fund pursuant to Act 115, SLH 2022, and in fiscal year 2024 by increasing the 2023-2025 Executive Biennium Budget by \$766 million (which includes a \$500 million deposit to the EBRF).

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. 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 \$200,000 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.

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, 2027 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 to June 30, 2023) agreement that was ratified in April 2021. The agreement provided for no increase in wages in the first year and a re-opener for possible increases beginning July 1, 2022. The agreement also provided for increases to employer contributions for Hawaii Employer-Union Trust Health Benefits Fund ("EUTF") plans for both fiscal years 2022 and 2023. An amended contract (four years – July 1, 2021 to June 30, 2025) was ratified in February 2022 providing for a \$1,000 lump sum payment July 1, 2021; and across the board increases of 3.72% October 1, 2022, 5.00% July 1, 2023, and 5.00%

July 1, 2024. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**Unit 2 (Blue Collar Supervisors).** The Hawaii Government Employees Association (“HGEA”) and the employer reached a two-year (July 1, 2021 to June 30, 2023) agreement that was ratified in April 2021. The agreement provided for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. The agreement also provided for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023. An amended contract (four years – July 1, 2021 to June 30, 2025) was ratified in April 2022 providing for a 1% lump sum payment July 1, 2021; and across the board increases of 3.72% July 1, 2022, 5.00% July 1, 2023, and 5.00% July 1, 2024. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**Unit 3 (White Collar Workers).** HGEA and the employer reached a two-year (July 1, 2021 to June 30, 2023) agreement that was ratified in April 2021. The agreement provided for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. The agreement also provided for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023. An amended contract (four years – July 1, 2021 to June 30, 2025) was ratified in April 2022 providing for a \$1,000 lump sum payment July 1, 2021; and across the board increases of 3.72% October 1, 2022, 5.00% July 1, 2023, and 5.00% July 1, 2024. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**Unit 4 (White Collar Supervisors).** HGEA and the employer reached a two-year (July 1, 2021 to June 30, 2023) agreement that was ratified in May 2021. The agreement provided for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. The agreement also provided for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023. An amended contract (four years – July 1, 2021 to June 30, 2025) was ratified in April 2022 providing for a 1% lump sum payment July 1, 2021; and across the board increases of 3.72% July 1, 2022, 5.00% July 1, 2023, and 5.00% July 1, 2024. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**Unit 5 (Teachers).** The Hawaii State Teachers Association (“HSTA”) ratified a new two-year agreement (July 1, 2021 to June 30, 2023) in June 2021. The agreement provided for no increase in wages during the period. The agreement also provided for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023. Step adjustments for certain eligible teachers were provided outside of collective bargaining effective August 2022. The HSTA ratified a new four-year agreement (July 1, 2023 to June 30, 2027) in April 2023. The agreement provides for across the board increases of 2.00% July 1, 2023, 3.00% July 1, 2024 and 3.50% July 1, 2026 and step movements July 1, 2023 and July 1, 2025. The first three steps of the salary schedule are being deleted and replaced with a single step. A \$3,000 lump sum payment is being provided for certain eligible teachers on July 1, 2023 and July 1, 2025. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2024 and 2025 and a reopener for the last two years of the contract.

**Unit 6 (Educational Officers).** HGEA and the employer reached a two-year (July 1, 2021 to June 30, 2023) agreement that was ratified in July 2021. The agreement provided for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. The agreement also provided for increases to employer contributions for EUTF plans beginning August 1, 2021. An amended contract (four years – July 1, 2021 to June 30, 2025) was ratified in April 2022 providing for a 1% lump sum payment July 1, 2021; across the board increases of 3.71% July 1, 2022, 4.60% July 1, 2023, and 2.60% July 1, 2024; one step movement January 1, 2024 and January 1, 2025; and 1.40% lump sum payments for employees on the maximum step of the salary schedule January 1, 2024 and January 1, 2025. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**Unit 7 (Faculty of the University of Hawaii).** University of Hawaii Professional Assembly and the employer reached a two-year agreement (July 1, 2021 to June 30, 2023) that was ratified in April 2021. The agreement provides for no wage increases. The agreement also provided for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023. An amended contract (four years – July 1, 2021 to June 30, 2025) was ratified in April 2022 providing for a 1% lump sum payment July 1, 2021; and across the board increases of 3.72% July 1, 2022, 5.00% July 1, 2023, and 5.00% July 1, 2024. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**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 to June 30, 2023) agreement that was ratified in April 2021. The agreement provided for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. The agreement also provided for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023. An amended contract (four years – July 1, 2021 to June 30, 2025) was ratified in April 2022 providing for a 1% lump sum payment July 1, 2021; and across the board increases of 3.72% July 1, 2022, 5.00% July 1, 2023, and 5.00% July 1, 2024. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**Unit 9 (Registered Professional Nurses).** A contract (four years – July 1, 2021 to June 30, 2025) was ratified in January 2022 providing for a 1% lump sum payment July 1, 2021; across the board increases of 3.00% July 1, 2022, 4.10% July 1, 2023, and 3.40% July 1, 2024; and catch-up/continuation of the step movement plan beginning July 1, 2022. The contract also provides for increases in meal allowances, night differential, and a new weekend differential. An agreement was also reached providing increases to employer contributions for EUTF plans beginning February 1, 2022. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**Unit 10 (Institutional Health and Correctional Workers).** United Public Workers (“UPW”) and the employer reached a two year (July 1, 2021 to 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. The agreement also provides for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023. An amended contract (four years – July 1, 2021 to June 30, 2025) was ratified in March 2022 providing for a \$1,000 lump sum payment July 1, 2021; and across the board increases of 3.72% September 1, 2022, 5.00% July 1, 2023, and 5.00% July 1, 2024. The amended contract also provides for restructuring of the salary schedule and elimination of the developmental career (step movement) plan. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**Unit 11 (Firefighters).** An arbitration award (four years – July 1, 2021 to June 30, 2025) was issued in April 2022 providing for across the board increases of 3.00% July 1, 2022, 4.00% July 1, 2023, and 4.00% July 1, 2024; and continuation of the step movement plan. An agreement was also reached providing increases to employer contributions for EUTF plans beginning May 1, 2022. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**Unit 13 (Professional and Scientific Employees).** HGEA and the employer reached a two-year (July 1, 2021 to June 30, 2023) agreement that was ratified in May 2021. The agreement provided for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. The agreement also provided for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023. An amended contract (four years – July 1, 2021 to June 30, 2025) was ratified in April 2022 providing for a 1% lump sum payment July 1, 2021; across the board increases of 2.00% July 1, 2022, 4.00% July 1, 2023, and 3.59% July 1, 2024; and catch-up/continuation of the step movement plan

beginning July 1, 2022. The first step is also being deleted from the salary schedule. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**Unit 14 (State Law Enforcement Officers).** HGEA and the employer reached a two-year (July 1, 2021 to June 30, 2023) agreement that was ratified in May 2021. The agreement provided for no increase in wages the first year and a re-opener for possible increases beginning July 1, 2022. The agreement also provided for increases to employer contributions for EUTF plans for both fiscal years 2022 and 2023. An amended contract (four years – July 1, 2021 to June 30, 2025) was ratified in April 2022 providing for a 1% lump sum payment July 1, 2021; across the board increases of 3.20% July 1, 2022, 3.44% July 1, 2023, and 2.775% July 1, 2024; and catch-up/continuation of the step movement plan beginning July 1, 2022. The first step is also being deleted from the salary schedule. An agreement on the EUTF re-opener provides for increased Employer EUTF contributions for fiscal years 2024 and 2025.

**COVID-19 Class Grievance.** Class grievances relating to hazard pay during the COVID-19 pandemic have been filed by the HGEA for bargaining units 2, 3, 4, 9, 13, and 14, and by the UPW for bargaining units 1 and 10. These class grievances impact all State Executive Branch departments with the exception of the Department of Education, Hawaii Health Systems Corporation and University of Hawaii. These class grievances are pending arbitration.

Separate class grievances have been filed with the: Judiciary by the HGEA for bargaining units 2, 3, 4, 9 and 13, and by the UPW for bargaining units 1 and 10; Department of Education by the HGEA for bargaining units 2, 3, 4, 9 and 13, and by the UPW for bargaining units 1 and 10; Hawaii Health Systems Corporation by the HGEA for bargaining units 2, 3, 4, 9, and 13, and by the UPW for bargaining units 1 and 10; and University of Hawaii by the UPW for bargaining units 1 and 10. These class grievances are pending arbitration with the exception of the UPW grievance with the Judiciary which has been settled subject to funding by the Legislature.

The estimated potential cost impact of these class grievances is not known at this time.

### **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 through 2023.

### **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. 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 an irrevocable trust whose assets are legally protected from creditors and can only be used for the benefit of participants' OPEB. 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.

A funding policy mechanism was introduced in the July 1, 2021 valuation to manage contribution volatility for employers other than the Honolulu Authority for Rapid Transportation. The combination of the level percentage of payroll UAAL amortization methodology (assumed to grow at 2.5% annually) and the entry-age normal actuarial cost method (which should grow about 3.5% to 4.25% annually) produce a combined Annual Required Contribution ("ARC") that is expected to increase by approximately 3.00% per year. The corridor will target this 3.00% and limit the dollar amount of the ARC so that it is within 2.00% of the prior year's ARC increased by the 3.00%. Another way to describe the corridor is to say that it limits the dollar amount of the ARC to between 101% and 105% of the prior year's ARC. The corridor is expected to help stabilize the State's ARC payments and reach full funding sooner, under current projections.

To illustrate, the State's actuary, Gabriel, Roeder, Smith and Company, indicated that in fiscal year 2025, the ARC without the smoothing corridor is expected to be \$748 million, while the ARC with the smoothing corridor is expected to be \$830 million. While the fiscal year 2025 contribution would be lower without the corridor, the ARC without the corridor would grow by 3.5% to 4.0% annually past fiscal year 2033. With the corridor, the ARC would grow by only 1.0% to 2.0% annually until the UAAL is paid off. With the smoothing corridor, ARC payments will result in approximately \$318 million more in payments through fiscal year 2031, but \$660 million less from fiscal years 2032 through 2045 (and lower overall payments of \$343 million).

It should also be noted that the corridor is adjusted downward when employers contribute more than the ARC. This adjustment makes it so that employers can still lower their future ARCs by contributing more than the minimum required.

In 2023, the State enacted measures to reduce the retiree healthcare benefit, Acts 040 and 041, SLH 2023, by eliminating the State and county reimbursement of spousal and income-related monthly adjustment amounts, respectively, of Medicare Part B premiums for retirees hired on or after July 1, 2023. These Acts are projected to reduce the State's future ARC payments by \$1.5 billion over a 30-year period.

The State has received the Trust Fund's July 1, 2022 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, 2022 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 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, 2022 is \$7.1 billion. The State's corresponding ARC for the fiscal years ending June 30, 2024 and 2025 are \$822.0 million and \$830.2 million, respectively, of which it is estimated that 78% is an expense of the General Fund and 22% 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 and by Act 229, SLH 2021). The Trust Fund Report estimates the "pay-as-you-go" funding amounts for fiscal years ending June 30, 2024 and 2025 are \$482.5 million and \$518.0 million, respectively.

In the past, the State funded its OPEB costs on a "pay-as-you-go" basis; however, the State began the process of pre-funding its OPEB costs (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 TABLE 10 below. The State's share of the actuarial value of assets and funded ratio based on the July 1, 2022 actuarial valuation was \$3.8 billion and 35.0%, respectively. Investment returns net of fees on OPEB assets during fiscal year 2022 was -1.8% and during fiscal year 2023 was 4.6%, versus the assumed 7%. The market value of the State's OPEB assets as of June 30, 2023 amounted to \$4.4 billion. As required by Act 268, the State made its pre-funding requirement of \$411 million for fiscal year 2023. The State has contributed \$325 million more than required by Act 268 since 2015.

*[Remainder of page intentionally left blank.]*



The following TABLE 10 shows the State's share of the actuarial value of assets, the actuarial accrued liability, the unfunded actuarial accrued liability and the funded ratio for the valuation dates set forth below.

**TABLE 10**  
**Schedule of Funding Progress**

| <b>Valuation Date</b>     | <b>Actuarial Value<br/>of Assets (a)</b> | <b>Actuarial Accrued<br/>Liability (AAL) (b)</b> | <b>Unfunded AAL<br/>(b) - (a)</b> | <b>Funded Ratio<br/>(a)/(b)</b> |
|---------------------------|--|--|-----------------------------------|---------------------------------|
| July 1, 2007              | \$ 0                                     | \$ 8,788,892,000                                 | \$ 8,788,892,000                  | 0.0%                            |
| July 1, 2009              | 0  | 14,007,480,000                                   | 14,007,480,000                    | 0.0                             |
| July 1, 2011              | 0  | 13,566,836,000                                   | 13,566,836,000                    | 0.0                             |
| July 1, 2013 <sup>1</sup> | 0  | 8,529,546,000                                    | 8,529,546,000                     | 0.0                             |
| July 1, 2015              | 221,194,000                              | 9,287,120,000                                    | 9,065,926,000                     | 2.4                             |
| July 1, 2017              | 879,517,000                              | 10,194,187,000                                   | 9,314,670,000                     | 8.6                             |
| July 1, 2018 <sup>2</sup> | 1,290,918,000                            | 10,704,565,000                                   | 9,413,647,000                     | 12.1                            |
| July 1, 2019 <sup>3</sup> | 1,829,458,000                            | 11,382,908,000                                   | 9,553,450,000                     | 16.1                            |
| July 1, 2020 <sup>4</sup> | 2,371,060,000                            | 11,272,718,000                                   | 8,901,658,000                     | 21.0                            |
| July 1, 2021              | 3,477,138,000                            | 11,602,201,000                                   | 8,125,063,000                     | 30.0                            |
| July 1, 2022 <sup>5</sup> | 3,820,804,000                            | 10,908,074,000                                   | 7,087,270,000                     | 35.0                            |

<sup>1</sup> As a result of ACT 268's funding requirements, the discount rate was changed from 4.00% to 7.00% in the July 1, 2013 valuation.

<sup>2</sup> Asset smoothing was first introduced in the July 1, 2018 valuation.

<sup>3</sup> Minor updates to the demographic and healthcare assumptions were adopted in the July 1, 2019 valuation.

<sup>4</sup> The healthcare trend assumption was updated in the July 1, 2020 valuation to reflect the repeal of the "Cadillac Tax".

<sup>5</sup> New demographic and healthcare assumptions were adopted in the July 1, 2022 valuation. The most significant change was to the healthcare trend assumption.

Source: State of Hawaii Retiree Health Care Plan Actuarial Valuation Report as of July 1, 2022 prepared by Gabriel, Roeder, Smith and Company.

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 years ending June 30, 2021, 2022 and 2023, the State and counties were only required to contribute their share of the monthly "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 an additional OPEB prefunding 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 OPEB prefunding amount of the ARC for the fiscal year ending June 30, 2022 in advance. In addition to the \$390 million additional OPEB prefunding payment credited for fiscal year 2021, the State contributed \$112.1 million of the \$440.8 million OPEB prefunding amount of the fiscal year 2022 ARC. The \$112.1 million contribution plus the \$390 million additional payment in fiscal year 2021 has a similar effect to funding \$502.1 million, or \$61.3 million more than the fiscal year 2022 OPEB prefunding requirement. The State paid the full ARC amount (benefit payment and prefunding payment) for the fiscal year ending June 30, 2023.

**TABLE 11**  
**State EUTF Contributions**  
**Fiscal Years 2014 — 2025**

| <b>Fiscal Year</b> | <b>ARC</b>    | <b>Benefit Payment**</b> | <b>Act 268 Prefunding Requirement %*</b> | <b>Act 268 Prefunding Requirement \$</b> | <b>Total Prefunding Contribution**</b> | <b>Total Contributions**</b> |
|--------------------|---------------|--------------------------|--|--|--|------------------------------|
| 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   | 436,439,260              | 100                                      | 440,753,740                              | 112,111,493***                         | 548,550,753                  |
| 2023               | 839,445,000   | 428,181,899              | 100                                      | 411,263,101                              | 411,263,110***                         | 839,445,000                  |
| 2024               | 821,984,000   | 482,507,000              | 100                                      | 339,477,000                              | 339,477,000                            | 821,984,000                  |
| 2025               | 830,204,000   | 518,034,000              | 100                                      | 312,170,000                              | 312,170,000                            | 830,204,000                  |

\* 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, 2021, 2022, and 2023 are actual, and 2024 and 2025 are projected based on the 2022 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, 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 11 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.

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.

### **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 annual comprehensive financial report of the System and most recent valuation report of the System may be obtained by contacting the System. The annual comprehensive financial reports of the System are also available on the State’s website at <https://portal.hawaii.gov/>, and other information about the System are available on the System’s website at <https://ers.hawaii.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 2024 and 2025. See “REVENUE

PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan” in Part I of Appendix B for further information.

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

Much of the disclosure set forth in this “—State Employees’ Retirement System” section is based on the Report to the Board of Trustees on the 97th Annual Actuarial Valuation for the Year Ended June 30, 2022, issued on August 22, 2023 (the “2022 Valuation Report”), which is the most recent valuation report of the System.

The information presented in the 2022 Valuation Report was based on actuarial assumptions adopted by the System’s Board of Trustees in August 2022 effective with the June 30, 2022 valuation. This is the tenth 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 were recently increased. Fiscal year 2021 represented the final year of a four year phase-in of increases in the employer contribution rates. Included in the 2022 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 is required for valuing pension liabilities. In addition, employers participating in cost-sharing, multiple employer defined benefit plans are 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, 2022 is reported as of June 30, 2023). The amount of the ERS net pension liability (measured as of June 30, 2022, the most recent information available) allocated to the State (not including the University of Hawaii) is

approximately \$7.4 billion, or approximately 57.4% of the \$12.97 billion net pension liability for all participating employers.

The ERS is required by law to conduct annual stress tests. In the most recent stress test conducted in 2022, the State's actuary, Gabriel, Roeder, Smith & Company, determined that the "System is sustainable in a protracted low return environment but would require maintaining the current contribution patterns for a much longer period of time than is currently expected."

**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 22% 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 (i.e., both the employer and the employee contribute to funding retirement benefits). 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 (under which employees do not contribute to funding retirement benefits) 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 are 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, enacted 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 "—Funded Status" below). Benefit changes for new members included 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.

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.

Act 163, SLH 2011, also reduced the System's 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 forth 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 then 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 System's actuary completed an Actuarial Experience Study for the three-year period ended June 30, 2021 (the "2021 Experience Study" dated June 14, 2022). 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 continues to be appropriate for the System and there were no recommended changes to the investment return assumption. This recommendation was adopted by the Board on July 11, 2022.

The demographic data for each annual June 30 valuation is collected as of the March 31st preceding the valuation date. As of March 31, 2022, the contributory plan covered 5,342 active employees (which includes police and fire) or 8.3% of all active members of the System, the noncontributory plan covered approximately 9,479 active employees or 14.8%, and the Hybrid Plan covered 49,413 active members or 76.9%. 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.

As of March 31, 2022, the System's membership comprised approximately 64,234 active employees, 9,031 inactive vested members and 53,990 pensioners and beneficiaries. The following TABLE 12 shows the number of active members, inactive vested members and retirees and beneficiaries of the System as of March 31, 2020, 2021 and 2022 (the March 31, 2022 information is the most recent demographic data available and was used in the 2022 Valuation Report):

**TABLE 12**  
**System's Membership**

| <b>Category</b>            | <b>March 31,<br/>2020</b> | <b>March 31,<br/>2021</b> | <b>March 31,<br/>2022</b> |
|----------------------------|---------------------------|---------------------------|---------------------------|
| Active                     | 66,750                    | 65,561                    | 64,234                    |
| Inactive, vested           | 9,204                     | 9,011                     | 9,031                     |
| Retirees and beneficiaries | 51,153                    | 52,618                    | 53,990                    |
| Total                      | 127,107                   | 127,190                   | 127,255                   |

***Funded Status.***

*Net Pension Liability.* Since the adoption of GASB 67 in fiscal year 2014 by 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 ERS and its participating employers (the "GASB 67/68 Report"). The most recent GASB 67/68 Report was delivered in March 2023 and presents as of June 30, 2023 the required information measured as of June 30, 2022 as permitted by GASB 68. As reported therein, the total pension liability of the System was \$34,822,778,620, and the System's fiduciary net position (representing the value of the assets of the System) was \$21,854,814,032 resulting in a net pension liability of the System of \$12,967,964,588. Of such liability, the State's proportionate share was approximately \$7,438,034,973 (not including approximately \$1,529,823,296 allocated to the University of Hawaii), representing approximately 57% of the total System net pension liability. The State estimates that the General Fund portion of the State's share is 78%.

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 \$12,967,964,588 net pension liability would increase to \$17,561,685,932, and applying an 8.00% discount rate, it would decrease to \$9,165,239,778.

*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 2022 Valuation Report, presenting the actuarial condition of the ERS as of June 30, 2022.

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 an unfunded actuarial accrued liability (“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 2022 Valuation Report reported that the UAAL decreased to \$13.505 billion as of June 30, 2022, compared to \$14.229 billion as of June 30, 2021. The System’s investment returns in fiscal year 2022 were less than the 7.0% assumption. Because of the recognition of prior years’ deferred investment gains, liability gains associated with lower than expected salary increases, and the impact of new actuarial assumptions, the funded ratio increased to 61.2% in 2022 when compared to the prior year at 58.3% based on smoothed assets. Based on the assumptions used in preparing the 2022 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 2022 Valuation Report, the remaining amortization period was 24 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 UAAL. 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 were 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 set forth in the following TABLE 13:

**TABLE 13**  
**Employer Contribution Requirements**

| <b>Employer Contribution<br/>effective starting</b> | <b>Police Officers and<br/>Firefighters<br/>(% of total payroll)</b> | <b>Other Employees<br/>(% of total payroll)</b> |
|---|--|---|
| 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 set forth in the following TABLE 14:

**TABLE 14**  
**Increased Employer Contribution Requirements**

| <b>Employer Contribution<br/>effective starting</b> | <b>Police Officers and<br/>Firefighters<br/>(% of total payroll)</b> | <b>Other Employees<br/>(% of total payroll)</b> |
|---|--|---|
| 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  |

\*Employer contribution rates will remain at this level in future years until legislative action is taken to change them.

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, 2022.

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, 2022 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, 2022 was 14.60% of payroll, which was 17.91% of payroll less than the total contributions required by law (25.92% from employers plus 6.59% in the aggregate from employees). Since only 8.01% of the employers' 25.92% contribution is required to meet the normal cost (6.59% comes from the employee contribution), it is intended that the remaining 17.91% 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 General Employees and Teachers increases by 3.00% per year and that pay for new Police and Fire Employees increases at 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 15 shows the valuation results as of June 30, 2022 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.

*[Remainder of page intentionally left blank.]*

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

**TABLE 15**  
**Projection Results Based on June 30, 2022 Actuarial Valuation\***

| <b>Valuation<br/>as of June<br/>30,</b> | <b>Employer<br/>Contribution<br/>Rate for<br/>Fiscal Year<br/>Following<br/>Valuation<br/>Date</b> | <b>Compensation<br/>(in Millions)</b> | <b>Employer<br/>Contributions<br/>(in Millions)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL, in<br/>Millions)</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(AVA, in<br/>Millions)</b> | <b>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability<br/>(UAAL, in<br/>Millions)</b> | <b>Funded<br/>Ratio</b> |
|---|--|---------------------------------------|---|---|---|---|-------------------------|
| 2022                                    | 25.92%   | \$4,614                               | \$1,196   | \$34,823  | \$21,318  | \$13,505  | 61.2%                   |
| 2023                                    | 25.92  | 4,726                                 | 1,225   | 36,043  | 22,450  | 13,593  | 62.3                    |
| 2024                                    | 25.92  | 4,852                                 | 1,258   | 37,257  | 23,601  | 13,656  | 63.3                    |
| 2025                                    | 25.91  | 4,983                                 | 1,291   | 38,469  | 24,778  | 13,691  | 64.4                    |
| 2026                                    | 25.90  | 5,120                                 | 1,326   | 39,675  | 25,982  | 13,694  | 65.5                    |
| 2027                                    | 25.90  | 5,262                                 | 1,363   | 40,879  | 27,218  | 13,661  | 66.6                    |
| 2028                                    | 25.89  | 5,408                                 | 1,400   | 42,077  | 28,487  | 13,590  | 67.7                    |
| 2029                                    | 25.88  | 5,560                                 | 1,439   | 43,271  | 29,796  | 13,476  | 68.9                    |
| 2030                                    | 25.88  | 5,717                                 | 1,480   | 44,462  | 31,147  | 13,315  | 70.1                    |
| 2031                                    | 25.88  | 5,880                                 | 1,522   | 45,648  | 32,546  | 13,102  | 71.3                    |
| 2032                                    | 25.88  | 6,049                                 | 1,565   | 46,829  | 33,997  | 12,833  | 72.6                    |
| 2033                                    | 25.88  | 6,223                                 | 1,610   | 48,006  | 35,505  | 12,500  | 74.0                    |
| 2034                                    | 25.88  | 6,404                                 | 1,657   | 49,177  | 37,077  | 12,100  | 75.4                    |
| 2035                                    | 25.88  | 6,590                                 | 1,705   | 50,347  | 38,721  | 11,626  | 76.9                    |
| 2036                                    | 25.88  | 6,783                                 | 1,755   | 51,513  | 40,443  | 11,071  | 78.5                    |
| 2037                                    | 25.88  | 6,983                                 | 1,807   | 52,679  | 42,252  | 10,427  | 80.2                    |
| 2038                                    | 25.88  | 7,191                                 | 1,861   | 53,848  | 44,160  | 9,688   | 82.0                    |
| 2039                                    | 25.88  | 7,407                                 | 1,917   | 55,021  | 46,176  | 8,846   | 83.9                    |
| 2040                                    | 25.88  | 7,632                                 | 1,975   | 56,205  | 48,314  | 7,890   | 86.0                    |
| 2041                                    | 25.88  | 7,865                                 | 2,035   | 57,402  | 50,589  | 6,813   | 88.1                    |
| 2042                                    | 25.88  | 8,107                                 | 2,098   | 58,618  | 53,014  | 5,604   | 90.4                    |
| 2043                                    | 25.88  | 8,357                                 | 2,163   | 59,857  | 55,605  | 4,252   | 92.9                    |
| 2044                                    | 25.88  | 8,616                                 | 2,230   | 61,124  | 58,378  | 2,746   | 95.5                    |
| 2045                                    | 25.88  | 8,883                                 | 2,299   | 62,423  | 61,349  | 1,073   | 98.3                    |
| 2046                                    | 25.88  | 9,159                                 | 2,370   | 63,758  | 64,536  | (778)   | 101.2                   |
| 2047                                    | 25.88  | 9,445                                 | 2,444   | 65,135  | 67,958  | (2,823)   | 104.3                   |
| 2048                                    | 25.88  | 9,740                                 | 2,520   | 66,560  | 71,636  | (5,076)   | 107.6                   |
| 2049                                    | 25.88  | 10,043                                | 2,599   | 68,036  | 75,591  | (7,555)   | 111.1                   |
| 2050                                    | 25.88  | 10,355                                | 2,680   | 69,567  | 79,841  | (10,274)  | 114.8                   |
| 2051                                    | 25.88  | 10,675                                | 2,763   | 71,154  | 84,409  | (13,255)  | 118.6                   |

\* Projection assumes all assumptions exactly met, including a 7.00% annual return on the current actuarial value of assets.  
Source: 2022 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 is 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 2021 Experience Study. These assumptions, funding changes and benefit structure are reflected in the 2022 Valuation Report.

Act 85, SLH 2017, requires the 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. 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 ERS 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, 2024 valuation.

The actual investment returns of the System for fiscal years 2013 through 2022 shown below in TABLE 16 consist of a mix of gross and net of fees.

**TABLE 16**  
**Actual Investment Returns**

| <u>Fiscal Year</u> | <u>Percentage</u> |
|--------------------|-------------------|
| 2013               | 12.57%            |
| 2014               | 17.77             |
| 2015               | 4.23              |
| 2016               | -0.78             |
| 2017               | 13.68             |
| 2018               | 7.85              |
| 2019               | 6.00              |
| 2020               | 1.28              |
| 2021               | 26.63             |
| 2022               | 3.99              |

Sources: Report on Investment Activity for the ERS prepared by The Northern Trust Company (2013), The Bank of New York Mellon (2014 to 2022) and reported in the ERS annual comprehensive financial report.

ERS' portfolio surpassed \$22 billion in assets in fiscal year 2022 but fell short of its 7.0% target return with a return of 3.99%. However, these results sizably exceeded the benchmark by 5.3% and contributed to the long-term outperformance of the fund across one, three, five, seven and ten-year horizons. Diversifying Strategies, which consists of investments opportunities that reduce overall portfolio volatility, contributed significantly toward the positive percentage gain for the fiscal year, generating a return of

11.4%. More importantly, these strategies protected against losses during a challenging market environment, exceeding benchmarks by 8.6%. ERS' Broad Growth strategy, which consists of investment opportunities that are exposed to changes in global economic growth and corporate profitability (including equity, credit, and real assets), was slightly positive for the fiscal year, generating a 0.90% gain. This allocation was also successful in mitigating downside risk and exceeded its benchmarks by 4.2%.

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 period of 30 years or less. 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 System to absorb the prior adverse experience and the revised actuarial assumptions over the 30-year term. The 2022 Valuation Report found that the UAAL will be fully amortized over a 24-year period.

The following TABLE 17 sets forth the schedule of funding progress of the System for the ten most recent actuarial valuation dates.

**TABLE 17**  
**Schedule of Funding Progress**  
**(Dollar amounts in millions)**

| <b>June 30,</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(b)</b> | <b>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability<br/>(b)-(a)</b> | <b>Funded<br/>Ratio<br/>(a)/(b)</b> | <b>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage<br/>of Payroll<br/>((b)-(a))/(c)</b> |
|-----------------|--|--|---|-------------------------------------|------------------------|--|
| 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  |
| 2021            | 19,909.8   | 34,139.2   | 14,229.4  | 58.3                                | 4,783.8                | 297.5  |
| 2022            | 21,317.8   | 34,822.8   | 13,504.9  | 61.2                                | 4,614.0                | 292.7  |

\* Reflects assumption changes effective June 30 of the respective year.  
Source: 2022 Valuation Report

*[Remainder of page intentionally left blank.]*

The following TABLE 18 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:

**TABLE 18**  
**Value of Assets Comparison**

| <b>June 30,</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(in millions)</b> | <b>Market Value<br/>of Assets<br/>(in millions)</b> | <b>Market Value<br/>as Percentage<br/>of AVA</b> | <b>Funded Ratio<br/>(AVA)</b> | <b>Funded Ratio<br/>(Market<br/>Value)</b> |
|-----------------|--|---|--|-------------------------------|--|
| 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                                       |
| 2021            | 19,909.8   | 21,935.8  | 110.2  | 58.3                          | 64.3                                       |
| 2022            | 21,317.8   | 21,854.8  | 102.6  | 61.2                          | 62.8                                       |

Source: The 2013-2022 Valuation Reports

The following TABLE 19 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 2022 and 2021:

**TABLE 19**  
**Normal Cost**

|                                     | <b>2021</b>                        |                            |                          | <b>2022</b>                        |                            |                          |
|-------------------------------------|------------------------------------|----------------------------|--------------------------|------------------------------------|----------------------------|--------------------------|
|                                     | <b>Police and<br/>Firefighters</b> | <b>Other<br/>Employees</b> | <b>All<br/>Employees</b> | <b>Police and<br/>Firefighters</b> | <b>Other<br/>Employees</b> | <b>All<br/>Employees</b> |
| Normal cost as % of payroll         | 26.20%                             | 12.43%                     | 14.06%                   | 27.31%                             | 12.96%                     | 14.60%                   |
| Employee contribution rate          | 12.67                              | 5.66                       | 6.49                     | 12.75                              | 5.79                       | 6.59                     |
| Effective employer normal cost rate | 13.53                              | 6.77%                      | 7.57                     | 14.56                              | 7.17                       | 8.01                     |

Source: The 2022 Valuation Report

*[Remainder of page intentionally left blank.]*

The following TABLE 20 shows the actual contributions that have been contributed by all employers as of the last 10 valuation dates. Employer contribution rates are set prospectively by the statute.

**TABLE 20**  
**Schedule of Employer**  
**Contributions**  
**(Dollar amounts in thousands)**

| <b>June 30</b> | <b>Actual<br/>Contribution</b> |
|----------------|--------------------------------|
| 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                      |
| 2021           | 1,281,559                      |
| 2022           | 1,242,139                      |

Source: The 2013-2022 Valuation Reports

**Asset Allocation.** ERS implements a risk-based, functional framework for allocating capital within the total portfolio. This framework makes use of strategic/functional classes that in-turn utilize underlying asset classes and strategies. Each of these classes is designed to achieve a certain goal and/or exposure to a specific set of macroeconomic risks that are common amongst the different strategy types and/or assets within the class. As a result of this structure, each strategic class is expected to be exposed to a set of major and minor macroeconomic risks. This risk-based asset allocation model apportions assets within the following categories:

i) Broad Growth: investment strategies and assets that are largely exposed and/or susceptible to changes in global economic growth and corporate profitability. Such investments typically contain relatively high degrees of risk and exhibit more volatility than other strategic classes.

ii) Diversifying Strategies: investment strategies and assets that provide stability, diversification, and liquidity complements to the Broad Growth strategic class. Such investments serve to diversify the Broad Growth class during challenging periods, such as material equity market downturns.

*[Remainder of page intentionally left blank.]*

The following TABLE 21 shows the target and actual asset allocation of the System as of June 30, 2022 under the new asset allocation policy:

**TABLE 21**  
**Asset Allocation**  
**(as of June 30, 2022)**

| <b>Asset Type</b>       | <b>Actual Allocation</b> |                   | <b>Target Allocation</b> |                    | <b>Allocation Difference</b> |
|-------------------------|--------------------------|-------------------|--------------------------|--------------------|------------------------------|
|                         | <b>Amount (\$mm)</b>     | <b>Percentage</b> | <b>Amount (\$mm)</b>     | <b>Percentage*</b> |                              |
| Broad Growth            | \$15,009.63              | 68.1%             | \$14,324.75              | 65.0%              | 3.1%                         |
| Diversifying Strategies | 6,514.04                 | 29.6              | 7,713.33                 | 35.0               | (5.4)                        |
| Other                   | 514.40                   | 2.3               | 0.0                      | 0.0                | 2.3                          |
| Total                   | \$ 22,038.07             | 100.0%            | \$ 22,038.07             | 100.0%             |                              |

\* Target Percentages are the fiscal year 2022 long-term Risk-Based Policy Targets effective July 1, 2021 through June 30, 2022. Numbers subject to changes and rounding errors.

Source: June 30, 2022 valuations provided by BNY Mellon on February 9, 2023; 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 22 through TABLE 32 has been excerpted from the Hawaii State Department of Business, Economic Development and Tourism (“DBEDT”) Third Quarter 2023 Quarterly Statistical and Economic Report released on September 6, 2023 (“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). Investors should note that the information presented in the QSER predates the Maui wildfires and therefore does not reflect the impact of the Maui wildfires on the finances and operations of the State. See “MAUI WILDFIRES” herein and “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS” in Part I of Appendix B. If updated information has become available since the QSER for certain economic variables, this data has been included as noted below. 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 2023 is 3.9%. In real terms (adjusting for inflation), DBEDT estimates that in 2023, the State’s GDP growth will be 1.1% compared to that of the previous year. These estimates take into account the projected impacts of the August 8, 2023 wildfire in Lahaina, Maui based on information currently available. See “MAUI WILDFIRES” herein.

## State of the Economy

Hawaii's major economic indicators were mixed in the second quarter of 2023 compared to the second quarter of 2022. Visitor arrivals, wage and salary jobs, and private building authorizations increased in the second quarter of 2023. However, government contracts awarded and State General Fund tax revenues decreased. Based on data for the third quarter of 2023, non-agricultural wage and salary jobs and private building authorizations continued to increase compared to the third quarter of 2022. State General Fund tax revenues also increased relative to the third quarter of 2022. Third quarter 2023 visitor arrivals and the civilian labor force, however, declined compared to the third quarter of 2022.

In the third quarter of 2023, the total number of visitors arriving by air to Hawaii decreased 102,079 persons or 4.2% and daily visitor census decreased by 17,925 persons or 7.4% compared to the third quarter of 2022. The total number of visitors arriving by air to Hawaii in the third quarter of 2023 represents approximately 88.6% of the total number of visitors arriving by air to Hawaii in the third quarter of 2019. The daily visitor census in the third quarter of 2023 represents approximately 90.7% of the daily visitor census in the third quarter of 2019.

In the second quarter of 2023, the construction sector added 100 jobs or 0.3% compared with the same quarter of 2022; in the third quarter of 2023, the construction sector added 400 jobs or 1.1% compared with the same quarter of 2022. State government CIP expenditures declined \$32.0 million or 9.1% in the second quarter of 2023 compared with the same quarter of 2022. In the second quarter of 2023, government contracts awarded decreased \$2,336.6 million or 74.5% compared with the same quarter of 2022. In the second quarter of 2023, the permit value for private construction increased \$311.8 million or 49.1% compared with the same quarter of 2022. Private construction building permit value increased \$246.4 million or 31.5% in the third quarter of 2023 compared to the same quarter of 2022. According to the most recent excise tax base data available, construction put-in-place increased \$116.1 million or 4.5% in the first quarter of 2023, compared with the same quarter of the previous year.

In the third quarter of 2023, State General Fund tax revenues increased \$106.1 million or 4.8% over the same period of 2022. Net individual income tax revenue increased \$145.6 million or 22.5% and the State general excise tax revenue increased \$0.9 million or 0.1%. The transient accommodations tax (TAT) decreased \$15.1 million or 6.4%, and net corporate income tax revenues decreased \$14.3 million or 17.9%. In the first three quarters of 2023, State General Fund tax revenues decreased \$134.9 million or 1.8% compared to the same period of the previous year.

Labor market conditions, which were largely positive in the second quarter of 2023, were mixed in the third quarter. The civilian labor force declined more than civilian employment, resulting in decreases in civilian unemployment and the unemployment rate. Civilian non-agricultural wage and salary jobs slightly increased. In the third quarter of 2023, Hawaii's non-agricultural wage and salary jobs averaged 628,200, an increase of 9,900 jobs or 1.6% from the same quarter of 2022.

The job increase in the third quarter of 2023 was due to job increases in both the private sector and the government sector. In this quarter, the private sector added about 8,600 non-agricultural jobs compared to the third quarter of 2022. Most of the private sector industries added jobs in the quarter. The number of jobs increased the most in Food Services and Drinking Places, which added 3,300 jobs or 5.1%; followed by Private Educational Services, which added 1,400 jobs or 10.4%, Accommodations, which added 1,300 jobs or 3.4%, Health Care and Social Assistance, which added 700 jobs or 1.0%, and Other Services, which added 700 jobs or 2.6%, in the quarter. The Government sector added 1,200 jobs or 1.0% in the third quarter of 2023 compared to the same quarter of 2022. The Federal Government added 400 jobs or 1.1%, the State Government added 500 jobs or 0.8%, and the Local Government added 400 jobs or 2.1%, compared to the third quarter of 2022.



In the first quarter of 2023, total annualized nominal GDP increased \$7,984 million or 8.4%, from the same quarter of 2022. In 2022, total annualized nominal GDP increased \$7,123 million or 7.8% from the previous year. In the first quarter of 2023, total annualized real GDP (in 2012 dollars) increased \$1,552 million or 2.1% from the same quarter of 2022. In 2022, total annualized real GDP increased \$871 million or 1.2% from the previous year.

In the second quarter of 2023, total non-farm private sector annualized earnings increased \$2,911.2 million or 6.7% from the same quarter of 2022. In dollar terms, the largest increase occurred in Accommodation and Food Services; followed by Health Care and Social Assistance; Professional, Scientific and Technical Services; and Construction. During the second quarter of 2023, total government earnings increased \$680.3 million or 4.0% from the same quarter of 2022. Earnings from the federal government increased \$513.7 million. Earnings from the state and local governments increased \$166.6 million in the quarter.

In the first half of 2023, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 3.4% from the same period in 2022. This is 1.5% percentage point below the 4.9% increase for the U.S. average CPI-U and is lower than the first half of 2022 Honolulu CPI-U increase of 6.7% from the same period of the previous year. In the first half of 2023, the Honolulu CPI-U increased the most in Apparel (15.6%), followed by Other Goods and Services (10.3%), Food and Beverages (4.5%), Recreation (4.4%), Education and Communication (2.7%), Housing (2.2%), and Transportation (1.7%) compared to the first half of 2022.

## **Outlook for the Economy**

Prior to the Maui wildfires, Hawaii's economy continued its recovery from the COVID-19 pandemic. Year-to-date through July 2023, visitor arrivals recovered to 95.6% of the 2019 level, while total visitor expenditures were 21.6% higher than the same period in 2019. Year-to-date through September 2023, visitor arrivals were 93.4% relative to the first nine months of 2019 and total visitor expenditures were 18.7% higher.

The total value of building permits issued during the first nine months of 2023 increased by 21.0% from the same period in 2022. The permit value for additions and alterations increased by 36.1%, and the value for commercial and industrial permits increased by 6.2%. The value of residential permits increased by 12.2% compared to the same period in 2022.

The State general excise tax collections increased by 5.6% during the first nine months of calendar year 2023 relative to the same period in 2022.

Hawaii's GDP recovered to 97.0% of the 2019 level during the first quarter of 2023. Hawaii's labor force (not seasonally adjusted data) for the first nine months of 2023 recovered to 98.7% of the same period of 2019. The unemployment rate (not seasonally adjusted) averaged 3.0% during the first nine months of 2023, 0.4 percentage points higher than the same period in 2019.

Hawaii's consumer inflation, measured by CPI-U, averaged 3.1% during the first seven months of 2023, higher than the 1.8% experienced during the same period in 2019, but much lower than the nation at 4.6%.

At the national level, the November 10, 2023 Blue Chip Economic Indicators report, which is the consensus of 50 economic forecasting organizations, projected the U.S. economy will grow 2.4% in 2023 and 1.2% in 2024. For the State, DBEDT estimates that the State's real GDP will increase by 1.1% in 2023 and 1.5% in 2024, revised downward from prior estimates due to the impact of the Maui wildfire. In 2025

and 2026, economic growth for the State is expected to be over 2.0% due to the expectation that reconstruction activities on Maui will begin. See “MAUI WILDFIRES” herein.

Visitor arrivals are projected to be 9.8 million in 2023, lower than previously projected. Visitor growth from both the domestic market and international markets will be seen on Oahu. Neighbor islands, especially Maui, will see fewer visitors. Visitor arrivals are expected to increase to over 10 million from 2024, with a full recovery projected for 2026. Visitor spending is projected to be \$21.2 billion in 2023 and is expected to increase to \$23.6 billion by 2026.

Non-agriculture payroll jobs are forecast to increase by 1.8% in 2023. The payroll job counts will increase by 1.9% in 2024, 1.7% in 2025, and 1.5% in 2026.

The State unemployment rate is expected to be at 3.0% in 2023, and will improve to 2.7% in 2024, 2.5% in 2025, and 2.3% in 2026.

Personal income is expected to grow by 2.7% in 2023. The forecast then projects an increase of 2.8% in 2024, 3.5% in 2025, and 3.8% in 2026.

As measured by the Honolulu Consumer Price Index for urban consumers, inflation is expected to be 2.8% in 2023, still lower than the projected U.S. consumer inflation rate of 4.0% for the same year. Hawaii consumer inflation is expected to decrease to 2.3% by 2026.

Hawaii’s population is expected to decrease slightly by 0.1% in 2023 and in 2024. Hawaii’s population is projected to remain stable in 2025 and increase by 0.1% in 2026.

See “REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS” in Part I of Appendix B for additional information on the economic outlook for the State.

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## Information on Employment, Wages and Salaries, Tax Revenues and Tax Base

**TABLE 22**  
**Selected Economic Activities: State**

| SERIES                                      | 3rd QUARTER |            |                      | YEAR-TO-DATE |            |                      |
|---|-------------|------------|----------------------|--------------|------------|----------------------|
|   | 2022        | 2023       | % CHANGE<br>YEAR AGO | 2022         | 2023       | % CHANGE<br>YEAR AGO |
| Civilian labor force, NSA (persons) 1/      | 679,800     | 673,550    | -0.9                 | 675,000      | 676,150    | 0.2                  |
| Civilian employed, NSA                      | 655,000     | 653,200    | -0.3                 | 651,900      | 655,850    | 0.6                  |
| Civilian unemployed, NSA                    | 24,800      | 20,400     | -17.7                | 23,100       | 20,300     | -12.1                |
| Unemployment rate, NSA (%) 1/ 2/            | 3.7         | 3.0        | -0.7                 | 3.4          | 3.0        | -0.4                 |
| Total wage and salary jobs, NSA             | 619,400     | NA         | NA                   | 615,800      | NA         | NA                   |
| Total non-agric. wage & salary jobs         | 618,300     | 628,200    | 1.6                  | 613,300      | 630,100    | 2.7                  |
| Nat. Resources, Mining, Constr.             | 37,400      | 37,800     | 1.1                  | 36,900       | 37,900     | 2.7                  |
| Manufacturing                               | 12,700      | 12,900     | 1.6                  | 12,500       | 12,800     | 2.4                  |
| Wholesale Trade                             | 17,400      | 17,200     | -1.1                 | 17,300       | 17,400     | 0.6                  |
| Retail Trade                                | 64,800      | 64,700     | -0.2                 | 64,300       | 64,600     | 0.5                  |
| Transp., Warehousing, Util.                 | 33,400      | 33,700     | 0.9                  | 32,600       | 33,800     | 3.7                  |
| Information                                 | 8,500       | 9,000      | 5.9                  | 8,300        | 9,000      | 8.4                  |
| Financial Activities                        | 27,800      | 27,000     | -2.9                 | 27,700       | 27,200     | -1.8                 |
| Professional & Business Services            | 71,600      | 72,100     | 0.7                  | 71,100       | 72,200     | 1.5                  |
| Educational Services                        | 13,500      | 14,900     | 10.4                 | 13,700       | 15,000     | 9.5                  |
| Health Care & Social Assistance             | 72,000      | 72,700     | 1.0                  | 72,200       | 72,400     | 0.3                  |
| Arts, Entertainment & Recreation            | 12,300      | 12,700     | 3.3                  | 11,700       | 12,600     | 7.7                  |
| Accommodation                               | 37,700      | 39,000     | 3.4                  | 36,400       | 38,900     | 6.9                  |
| Food Services & Drinking Places             | 64,700      | 68,000     | 5.1                  | 62,600       | 67,400     | 7.7                  |
| Other Services                              | 26,500      | 27,200     | 2.6                  | 26,000       | 27,000     | 3.8                  |
| Government                                  | 118,000     | 119,200    | 1.0                  | 120,000      | 122,000    | 1.7                  |
| Federal                                     | 34,800      | 35,200     | 1.1                  | 34,600       | 35,000     | 1.2                  |
| State                                       | 64,500      | 65,000     | 0.8                  | 67,000       | 68,200     | 1.8                  |
| Local                                       | 18,700      | 19,100     | 2.1                  | 18,500       | 18,800     | 1.6                  |
| Agriculture wage and salary jobs            | 5,000       | NA         | NA                   | 5,000        | NA         | NA                   |
| State general fund revenues (\$1,000)       | 2,195,923   | 2,302,033  | 4.8                  | 7,419,281    | 7,284,413  | -1.8                 |
| General excise & use tax rev. (\$1,000)     | 1,123,341   | 1,124,191  | 0.1                  | 3,218,980    | 3,399,129  | 5.6                  |
| Income-individual (\$1,000)                 | 646,588     | 792,169    | 22.5                 | 2,898,278    | 2,647,116  | -8.7                 |
| Declaration estimated taxes (\$1,000)       | 235,841     | 175,123    | -25.7                | 1,314,961    | 977,833    | -25.6                |
| Payment with returns (\$1,000)              | 50,531      | 44,037     | -12.9                | 446,133      | 338,423    | -24.1                |
| Withholding tax on wages (\$1,000)          | 615,196     | 675,047    | 9.7                  | 1,841,586    | 1,982,394  | 7.6                  |
| Refunds ("-" relative to State) (\$1,000)   | -254,980    | -102,038   | -60.0                | -704,403     | -651,534   | -7.5                 |
| Transient accommodations tax (\$1,000)      | 236,640     | 221,517    | -6.4                 | 644,867      | 664,921    | 3.1                  |
| Honolulu County Surcharge (\$1,000) 3/      | 109,709     | 115,019    | 4.8                  | 309,767      | 331,646    | 7.1                  |
| Private Building Permits (\$1,000)          | 782,906     | 1,029,313  | 31.5                 | 2,285,864    | 2,765,895  | 21.0                 |
| Residential (\$1,000)                       | 283,982     | 431,209    | 51.8                 | 1,045,439    | 1,172,736  | 12.2                 |
| Commercial & industrial (\$1,000)           | 135,263     | 149,972    | 10.9                 | 318,343      | 338,140    | 6.2                  |
| Additions & alterations (\$1,000)           | 363,661     | 448,132    | 23.2                 | 922,082      | 1,255,019  | 36.1                 |
| Visitor Days - by air                       | 22,346,616  | 20,697,558 | -7.4                 | 63,284,078   | 65,160,360 | 3.0                  |
| Domestic visitor days - by air              | 19,808,822  | 17,467,532 | -11.8                | 57,093,688   | 55,056,218 | -3.6                 |
| International visitor days - by air         | 2,537,794   | 3,230,027  | 27.3                 | 6,190,390    | 10,104,142 | 63.2                 |
| Visitor arrivals by air - by air            | 2,440,593   | 2,338,514  | -4.2                 | 6,833,982    | 7,222,267  | 5.7                  |
| Domestic flight visitors - by air           | 2,188,359   | 1,960,194  | -10.4                | 6,264,536    | 6,122,762  | -2.3                 |
| International flight visitors - by air      | 252,234     | 378,320    | 50.0                 | 569,446      | 1,099,505  | 93.1                 |
| Visitor expend. - arrivals by air (\$1,000) | 5,248,398   | 4,997,495  | -4.8                 | 14,594,316   | 15,743,553 | 7.9                  |
| Hotel occupancy rates (%) 2/                | 76.0        | 75.7       | -0.3                 | 74.3         | 75.3       | 1.0                  |

NA Indicates that third quarter 2023 data was not available. The number of agricultural wage and salary jobs in the second quarter of 2023 was 5,000. The number of total wage and salary jobs in the second quarter of 2023 was 636,600.

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

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

<sup>3</sup> 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, Hawaii State Department of Taxation and Hospitality Advisors, LLC.

## Key Economic Indicators

**TABLE 23**  
**Actual and Forecast Key Economic Indicators for Hawaii**  
**2021 to 2026**

| Economic Indicators                                 | 2021   | 2022   | 2023     | 2024    | 2025    | 2026    |
|---|--------|--------|----------|---------|---------|---------|
|   | Actual |        | Forecast |         |         |         |
| Total population (thousands) <sup>1</sup>           | 1,447  | 1,440  | 1,439    | 1,438   | 1,438   | 1,439   |
| Visitor arrivals (thousands) <sup>2</sup>           | 6,778  | 9,234  | 9,757    | 10,098  | 10,280  | 10,434  |
| Visitor days (thousands) <sup>2</sup>               | 65,312 | 85,240 | 88,203   | 89,465  | 89,709  | 89,689  |
| Visitor expenditures (million dollars) <sup>2</sup> | 13,154 | 19,800 | 21,222   | 22,171  | 22,898  | 23,580  |
| Honolulu CPI-U (1982-84=100)                        | 296.8  | 316.1  | 324.9    | 333.8   | 341.7   | 349.5   |
| Personal income (million dollars)                   | 87,858 | 88,104 | 90,482   | 93,016  | 96,271  | 99,930  |
| Real personal income (millions of 2012\$)           | 67,312 | 64,408 | 64,590   | 65,306  | 66,451  | 67,789  |
| Personal income deflator (2012=100)                 | 130.5  | 136.8  | 140.1    | 142.4   | 144.9   | 147.4   |
| Non-agricultural wage & salary jobs (thousands)     | 586.9  | 618.1  | 629.2    | 641.2   | 652.1   | 661.9   |
| Civilian unemployment rate                          | 6.0    | 3.5    | 3.0      | 2.7     | 2.5     | 2.3     |
| Gross domestic product (million dollars)            | 91,096 | 98,219 | 102,085  | 105,871 | 110,434 | 114,663 |
| Real gross domestic product (millions of 2012\$)    | 74,547 | 75,418 | 76,248   | 77,392  | 79,017  | 80,755  |
| Gross domestic product deflator (2012=100)          | 122.2  | 130.2  | 133.9    | 136.8   | 139.8   | 142.0   |
| <b>Annual Percentage Change</b>                     |        |        |          |         |         |         |
| Total population                                    | -0.3   | -0.5   | -0.1     | -0.1    | 0.0     | 0.1     |
| Visitor arrivals                                    | 150.3  | 36.2   | 5.7      | 3.5     | 1.8     | 1.5     |
| Visitor days  | 127.9  | 30.5   | 3.5      | 1.4     | 0.3     | 0.0     |
| Visitor expenditures                                | 154.8  | 50.5   | 7.2      | 4.5     | 3.3     | 3.0     |
| Honolulu CPI-U                                      | 3.8    | 6.5    | 2.8      | 2.7     | 2.4     | 2.3     |
| Personal income                                     | 5.7    | 0.3    | 2.7      | 2.8     | 3.5     | 3.8     |
| Real personal income                                | 1.1    | -4.3   | 0.3      | 1.1     | 1.8     | 2.0     |
| Personal income deflator (2012=100)                 | 4.5    | 4.8    | 2.4      | 1.7     | 1.7     | 1.8     |
| Non-agricultural wage & salary jobs                 | 4.8    | 5.3    | 1.8      | 1.9     | 1.7     | 1.5     |
| Civilian unemployment rate <sup>3</sup>             | -5.7   | -2.5   | -0.5     | -0.3    | -0.2    | -0.2    |
| Gross domestic product                              | 10.4   | 7.8    | 3.9      | 3.7     | 4.3     | 3.8     |
| Real gross domestic product                         | 6.3    | 1.2    | 1.1      | 1.5     | 2.1     | 2.2     |
| Gross domestic product deflator (2012=100)          | 3.8    | 6.6    | 2.8      | 2.2     | 2.2     | 1.6     |

1 July 1 count.

2 Visitors who came to Hawaii by air and by cruise ship. Expenditures includes supplementary business expenditures.

3 Absolute change from previous year.

Source: Hawaii State Department of Business, Economic Development & Tourism, September 6, 2023.

## Labor Force and Jobs

Hawaii's employment base is diverse across a number of sectors. While tourism remains important, approximately 82% of the labor market participation is in non-tourism sectors (compared to 67% in 1988). Professional and business services, healthcare and real estate are also important sectors and contribute to the State's economic growth.

Hawaii's labor market conditions, which were largely positive in the second quarter of 2023, were mixed in the third quarter. The civilian labor force declined more than civilian employment, resulting in decreases in civilian unemployment and the unemployment rate. Civilian non-agricultural wage and salary jobs slightly increased.

In the third quarter of 2023, the civilian labor force averaged 673,550 people, a decrease of 6,250 people or 0.9 percent from the same quarter of 2022. In the first three quarters of 2023, the civilian labor force increased by 1,133 people or 0.2% from the same period of the previous year.

Civilian employment averaged 653,200 people in the third quarter of 2023, a decrease of 1,800 people or 0.3% compared to the same quarter of 2022. In the first three quarters of 2023, average civilian employment increased 3,950 people or 0.6% from the same period of the previous year.

In the third quarter of 2023, the number of civilian unemployed averaged 20,400, a decrease of 4,400 people or 17.7% from the same quarter of 2022. In the first three quarters of 2023, the number of unemployed decreased 2,800 people or 12.1% from the same period of the previous year.

The unemployment rate (not seasonally adjusted) was 3.0% in the third quarter of 2023, a decrease of 0.7 percentage points from the third quarter of 2022. In the first three quarters of 2023, the unemployment rate decreased 0.4 percentage points from the previous year's 3.4% to 3.0%. As of October 2023, the unemployment rate in the State was 2.9% (compared to 3.9% nationwide).

In the third quarter of 2023, Hawaii's non-agricultural wage and salary jobs averaged 628,200 jobs, an increase of 9,900 jobs or 1.6% from the same quarter of 2022. In the first three quarters of 2023, average non-agricultural wage and salary jobs increased 2.7% or 16,867 jobs from the same period of the previous year.

The job increase in the third quarter of 2023 was due to job increases in both the private sector and the government sector. In this quarter, the private sector added about 8,600 non-agricultural jobs compared to the third quarter of 2022. Most of the private sector industries added jobs in the quarter. The number of jobs increased the most in Food Services and Drinking Places, which added 3,300 jobs or 5.1%; followed by Private Educational Services, which added 1,400 jobs or 10.4%, Accommodations, which added 1,300 jobs or 3.4%, Health Care and Social Assistance, which added 700 jobs or 1.0%, and Other Services, which added 700 jobs or 2.6%, in the quarter. The Government sector added 1,200 jobs or 1.0% in the third quarter of 2023 compared to the same quarter of 2022. The Federal Government added 400 jobs or 1.1%, the State Government added 500 jobs or 0.8%, and the Local Government added 400 jobs or 2.1%, compared to the third quarter of 2022.

The Maui wildfires in August 2023 caused the loss of approximately 10,000 direct jobs in the County of Maui, amounting to a loss of approximately \$2.9 million in household income per day. The jobs lost due to the wildfires represent approximately 2.0% of total jobs in the State. See "MAUI WILDFIRES" herein.

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**TABLE 24**  
**Civilian Labor Force and Employment**  
**(Number of Persons)**

| <b>Year</b>       | <b>Civilian Labor Force</b> | <b>% Change Civilian Labor Force</b> | <b>Civilian Employment</b> | <b>% Change Civilian Employment</b> | <b>Civilian Unemployment Rate</b> |
|-------------------|-----------------------------|--------------------------------------|----------------------------|-------------------------------------|-----------------------------------|
| 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              | 695,300                     | 2.4                                  | 679,850                    | 3.1                                 | 2.2                               |
| 2018              | 692,450                     | -0.4                                 | 675,850                    | -0.6                                | 2.4                               |
| 2019              | 686,100                     | -0.9                                 | 668,750                    | -1.1                                | 2.5                               |
| 2020              | 664,100                     | -3.2                                 | 586,200                    | -12.3                               | 11.7                              |
| 2021              | 670,000                     | 0.9                                  | 629,650                    | 7.4                                 | 6.0                               |
| 2022              | 676,300                     | 0.9                                  | 652,700                    | 3.7                                 | 3.5                               |
| 2023 <sup>1</sup> | 676,150                     | 0.2                                  | 655,850                    | 0.6                                 | 3.0                               |

<sup>1</sup> Based on the first three quarters of 2023. Percent change relative to the first three quarters of 2022.  
Source: Hawaii State Department of Labor and Industrial Relations.

### Income and Prices

In the first quarter of 2023, total annualized nominal GDP increased \$7,984 million or 8.4%, from the first quarter of 2022. In 2022, total annualized nominal GDP increased \$7,123 million or 7.8% from the previous year. In the first quarter of 2023, total annualized real GDP (in 2012 dollars) increased \$1,552 million or 2.1% from the first quarter of 2022. In 2022, total annualized real GDP increased \$871 million or 1.2% from the previous year.

Growth of real GDP in the first quarter of 2023 over the same quarter of 2022 was largely due to the increases in dollar terms in Accommodation and Food Services of \$1,633.5 million or 18.0%; Real Estate and Rental and Leasing of \$1,442.5 million or 8.6%; and Retail Trade of \$660.8 million or 10.5%. Declines were seen in Finance and Insurance of \$153.5 million or 3.8%, and Mining, Quarrying and Oil and Gas Extraction of \$21.1 million or 20.0%.

Hawaii's total personal income increased during the first quarter of 2023, over the same quarter of 2022. All components of personal income increased in the quarter. In the second quarter of 2023, total personal income continued to increase relative to the same quarter in 2022.

In the second quarter of 2023, total nominal annualized personal income (i.e. not adjusted for inflation) increased \$4,836.7 million or 5.5% over that of 2022. In 2022, average personal income was \$88,973.3 million, an increase of \$25.4 million or 0.03% from the previous year. In the second quarter of 2023, personal income per capita was \$64,457, a 5.9% decrease over the same quarter of the previous year.

In the second quarter of 2023, wages and salaries increased \$2,846.8 million or 6.8% over the second quarter of 2022. In 2022, wages and salaries increased \$3,032.8 million or 7.6% from the previous year.

Supplements to wages and salaries, consisting of employer payments to retirement plans, private group health insurance plans, private workers compensation plans, and other such benefits, increased \$587.8 million or 4.9% in the second quarter of 2023 from the same quarter of 2022. In 2022, supplements to wages and salaries increased \$511.5 million or 4.4% from the previous year.

Proprietors' income increased \$219.2 million or 3.4% in the second quarter of 2023 over the second quarter of 2022. In 2022, proprietors' income decreased \$531.0 million or 7.5% from the previous year.

Dividends, interest, and rent increased \$1,197.5 million or 6.8% in the second quarter of 2023 from the same quarter of 2022. In 2022, income in this category was up \$1,014.7 million or 6.0% from the previous year.

Annualized personal current transfer receipts increased \$428.1 million or 2.6% in the second quarter of 2023 from the same quarter of 2022. In 2022, personal current transfer receipts decreased \$3,459.2 million or 17.0% from the previous year, reflecting the expiration of COVID-19 assistance.

Contributions to government social insurance, which is subtracted from total personal income, increased \$442.7 million or 6.2% in the second quarter of 2023 compared to the second quarter of 2022. In 2022, contributions to government social insurance increased \$543.1 million or 8.1% from the previous year.

In the second quarter of 2023, total non-farm private sector annualized earnings increased \$2,911.2 million or 6.7% from the same quarter of 2022. In dollar terms, the largest increase occurred in Accommodation and Food Services; followed by Health Care and Social Assistance; Professional, Scientific and Technical Services; and Construction. During the second quarter of 2023, total government earnings increased \$680.3 million or 4.0% from the same quarter of 2022. Earnings from the federal government increased \$513.7 million or 5.5%. Earnings from the state and local governments increased \$166.6 million in the quarter or 2.2% in the quarter.

In the first half of 2023, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 3.4% from the same period in 2022. This is 1.5 percentage point below the 4.9% increase for the U.S. average CPI-U and is lower than the first half of 2022 Honolulu CPI-U increase of 6.7% from the same period of the previous year. In the first half of 2023, the Honolulu CPI-U increased the most in Apparel (15.6%), followed by Other Goods and Services (10.3%), Food and Beverages (4.5%), Recreation (4.4%), Education and Communication (2.7%), Housing (2.2%), and Transportation (1.7%) compared to the first half of 2022.

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**TABLE 25**  
**Personal Income for Hawaii by Major Sources**  
**(In Thousands of Dollars at Seasonally Adjusted Annual Rates and Percent)**

| Series 1/                                       | Second<br>Quarter<br>2022 | First Quarter<br>2023 | Second<br>Quarter<br>2023 | AnnAver<br>2022 | Percentage change         |                          |                      |
|---|---------------------------|-----------------------|---------------------------|-----------------|---------------------------|--------------------------|----------------------|
|   |                           |                       |                           |                 | Second Quarter 2023       |                          | Ann<br>Aver          |
|   |                           |                       |                           |                 | Second<br>Quarter<br>2022 | First<br>Quarter<br>2023 | 2022<br>from<br>2021 |
| PERSONAL INCOME                                 | 87,731,384                | 91,867,949            | 92,568,129                | 88,973,337      | 5.5                       | 0.8                      | 0.0                  |
| Earnings By Place of Work                       | 60,496,752                | 63,438,889            | 64,150,590                | 61,459,520      | 6.0                       | 1.1                      | 5.2                  |
| Wages and salaries                              | 42,077,908                | 44,364,592            | 44,924,741                | 42,831,250      | 6.8                       | 1.3                      | 7.6                  |
| Supplements to wages and salaries               | 11,945,656                | 12,476,604            | 12,533,465                | 12,107,239      | 4.9                       | 0.5                      | 4.4                  |
| Emp'or contrib. for emp'ee pension & ins. funds | 8,603,660                 | 8,936,127             | 8,956,012                 | 8,710,264       | 4.1                       | 0.2                      | 3.4                  |
| Employer contributions for govt social ins.     | 3,341,996                 | 3,540,477             | 3,577,453                 | 3,396,975       | 7.0                       | 1.0                      | 7.0                  |
| Proprietors' income                             | 6,473,188                 | 6,597,693             | 6,692,384                 | 6,521,031       | 3.4                       | 1.4                      | -7.5                 |
| Farm proprietors' income                        | -11,984                   | 6,479                 | 28,655                    | 6,250           | (2/)                      | 342.3                    | -84                  |
| Nonfarm proprietors' income                     | 6,485,172                 | 6,591,214             | 6,663,729                 | 6,514,781       | 2.8                       | 1.1                      | -7.1                 |
| Dividends, interest, and rent                   | 17,673,512                | 18,716,316            | 18,871,049                | 17,796,916      | 6.8                       | 0.8                      | 6.0                  |
| plus: Personal current transfer receipts        | 16,660,312                | 17,186,823            | 17,088,396                | 16,928,001      | 2.6                       | -0.6                     | -17.0                |
| Social Security benefits                        | 5,441,176                 | 6,112,430             | 6,180,963                 | 5,466,040       | 13.6                      | 1.1                      | 9.4                  |
| Medicare benefits                               | 3,472,592                 | 3,523,464             | 3,538,650                 | 3,477,824       | 1.9                       | 0.4                      | 5.6                  |
| Medicaid  | 3,089,024                 | 3,356,787             | 3,331,850                 | 3,112,062       | 7.9                       | -0.7                     | 7.8                  |
| State unempl. ins. comp.                        | 145,456                   | 145,947               | 134,882                   | 149,622         | -7.3                      | -7.6                     | -93.1                |
| All other personal current transfer receipts    | 4,512,064                 | 4,048,195             | 3,902,051                 | 4,722,453       | -13.5                     | -3.6                     | -33.0                |
| Less: Contributions for govt social insurance   | 7,099,192                 | 7,474,079             | 7,541,906                 | 7,211,100       | 6.2                       | 0.9                      | 8.1                  |
| Personal contributions for govt social ins.     | 3,757,196                 | 3,933,602             | 3,964,453                 | 3,814,125       | 5.5                       | 0.8                      | 9.1                  |
| Employer contributions for govt social ins.     | 3,341,996                 | 3,540,477             | 3,577,453                 | 3,396,975       | 7.0                       | 1.0                      | 7.0                  |
| Earnings By Industry                            | 60,496,752                | 63,438,889            | 64,150,590                | 61,459,520      | 6.0                       | 1.1                      | 5.2                  |
| Farm Earnings                                   | 236,692                   | 273,878               | 299,041                   | 258,394         | 26.3                      | 9.2                      | -2.7                 |
| Nonfarm Earnings                                | 60,260,060                | 63,165,011            | 63,851,549                | 61,201,126      | 6.0                       | 1.1                      | 5.2                  |
| Private earnings                                | 43,414,968                | 45,751,802            | 46,326,140                | 44,174,046      | 6.7                       | 1.3                      | 7.3                  |
| Forestry, fishing, & related activities         | 90,324                    | 81,171                | 89,562                    | 87,079          | -1                        | 10                       | (NA)                 |
| Mining  | 35,896                    | 39,633                | 40,215                    | 36,424          | 12.0                      | 1.5                      | 20.8                 |
| Utilities                                       | 598,276                   | 683,425               | 695,913                   | 637,394         | 16.3                      | 1.8                      | 3.1                  |
| Construction                                    | 4,542,509                 | 4,744,614             | 4,800,131                 | 4,629,199       | 5.7                       | 1.2                      | 1.2                  |
| Manufacturing                                   | 955,529                   | 1,041,015             | 1,051,891                 | 988,564         | 10                        | 1                        | (NA)                 |
| Durable goods                                   | 300,897                   | 325,653               | 329,639                   | 313,181         | 10                        | 1                        | (NA)                 |
| Nondurable goods                                | 654,632                   | 715,362               | 722,252                   | 675,383         | 10.3                      | 1.0                      | 13.4                 |
| Wholesale trade                                 | 1,561,167                 | 1,642,624             | 1,655,500                 | 1,590,495       | 6.0                       | 0.8                      | 8.1                  |
| Retail trade                                    | 3,320,421                 | 3,501,671             | 3,508,939                 | 3,390,015       | 5.7                       | 0.2                      | 3.6                  |
| Transportation and warehousing                  | 2,844,969                 | 3,038,250             | 3,055,906                 | 2,882,255       | 7.4                       | 0.6                      | 18.5                 |
| Information                                     | 976,606                   | 1,026,441             | 1,018,588                 | 1,006,664       | 4.3                       | -0.8                     | -1.3                 |
| Finance and insurance                           | 1,915,017                 | 1,977,936             | 2,013,897                 | 1,921,243       | 5.2                       | 1.8                      | -3.7                 |
| Real estate and rental and leasing              | 2,665,474                 | 2,568,103             | 2,564,012                 | 2,649,669       | -3.8                      | -0.2                     | 2.6                  |
| Prof., scientific, & technical services         | 3,828,106                 | 3,996,670             | 4,115,818                 | 3,847,620       | 7.5                       | 3.0                      | 6.7                  |
| Management of companies and enterprises         | 1,129,328                 | 1,122,241             | 1,152,718                 | 1,132,758       | 2.1                       | 2.7                      | 11.8                 |
| Admin. & waste management services              | 2,393,272                 | 2,555,991             | 2,589,125                 | 2,436,832       | 8.2                       | 1.3                      | 12.8                 |
| Educational services                            | 945,799                   | 1,005,949             | 1,034,204                 | 972,781         | 9.3                       | 2.8                      | 6.3                  |
| Health care and social assistance               | 6,623,082                 | 6,856,828             | 6,916,366                 | 6,733,033       | 4.4                       | 0.9                      | 4.5                  |
| Arts, entertainment, and recreation             | 896,704                   | 1,050,711             | 1,058,192                 | 931,318         | 18.0                      | 0.7                      | 28.8                 |
| Accommodation and food services                 | 5,706,086                 | 6,292,136             | 6,399,302                 | 5,868,017       | 12.1                      | 1.7                      | 15.0                 |
| Other services, except public admin.            | 2,386,403                 | 2,526,393             | 2,565,861                 | 2,432,686       | 7.5                       | 1.6                      | 10.0                 |
| Government and government enterprises           | 16,845,092                | 17,413,209            | 17,525,409                | 17,027,080      | 4.0                       | 0.6                      | 0.1                  |
| Federal   | 9,418,256                 | 9,858,104             | 9,932,002                 | 9,474,503       | 5.5                       | 0.7                      | 1.3                  |
| Federal, civilian                               | 4,455,480                 | 4,679,333             | 4,774,374                 | 4,490,326       | 7.2                       | 2.0                      | 3.5                  |
| Military  | 4,962,776                 | 5,178,771             | 5,157,628                 | 4,984,177       | 3.9                       | -0.4                     | -0.6                 |
| State and local                                 | 7,426,836                 | 7,555,105             | 7,593,407                 | 7,552,577       | 2.2                       | 0.5                      | -1.3                 |

(D) Not shown to avoid disclosure of confidential information; estimates are included in higher-level totals. NA Not available.

<sup>1</sup> 2022Q2 to 2023Q1 revised from previous QSER.

<sup>2</sup> Percentage change involving negative values not meaningful.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, State Quarterly Personal Income.



**TABLE 26**  
**Personal Income**  
(In Millions of Dollars at Seasonally Adjusted Annual Rates and Percent)

| <b>YEAR</b> | <b>ANNUAL AVERAGE</b> | <b>% CHANGE</b> |
|-------------|-----------------------|-----------------|
| 2005        | \$46,898              | 7.4%            |
| 2006        | 50,183                | 7.0             |
| 2007        | 53,023                | 5.7             |
| 2008        | 55,803                | 5.2             |
| 2009        | 55,409                | -0.7            |
| 2010        | 56,649                | 2.2             |
| 2011        | 59,226                | 4.5             |
| 2012        | 61,162                | 3.3             |
| 2013        | 61,983                | 1.3             |
| 2014        | 65,182                | 5.2             |
| 2015        | 68,201                | 4.6             |
| 2016        | 70,745                | 3.7             |
| 2017        | 73,646                | 4.1             |
| 2018        | 75,266                | 2.2             |
| 2019        | 78,552                | 4.4             |
| 2020        | 82,761                | 5.4             |
| 2021        | 88,948                | 7.5             |
| 2022        | 88,973                | 0.03            |

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

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**TABLE 27**  
**Honolulu and U.S. Consumer Price Index, All Urban Consumers (CPI-U)**  
**(1982-84=100 Data are Not Seasonally Adjusted)**

| Period  | U.S.    | Honolulu  |                  |         |         |                |                  |                         |                            |                        |
|---|---------|-----------|------------------|---------|---------|----------------|------------------|-------------------------|----------------------------|------------------------|
|   |         | All Items | Food & Beverages | Housing | Apparel | Transportation | Medical Care     | Recreation <sup>2</sup> | Educ. & Comm. <sup>2</sup> | Other Goods & Services |
| 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        | ( <sup>2</sup> ) | 128.651                 | 142.193                    | 497.228                |
| 2019  | 255.657 | 281.585   | 287.622          | 307.889 | 114.795 | 223.689        | ( <sup>2</sup> ) | 130.977                 | 143.547                    | 504.378                |
| 2020  | 258.811 | 286.008   | 301.370          | 314.089 | 113.298 | 212.767        | ( <sup>2</sup> ) | 135.660                 | 147.241                    | 498.753                |
| 2021  | 270.970 | 296.818   | 312.618          | 323.600 | 109.057 | 237.344        | 438.199          | 138.901                 | 151.058                    | 525.471                |
| 2022  | 292.655 | 316.076   | 338.162          | 338.500 | 110.427 | 272.141        | ( <sup>2</sup> ) | 141.639                 | 153.306                    | 558.353                |
| 2019H1  | 254.412 | 280.666   | 287.519          | 306.722 | 110.653 | 223.172        | ( <sup>2</sup> ) | 132.087                 | 143.708                    | 502.008                |
| H2  | 256.903 | 282.503   | 287.726          | 309.055 | 118.937 | 224.207        | ( <sup>2</sup> ) | 129.866                 | 143.387                    | 506.748                |
| 2020H1  | 257.557 | 285.086   | 295.141          | 314.817 | 116.103 | 213.051        | ( <sup>2</sup> ) | 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                |
| H2  | 275.703 | 301.161   | 318.139          | 326.870 | 108.421 | 246.281        | 440.714          | 142.706                 | 151.789                    | 532.346                |
| 2022H1  | 288.347 | 312.137   | 333.466          | 334.694 | 110.795 | 267.012        | ( <sup>2</sup> ) | 142.454                 | 152.254                    | 543.073                |
| H2  | 296.963 | 320.016   | 342.859          | 342.307 | 110.059 | 277.270        | 486.780          | 140.823                 | 154.359                    | 573.633                |
| 2023H1  | 302.408 | 322.718   | 348.620          | 342.203 | 128.090 | 271.623        | ( <sup>2</sup> ) | 148.696                 | 156.292                    | 599.275                |
| Percentage Change from the Same Period in Previous Year |         |           |                  |         |         |                |                  |                         |                            |                        |
| 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            | ( <sup>2</sup> ) | 2.3                     | -1.5                       | 1.7                    |
| 2019  | 1.8     | 1.6       | 2.1              | 2.4     | 4.1     | -1.8           | ( <sup>2</sup> ) | 1.8                     | 1.0                        | 1.4                    |
| 2020  | 1.2     | 1.6       | 4.8              | 2.0     | -1.3    | -4.9           | ( <sup>2</sup> ) | 3.6                     | 2.6                        | -1.1                   |
| 2021  | 4.7     | 3.8       | 3.7              | 3.0     | -3.7    | 11.6           | ( <sup>2</sup> ) | 2.4                     | 2.6                        | 5.4                    |
| 2022  | 8.0     | 6.5       | 8.2              | 4.6     | 1.3     | 14.7           | ( <sup>2</sup> ) | 2.0                     | 1.5                        | 6.3                    |
| 2019H1  | 1.7     | 2.0       | 2.4              | 3.0     | -2.8    | -1.3           | ( <sup>2</sup> ) | 4.2                     | 1.8                        | 0.8                    |
| H2  | 1.9     | 1.3       | 1.7              | 1.8     | 11.5    | -2.2           | ( <sup>2</sup> ) | -0.5                    | 0.1                        | 2.1                    |
| 2020H1  | 1.2     | 1.6       | 2.7              | 2.6     | 4.9     | -4.5           | ( <sup>2</sup> ) | 2.7                     | 0.9                        | -1.4                   |
| H2  | 1.2     | 1.6       | 6.9              | 1.4     | -7.1    | -5.2           | ( <sup>2</sup> ) | 4.5                     | 4.2                        | -0.8                   |
| 2021H1  | 3.4     | 2.6       | 4.1              | 1.8     | -5.5    | 7.2            | ( <sup>2</sup> ) | -0.4                    | 3.6                        | 4.8                    |
| H2  | 6.0     | 5.0       | 3.4              | 4.3     | -1.9    | 15.9           | 0.7              | 5.2                     | 1.6                        | 5.9                    |
| 2022H1  | 8.3     | 6.7       | 8.6              | 4.5     | 1.0     | 16.9           | ( <sup>2</sup> ) | 5.4                     | 1.3                        | 4.7                    |
| H2  | 7.7     | 6.3       | 7.8              | 4.7     | 1.5     | 12.6           | 10.5             | -1.3                    | 1.7                        | 7.8                    |
| 2023H1  | 4.9     | 3.4       | 4.5              | 2.2     | 15.6    | 1.7            | ( <sup>2</sup> ) | 4.4                     | 2.7                        | 10.3                   |

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 July henceforth.

NA Not available.

<sup>1</sup> New indexes as of January 1998. Base period is December 1997. The former "Entertainment" index has been discontinued.

<sup>2</sup> 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 12, 2023, and BLS Honolulu CPI News Releases and <http://www.bls.gov/ro9/cpihono.htm> accessed July 12, 2023.

## Tourism

Economic activity in general and the visitor industry in particular came to a virtual standstill in March 2020 due to the COVID-19 pandemic. Beginning in late 2020, business activity and tourism revenues gradually improved; to date, however, the State's visitor industry continues to recover from the COVID-19 pandemic. As Hawaii's economy was continuing its recovery, the August 8, 2023 wildfires struck Lahaina, Maui. Days after the Maui wildfires, government officials strongly discouraged and restricted non-essential travel to West Maui. While the wildfires caused a decline in Maui tourism in August 2023 (112,259 visitors, a 57.8% decline compared to August 2022), visitor arrivals to Oahu (507,702 visitors), Hawaii Island (152,951 visitors) and Kauai (131,628 visitors) increased by 11.0%, 4.1% and 9.0%, respectively, compared to August 2022 figures. By November 1, 2023, all of West Maui—except Lahaina—was reopened to the public, including tourists. The section below describes Hawaii's tourism indicators for the third quarter of 2023.

The total number of visitor arrivals by air decreased by 102,079 persons or 4.2% in the third quarter of 2023, compared to the third quarter of 2022. The total number of visitors arriving by air to Hawaii in the third quarter of 2023 represents approximately 88.6% of the total number of visitors arriving by air to Hawaii in the third quarter of 2019 (with U.S. visitors). For the third quarter of 2023, the total average daily visitor census decreased by 17,925 or 7.4% compared to the third quarter of 2022. The total average daily visitor census in the third quarter of 2023 represents approximately 90.7% of the average daily visitor census in the third quarter of 2019. In the first three quarters of 2023, total visitor arrivals by air increased 388,285 or 5.7%, compared to the first three quarters of 2022. The total number of visitor arrivals by air in the first three quarters of 2023 represents approximately 93.4% of the total number of visitor arrivals by air in the first three quarters of 2019. In the first three quarters of 2023, the average daily visitor census increased 7,079 or 3.1%, compared to the first three quarters of 2022. The average daily visitor census in the first three quarters of 2023 represents approximately 96.3% of the average daily visitor census in the first three quarters of 2019.

In the third quarter of 2023, total visitor arrivals on domestic flights decreased 228,165 or 10.4% compared to the third quarter of 2022. The total visitor arrivals on domestic flights in the third quarter of 2023 represent approximately 103.8% of the total visitor arrivals on domestic flights in the third quarter of 2019. In the first three quarters of 2023, domestic arrivals were down 141,774 or 2.3%, compared to the first three quarters of 2022. The domestic arrivals in the first three quarters of 2023 represent approximately 111.6% of the domestic arrivals in the first three quarters of 2019.

Arrivals on international flights increased 126,086 or 50.0% in the third quarter of 2023 compared to the third quarter of 2022. The arrivals on international flights in the third quarter of 2023 represent approximately 50.3% of the arrivals on international flights in the third quarter of 2019. In the first three quarters of 2023, international arrivals increased 530,059 or 193.1%, compared to the first three quarters of 2022. The international arrivals in the first three quarters of 2022 represent approximately 48.9% of the international arrivals in the first three quarters of 2019. International air seats are projected to recover to 63.7% of 2019 levels in 2023.

In terms of major market areas, arrivals from the U.S. West in the third quarter of 2023 decreased 169,763 or 12.2%, compared to the third quarter of 2022, arrivals from the U.S. East in the third quarter of 2023 decreased 50,920 or 8.0%, compared to the third quarter of 2022, and arrivals from Japan in the third quarter of 2023 increased 90,979 or 117.5%, compared to the third quarter of 2022. The arrivals from the U.S. West in the third quarter of 2023 represent approximately 102.6% of the arrivals from the U.S. West in the third quarter of 2019, the arrivals from the U.S. East in the third quarter of 2023 represent approximately 101.7% of the arrivals from the U.S. East in the third quarter of 2019, and the arrivals from Japan in the third quarter of 2023 represent approximately 38.3% of the arrivals from Japan in the third

quarter of 2019. In the first three quarters of 2023, arrivals from the U.S. West were down 177,020 or 4.4%; arrivals from the U.S. East were up 786 or 0.04%; and Japanese arrivals were up 275,354 or 256.7% from the first three quarters of 2022. The arrivals from the U.S. West in the first three quarters of 2023 represent approximately 111.1% of the arrivals from the U.S. West in the first three quarters of 2019, the arrivals from the U.S. East in the first three quarters of 2023 represent approximately 107.8% of the arrivals from the U.S. East in the first three quarters of 2019 and the arrivals from Japan in the first three quarters of 2023 represents approximately 32.6% of the arrivals from Japan in the first three quarters of 2019.

The total average daily visitor census was down 7.4% or 17,925 visitors per day in the third quarter of 2023, over the same quarter of 2022. The total average daily census in the third quarter of 2023 represents approximately 90.7% of the total average daily census in the third quarter of 2019. The domestic average daily census decreased 11.8% or 25,449 visitors per day, while the international average daily census increased 27.3% or 7,524 visitors per day in the third quarter of 2023 compared to the third quarter of 2022. The domestic average daily census in the third quarter of 2023 represents approximately 102.8% of the domestic average daily census in the third quarter of 2019, and the international average daily census in the third quarter of 2023 represents approximately 55.6% of the international average daily census in the third quarter of 2019. In the first three quarters of 2023, the domestic average daily census decreased 7,313 or 3.5 percent; and the international average daily census increased 14,392 or 63.5% from the first three quarters of 2022. The domestic average daily census in the first three quarters of 2023 represents approximately 109.8% of the domestic average daily census in the first three quarters of 2019, and the international average daily census in the first three quarters of 2022 represents approximately 57.6% of the international average daily census in the first three quarters of 2019.

According to the most recent data available, nominal visitor expenditures by air totaled \$4,997.5 million in the third quarter of 2023, a decrease of \$250.9 million or 4.8% from the third quarter of 2022. Nominal visitor expenditures by air in the third quarter of 2023 represent approximately 112.7% of the nominal visitor expenditures in the third quarter of 2019. In the first three quarters of 2023, visitor expenditures totaled \$15,743.6 million, an increase of \$1,149.2 million or 7.9% from the first three quarters of 2022. Visitor expenditures in the first three quarters of 2023 represent approximately 118.7% of the visitor expenditures in the first three quarters of 2019.

Total airline capacity, as measured by the number of available seats flown to Hawaii, increased 0.6% or by 19,794 seats in the third quarter of 2023; domestic seats decreased 4.41% or 116,856 seats, and international seats increased 31.7% or 136,650 seats, compared to the same quarter of 2022. The total airline capacity in the third quarter of 2023 represents approximately 94.9% of the total airline capacity, as measured by the number of available seats flown to Hawaii, in the third quarter of 2019. Domestic seats in the third quarter of 2023 represent approximately 105.7% of the domestic seats in the third quarter of 2019, and international seats in the third quarter of 2023 represent approximately 63.9% of the international seats in the third quarter of 2019. In the first three quarters of 2023, the number of total available seats increased 3.7% or 356,722 seats; domestic seats decreased 3.4% or 291,007 seats; and international seats increased 59.0% or 647,729 seats, compared to the first three quarters of 2022. The total airline capacity in the first three quarters of 2023 represents approximately 98.1% of the total airline capacity in the first three quarters of 2019. Domestic seats in the first three quarters of 2023 represent approximately 112.2% of the domestic seats in the first three quarters of 2019, and international seats in the first half of 2023 represent approximately 61.6% of the international seats in the first half of 2019.

In the third quarter of 2023, the Statewide hotel occupancy rate averaged 75.7%, 0.3 percentage points lower than that of the same quarter of 2022 and 7.1 percentage points lower than that of the same quarter in 2019. In the first three quarters of 2023, the statewide hotel occupancy rate averaged 75.3%, 1.0 percentage point higher than the first three quarters of 2022 and 6.0 percentage points lower than the first three quarters of 2019.

**TABLE 28**  
**Visitor Arrivals by Air**  
**(average length of stay, visitor days, average daily census)**

|                        | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>% Change<br/>2019-2020</u> | <u>% Change<br/>2020-2021</u> | <u>% Change<br/>2021-2022</u> |
|------------------------|-------------|-------------|-------------|-------------|-------------------------------|-------------------------------|-------------------------------|
| Total Arrivals         |             |             |             |             |                               |                               |                               |
| Total                  | 10,243,165  | 2,678,073   | 6,777,760   | 9,138,674   | -73.9                         | 153.1                         | 34.8                          |
| Domestic               | 7,253,806   | 2,065,689   | 6,656,779   | 8,233,186   | -71.5                         | 222.3                         | 23.7                          |
| International          | 2,989,359   | 612,384     | 120,981     | 905,488     | -79.5                         | -80.2                         | 648.5                         |
| Average Length of Stay |             |             |             |             |                               |                               |                               |
| Total                  | 8.8         | 10.6        | 9.6         | 9.3         | 21.3                          | -9.3                          | -3.8                          |
| Domestic               | 9.2         | 11.3        | 9.5         | 9.1         | 23.1                          | -15.6                         | -4.1                          |
| International          | 7.7         | 8.4         | 15.2        | 10.5        | 7.7                           | 82.2                          | -31.2                         |
| Visitor Days           |             |             |             |             |                               |                               |                               |
| Total                  | 89,692,422  | 28,438,883  | 65,312,274  | 84,736,187  | -68.3                         | 129.7                         | 29.7                          |
| Domestic               | 66,535,081  | 23,331,295  | 63,473,882  | 75,263,260  | -64.9                         | 172.1                         | 18.6                          |
| International          | 23,157,341  | 5,107,588   | 1,838,392   | 9,472,927   | -77.9                         | -64.0                         | 415.3                         |
| Average Daily Census   |             |             |             |             |                               |                               |                               |
| Total                  | 245,733     | 77,915      | 178,938     | 232,154     | -68.3                         | 129.7                         | 29.7                          |
| Domestic               | 182,288     | 63,921      | 173,901     | 206,201     | -64.9                         | 172.1                         | 18.6                          |
| International          | 63,445      | 13,993      | 5,037       | 25,953      | -77.9                         | -64.0                         | 415.3                         |

Source: Hawaii Tourism Authority.

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**TABLE 29**  
**Hotel Occupancy Rate (%)**

| <i>Year</i>       | <i>First<br/>Quarter</i> | <i>Second<br/>Quarter</i> | <i>Third<br/>Quarter</i> | <i>Fourth<br/>Quarter</i> | <i>Annual<br/>Average</i> |
|-------------------|--------------------------|---------------------------|--------------------------|---------------------------|---------------------------|
| In Percent        |                          |                           |                          |                           |                           |
| 2005              | 83.8                     | 78.4                      | 84.8                     | 77.2                      | 81.1                      |
| 2006              | 83.6                     | 78.2                      | 82.5                     | 74.1                      | 79.5                      |
| 2007              | 77.5                     | 72.0                      | 78.6                     | 72.0                      | 75.0                      |
| 2008              | 78.7                     | 68.8                      | 70.5                     | 63.8                      | 70.4                      |
| 2009              | 66.7                     | 63.7                      | 67.3                     | 63.5                      | 64.8                      |
| 2010              | 70.6                     | 67.3                      | 75.2                     | 69.5                      | 70.7                      |
| 2011              | 76.6                     | 68.6                      | 76.1                     | 71.9                      | 73.2                      |
| 2012              | 80.3                     | 73.8                      | 78.9                     | 74.5                      | 76.9                      |
| 2013              | 82.0                     | 74.2                      | 77.8                     | 72.3                      | 76.5                      |
| 2014              | 80.8                     | 74.0                      | 78.7                     | 74.7                      | 77.0                      |
| 2015              | 80.0                     | 77.7                      | 79.4                     | 77.8                      | 78.7                      |
| 2016              | 80.7                     | 77.5                      | 80.5                     | 77.5                      | 79.0                      |
| 2017              | 81.4                     | 79.4                      | 81.4                     | 78.6                      | 80.2                      |
| 2018              | 83.5                     | 81.1                      | 80.1                     | 76.4                      | 80.3                      |
| 2019              | 80.5                     | 80.3                      | 82.8                     | 79.6                      | 80.8                      |
| 2020              | 70.4                     | 14.7                      | 21.7                     | 22.0                      | 37.1                      |
| 2021              | 32.2                     | 63.1                      | 70.2                     | 62.4                      | 57.5                      |
| 2022 <sup>1</sup> | 70.9                     | 75.3                      | 76.0                     | 71.2                      | 73.6                      |
| 2023 <sup>1</sup> | 75.3                     | 74.5                      | 75.7                     | Year-to-Date              | 75.3                      |

The 2nd, 3rd and 4th Quarter averages are computed by Hawaii State Department of Business Economic Development & Tourism from PKF-Hawaii monthly averages through January 1995 and Hospitality Advisors LLC monthly averages from February 1995. The 1st quarter and Annual are as released or revised by source.

<sup>1</sup> Source revises each month of previous year when current year is released.

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 2023. Construction jobs and private building authorizations increased in the second quarter; however, State government CIP expenditures and government contracts awarded decreased. Construction jobs continued to increase in the third quarter of 2023. Private building authorizations also continued to increase in all counties except Hawaii County, which saw a decrease relative to the third quarter of 2022.

In the second quarter of 2023, the number of jobs in the construction sector increased by 0.3% or by 100 jobs compared with the same quarter of 2022. In the third quarter of 2023, the number of jobs in the construction sector increased by 1.1% or by 400 jobs compared to the same quarter in 2022. In the first three quarters of 2023, the construction sector gained approximately 1,000 jobs or 2.7% from the same period of the previous year.

In the second quarter of 2023, private building authorizations in the State increased \$311.8 million or 49.1%, compared with the second quarter of 2022. In the first half of 2023, private building authorizations in the State increased \$233.6 million or 15.5% compared with the same period of the previous year. In the third quarter of 2023, private building authorizations in the state increased \$246.4 million or 31.5%, compared to the third quarter of 2022. In the first three quarters of 2023, private building

authorizations in the State increased \$480.0 million or 21.0% compared with the same period of the previous year.

In the second quarter of 2023, private building authorizations increased 53.7%, 7.6%, 155.3% and 34.2% in the City and County of Honolulu, Hawaii County, Maui County and Kauai County, respectively, compared with the second quarter of 2022. In the first half of 2022, private building authorizations increased 4.0%, 12.2%, 58.6%, and 18.1% in the City and County of Honolulu, Hawaii County, Maui County and Kauai County, respectively, compared with the same period of the previous year. In the third quarter of 2023, private building authorizations increased 52.2%, 50.9%, and 26.4% for the City and County of Honolulu, Maui County, and Kauai County, respectively compared to the third quarter of 2022. Private building authorizations decreased 16.0% for Hawaii County. In the first three quarters of 2022, private building authorizations increased 19.9%, 2.4%, 55.7%, and 20.9% in the City and County of Honolulu, Hawaii County, Maui County and Kauai County, respectively, compared with the same period of the previous year.

In the second quarter of 2023, government contracts awarded decreased \$2,336.6 million or 74.5%, compared with the second quarter of 2022. In the first half of 2023, government contracts awarded increased \$624.1 million or 18.6% compared with the same period of the previous year. This growth during the first half of 2023 was partially fueled by a Navy task order awarded in March (for a November 2021 indefinite-delivery/ indefinite-quantity multiple-award contract), where Hawaii was designated the place of performance (“POP”) for 100% of \$2.8 billion.

State government CIP expenditures declined \$32.0 million or 9.1% in the second quarter of 2023 compared with the same quarter of 2022. In the first half of 2023, State government CIP expenditures declined \$41.7 million or 6.3% from the same period of the previous year.

Average home prices decreased by 8.2% in the second quarter of 2023, with single family home prices down by 14.4% and condominium prices down by 1.4% over the same quarter of the previous year. The purchase of homes by out-of-state buyers and local buyers both decreased: purchases decreased 32.8% for local buyers, declined 29.8% for mainland buyers, and decreased 32.4% for foreign buyers over the same quarter of the previous year.

In the second quarter of 2023, Honolulu’s median price for single family resales was \$1,050,000, down \$73,500 or 6.5% over the same quarter of 2022. The median price for condominium unit resales was \$500,000, down \$20,000 or 3.8% over the same quarter of 2022. In the second quarter of 2023, the number of single-family unit resales decreased 32.6%, and the number of condominium unit resales decreased 33.1%, compared with the second quarter of 2022. In the third quarter of 2023, Honolulu’s median price for single family resales was \$1,073,750, down \$36,750 or 3.3% over the same quarter of 2022. The median price for condominium unit resales was \$511,000, up \$11,000 or 2.2% over the same quarter of 2022. In the third quarter of 2023, the number of single-family unit resales decreased 21.7%, and the number of condominium unit resales decreased 19.8%, compared with the third quarter of 2022. In the first three quarters of 2023, the number of single-family unit resales decreased 30.5%, and condominium unit resales decreased 31.2% compared with the same period of the previous year.

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**TABLE 30**  
**Estimated Value of Completed Construction, New Private**  
**Building Authorizations, and Government Contracts Awarded**

| Year  | Contracting<br>tax base 1/ | Private Building Authorization 4/ |                |                               |                            | Government        |         |
|---|----------------------------|-----------------------------------|----------------|-------------------------------|----------------------------|-------------------|---------|
|   |                            | Total Private<br>Authorizations   | Residential 4/ | Commercial &<br>Industrial 2/ | Additions &<br>Alterations | Contracts Awarded |         |
| In Millions of Dollars                                  |                            |                                   |                |                               |                            |                   |         |
| 2011 4/   | 5,837.4                    | 1,858.8                           | 687.9          | 285.9                         | 884.9                      | 430.7             |         |
| 2012 4/   | 7,006.1                    | 2,643.8                           | 837.2          | 271.1                         | 1,535.5                    | 772.9             |         |
| 2013 4/   | 7,330.0                    | 2,720.5                           | 1,025.0        | 296.5                         | 1,399.0                    | 1,194.2           |         |
| 2014 4/   | 7,024.0                    | 3,315.1                           | 985.9          | 498.5                         | 1,830.6                    | 1,096.6           |         |
| 2015 4/   | 8,112.2                    | 3,963.6                           | 1,651.3        | 702.9                         | 1,609.4                    | 1,554.6           |         |
| 2016 4/   | 8,288.2                    | 3,240.6                           | 1,448.0        | 211.0                         | 1,581.7                    | 1,673.3           |         |
| 2017 4/   | 8,384.4                    | 3,127.8                           | 1,504.7        | 395.9                         | 1,227.3                    | 1,191.6           |         |
| 2018 4/   | 9,455.6                    | 3,268.3                           | 1,395.8        | 402.2                         | 1,470.3                    | 1,948.5           |         |
| 2019 4/   | 9,609.3                    | 3,221.4                           | 1,211.6        | 352.7                         | 1,657.1                    | 593.8             |         |
| 2020 4/   | 9,757.2                    | 3,108.5                           | 1,145.0        | 478.6                         | 1,484.9                    | 2,090.8           |         |
| 2021 4/   | 10,108.4                   | 3,747.1                           | 1,994.8        | 426.2                         | 1,326.2                    | 1,741.8           |         |
| 2022 4/   | 10,787.1                   | 3,579.3                           | 1,760.0        | 407.2                         | 1,412.2                    | 4,867.5           |         |
| 2019 4/ 1 Qtr.  | 2,349.4                    | 761.0                             | 309.9          | 46.2                          | 404.9                      | 155.9             |         |
|   | 4/ 2 Qtr.                  | 2,430.3                           | 809.0          | 323.2                         | 66.5                       | 419.3             | 129.1   |
|   | 4/ 3 Qtr.                  | 2,445.2                           | 798.8          | 267.0                         | 89.9                       | 441.8             | 165.6   |
|   | 4/ 4 Qtr.                  | 2,384.4                           | 852.7          | 311.5                         | 150.1                      | 391.1             | 143.2   |
| 2020 4/ 5/ 1 Qtr.                                       | 2,467.7                    | 784.8                             | 228.7          | 120.5                         | 435.7                      | 352.3             |         |
|   | 4/ 2 Qtr.                  | 2,243.7                           | 693.1          | 310.6                         | 133.8                      | 248.8             | 582.4   |
|   | 4/ 3 Qtr.                  | 2,647.9                           | 843.2          | 297.1                         | 129.9                      | 416.3             | 266.5   |
|   | 4/ 4 Qtr.                  | 2,397.9                           | 787.3          | 308.6                         | 94.5                       | 384.2             | 889.5   |
| 2021 4/ 1 Qtr.  | 2,339.0                    | 802.7                             | 305.4          | 116.9                         | 380.4                      | 493.5             |         |
|   | 4/ 2 Qtr.                  | 2,643.8                           | 1,345.8        | 818.0                         | 101.8                      | 426.0             | 274.9   |
|   | 4/ 6/ 3 Qtr.               | 2,580.6                           | 937.4          | 533.2                         | 129.4                      | 274.9             | 283.0   |
|   | 4/ 7/ 4 Qtr.               | 2,545.1                           | 661.2          | 338.2                         | 78.0                       | 244.9             | 690.4   |
| 2022 4/ 1 Qtr.  | 2,558.8                    | 868.1                             | 480.3          | 99.0                          | 288.9                      | 220.5             |         |
|   | 4/ 8/ 2 Qtr.               | 2,642.5                           | 634.8          | 281.2                         | 84.1                       | 269.5             | 3,136.9 |
|   | 4/ 9/ 3 Qtr.               | 2,786.5                           | 782.9          | 284.0                         | 135.3                      | 363.7             | 987.5   |
|   | 4/ 3 Qtr.                  | 2,799.3                           | 1,293.5        | 714.6                         | 88.8                       | 490.1             | 522.5   |
| 2023 4/ 10/ 1 Qtr.                                      | 2,674.9                    | 789.9                             | 343.4          | 102.9                         | 343.7                      | 3,181.3           |         |
|   | 4/ 2 Qtr.                  | (NA)                              | 946.6          | 398.2                         | 85.3                       | 463.2             | 800.3   |
|   | 4/ 3 Qtr.                  | (NA)                              | 1,029.3        | 431.2                         | 150.0                      | 448.1             | (NA)    |
| Percentage Change from the Same Period in Previous Year |                            |                                   |                |                               |                            |                   |         |
| 2011 4/   | 4.4                        | -6.1                              | -11.7          | -24.3                         | 7.4                        | -59.3             |         |
| 2012 4/   | 20.0                       | 42.2                              | 21.7           | -5.2                          | 73.5                       | 79.4              |         |
| 2013 4/   | 4.6                        | 2.9                               | 22.4           | 9.4                           | -8.9                       | 54.5              |         |
| 2014 4/   | -4.2                       | 21.9                              | -3.8           | 68.1                          | 30.8                       | -8.2              |         |
| 2015 4/   | 15.5                       | 19.6                              | 67.5           | 41.0                          | -12.1                      | 41.8              |         |
| 2016 4/   | 2.2                        | -18.2                             | -12.3          | -70.0                         | -1.7                       | 7.6               |         |
| 2017 4/   | 1.2                        | -3.5                              | 3.9            | 87.6                          | -22.4                      | -28.8             |         |
| 2018 4/   | 12.8                       | 4.5                               | -7.2           | 1.6                           | 19.8                       | 63.5              |         |
| 2019 4/   | 1.6                        | -1.4                              | -13.2          | -12.3                         | 12.7                       | -69.5             |         |
| 2020 4/   | 1.5                        | -3.5                              | -5.5           | 35.7                          | -10.4                      | 252.1             |         |
| 2021 4/   | 3.6                        | 20.5                              | 74.2           | -11.0                         | -10.7                      | -16.7             |         |
| 2022 4/   | 6.7                        | -4.5                              | -11.8          | -4.5                          | 6.5                        | 179.4             |         |
| 2019 4/ 1 Qtr.  | 6.7                        | 8.7                               | -19.0          | -39.3                         | 67.8                       | -70.7             |         |
|   | 4/ 2 Qtr.                  | 4.5                               | -27.0          | -17.5                         | -64.1                      | -21.1             | -78.4   |
|   | 4/ 3 Qtr.                  | -3.0                              | 7.5            | -27.0                         | 27.9                       | 43.8              | -58.0   |
|   | 4/ 4 Qtr.                  | -0.9                              | 19.0           | 21.7                          | 112.5                      | 0.3               | -66.2   |
| 2020 4/ 5/ 1 Qtr.                                       | 5.0                        | 3.1                               | -26.2          | 160.9                         | 7.6                        | 125.9             |         |
|   | 4/ 2 Qtr.                  | -7.7                              | -14.3          | -3.9                          | 101.2                      | -40.7             | 351.2   |
|   | 4/ 3 Qtr.                  | 8.3                               | 5.6            | 11.3                          | 44.4                       | -5.8              | 61.0    |
|   | 4/ 4 Qtr.                  | 0.6                               | -7.7           | -0.9                          | -37.1                      | -1.8              | 521.3   |
| 2021 4/ 1 Qtr.  | -5.2                       | 2.3                               | 33.5           | -2.9                          | -12.7                      | 40.1              |         |
|   | 4/ 2 Qtr.                  | 17.8                              | 94.2           | 163.4                         | -23.9                      | 71.2              | -52.8   |
|   | 4/ 6/ 3 Qtr.               | -2.5                              | 11.2           | 79.4                          | -0.4                       | -34.0             | 6.2     |
|   | 4/ 7/ 4 Qtr.               | 6.1                               | -16.0          | 9.6                           | -17.4                      | -36.3             | -22.4   |
| 2022 4/ 1 Qtr.  | 9.4                        | 8.2                               | 57.3           | -15.3                         | -24.1                      | -55.3             |         |
|   | 4/ 8/ 2 Qtr.               | 0.0                               | -52.8          | -65.6                         | -17.4                      | -36.7             | 1,041.1 |
|   | 4/ 9/ 3 Qtr.               | 8.0                               | -16.5          | -46.7                         | 4.5                        | 32.3              | 249.0   |
|   | 4/ 3 Qtr.                  | 10.0                              | 95.6           | 111.3                         | 13.8                       | 100.1             | -24.3   |
| 2023 4/ 10/ 1 Qtr.                                      | 4.5                        | -9.0                              | -28.5          | 3.9                           | 19.0                       | 1,342.5           |         |
|   | 4/ 2 Qtr.                  | (NA)                              | 49.1           | 41.6                          | 1.4                        | 71.8              | -74.5   |
|   | 4/ 3 Qtr.                  | (NA)                              | 31.5           | 51.8                          | 10.9                       | 23.2              | (NA)    |

NA Not available.

First Hawaiian Bank has discontinued compiling Government Contracts Awarded. Hawaii State Department of Business, Economic Development & Tourism has compiled preliminary estimates beginning with the fourth quarter 1997 based on data in *Building Industry*.

1/ Formerly, this category was "Value of Construction Completed", subject to revision by Hawaii State Department of Taxation.

2/ Includes hotels.

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

4/ Beginning with 2002 Kauai Private Building Authorizations data available for residential only.

5/ In January 2020, the U.S. Navy awarded a \$990 million 5-year contract to 7 firms of which 2 were Hawaii firms. Hawaii as 100 percent place of performance (POP).

6/ In one U.S. Navy September contract, Hawaii was designated 'POP' for 40 percent or \$200 million and the remainder as other NAVFAC Pacific.

7/ In one U.S. Navy November contract Hawaii was designated 'POP' for 40 percent or \$3.2 billion and the remainder as Washington (state).

8/ In one U.S. Navy June \$995M contract, Hawaii was designated 'POP' for 95 percent or \$945.3 M and the remainder as Wake Island.

9/ In one U.S. Navy August \$32.4 M contract awarded to a Hawaii firm, but Hawaii was not designated as 'POP'.

10/ In one U.S. Navy March contract, Hawaii was designated 'POP' for 100% of \$2.8B. task order for Nov. 2021 indefinite-delivery/indefinite-quantity multiple-award.

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



**TABLE 31**  
**Estimated Value of Private Building**  
**Construction Authorizations, By County**

| <i>Year</i>   | <i>State</i> | <i>City &amp; County<br/>of Honolulu</i> | <i>Hawaii<br/>County</i> | <i>Kauai<br/>County</i> | <i>Maui<br/>County</i> |
|---|--------------|--|--------------------------|-------------------------|------------------------|
| In Thousands of Dollars                                 |              |  |                          |                         |                        |
| 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                |
| 2021  | 3,747,106    | 2,254,312                                | 727,067                  | 130,159                 | 635,569                |
| 2022  | 3,579,323    | 2,010,381                                | 855,139                  | 141,785                 | 572,019                |
| 2019 1 Qtr.   | 761,026      | 524,146                                  | 125,297                  | 30,500                  | 81,083                 |
| 2 Qtr.  | 808,957      | 525,065                                  | 121,073                  | 30,280                  | 132,538                |
| 3 Qtr.  | 798,767      | 457,271                                  | 175,333                  | 29,908                  | 136,255                |
| 4 Qtr.  | 852,697      | 556,811                                  | 130,375                  | 32,379                  | 133,132                |
| 2020 1 Qtr.   | 784,793      | 438,633                                  | 165,242                  | 35,273                  | 145,645                |
| 2 Qtr.  | 693,130      | 356,013                                  | 167,021                  | 36,476                  | 133,619                |
| 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                |
| 3 Qtr.  | 937,445      | 563,456                                  | 110,828                  | 36,177                  | 226,984                |
| 4 Qtr.  | 661,153      | 280,625                                  | 191,060                  | 26,978                  | 162,490                |
| 2022 1 Qtr.   | 868,127      | 494,478                                  | 186,238                  | 32,737                  | 154,674                |
| 2 Qtr.  | 634,830      | 284,613                                  | 236,497                  | 29,328                  | 84,392                 |
| 3 Qtr.  | 782,906      | 384,767                                  | 223,581                  | 31,438                  | 143,120                |
| 4 Qtr.  | 1,293,459    | 846,522                                  | 208,822                  | 48,281                  | 189,834                |
| 2023 1 Qtr.   | 789,937      | 372,613                                  | 219,763                  | 33,927                  | 163,633                |
| 2 Qtr.  | 946,646      | 437,505                                  | 254,373                  | 39,346                  | 215,422                |
| 3 Qtr.  | 1,029,313    | 585,785                                  | 187,782                  | 39,735                  | 216,011                |
| Percentage Change From The Same Period in Previous Year |              |  |                          |                         |                        |
| 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                   |
| 2021  | 20.5         | 24.1                                     | 8.4                      | -12.8                   | 34.8                   |
| 2022  | -4.5         | -10.8                                    | 17.6                     | 8.9                     | -10.0                  |
| 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                    |
| 3 Qtr.  | 11.2         | -2.5                                     | -16.9                    | -40.7                   | 219.9                  |
| 4 Qtr.  | -16.0        | -36.8                                    | -6.9                     | 63.4                    | 33.8                   |
| 2022 1 Qtr.   | 8.2          | 0.7                                      | 13.3                     | -25.1                   | 49.4                   |
| 2 Qtr.  | -52.8        | -69.0                                    | -9.3                     | 26.0                    | -40.8                  |
| 3 Qtr.  | -16.5        | -31.7                                    | 101.7                    | -13.1                   | -36.9                  |
| 4 Qtr.  | 95.6         | 201.7                                    | 9.3                      | 79.0                    | 16.8                   |
| 2023 1 Qtr.   | -9.0         | -24.6                                    | 18.0                     | 3.6                     | 5.8                    |
| 2 Qtr.  | 49.1         | 53.7                                     | 7.6                      | 34.2                    | 155.3                  |
| 3 Qtr.  | 31.5         | 52.2                                     | -16.0                    | 26.4                    | 50.9                   |

Kauai data available for residential 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. The U.S. military is a large and stable presence in the State, generating significant economic activity, providing jobs (approximately 49,000 local jobs, including 30,000 through federal contracts), and attracting federal investment. The Hawaii-based Indo-Pacific Command is responsible for over 50% of global command activity and is essential to national security.

According to the most recent U.S. Bureau of Economic Analysis ("BEA") data, the total compensation of employees ("COE") of federal government employees in Hawaii was about \$9.5 billion in 2022, up 1.3% from the previous year. The total COE of combined military and civilian federal employees in Hawaii accounted for about 17.2% of Hawaii's total COE in 2022. Between 2009 and 2022, the annual average compounded growth rate for COE was 3.3% for federal civilian personnel and 0.8% for military personnel in Hawaii. The military personnel accounted for 52.6% of the total federal COE in 2022. The federal government accounted for about 11.2% of State GDP in Hawaii in 2022, a majority of which is defense related.

The most recent BEA data also shows that the earnings of federal government employees in the second quarter of 2023 increased 5.5% over the same period of 2022. In 2022, the earnings of federal government employees increased 1.3% from the previous year. In fiscal year 2022, direct Pentagon spending on payroll and contracts totaled \$8.8 billion in the State, the second highest of any state in the nation in terms of spending to GDP ratio at 8.9%.

Federal government awards to the State in fiscal year 2022 totaled \$5.4 billion, an 18.9% increase from fiscal year 2021. Federal government awards directly to other Hawaii recipients, including private businesses, universities, and some government agencies totaled \$2.8 billion in fiscal year 2021 and \$2.9 billion in fiscal year 2022. In federal fiscal year 2023, the United States Department of Defense awarded a \$2.8 billion Navy contract to commence work on the new dry dock at the Pearl Harbor Naval Shipyard.

Future levels of federal funding (including but not limited to defense funding, disaster relief and recovery, 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, the impacts of natural disasters, and the importance of the Asia Pacific Region. Accordingly, the nature and extent of future levels of federal funding cannot be predicted. The State does not anticipate nor is the State dependent upon the receipt of any future federal COVID-19 funding or grants to repay the Bonds.

## **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 Hawaii Department of Transportation, ("HDOT"). 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 2018, 2019, 2020, 2021 and 2022 (the most recent information available) amounted to 20.3 million short tons, 21.5 million short tons, 20.0 million short tons, 18.3 million short tons and 20.4 million short tons, respectively.

The Harbors System is comprised of ten commercial harbors, operated and maintained by HDOT 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. HDOT manages, maintains and operates the Harbors System to provide for the efficient movement of cargo and passengers. Harbors System facilities are located on the six major islands of the State 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 Kaunapapa 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, and the harbors located on the neighbor islands serve as the spokes of this Harbors System. Honolulu Harbor serves as the major distribution point for incoming overseas containerized cargo and vehicles that are shipped to the neighbor islands, and it 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 11.1 million short tons in fiscal year 2018, 11.5 million short tons in fiscal year 2019, 10.6 million short tons in fiscal year 2020, 9.6 million short tons in fiscal year 2021 and 10.3 million short tons in fiscal year 2022. The Harbors System experienced a decrease in cargo activity during fiscal years 2020 and 2021 due to the effects of the COVID-19 pandemic commencing in the Spring of 2020 and continuing through the early Summer of 2021.

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 and to issue harbor system revenue bonds to finance these harbor infrastructure improvements. In addition to the six commercial harbors included in HMP, Act 200 placed Hana Harbor on Maui under the jurisdiction of the Harbors System and included appropriations for its upgrade. Act 200 also designated the Aloha Tower Development Corporation ("ATDC") as the entity responsible for the management and implementation of the HMP; however, as of July 1, 2010, HDOT assumed the management and implementation responsibilities of the HMP and other harbor infrastructure improvements, as Act 152, SLH 2011 placed ATDC under the HDOT for administrative purposes and repealed prior references to ATDC's role for the HMP. The Deputy Director for Harbors currently serves as the Acting Chief Executive Officer for the ATDC.

The HDOT has completed several HMP projects and is in the process of completing the keystone Kapalama Container Terminal ("KCT"). The KCT Phase I container yard project was completed during calendar year 2021, and the KCT Phase II construction of nearly 1,900 linear feet of piers began during January 2021 with the projected completion to occur at the end of July 2025.

***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. Terminals 1 and 2 provide 42 gates for overseas and interisland flights with loading bridges and an additional four ground loaded gates in Concourse G. The Mauka Concourse opened in August 2021 and provides six wide-body gates or eleven narrow-body gates, in addition to the gate total above. Terminal 3 provides aircraft parking positions for interisland commuter operations. 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 provide interisland flights and 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 and 12.3 million in fiscal year 2021 due to the impact of the COVID-19 pandemic. The preliminary data for fiscal year 2023 indicated 39.0 million of total passengers, surpassing the fiscal year 2019 number. The higher passenger count is driven by higher domestic overseas traffic and expansion of interisland service, which more than offset the decline in international air traffic. Total operating revenues declined from \$440.8 million in fiscal year 2019 to \$383.0 million in fiscal year 2020 and \$282.6 million in fiscal year 2021, increased to \$442.1 million in fiscal year 2022, and are estimated to exceed \$500 million in fiscal year 2023. The Department of Transportation, Airports has received all reimbursements under the federal COVID-19 relief grants, except for certain concession relief grants under ARPA.

The Maui wildfire in August 2023 caused a significant disruption in air travel and tourism. See “MAUI WILDFIRES” and “—Tourism” herein.

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. More recently, HNL and Kahului Airport in Maui completed consolidated rent-a-car facilities (CONRAC) projects, with total project costs of approximately \$480.4 million and \$437.2 million, respectively. In addition to the usual federal grants, the Airports received additional Bipartisan Infrastructure Law (BIL) grants. The BIL established two programs over five years: (a) the Airport Infrastructure Grant (AIG) Allocated Program that allocates grants annually to eligible airports, and (b) the AIG Competitive Program that allocates grants through a competitive process. The Department of Transportation, Airports has received \$49.3 million annually for the first two years under the AIG Allocated Program, and \$10.0 million and 1.2 million respectively for the first two years under the AIG Competitive Program.

***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 Department has classified the State Highway System as follows: Interstate, Freeway Expressway, Principal Arterial, Minor Arterial, Major Collector, Minor Collector, and Local.

The City and County of Honolulu has completed and opened for service in June 2023 10.75 miles of guideway and nine stations of a new 19-mile fixed guideway mass transit system to provide rail service along Oahu's east-west corridor between Kapolei and downtown Honolulu. Construction of the second segment of an additional 5.2 miles of guideway and four stations is nearly complete, and is expected to be operational in mid- 2025. With the completion of the second segment, 84% of the guideway and 13 of 19 stations will be fully operational.

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 Authority for Rapid Transportation. Act 1, SLH 2021, authorized the counties to establish and administer their own transient accommodations tax ("TAT") at a maximum rate of 3%. The City and County of Honolulu subsequently passed Ordinance No. 21-33 which imposed a 3% county TAT on Oahu transient rental properties effective December 14, 2021. For the first two years, one third of the TAT revenue is dedicated to the rail project, and from the third year one half of the TAT revenues is dedicated to the rail project.

Due to projected funding shortfalls, the Honolulu Authority for Rapid Transportation ("HART") submitted a 2022 Recovery Plan (the "Plan") to the Federal Transit Administration on June 3, 2022, which proposed to temporarily truncate the project scope by shortening the rail line by one mile and two stations, and to defer a 1,600-stall parking structure in a station in Pearl City. The Plan was accepted by the Federal Transit Administration ("FTA") on September 30, 2022. HART and the FTA are collaborating on an amendment on the Full Funding Grant Agreement based on the truncated scope of the project in order to release the remaining \$744 million in federal funding. This amendment is expected to be completed in early 2024. Construction and operation of this system is the sole responsibility of HART and the City and County of Honolulu. The initial operating segment from East Kapolei to Halawa (Aloha Stadium) was opened for service to the public on June 30, 2023.

*[Remainder of page intentionally left blank.]*

The following TABLE 32 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.

**TABLE 32**  
**Motor Vehicle Registration**

| <b>Calendar Year</b> | <b>Passenger Vehicles</b> | <b>Ambulances &amp; Hearses</b> | <b>Buses</b> | <b>Trucks</b> | <b>Motorcycles &amp; Scooters</b> | <b>Trailers</b> | <b>Total</b> |
|----------------------|---------------------------|---------------------------------|--------------|---------------|-----------------------------------|-----------------|--------------|
| 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    |
| 2021                 | 1,000,511                 | 109                             | 1,847        | 193,776       | 37,424*                           | 26,116          | 1,259,773    |
| 2022                 | 1,021,374                 | 107                             | 1,796        | 192,810       | 38,359*                           | 25,622          | 1,280,068    |

\* 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.

Since the 2022-23 school year, the State's public schools returned to full in-person learning, after the COVID-19 pandemic. In the 2023-24 school year, enrollment in the State's public schools is 167,649 at the beginning of the school year, compared to 168,634 students at the start of the 2022-23 school year. The figures represent students enrolled in Department of Education schools, including students enrolled in the Department's distance learning program, and public charter schools. The State's 37 charter schools enrolled 7.4% (or 12,427 students) of public school students. The figures include the number of students who were pre-registered before the start of the school year at the schools impacted by the Maui wildfires and who did not transfer to another school or withdraw by the "official enrollment count" date of August 21, 2023.

The Maui wildfires in August 2023 caused significant damage to several public schools in the Lahaina area. King Kamehameha III Elementary School was damaged beyond repair. King Kekaulike High School, Princess Nahi'ena'ena Elementary School, Lahaina Intermediate School, and Lahainaluna High School were also all damaged by the fires. Students were transported by bus to other schools on Maui or were offered distance learning. After extensive air, water and soil quality testing and debris removal, Lahainaluna High School was scheduled to reopen on October 16, 2023, Lahaina Intermediate School on October 17, 2023, and Princess Nahi'ena'ena Elementary School on October 18, 2023. FEMA is constructing a temporary campus for King Kamehameha III Elementary School at Pulelehua, a proposed development north of Kaanapali. In the interim King Kamehameha III Elementary School students will attend Princess Nahi'ena'ena Elementary School.

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;

(d) a new Academy for Creative Media facility in 2022; and

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

In the fall of 2023, 48,933 students attended the University of Hawaii System, with 19,256 of them on the Manoa campus. This represents a small increase over fall of 2022, when 48,373 students attended the University of Hawaii System, 19,074 of them on the Manoa campus.

### **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, 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 HCDCH were transferred to HHFDC and to HPHA, as provided by such Acts. HHFDC performs the function of housing finance and development. 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 HHFDC and do not impact the debt limit of the State, nor do the bonds constitute general obligations of the State. HPHA performs the function of developing and maintaining public housing.

## **CYBERSECURITY**

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. As a recipient and provider of personal, private, or sensitive information, the State has been the target of cybersecurity attacks in the past and such incidents are likely to occur in the future. One recent cybersecurity incident involved unauthorized access to the Department of Health's Electronic Death Registry System (EDRS), pursuant to which incident the State estimates that 3,400 death records between 1998 and 2023 may have been viewed. Other State agencies such as the University of Hawaii and Hawaii Community College have also experienced recent cybersecurity attacks. While these cybersecurity incidents did not have a material adverse impact on the State, there can be no assurance that the State will not become the subject of a cybersecurity breach that could result in adverse consequences to the State's information technology systems and require a response action to mitigate the consequences.

To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or "cyberattacks," the State invests in multiple forms of cybersecurity and operational safeguards. The State has an Office of Enterprise Technology Services ("ETS") within the Hawaii State Department of Accounting and General Services, which 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 Governor-appointed 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.

The State's information technology infrastructure may also be vulnerable to forces of nature. In many locations across the State, critical technology infrastructure, such as extensive aerial and underground network backbones, support facilities, and microwave radio towers, are susceptible to damage from extreme weather and climate-related events. Other infrastructure, such as computer servers, storage, network connections, electrical power and cooling equipment located below the ground water table in some locations, are vulnerable to storm flooding and water backups. See "RISK AND VULNERABILITY FROM CLIMATE CHANGE AND NATURAL DISASTERS" below. ETS is currently in the process of moving that infrastructure to better protected locations and migrate to more flexible and less vulnerable environments, such as remote cloud computing services.

While State cybersecurity and operational safeguards are periodically tested, no assurances can be given by the State that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the State's information technology systems and cause material disruption to the State's operations and the provision of State services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the State to material litigation and other legal risks, which could cause the State to incur material costs related to such legal claims or proceedings.



## **RISK AND VULNERABILITY FROM CLIMATE CHANGE AND NATURAL DISASTERS**

### **General**

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 Hawaii Sea Level Rise and Vulnerability and Adaptation Report ("Hawaii 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.

Among other findings, the Hawaii 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 Hawaii 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 Hawaii Sea Level Rise Report also contains recommendations for reducing the impacts of sea level rise, erosion, and wave inundation.

In addition, modeling reported by the United Nations' Intergovernmental Panel on Climate Change 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 one 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 a 20- 30% greater sea level rise compared to the global mean.

Scientists have also observed, documented and predicted that a warming planet will increase the frequency and severity of natural disasters, including droughts, hurricanes and volcanic activity (attributed to changing pressure on the earth's crust from melting ice and increasing sea levels).

### **Certain Climate-Related Events**

Climate change produces both sea level rise and unpredictable weather patterns fueling tropical storms, hurricanes, storm surges, heavy rains, high winds, and floods, as well as droughts and wildfires. Below is a discussion of several climate-related events that have impacted the State within the last few years.

In addition to the Maui wildfires in August 2023 described under "MAUI WILDFIRES," other significant climate-related events within the State include Hurricane Lane in August 2018, which revealed how climate change has altered the interactions between the atmospheric and biophysical conditions in such a manner to greatly exacerbate the risk of wildfires. In the wake of Hurricane Lane, wildfires on both Maui and Oahu were ignited and spread quickly due to the prevalence of nonnative grasses in longer wet periods that quickly dehydrate during dry periods. Extremely high downslope winds caused a rapid spread of wildfires under those conditions, especially on exposed leeward slopes. Hurricane Lane also caused severe mudslides and flash flooding on the Island of Hawaii, where a maximum of 52 inches (1,321 mm) of rain was recorded. Additionally, the May 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.

In addition to the direct impact on health and safety and property damage in the State, these climate events and future similar climate events may impact the quality of life in the State and may have short-term and future impacts on commercial and tourist activity within the State, as well as the desirability of the State as a place to live, potentially negatively affecting real estate trends and values.

Projections of the effects of global climate change on the State are complex and depend on many factors that are outside of the State's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the State is unable to forecast when sea level rise or other adverse effects of climate change will occur. The State cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the State and the local economy during the term of the Bonds.

### **State Response**

The State has taken several steps to address climate change, both to adapt to a changing climate and to mitigate man-made causes.

The Hawaii 2050 Sustainability Plan (the "Sustainability Plan") is a long-term vision and strategy for the State to address the challenges of global warming, climate change, and sustainable development. It was first published in 2008 by the State Auditor and the Hawaii 2050 Sustainability Task Force, and it was recently updated in 2021 by the State of Hawaii Office of Planning and Sustainable Development. The Sustainability Plan aligns the State's goals, policies, and actions with the United Nations Sustainable Development Goals, and recommends specific actions for the decade of 2020-2030. The Sustainability Plan covers five key areas: climate action and resilience, natural environment, rural livelihoods and traditional and customary practices, social stability and human health, and urban communities and the built environment. The plan also provides guidance for a sustainable and resilient economic recovery for the State after the COVID-19 pandemic. The Sustainability Plan is based on extensive public input and stakeholder engagement, and it is intended to be a living document that will be reviewed and revised periodically.

For mitigation in the transportation sector, the State is converting its vehicle fleets to decarbonized fuels as required by Act 74 of 2021. Under this umbrella of activities, Hawaii Department of Transportation ("HDOT") obtained an "electric vehicles-as-a-service" contract to replace light duty vehicles in its fleet with electric vehicles ("EVs"). The contract allows HDOT and other State and county agencies to obtain EVs and charging infrastructure as a service on a per mile cost basis, reducing the upfront costs of electrifying fleet vehicles and reducing fuel and maintenance costs. The Statewide Hawaii fleet electrification contract (RFP-20-001-HWYS) is now active. This contract allows all participating agencies and departments to obtain electric vehicles and all related charging infrastructure in exchange for usage fees.

HDOT released The Hawaii Highways Climate Adaptation Action Plan in May 2021 to help better define the impacts of climate change on National Highway System property and serve as a guide for making the highways more climate resilient.

For mitigation in the electricity sector, the State enacted HB 1464 in 2009, setting the country's most aggressive Renewable Portfolio Standard ("RPS") of 40% renewable energy by 2030. In 2015, Act 97 increased the RPS to 100% renewable by 2045, with the State again leading the nation in eliminating climate pollution from the electricity sector. At the close of 2022, approximately 30% of electricity produced in the State came from renewable sources.

For adaptation and mitigation activities across the energy sector, the Hawaii State Energy Office (“HSEO”), administratively attached to the Department of Business, Economic Development, and Tourism, is statutorily mandated to promote energy efficiency, renewable energy, and clean transportation to achieve a resilient clean energy economy. HSEO is led by the Chief Energy Officer of the State, appointed by the Governor with the advice and consent of the State Senate. HSEO coordinates the overall transition of the State economy from fossil fuels to renewable energy, and will produce the first report on Statewide decarbonization strategies pursuant to Act 238 (2022) in January 2024. HSEO works with a variety of stakeholders to inform policies on mitigation and adaptation in energy use, including without limitation the use of low carbon intensity fuels in aviation, the deployment of alternative fuel vehicles and related fueling infrastructure, the deployment of renewable energy generation and storage technologies, and reducing the embodied carbon of the built environment.

HSEO is the energy resilience lead for planning and coordinating energy-related emergency response operations and assessing hazards to the State’s existing critical energy infrastructure. HSEO, in coordination with the Hawaii Emergency Management Agency, is undertaking a FEMA-funded Advance Assistance grant to assess vulnerabilities in critical energy supply infrastructure, which will allow the State to prioritize energy supply resilience investments. HSEO is also coordinating community-based resilience hub planning and implementation, with the first such hub being selected by FEMA for funding in 2024.

For coordination on climate adaptation and mitigation across State agencies, the Hawaii Climate Change Mitigation and Adaptation Commission (the “Climate Commission”) was created in 2017 by Act 32. This legislation also 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 Climate Commission. The Climate Commission is undertaking two Climate Action Plans, the Primary Climate Action Plan expected in March 2024, and the Comprehensive Climate Action Plan, expected in the second half of 2025. These action plans will inform and prioritize State actions on adaptation and mitigation across a range of economic sectors. 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.

The Climate Commission maintains a catalogue of climate-related legislation dating back to 2018. It covers a range of topics including climate-related real estate disclosures, State funding for EVs, and adaptation planning for State-owned facilities.

While the effects of climate change may be mitigated by the State’s past and future investment in adaptation strategies, the State can give no assurance about the net effects of those strategies and whether the State will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

### **RED HILL BULK FUEL STORAGE FACILITY**

The U.S. Navy’s Red Hill Bulk Fuel Storage Facility (the “Facility”) in Halawa Valley supports military operations in the Pacific. The Facility can store up to 250 million gallons of fuel. It consists of 20 steel lined tanks, encased in concrete, and built into cavities that were mined inside of Halawa Valley during World War II. Each tank has a storage capacity of approximately 12.5 million gallons. The tanks are connected to three pipelines that run 2.5 miles through a tunnel to fueling piers at Pearl Harbor. Presently, 18 tanks are operational, and two are not. Each of the 20 tanks measures 100 feet in diameter and is 250 feet in height. The Facility currently stores and dispenses three types of petroleum fuel—marine diesel for ships and two types of jet fuel, JP-5 and JP-8.

The Facility sits approximately 100 feet directly above Oahu's primary drinking water supply, the Southern Oahu Basal Aquifer. Citizens connected to municipal water supplies in the area around the Facility receive their drinking water from either the Honolulu Board of Water Supply or the Joint Base Pearl Harbor-Hickam Water System ("JBPHH").

In the last decade, incidents of fuel releases from the Facility have occurred, each of which contaminated water supply to surrounding areas. In January 2014, up to 27,000 gallons of fuel were reported to have been released into surrounding areas. In response to the fuel release, the Environmental Protection Agency ("EPA") and the Hawaii Department of Health ("DOH") negotiated an Administrative Order on Consent (the "2015 AOC") with the U.S. Navy and the Defense Logistics Agency ("DLA"). The 2015 AOC required the U.S. Navy and DLA to take actions, subject to DOH and EPA approval, to address fuel releases and implement infrastructure improvements to protect human health and the environment. Since the effective date of the 2015 AOC, the U.S. Navy and DLA have implemented numerous infrastructure improvements at the Red Hill Bulk Fuel Storage Facility and developed many reports on the Red Hill Bulk Fuel Storage Facility's infrastructure.

On May 6, 2021, Facility operators improperly executed a fuel transfer procedure resulting in two piping joint ruptures and a subsequent spill of jet fuel into surrounding areas. On November 20, 2021 a watch stander inadvertently struck a low point drain valve in the fire suppression retention line with the passenger cart of a train, cracking the pipe and spilling up to 19,377 gallons of fuel deposited there on May 6, 2021. The spill resulted in contamination of the Red Hill well and the U.S. Navy drinking water distribution system. Approximately 93,000 U.S. Navy water system users were impacted. The EPA partnered with the U.S. Navy, U.S. Army and the DOH to restore safe drinking water to the affected residents and workers. Drinking water restoration was completed in March 2022. The U.S. Navy is required over the next two years to continue testing the affected drinking water area and continue work to clean up the Red Hill well and impacted groundwater. In addition in July 2021, a release of about 150 gallons of marine diesel into Pearl Harbor was detected at Kilo Pier due to corrosion that created a small hole in a pipe. Approximately 110 gallons was recovered and the pipeline was emptied.

Following the November 2021 contamination of the JBPHH, the DOH issued an emergency order to the U.S. Navy that required the U.S. Navy to cease all operations at the Facility and defuel the 18 operational underground fuel storage tanks. The Hawaii State Emergency Order was issued on December 6, 2021 and then was reissued on May 6, 2022 (the "Emergency Order").

On March 7, 2022, the Secretary of Defense directed the Secretary of the U.S. Navy, in coordination with the Commander of the United States Indo-Pacific Command, to take all steps necessary to defuel and permanently close the Facility. The Department of Defense and U.S. Navy are working closely with the DOH and the EPA on a plan to safely and expeditiously defuel the Facility, followed by a permanent closure.

On June 30, 2022, the Secretary of the U.S. Navy, in coordination with the DLA, issued a defueling plan on behalf of the Department of Defense. The plan provides interim milestones to be achieved throughout the defueling process and shares an initial timeline for defueling the Facility. The plan identified December 31, 2024 as the earliest date that is consistent with the safe defueling of the Facility. The plan was submitted to the DOH on June 30, 2022, to fulfill the requirements in the Emergency Order, with supplements submitted on September 7, 2022, September 28, 2022 and May 16, 2023. In addition to the defueling plan, the U.S. Navy also submitted a closure plan to the DOH on November 1, 2022, with supplements submitted on February 28, 2023 and May 31, 2023.

On June 2, 2023, the EPA finalized an 2023 Administrative Consent Order (the "2023 ACO") with the U.S. Navy and the DLA, requiring the safe defueling and closure of the Red Hill Bulk Storage Facility.

Under the 2023 ACO, the U.S. Navy commits to properly operating and maintaining the JBPHH to protect the health and safety of its consumers. The 2023 ACO continues EPA's work to oversee the U.S. Navy's response to the November 2021 fuel release and the subsequent decision to close the Facility by the Department of Defense. The 2023 ACO does not replace the 2015 AOC.

Following the November 2021 contamination, the Honolulu Board of Water Supply shut down its Aiea Well and Halawa Shaft, the major source of potable water for urban Honolulu. The Honolulu Board of Water Supply is presently pumping at higher rates from other well stations that also serve metropolitan Honolulu to make up the 20% loss from shutting down the Halawa Shaft. This condition is being monitored closely as extended pumping at higher rates can cause water salinity levels to rise and affect both the aquifer and the water pumped. Extended closure of the Halawa Shaft could result in mandatory water conservation measures and moratoriums on new water use to prevent the effects of over pumping other well stations.

On October 16, 2023, the Department of Defense began defueling operations at the JBPHH ahead of schedule. Defueling operations consist of draining and removing approximately 104 gallons of fuel stored in the facility using pipelines that run through approximately three miles of tunnels to a pier located at JBPHH. Fuel removed from the facility will be loaded onto tanker ships and transported to existing Defense Fuel Support Points. The defueling plans have been closely coordinated with and approved by the DOH and the EPA. The defueling process will take approximately three months with completion targeted for mid-January 2024.

At this time the State cannot predict the ultimate impact on the economy of the State associated with the Facility contamination.

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## APPENDIX B

### FINANCIAL INFORMATION ABOUT THE STATE OF HAWAII

#### TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| PART I SELECTED FINANCIAL INFORMATION.....   | B-1         |
| INFORMATION ABOUT INDEBTEDNESS .....   | B-1         |
| Certificates of Participation and Lease Purchase Agreements.....   | B-6         |
| No Obligations Subject to Mandatory Purchase or Acceleration .....   | B-7         |
| INVESTMENT OF STATE FUNDS .....  | B-7         |
| Cash Management Program Policy.....  | B-7         |
| Securities in Which State Funds May Be Invested .....  | B-7         |
| Safety of Public Funds .....   | B-8         |
| Investment Yield.....  | B-8         |
| SELECTED FINANCIAL STATEMENTS .....  | B-9         |
| REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS .....   | B-12        |
| Introduction.....  | B-12        |
| General Fund Financial Plan.....   | B-17        |
| General Fund Tax Revenues .....  | B-21        |
| Actual Collections and Distributions .....   | B-23        |
| STATE EMPLOYEES' RETIREMENT SYSTEM .....   | B-25        |
| Employer Contribution Rate .....   | B-25        |
| Summary of Actuarial Certification Statement.....  | B-26        |
| PART II GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF HAWAII<br>AS OF JUNE 30, 2022 AND INDEPENDENT AUDITORS' REPORT..... | B-27        |

#### INDEX OF TABLES

|  | <u>Page</u> |   | <u>Page</u> |
|--|-------------|---|-------------|
| Table 1 - Summary of Total Indebtedness of<br>the State of Hawaii General Obligation<br>Bond Indebtedness..... | B-1         | Table 7 - Bonded Debt Per Capita .....  | B-6         |
| Table 2 - Revenue Bond Indebtedness.....   | B-2         | Table 8 - Balance Sheet of the General Fund<br>of the State of Hawaii .....             | B-10        |
| Table 3 - Special Purpose Revenue Bond<br>Indebtedness .....   | B-2         | Table 9 - Revenues and Expenditures of the<br>General Fund of the State of Hawaii ..... | B-11        |
| Table 4 - Summary Statement of the Debt<br>Limit of the State Of Hawaii .....                                  | B-3         | Table 10 – September 2023 Forecast<br>General Fund Tax Revenues .....                   | B-15        |
| Table 5 - General Obligation Bonds<br>Outstanding.....   | B-4         | Table 11 - Multi-Year Financial Summary –<br>General Fund Fiscal Years 2022-2029 .....  | B-18        |
| Table 6 - Summary of Debt Service.....   | B-5         | Table 12 - General Fund Tax Revenues.....   | B-22        |

|   |      |
|---|------|
| Table 13 - State Tax Collections – Source of Revenue .....  | B-23 |
| Table 14 - State Tax Collections – Distribution.....        | B-24 |
| Table 15 - Statutory Total Employer Contribution Rate ..... | B-25 |
| Table 16 - Increased Employer Contribution..                | B-26 |

|  |      |
|--|------|
| Table 21 - Employees’ Retirement System of the State of Hawaii - Summary of Actuarial Certification as of June 30, 2020 and 2021 ..... | B-26 |
| Table 22 - Funded Ratios .....   | B-27 |



## 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 1-3 set forth the State's total indebtedness as of July 1, 2023, 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.

**TABLE 1**  
**Summary of Total Indebtedness of the State of Hawaii**  
**General Obligation Bond Indebtedness**  
**As of July 1, 2023**

|   |               |                 |
|---|---------------|-----------------|
| General obligation bonds outstanding .....                          |               | \$8,722,972,429 |
| Less excludable reimbursable general obligation bonds <sup>1</sup>  |               |                 |
| Harbors .....   | \$ 10,965,833 |                 |
| Land and Natural Resources .....                                    | \$ 26,940,000 |                 |
| Subtotal excludable reimbursable general obligation bonds .....     | \$ 37,905,833 |                 |
| Less all general obligation bonds maturing in the current year..... | \$721,413,905 |                 |
| .....   |               | \$ 759,319,738  |
| Net general obligation bonds outstanding: .....                     |               | \$7,963,652,690 |

*[Remainder of page intentionally left blank.]*

**TABLE 2**  
**Revenue Bond Indebtedness<sup>2</sup>**  
**As of July 1, 2023**

**Revenue bonds outstanding:**

|  |                  |                 |
|--|------------------|-----------------|
| Airports:  |                  |                 |
| Airports system.....   | \$ 1,704,550,000 |                 |
| Airports special facility .....  | 392,485,000      | \$2,097,035,000 |
| Housing:   |                  |                 |
| Single family mortgage purchase .....  | 3,647,705        |                 |
| Multifamily .....  | 500,381,635      | 504,029,340     |
| Harbors .....  |                  | 320,775,000     |
| Highways.....  |                  | 479,365,000     |
| University of Hawaii .....   |                  | 416,765,000     |
| Hawaiian Home Lands .....  |                  | 21,250,000      |
| Hawaii Health Systems Corporation<br>(Maui Regional Health Care System)..... |                  | 15,726,007      |
| Department of Business, Economic Development and<br>Tourism.....             |                  | 66,055,424      |
| Total revenue bonds outstanding: .....                                       |                  | \$3,921,000,771 |

**TABLE 3**  
**Special Purpose Revenue Bond Indebtedness<sup>3</sup>**  
**As of July 1, 2023**

**Special Purpose Revenue Bonds outstanding:**

|   |                        |
|---|------------------------|
| Health care facilities.....   | \$523,917,731          |
| Utilities serving the general public.....   | 542,000,000            |
| Not for profit secondary schools, colleges and university serving the general public... | 99,025,000             |
| Total special purpose revenue bonds outstanding:.....                                   | <u>\$1,164,942,731</u> |

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

<sup>2</sup> 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.

<sup>3</sup> 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.

As of October 1, 2023, and not taking into account the anticipated issuance of the Bonds, the State had a total of \$8,125,063,305 of general obligation bonds and notes outstanding. See Appendix D — “GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII.”

The following TABLE 4 presents a summary of the calculation of the State’s constitutional debt limit as of July 1, 2023. The greatest amount of principal and interest payable in any fiscal year on outstanding general obligation indebtedness as of July 1, 2023, after exclusions permitted by the Constitution, was \$987,946,253 in the fiscal year ending June 30, 2024, which was within the July 1, 2023 debt limit of \$1,766,068,698.

**TABLE 4**  
**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**

|   | <b>2020-2021</b> | <b>2021-2022</b> | <b>2022-2023</b> |
|---|------------------|------------------|------------------|
| Total General Fund revenues exclusive of grants from the federal government.....  | \$9,651,021,618  | \$10,211,528,092 | \$10,192,211,129 |
| Less:   |                  |                  |                  |
| Deposit of working capital bond proceeds..  | 747,555,000      |                  |                  |
| Transfer from the emergency and budget reserve fund.....  | 648,000,000      |                  |                  |
| Receipts in reimbursement of any indebtedness that is excluded in computing the total outstanding indebtedness of the State Agencies..... | 5,912,283        | 5,911,307        | 8,430,391        |
| Net General Fund revenues.....  | \$8,249,554,335  | \$10,205,616,785 | \$10,183,780,738 |
| Sum of net General Fund revenues for preceding three fiscal years.....  | \$28,638,951,858 |                  |                  |
| Average of preceding three fiscal years.....  | \$9,546,317,286  |                  |                  |
| 18.5% of average net General Fund revenues of the three preceding years ended June 30, 2021, 2022 and 2023.....                           | \$1,766,068,698  |                  |                  |

NOTE: This Summary Statement is based on the July 1, 2023 statement of indebtedness. See “DEBT STRUCTURE — Outstanding Indebtedness and Debt Limit” in Appendix A.

The July 1, 2023 statement is the most recent such statement prepared and submitted to the Legislature. For a description of the applicable debt limit provisions, see “DEBT STRUCTURE — Outstanding Indebtedness and Debt Limit” in Appendix A.

*[Remainder of page intentionally left blank.]*

The following TABLE 5 sets forth a summary of the general obligation bonds outstanding as of July 1, 2023.

**TABLE 5**  
**General Obligation Bonds Outstanding**  
**As of July 1, 2023**

| <b>Reimbursable General Obligation Bonds<sup>1</sup><br/>From State Special Funds for</b>      | <b>Principal Amount</b> | <b>Balance</b>                | <b>% of Total</b>     |
|--|-------------------------|-------------------------------|-----------------------|
| Commercial Harbors.....  | \$10,965,833            |                               |                       |
| Small Boat Harbors <sup>2</sup> .....  | 544,170                 |                               |                       |
| Waiahole Water System <sup>2</sup> .....   | 4,047,020               |                               |                       |
| Land and Natural Resources.....  | <u>\$26,940,000</u>     |                               |                       |
| Total for Special Funds.....   | <u>\$42,497,023</u>     |                               |                       |
| Total Reimbursable General Obligation Bonds....  |                         | \$42,497,023                  | 0.49%                 |
| Non-Reimbursable General Obligation Bonds<br>from State General Funds for various purposes.... | <u>\$8,680,475,405</u>  |                               |                       |
| Total Non-Reimbursable General Obligation<br>Bonds.....  |                         | <u>\$8,680,475,405</u>        | <u>99.51%</u>         |
| Total General Obligation Bonds Issued and<br>Outstanding.....                                  |                         | <u><u>\$8,722,972,429</u></u> | <u><u>100.00%</u></u> |

<sup>1</sup> 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 5 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.

<sup>2</sup> Not excludable for debt limit purposes.

*[Remainder of page intentionally left blank.]*

The following TABLE 6 sets forth a summary of the debt service payable on all outstanding general obligation bonded indebtedness of the State of Hawaii as of October 1, 2023, 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.

**TABLE 6**  
**Summary of Debt Service<sup>1</sup>**  
**As of October 1, 2023**  
**(Amounts in dollars)**

| Fiscal<br>Year<br>Ending<br>June 30 | Total Remaining Principal<br>Amount <sup>2</sup> | Total<br>Principal Payable | Total Interest<br>Payable | Total Debt Service<br>Payable | Less Amounts<br>Reimbursable to General<br>Fund <sup>3</sup> | Debt Service on Series GM Bonds <sup>4</sup> |                           |  |
|-------------------------------------|--|----------------------------|---------------------------|-------------------------------|--|--|---------------------------|--|
|                                     |  |                            |                           |                               |  | Total Principal<br>Payable                   | Total Interest<br>Payable | Net Debt<br>Service Payable <sup>5</sup> |
| 2024                                | \$8,125,063,305.25                               | \$128,075,000.00           | \$153,370,585.66          | \$281,445,585.66              | \$4,128,846.16   | \$47,270,000.00                              | \$10,901,517.01           | \$335,488,256.51                         |
| 2025                                | 7,996,988,305.25                                 | 705,830,472.76             | 271,295,070.03            | 977,125,542.79                | 6,523,426.04   | 22,795,000.00                                | 35,374,592.23             | 1,028,771,708.98                         |
| 2026                                | 7,291,157,832.49                                 | 731,055,747.22             | 249,641,490.14            | 980,697,237.36                | 6,523,845.21   | 23,950,000.00                                | 34,218,286.01             | 1,032,341,678.16                         |
| 2027                                | 6,560,102,085.27                                 | 594,886,178.14             | 228,175,401.51            | 823,061,579.65                | 4,244,202.70   | 25,100,000.00                                | 33,067,572.26             | 876,984,949.21                           |
| 2028                                | 5,965,215,907.13                                 | 589,919,106.88             | 206,483,867.50            | 796,402,974.38                | 3,898,978.25   | 26,335,000.00                                | 31,833,403.26             | 850,672,399.39                           |
| 2029                                | 5,375,296,800.25                                 | 579,254,815.25             | 185,131,418.92            | 764,386,234.17                | 2,958,624.60   | 27,685,000.00                                | 30,482,903.26             | 819,595,512.83                           |
| 2030                                | 4,796,041,985.00                                 | 552,992,126.14             | 164,747,590.28            | 717,739,716.42                | 2,963,813.41   | 29,145,000.00                                | 29,025,722.01             | 772,946,625.02                           |
| 2031                                | 4,243,049,858.86                                 | 525,653,918.66             | 144,637,114.21            | 670,291,032.87                | 2,960,893.13   | 30,645,000.00                                | 27,524,266.41             | 725,499,406.15                           |
| 2032                                | 3,717,395,940.20                                 | 544,067,152.13             | 126,147,107.48            | 670,214,259.61                | 2,963,364.33   | 32,150,000.00                                | 26,020,928.81             | 725,421,824.09                           |
| 2033                                | 3,173,328,788.07                                 | 489,948,855.90             | 109,004,938.37            | 598,953,794.27                | 2,962,231.88   | 33,730,000.00                                | 24,440,928.91             | 654,162,491.30                           |
| 2034                                | 2,683,379,932.17                                 | 465,989,932.17             | 93,217,819.37             | 559,207,751.54                | 2,865,933.61   | 35,400,000.00                                | 22,771,010.26             | 614,512,828.19                           |
| 2035                                | 2,217,390,000.00                                 | 427,115,000.00             | 77,603,222.91             | 504,718,222.91                | 2,751,704.96   | 37,170,000.00                                | 20,999,585.41             | 560,136,103.36                           |
| 2036                                | 1,790,275,000.00                                 | 388,535,000.00             | 63,099,597.23             | 451,634,597.23                | 2,533,575.00   | 39,075,000.00                                | 19,094,270.93             | 507,270,293.16                           |
| 2037                                | 1,401,740,000.00                                 | 344,975,000.00             | 48,911,643.68             | 393,886,643.68                | 0.00   | 41,140,000.00                                | 17,029,564.60             | 452,056,208.28                           |
| 2038                                | 1,056,765,000.00                                 | 280,105,000.00             | 36,452,544.70             | 316,557,544.70                | 0.00   | 43,355,000.00                                | 14,812,983.88             | 374,725,528.58                           |
| 2039                                | 776,660,000.00                                   | 236,010,000.00             | 25,594,114.98             | 261,604,114.98                | 0.00   | 45,715,000.00                                | 12,454,115.28             | 319,773,230.26                           |
| 2040                                | 540,650,000.00                                   | 207,265,000.00             | 16,807,638.26             | 224,072,638.26                | 0.00   | 48,210,000.00                                | 9,960,784.80              | 282,243,423.06                           |
| 2041                                | 333,385,000.00                                   | 214,755,000.00             | 9,319,736.38              | 224,074,736.38                | 0.00   | 50,845,000.00                                | 7,324,106.60              | 282,243,842.98                           |
| 2042                                | 118,630,000.00                                   | 118,630,000.00             | 2,742,882.25              | 121,372,882.25                | 0.00   | 53,650,000.00                                | 4,516,497.80              | 179,539,380.05                           |
| 2043                                | 0.00   | 0.00                       | 0.00                      | 0.00                          | 0.00   | 56,635,000.00                                | 1,534,242.15              | 58,169,242.15                            |
|                                     |  | \$8,125,063,305.25         | \$2,212,383,783.86        | \$10,337,447,089.11           | \$48,279,439.28  | \$750,000,000.00                             | \$413,387,281.88          | \$11,452,554,931.71                      |

<sup>1</sup> Totals reflect rounding.

<sup>2</sup> Remaining principal amount, as of commencement of fiscal year, of all general obligation bonded indebtedness of the State that was outstanding as of October 1, 2023.

<sup>3</sup> 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 TABLE 6 above is greater than the excludable reimbursement under the Constitution. For example, of the \$4,128,846.16 amount reimbursable to the General Fund in the Fiscal Year ending June 30, 2024, only \$3,593,544.32 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.

<sup>4</sup> As of the expected date of delivery thereof.

<sup>5</sup> Approximate. Reflects bond debt service on all outstanding general obligation bonded indebtedness of the State of Hawaii as of October 1, 2023, plus debt service on the Bonds as of their expected date of delivery.

The following TABLE 7 sets forth a summary of the bonded debt per capita for fiscal years 2017 through 2022.

**TABLE 7**  
**Bonded Debt Per Capita**  
**(“Debt Per Capita” in dollars; other amounts in thousands of dollars)**

| <b>Fiscal Year</b> | <b>Population<sup>1</sup></b> | <b>General<br/>Obligation<br/>Bonded Debt<sup>2&amp;3</sup></b> | <b>Less Debt<br/>Service Moneys<br/>Available<sup>2</sup></b> | <b>Net General<br/>Obligation<br/>Bonded Debt</b> | <b>Net General<br/>Obligation<br/>Bonded Debt<br/>Per Capita</b> |
|--------------------|-------------------------------|---|---|---|--|
| 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  |
| 2021               | 1,455                         | 8,886,693   | 247   | 8,886,446   | 6,108  |
| 2022               | 1,435                         | 9,055,177   | 272   | 9,054,905   | 6,310  |

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

<sup>2</sup> Source: State of Hawaii, Department of Accounting and General Services, Accounting Division.

<sup>3</sup> 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, 2022, is \$11,000,000. 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, 2023, approximately \$75.9 million was credited to the General Fund as investment earnings from the Treasury Investment Pool. The State’s total investment portfolio as of September 30, 2023 had a market value of approximately \$10.8 billion and \$654 million in demand



deposits. Of such amount, approximately 5% consisted of cash in bank demand deposits, approximately 15% was invested in bank time certificates of deposit, approximately 72% was invested in U.S. Federal Agency and Government-Sponsored Entity Securities, approximately 4% was invested in U.S. Treasury securities, and approximately 4% was invested in commercial paper. The portfolio had an effective duration of 1.29 years (excluding demand deposits) and has an estimated portfolio-weighted yield (based on estimated annualized income) of 5.68%.

## **SELECTED FINANCIAL STATEMENTS**

The following TABLE 8 is the balance sheet of the General Fund ending each June 30 from 2018 to 2022. Following thereafter in TABLE 9 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 Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022, referred to in Part II of Appendix B. As of October 2023, year-to-date General Fund tax revenues are up 7.6% compared to the same period in fiscal year 2023.

As noted previously, the COVID-19 emergency and the Maui wildfires have adversely affected the finances and financial condition of the State. See "MAUI WILDFIRES" and "GENERAL ECONOMIC INFORMATION" in Appendix A to this Official Statement, and elsewhere as discussed in this Official Statement.

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).

*[Remainder of page intentionally left blank.]*

**TABLE 8**  
**Balance Sheet of the General Fund of the State of Hawaii**  
**As of June 30**  
**(Amounts in thousands)**

| ASSETS:                         | 2018               | 2019                | 2020               | 2021               | 2022               |
|---------------------------------|--------------------|---------------------|--------------------|--------------------|--------------------|
| Cash.....                       | \$136,303          | \$ 120,121          | \$ 104,176         | \$ 300,736         | \$ 335,778         |
| Due from other funds .....      | 90,172             | 216,066             | 195,610            | 220,916            | 165,657            |
| Due from agency funds .....     | -                  | -                   | 455,012            | -                  | -                  |
| Due from Component Units .....  | 6,000              | 6,000               | 6,000              | 6,000              | 6,000              |
| Receivables:                    |                    |                     |                    |                    |                    |
| Taxes .....                     | 302,350            | 291,052             | 481,568            | 595,936            | 123,267            |
| Notes .....                     | 1,380              | 1,411               | 1,340              | 1,327              | 1,307              |
| Other .....                     | 7,901              | 8,000               | 7,900              | 8,500              | 22,824             |
| Total receivables               | 311,631            | 300,463             | 490,808            | 605,763            | 147,398            |
| Investments .....               | 1,407,702          | 1,364,567           | 445,648            | 1,240,087          | 3,033,221          |
| Other Assets .....              | 3,902              | 3,906               | 3,902              | 3,904              | 3,904              |
| <b>TOTAL ASSETS</b>             | <b>\$1,955,710</b> | <b>\$2,011,123</b>  | <b>\$1,701,156</b> | <b>\$2,377,406</b> | <b>\$3,691,958</b> |
| <b>LIABILITIES AND FUND</b>     |                    |                     |                    |                    |                    |
| <b>BALANCES:</b>                |                    |                     |                    |                    |                    |
| Liabilities:                    |                    |                     |                    |                    |                    |
| Vouchers payable.....           | \$197,870          | \$140,056           | \$123,599          | \$522,681          | \$211,108          |
| Other accrued liabilities ..... | 274,873            | 244,998             | 305,837            | 271,808            | 319,465            |
| Due to other funds.....         | -                  | -                   | 152                | 17,455             | 17,264             |
| Due to Component Units .....    | 5,047              | 3,754               | 2,979              | 4,923              | 4,464              |
| Total liabilities               | <u>477,790</u>     | <u>388,808</u>      | <u>432,567</u>     | <u>816,867</u>     | <u>552,301</u>     |
| <b>FUND BALANCES:</b>           |                    |                     |                    |                    |                    |
| Assigned.....                   | 503,201            | 475,242             | 479,071            | 390,666            | 407,353            |
| Unassigned .....                | 974,719            | 1,147,073           | 789,518            | 1,169,873          | 2,732,304          |
| Total fund balances*            | <u>1,477,920</u>   | <u>1,622,315</u>    | <u>1,268,589</u>   | <u>1,560,539</u>   | <u>3,139,657</u>   |
| <b>TOTAL LIABILITIES AND</b>    |                    |                     |                    |                    |                    |
| <b>FUND BALANCES</b>            | <b>\$1,955,710</b> | <b>\$ 2,011,123</b> | <b>\$1,701,156</b> | <b>\$2,377,406</b> | <b>\$3,691,958</b> |

\* 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.

*[Remainder of page intentionally left blank.]*

**TABLE 9**  
**Revenues and Expenditures of the General Fund**  
**of the State of Hawaii**  
**(for the fiscal years shown)**  
**(Amounts in Thousands)**

|   | 2017-2018          | % of Total     | 2018-2019          | % of Total     | 2019-2020          | % of Total     | 2020-2021          | % of Total     | 2021-2022          | % of Total     |
|---|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|
| <b>REVENUES:</b>                                |                    |                |                    |                |                    |                |                    |                |                    |                |
| General excise tax                              | \$3,420,476        | 48.40%         | \$3,527,256        | 47.11%         | \$3,364,897        | 46.09%         | \$3,195,843        | 43.38%         | \$3,603,931        | 40.00%         |
| Income tax-corporation                          | 111,827            | 1.58           | 165,881            | 2.22           | 34,439             | 0.47           | 162,485            | 2.21           | 274,152            | 3.04           |
| Income tax-individual                           | 2,344,847          | 33.18          | 2,552,773          | 34.09          | 2,623,112          | 35.93          | 3,070,689          | 41.68          | 3,484,295          | 38.67          |
| Service companies tax                           | 117,641            | 1.66           | 126,691            | 1.69           | 134,639            | 1.84           | 125,201            | 1.70           | 122,068            | 1.36           |
| Liquor licenses and taxes                       | 51,383             | 0.73           | 51,913             | 0.69           | 50,674             | 0.69           | 45,178             | 0.61           | 53,983             | 0.60           |
| Tobacco licenses and taxes                      | 79,913             | 1.13           | 74,526             | 1.00           | 74,858             | 1.03           | 72,747             | 0.99           | 65,658             | 0.73           |
| Insurance premiums tax                          | 159,814            | 2.26           | 173,844            | 2.32           | 180,753            | 2.48           | 185,570            | 2.52           | 195,607            | 2.17           |
| Rental motor/tour vehicle surcharge tax         | 2                  | -              | 3                  | -              | 2                  | -              | 5                  | -              | 14                 | -              |
| Inheritance and estate tax                      | 29,351             | 0.42           | 18,921             | 0.25           | 45,451             | 0.62           | 31,275             | 0.42           | 57,405             | 0.64           |
| Franchise tax                                   | 13,712             | 0.19           | 24,808             | 0.33           | 33,271             | 0.46           | 3,079              | 0.04           | 57,252             | 0.64           |
| Environmental response tax                      | 15,373             | 0.22           | 15,904             | 0.21           | 17,244             | 0.24           | 15,441             | 0.21           | 20,878             | 0.23           |
| Transient accommodations tax*                   | 304,521            | 4.31           | 356,670            | 4.76           | 303,176            | 4.15           | 194,095            | 2.63           | 661,330            | 7.34           |
| Conveyance tax                                  | 55,805             | 0.79           | 40,804             | 0.54           | 22,746             | 0.31           | 26,257             | 0.36           | 145,318            | 1.61           |
| Total Taxes                                     | 6,704,665          | 94.87          | 7,129,994          | 95.21          | 6,885,262          | 94.31          | 7,127,865          | 96.75          | 8,741,891          | 97.03          |
| Charges for current services and other revenues | 362,837            | 5.13           | 357,446            | 4.79           | 415,348            | 5.69           | 239,100            | 3.25           | 267,630            | 2.97           |
| <b>TOTAL REVENUES</b>                           | <b>\$7,067,502</b> | <b>100.00%</b> | <b>\$7,487,440</b> | <b>100.00%</b> | <b>\$7,300,610</b> | <b>100.00%</b> | <b>\$7,366,965</b> | <b>100.00%</b> | <b>\$9,009,521</b> | <b>100.00%</b> |
| <b>EXPENDITURES:</b>                            |                    |                |                    |                |                    |                |                    |                |                    |                |
| General government                              | \$567,869          | 8.63           | \$506,453          | 7.74           | \$587,460          | 8.53           | \$930,895          | 12.97          | \$578,495          | 8.79           |
| Public safety                                   | 430,954            | 6.55           | 465,608            | 7.12           | 438,510            | 6.37           | 422,017            | 5.88           | 399,499            | 6.07           |
| Conservation of natural resources               | 64,986             | 0.99           | 72,056             | 1.10           | 81,675             | 1.19           | 67,198             | 0.94           | 60,932             | 0.93           |
| Health  | 577,749            | 8.78           | 750,450            | 11.47          | 780,726            | 11.33          | 725,269            | 10.10          | 665,233            | 10.11          |
| Welfare   | 1,186,888          | 18.05          | 1,116,455          | 17.07          | 1,240,717          | 18.01          | 1,265,818          | 17.63          | 1,350,186          | 20.52          |
| Education: Higher                               | 766,764            | 11.66          | 821,327            | 12.56          | 851,779            | 12.36          | 885,315            | 12.33          | 768,478            | 11.68          |
| Lower and others                                | 2,495,321          | 37.94          | 2,614,444          | 39.97          | 2,678,811          | 38.88          | 2,699,859          | 37.61          | 2,518,841          | 38.29          |
| Culture-recreation                              | 56,148             | 0.85           | 57,220             | 0.87           | 82,271             | 1.19           | 64,854             | 0.90           | 60,801             | 0.93           |
| Urban redevelopment and housing                 | 21,105             | 0.32           | 32,882             | 0.50           | 23,595             | 0.34           | 20,703             | 0.29           | 18,975             | 0.28           |
| Economic development & assistance               | 45,527             | 0.69           | 52,908             | 0.81           | 60,989             | 0.89           | 58,068             | 0.81           | 49,779             | 0.76           |
| Other   | 363,304            | 5.54           | 50,866             | 0.79           | 62,905             | 0.91           | 38,408             | 0.54           | 107,878            | 1.64           |
| <b>TOTAL EXPENDITURES</b>                       | <b>\$6,576,615</b> | <b>100.00%</b> | <b>\$6,540,669</b> | <b>100.00%</b> | <b>\$6,889,438</b> | <b>100.00%</b> | <b>\$7,178,404</b> | <b>100.00%</b> | <b>\$6,579,047</b> | <b>100.00%</b> |
| <b>OTHER FINANCING SOURCES (USES):</b>          |                    |                |                    |                |                    |                |                    |                |                    |                |
| Transfers in                                    | \$155,213          | -              | \$84,441           | -              | \$175,694          | -              | \$985,641          | -              | \$191,545          | -              |
| Transfers out                                   | (874,368)          | -              | (887,049)          | -              | (940,592)          | -              | (1,157,380)        | -              | (1,057,626)        | -              |
| Other   | 117                | -              | 232                | -              | -                  | -              | 757,827            | -              | 12,198             | -              |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>     | <b>\$(719,038)</b> | <b>-</b>       | <b>\$(802,376)</b> | <b>-</b>       | <b>\$(764,898)</b> | <b>-</b>       | <b>\$586,088</b>   | <b>-</b>       | <b>\$(853,883)</b> | <b>-</b>       |

\* 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. 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 Council consists of seven members, three of whom are appointed by the Governor for four-year terms and two each of whom are appointed by the President of the Senate and the Speaker of the House of Representatives for two-year terms. The membership of the current Council comprises: a tax attorney/certified public accountant; a chief financial officer of a depository financial services loan company; an economics professor from the University of Hawaii, Mānoa; a vice-president of a professional consulting and engineering practice; a principal of a trust/estate practice; a research and consulting director of a commercial real estate company; and an ecological economics professor from the Hawaii Pacific University.

The following is a summary of the Council’s actions over the past three years.

In September 2021, the Council raised its forecast for growth in fiscal year 2022 from 3.0% to 6.3% based on 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. The Council also forecasts an annual growth rate of 4.0% for fiscal year 2023 through fiscal year 2028.

In January 2022, the Council increased its forecast for fiscal year 2022 from 6.3% to 15.0% due to robust year-to-date collections stemming from the general excise and use tax and the transient accommodation tax, resulting from the rapid recovery of tourist arrivals, renewed consumer spending, inflation, and a significantly larger share of the transient accommodations tax remaining in the general fund. The economic impacts of the \$1.9 trillion American Rescue Plan Act passed in March 2021 contributed to the improved economic outlook along with the reduction in public health risks related to COVID-19. The Council also increased its forecast for fiscal year 2023 from 4.0% to 6.9%, and maintained its forecasts for fiscal years 2024 through 2028 at 4.0%.

In March 2022, the Council increased its forecast for fiscal year 2022 from 15.0% to 21.0% due to strong economic and tax collection data to date. This includes robust year-to-date collections stemming from the rapid recovery of tourist arrivals, renewed consumer spending, additional tax collections due to inflation, and a significantly larger share of the transient accommodations tax remaining in the general fund. Individual and corporate income tax payments in fiscal year 2021 included approximately \$300 million additional amounts that were the result of a deferred 2019 tax filing deadline from April 2020 to July 2020.

due to the pandemic, resulting in a shift of tax collections from fiscal year 2020 into fiscal year 2021. In addition, the economic impacts of the \$1.9 trillion American Rescue Plan Act passed in March 2021 contributed to the improved economic outlook, along with the reduction in public health risks related to COVID-19. The Council lowered its forecast for fiscal year 2023 from 6.9% to 6.0%, maintained its forecast for fiscal year 2024 at 4.0%, and lowered its forecasts for fiscal years 2025 through 2028 from 4.0% to 3.5%.

In May 2022, the Council increased its forecast for fiscal year 2022 from 21.0% to 28.0% due to strong economic and tax collection data year-to-date (approximately 32.8% as of April 30, 2022) and because there are only two months remaining in fiscal year 2022. Further, the preliminary General Fund revenue data through the May 20, 2022 continue to indicate positive growth. The robust year-to-date collections stem from the rapid recovery of tourist arrivals, renewed consumer spending, additional tax collections due to high inflation, and a significantly larger share of the transient accommodations tax remaining in the General Fund. The Council lowered its forecast for fiscal year 2023 from 6.0% to 5.0%, lowered its forecast for fiscal year 2024 from 4.0% to 3.5%, and maintained its forecasts for fiscal years 2025 through 2028 at 3.5%.

In July 2022, the Department of Taxation reported that the fiscal year 2022 preliminary cumulative General Fund tax collections were up 29.0% over the same period in fiscal year 2021. The fiscal year cumulative General Fund growth rate for fiscal year 2022 was subsequently revised to 29.1%.

In September 2022, the Council increased its forecast for fiscal year 2023 from 5.0% to 6.5% due to strong economic and tax collection data year to date. This includes robust year-to-date collections stemming from the rapid recovery of tourist arrivals, renewed consumer spending, and additional tax collections due to inflation. Further, the federal government has commenced significant construction and infrastructure projects. The Council increased its forecast for fiscal year 2024 from 3.5% to 4.0%, maintained its forecasts for fiscal years 2025 through 2028 at 3.5%, and added a forecast for fiscal year 2029 at 3.5%.

In January 2023, the Council lowered its forecast to 5.5% from 6.5% for fiscal year 2023 due to the Constitutional Refund, which is expected to reduce revenues by approximately \$335 million in the first half of the fiscal year. The Council did not consider the revenue impact of the Constitutional Refund in its September 2022 meeting. As a result, January was the first opportunity that the Council had to adjust its forecast for the Constitutional Refund's impact on tax revenues. Strong tax collections in the first half of the year mitigated some of the impact of the Constitutional Refund. The Council increased its forecast to 5.0% from 4.0% for fiscal year 2024. The Council maintained its forecast for fiscal year 2025 through fiscal year 2029 at 3.5%.

In March 2023, the Council lowered its forecast to 2.0% from 5.5% for the fiscal year 2023 due to the Constitutional Refund, which is expected to reduce revenues \$334 million in fiscal year 2023, and lower estimated tax payments from individual filers. Lower capital gains income due to poor performance in the stock market and a cooling real estate market is a likely cause of lower estimated tax payments. The Council also noted that in recent months inflation has dropped nationally and in Hawaii. The Council lowered its forecast to 4.0% from 5.0% for fiscal year 2024 to account for the reversion of collections to pre-pandemic levels, the period before Federal fiscal stimulus dollars boosted tax collections. For example, the Council expects that it will be extremely challenging to exceed or even match the \$1.4 billion monthly revenue of April 2022. This also contributed to the lower growth forecast for fiscal year 2023. The Council maintained its forecasts for fiscal year 2025 through fiscal year 2029 at 3.5%.

In May 2023, the Council lowered its forecast to -1.0% from 2.0% for fiscal year 2023 due to the Constitutional Refund, which reduced fiscal year 2023 revenues by \$312, lower estimated tax payments,

and higher refunds. Lower capital gains income due to poor performance in the stock market and a cooling in the real estate market are the likely causes of lower estimated tax payments. The Council maintained its forecast of 4.0% for fiscal year 2024. The Council also maintained its forecast for fiscal year 2025 through fiscal year 2029 at 3.5%.

In July 2023, the Department of Taxation reported that the fiscal year 2022 preliminary cumulative General Fund tax collections were down 1.7% over the same period in fiscal year 2021. The fiscal year cumulative General Fund growth rate for fiscal year 2022 was subsequently revised to -1.7%.

In September 2023, the Council lowered its forecast to 1.3% from 4.0% for fiscal year 2024. The Council increased its forecast from 3.5% to 5.2% for fiscal year 2025. The Council maintained its forecast for fiscal year 2026 through fiscal year 2030 at 3.5%. The September 2023 forecast exceeded the pre-pandemic high forecast (from January 2020) by approximately 9.9% from fiscal years 2024 through 2026 (translating to \$881 million of additional revenue per year), but is lower than the post-pandemic high forecast from the May 2023 Council meeting.

The Council reported the following to the Governor:

“The decrease in the FY 2024 revision accounts for the economic impacts of the Maui Fires, which will affect tourism revenues and other economic activity. The Council expects that the recovery efforts and the large influx of Federal assistance will mitigate some of the immediate impacts of the fires and their repercussions. The forecast reduction also reflects slower tourism spending that was occurring independent of the Maui disaster. The Council increased its FY 2025 forecast to account for the spending that will come from the recovery construction in response to the Maui fires.

Due to the recent strength of the U.S. dollar compared to foreign currencies, Hawaii also faces strong competition from international travel destinations, such as Europe. Tourists from Japan may be especially less likely to travel to Hawaii due to an unfavorable foreign currency exchange rate.

Given the prominent role of tourism in Hawaii’s economy, the number of visitors to the State will have a major impact on the economy and tax collections.”

See “MAUI WILDFIRES” in Appendix A.

The September 2023 forecasts for the State General Fund tax revenues for fiscal years 2024 through 2030 are shown in TABLE 10 below.

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**TABLE 10**  
**September 2023 Forecast**  
**General Fund Tax Revenues**

| <b>Fiscal Year</b> | <b>Amount<br/>(in Thousands of Dollars)</b> | <b>Growth From Previous Year</b> |
|--------------------|---|----------------------------------|
| 2024               | \$9,319,912                                 | 1.3%                             |
| 2025               | 9,804,547                                   | 5.2                              |
| 2026               | 10,147,706                                  | 3.5                              |
| 2027               | 10,502,876                                  | 3.5                              |
| 2028               | 10,870,477                                  | 3.5                              |
| 2029               | 11,250,944                                  | 3.5                              |
| 2030               | 11,644,727                                  | 3.5                              |

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 2023 Legislature, including the following:

- Act 62, SLH 2023 amends the cigarette tax and tobacco tax. Beginning January 1, 2024, the Act imposes a tax of 70% of the wholesale price of each electronic smoking device or e-liquid sold, used, or possessed by a wholesaler or dealer, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer. The Act increases the wholesaler and dealer license fee from \$2.50 to \$250. It also increases the retail tobacco permit fee from \$20 to \$50. The Act became effective on July 1, 2023. The estimated gain to the General Fund is \$6.4 million in fiscal year 2024, \$15.8 million in fiscal year 2025, \$16.3 million in fiscal year 2026, \$18.6 million in fiscal year 2027, \$17.3 million in fiscal year 2028, \$17.8 million in fiscal year 2029, and \$18.3 million in fiscal year 2030.
- Act 163 SLH 2023 amends the household and dependent care services credit by increasing the cap on employment-related expenses that may be used to claim the credit from \$2,400 to \$10,000 for one qualifying individual and from \$4,800 to \$20,000 for two or more qualifying individuals. The Act also amends the EITC by increasing the amount of the credit from 20% to 40% of the federal EITC allowed. The Act amends the refundable food/excise tax credit by doubling the amount of credit per qualified exemption and increasing the adjusted gross income limits by \$10,000 in all income brackets. Act 163 became effective on June 30, 2023, applies to taxable years beginning after December 31, 2022, and will be repealed on December 31, 2027. The estimated decline to the General Fund is \$89.2 million in fiscal year 2024, \$88.0 million in fiscal year 2025, \$87.6 million in fiscal year 2026, \$87.7 million in fiscal year 2027, and \$88.2 million in fiscal year 2028. There are no General Fund impacts expected in fiscal year 2029-30 due to the expiration date.
- Act 115, SLH 2022 provides a one-time tax refund of either \$100 or \$300 per qualifying exemption depending on federal adjusted gross income for Hawaii residents. The act also makes deposits to the Emergency and Budget Reserve Fund and Pension Accumulation Fund, pursuant to article VII, section 6, of the Hawaii State Constitution. The Act became effective on July 1, 2022. The estimated loss to the General fund is \$334.6 million in fiscal year 2023.
- Act 80, SLH 2022 clarifies the amounts received or accrued for stevedoring services, wharfage, and demurrage services are exempt under the general excise tax law within section 237- 24.3, HRS. The Act became effective on June 27, 2022. The estimated loss to the General Fund is \$5.6 million in fiscal year 2023, \$6.3 million in fiscal year 2024, \$6.5 million in fiscal year

2025, \$6.7 million in fiscal year 2026, \$6.9 million in fiscal year 2027, \$7.1 million in fiscal year 2028, and \$7.3 million in fiscal year 2029.

- Act 114, SLH 2022 makes the State earned income tax credit (EITC) refundable and permanent. The State EITC becomes refundable beginning with the 2023 tax year. All carryforwards of nonrefundable EITC expire at the end of the 2024 tax year. Act 114 also adds new incremental increases to both minimum wages and tip credits beginning on October 1, 2022 and increasing through January 1, 2028. The Act became effective on June 27, 2022. The estimated loss to the General Fund is \$0.0 million in fiscal year 2023, \$47.1 million in fiscal year 2024, \$48.4 million in fiscal year 2025, \$49.4 million in fiscal year 2026, \$50.5 million in fiscal year 2027, \$51.6 million in fiscal year 2028, and \$52.7 million in fiscal year 2029.
- Act 216, SLH 2022 reinstates the Renewable Fuels Production Tax Credit (RFPTC), which was previously codified at section 235-110.31, HRS, before its duly scheduled repeal on December 31, 2021. Act 216 also allows the RFPTC to be refunded under certain conditions. The Act became effective on June 27, 2022 and applies to taxable years beginning after December 31, 2021. The estimated loss to the General Fund is \$20 million per year from fiscal year 2023 to fiscal year 2029.
- Act 1, SSLH 2021 authorizes the counties to establish and administer their own transient accommodations tax (TAT) at a maximum rate of 3%. The Act reduces the allocation to the convention center special fund from \$16.5 million to \$11 million. The Act also eliminates the \$79 million allocation to the tourism special fund, and the \$103 million allocation to the counties. The Act became effective on July 1, 2021. The estimated gain to the General Fund is \$187.5 million for fiscal year 2022 through fiscal year 2028.
- Act 226, SLH 2021 relaxes the rules on allocating the low-income housing tax credit (LIHTC). The Act also relaxes 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. The Act prohibits the deductions and expenses claimed by Hawaii taxpayers to exceed the deductions and expenses claimed by all taxpayers on federal returns. The Act extends the shortened credit period provided by Act 129, SLH 2016, from tax year 2022 through tax year 2027. The Act 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 fiscal year 2022, \$24.1 million in fiscal year 2023, \$24.9 million in fiscal year 2024, \$25.6 million in fiscal year 2025, \$26.4 million in fiscal year 2026, \$27.2 million in fiscal year 2027, and \$28.0 million in fiscal year 2028.”

These deliberations and considerations have informed the State’s General Fund financial plan. See “General Fund Financial Plan” below in this Part I of Appendix B.

The management of the State has prepared the prospective financial information set forth in TABLE 11 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 in TABLE 11 below are the actual budgetary General Fund resources, expenditures, and balances for fiscal years 2022 and 2023 and estimates for fiscal years 2024 through 2029. The budgetary General Fund resources, expenditures and balances below and under “General Fund Tax Revenues” and “Actual Collections and Distributions” are presented on a modified cash-basis. The State’s normal practice is to utilize this modified cash-basis methodology for budgetary and financial planning purposes. In contrast, the State’s audited financial statements are prepared on a modified accrual basis. Consequently, the modified cash basis information presented under this caption and the next two captions titled “General Fund Tax Revenues” and “Actual Collections and Distributions” is not directly comparable to the modified accrual basis information presented in the State’s audited financial statements, and the differences in reporting may vary substantially. Due to timing issues and accounting system limitations, certain transactions authorized for a fiscal year were recorded in the following fiscal year by the Department of Accounting and General Services. However, the financial plan records appropriations in the fiscal year for which the appropriation was authorized. This affects certain transactions in fiscal years 2022, 2023 and 2024 which are discussed in more detail in footnotes to TABLE 11 below.

The Green Administration is in the process of preparing the Fiscal Year 2025 Executive Supplemental Budget Request for submittal to the 2024 Legislature which is due on December 18, 2023. Consequently, the amounts reflected in TABLE 11 are subject to change.

*[Remainder of page intentionally left blank.]*

**TABLE 11**  
**Multi-Year Financial Summary – General Fund**  
**Fiscal Years 2022-2029**

|   | Adj. Act <sup>1,9</sup><br>FY 22 | Adj. Act <sup>1,9,10</sup><br>FY 23 | Estimated<br>FY 24 | Estimated<br>FY 25 | Estimated<br>FY 26 | Estimated<br>FY 27 | Estimated<br>FY 28 | Estimated<br>FY 29 |
|---|----------------------------------|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES:   |                                  |                                     |                    |                    |                    |                    |                    |                    |
| Executive Branch:   | 29.1%                            | -1.7%                               | 1.3%               | 5.2%               | 3.5%               | 3.5%               | 3.5%               | 3.5%               |
| Tax revenues <sup>2</sup>   | \$9,358.8                        | \$9,200.3                           | \$9,319.9          | \$9,804.5          | \$10,147.7         | \$10,502.9         | \$10,870.5         | \$11,250.9         |
| Nontax revenues <sup>3</sup>  | 823.4                            | 965.4                               | 841.2              | 852.7              | 872.3              | 877.9              | 901.1              | 917.2              |
| Judicial Branch revenues <sup>3</sup>   | 29.4                             | 26.6                                | 29.3               | 29.3               | 29.3               | 29.3               | 29.3               | 29.3               |
| Other revenues <sup>4</sup>   | (0.1)                            | (0.1)                               | 0.9                | 0.9                | 0.9                | 1.0                | 1.0                | 1.0                |
| Phase II – GAP Plan <sup>5</sup>  | 0.0                              | 0.0                                 | 0.0                | (37.5)             | (41.6)             | (54.1)             | (63.7)             | 0.0                |
| <b>TOTAL REVENUES</b>   | <b>\$10,211.5</b>                | <b>\$10,192.2</b>                   | <b>\$10,191.3</b>  | <b>\$10,649.9</b>  | <b>\$11,008.6</b>  | <b>\$11,357.0</b>  | <b>\$11,738.2</b>  | <b>\$12,198.4</b>  |
| EXPENDITURES  |                                  |                                     |                    |                    |                    |                    |                    |                    |
| Executive Branch:   |                                  |                                     |                    |                    |                    |                    |                    |                    |
| Operating <sup>6</sup>  | \$7,665.8                        | \$9,184.3                           | \$10,756.2         | \$10,049.3         | \$8,895.9          | \$8,989.5          | \$9,282.2          | \$9,447.1          |
| CIP   | 0.0                              | 0.5                                 | 384.3              | 254.9              | 0.0                | 0.0                | 0.0                | 0.0                |
| Specific appropriation/CB <sup>7</sup>  | 743.6                            | 1,567.6                             | 377.6              | 203.0              | 259.6              | 292.3              | 300.4              | 300.3              |
| Other expenditures/adjustments <sup>8</sup>   | 335.6                            | 4.4                                 | 5.0                | 5.0                | 5.0                | 5.0                | 5.0                | 5.0                |
| Wildfire Response/Recovery  |                                  |                                     |                    |                    |                    |                    |                    |                    |
| Major Disaster Fund Infusion  | 0.0                              | 0.0                                 | 65.0               | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                |
| FEMA Direct Assistance  |                                  |                                     |                    |                    |                    |                    |                    |                    |
| Debris Removal  | 0.0                              | 0.0                                 | 150.0              | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                |
| Non-Congregant Housing  | 0.0                              | 0.0                                 | 30.0               | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                |
| Contingency Set Aside   | 0.0                              | 0.0                                 | 0.0                | 200.0              | 100.0              | 100.0              | 0.0                | 0.0                |
| Wildfire Funding Redirection  | 0.0                              | 0.0                                 | (164.1)            | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                |
| Sub-total – Exec Branch   | \$8,745.0                        | \$10,756.8                          | \$11,604.0         | \$10,712.2         | \$9,260.5          | \$9,386.8          | \$9,587.6          | \$9,752.4          |
| Legislative Branch  | 42.4                             | 46.3                                | 46.6               | 46.6               | 46.6               | 46.6               | 46.6               | 46.6               |
| Judicial Branch   | 166.0                            | 174.1                               | 189.5              | 190.0              | 189.4              | 189.4              | 189.4              | 189.4              |
| OHA   | 66.3                             | 2.3                                 | 3.3                | 3.0                | 3.0                | 3.0                | 3.0                | 3.0                |
| Counties  | 0.0                              | 0.1                                 | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                |
| Lapses  | (177.2)                          | (347.3)                             | (80.0)             | (80.0)             | (80.0)             | (80.0)             | (80.0)             | (80.0)             |
| <b>TOTAL EXPENDITURES</b>   | <b>\$8,842.4</b>                 | <b>\$10,632.3</b>                   | <b>\$11,763.4</b>  | <b>\$10,871.8</b>  | <b>\$9,419.5</b>   | <b>\$9,545.8</b>   | <b>\$9,746.6</b>   | <b>\$9,911.4</b>   |
| REV. OVER (UNDER) EXPEND.   | \$1,369.0                        | \$(440.1)                           | \$(1,572.1)        | \$(221.8)          | \$1,589.1          | \$1,811.2          | \$1,991.6          | \$2,287.0          |
| CARRY-OVER BALANCE (DEFICIT)  |                                  |                                     |                    |                    |                    |                    |                    |                    |
| Beginning   | 1,249.9                          | 2,619.0                             | 2,178.9            | 606.8              | 384.9              | 1,974.0            | 3,785.2            | 5,776.8            |
| Ending  | 2,619.0                          | 2,178.9                             | 606.8              | 384.9              | 1,974.0            | 3,785.2            | 5,776.8            | 8,063.8            |
| <i>EBRF (adds \$500M in FY23, Act 115/22; adds \$500M in FY24 as included in the FB 23-25 Executive Budget Request)</i> | <i>\$325.8</i>                   | <i>\$973.8</i>                      | <i>\$1,500.2</i>   | <i>\$1,550.1</i>   | <i>\$1,600.3</i>   | <i>\$1,652.0</i>   | <i>\$1,705.1</i>   | <i>\$1,759.9</i>   |
| <i>Hawaii Hurricane Relief Fund (HHRF)</i>  | <i>\$172.9</i>                   | <i>\$169.0</i>                      | <i>\$170.0</i>     | <i>\$170.00</i>    | <i>\$170.00</i>    | <i>\$170.00</i>    | <i>\$170.00</i>    | <i>\$170.00</i>    |
| <i>Total EBRF, HHRF and General Fund (GF), End EBRF, HHRF &amp; GF fund balance as % of prior year revenues</i>         | <i>\$3,117.7</i>                 | <i>\$3,321.7</i>                    | <i>\$2,277.0</i>   | <i>\$2,105.0</i>   | <i>\$3,744.3</i>   | <i>\$5,607.2</i>   | <i>\$7,651.9</i>   | <i>\$9,993.7</i>   |
|   | 34.6%                            | 32.5%                               | 22.3%              | 20.7%              | 35.2%              | 50.9%              | 67.4%              | 85.1%              |

(Footnotes follow on next page.)

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\* Unaudited

Sources: Department of Accounting and General Services; Department of Budget and Finance, October 2023

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 FYs 2024-2029 Council on Revenues' September 2023 projections as reported by the Department of Taxation.
- 3 Reflects actual FY 2022 revenue collections as reported by the Department of Accounting and General Services. FYs 2024-2029 September 2023 projections as reported by various State departments.
- 4 2023 Legislative Session (FYs 2024-2029) range plus \$0.9 to \$1.0 million for extension of period which counties may adopt a surcharge for housing infrastructure, and Act 206 (SB1370), 2023 Legislative Session (FYs 2024-2029) plus \$0.0275 million for licenses to solemnize marriages.
- 5 Phase II GAP revenue adjustment reflects the estimated net revenue loss from a proposed expansion of the individual income tax dependent care credit.
- 6 Executive Branch's FY 2022 and FY 2023 expenditures reflect Act 88, SLH 2021 as amended by Acts 248, SLH 2022 plus Act 6, SpSLH 2021. FYs 2024-2029 reflect Act 164 (HB300), 2023 Legislative Session (includes \$19.6 million for FY 2024 grants and \$554.7 million and \$533.0 million for FY 2024 veto and FY 2025 veto, respectively), and estimated out year costs.
- 7 For FY 2022 and FY 2023 includes specific appropriations from the 2021 and 2022 Legislatures, and emergency appropriations from the 2022 Legislature. For FY 2022, specific appropriations mostly reflects \$99.4 million for health-related COVID-19 costs, \$600 million for the Department of Hawaiian Home Lands to eliminate its waitlist for homesteads, and \$64 million for the Office of Hawaiian Affairs for a portion of the ceded land revenues from the public land trust. For FY 2023, specific appropriations mostly reflects \$71 million for health-related COVID-19 costs, \$500 million for deposit to the Emergency and Budget Reserve Fund, \$300 million for deposit to the Pension Accumulation Fund, \$300 million for deposit to the Rental Housing Revolving Fund, and \$110.0 million for negotiated collective bargaining cost. FYs 2024-2029 reflect specific appropriations from the 2023 Legislature and estimated out year costs including the following significant amounts: range from \$113.5 million to \$296.8 million for collective bargaining.
- 8 Includes: FY 2022, \$335.6 million, FY 2023 \$4.4 million and FYs 2024-2029 \$5 million per year for claims against the State.
- 9 Due to timing issues and accounting system limitations, certain transactions authorized for a fiscal year were recorded in the following fiscal year by the Department of Accounting and General Services. However, the financial plan records appropriations in the fiscal year for which the appropriation was authorized. For fiscal year 2021, 3.0 million for the Office of Hawaiian Affairs was added and a corresponding reduction was made in fiscal year 2022. For fiscal year 2022, the following adjustments were added to fiscal year 2022 and deducted from fiscal year 2023: \$600 million for Department of Hawaiian of Home Lands to reduce its waitlist of native Hawaiians seeking residential, agricultural, or pastoral leases; \$27.2 million for various collective bargaining salary increases; \$1.9 million for Hawaii State Public Libraries for repairs and maintenance; and \$335.6 million for claims against the state.
- 10 FY 2023 adjusted expenditures are derived to equal Department of Accounting and General Services preliminary general fund balance (ACC 23.U040).

The preceding General Fund financial plan is based on actual cash-basis General Fund tax revenues for fiscal years 2022 and 2023 as reported by the Department of Accounting and General Services. Fiscal years 2024 through 2029 estimated tax revenues reflect the forecast for General Fund tax revenues from the Council on Revenues' September 7, 2023 meeting. The estimated non-tax and Judicial Branch revenues reflects the Council on Revenues' September 7, 2023 meeting non-tax revenue projections. Other revenues reflect two minor revenue impact bills passed by the Legislature that were not incorporated into the Council of Revenues' projections. The Phase II GAP revenue adjustment reflects the estimated net revenue loss from a proposed expansion of the individual income tax dependent care credit by the Green Administration.

With respect to Executive Branch expenditures, fiscal years 2022 and 2023 reflect expenditures from Act 88, SLH 2021, as amended by Acts 248, SLH 2022, and Act 6, SpSLH 2021. Fiscal years 2024 and 2025 reflect appropriations from Act 164, SLH 2023, and includes \$19.6 million for fiscal year 2024 operating grants less line-item veto/reductions of \$554.7 million in fiscal year 2024 and \$533.0 million in fiscal year 2025 and estimated second year funding for programs that were only appropriated funds for fiscal year 2024 of \$153.3 million. Fiscal years 2026 through 2029 reflect estimated out year costs from fiscal year 2025 budget levels net of non-recurring appropriations plus projected fixed cost increases and continuation of funding for programs that were funded for fiscal year 2024 only. Specific appropriations/CB reflect non-budget act appropriations authorized by the Legislature during the 2021, 2022 and 2023 legislative regular and special sessions. For fiscal year 2022, it mostly reflects \$99.4 million for health-related COVID-19 costs, \$600 million for the Department of Hawaiian Home Lands to eliminate its waitlist for homesteads, and \$64 million for the Office of Hawaiian Affairs for a portion of the ceded land revenues from the public land trust. For fiscal year 2023, it mostly reflects \$71 million for health-related COVID-19 costs, \$500 million for deposit to the Emergency and Budget Reserve Fund, \$300 million for deposit to the Pension Accumulation Fund, \$300 million for deposit to the Rental Housing Revolving Fund, and \$110.0 million for negotiated collective bargaining costs. For fiscal years 2024 through 2029, it mostly reflects \$200 million to expand pre-kindergarten classrooms (which was legislatively redesignated from fiscal year 2023 to fiscal year 2024) and estimated current biennium and out year costs for recently negotiated collective bargaining agreements. Other expenditures/adjustments reflect claims against the State and other adjustments not reflected elsewhere. For fiscal year 2022, it reflects \$335.6 million for claims against the state including the Department of Hawaiian Homes Land's waiting list lawsuit. For fiscal years 2024 through 2029 it includes a \$5 million per year set aside for future claims. The wildfire response/recovery section of the financial plan reflects set asides for potential costs due to the August 2023 wildfires on the Islands of Maui and Hawaii. For fiscal 2024, it includes a transfer of \$65.0 million to the State's Major Disaster Fund (bringing the currently authorized total in the Fund to \$100.0 million). The Major Disaster Fund is used to front response costs paid by the State of which most of these costs are eligible for partial reimbursement by FEMA. The other potential costs for fiscal year 2024 are projected State matching requirements of \$150.0 million for debris removal and \$30.0 million for non-congregate housing. These costs will be paid by FEMA or a federal grant will be provided and the State will have to reimburse FEMA for approximately 10% the costs. The fiscal year 2024 set asides are to be funded by redirection of \$233.4 million currently appropriated in the Executive Operating Budget for fiscal year 2024. For fiscal years 2025 through 2027, set asides have been reflected for as yet unknown potential future recovery costs in the amount of \$200.0 million for fiscal year 2025 and \$100.0 million a year for fiscal years 2026 and 2027. The upcoming budget deliberations for the fiscal year 2025 Executive Supplemental Budget will determine whether additional budget redirection will be implemented to fund the \$200.0 million set aside for fiscal year 2025.

Lapses for fiscal years 2022 and 2023 reflect actual cash-basis General Fund appropriation lapses as reported by the Department of Accounting and General Services.

With respect to the estimated EBRF balance for fiscal year 2024, the \$1,500.2 million amount reflects the transfer of \$500 million from the General Fund pursuant to Act 164, SLH 2023 and transfer of

a portion from the State's share of the tobacco settlement monies and estimated interest earnings. The estimated EBRF balance amounts for fiscal years 2024 through 2029 reflect transfers of a portion from the State's share of the tobacco settlement monies and estimated interest earnings.

As the 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, \$59.4 million was carried over from fiscal year 2022 to fiscal year 2023 by the Department of Education, but in the financial plan, was considered to be expended in fiscal year 2022.

*[Remainder of page intentionally left blank.]*

## General Fund Tax Revenues

Receipts of taxes constitute the largest portion of General Fund revenues for the fiscal year ended June 30, 2023, and represent approximately 88.83% of the total General Fund revenues (as reported by DAGS). See “TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Taxes and Other Amounts Deposited in General Fund” in Appendix A

The State’s General Fund tax revenues have grown and diversified over time, with no source reflecting a majority of total tax revenue. Unaudited fiscal year 2023 General Fund tax revenues are approximately 29% higher than fiscal year 2019 (pre-pandemic) figures. Unaudited 2023 General Fund tax revenues declined by 1.7% compared to fiscal year 2022, due to the Constitutional refund described under “TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—General Fund” in Appendix A. Fiscal year 2023 General Fund tax revenues reflect an annual growth of approximately 11.2% since fiscal year 2020, and average annual growth of approximately 5.3% since fiscal year 2014.

Set forth in TABLE 12 below are the preliminary General Fund tax revenues for the fiscal year ended June 30, 2023, and estimated tax revenues for the fiscal years ending June 30, 2024 and June 30, 2025 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 2023 report, and the line item projections are prepared by the Department of Taxation to be consistent with the Council’s forecast.

**TABLE 12**  
**General Fund Tax Revenues**  
**(Thousands of Dollars)**

|                                       | <b>Preliminary*</b><br><b>2022-2023</b> | <b>Estimated</b><br><b>2023-2024</b> | <b>Estimated</b><br><b>2024-2025</b> |
|---------------------------------------|---|--------------------------------------|--------------------------------------|
| General Excise and Use Tax            | \$4,408,473                             | \$4,604,673                          | \$4,881,743                          |
| Income Tax—Individual                 | 3,099,886                               | 3,112,306                            | 3,285,709                            |
| Income Tax—Corporation                | 316,831                                 | 192,394                              | 208,132                              |
| Public Service Company Tax            | 142,195                                 | 147,683                              | 152,189                              |
| Tax on Insurance Premiums             | 203,791                                 | 220,614                              | 231,710                              |
| Cigarette & Tobacco Tax               | 59,070                                  | 57,319                               | 58,062                               |
| Liquor Tax                            | 54,513                                  | 55,916                               | 57,739                               |
| Tax on Banks & Other Financial Corps. | 28,969                                  | 29,527                               | 41,995                               |
| Inheritance and Estate Tax            | 58,083                                  | 60,023                               | 61,607                               |
| Conveyance Tax                        | 49,032                                  | 49,968                               | 51,087                               |
| Miscellaneous Taxes                   | 22,888                                  | 24,168                               | 25,518                               |
| Transient Accommodation Tax           | 756,578                                 | 765,321                              | 749,056                              |
| <b>TOTAL</b>                          | <b>\$9,200,308</b>                      | <b>\$9,319,912</b>                   | <b>\$9,804,547</b>                   |
| <b>GROWTH RATE</b>                    | <b>-1.7%</b>                            | <b>1.3%</b>                          | <b>5.2%</b>                          |

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. The tax revenue numbers reported by the Department of Taxation may differ from the tax revenue numbers reported by DAGS because of accounting system reclassifications and collection timing issues. See TABLE 1 under “TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Taxes and Other Amounts Deposited in General Fund” in Appendix A.

Sources: Actual or Preliminary collections are from Tax Research and Planning reports. Estimates are from the Council on Revenues’ report of September 2023, and line item projections prepared by the Department of Taxation.

## Actual Collections and Distributions

Set forth in TABLES 13 and 14 below is an unaudited statement of State tax collections and distributions for fiscal years 2022 and 2023 as reported by the State Director of Taxation. The collections from all sources for fiscal year 2023 amounted to \$10.4 billion. This represents a 0.2% decrease from the previous fiscal year.

**TABLE 13**  
**State Tax Collections – Source of Revenue**

|   | <b>Fiscal Year Ended June 30</b> |                     |
|---|----------------------------------|---------------------|
|   | <b>2022-2023</b>                 | <b>2021-2022</b>    |
| State Tax Collections—Source of Revenue                             | (Thousands of Dollars)           |                     |
| Banks/Financial Corporations <sup>1</sup>                           | \$30,969                         | \$59,252            |
| Conveyances <sup>1</sup>  | 92,132                           | 188,418             |
| Employment Security Contributions                                   | 167,886                          | 114,431             |
| Fuel and Environmental <sup>6</sup>                                 | 199,102                          | 196,504             |
| General Excise License and Registration Fees                        | 726.5                            | 782.8               |
| General Excise and Use <sup>2</sup>                                 | 4,442,651                        | 4,009,909           |
| County Surcharge <sup>3</sup>                                       | 431,568                          | 388,211             |
| Income—Corporations:  |                                  |                     |
| Declaration of Estimated Taxes                                      | 10,282                           | 326,416             |
| Payment with Returns  | 387,776                          | 47,516              |
| Refunds   | -81,459                          | -117,899            |
| Income—Individuals <sup>1</sup> :                                   |                                  |                     |
| Declaration of Estimated Taxes                                      | -44,526                          | 1,463,867           |
| Payment with Returns  | 1,635,287                        | 514,956             |
| Withholding tax on Wages  | 2,563,641                        | 2,390,776           |
| Refunds   | -1,053,938                       | -608,329            |
| Inheritance and Estate  | 58,083                           | 57,405              |
| Insurance Premiums  | 203,791                          | 195,607             |
| Liquor and Permits  | 54,513                           | 53,983              |
| Motor Vehicle Tax/Fees, Etc. <sup>4</sup>                           | 244,779                          | 222,381             |
| Public Service Companies  | 142,195                          | 122,068             |
| Tobacco and Licenses <sup>1</sup>                                   | 87,016                           | 96,863              |
| Transient Accommodations Fees/Time Share Occupation Fees            | 23.4                             | 28.6                |
| Transient Accommodations Tax/Time Share Occupation Tax <sup>1</sup> | 865,234                          | 738,634             |
| All Other <sup>5</sup>  | 54.6                             | 57.7                |
| <b>TOTAL</b>  | <b>\$10,437,786</b>              | <b>\$10,461,837</b> |

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

<sup>1</sup> Gross collection — does not reflect allocation to Special Funds.

<sup>2</sup> May also contain some revenue from the County Surcharge.

<sup>3</sup> Includes amounts allocated as of June 30, 2023 from the surcharges imposed by the City and County of Honolulu, by the County of Hawaii, and by the County of Kauai.

<sup>4</sup> 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.

<sup>5</sup> Includes fuel retail dealer permits, and penalties and interest on fuel tax.

<sup>6</sup> Fuel & Environmental Tax collections were \$198,895 thousand for fiscal year 2022. Of the collections, \$2,391 thousand could not be distributed because the corresponding tax returns were not yet available. Fuel & Environmental Tax collections were \$196,858 thousand for fiscal year 2023. A total of \$2,244 thousand in undistributed fuel taxes from previous years were included in several monthly reports in fiscal year 2023.

**TABLE 14**  
**State Tax Collections – Distribution**

|   | <b>Fiscal Year Ended June 30</b> |                     |
|---|----------------------------------|---------------------|
|   | <b>2022-2023</b>                 | <b>2021-2022</b>    |
| <u>State Tax Collections—Distribution</u>   | (Thousands of Dollars)           |                     |
| State General Fund                          | \$9,200,305                      | \$9,358,848         |
| State Highway Fund                          | 322,357                          | 299,366             |
| State Airport Fund                          | 3,088                            | 3,114               |
| Boating Special Fund                        | 1,686                            | 1,674               |
| Environmental Fund                          | 1,313                            | 1,241               |
| Cigarette Stamp Administrative Fund         | 152                              | 169                 |
| Cigarette Stamp Enforcement Fund            | 1,137                            | 1,270               |
| Compliance Resolution Fund                  | 2,000                            | 2,000               |
| Election Campaign Fund                      | 91                               | 102                 |
| Employment Security Fund                    | 167,886                          | 114,431             |
| Rental Housing Fund                         | 38,000                           | 38,000              |
| Convention Center Enterprise Fund           | 11,000                           | 11,000              |
| Land Conservation Fund                      | 5,100                            | 5,100               |
| School Minor Repairs and Maintenance Fund   | 56                               | 62                  |
| Public Libraries Fund                       | 124                              | 134                 |
| Domestic Violence/Child Abuse Neglect Funds | 125                              | 138                 |
| Cancer Research Fund                        | 9,478                            | 10,583              |
| Trauma System Fund                          | 5,332                            | 5,953               |
| Emergency Medical Service Fund              | 5,924                            | 6,615               |
| Community Health Centers Fund               | 5,924                            | 6,615               |
| Energy Security Fund                        | 1,191                            | 1,111               |
| Energy Systems Development Fund             | 1,377                            | 2,007               |
| Electric Vehicle Charging System Subaccount | 750                              | 712                 |
| Hydrogen Fueling System Subaccount          | 750                              | 0                   |
| Turtle Bay Conservation Easement Fund       | 1,500                            | 1,500               |
| Land and Development Fund                   | 3,000                            | 3,000               |
| Mass Transit Special Fund                   | 82,707                           | 69,992              |
| Tax Administration Fund                     | 44,579                           | 40,122              |
| Subtotal                                    | 9,916,931                        | 9,984,860           |
| County Surcharge                            | 431,568                          | 388,211             |
| Distributions to Counties*:                 |                                  |                     |
| Fuel Tax                                    | 89,287                           | 88,767              |
| <b>TOTAL</b>                                | <b>\$10,437,786</b>              | <b>\$10,461,837</b> |

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

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



## 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 an Annual Comprehensive 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 following TABLE 15 shows the statutory total employer contribution rate for all employees based on the last five annual actuarial valuations.

**TABLE 15**  
**Statutory Total Employer Contribution Rate**

| <b>Actuarial Valuation<br/>as of June 30</b> | <b>Total Employer Contribution<br/>Rate for All Employees<br/>(% of total payroll)*</b> | <b>Funding Period<br/>(Years)</b> |
|--|---|-----------------------------------|
| 2018   | 20.36   | 25.0                              |
| 2019   | 23.61   | 26.0                              |
| 2020   | 26.00   | 26.0                              |
| 2021   | 25.94   | 24.0                              |
| 2022   | 25.92   | 24.0                              |

\* 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 decrease 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.

The funding period in 2021 decreased more than expected due to significant investment gains which more than offset liability losses associated with higher than expected salary increases during fiscal year 2021. The funding period remained unchanged in 2022 due to a decrease in expected future contributions caused by the decline in contributory payroll.

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 set forth in TABLE 16:

**TABLE 16**  
**Increased Employer Contribution**

| <b>Employer Contribution<br/>effective starting</b> | <b>Police Officers and Firefighters<br/>(% of total payroll)</b> | <b>Other Employees<br/>(% of total payroll)</b> |
|---|--|---|
| 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  |

\* Employer contribution rates will remain at this level in future years until legislative action is taken to change them.

The Legislature appropriated \$854.0 million for fiscal year 2023 and \$899.8 million for fiscal year 2024 in the Executive biennium budget (Act 88, SLH 2021, as amended by the Executive supplemental budget (Act 248, SLH 2022) and Act 164, SLH 2023, respectively) 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, 2022 and 2021 is set forth below in TABLE 17:

**TABLE 17**  
**Employees' Retirement System of the State of Hawaii**  
**Summary of Actuarial Certification as of June 30, 2021 and 2022**  
**(Includes all counties)**

| <b>ASSETS</b>   | <b>2021</b>             | <b>2022</b>             |
|---|-------------------------|-------------------------|
| Total current assets  | \$19,909,791,554        | \$21,317,835,653        |
| Present value of future employee contributions                            | 2,878,235,025           | 3,029,993,793           |
| Present value of future employer normal cost contributions                | 2,743,185,589           | 2,962,888,008           |
| Unfunded actuarial accrued liability                                      | 14,229,373,918          | 13,504,942,967          |
| <b>TOTAL ASSETS</b>   | <b>\$39,760,586,086</b> | <b>\$40,815,660,421</b> |
| <b>LIABILITIES</b>  |                         |                         |
| Present value of benefits to current pensioners and beneficiaries         | \$18,728,922,825        | \$19,633,778,364        |
| Present value of future benefits to active employees and inactive members | \$21,031,663,261        | \$21,181,882,057        |
| <b>TOTAL LIABILITIES</b>  | <b>\$39,760,586,086</b> | <b>\$40,815,660,421</b> |

Source: Gabriel, Roeder, Smith & Company.

As of June 30, 2022, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the System amounted to approximately \$13.505 billion. The System's funded ratios—assets divided by the actuarial accrued liability—increased during fiscal year 2022 as shown below in TABLE 18:

**TABLE 18**  
**Funded Ratios**

| <u>June 30, 2021</u> | <u>June 30, 2022</u> |
|----------------------|----------------------|
| 58.3%                | 61.2%                |

**PART II**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**OF THE STATE OF HAWAII AS OF JUNE 30, 2022**  
**AND INDEPENDENT AUDITORS' REPORT**

Following is the State of Hawaii Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022 (the “Annual Comprehensive Financial Report”). For ease of reference, this Part II of Appendix B retains the Annual Comprehensive Financial Report’s original pagination as shown on the table of contents of the Annual Comprehensive Financial Report.

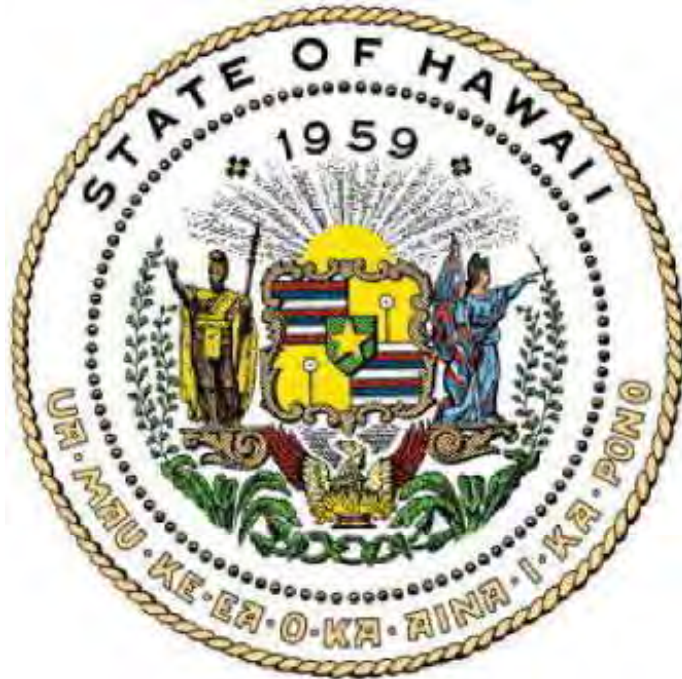
In addition, the Annual Comprehensive Financial Report (i) has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system and may be obtained from its website, <http://emma.msrb.org>, (ii) has been filed on the website of the State of Hawaii Department of Accounting and General Services at <https://ags.hawaii.gov/wp-content/uploads/2023/02/acfr2022.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.

*[Remainder of page intentionally left blank.]*

# STATE OF HAWAII

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



KEITH A. REGAN  
COMPTROLLER

# STATE OF HAWAII

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR  
ENDED JUNE 30, 2022



**KEITH A. REGAN**  
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**  
**Annual Comprehensive Financial Report**  
**Table of Contents**  
**June 30, 2022**

---

|   | <b>Page(s)</b> |
|---|----------------|
| <b>PART I: INTRODUCTORY SECTION</b>   |                |
| Principal Officials for Finance-Related Functions .....   | 1              |
| Organizational Chart .....  | 2              |
| Letter of Transmittal .....   | 3–6            |
| Government Finance Officers Association (GFOA) Certificate .....  | 7              |
| <b>PART II: FINANCIAL SECTION</b>   |                |
| Report of Independent Auditors  |                |
| Management’s Discussion and Analysis (Unaudited) .....  | 14–30          |
| Basic Financial Statements  |                |
| Government-Wide Financial Statements  |                |
| Statement of Net Position .....   | 32–33          |
| Statement of Activities.....  | 34             |
| Fund Financial Statements   |                |
| Balance Sheet – Governmental Funds .....  | 36             |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....   | 37             |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....   | 38             |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities ..... | 39             |
| Statement of Fund Net Position – Proprietary Funds.....   | 40–41          |
| Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....  | 42             |
| Statement of Cash Flows – Proprietary Funds.....  | 43–44          |
| Statement of Fiduciary Net Position – Fiduciary Funds.....  | 46             |
| Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....  | 47             |
| Statement of Net Position – Component Units .....   | 48–51          |

**State of Hawaii**  
**Annual Comprehensive Financial Report**  
**Table of Contents**  
**June 30, 2022**

---

|  | <b>Page(s)</b> |
|--|----------------|
| Statement of Activities – Component Units .....  | 52–53          |
| Notes to Basic Financial Statements .....  | 54–133         |
| <b>Required Supplementary Information Other Than Management’s Discussion and Analysis (Unaudited)</b>                              |                |
| Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) –<br>General Fund .....                                | 136            |
| Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) –<br>Med-Quest Special Revenue Fund .....              | 137            |
| Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) –<br>Administrative Support Special Revenue Fund ..... | 138            |
| Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) –<br>Natural Resources Special Revenue Fund .....      | 139            |
| Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) –<br>Hawaiian Programs Special Revenue Fund .....      | 140            |
| Notes to Required Supplementary Information – Budgetary Control .....  | 141            |
| Reconciliation of the Budgetary to GAAP Basis – Major Governmental Funds .....   | 142            |
| Schedule of the Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years .....                                     | 143            |
| Schedule of Pension Contributions – Last Ten Fiscal Years.....   | 144            |
| Schedule of the Proportionate Share of the Net OPEB Liability – Last Ten Fiscal Years.....   | 145            |
| Schedule of OPEB Contributions – Last Ten Fiscal Years.....  | 146            |
| <b>Supplementary Information</b>   |                |
| <b>Nonmajor Governmental Funds</b>   |                |
| Combining Balance Sheet .....  | 150–151        |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....   | 152–153        |
| Combining Schedule of Revenues and Expenditures – Budget and Actual<br>(Budgetary Basis) — Nonmajor Special Revenue Funds .....    | 154–159        |
| Reconciliation of the Budgetary to GAAP Basis – Nonmajor Special Revenue Funds .....   | 160            |

**State of Hawaii**  
**Annual Comprehensive Financial Report**  
**Table of Contents**  
**June 30, 2022**

---

Nonmajor Proprietary Funds

|   |     |
|---|-----|
| Combining Statement of Fund Net Position .....                                    | 161 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Position ..... | 162 |
| Combining Statement of Cash Flows .....   | 163 |

Custodial Funds

|  |     |
|--|-----|
| Combining Statement of Fiduciary Net Position – Custodial Funds .....            | 164 |
| Combining Statement of Changes in Fiduciary Net Position – Custodial Funds ..... | 165 |

**PART III: STATISTICAL SECTION (UNAUDITED)**

Schedules of Financial Trends Information

|   |         |
|---|---------|
| Net Position by Component – Ten Years Ended June 30, 2022 .....                     | 168–169 |
| Changes in Net Position – Ten Years Ended June 30, 2022 .....                       | 170–173 |
| Fund Balances – Governmental Funds – Ten Years Ended June 30, 2022 .....            | 174–175 |
| Changes in Fund Balances – Governmental Funds – Ten Years Ended June 30, 2022 ..... | 176–177 |

Schedules of Revenue Capacity Information

|  |         |
|--|---------|
| Personal Income by Industry – Ten Years Ended June 30, 2022 .....          | 178–179 |
| Personal Income Tax Rates – Ten Years Ending December 31, 2022 .....       | 180     |
| Taxable Sales by Industry – Ten Years Ended June 30, 2022 .....            | 182–183 |
| Sales Tax Revenue Payers by Industry – Ten Years Ended June 30, 2022 ..... | 184–185 |

Schedules of Debt Capacity Information

|   |         |
|---|---------|
| Ratios of Outstanding Debt by Type – Ten Years Ended June 30, 2022 .....            | 186–187 |
| Ratios of Net General Bonded Debt Outstanding – Ten Years Ended June 30, 2022 ..... | 188     |
| Legal Debt Margin Information – Ten Years Ended June 30, 2022 .....                 | 190–191 |
| Pledge Revenue Coverage – Ten Years Ended June 30, 2022 .....                       | 192     |



**State of Hawaii**  
**Annual Comprehensive Financial Report**  
**Table of Contents**  
**June 30, 2022**

---

|  | <b>Page(s)</b> |
|--|----------------|
| Schedules of Demographic and Economic Information                            |                |
| Demographic and Economic Statistics – Ten Years Ended June 30, 2022 .....    | 193            |
| Ten Largest Private Sector Employers – June 30, 2022 and June 30, 2013 ..... | 194            |
| State Employees by Function – Ten Years Ended June 30, 2022 .....            | 195            |
| Schedules of Operating Information   |                |
| Operating Indicators by Function – Ten Years Ended June 30, 2022 .....       | 196–199        |
| Capital Assets Statistics by Function – Ten Years Ended June 30, 2022 .....  | 200–201        |

## **PART I: INTRODUCTORY SECTION**

**State of Hawaii**  
**Principal Officials for Finance-Related Functions**  
**June 30, 2022**

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**Keith A. Regan**  
**Comptroller**



**Meoh-Leng Silliman**  
**Deputy Comptroller**

**Governor**  
**Director of Finance**  
**Director of Taxation**  
**Comptroller**  
**Deputy Comptroller**

**Josh Green, M.D.**  
**Luis P. Salaveria**  
**Gary Suganuma**  
**Keith A. Regan**  
**Meoh-Leng Silliman**

**Notes:**

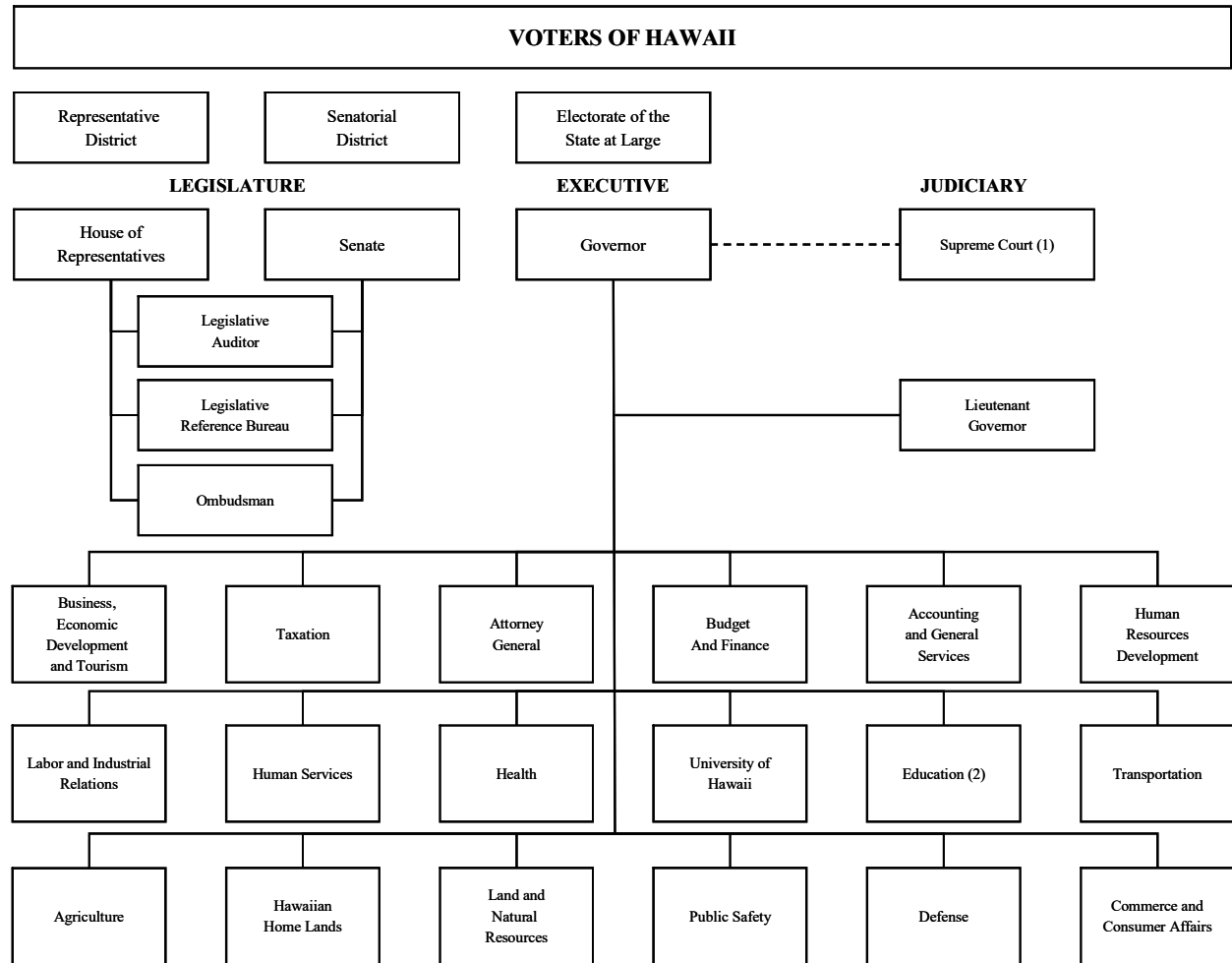
The Director of Finance is also department head of the Department of Budget and Finance.

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, 2022**

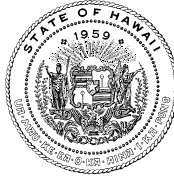
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(1) The Governor's appointment of justices of the Supreme Court confirmed by the Senate.

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

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



KEITH A. REGAN  
COMPTROLLER  
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN  
DEPUTY COMPTROLLER  
KA HOPE LUNA HO'OMALU HANA LAULĀ

**STATE OF HAWAII | KA MOKU'ĀINA O HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWÉ LAULĀ**  
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

December 30, 2022

To the Honorable Governor of the State of Hawaii  
To the Honorable Members of the Thirty-Second 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 Annual Comprehensive Financial Report (ACFR) of the State of Hawaii (the State) for the fiscal year ended June 30, 2022. 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 2022, Hawaii's economic indicators were mixed. Visitor arrivals, wage and salary jobs, State general fund tax revenues and government contracts awarded all increased compared to third quarter 2021. However, private building authorizations decreased.

### ***Labor***

Labor market conditions in Hawaii were mostly positive in 2022. During the first nine months of 2022, Hawaii's total civilian employment averaged 648,300 persons, an increase of 22,850 persons or 3.7% over the same period in 2021. The number of wage and salary jobs averaged at 609,800. Job increases were most notable in accommodation services 9,900, food services & drinking places 8,200, transportation, warehousing & utilities 2,500, professional & business services 1,900 and retail trade 1,600. A few sectors experienced declines including financial activities (1,000), natural resources, mining & construction (800) and healthcare & social assistance (300). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 3.7% for the first nine months of 2022, compared to 6.1% for the same period in 2021.

### ***Taxes***

The State General Fund tax revenues increased \$1.2 billion, or 20.1%, during the first nine months of 2022 compared to the same period in 2021. Among its components, net individual income tax collections increased \$242.6 million or 9.1%, general excise and use tax (GET) collections increased \$532.6 million or 19.8%, and transient accommodations tax (TAT) collections were up \$271.5 million or 72.7%. Net corporate income tax revenues increased \$33.4 million or 18.5%.

### ***Personal Income***

Total nominal personal income, not adjusted for inflation, decreased \$4.3 million, or -2.4% in the first half of 2022 compared to the same period in 2021. Among its components, the significant decline was seen in personal current transfer receipts which decreased \$14.5 million, or -31.0% while wages and salaries increased \$7.0 million or 9.2%. The remaining categories had declines that ranged from -1.6% to -206.3%. Contributions for government social insurance, which are subtracted from personal income, increased by 5.3%.

### ***Prices***

Honolulu's consumer price index (CPI) increased 6.7% for the first half of 2022 compared to the same period in 2021, which is 1.6% below United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in transportation (16.9%), food and beverages (8.6%), recreation (5.4%), other goods and services (4.7%), housing (4.5%), education and communication (1.3%), and apparel (1.0%) compared to the first half of 2021.

## **Recent Developments in Hawaii's Major Industries**

### ***Visitor Industry***

In the first nine months of 2022, total visitor arrivals by air increased 1,982,680 or 40.8% compared to the same period of 2021. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 30.0% while international arrivals increased 1,480.6%. Total visitor days (visitor arrivals multiplied by average length of stay) increased 35.2% in the first nine months of 2022 compared to the same period of 2021 and total visitor spending increased \$5.2 billion or 57.5% over the same period. Statewide hotel occupancy rate averaged 74.4% in the first nine months of 2022, 18.6% higher than the average rate during the same period of 2021.

### ***Construction***

Hawaii's construction industry has been one of the steady contributors to job growth over the past few years. However, the indicators of Hawaii's construction industry were mixed in 2022. Construction jobs and private building authorizations decreased but government contracts awarded, and state government CIP expenditures increased. In the first nine months of 2022, the construction sector decreased 600 jobs or -1.6% from the same period of 2021. Before the recession, specifically the period from 2002 to 2007, construction job growth averaged 8.0% per year. The strength of the construction job market from third quarter of 2011 to 2021 is a sharp contrast to the recession period. From the second quarter of 2008 until the second quarter of 2011, construction job growth was negative.

## **Outlook for Hawaii's Economy**

Hawaii's economy has been greatly impacted by the COVID-19 pandemic. However, during the first nine months of 2022, Hawaii welcomed a total of 6.8 million visitors, representing 88.0% recovery from the same period in 2019. Though September 2022 and measured in current prices, total visitor spending was \$14.3 billion or 7.9% higher than the spending during the same period of 2019.

Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The November 2022 Blue Chip Economic Indicators report expects the U.S. economic growth rate in 2022 to increase 1.8% and projects a positive 0.2% U.S. economic growth rate for 2023. 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 increase by 2.6% in 2022, 1.7% in 2023, 2.1% in 2024, and 2.0% in 2025.

The visitor arrivals are expected to increase gradually in the next three years to 9.8 million in 2023, 10.2 million in 2024 and 10.5 million in 2025. Visitor spending is also expected to increase gradually over the next three years by 7.5% in 2023, 4.0% in 2024 and 5.1% in 2025.

DBEDT projects total non-agricultural wage and salary jobs to increase 4.3% in 2022, then will increase by 3.0% in 2023, 2.3% in 2024, and 1.9% in 2025. Nominal Personal Income is expected to increase 2.6% in 2023 with real GDP projected to increase 2.6% in 2022, then will increase 1.7% in 2023, 2.1% in 2024, and 2.0% in 2025.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase at rates between 2.1% and 6.5% in the next few years. The State GDP deflator is forecast to grow 2.7% in 2023.

## **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 2021 (Act 88, SLH 2021), as amended by the Supplemental Appropriations Act of 2022 (Act 248 SLH 2022) 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 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 15 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, 2023.

## **INDEPENDENT AUDIT**

Although the State statutes do not require an annual audit of the State's financial statements, the State engaged a firm of independent certified public accountants to audit the State's basic financial statements for the fiscal year ended June 30, 2022. 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive 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 Annual Comprehensive 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,



KEITH A. REGAN  
Comptroller, State of Hawaii





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**State of Hawaii**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morrell*

Executive Director/CEO

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## **PART II: FINANCIAL SECTION**



## Report of Independent Auditors

The Auditor  
State of Hawaii

### Opinions

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, 2022, and the related notes to the basic financial statements, which collectively comprise the State of Hawaii's basic financial statements (pages 32–133) as listed in the accompanying table of contents.

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, 2022, 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.


We did not audit the financial statements of the Department of Transportation – Airports Division, which is a major enterprise fund; 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 as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended for the indicated opinion units.

| Opinion Unit                                   | Percent of<br>Opinion Unit's<br>Total Assets | Percent of<br>Opinion Unit's Total<br>Revenues/Additions |
|--|--|--|
| Business-Type Activities                       | 78 %   | 32 %   |
| Aggregate Discretely Presented Component Units | 19 %   | 32 %   |
| Fiduciary Funds                                | 86 %   | 29 %   |

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Department of Transportation – Airports Division, 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,

999 Bishop Street  
Suite 1900  
Honolulu, HI 96813

OFFICE 808.531.3400  
FAX 808.531.3433  
accuityllp.com



and the Hawaii Health Systems Corporation, are based solely on the reports of the other auditors.

### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management 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.


In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- 
- Obtain an understanding of internal control relevant to the audit 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 State's internal control. Accordingly, no such opinion is expressed.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
  - Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for a reasonable period of time.


We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 14–30), budgetary comparison information (pages 136–142 and 154–160), Schedule of the Proportionate Share of the Net Pension Liability (page 143), Schedule of Pension Contributions (page 144), Schedule of the Proportionate Share of the Net OPEB Liability (page 145), and Schedule of OPEB Contributions (page 146) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

### **Supplementary 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 150–153 and 161–165) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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



basic 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 and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory (pages 1–7) and statistical sections (pages 168–201) but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Emphasis of Matters**

As discussed in Note 1 to the financial statements, effective July 1, 2021, the State of Hawaii adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the beginning net position and fund balance of the of the governmental activities, governmental funds, and custodial funds have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022, 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, 2022



**State of Hawaii**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2022**

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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, 2022. 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**

**Implementation of GASB Statement No. 87**

During fiscal year 2022, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The Statement established criteria for accounting and financial reporting for leases. It creates a single model for lease accounting and requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. A lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The adoption of Statement No. 87 resulted in an increase in capital assets and liabilities of approximately \$62,750,000 and receivables and deferred inflows of resources of approximately \$1,224,070,000 as of July 1, 2021.

**Restatement**

The beginning net position and fund balances for the State's governmental activities and the governmental and custodial funds were adjusted to reflect the correction of an accounting error due to the State's implementation of GASB Statement No. 84, *Fiduciary Activities*, during the 2021 fiscal year. After adjustments, beginning governmental activity net position and governmental fund balance decreased by approximately \$290,258,000, while beginning net position of custodial funds increased by approximately \$290,258,000.

The fiscal 2021 information has not been updated for this restatement.

**Government-Wide Highlights**

The liabilities and deferred inflows of resources of the State exceeded its assets and deferred outflows of resources at June 30, 2022 by \$2.2 billion (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative \$9.9 billion, an increase of \$2.7 billion from the previous year. Net position of governmental activities and business-type activities increased by \$1.3 billion and \$1.1 billion, respectively, due to current year activity. The total deferred outflows of resources was \$1.5 billion, a \$1.2 billion decrease. This was due to the decrease in deferred outflows on net pension liability and net other postemployment benefits (OPEB) liability in the amounts of \$429.0 million and \$801.1 million, respectively. The deferred inflows of resources increased to \$3.5 billion, with the increase of deferred inflows of resources from leases, net pension liability, and OPEB in the amounts of \$1.4 billion, \$1.1 billion, and \$375.7 million, respectively.



# State of Hawaii

## Management's Discussion and Analysis (Unaudited)

### June 30, 2022

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#### **Fund Highlights**

At June 30, 2022, the State's Governmental Funds reported combined ending fund balances of \$5.1 billion, an increase of \$1.0 billion from the prior fiscal year. Of this amount, \$3.1 billion, or 61.3%, of total fund balances was in the General Fund, and the remaining \$2.0 billion represents amounts in other funds designated for specific purposes. The Proprietary Funds reported net position of \$5.1 billion at June 30, 2022, an increase of \$1.1 billion during the fiscal year.

#### **Liabilities**

The State's liabilities decreased during the current year to \$28.2 billion, a decrease of \$4.1 billion. During fiscal 2022, the State issued General Obligation Refunding bonds in the amount of \$1.2 billion to advance refund \$1.1 billion of previously issued outstanding bond anticipation notes. In addition, the State issued \$700.0 million in taxable General Obligation bonds.

The State's liability for postemployment benefits other than pension decreased to \$5.4 billion, a decrease of \$1.1 billion for the fiscal year ended June 30, 2022.

The State's liability for pensions decreased to \$6.3 billion, a decrease of \$1.5 billion for the fiscal year ended June 30, 2022.

#### **Overview of the Basic Financial Statements**

This discussion and analysis are 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,

**State of Hawaii**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2022**

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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 32–34 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, Administrative

Support Special Revenue Fund, Natural Resources Special Revenue Fund, and Hawaiian Programs 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, Administrative Support Special Revenue Fund, Natural Resources Special Revenue Fund, and Hawaiian Programs 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 36–39 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 40–44 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 46–47 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 54–133 of this report.

**State of Hawaii**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2022**

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**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, Administrative Support Special Revenue Fund, Natural Resources Special Revenue Fund, and Hawaiian Programs 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 Custodial 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.

**State of Hawaii**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2022**

Net position is a useful indicator of a government's financial position. For the State, total liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$2.2 billion as of June 30, 2022, and net position increased \$2.1 billion, or 49.2%, from June 30, 2021 balances. The net position of the governmental activities increased by \$1.0 billion, or 12.2%, and business-type activities had an increase of \$1.1 billion, or 27.4%, due to the fiscal year 2022 activity. The following table was derived from the Government-Wide Statement of Net Position.

**Summary Schedule of Net Position**  
**June 30, 2022 and 2021**  
**(Amounts in thousands)**

|  | Governmental Activities |                | Primary Government Business-Type Activities |              | Total          |                |
|--|-------------------------|----------------|---|--------------|----------------|----------------|
|  | 2022                    | 2021           | 2022  | 2021         | 2022           | 2021           |
| <b>Assets</b>  |                         |                |   |              |                |                |
| Current and other assets   | \$ 8,466,719            | \$ 7,760,370   | \$ 4,134,626                                | \$ 3,216,765 | \$ 12,601,345  | \$ 10,977,135  |
| Capital assets, net  | 10,316,257              | 9,933,813      | 5,163,400                                   | 5,061,053    | 15,479,657     | 14,994,866     |
| Total assets   | \$ 18,782,976           | \$ 17,694,183  | \$ 9,298,026                                | \$ 8,277,818 | \$ 28,081,002  | \$ 25,972,001  |
| <b>Deferred outflows of resources</b>                            |                         |                |   |              |                |                |
| Deferred loss on refunding                                       | \$ 98,645               | \$ 103,797     | \$ 7,007                                    | \$ 8,499     | \$ 105,652     | \$ 112,296     |
| Deferred outflows on net pension liability                       | 830,429                 | 1,249,170      | 33,220                                      | 43,477       | 863,649        | 1,292,647      |
| Deferred outflows on net other postemployment benefits liability | 484,031                 | 1,281,528      | 11,664                                      | 15,281       | 495,695        | 1,296,809      |
| Total deferred outflows of resources                             | \$ 1,413,105            | \$ 2,634,495   | \$ 51,891                                   | \$ 67,257    | \$ 1,464,996   | \$ 2,701,752   |
| <b>Liabilities</b>   |                         |                |   |              |                |                |
| Long-term liabilities  | \$ 22,158,365           | \$ 24,364,821  | \$ 3,348,140                                | \$ 3,959,667 | \$ 25,506,505  | \$ 28,324,488  |
| Other liabilities  | 2,467,095               | 3,609,875      | 272,874                                     | 387,730      | 2,739,969      | 3,997,605      |
| Total liabilities  | \$ 24,625,460           | \$ 27,974,696  | \$ 3,621,014                                | \$ 4,347,397 | \$ 28,246,474  | \$ 32,322,093  |
| <b>Deferred inflows of resources</b>                             |                         |                |   |              |                |                |
| Deferred inflows on leases                                       | \$ 832,753              | \$ -           | \$ 571,171                                  | \$ -         | \$ 1,403,924   | \$ -           |
| Deferred inflows on net pension liability                        | 1,029,046               | 24,066         | 68,277                                      | 1,105        | 1,097,323      | 25,171         |
| Deferred inflows on net other postemployment benefits liability  | 937,969                 | 563,529        | 20,636                                      | 19,403       | 958,605        | 582,932        |
| Total deferred inflows of resources                              | \$ 2,799,768            | \$ 587,595     | \$ 660,084                                  | \$ 20,508    | \$ 3,459,852   | \$ 608,103     |
| <b>Net position</b>  |                         |                |   |              |                |                |
| Net investment in capital assets                                 | \$ 1,012,903            | \$ 1,147,118   | \$ 2,568,292                                | \$ 2,637,031 | \$ 3,581,195   | \$ 3,784,149   |
| Restricted   | 2,373,911               | 2,755,923      | 1,814,854                                   | 1,721,912    | 4,188,765      | 4,477,835      |
| Unrestricted   | (10,615,961)            | (12,136,654)   | 685,673                                     | (381,773)    | (9,930,288)    | (12,518,427)   |
| Total net position   | \$ (7,229,147)          | \$ (8,233,613) | \$ 5,068,819                                | \$ 3,977,170 | \$ (2,160,328) | \$ (4,256,443) |

**Analysis of Net Position**

By far, the largest portion of the State's net position (\$3.6 billion or negative 165.8%) 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 (\$4.2 billion or negative 193.9%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative \$9.9 billion or 459.7% represents unrestricted net position.

**State of Hawaii**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2022**

At June 30, 2022, 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 \$5.2 billion and net pension liability of \$6.1 billion.

***Changes in Net Position***

The State's net position increased by \$2.4 billion, or 56.1%, during the fiscal year ended June 30, 2022. Approximately 50.0% of the State's total revenues came from taxes, while 39.9% resulted from grants and contributions (including federal aid). Charges for various goods and services and other income provided 10.1% of the total revenues. The State's expenses cover a range of services. The largest expenses were for welfare, higher and lower education, general government, health, public safety, and highways.

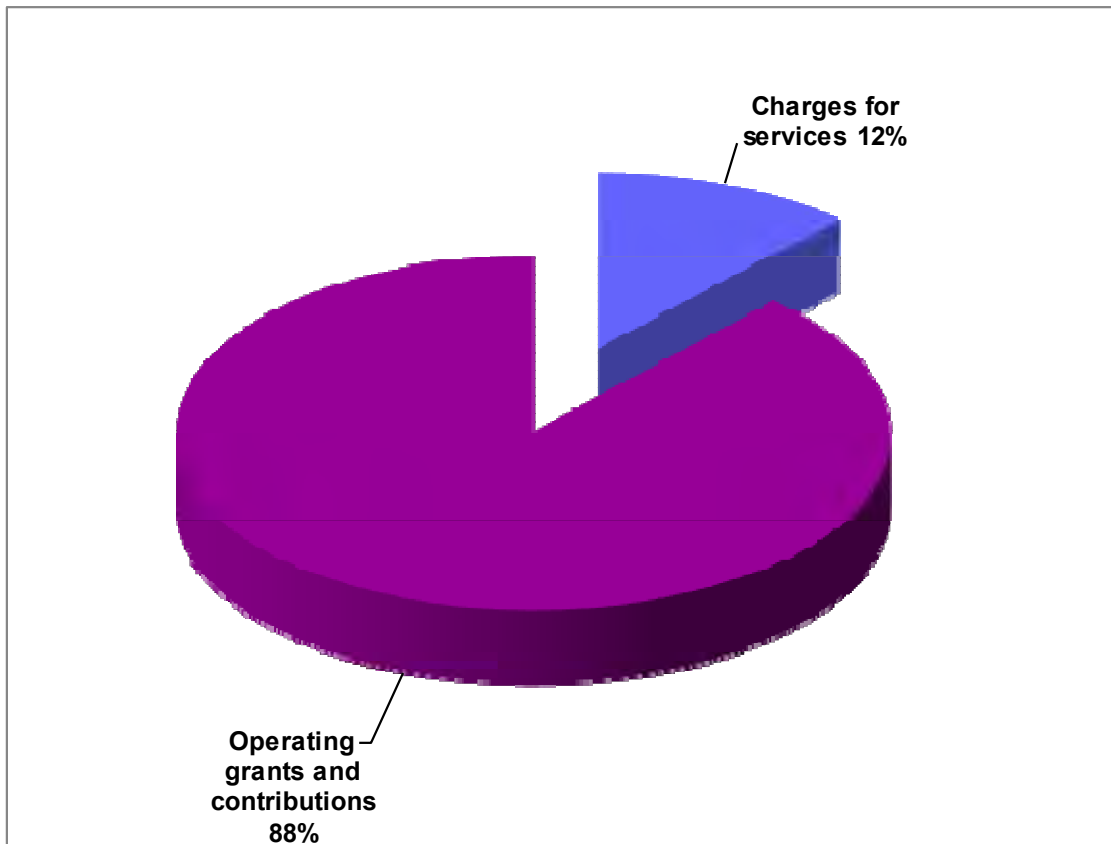
The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

**Summary Schedule of Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2022 and 2021**  
**(Amounts in thousands)**

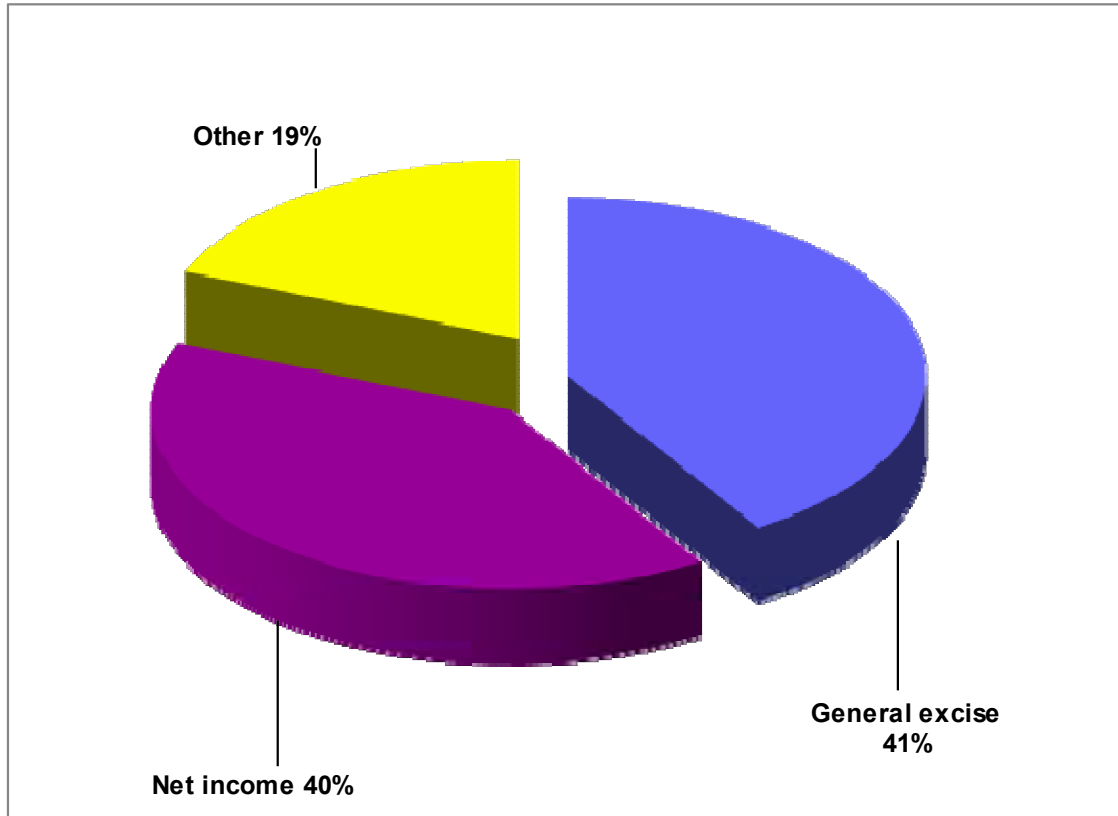
|   | Governmental Activities |                       | Primary Government<br>Business-Type Activities |                     | Total                 |                       |
|---|-------------------------|-----------------------|--|---------------------|-----------------------|-----------------------|
|   | 2022                    | 2021                  | 2022   | 2021                | 2022                  | 2021                  |
| <b>Revenues</b>                           |                         |                       |  |                     |                       |                       |
| Program revenues                          |                         |                       |  |                     |                       |                       |
| Charges for services                      | \$ 816,335              | \$ 703,910            | \$ 1,108,486                                   | \$ 890,955          | \$ 1,924,821          | \$ 1,594,865          |
| Operating grants and contributions        | 6,121,649               | 5,030,769             | 1,387,833                                      | 3,206,169           | 7,509,482             | 8,236,938             |
| Capital grants and contributions          | -                       | -                     | 45,611   | 83,411              | 45,611                | 83,411                |
| General revenues                          |                         |                       |  |                     |                       |                       |
| Taxes                                     | 9,459,441               | 7,699,115             | -  | -                   | 9,459,441             | 7,699,115             |
| Investment income and other               | (251,345)               | 30,759                | 3,001  | 88,509              | (248,344)             | 119,268               |
| Total revenues                            | <u>16,146,080</u>       | <u>13,464,553</u>     | <u>2,544,931</u>                               | <u>4,269,044</u>    | <u>18,691,011</u>     | <u>17,733,597</u>     |
| <b>Expenses</b>                           |                         |                       |  |                     |                       |                       |
| General government                        | 2,309,934               | 1,867,701             | -  | -                   | 2,309,934             | 1,867,701             |
| Public safety                             | 740,183                 | 772,470               | -  | -                   | 740,183               | 772,470               |
| Highways                                  | 565,191                 | 531,130               | -  | -                   | 565,191               | 531,130               |
| Conservation of natural resources         | 118,553                 | 115,658               | -  | -                   | 118,553               | 115,658               |
| Health                                    | 1,103,928               | 891,325               | -  | -                   | 1,103,928             | 891,325               |
| Welfare                                   | 4,882,816               | 4,579,544             | -  | -                   | 4,882,816             | 4,579,544             |
| Lower education                           | 3,389,834               | 3,299,413             | -  | -                   | 3,389,834             | 3,299,413             |
| Higher education                          | 919,350                 | 984,734               | -  | -                   | 919,350               | 984,734               |
| Other education                           | 16,933                  | 20,593                | -  | -                   | 16,933                | 20,593                |
| Culture and recreation                    | 117,785                 | 374,727               | -  | -                   | 117,785               | 374,727               |
| Urban redevelopment and housing           | 201,311                 | 449,870               | -  | -                   | 201,311               | 449,870               |
| Economic development and assistance       | 265,549                 | 403,426               | -  | -                   | 265,549               | 403,426               |
| Interest expense                          | 219,989                 | 257,218               | -  | -                   | 219,989               | 257,218               |
| Airports                                  | -                       | -                     | 616,382  | 600,867             | 616,382               | 600,867               |
| Harbors                                   | -                       | -                     | 107,980  | 107,371             | 107,980               | 107,371               |
| Unemployment compensation                 | -                       | -                     | 608,094  | 4,005,272           | 608,094               | 4,005,272             |
| Nonmajor proprietary funds                | -                       | -                     | 120,826  | 98,462              | 120,826               | 98,462                |
| Total expenses                            | <u>14,851,356</u>       | <u>14,547,809</u>     | <u>1,453,282</u>                               | <u>4,811,972</u>    | <u>16,304,638</u>     | <u>19,359,781</u>     |
| Change in net position                    | <u>1,294,724</u>        | <u>(1,083,256)</u>    | <u>1,091,649</u>                               | <u>(542,928)</u>    | <u>2,386,373</u>      | <u>(1,626,184)</u>    |
| <b>Net position</b>                       |                         |                       |  |                     |                       |                       |
| Beginning of year, as previously reported | (8,233,613)             | (7,150,357)           | 3,977,170                                      | 4,520,098           | (4,256,443)           | (2,630,259)           |
| Adjustment for correction of misstatement | (290,258)               | -                     | -  | -                   | (290,258)             | -                     |
| Beginning of year, as restated            | <u>(8,523,871)</u>      | <u>(7,150,357)</u>    | <u>3,977,170</u>                               | <u>4,520,098</u>    | <u>(4,546,701)</u>    | <u>(2,630,259)</u>    |
| End of year                               | <u>\$ (7,229,147)</u>   | <u>\$ (8,233,613)</u> | <u>\$ 5,068,819</u>                            | <u>\$ 3,977,170</u> | <u>\$ (2,160,328)</u> | <u>\$ (4,256,443)</u> |

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

**Program Revenues by Source – Governmental Activities**  
**Fiscal Year Ended June 30, 2022**



**Tax Revenues by Source – Governmental Activities  
Fiscal Year Ended June 30, 2022**



***Analysis of Changes in Net Position***

The State's net position increased by \$2.4 billion during the current fiscal year. This is explained in the governmental and business-type activities discussion and is primarily due to increases in net position of governmental activities of \$1.3 billion, Unemployment Compensation Fund of \$930.9 million, Airports of \$43.9 million, Harbors of \$93.9 million, and Nonmajor Proprietary Funds of \$23.0 million.



**State of Hawaii**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2022**

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***Governmental Activities***

Governmental activities increased the State's net position by \$1.3 billion. The elements of this increase are reflected below:

|  | <b>Governmental Activities<br/>(Amounts in thousands)</b> |                       |
|--|---|-----------------------|
|  | <b>2022</b>   | <b>2021</b>           |
| <b>General revenues</b>  |   |                       |
| Taxes  | \$ 9,459,441  | \$ 7,699,115          |
| Interest and investment income and other                           | (251,345)   | 30,759                |
| Total general revenues   | <u>9,208,096</u>  | <u>7,729,874</u>      |
| <b>Expenses, net of program revenues</b>                           |   |                       |
| General government   | 894,830   | 928,094               |
| Public safety  | 480,121   | 603,175               |
| Highways   | 270,017   | 243,649               |
| Conservation of natural resources                                  | (31,306)  | 4,226                 |
| Health   | 751,251   | 605,097               |
| Welfare  | 1,197,030   | 1,145,362             |
| Lower education  | 2,823,233   | 2,935,058             |
| Higher education   | 918,934   | 984,690               |
| Other education  | 16,933  | 20,593                |
| Culture and recreation   | 102,423   | 369,012               |
| Urban redevelopment and housing                                    | 126,932   | 408,033               |
| Economic development and assistance                                | 142,985   | 308,923               |
| Interest expense   | <u>219,989</u>  | <u>257,218</u>        |
| Total governmental activities expenses,<br>net of program revenues | <u>7,913,372</u>  | <u>8,813,130</u>      |
| Increase (decrease) in governmental<br>activities net position     | <u>\$ 1,294,724</u>                                       | <u>\$ (1,083,256)</u> |

Tax revenues increased by \$1.8 billion, or 22.9%, from the previous fiscal year. The increase was primarily due to an increase in individuals' net income taxes of \$530.6 million, general excise tax of \$452.0 million, and transient accommodation taxes of \$464.2 million. These tax increases are attributed to the rebound of the economy after the COVID-19 pandemic.

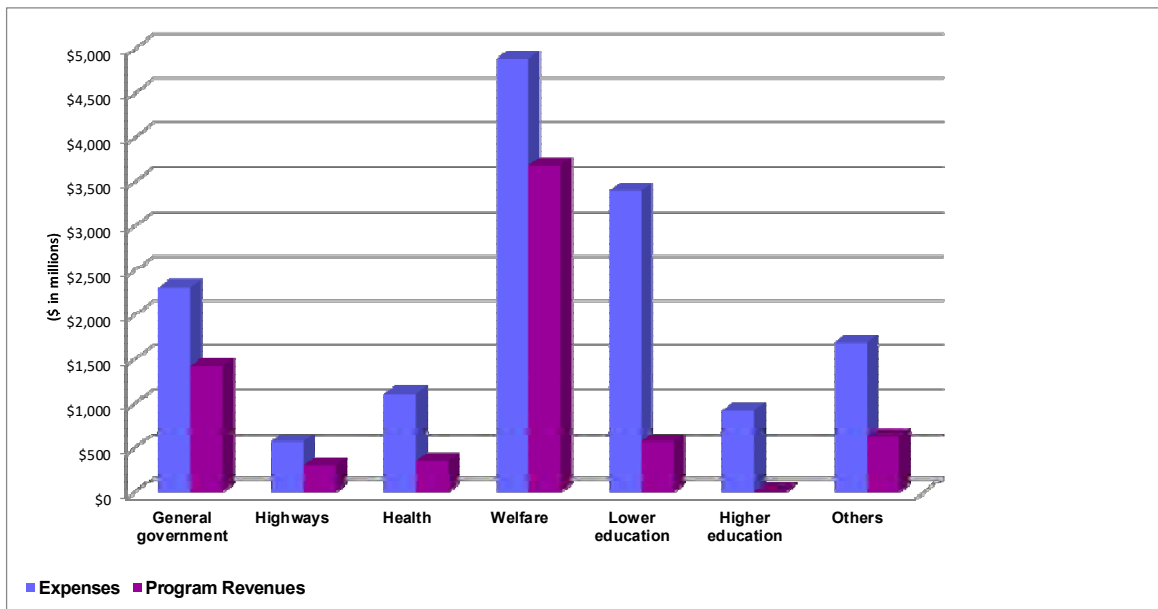
Expenses, net of program revenues decreased by \$899.8 million mainly due to the increase in program expenses of \$303.5 million, which was netted against an increase of charges for services and operating grants and contributions of \$1.2 billion. Largest variances were urban redevelopment and housing, culture and recreation, economic development and assistance, and public safety.

**State of Hawaii**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2022**

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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:

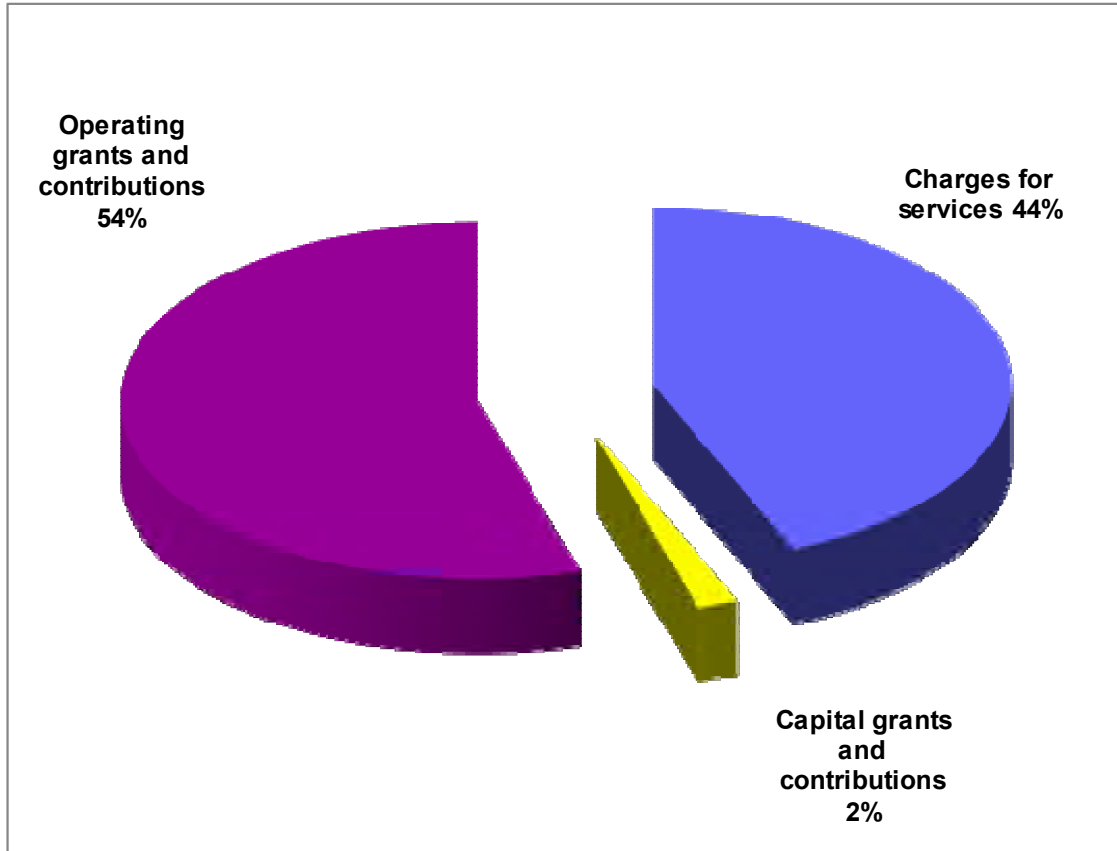
**Expenses and Program Revenues – Governmental Activities**  
**Fiscal Year Ended June 30, 2022**



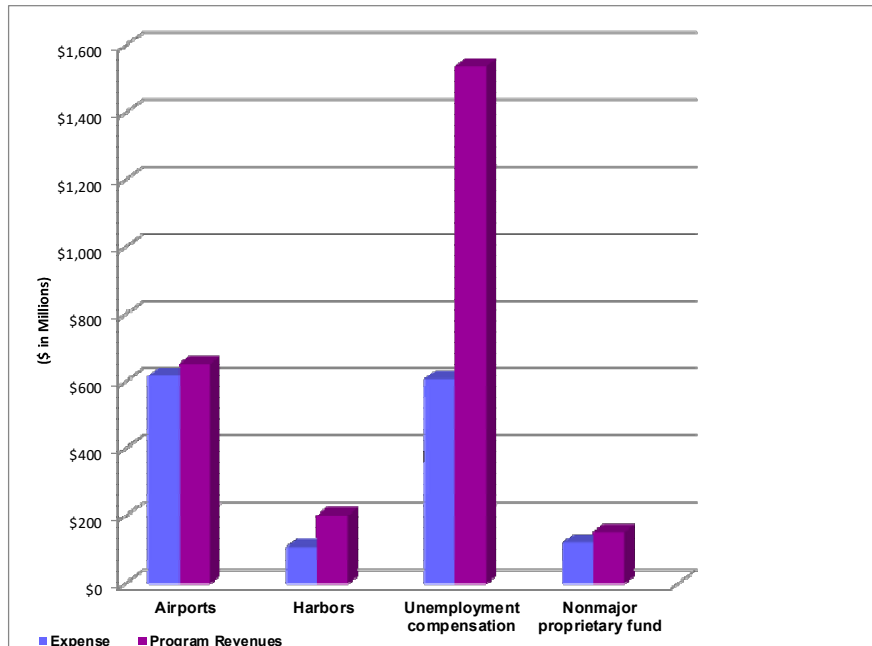
***Business-Type Activities***

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, 2022**



**Expenses and Program Revenues – Business-Type Activities**  
**Fiscal Year Ended June 30, 2022**



Business-type activities increased the State's net position by \$1.1 billion in fiscal 2022, compared to a decrease of \$542.9 million in fiscal 2021. Key elements of this increase are as follows:

- Airports' net position increased \$43.9 million compared to a decrease of \$64.5 million in the prior fiscal year. Charges for current services increased by \$210.9 million primarily due to an increase in landing fees from higher passenger traffic. Airport's expenses increased \$15.5 million due to increases in airport operations and general administration.
- Harbors' net position increased \$93.9 million in fiscal 2022 compared to an increase of \$80.9 million in fiscal 2021. Charges for current services increased by \$19.6 million due to increased Wharfage revenues and tariff rates.
- The Unemployment Compensation Fund's net position increased \$930.9 million compared to a decrease of \$633.6 million in the prior fiscal year. The change was primarily due to a decrease in unemployment benefits paid of \$3.4 billion.
- The Nonmajor Proprietary Fund's net position increased \$23.0 million in fiscal 2022 compared to an increase of \$74.3 million in fiscal 2021.

**State of Hawaii**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2022**

- Key elements of the State's business-type activities for the fiscal years ended June 30, 2022 and 2021 are as follows:

|                            | Business-Type Activities<br>(Amounts in thousands) |            |                          |              |              |              |              |              |                                     |              |
|----------------------------|--|------------|--------------------------|--------------|--------------|--------------|--------------|--------------|-------------------------------------|--------------|
|                            | Program Revenues                                   |            |                          |              |              |              |              |              |                                     |              |
|                            | Operating and Capital                              |            | Grants and Contributions |              | Total        |              | Expenses     |              | Program Revenues<br>Net of Expenses |              |
|                            | Charges for Services                               |            |                          |              |              |              |              |              |                                     |              |
|                            | 2022   | 2021       | 2022                     | 2021         | 2022         | 2021         | 2022         | 2021         | 2022                                | 2021         |
| Airports                   | \$ 539,502   | \$ 328,629 | \$ 111,491               | \$ 200,827   | \$ 650,993   | \$ 529,456   | \$ 616,382   | \$ 600,867   | \$ 34,611                           | \$ (71,411)  |
| Harbors                    | 201,640  | 182,061    | 243                      | 6,165        | 201,883      | 188,226      | 107,980      | 107,371      | 93,903                              | 80,855       |
| Unemployment compensation  | 243,660  | 239,096    | 1,294,070                | 3,053,978    | 1,537,730    | 3,293,074    | 608,094      | 4,005,272    | 929,636                             | (712,198)    |
| Nonmajor proprietary funds | 123,684  | 141,169    | 27,640                   | 28,610       | 151,324      | 169,779      | 120,826      | 98,462       | 30,498                              | 71,317       |
| Total                      | \$ 1,108,486                                       | \$ 890,955 | \$ 1,433,444             | \$ 3,289,580 | \$ 2,541,930 | \$ 4,180,535 | \$ 1,453,282 | \$ 4,811,972 | \$ 1,088,648                        | \$ (631,437) |

### 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 \$5.1 billion. Of this amount, \$272 thousand is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$89.9 million has been committed to specific purposes and \$2.7 billion has been assigned to specific purposes by management. The unassigned fund balance was \$2.3 billion 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 \$3.1 billion compared to \$1.6 billion previously reported at June 30, 2022. This increase is due to the increase in tax revenues and decrease in expenses attributed to the recovery from the COVID-19 pandemic. The fund balance of the State's Capital Projects Fund decreased \$216.1 million during the fiscal year. The Capital Projects Fund decrease is a result of expenditures in excess of proceeds from general obligation bond issuances. The fund balance of the Med-Quest Special Fund decreased \$8.1 million compared to the previous year due to an increase in welfare expenditures because of lingering effects of the COVID-19 pandemic. The fund balance of the Administrative Support Special Revenue Fund decreased by \$114.8 million due to an increase in spending for COVID-19 expenses. The fund balance of the Natural Resources Special Revenue Fund increased by \$19.9 million mainly due to increased revenues from charges for services with COVID-19 restrictions being released and state parks opening to the public. The fund balance of the Hawaiian Programs Special Revenue Fund decreased by \$20.9 million due to an increase in expenditures compared to the previous year. The fund balance of the other Nonmajor Governmental Funds increased \$34.7 million mainly due to the proceeds of refunding bonds.

***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 \$43.9 million, Harbors had an increase in net position of \$93.9 million, the Unemployment Compensation Fund had an increase in net position of \$930.9 million, and the Nonmajor Proprietary Funds had an increase in net position of \$23.0 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 \$705.2 million or 7.5% more than the final budget. The positive variance was attributed to favorable tax revenues of \$600.7 million and favorable non-tax revenues of \$104.5 million. Corporate income tax, individual tax, and transient accommodation tax all collected more than what was projected by \$87.9 million, \$401.0 million, and \$198.7 million, respectively. The favorable variance in non-tax revenues is mainly comprised of charges for current services and pension and social security reimbursements. Both favorable increases are a result of the economy leveling out after the drastic decreases in fiscal years 2020 and 2021 due to the COVID-19 pandemic.

The difference between the final budget and actual expenditures on a budgetary basis was \$233.9 million. The difference is mostly due to the Budget and Finance variance of \$53.2 million and education variance of \$68.3 million. The Budget and Finance variance is mostly due to \$46.9 million savings in health premiums and retirement payments due to lower than projected employee growth and enrollment in the State's health plans. As in previous years, the positive variance in 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 departments.

***Capital Assets***

The State's capital assets for its governmental and business-type activities as of June 30, 2022 amounted to \$15.5 billion (net of accumulated depreciation of \$15.3 billion), an increase of \$484.8 million from fiscal 2021. The increase is due to an increase in governmental activities capital assets of \$893.0 million and in business-type capital assets of \$307.4 million offset by increases in governmental activities and business-type activities accumulated depreciation and amortization of \$510.5 million and \$205.0 million, respectively. Major capital improvement projects, which resulted in additions to capital assets in the fiscal year ended June 30, 2022, included the following:

- \$494.5 million for various capital improvement projects and repair and maintenance of public school facilities throughout the State.
- \$383.1 million for various highway improvement projects throughout the State.
- \$244.6 million for various building improvement projects throughout the State.

**State of Hawaii**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2022**

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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 \$12.5 billion. Of this amount, \$9.1 billion comprises debt backed by the full faith and credit of the State and \$3.4 billion 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, 2022 and 2021**  
**(Amounts in thousands)**

|                          | <b>Governmental Activities</b> |                     | <b>Business-Type Activities</b> |                     | <b>Total</b>         |                      |
|--------------------------|--------------------------------|---------------------|---------------------------------|---------------------|----------------------|----------------------|
|                          | <b>2022</b>                    | <b>2021</b>         | <b>2022</b>                     | <b>2021</b>         | <b>2022</b>          | <b>2021</b>          |
| General obligation bonds | \$ 9,041,510                   | \$ 8,870,454        | \$ 13,667                       | \$ 16,239           | \$ 9,055,177         | \$ 8,886,693         |
| Bond anticipation note   | -                              | 200,000             | -                               | -                   | -                    | 200,000              |
| Revenue bonds            | 700,427                        | 753,505             | 2,716,839                       | 2,519,961           | 3,417,266            | 3,273,466            |
| Total                    | <u>\$ 9,741,937</u>            | <u>\$ 9,823,959</u> | <u>\$ 2,730,506</u>             | <u>\$ 2,536,200</u> | <u>\$ 12,472,443</u> | <u>\$ 12,360,159</u> |

The State's total long-term debt increased by \$112.3 million, or 0.9%, during the current fiscal year. The increase is primarily due to bond maturities, refunding of debt, and issuances of GO bond and revenue bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2022, 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, 2022 was \$635.0 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 2021 was 3.3%, while the seasonally adjusted national unemployment rate was 3.7%. One year ago, the State's seasonally adjusted unemployment rate stood at 6.3%, while the seasonally adjusted national unemployment rate was 4.6%.

The Council of Revenues in September 2022 revised the State's General Fund tax revenue growth rate for fiscal year 2023 from 5.0% to 6.5%. The Council also revised the General Fund tax revenue growth rate for fiscal year 2024 to 4.0% and maintained its forecast for fiscal years 2025 through 2028 at 3.5%.

**State of Hawaii**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2022**

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Cumulative general fund tax revenues for the first five months of fiscal 2023 was \$3.5 billion, an increase of \$17.9 million from the same period last fiscal year. General excise and use tax collections, which are the largest source of revenue and a good measure of economic growth, increased 13.6%.

A return to pre-pandemic activity is still ongoing, although Hawaii's economy has rebounded well. This optimism is tempered by concerns regarding inflation, international conflicts, interest rates, and looming recession. In response to these uncertainties, 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 2023.

**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, 2022**  
**(Amounts in thousands)**

|  | Primary Government         |                             |              | Component<br>Units |
|--|----------------------------|-----------------------------|--------------|--------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total        |                    |
| <b>Assets</b>  |                            |                             |              |                    |
| Cash and cash equivalents  | \$ 917,597                 | \$ 1,041,334                | \$ 1,958,931 | \$ 1,207,830       |
| Receivables  |                            |                             |              |                    |
| Taxes  | 256,544                    | 67,206                      | 323,750      | -                  |
| Accounts and accrued interest, net                               | 38,185                     | 78,462                      | 116,647      | 247,021            |
| Notes, loans, mortgages and contributions, net                   | 152,739                    | 728,766                     | 881,505      | 904,730            |
| Federal government   | 58,127                     | 11,132                      | 69,259       | 1,218              |
| Premiums   | -                          | 54,574                      | 54,574       | -                  |
| Drug rebate  | 113,003                    | -                           | 113,003      | -                  |
| Other, net   | 93,832                     | 22,063                      | 115,895      | 35,906             |
| Total receivables  | 712,430                    | 962,203                     | 1,674,633    | 1,188,875          |
| Internal balances  | 1,895                      | (1,895)                     | -            | -                  |
| Due from component units   | 98,160                     | -                           | 98,160       | -                  |
| Due from primary government                                      | -                          | -                           | -            | 663,734            |
| Due from agency fund   | 2,363                      | -                           | 2,363        | -                  |
| Investments  | 5,883,083                  | 158,109                     | 6,041,192    | 1,505,046          |
| Inventories  |                            |                             |              |                    |
| Materials and supplies   | -                          | 249                         | 249          | 23,300             |
| Developments in progress and dwelling units                      | -                          | -                           | -            | 52,225             |
| Total inventories  | -                          | 249                         | 249          | 75,525             |
| Restricted assets  | -                          | 1,395,179                   | 1,395,179    | 137,101            |
| Other assets   |                            |                             |              |                    |
| Prepaid expenses   | 8,756                      | 5,415                       | 14,171       | 38,564             |
| Lease receivable   | 838,551                    | 572,794                     | 1,411,345    | 32,445             |
| Other  | 3,884                      | 1,238                       | 5,122        | 38,449             |
| Total other assets   | 851,191                    | 579,447                     | 1,430,638    | 109,458            |
| Capital assets   |                            |                             |              |                    |
| Land and land improvements                                       | 2,423,579                  | 2,979,598                   | 5,403,177    | 583,878            |
| Infrastructure   | 10,737,224                 | -                           | 10,737,224   | 355,885            |
| Construction in progress   | 1,260,285                  | 1,051,923                   | 2,312,208    | 249,299            |
| Buildings, improvements and equipment                            | 7,553,589                  | 4,582,582                   | 12,136,171   | 5,500,606          |
| Intangible assets – software                                     | 159,941                    | -                           | 159,941      | -                  |
| Accumulated depreciation and amortization                        | (11,818,361)               | (3,450,703)                 | (15,269,064) | (3,412,775)        |
| Total capital assets, net  | 10,316,257                 | 5,163,400                   | 15,479,657   | 3,276,893          |
| Total assets   | 18,782,976                 | 9,298,026                   | 28,081,002   | 8,164,462          |
| <b>Deferred outflows of resources</b>                            |                            |                             |              |                    |
| Deferred asset retirement obligations                            | -                          | -                           | -            | 3,087              |
| Deferred loss on refunding                                       | 98,645                     | 7,007                       | 105,652      | 9,612              |
| Deferred outflows on net pension liability                       | 830,429                    | 33,220                      | 863,649      | 262,496            |
| Deferred outflows on net other postemployment benefits liability | 484,031                    | 11,664                      | 495,695      | 106,458            |
| Total deferred outflows of resources                             | \$ 1,413,105               | \$ 51,891                   | \$ 1,464,996 | \$ 381,653         |

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

**State of Hawaii**  
**Statement of Net Position**  
**June 30, 2022**  
**(Amounts in thousands)**

|   | Primary Government         |                             |                       | Component<br>Units  |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 |                     |
| <b>Liabilities</b>  |                            |                             |                       |                     |
| Vouchers and contracts payable                                  | \$ 518,223                 | \$ 72,552                   | \$ 590,775            | \$ 141,811          |
| Other accrued liabilities                                       | 456,867                    | 154,071                     | 610,938               | 111,975             |
| Advance from federal government                                 | 717,168                    | -                           | 717,168               | -                   |
| Due to component units  | 663,734                    | -                           | 663,734               | -                   |
| Due to primary government                                       | -                          | -                           | -                     | 98,160              |
| Unearned revenue  | -                          | -                           | -                     | 36,654              |
| Premiums payable  | -                          | 46,251                      | 46,251                | -                   |
| Other   | 111,103                    | -                           | 111,103               | 18,549              |
| Long-term liabilities   |                            |                             |                       |                     |
| Due within one year   |                            |                             |                       |                     |
| Payable from restricted assets – revenue bonds payable, net     | -                          | 24,633                      | 24,633                | -                   |
| General obligation (GO) bonds payable                           | 760,730                    | 2,701                       | 763,431               | -                   |
| Notes, mortgages and installment contracts payable              | -                          | -                           | -                     | 10,355              |
| Accrued vacation and retirement benefits payable                | 91,820                     | 7,425                       | 99,245                | 54,842              |
| Revenue bonds payable, net                                      | 49,891                     | -                           | 49,891                | 21,201              |
| Reserve for losses and loss adjustment costs                    | 369,416                    | 2,317                       | 371,733               | 6,428               |
| Lease payable   | 12,311                     | 159                         | 12,470                | 103                 |
| Financed purchases  | 7,761                      | 1,264                       | 9,025                 | 5,403               |
| Lease revenue certificates of participation                     | -                          | 15,204                      | 15,204                | -                   |
| Customer facility charge revenue bonds                          | -                          | 10,575                      | 10,575                | -                   |
| Due more than one year  |                            |                             |                       |                     |
| Prepaid airport use charge fund                                 | -                          | 2,856                       | 2,856                 | -                   |
| GO bonds payable  | 8,280,780                  | 10,966                      | 8,291,746             | -                   |
| Notes, mortgages and installment contracts payable              | -                          | -                           | -                     | 116,585             |
| Accrued vacation and retirement benefits payable                | 181,521                    | 11,510                      | 193,031               | 68,013              |
| Revenue bonds payable, net                                      | 650,536                    | 2,681,631                   | 3,332,167             | 455,202             |
| Reserve for losses and loss adjustment costs                    | 257,885                    | 5,835                       | 263,720               | 19,724              |
| Lease payable   | 48,487                     | 83                          | 48,570                | 613                 |
| Financed purchases  | 93,870                     | 21,122                      | 114,992               | 13,563              |
| Lease revenue certificates of participation                     | -                          | 158,002                     | 158,002               | -                   |
| Unearned revenue  | -                          | -                           | -                     | 14,118              |
| Estimated future costs of land sold                             | -                          | -                           | -                     | 29,573              |
| Net pension liability   | 6,145,230                  | 178,053                     | 6,323,283             | 2,039,721           |
| Net other postemployment benefits liability                     | 5,207,792                  | 208,196                     | 5,415,988             | 2,179,664           |
| Security deposits   | -                          | 3,805                       | 3,805                 | -                   |
| Other   | 335                        | 1,803                       | 2,138                 | 86,421              |
| Total liabilities   | <u>24,625,460</u>          | <u>3,621,014</u>            | <u>28,246,474</u>     | <u>5,528,678</u>    |
| <b>Deferred inflows of resources</b>                            |                            |                             |                       |                     |
| Deferred inflows on leases                                      | 832,753                    | 571,171                     | 1,403,924             | 39,402              |
| Deferred inflows on net pension liability                       | 1,029,046                  | 68,277                      | 1,097,323             | 447,994             |
| Deferred inflows on net other postemployment benefits liability | 937,969                    | 20,636                      | 958,605               | 187,385             |
| Total deferred inflows of resources                             | <u>2,799,768</u>           | <u>660,084</u>              | <u>3,459,852</u>      | <u>674,781</u>      |
| <b>Net position</b>   |                            |                             |                       |                     |
| Net investment in capital assets                                | 1,012,903                  | 2,568,292                   | 3,581,195             | 2,660,180           |
| Restricted for  |                            |                             |                       |                     |
| Capital maintenance projects                                    | 284,935                    | -                           | 284,935               | -                   |
| Health and welfare  | 177,879                    | -                           | 177,879               | -                   |
| Natural resources   | 204,298                    | -                           | 204,298               | -                   |
| Native Hawaiian programs  | 363,935                    | -                           | 363,935               | -                   |
| Education   | 284,458                    | -                           | 284,458               | -                   |
| Regulatory and economic development                             | 359,181                    | -                           | 359,181               | -                   |
| Administrative support  | 613,626                    | -                           | 613,626               | -                   |
| Other purposes  | 85,327                     | -                           | 85,327                | -                   |
| Bond requirements and other                                     | 272                        | 1,814,854                   | 1,815,126             | 1,334,877           |
| Unrestricted  | <u>(10,615,961)</u>        | <u>685,673</u>              | <u>(9,930,288)</u>    | <u>(1,652,401)</u>  |
| Total net position  | <u>\$ (7,229,147)</u>      | <u>\$ 5,068,819</u>         | <u>\$ (2,160,328)</u> | <u>\$ 2,342,656</u> |

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

**State of Hawaii**  
**Statement of Activities**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

| Functions/Programs                                    | Program Revenues     |                         |  |  | Net Revenue (Expense) and Changes in Net Position |                             |                       |                     |
|---|----------------------|-------------------------|--|--|---|-----------------------------|-----------------------|---------------------|
|   | Expenses             | Charges<br>for Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                |                             |                       | Component<br>Units  |
|   |                      |                         |  |  | Governmental<br>Activities                        | Business-Type<br>Activities | Total                 |                     |
| <b>Primary government</b>                             |                      |                         |  |  |   |                             |                       |                     |
| <b>Governmental activities</b>                        |                      |                         |  |  |   |                             |                       |                     |
| General government                                    | \$ 2,309,934         | \$ 237,404              | \$ 1,177,700                             | \$ -                                   | \$ (894,830)                                      | \$ -                        | \$ (894,830)          |                     |
| Public safety   | 740,183              | 92,613                  | 167,449                                  | -                                      | (480,121)   | -                           | (480,121)             |                     |
| Highways  | 565,191              | 48,599                  | 246,575                                  | -                                      | (270,017)   | -                           | (270,017)             |                     |
| Conservation of natural resources                     | 118,553              | 111,640                 | 38,219                                   | -                                      | 31,306  | -                           | 31,306                |                     |
| Health  | 1,103,928            | 142,621                 | 210,056                                  | -                                      | (751,251)   | -                           | (751,251)             |                     |
| Welfare   | 4,882,816            | 93,325                  | 3,592,461                                | -                                      | (1,197,030)                                       | -                           | (1,197,030)           |                     |
| Lower education                                       | 3,389,834            | 18,207                  | 548,394                                  | -                                      | (2,823,233)                                       | -                           | (2,823,233)           |                     |
| Higher education                                      | 919,350              | 416                     | -  | -                                      | (918,934)   | -                           | (918,934)             |                     |
| Other education                                       | 16,933               | -                       | -  | -                                      | (16,933)  | -                           | (16,933)              |                     |
| Culture and recreation                                | 117,785              | 5,726                   | 9,636                                    | -                                      | (102,423)   | -                           | (102,423)             |                     |
| Urban redevelopment and housing                       | 201,311              | 33,841                  | 40,538                                   | -                                      | (126,932)   | -                           | (126,932)             |                     |
| Economic development and assistance                   | 265,549              | 31,943                  | 90,621                                   | -                                      | (142,985)   | -                           | (142,985)             |                     |
| Interest expense                                      | 219,989              | -                       | -  | -                                      | (219,989)   | -                           | (219,989)             |                     |
| Total governmental activities                         | <u>14,851,356</u>    | <u>816,335</u>          | <u>6,121,649</u>                         | <u>-</u>                               | <u>(7,913,372)</u>                                | <u>-</u>                    | <u>(7,913,372)</u>    |                     |
| <b>Business-type activities</b>                       |                      |                         |  |  |   |                             |                       |                     |
| Airports  | 616,382              | 539,502                 | 93,763                                   | 17,728                                 | -   | 34,611                      | 34,611                |                     |
| Harbors   | 107,980              | 201,640                 | -  | 243                                    | -   | 93,903                      | 93,903                |                     |
| Unemployment compensation                             | 608,094              | 243,660                 | 1,294,070                                | -                                      | -   | 929,636                     | 929,636               |                     |
| Nonmajor proprietary funds                            | 120,826              | 123,684                 | -  | 27,640                                 | -   | 30,498                      | 30,498                |                     |
| Total business-type activities                        | <u>1,453,282</u>     | <u>1,108,486</u>        | <u>1,387,833</u>                         | <u>45,611</u>                          | <u>-</u>  | <u>1,088,648</u>            | <u>1,088,648</u>      |                     |
| Total primary government                              | <u>\$ 16,304,638</u> | <u>\$ 1,924,821</u>     | <u>\$ 7,509,482</u>                      | <u>\$ 45,611</u>                       | <u>(7,913,372)</u>                                | <u>1,088,648</u>            | <u>(6,824,724)</u>    |                     |
| <b>Component units</b>                                |                      |                         |  |  |   |                             |                       |                     |
| University of Hawaii                                  | \$ 1,701,126         | \$ 363,625              | \$ 453,689                               | \$ -                                   |   |                             |                       | \$ (883,812)        |
| Hawaii Housing Finance<br>and Development Corporation | 25,670               | 49,956                  | 22,398                                   | -                                      |   |                             |                       | 46,684              |
| Hawaii Public Housing Authority                       | 183,073              | 27,599                  | 134,780                                  | 3,915                                  |   |                             |                       | (16,779)            |
| Hawaii Health Systems Corporation                     | 694,065              | 570,225                 | 2,035                                    | 30,145                                 |   |                             |                       | (91,660)            |
| Hawaii Tourism Authority                              | 93,364               | 5,341                   | 18,642                                   | -                                      |   |                             |                       | (69,381)            |
| Hawaii Community Development Authority                | 7,754                | 7,431                   | -  | -                                      |   |                             |                       | (323)               |
| Hawaii Hurricane Relief Fund                          | 2                    | -                       | -  | -                                      |   |                             |                       | (2)                 |
| Total component units                                 | <u>\$ 2,705,054</u>  | <u>\$ 1,024,177</u>     | <u>\$ 631,544</u>                        | <u>\$ 34,060</u>                       |   |                             |                       | <u>(1,015,273)</u>  |
| <b>General revenues</b>                               |                      |                         |  |  |   |                             |                       |                     |
| <b>Taxes</b>  |                      |                         |  |  |   |                             |                       |                     |
| General excise tax                                    |                      |                         |  |  | 3,890,136   | -                           | 3,890,136             | -                   |
| Net income tax – corporations and individuals         |                      |                         |  |  | 3,784,904   | -                           | 3,784,904             | -                   |
| Public service companies tax                          |                      |                         |  |  | 122,068   | -                           | 122,068               | -                   |
| Transient accommodations tax                          |                      |                         |  |  | 659,646   | -                           | 659,646               | 11,000              |
| Tobacco and liquor tax                                |                      |                         |  |  | 140,263   | -                           | 140,263               | -                   |
| Liquid fuel tax                                       |                      |                         |  |  | 78,674  | -                           | 78,674                | -                   |
| Tax on premiums of insurance companies                |                      |                         |  |  | 198,479   | -                           | 198,479               | -                   |
| Vehicle weight and registration tax                   |                      |                         |  |  | 138,579   | -                           | 138,579               | -                   |
| Rental motor/tour vehicle surcharge tax               |                      |                         |  |  | 79,575  | -                           | 79,575                | -                   |
| Franchise tax   |                      |                         |  |  | 59,252  | -                           | 59,252                | -                   |
| Other tax   |                      |                         |  |  | 307,865   | -                           | 307,865               | -                   |
| Interest and dividend income                          |                      |                         |  |  | 54,743  | 7,550                       | 62,293                | (93,910)            |
| Net decrease in fair value of investments             |                      |                         |  |  | (298,277)   | -                           | (298,277)             | -                   |
| Payments from the primary government, net             |                      |                         |  |  | -   | -                           | -                     | 1,069,740           |
| Gifts and subsidies                                   |                      |                         |  |  | -   | -                           | -                     | 114,650             |
| Other   |                      |                         |  |  | (7,811)   | (4,549)                     | (12,360)              | 262,729             |
| Total general revenues                                |                      |                         |  |  | <u>9,208,096</u>                                  | <u>3,001</u>                | <u>9,211,097</u>      | <u>1,364,209</u>    |
| Change in net position                                |                      |                         |  |  | <u>1,294,724</u>                                  | <u>1,091,649</u>            | <u>2,386,373</u>      | <u>348,936</u>      |
| <b>Net position</b>                                   |                      |                         |  |  |   |                             |                       |                     |
| Beginning of year, as previously reported             |                      |                         |  |  | (8,233,613)                                       | 3,977,170                   | (4,256,443)           | 1,993,720           |
| Adjustment for correction of misstatement             |                      |                         |  |  | (290,258)   | -                           | (290,258)             | -                   |
| Beginning of year, as restated                        |                      |                         |  |  | <u>(8,523,871)</u>                                | <u>3,977,170</u>            | <u>(4,546,701)</u>    | <u>1,993,720</u>    |
| End of year   |                      |                         |  |  | <u>\$ (7,229,147)</u>                             | <u>\$ 5,068,819</u>         | <u>\$ (2,160,328)</u> | <u>\$ 2,342,656</u> |

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, 2022**  
**(Amounts in thousands)**

|   | General Fund        | Capital Projects Fund | Med-Quest Special Revenue Fund | Administrative Support Special Revenue Fund | Natural Resources Special Revenue Fund | Hawaiian Programs Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------|--------------------------------|---|--|--|--------------------------|--------------------------|
| <b>Assets</b>   |                     |                       |                                |   |  |  |                          |                          |
| Cash and cash equivalents   | \$ 335,778          | \$ 4,394              | \$ 6,394                       | \$ 152,893                                  | \$ 21,538                              | \$ 34,038                              | \$ 362,561               | \$ 917,596               |
| Receivables   |                     |                       |                                |   |  |  |                          |                          |
| Taxes   | 123,267             | -                     | -                              | -   | -                                      | -                                      | -                        | 123,267                  |
| Notes and loans, net of allowance for doubtful accounts of \$48,505 | 1,307               | -                     | -                              | -   | 21,292                                 | 59,061                                 | 71,079                   | 152,739                  |
| Federal government  | -                   | -                     | 39,907                         | -   | -                                      | -                                      | 18,221                   | 58,128                   |
| Drug rebate   | -                   | -                     | 113,003                        | -   | -                                      | -                                      | -                        | 113,003                  |
| Lease   | -                   | -                     | -                              | 1,318                                       | 422,837                                | 385,088                                | 29,308                   | 838,551                  |
| Other   | 22,824              | 1,250                 | -                              | 77,849                                      | 5,516                                  | 4,511                                  | -                        | 111,950                  |
| Due from other funds  | 165,657             | -                     | -                              | 174,956                                     | -                                      | -                                      | 272                      | 340,885                  |
| Due from proprietary funds  | 20                  | 1,597                 | -                              | 278   | -                                      | -                                      | -                        | 1,895                    |
| Due from agency funds   | -                   | -                     | -                              | -   | -                                      | -                                      | 2,363                    | 2,363                    |
| Due from component units  | 6,000               | -                     | -                              | 92,160                                      | -                                      | -                                      | -                        | 98,160                   |
| Investments   | 3,033,221           | 389,274               | 51,696                         | 838,932                                     | 174,130                                | 266,309                                | 1,129,521                | 5,883,083                |
| Other assets  | 3,884               | -                     | -                              | -   | -                                      | -                                      | 67                       | 3,951                    |
| Total assets  | <u>\$ 3,691,958</u> | <u>\$ 396,515</u>     | <u>\$ 211,000</u>              | <u>\$ 1,338,386</u>                         | <u>\$ 645,313</u>                      | <u>\$ 749,007</u>                      | <u>\$ 1,613,392</u>      | <u>\$ 8,645,571</u>      |
| <b>Liabilities</b>  |                     |                       |                                |   |  |  |                          |                          |
| Liabilities   |                     |                       |                                |   |  |  |                          |                          |
| Vouchers and contracts payable                                      | \$ 211,108          | \$ 132,301            | \$ 11,702                      | \$ 3,154                                    | \$ 2,554                               | \$ 4,749                               | \$ 149,750               | \$ 515,318               |
| Other accrued liabilities   | 319,465             | -                     | 76,400                         | 3,155                                       | 1,969                                  | -                                      | 55,878                   | 456,867                  |
| Advance from federal government                                     | -                   | -                     | -                              | 717,168                                     | -                                      | -                                      | -                        | 717,168                  |
| Due to other funds  | 17,264              | -                     | 112,003                        | -   | 14,425                                 | -                                      | 197,193                  | 340,885                  |
| Due to component units  | 4,464               | 659,270               | -                              | -   | -                                      | -                                      | -                        | 663,734                  |
| Payable from restricted assets                                      | -                   | -                     | -                              | -   | -                                      | -                                      | -                        | -                        |
| Matured bonds and interest payable                                  | -                   | -                     | -                              | -   | -                                      | -                                      | 335                      | 335                      |
| Total liabilities   | <u>552,301</u>      | <u>791,571</u>        | <u>200,105</u>                 | <u>723,477</u>                              | <u>18,948</u>                          | <u>4,749</u>                           | <u>403,156</u>           | <u>2,694,307</u>         |
| <b>Deferred inflows of resources</b>                                |                     |                       |                                |   |  |  |                          |                          |
| Deferred inflows on leases  | -                   | -                     | -                              | 1,283                                       | 422,067                                | 380,323                                | 29,079                   | 832,752                  |
| <b>Fund balances</b>  |                     |                       |                                |   |  |  |                          |                          |
| Restricted  | -                   | -                     | -                              | -   | -                                      | -                                      | 272                      | 272                      |
| Committed   | -                   | -                     | -                              | -   | -                                      | -                                      | 89,889                   | 89,889                   |
| Assigned  | 407,353             | -                     | 10,895                         | 613,626                                     | 204,298                                | 363,935                                | 1,092,217                | 2,692,324                |
| Unassigned  | 2,732,304           | (395,056)             | -                              | -   | -                                      | -                                      | (1,221)                  | 2,336,027                |
| Total fund balances   | <u>3,139,657</u>    | <u>(395,056)</u>      | <u>10,895</u>                  | <u>613,626</u>                              | <u>204,298</u>                         | <u>363,935</u>                         | <u>1,181,157</u>         | <u>5,118,512</u>         |
| Total liabilities, deferred inflows on resources, and fund balances | <u>\$ 3,691,958</u> | <u>\$ 396,515</u>     | <u>\$ 211,000</u>              | <u>\$ 1,338,386</u>                         | <u>\$ 645,313</u>                      | <u>\$ 749,007</u>                      | <u>\$ 1,613,392</u>      | <u>\$ 8,645,571</u>      |

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, 2022**  
(Amounts in thousands)

|   |                       |
|---|-----------------------|
| Total fund balance – Governmental funds   | <u>\$ 5,118,512</u>   |
| 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  | 2,423,579             |
| Infrastructure  | 10,737,224            |
| Construction in progress  | 1,260,285             |
| Buildings, improvements and equipment   | 7,553,589             |
| Intangible assets – software  | 159,941               |
| Accumulated depreciation and amortization   | <u>(11,818,361)</u>   |
|   | <u>10,316,257</u>     |
| Accrued interest and other payables are not recognized in governmental funds.   | <u>(114,006)</u>      |
| 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. | <u>162,030</u>        |
| 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  | (9,041,510)           |
| Accrued vacation payable  | (273,341)             |
| Revenue bonds payable   | (700,427)             |
| Reserve for losses and loss adjustment costs  | (627,301)             |
| Lease payable   | (60,798)              |
| Net other postemployment benefits liability   | (5,207,792)           |
| Net pension liability   | (6,145,230)           |
| Financed purchases  | <u>(101,631)</u>      |
|   | <u>(22,158,030)</u>   |
| Deferred outflows of resources are for future periods and are not reported in the funds. Those deferred outflows consist of   |                       |
| Deferred loss on refunding  | 98,645                |
| Deferred outflows on net pension liability  | 830,429               |
| Deferred outflows on other postemployment benefits liability  | <u>484,031</u>        |
|   | <u>1,413,105</u>      |
| 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   | (1,029,046)           |
| Deferred inflows on other postemployment benefits liability   | <u>(937,969)</u>      |
|   | <u>(1,967,015)</u>    |
| Net position of governmental activities   | <u>\$ (7,229,147)</u> |

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, 2022**  
**(Amounts in thousands)**

|   | General Fund | Capital Projects Fund | Med-Quest Special Revenue Fund | Administrative Support Special Revenue Fund | Natural Resources Special Revenue Fund | Hawaiian Programs Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------|-----------------------|--------------------------------|---|--|--|--------------------------|--------------------------|
| <b>Revenues</b>   |              |                       |                                |   |  |  |                          |                          |
| Taxes   |              |                       |                                |   |  |  |                          |                          |
| General excise tax  | \$ 3,603,931 | \$ -                  | \$ -                           | \$ 289,075                                  | \$ -                                   | \$ -                                   | \$ -                     | \$ 3,893,006             |
| Net income tax – corporations and individuals             | 3,758,447    | -                     | -                              | -   | -                                      | -                                      | -                        | 3,758,447                |
| Public service companies tax                              | 122,068      | -                     | -                              | -   | -                                      | -                                      | -                        | 122,068                  |
| Transient accommodations tax                              | 661,330      | -                     | -                              | -   | -                                      | -                                      | -                        | 661,330                  |
| Tobacco and liquor tax                                    | 119,641      | -                     | -                              | 1,439                                       | -                                      | -                                      | 19,182                   | 140,262                  |
| Liquid fuel tax   | -            | -                     | -                              | -   | 231                                    | -                                      | 78,443                   | 78,674                   |
| Tax on premiums of insurance companies                    | 195,607      | -                     | -                              | -   | -                                      | -                                      | 2,871                    | 198,478                  |
| Vehicle weight and registration tax                       | -            | -                     | -                              | -   | -                                      | -                                      | 138,579                  | 138,579                  |
| Rental motor/vehicle surcharge tax                        | 14           | -                     | -                              | -   | -                                      | -                                      | 79,560                   | 79,574                   |
| Franchise tax   | 57,252       | -                     | -                              | -   | -                                      | -                                      | 2,000                    | 59,252                   |
| Other   | 223,601      | -                     | -                              | 69,992                                      | 9,600                                  | -                                      | 4,675                    | 307,868                  |
| Total taxes   | 8,741,891    | -                     | -                              | 360,506                                     | 9,831                                  | -                                      | 325,310                  | 9,437,538                |
| Interest and dividend income                              | 26,009       | 1,250                 | -                              | 16,658                                      | 645                                    | 6,056                                  | 4,121                    | 54,739                   |
| Net decrease in fair value of investments                 | -            | (19,794)              | (5,851)                        | (94,948)                                    | (19,708)                               | (30,140)                               | (127,836)                | (298,277)                |
| Charges for current services                              | 134,132      | -                     | -                              | 104,797                                     | 56,850                                 | 3,128                                  | 188,366                  | 487,273                  |
| Intergovernmental   | 15,041       | -                     | 2,213,356                      | 1,185,016                                   | 20,216                                 | 9,565                                  | 2,358,497                | 5,801,691                |
| Rentals   | 325          | -                     | -                              | 522   | 10,731                                 | 19,157                                 | 9,418                    | 40,153                   |
| Fines, forfeitures and penalties                          | 17,789       | -                     | -                              | 85  | 405                                    | -                                      | 10,603                   | 28,882                   |
| Licenses and fees   | 2,437        | -                     | -                              | 344   | 959                                    | -                                      | 46,928                   | 50,668                   |
| Revenues from private sources                             | 5,878        | -                     | 72,531                         | 1,817                                       | 66                                     | 2,250                                  | 45,218                   | 127,760                  |
| Other   | 66,019       | -                     | 81,836                         | 38  | 22,142                                 | 40,250                                 | 204,709                  | 414,994                  |
| Total revenues  | 9,009,521    | (18,544)              | 2,361,872                      | 1,574,835                                   | 102,137                                | 50,266                                 | 3,065,334                | 16,145,421               |
| <b>Expenditures</b>                                       |              |                       |                                |   |  |  |                          |                          |
| Current   |              |                       |                                |   |  |  |                          |                          |
| General government  | 578,495      | 41,091                | -                              | 1,359,438                                   | 5,735                                  | -                                      | 38,329                   | 2,023,088                |
| Public safety   | 399,449      | 55,788                | -                              | 21,005                                      | 1,524                                  | -                                      | 267,072                  | 744,838                  |
| Highways  | 4,039        | 231,515               | -                              | -   | -                                      | -                                      | 325,662                  | 561,216                  |
| Conservation of natural resources                         | 60,932       | 9,551                 | -                              | -   | 64,000                                 | -                                      | 22                       | 134,505                  |
| Health  | 665,233      | 47,665                | -                              | -   | 100                                    | -                                      | 377,853                  | 1,090,851                |
| Welfare   | 1,350,186    | 1,434                 | 2,259,099                      | 12,042                                      | -                                      | -                                      | 1,247,220                | 4,869,981                |
| Lower education   | 2,512,402    | 368,929               | -                              | 4,675                                       | -                                      | -                                      | 621,284                  | 3,507,290                |
| Higher education  | 768,478      | 150,873               | -                              | -   | -                                      | -                                      | -                        | 919,351                  |
| Other education   | 6,439        | -                     | -                              | -   | -                                      | -                                      | 10,494                   | 16,933                   |
| Culture and recreation                                    | 60,801       | 10,277                | -                              | 13,204                                      | 15,211                                 | -                                      | 17,105                   | 116,598                  |
| Urban redevelopment and housing                           | 18,975       | 3,487                 | -                              | -   | -                                      | 70,927                                 | 4,772                    | 98,161                   |
| Economic development and assistance                       | 49,779       | 37,702                | -                              | -   | 4,184                                  | -                                      | 176,180                  | 267,845                  |
| Housing   | 31,057       | 82,038                | -                              | -   | -                                      | -                                      | -                        | 113,095                  |
| Other   | 72,782       | 1,107                 | -                              | 5,041                                       | -                                      | 2,246                                  | 18,485                   | 99,661                   |
| Debt service  | -            | -                     | -                              | -   | -                                      | -                                      | 1,022,967                | 1,022,967                |
| Total expenditures  | 6,579,047    | 1,041,457             | 2,259,099                      | 1,415,405                                   | 90,754                                 | 73,173                                 | 4,127,445                | 15,586,380               |
| Excess (deficiency) of revenues over (under) expenditures | 2,430,474    | (1,060,001)           | 102,773                        | 159,430                                     | 11,383                                 | (22,907)                               | (1,062,111)              | 559,041                  |
| <b>Other financing sources (uses)</b>                     |              |                       |                                |   |  |  |                          |                          |
| Issuance of GO bonds – par                                | -            | 700,000               | -                              | -   | -                                      | -                                      | -                        | 700,000                  |
| Issuance of GO bonds – premium                            | 2,018        | -                     | -                              | -   | -                                      | -                                      | -                        | 2,018                    |
| Issuance of refunding GO bonds – par                      | -            | -                     | -                              | -   | -                                      | -                                      | 1,182,955                | 1,182,955                |
| Issuance of refunding revenue bonds – par                 | -            | -                     | -                              | -   | -                                      | -                                      | 23,130                   | 23,130                   |
| Issuance of refunding revenue bonds – premium             | -            | -                     | -                              | -   | -                                      | -                                      | 4,051                    | 4,051                    |
| Issuance of leases  | 10,180       | -                     | -                              | -   | -                                      | -                                      | -                        | 10,180                   |
| Payment to refunded bond escrow agent                     | -            | -                     | -                              | -   | -                                      | -                                      | (1,210,136)              | (1,210,136)              |
| Transfers in  | 191,545      | 149,017               | 5,154                          | 12,119                                      | 11,327                                 | 5,000                                  | 1,386,696                | 1,760,858                |
| Transfers out   | (1,057,626)  | (5,141)               | (116,033)                      | (286,367)                                   | (2,808)                                | (3,011)                                | (289,872)                | (1,760,858)              |
| Total other financing sources (uses)                      | (853,883)    | 843,876               | (110,879)                      | (274,248)                                   | 8,519                                  | 1,989                                  | 1,096,824                | 712,198                  |
| Net change in fund balances                               | 1,576,591    | (216,125)             | (8,106)                        | (114,818)                                   | 19,902                                 | (20,918)                               | 34,713                   | 1,271,239                |
| <b>Fund balances</b>                                      |              |                       |                                |   |  |  |                          |                          |
| Beginning of year, as previously reported                 | 1,560,539    | (178,931)             | 19,001                         | 876,500                                     | 213,864                                | 385,370                                | 1,261,188                | 4,137,531                |
| Adjustment for correction of misstatement                 | 2,527        | -                     | -                              | (148,056)                                   | (29,468)                               | (517)                                  | (114,744)                | (290,258)                |
| Beginning of year, as restated                            | 1,563,066    | (178,931)             | 19,001                         | 728,444                                     | 184,396                                | 384,853                                | 1,146,444                | 3,847,273                |
| End of year   | \$ 3,139,657 | \$ (395,056)          | \$ 10,895                      | \$ 613,626                                  | \$ 204,298                             | \$ 363,935                             | \$ 1,181,157             | \$ 5,118,512             |

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, 2022 (Amounts in thousands)

|   |              |
|---|--------------|
| Total net change in fund balances – Governmental funds  | \$ 1,271,239 |
| 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   | 1,353,032    |
| Lease asset additions   | 10,180       |
| Capital asset disposals   | (532,973)    |
| Accumulated depreciation on disposals   | 106,834      |
| Depreciation and amortization expense   | (605,495)    |
| Excess of capital outlay over depreciation expense  | 331,578      |
| 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. | (1,912,154)  |
| 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 and BAN principal retirement   | 1,830,903    |
| Financed purchase payments  | 7,034        |
| Total long-term debt repayment  | 1,837,937    |
| 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.  | 21,907       |
| 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  | 1,459        |
| Change in reserve for losses and loss adjustment costs  | (336,738)    |
| Change in accrued interest on bonds payable   | 14,591       |
| Change in lease payable   | (1,952)      |
| Change in accrued interest on financed purchases  | (9,010)      |
| Amortization of bond premium and deferred amount on refunding   | 158,049      |
| Net pension activity  | (1,473)      |
| Net other postemployment benefits activity  | (80,709)     |
| Total   | (255,783)    |
| Change in net position of governmental activities   | \$ 1,294,724 |

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

**State of Hawaii**  
**Proprietary Funds**  
**Statement of Fund Net Position**  
**June 30, 2022**  
**(Amounts in thousands)**

|   | <b>Airports</b> | <b>Harbors</b> | <b>Unemployment<br/>Compensation</b> | <b>Nonmajor<br/>Proprietary<br/>Funds</b> | <b>Total<br/>Proprietary<br/>Funds</b> |
|---|-----------------|----------------|--------------------------------------|---|--|
| <b>Assets</b>   |                 |                |                                      |   |  |
| Current assets  |                 |                |                                      |   |  |
| Cash and cash equivalents   | \$ 551,754      | \$ 196,703     | \$ 156,609                           | \$ 136,268                                | \$ 1,041,334                           |
| Investments   | -               | -              | -                                    | 158,109                                   | 158,109                                |
| Restricted assets – cash and short-term investments                               | 206,114         | 40,687         | -                                    | -   | 246,801                                |
| Receivables   |                 |                |                                      |   |  |
| Taxes   | 271             | -              | 66,935                               | -   | 67,206                                 |
| Accounts and accrued interest, net of allowance for doubtful accounts of \$14,975 | 59,243          | 18,637         | -                                    | 582                                       | 78,462                                 |
| Promissory note receivable, net of allowance for doubtful accounts of \$1,925     | -               | 169            | -                                    | 57,827                                    | 57,996                                 |
| Federal government  | 10,968          | -              | -                                    | 164                                       | 11,132                                 |
| Premiums  | -               | -              | -                                    | 54,574                                    | 54,574                                 |
| Lease   | 71,376          | 4,198          | -                                    | -   | 75,574                                 |
| Other   | 3,965           | -              | -                                    | 18,098                                    | 22,063                                 |
| Materials and supplies inventory  | 249             | -              | -                                    | -   | 249                                    |
| Prepaid expenses and other assets   | -               | 329            | -                                    | 5,086                                     | 5,415                                  |
| Total current assets  | 903,940         | 260,723        | 223,544                              | 430,708                                   | 1,818,915                              |
| Noncurrent assets   |                 |                |                                      |   |  |
| Capital assets  |                 |                |                                      |   |  |
| Land and land improvements  | 2,329,646       | 649,952        | -                                    | -   | 2,979,598                              |
| Construction in progress  | 689,556         | 362,367        | -                                    | -   | 1,051,923                              |
| Buildings and improvements  | 3,485,769       | 655,174        | -                                    | 340                                       | 4,141,283                              |
| Equipment   | 385,027         | 33,526         | -                                    | 22,746                                    | 441,299                                |
|   | 6,889,998       | 1,701,019      | -                                    | 23,086                                    | 8,614,103                              |
| Less: Accumulated depreciation  | (2,890,600)     | (546,161)      | -                                    | (13,942)                                  | (3,450,703)                            |
| Net capital assets  | 3,999,398       | 1,154,858      | -                                    | 9,144                                     | 5,163,400                              |
| Promissory note receivable  | -               | -              | -                                    | 670,770                                   | 670,770                                |
| Lease receivable  | 435,040         | 62,180         | -                                    | -   | 497,220                                |
| Restricted assets – net direct financing leases                                   | 17,524          | -              | -                                    | -   | 17,524                                 |
| Restricted assets – cash and cash equivalents                                     | 524,050         | 384,522        | -                                    | -   | 908,572                                |
| Restricted assets – investments   | 211,019         | -              | -                                    | -   | 211,019                                |
| Restricted assets – other   | 11,263          | -              | -                                    | -   | 11,263                                 |
| Other   | 1,238           | -              | -                                    | -   | 1,238                                  |
| Total noncurrent assets   | 5,199,532       | 1,601,560      | -                                    | 679,914                                   | 7,481,006                              |
| Total assets  | 6,103,472       | 1,862,283      | 223,544                              | 1,110,622                                 | 9,299,921                              |
| <b>Deferred outflows of resources</b>   |                 |                |                                      |   |  |
| Deferred loss on refunding  | 5,988           | 1,019          | -                                    | -   | 7,007                                  |
| Deferred outflows on net pension liability  | 25,515          | 5,736          | -                                    | 1,969                                     | 33,220                                 |
| Deferred outflows on net other postemployment benefits liability                  | 9,031           | 1,867          | -                                    | 766                                       | 11,664                                 |
| Total deferred outflows of resources  | \$ 40,534       | \$ 8,622       | \$ -                                 | \$ 2,735                                  | \$ 51,891                              |

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

**State of Hawaii**  
**Proprietary Funds**  
**Statement of Fund Net Position**  
**June 30, 2022**  
**(Amounts in thousands)**

|  | <b>Airports</b> | <b>Harbors</b> | <b>Unemployment<br/>Compensation</b> | <b>Nonmajor<br/>Proprietary<br/>Funds</b> | <b>Total<br/>Proprietary<br/>Funds</b> |
|--|-----------------|----------------|--------------------------------------|---|--|
| <b>Liabilities</b>   |                 |                |                                      |   |  |
| <b>Current liabilities</b>   |                 |                |                                      |   |  |
| Vouchers and contracts payable   | \$ 53,146       | \$ 8,975       | \$ 8,493                             | \$ 1,938                                  | \$ 72,552                              |
| Payable from restricted assets –<br>contracts payable, accrued interest, and other | 99,141          | 18,459         | -                                    | -   | 117,600                                |
| Other accrued liabilities  | 29,444          | -              | -                                    | 1,113                                     | 30,557                                 |
| Due to governmental funds  | 298             | 1,597          | -                                    | -   | 1,895                                  |
| Benefit claims payable   | -               | -              | -                                    | 5,914                                     | 5,914                                  |
| General obligation bonds payable, current portion                                  | -               | 2,701          | -                                    | -   | 2,701                                  |
| Reserve for losses and loss adjustment costs                                       | 2,209           | 108            | -                                    | -   | 2,317                                  |
| Lease payable, current portion   | -               | -              | -                                    | 159                                       | 159                                    |
| Financed purchases   | -               | 1,264          | -                                    | -   | 1,264                                  |
| Lease revenue certificates of participation  | 15,204          | -              | -                                    | -   | 15,204                                 |
| Customer facility charge revenue bonds   | 10,575          | -              | -                                    | -   | 10,575                                 |
| Accrued vacation, current portion  | 6,332           | 796            | -                                    | 297                                       | 7,425                                  |
| Payable from restricted assets – revenue bond payable                              | 445             | 24,188         | -                                    | -   | 24,633                                 |
| Premiums payable   | -               | -              | -                                    | 46,251                                    | 46,251                                 |
| Total current liabilities  | 216,794         | 58,088         | 8,493                                | 55,672                                    | 339,047                                |
| <b>Noncurrent liabilities</b>  |                 |                |                                      |   |  |
| General obligation bonds payable   | -               | 10,966         | -                                    | -   | 10,966                                 |
| Accrued vacation   | 8,564           | 2,053          | -                                    | 893                                       | 11,510                                 |
| Revenue bonds payable, net of unamortized<br>bond premium and bond discount        | 2,310,715       | 370,916        | -                                    | -   | 2,681,631                              |
| Reserve for losses and loss adjustment cost  | 4,726           | 1,109          | -                                    | -   | 5,835                                  |
| Lease payable  | 45              | -              | -                                    | 38  | 83                                     |
| Financed purchases   | -               | 21,122         | -                                    | -   | 21,122                                 |
| Lease revenue certificates of participation  | 158,002         | -              | -                                    | -   | 158,002                                |
| Net pension liability  | 147,602         | 19,196         | -                                    | 11,255                                    | 178,053                                |
| Net other postemployment benefits liability  | 160,998         | 34,658         | -                                    | 12,540                                    | 208,196                                |
| Prepaid airport use charge fund  | 2,856           | -              | -                                    | -   | 2,856                                  |
| Security deposits  | -               | 3,805          | -                                    | -   | 3,805                                  |
| Other  | -               | 1,803          | -                                    | -   | 1,803                                  |
| Total noncurrent liabilities   | 2,793,508       | 465,628        | -                                    | 24,726                                    | 3,283,862                              |
| Total liabilities  | 3,010,302       | 523,716        | 8,493                                | 80,398                                    | 3,622,909                              |
| <b>Deferred inflows of resources</b>   |                 |                |                                      |   |  |
| Deferred inflows on leases   | 505,985         | 65,186         | -                                    | -   | 571,171                                |
| Deferred inflows on net pension liability  | 34,509          | 31,072         | -                                    | 2,696                                     | 68,277                                 |
| Deferred inflows on net other postemployment benefits liability                    | 16,372          | 3,032          | -                                    | 1,232                                     | 20,636                                 |
| Total deferred inflows of resources  | 556,866         | 99,290         | -                                    | 3,928                                     | 660,084                                |
| <b>Net position</b>  |                 |                |                                      |   |  |
| Net investment in capital assets   | 1,832,263       | 727,082        | -                                    | 8,947                                     | 2,568,292                              |
| Restricted for bond requirements and other   | 585,110         | 398,638        | -                                    | 831,106                                   | 1,814,854                              |
| Unrestricted   | 159,465         | 122,179        | 215,051                              | 188,978                                   | 685,673                                |
| Net position   | \$ 2,576,838    | \$ 1,247,899   | \$ 215,051                           | \$ 1,029,031                              | \$ 5,068,819                           |

**State of Hawaii**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

|  | <b>Airports</b>     | <b>Harbors</b>      | <b>Unemployment<br/>Compensation</b> | <b>Nonmajor<br/>Proprietary<br/>Funds</b> | <b>Total<br/>Proprietary<br/>Funds</b> |
|--|---------------------|---------------------|--------------------------------------|---|--|
| <b>Operating revenues</b>                          |                     |                     |                                      |   |  |
| Concession fees                                    | \$ 168,702          | \$ -                | \$ -                                 | \$ -                                      | \$ 168,702                             |
| Unemployment compensation                          | -                   | -                   | 243,660                              | -   | 243,660                                |
| Aviation fuel tax                                  | 3,119               | -                   | -                                    | -   | 3,119                                  |
| Airport use charges                                | 81,184              | -                   | -                                    | -   | 81,184                                 |
| Rentals  | 179,201             | 32,179              | -                                    | -   | 211,380                                |
| Services and others                                | -                   | 168,723             | -                                    | -   | 168,723                                |
| Administrative fees                                | -                   | -                   | -                                    | 6,111                                     | 6,111                                  |
| Premium revenue – self insurance                   | -                   | -                   | -                                    | 97,067                                    | 97,067                                 |
| Experience refunds, net                            | -                   | -                   | -                                    | 16,132                                    | 16,132                                 |
| Other  | 9,850               | 738                 | -                                    | 4,359                                     | 14,947                                 |
| Total operating revenues                           | <u>442,056</u>      | <u>201,640</u>      | <u>243,660</u>                       | <u>123,669</u>                            | <u>1,011,025</u>                       |
| <b>Operating expenses</b>                          |                     |                     |                                      |   |  |
| Personnel services                                 | 212,835             | 18,094              | -                                    | 8,408                                     | 239,337                                |
| Depreciation and amortization                      | 167,316             | 38,399              | -                                    | 852                                       | 206,567                                |
| Repairs and maintenance                            | 69,777              | -                   | -                                    | 529                                       | 70,306                                 |
| Airports operations                                | 49,182              | -                   | -                                    | -   | 49,182                                 |
| Harbors operations                                 | -                   | 30,628              | -                                    | -   | 30,628                                 |
| General administration                             | 28,523              | 14,299              | -                                    | 5,466                                     | 48,288                                 |
| Unemployment compensation                          | -                   | -                   | 608,094                              | -   | 608,094                                |
| Claims   | -                   | -                   | -                                    | 102,363                                   | 102,363                                |
| Other  | 2,957               | -                   | -                                    | 3,208                                     | 6,165                                  |
| Total operating expenses                           | <u>530,590</u>      | <u>101,420</u>      | <u>608,094</u>                       | <u>120,826</u>                            | <u>1,360,930</u>                       |
| Operating income (loss)                            | <u>(88,534)</u>     | <u>100,220</u>      | <u>(364,434)</u>                     | <u>2,843</u>                              | <u>(349,905)</u>                       |
| <b>Nonoperating revenues (expenses)</b>            |                     |                     |                                      |   |  |
| Interest and investment income                     | 13,789              | -                   | 1,282                                | (7,521)                                   | 7,550                                  |
| Interest expense                                   | (85,792)            | (8,462)             | -                                    | -   | (94,254)                               |
| Federal grants                                     | 93,763              | -                   | 473,657                              | -   | 567,420                                |
| Contributions                                      | -                   | -                   | 820,413                              | -   | 820,413                                |
| Loss on disposal of capital assets                 | (4,549)             | (47)                | -                                    | -   | (4,596)                                |
| Rental car customer and passenger facility charges | 99,182              | -                   | -                                    | -   | 99,182                                 |
| Other  | (1,736)             | 1,949               | -                                    | 15  | 228                                    |
| Total nonoperating revenues (expenses)             | <u>114,657</u>      | <u>(6,560)</u>      | <u>1,295,352</u>                     | <u>(7,506)</u>                            | <u>1,395,943</u>                       |
| Income (loss) before capital contributions         | <u>26,123</u>       | <u>93,660</u>       | <u>930,918</u>                       | <u>(4,663)</u>                            | <u>1,046,038</u>                       |
| Capital contributions                              | <u>17,728</u>       | <u>243</u>          | <u>-</u>                             | <u>27,640</u>                             | <u>45,611</u>                          |
| Change in net position                             | <u>43,851</u>       | <u>93,903</u>       | <u>930,918</u>                       | <u>22,977</u>                             | <u>1,091,649</u>                       |
| <b>Net position</b>                                |                     |                     |                                      |   |  |
| Beginning of year                                  | <u>2,532,987</u>    | <u>1,153,996</u>    | <u>(715,867)</u>                     | <u>1,006,054</u>                          | <u>3,977,170</u>                       |
| End of year  | <u>\$ 2,576,838</u> | <u>\$ 1,247,899</u> | <u>\$ 215,051</u>                    | <u>\$ 1,029,031</u>                       | <u>\$ 5,068,819</u>                    |

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, 2022**  
**(Amounts in thousands)**

|  | <b>Airports</b>     | <b>Harbors</b>    | <b>Unemployment<br/>Compensation</b> | <b>Nonmajor<br/>Proprietary<br/>Funds</b> | <b>Total<br/>Proprietary<br/>Funds</b> |
|--|---------------------|-------------------|--------------------------------------|---|--|
| <b>Cash flows from operating activities</b>                                |                     |                   |                                      |   |  |
| Cash received from customers   | \$ 472,618          | \$ 205,654        | \$ -                                 | \$ -                                      | \$ 678,272                             |
| Cash received from taxes   | -                   | -                 | 244,806                              | -   | 244,806                                |
| Cash received from employers and employees<br>for premiums and benefits    | -                   | -                 | -                                    | 711,496                                   | 711,496                                |
| Cash paid to suppliers   | (263,333)           | (32,507)          | -                                    | (4,897)                                   | (300,737)                              |
| Cash paid to employees   | (110,621)           | (21,056)          | -                                    | (9,350)                                   | (141,027)                              |
| Cash paid for unemployment compensation                                    | -                   | -                 | (671,884)                            | -   | (671,884)                              |
| Cash paid for premiums and benefits payable                                | -                   | -                 | -                                    | (675,426)                                 | (675,426)                              |
| Net cash provided by (used in) operating activities                        | <u>98,664</u>       | <u>152,091</u>    | <u>(427,078)</u>                     | <u>21,823</u>                             | <u>(154,500)</u>                       |
| <b>Cash flows from noncapital financing activities</b>                     |                     |                   |                                      |   |  |
| Proceeds from federal operating grants                                     | 112,491             | -                 | 473,657                              | -   | 586,148                                |
| Proceeds from other contributions  | -                   | -                 | 820,413                              | -   | 820,413                                |
| Proceeds from federal loan   | -                   | -                 | (717,016)                            | -   | (717,016)                              |
| Net cash provided by noncapital<br>financing activities                    | <u>112,491</u>      | <u>-</u>          | <u>577,054</u>                       | <u>-</u>                                  | <u>689,545</u>                         |
| <b>Cash flows from capital and related financing activities</b>            |                     |                   |                                      |   |  |
| Acquisition and construction of capital assets                             | (236,640)           | (118,228)         | -                                    | (3,602)                                   | (358,470)                              |
| Proceeds from federal, state and capital grants and contributions          | 15,953              | -                 | -                                    | 27,697                                    | 43,650                                 |
| Principal paid on airports system revenue bonds                            | (430)               | -                 | -                                    | -   | (430)                                  |
| Repayment of general obligation and revenue bonds principal                | -                   | (16,693)          | -                                    | -   | (16,693)                               |
| Bond issue costs paid  | (1,744)             | -                 | -                                    | -   | (1,744)                                |
| Proceeds from airports system revenue bonds                                | 256,437             | -                 | -                                    | -   | 256,437                                |
| Payments for lease revenue certificates of participation                   | (13,753)            | -                 | -                                    | -   | (13,753)                               |
| Interest paid on outstanding debt  | (89,601)            | -                 | -                                    | -   | (89,601)                               |
| Proceeds from passenger facility charges program                           | 38,593              | -                 | -                                    | -   | 38,593                                 |
| Proceeds from rental car customer facility charges program                 | 59,023              | -                 | -                                    | -   | 59,023                                 |
| Principal paid on rental car customer facility charges program             | (10,350)            | -                 | -                                    | -   | (10,350)                               |
| Interest paid on bonds   | -                   | (15,682)          | -                                    | -   | (15,682)                               |
| Principal paid on financed purchases                                       | -                   | (1,139)           | -                                    | -   | (1,139)                                |
| Principal paid on leases   | -                   | -                 | -                                    | (195)                                     | (195)                                  |
| Reimbursement received for capital assets                                  | -                   | 243               | -                                    | -   | 243                                    |
| Net cash provided by (used in) capital<br>and related financing activities | <u>17,488</u>       | <u>(151,499)</u>  | <u>-</u>                             | <u>23,900</u>                             | <u>(110,111)</u>                       |
| <b>Cash flows from investing activities</b>                                |                     |                   |                                      |   |  |
| Proceeds from sales and maturities of investments                          | 124,535             | -                 | -                                    | -   | 124,535                                |
| Interest received from investments   | 7,247               | 2,210             | 1,282                                | 3,103                                     | 13,842                                 |
| Purchase of investments  | (117,617)           | -                 | -                                    | (27,951)                                  | (145,568)                              |
| Principal repayments on notes receivable                                   | -                   | -                 | -                                    | 53,678                                    | 53,678                                 |
| Disbursement of note receivable proceeds                                   | -                   | -                 | -                                    | (80,226)                                  | (80,226)                               |
| Interest income from notes receivable                                      | -                   | -                 | -                                    | 2,116                                     | 2,116                                  |
| Administrative loan fees   | -                   | -                 | -                                    | 5,942                                     | 5,942                                  |
| Net cash provided by (used in) investing activities                        | <u>14,165</u>       | <u>2,210</u>      | <u>1,282</u>                         | <u>(43,338)</u>                           | <u>(25,681)</u>                        |
| Net increase in cash and cash equivalents                                  | <u>242,808</u>      | <u>2,802</u>      | <u>151,258</u>                       | <u>2,385</u>                              | <u>399,253</u>                         |
| <b>Cash and cash equivalents, including restricted amounts</b>             |                     |                   |                                      |   |  |
| Beginning of year  | <u>1,039,110</u>    | <u>619,110</u>    | <u>5,351</u>                         | <u>133,883</u>                            | <u>1,797,454</u>                       |
| End of year  | <u>\$ 1,281,918</u> | <u>\$ 621,912</u> | <u>\$ 156,609</u>                    | <u>\$ 136,268</u>                         | <u>\$ 2,196,707</u>                    |

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, 2022**  
**(Amounts in thousands)**

|   | <b>Airports</b>  | <b>Harbors</b>    | <b>Unemployment<br/>Compensation</b> | <b>Nonmajor<br/>Proprietary<br/>Funds</b> | <b>Total<br/>Proprietary<br/>Funds</b> |
|---|------------------|-------------------|--------------------------------------|---|--|
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b> |                  |                   |                                      |   |  |
| Operating income (loss)   | \$ (88,534)      | \$ 100,220        | \$ (364,434)                         | \$ 2,843                                  | \$ (349,905)                           |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities |                  |                   |                                      |   |  |
| Depreciation and amortization   | 167,316          | 38,399            | -                                    | 852                                       | 206,567                                |
| Provision for uncollectible accounts  | 2                | (39)              | -                                    | -   | (37)                                   |
| Overpayment of airport use charge to be transferred to the prepaid airport use charge fund              | 38,397           | -                 | -                                    | -   | 38,397                                 |
| Premium reserves held by insurance companies  | -                | -                 | -                                    | 17,741                                    | 17,741                                 |
| Principal forgiveness of loans  | -                | -                 | -                                    | 2,935                                     | 2,935                                  |
| Interest income from loans  | -                | -                 | -                                    | (2,136)                                   | (2,136)                                |
| Administrative loan fees  | -                | -                 | -                                    | (6,111)                                   | (6,111)                                |
| Non-imposed fringe benefits   | -                | -                 | -                                    | 40  | 40                                     |
| Loss on disposal of capital assets  | 4,549            | -                 | -                                    | -   | 4,549                                  |
| Changes in assets, deferred outflows, liabilities and deferred inflows                                  |                  |                   |                                      |   |  |
| Receivables   | 12,859           | (61,263)          | 1,226                                | 5,362                                     | (41,816)                               |
| Prepaid and other expenses  | -                | -                 | -                                    | 233                                       | 233                                    |
| Other current assets  | (45)             | -                 | -                                    | -   | (45)                                   |
| Net deferred outflows/inflows of resources  | 25,070           | 97,812            | -                                    | 3,233                                     | 126,115                                |
| Vouchers and contracts payable  | (8,215)          | 4,626             | (63,870)                             | 575                                       | (66,884)                               |
| Net pension liability   | (44,491)         | (21,668)          | -                                    | (3,097)                                   | (69,256)                               |
| Other postemployment benefits liability   | (7,550)          | (1,521)           | -                                    | (591)                                     | (9,662)                                |
| Other accrued liabilities   | (694)            | (4,475)           | -                                    | 51  | (5,118)                                |
| Benefit claims payable  | -                | -                 | -                                    | (107)                                     | (107)                                  |
| Net cash provided by (used in) operating activities   | <u>\$ 98,664</u> | <u>\$ 152,091</u> | <u>\$ (427,078)</u>                  | <u>\$ 21,823</u>                          | <u>\$ (154,500)</u>                    |
| <b>Supplemental information</b>   |                  |                   |                                      |   |  |
| Noncash investing, capital and financing activities   |                  |                   |                                      |   |  |
| Amortization of bond discount, bond premium, and loss on refunding                                      | \$ 9,597         | \$ (3,590)        | \$ -                                 | \$ -                                      | \$ 6,007                               |
| Interest payments relating to special facility revenue bonds  | 22,794           | -                 | -                                    | -   | 22,794                                 |
| Amortization of certificates of participation premium   | 319              | -                 | -                                    | -   | 319                                    |
| Amounts included in contracts payable for the acquisition of capital assets                             | 50,439           | 9,962             | -                                    | -   | 60,401                                 |
| Payments to refund airports system revenue bonds  | (57,392)         | -                 | -                                    | -   | (57,392)                               |
| Proceeds from issuance of refunding airports system revenue bonds                                       | 57,011           | -                 | -                                    | -   | 57,011                                 |
| Right-to-use lease asset and related payable  | -                | -                 | -                                    | 392                                       | 392                                    |

(concluded)

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

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**State of Hawaii**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**  
(Amounts in thousands)

|  | <b>Custodial<br/>Funds</b> | <b>OPEB<br/>Trust Fund</b> |
|--|----------------------------|----------------------------|
| <b>Assets</b>  |                            |                            |
| Cash and cash equivalents  | \$ 937,431                 | \$ 881,399                 |
| Receivables  |                            |                            |
| Taxes  | 10,007                     | -                          |
| Employer contributions   | -                          | 112,111                    |
| Premium receivable   | -                          | 37,160                     |
| Rebates and other receivables from insurance companies                   | -                          | 32,862                     |
| Experience refunds due from insurance companies                          | -                          | 31,313                     |
| Other  | 6,258                      | 11                         |
| Investments  |                            |                            |
| Certificates of deposit  | 3,152                      | -                          |
| U.S. government securities   | 49,381                     | 299,200                    |
| Equity securities  | -                          | 392,584                    |
| Mutual funds   | -                          | 95,771                     |
| Commingled funds   | -                          | 2,151,335                  |
| Alternative investments  | -                          | 1,762,128                  |
| Real estate  | -                          | 543,165                    |
| Derivatives  | -                          | (10,172)                   |
| Invested securities lending collateral                                   | -                          | 11,023                     |
| Other assets, primarily due from individuals,<br>businesses and counties | -                          | 8,165                      |
| Total assets   | <u>1,006,229</u>           | <u>6,348,055</u>           |
| <b>Liabilities</b>   |                            |                            |
| Liabilities  |                            |                            |
| Vouchers payable   | 27,600                     | -                          |
| Due to other funds   | 2,363                      | -                          |
| Premium payable  | -                          | 27,611                     |
| Benefit claims payable   | -                          | 20,880                     |
| Securities lending collateral  | -                          | 11,023                     |
| Other accrued liabilities  | -                          | 2,671                      |
| Total liabilities  | <u>29,963</u>              | <u>62,185</u>              |
| <b>Net position</b>  |                            |                            |
| Restricted for OPEB  | -                          | 6,285,870                  |
| Restricted for other purposes  | 976,266                    | -                          |
| Net position   | <u>\$ 976,266</u>          | <u>\$ 6,285,870</u>        |

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



**State of Hawaii**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2022**  
(Amounts in thousands)

|  | <b>Custodial<br/>Funds</b> | <b>OPEB<br/>Trust Fund</b> |
|--|----------------------------|----------------------------|
| <b>Additions</b>   |                            |                            |
| Employer contributions                                   | \$ -                       | \$ 845,555                 |
| Tax collections  | 541,264                    | -                          |
| Custodial collections                                    | 306,137                    | -                          |
| Other collections  | 923,094                    | -                          |
| Investment income  |                            |                            |
| Investing activities                                     |                            |                            |
| Interest   | -                          | 85,542                     |
| Net depreciation in the fair value of investments        | (20,393)                   | (195,029)                  |
|  | (20,393)                   | (109,487)                  |
| Less: Investment expenses                                | -                          | 11,162                     |
| Net investment loss from investing activities            | (20,393)                   | (120,649)                  |
| Securities lending activities                            |                            |                            |
| Securities lending income                                | -                          | 308                        |
| Less: Securities lending expenses                        | -                          | 68                         |
| Net investment income from securities lending activities | -                          | 240                        |
| Total net investment loss                                | (20,393)                   | (120,409)                  |
| Other revenues, net                                      | -                          | 830                        |
| Total additions  | 1,750,102                  | 725,976                    |
| <b>Deductions</b>  |                            |                            |
| Benefits claims expense and carrier payments             | -                          | 517,012                    |
| Tax disbursements  | 541,194                    | -                          |
| Custodial disbursements                                  | 272,175                    | -                          |
| Other disbursements                                      | 777,457                    | -                          |
| Total deductions   | 1,590,826                  | 517,012                    |
| Net increase in fiduciary net position                   | 159,276                    | 208,964                    |
| <b>Net position</b>                                      |                            |                            |
| Beginning of year, as previously reported                | 526,732                    | 6,076,906                  |
| Adjustment for correction of misstatement                | 290,258                    | -                          |
| Beginning of year, as restated                           | 816,990                    | 6,076,906                  |
| End of year  | \$ 976,266                 | \$ 6,285,870               |

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

**State of Hawaii**  
**Component Units**  
**Statement of Net Position**  
**June 30, 2022**  
**(Amounts in thousands)**

|   | <b>University<br/>of Hawaii</b> | <b>Hawaii Housing<br/>Finance and<br/>Development<br/>Corporation</b> | <b>Hawaii<br/>Public<br/>Housing<br/>Authority</b> | <b>Hawaii Health<br/>Systems<br/>Corporation</b> |
|---|---------------------------------|---|--|--|
| <b>Assets</b>   |                                 |   |  |  |
| Current assets  |                                 |   |  |  |
| Cash and cash equivalents   | \$ 152,958                      | \$ 630,695  | \$ 101,896   | \$ 174,826                                       |
| Receivables   |                                 |   |  |  |
| Accounts and accrued interest, net of<br>allowance for doubtful accounts of \$63,858            | 103,760                         | 50,468  | 1,044  | 88,220   |
| Notes, loans, mortgages and contributions,<br>net of allowance for doubtful accounts of \$1,462 | 19,488                          | 537   | -  | -  |
| Lease   | -                               | -   | -  | 1,410  |
| Federal government  | -                               | -   | 1,218  | -  |
| Other, net of allowance for doubtful accounts of \$136  | 21,941                          | 2,393   | 40   | 11,532   |
| Due from primary government   | 2,847                           | 42,796  | 70,553   | 46,726   |
| Investments   | 557,993                         | -   | -  | 23,756   |
| Inventories – materials and supplies  | 5,515                           | -   | 778  | 17,007   |
| Prepaid expenses and other assets   | 35,171                          | 636   | -  | -  |
| Total current assets  | 899,673                         | 727,525   | 175,529  | 363,477  |
| Restricted assets   |                                 |   |  |  |
| Cash and cash equivalents   | 20,069                          | 18,990  | 5,654  | 52,237   |
| Investments   | -                               | 22,663  | -  | -  |
| Deposits, funded reserves and other   | -                               | 1,013   | -  | -  |
| Total restricted assets   | 20,069                          | 42,666  | 5,654  | 52,237   |
| Capital assets  |                                 |   |  |  |
| Land and land improvements  | 262,175                         | 82,705  | 25,518   | 14,259   |
| Infrastructure  | 304,421                         | -   | -  | -  |
| Construction in progress  | 155,302                         | -   | 40,980   | 49,601   |
| Buildings, improvements and equipment   | 3,529,593                       | 15,648  | 816,436  | 881,569  |
| Less: Accumulated depreciation and amortization   | (2,074,202)                     | (4,049)   | (515,646)  | (588,846)  |
| Total capital assets, net   | 2,177,289                       | 94,304  | 367,288  | 356,583  |
| Other assets  |                                 |   |  |  |
| Notes, loans, mortgages and contributions,<br>net of allowance for doubtful accounts of \$4,892 | 61,501                          | 799,875   | 7,015  | -  |
| Lease receivable  | -                               | -   | -  | 19,359   |
| Due from primary government   | 500,505                         | -   | -  | -  |
| Inventories – developments in progress and dwelling units                                       | -                               | 52,225  | -  | -  |
| Investments   | 732,725                         | -   | -  | 11,580   |
| Other assets  | 36,019                          | -   | -  | 2,135  |
| Total other assets  | 1,330,750                       | 852,100   | 7,015  | 33,074   |
| Total assets  | 4,427,781                       | 1,716,595   | 555,486  | 805,371  |
| <b>Deferred outflows of resources</b>   |                                 |   |  |  |
| Deferred asset retirement obligations   | 3,087                           | -   | -  | -  |
| Deferred loss on refunding  | 9,612                           | -   | -  | -  |
| Deferred outflows on net pension liability  | 195,565                         | 1,444   | 4,329  | 60,438   |
| Deferred outflows on net other postemployment benefits liability                                | 72,116                          | 670   | 2,049  | 31,028   |
| Total deferred outflows of resources  | \$ 280,380                      | \$ 2,114  | \$ 6,378   | \$ 91,466  |

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

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| <b>Hawaii<br/>Tourism<br/>Authority</b> | <b>Hawaii<br/>Community<br/>Development<br/>Authority</b> | <b>Hawaii<br/>Hurricane<br/>Relief Fund</b> | <b>Total<br/>Component<br/>Units</b> |
|---|---|---|--------------------------------------|
| \$ 116,704                              | \$ 30,569   | \$ 182                                      | \$ 1,207,830                         |
| 1,759                                   | 866   | 904   | 247,021                              |
| -                                       | -   | -   | 20,025                               |
| -                                       | 910   | -   | 2,320                                |
| -                                       | -   | -   | 1,218                                |
| -                                       | -   | -   | 35,906                               |
| -                                       | 307   | -   | 163,229                              |
| 999                                     | -   | 175,507                                     | 758,255                              |
| -                                       | -   | -   | 23,300                               |
| 2,757                                   | -   | -   | 38,564                               |
| <u>122,219</u>                          | <u>32,652</u>   | <u>176,593</u>                              | <u>2,497,668</u>                     |
| -                                       | -   | -   | 96,950                               |
| 16,475                                  | -   | -   | 39,138                               |
| -                                       | -   | -   | 1,013                                |
| <u>16,475</u>                           | <u>-</u>  | <u>-</u>                                    | <u>137,101</u>                       |
| 131,497                                 | 67,724  | -   | 583,878                              |
| -                                       | 51,464  | -   | 355,885                              |
| 1,767                                   | 1,649   | -   | 249,299                              |
| 240,041                                 | 17,319  | -   | 5,500,606                            |
| (185,258)                               | (44,774)  | -   | (3,412,775)                          |
| <u>188,047</u>                          | <u>93,382</u>   | <u>-</u>                                    | <u>3,276,893</u>                     |
| -                                       | 16,314  | -   | 884,705                              |
| -                                       | 10,766  | -   | 30,125                               |
| -                                       | -   | -   | 500,505                              |
| -                                       | -   | -   | 52,225                               |
| 2,486                                   | -   | -   | 746,791                              |
| -                                       | 295   | -   | 38,449                               |
| <u>2,486</u>                            | <u>27,375</u>   | <u>-</u>                                    | <u>2,252,800</u>                     |
| <u>329,227</u>                          | <u>153,409</u>  | <u>176,593</u>                              | <u>8,164,462</u>                     |
| -                                       | -   | -   | 3,087                                |
| -                                       | -   | -   | 9,612                                |
| 590                                     | 130   | -   | 262,496                              |
| 212                                     | 383   | -   | 106,458                              |
| <u>\$ 802</u>                           | <u>\$ 513</u>   | <u>\$ -</u>                                 | <u>\$ 381,653</u>                    |

(continued)

**State of Hawaii**  
**Component Units**  
**Statement of Net Position**  
**June 30, 2022**  
**(Amounts in thousands)**

|   | <b>University<br/>of Hawaii</b> | <b>Hawaii Housing<br/>Finance and<br/>Development<br/>Corporation</b> | <b>Hawaii<br/>Public<br/>Housing<br/>Authority</b> | <b>Hawaii Health<br/>Systems<br/>Corporation</b> |
|---|---------------------------------|---|--|--|
| <b>Liabilities</b>  |                                 |   |  |  |
| Current liabilities   |                                 |   |  |  |
| Vouchers and contracts payable                                  | \$ 48,778                       | \$ 3,382  | \$ 6,902   | \$ 69,799  |
| Other accrued liabilities                                       | 101,711                         | 4,616   | 5,348  | -  |
| Due to primary government                                       | 14,187                          | 29,121  | -  | -  |
| Unearned revenue  | 33,980                          | 385   | 880  | 1,248  |
| Notes, mortgages and installation contracts payable             | -                               | 15  | -  | 10,340   |
| Accrued vacation and retirement benefits payable                | 38,311                          | -   | -  | 16,293   |
| Revenue bonds payable, net                                      | 20,200                          | 1,001   | -  | -  |
| Reserve for losses and loss adjustment costs                    | 3,930                           | -   | -  | 2,498  |
| Lease payable   | -                               | -   | -  | -  |
| Financed purchases  | 1,847                           | -   | -  | 3,556  |
| Other liabilities   | 7,078                           | -   | 1,784  | 4,674  |
| Total current liabilities                                       | <u>270,022</u>                  | <u>38,520</u>   | <u>14,914</u>                                      | <u>108,408</u>                                   |
| Noncurrent liabilities  |                                 |   |  |  |
| Notes, mortgages and installment contracts payable              | 92,876                          | 57  | -  | 23,652   |
| Accrued vacation and retirement benefits payable                | 47,268                          | -   | -  | 20,221   |
| Revenue bonds payable, net                                      | 451,875                         | 3,327   | -  | -  |
| Reserve for losses and loss adjustment costs                    | 10,255                          | -   | -  | 9,469  |
| Lease payable   | -                               | -   | -  | -  |
| Financed purchases  | -                               | -   | -  | 13,563   |
| Unearned revenue  | -                               | 14,118  | -  | -  |
| Estimated future cost of land sold                              | -                               | 29,573  | -  | -  |
| Net pension liability   | 1,476,618                       | 9,217   | 34,795   | 509,460  |
| Net other postemployment benefits liability                     | 1,635,611                       | 9,120   | 35,853   | 491,489  |
| Other liabilities   | 52,670                          | 1,743   | 1,924  | 19,255   |
| Total noncurrent liabilities                                    | <u>3,767,173</u>                | <u>67,155</u>   | <u>72,572</u>                                      | <u>1,087,109</u>                                 |
| Total liabilities   | <u>4,037,195</u>                | <u>105,675</u>  | <u>87,486</u>                                      | <u>1,195,517</u>                                 |
| <b>Deferred inflows of resources</b>                            |                                 |   |  |  |
| Deferred inflows on net leases                                  | 7,156                           | -   | -  | 20,516   |
| Deferred inflows on net pension liability                       | 324,414                         | 2,417   | 7,434  | 112,608  |
| Deferred inflows on net other postemployment benefits liability | 131,088                         | 1,068   | 3,631  | 50,955   |
| Total deferred inflows of resources                             | <u>462,658</u>                  | <u>3,485</u>  | <u>11,065</u>                                      | <u>184,079</u>                                   |
| <b>Net position</b>   |                                 |   |  |  |
| Net investment in capital assets                                | 1,604,871                       | 94,233  | 367,287  | 313,075  |
| Restricted  |                                 |   |  |  |
| Nonexpendable   | 1,170,886                       | -   | -  | -  |
| Expendable  | 10,493                          | -   | -  | -  |
| Legislation and contractual agreements                          | -                               | 85,127  | 1,294  | -  |
| Lender covenants and other                                      | -                               | -   | -  | 5,148  |
| Capital projects  | -                               | -   | -  | -  |
| Other   | -                               | -   | -  | -  |
| Unrestricted  | <u>(2,577,942)</u>              | <u>1,430,189</u>  | <u>94,732</u>                                      | <u>(800,982)</u>                                 |
| Total net position  | <u>\$ 208,308</u>               | <u>\$ 1,609,549</u>   | <u>\$ 463,313</u>                                  | <u>\$ (482,759)</u>                              |

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

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| <b>Hawaii<br/>Tourism<br/>Authority</b> | <b>Hawaii<br/>Community<br/>Development<br/>Authority</b> | <b>Hawaii<br/>Hurricane<br/>Relief Fund</b> | <b>Total<br/>Component<br/>Units</b> |
|---|---|---|--------------------------------------|
| \$ 12,584                               | \$ 366  | \$ -  | \$ 141,811                           |
| 117                                     | 183   | -   | 111,975                              |
| 54,852                                  | -   | -   | 98,160                               |
| -                                       | 161   | -   | 36,654                               |
| -                                       | -   | -   | 10,355                               |
| 129                                     | 109   | -   | 54,842                               |
| -                                       | -   | -   | 21,201                               |
| -                                       | -   | -   | 6,428                                |
| -                                       | 103   | -   | 103                                  |
| -                                       | -   | -   | 5,403                                |
| -                                       | 1,389   | 3,624                                       | 18,549                               |
| <u>67,682</u>                           | <u>2,311</u>  | <u>3,624</u>                                | <u>505,481</u>                       |
| -                                       | -   | -   | 116,585                              |
| 284                                     | 240   | -   | 68,013                               |
| -                                       | -   | -   | 455,202                              |
| -                                       | -   | -   | 19,724                               |
| -                                       | 613   | -   | 613                                  |
| -                                       | -   | -   | 13,563                               |
| -                                       | -   | -   | 14,118                               |
| -                                       | -   | -   | 29,573                               |
| 5,733                                   | 3,898   | -   | 2,039,721                            |
| 4,989                                   | 2,602   | -   | 2,179,664                            |
| -                                       | 10,829  | -   | 86,421                               |
| <u>11,006</u>                           | <u>18,182</u>   | <u>-</u>                                    | <u>5,023,197</u>                     |
| <u>78,688</u>                           | <u>20,493</u>   | <u>3,624</u>                                | <u>5,528,678</u>                     |
| -                                       | 11,730  | -   | 39,402                               |
| 972                                     | 149   | -   | 447,994                              |
| 503                                     | 140   | -   | 187,385                              |
| <u>1,475</u>                            | <u>12,019</u>   | <u>-</u>                                    | <u>674,781</u>                       |
| 188,047                                 | 92,667  | -   | 2,660,180                            |
| -                                       | -   | -   | 1,170,886                            |
| -                                       | -   | -   | 10,493                               |
| -                                       | -   | -   | 86,421                               |
| -                                       | -   | -   | 5,148                                |
| -                                       | 110   | -   | 110                                  |
| 61,819                                  | -   | -   | 61,819                               |
| -                                       | 28,633  | 172,969                                     | (1,652,401)                          |
| <u>\$ 249,866</u>                       | <u>\$ 121,410</u>   | <u>\$ 172,969</u>                           | <u>\$ 2,342,656</u>                  |

(concluded)

**State of Hawaii**  
**Component Units**  
**Statement of Activities**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

|                                       | <b>University<br/>of Hawaii</b> | <b>Hawaii Housing<br/>Finance and<br/>Development<br/>Corporation</b> | <b>Hawaii<br/>Public<br/>Housing<br/>Authority</b> | <b>Hawaii Health<br/>Systems<br/>Corporation</b> |
|---------------------------------------|---------------------------------|---|--|--|
| <b>Expenses</b>                       | <u>\$ 1,701,126</u>             | <u>\$ 25,670</u>  | <u>\$ 183,073</u>                                  | <u>\$ 694,065</u>                                |
| <b>Program revenues</b>               |                                 |   |  |  |
| Charges for services                  | 363,625                         | 49,956  | 27,599   | 570,225  |
| Operating grants and contributions    | 453,689                         | 22,398  | 134,780  | 2,035  |
| Capital grants and contributions      | -                               | -   | 3,915  | 30,145   |
| Total program revenues                | <u>817,314</u>                  | <u>72,354</u>   | <u>166,294</u>                                     | <u>602,405</u>                                   |
| Net program revenues (expenses)       | <u>(883,812)</u>                | <u>46,684</u>   | <u>(16,779)</u>                                    | <u>(91,660)</u>                                  |
| <b>General revenues (expenses)</b>    |                                 |   |  |  |
| Interest and investment income (loss) | (85,734)                        | -   | -  | 1,049  |
| Transient accommodations tax          | -                               | -   | -  | -  |
| Payments from State, net              | 902,160                         | 65,000  | 22,335   | 83,186   |
| Gifts and subsidies                   | 114,650                         | -   | -  | -  |
| Other                                 | 182,530                         | (6,421)   | 55   | 85,414   |
| Net general revenues (expenses)       | <u>1,113,606</u>                | <u>58,579</u>   | <u>22,390</u>                                      | <u>169,649</u>                                   |
| Change in net position                | <u>229,794</u>                  | <u>105,263</u>  | <u>5,611</u>                                       | <u>77,989</u>                                    |
| <b>Net position</b>                   |                                 |   |  |  |
| Beginning of year                     | <u>(21,486)</u>                 | <u>1,504,286</u>  | <u>457,702</u>                                     | <u>(560,748)</u>                                 |
| End of year                           | <u>\$ 208,308</u>               | <u>\$ 1,609,549</u>   | <u>\$ 463,313</u>                                  | <u>\$ (482,759)</u>                              |

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

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| <b>Hawaii<br/>Tourism<br/>Authority</b> | <b>Hawaii<br/>Community<br/>Development<br/>Authority</b> | <b>Hawaii<br/>Hurricane<br/>Relief Fund</b> | <b>Total<br/>Component<br/>Units</b> |
|---|---|---|--------------------------------------|
| \$ 93,364                               | \$ 7,754  | \$ 2  | \$ 2,705,054                         |
| 5,341                                   | 7,431   | -   | 1,024,177                            |
| 18,642                                  | -   | -   | 631,544                              |
| -                                       | -   | -   | 34,060                               |
| 23,983                                  | 7,431   | -   | 1,689,781                            |
| (69,381)                                | (323)   | (2)   | (1,015,273)                          |
| 1,089                                   | 281   | (10,595)                                    | (93,910)                             |
| 11,000                                  | -   | -   | 11,000                               |
| -                                       | 683   | (3,624)                                     | 1,069,740                            |
| -                                       | -   | -   | 114,650                              |
| 371                                     | 780   | -   | 262,729                              |
| 12,460                                  | 1,744   | (14,219)                                    | 1,364,209                            |
| (56,921)                                | 1,421   | (14,221)                                    | 348,936                              |
| 306,787                                 | 119,989   | 187,190                                     | 1,993,720                            |
| \$ 249,866                              | \$ 121,410  | \$ 172,969                                  | \$ 2,342,656                         |

**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 Ho'ola Hamakua  
Ka'u Hospital  
Yukio Okutsu Veterans Care Home

Kauai Region:

Kauai Veterans Memorial Hospital  
Samuel Mahelona Memorial Hospital

West Hawaii Region:

Kona Community Hospital  
Kohala Hospital

Oahu Region:

Leahi Hospital  
Maluhia

Kahuku Medical Center

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

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

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

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

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

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

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

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

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

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

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

**Government-Wide and Fund Financial Statements**

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

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

***Government-Wide Financial Statements***

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

***Governmental Funds Financial Statements***

The Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the current fiscal year. Revenues susceptible to accrual include taxpayer-assessed tax revenues. Taxpayer-assessed tax revenues primarily consist of income and general excise taxes. Other revenues which are not considered susceptible to accrual and, therefore, are not accrued include fines, forfeitures and penalties, licenses, permits, and franchise taxes.

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

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

***Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements***

The financial statements of the Proprietary Funds, Fiduciary Funds, and Component Units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the Government-Wide financial statements described above.

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.
- **Natural Resources Special Revenue Fund** – This fund accounts for programs related to the conservation, development and utilization of agriculture, aquaculture, water, land and other natural resources of the State.
- **Hawaiian Programs Special Revenue Fund** – This fund accounts for programs related to the betterment of the conditions of native Hawaiians.

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 –**

- **Custodial Funds** – Custodial 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.

On June 22, 2022, former Governor David Ige signed Act 115, SLH 2022 into law which provided a one-time constitutional refund to each qualifying resident of Hawaii who filed an income tax return for tax year 2021. The refund amounted to approximately \$305,409,000 and was recorded as a reduction to tax receivable.

**Investments**

The State's investments are reported at fair value within the fair value hierarchy established by GAAP.

**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.

### **Leases**

#### ***Lessee***

The State has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements. The State recognizes lease liabilities with an initial, individual value of \$25,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the State initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the State has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the State determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The State uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the State generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the State is reasonably certain to exercise.

The State monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported in capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

***Lessor***

The State is a lessor for leases of special purpose facilities, office and commercial space, and land. The State recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

At the commencement of a lease, the State initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the lease term in a systematic and rational method.

Key estimates and judgments include how the State determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The State uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The State monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

#### **Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows (inflows) of resources represent a consumption of (acquisition of) net assets 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 and deferred inflow of resources related to pensions resulted from differences between expected and actual experiences on pension plan investments, changes in assumptions and changes in proportion on pension plan investments, which will be amortized over the estimated average remaining service life of the plan members. The deferred outflow of resources and deferred inflow of resources related to OPEB resulted from differences between expected and actual experiences and changes in assumptions which will be amortized over the estimated remaining service life of the plan members. The net difference between projected and actual earnings on plan investments for both pension and OPEB resulted in a deferred outflow of resources which is amortized over five years. 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 State defers recognition of lease income for lease receivables and recognizes revenue over the lease term.

#### **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 are 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.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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 balances when expenditures are made.

The following table presents the State's fund balances by major function at June 30, 2022 (amounts expressed in thousands):

|                                   | General Fund        | Capital Projects Fund | Med-Quest Special Revenue Fund | Administrative Support Special Revenue Fund | National Resources Special Revenue Fund | Hawaiian Programs Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------|---------------------|-----------------------|--------------------------------|---|---|--|--------------------------|--------------------------|
| <b>Restricted for</b>             |                     |                       |                                |   |   |  |                          |                          |
| Debt service                      | \$ -                | \$ -                  | \$ -                           | \$ -  | \$ -                                    | \$ -                                   | \$ 272                   | \$ 272                   |
|                                   | -                   | -                     | -                              | -   | -                                       | -                                      | 272                      | 272                      |
| <b>Committed to</b>               |                     |                       |                                |   |   |  |                          |                          |
| Public safety                     | -                   | -                     | -                              | -   | -                                       | -                                      | 81,152                   | 81,152                   |
| Culture and recreation            | -                   | -                     | -                              | -   | -                                       | -                                      | 8,737                    | 8,737                    |
|                                   | -                   | -                     | -                              | -   | -                                       | -                                      | 89,889                   | 89,889                   |
| <b>Assigned to</b>                |                     |                       |                                |   |   |  |                          |                          |
| General government                | 35,772              | -                     | -                              | 570,497                                     | -                                       | -                                      | 85,331                   | 691,600                  |
| Public safety                     | 31,775              | -                     | -                              | -   | -                                       | -                                      | 45,376                   | 77,151                   |
| Highways                          | 1,847               | -                     | -                              | -   | -                                       | -                                      | 282,936                  | 284,783                  |
| Conservation of natural resources | 18,194              | -                     | -                              | -   | 204,298                                 | -                                      | -                        | 222,492                  |
| Health                            | 95,199              | -                     | -                              | -   | -                                       | -                                      | 168,202                  | 263,401                  |
| Welfare                           | 84,258              | -                     | 10,895                         | -   | -                                       | -                                      | -                        | 95,153                   |
| Education                         | 124,401             | -                     | -                              | -   | -                                       | -                                      | 284,458                  | 408,859                  |
| Culture and recreation            | 5,497               | -                     | -                              | 43,129                                      | -                                       | -                                      | 1,999                    | 50,625                   |
| Urban development and housing     | 3,674               | -                     | -                              | -   | -                                       | 363,935                                | -                        | 367,609                  |
| Economic development              | 6,736               | -                     | -                              | -   | -                                       | -                                      | 223,915                  | 230,651                  |
|                                   | 407,353             | -                     | 10,895                         | 613,626                                     | 204,298                                 | 363,935                                | 1,092,217                | 2,692,324                |
| <b>Unassigned</b>                 |                     |                       |                                |   |   |  |                          |                          |
|                                   | 2,732,304           | (395,056)             | -                              | -   | -                                       | -                                      | (1,221)                  | 2,336,027                |
| <b>Total</b>                      | <b>\$ 3,139,657</b> | <b>\$ (395,056)</b>   | <b>\$ 10,895</b>               | <b>\$ 613,626</b>                           | <b>\$ 204,298</b>                       | <b>\$ 363,935</b>                      | <b>\$ 1,181,157</b>      | <b>\$ 5,118,512</b>      |

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's 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 EUTF, 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 Level 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 \$7,500,000 with respect to general liability claims, and the first \$500,000 of losses due to crime and \$5,000,000 for cyber liability losses. 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 \$7,500,000 per occurrence, \$5,000,000 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 professional malpractice risk in the amount of \$35,000,000 per claim 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. 87***

In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring 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 payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the State's financial statements for the fiscal year ended June 30, 2022. Upon implementation on July 1, 2021, the State recognized lease liabilities and right-to-use assets as the lessee. The State recognized lease receivables and deferred inflows of resources as the lessor. There was no effect on net position previously reported as of June 30, 2021. The adoption of Statement No. 87 resulted in an increase in capital assets and liabilities of approximately \$62,750,000 and receivable and deferred inflows of resources of approximately \$1,224,070,000 as of July 1, 2021.

***GASB Statement No. 92***

During fiscal year 2022, the State implemented GASB 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. This Statement did not have a material effect on State's financial statements.

***GASB Statement No. 93***

During fiscal year 2022, the State implemented GASB 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 interbank offered rate. This Statement did not have a material effect on State's 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. 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. 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 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. This Statement did not have a material effect on State's financial statements, upon implementation in fiscal year 2022.

***GASB Statement No. 99***

The GASB issued Statement No. 99, *Omnibus*. 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. Certain requirements of this Statement are effective immediately while other requirements are effective for fiscal years beginning after June 15, 2022 and June 15, 2023, respectively. The State has not determined the effect this Statement will have on its financial statements.

***GASB Statement No. 100***

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. The State has not determined the effect this Statement will have on its financial statements.

***GASB Statement No. 101***

The GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The State has not determined the effect this Statement will have on its financial statements.

**Reclassifications**

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Such reclassifications have no impact on the 2021 change in net position or fund balances as previously reported.

**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, 2022 was \$1,958,931,000 and \$1,395,179,000, respectively, and unrestricted cash for the Fiduciary Funds as of June 30, 2022 was \$1,818,830,000.

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 \$1,561,795,000 at June 30, 2022 and is 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 \$157,843,000 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.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

The following table presents the fair value of the State's investments by level of input at June 30, 2022 (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) |
| <b>Investments – Primary government</b>       |                |   |   |   |
| Investments by fair value level               |                |   |   |   |
| U.S. government securities                    | \$ 5,530,098   | \$ 1,828,892                              | \$ 3,701,206                                  | \$ -                                      |
| Mutual funds                                  | 158,109        | 158,109                                   | -   | -   |
| Total investments by fair value level         | 5,688,207      | \$ 1,987,001                              | \$ 3,701,206                                  | \$ -                                      |
| Investments measured at amortized cost        |                |   |   |   |
| Certificates of deposit                       | 352,985        |   |   |   |
| Total investments                             | \$ 6,041,192   |   |   |   |
| <b>Investments – Fiduciary funds</b>          |                |   |   |   |
| Investments by fair value level               |                |   |   |   |
| Equity securities                             | \$ 392,584     | \$ 392,584                                | \$ -  | \$ -                                      |
| U.S. government securities                    | 348,581        | 16,330                                    | 332,251                                       | -   |
| Mutual funds                                  | 95,771         | 95,771                                    | -   | -   |
| Derivatives                                   | (10,172)       | -   | (10,172)                                      | -   |
|   | 826,764        | \$ 504,685                                | \$ 322,079                                    | \$ -                                      |
| Investments at net asset value (NAV)          |                |   |   |   |
| Commingled funds                              |                |   |   |   |
| Domestic equity                               | 1,139,856      |   |   |   |
| International equity                          | 716,325        |   |   |   |
| Domestic inflation-linked fixed income        | 295,154        |   |   |   |
| Real estate                                   | 543,165        |   |   |   |
| Alternative investments                       | 1,762,128      |   |   |   |
| Total investments at fair value               | 5,283,392      |   |   |   |
| Investments measured at amortized cost        |                |   |   |   |
| Certificates of deposit                       | 3,152          |   |   |   |
| Total investments                             | \$ 5,286,544   |   |   |   |
| Invested securities lending collateral at NAV |                |   |   |   |
| Money market fund                             | \$ 11,023      |   |   |   |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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***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 is 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. 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 net asset value (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, 2022.

| (amounts expressed in thousands)       | <u>Fair Value</u>   | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u>    | <u>Required Redemption Notice</u>     |
|--|---------------------|-----------------------------|--------------------------------|---------------------------------------|
| <b>Investments measured at NAV</b>     |                     |                             |                                |                                       |
| Commingled funds                       |                     |                             |                                |                                       |
| Domestic equity                        | \$ 1,139,856        | None                        | Daily/Monthly                  | Same as trade date/<br>Trade date – 2 |
| International equity                   | 716,325             | None                        | Daily                          | Same as trade date                    |
| Domestic inflation-linked fixed income | 295,154             | None                        | Daily                          | Trade date – 2                        |
| Real estate                            | 543,165             | 142,863                     | Quarterly                      | Various up to trade date – 90         |
| Alternative investments                | <u>1,762,128</u>    | 905,277                     | Monthly/Quarterly/<br>Annually | Various up to trade date – 90         |
| Total investments measured at NAV      | <u>\$ 4,456,628</u> |                             |                                |                                       |
| Invested securities lending collateral |                     |                             |                                |                                       |
| Money market fund                      | <u>\$ 11,023</u>    |                             |                                | Same as trade date                    |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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- **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 Collective All Country World Index EX-US Fund – Lending – primary objective is to provide investment results that approximate the overall performance of the MSCI All Country World Index ex-US 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, 2022 (amounts expressed in thousands):

|   | Reported<br>Value   | Maturity (in years) |                     |                  |
|---|---------------------|---------------------|---------------------|------------------|
|   |                     | Less than 1         | 1-5                 | >5               |
| <b>Investments – Primary government</b> |                     |                     |                     |                  |
| Certificates of deposit                 | \$ 352,985          | \$ 352,985          | \$ -                | \$ -             |
| U.S. government securities              | 5,530,098           | 1,659,029           | 3,815,767           | 55,302           |
|   | <u>5,883,083</u>    | <u>\$ 2,012,014</u> | <u>\$ 3,815,767</u> | <u>\$ 55,302</u> |
| Mutual funds                            | 158,109             |                     |                     |                  |
| Total investments                       | <u>\$ 6,041,192</u> |                     |                     |                  |
| <b>Investments – Fiduciary funds</b>    |                     |                     |                     |                  |
| Certificates of deposit                 | \$ 3,152            | \$ 3,152            | \$ -                | \$ -             |
| U.S. government securities              | 348,581             | 314,014             | 34,073              | 494              |
| Derivatives                             | (10,172)            | -                   | (10,172)            | -                |
|   | <u>341,561</u>      | <u>\$ 317,166</u>   | <u>\$ 23,901</u>    | <u>\$ 494</u>    |
| Equity securities                       | 392,584             |                     |                     |                  |
| Mutual funds                            | 95,771              |                     |                     |                  |
| Commingled funds                        | 2,151,335           |                     |                     |                  |
| Real estate                             | 543,165             |                     |                     |                  |
| Alternative investments                 | 1,762,128           |                     |                     |                  |
| Total investments                       | <u>\$ 5,286,544</u> |                     |                     |                  |

**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.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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, 2022, the total securities lent for collateral amounted to \$123,746,000. The total cash and noncash collateral received amounted to \$11,023,000 and \$116,370,000, 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, 2022, capital assets activity for the Primary Government (governmental activities and business-type activities) was as follows (amounts expressed in thousands):

|   | Governmental Activities                   |            |              |                             |
|---|---|------------|--------------|-----------------------------|
|   | Balance at<br>July 1, 2021<br>As Restated | Additions  | Deductions   | Balance at<br>June 30, 2022 |
| <b>Capital assets not being depreciated</b>     |   |            |              |                             |
| Land and land improvements                      | \$ 2,407,812                              | \$ 19,064  | \$ (9,246)   | \$ 2,417,630                |
| Construction in progress                        | 949,412                                   | 585,999    | (275,126)    | 1,260,285                   |
| Total capital assets not being depreciated      | 3,357,224                                 | 605,063    | (284,372)    | 3,677,915                   |
| <b>Capital assets being depreciated</b>         |   |            |              |                             |
| Infrastructure                                  | 10,597,856                                | 139,368    | -            | 10,737,224                  |
| Buildings and improvements                      | 6,302,121                                 | 578,583    | (239,267)    | 6,641,437                   |
| Equipment                                       | 827,001                                   | 27,503     | (9,334)      | 845,170                     |
| Intangible assets – software                    | 157,426                                   | 2,515      | -            | 159,941                     |
| Total capital assets being depreciated          | 17,884,404                                | 747,969    | (248,601)    | 18,383,772                  |
| Less: Accumulated depreciation and amortization |   |            |              |                             |
| Infrastructure                                  | (6,992,302)                               | (228,382)  | -            | (7,220,684)                 |
| Buildings and improvements                      | (3,497,428)                               | (310,052)  | 89,866       | (3,717,614)                 |
| Equipment                                       | (679,486)                                 | (59,611)   | 16,968       | (722,129)                   |
| Intangible assets – software                    | (138,599)                                 | (6,524)    | -            | (145,123)                   |
| Total accumulated depreciation and amortization | (11,307,815)                              | (604,569)  | 106,834      | (11,805,550)                |
| <b>Lease assets</b>                             |   |            |              |                             |
| Land and land improvements                      | 5,521                                     | 428        | -            | 5,949                       |
| Buildings and improvements                      | 9,942                                     | 1,788      | -            | 11,730                      |
| Equipment                                       | 47,288                                    | 7,964      | -            | 55,252                      |
| Total lease assets                              | 62,751                                    | 10,180     | -            | 72,931                      |
| Less: Accumulated depreciation and amortization |   |            |              |                             |
| Land and land improvements                      | (398)                                     | (6)        | -            | (404)                       |
| Buildings and improvements                      | (3,531)                                   | (128)      | -            | (3,659)                     |
| Equipment                                       | (7,956)                                   | (792)      | -            | (8,748)                     |
| Total accumulated depreciation and amortization | (11,885)                                  | (926)      | -            | (12,811)                    |
| Total capital assets, net                       | \$ 9,984,679                              | \$ 757,717 | \$ (426,139) | \$ 10,316,257               |



**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

|   | Business-type Activities   |              |                             |
|---|----------------------------|--------------|-----------------------------|
|   | Balance at<br>July 1, 2021 | Additions    | Balance at<br>June 30, 2022 |
| <b>Capital assets not being depreciated</b>     |                            |              |                             |
| Land and land improvements                      | \$ 697,771                 | \$ 9,090     | \$ 706,861                  |
| Construction in progress                        | 1,812,241                  | 307,822      | 1,051,923                   |
| Total capital assets not being depreciated      | 2,510,012                  | 316,912      | 1,758,784                   |
| <b>Capital assets being depreciated</b>         |                            |              |                             |
| Land and improvements                           | 2,124,345                  | 148,392      | 2,272,737                   |
| Buildings and improvements                      | 3,249,398                  | 891,545      | 4,140,943                   |
| Equipment                                       | 422,991                    | 19,808       | 441,179                     |
| Total capital assets being depreciated          | 5,796,734                  | 1,059,745    | 6,854,859                   |
| Less: Accumulated depreciation                  |                            |              |                             |
| Land and improvements                           | (1,166,176)                | (73,876)     | (1,240,052)                 |
| Buildings and improvements                      | (1,770,001)                | (115,067)    | (1,885,068)                 |
| Equipment                                       | (309,516)                  | (17,419)     | (325,378)                   |
| Total accumulated depreciation                  | (3,245,693)                | (206,362)    | (3,450,498)                 |
| <b>Lease assets</b>                             |                            |              |                             |
| Buildings and improvements                      | -                          | 340          | 340                         |
| Equipment                                       | -                          | 120          | 120                         |
| Total lease assets                              | -                          | 460          | 460                         |
| Less: Accumulated depreciation and amortization |                            |              |                             |
| Buildings and improvements                      | -                          | (194)        | (194)                       |
| Equipment                                       | -                          | (11)         | (11)                        |
| Total accumulated depreciation and amortization | -                          | (205)        | (205)                       |
| Total capital assets, net                       | \$ 5,061,053               | \$ 1,170,550 | \$ 5,163,400                |

Depreciation and amortization expense for the fiscal year ended June 30, 2022 was charged to functions/programs of the Primary Government as follows (amounts expressed in thousands):

**Governmental activities**

|  |            |
|--|------------|
| Highways   | \$ 211,874 |
| Lower education  | 121,752    |
| General government   | 154,181    |
| Welfare  | 9,629      |
| Urban redevelopment and housing  | 23,235     |
| Conservation of natural resources  | 47,999     |
| Public safety  | 16,239     |
| Health   | 12,555     |
| Culture and recreation   | 3,721      |
| Economic development and assistance                                      | 4,310      |
| Total depreciation and amortization<br>expense – governmental activities | \$ 605,495 |

**Business-type activities**

|   |            |
|---|------------|
| Airports  | \$ 167,316 |
| Harbors   | 38,399     |
| EUTF  | 494        |
| DWTLF   | 217        |
| WPCF  | 141        |
| Total depreciation and amortization<br>expense – business-type activities | \$ 206,567 |

**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; and Series FJ, issued October 13, 2016. Stated interest rates range from 0.25% to 5.53%.

On September 29, 2021, the State issued \$700,000,000 of taxable general obligation bonds of 2021 Series GD, \$200,000,000 general obligation refunding bonds of 2021 Series GE, \$25,800,000 general obligation taxable general refunding bonds of 2021 Series GF, \$83,750,000 general obligation taxable general obligation refunding bonds of 2021 Series GG, \$138,700,000 taxable general obligation refunding bonds of 2021 Series GF, \$105,000,000 taxable general obligation refunding bonds of 2021 Series GI, and \$629,705,000 taxable general obligation refunding bonds of 2021 Series GJ.

New issue Series GD was issued at a premium, which will be amortized over the life of the bond using the effective rate method. The bonds within Series GD and GE that mature on or after October 1, 2031 are subject to optional redemption with restrictions. The bonds within Series GF, GG, GH, GI and GJ are subject to optional redemption.

Refunding Series GE, GF, GG, GH, GI, and GJ (collectively, the “Refunding Bonds”) have interest rates ranging from 0.25% to 2.87% and were used to advance refund \$1,104,830,000 of certain outstanding general obligation bond anticipation notes (“BAN”) and general obligations bonds previously issued. The net proceeds of \$1,182,955,000 related to the Refunding Bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the previously issued BAN and general obligation bonds series DQ, DZ, EA, EE, EF, EH, EO, EP, ET and EZ. As a result, these series or a portion of these series are considered to be defeased and the related liabilities have been removed from the Government-Wide financial statements. Due to the advance refunding, the State decreased its total debt service payments over the next 20 years by \$38,077,000 and obtained an economic gain (difference between present values of the debt service payments on the old and new debt) of \$117,742,000.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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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, 2022, \$2,357,445,000 of bonds outstanding is considered defeased. At June 30, 2022, the general obligation bonds consisted of the following (amounts expressed in thousands):

|   |                     |
|---|---------------------|
| Callable  | \$ 8,644,658        |
| Noncallable   | <u>36,156</u>       |
| Total general obligation bonds outstanding                                  | 8,680,814           |
| Add: Unamortized bond premium   | 374,363             |
| Less: Amount recorded as a liability of proprietary funds – Harbors         | <u>(13,667)</u>     |
| Amount recorded in the governmental activities<br>of the primary government | <u>\$ 9,041,510</u> |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

A summary of general obligation bonds outstanding by series as of June 30, 2022 is as follows (amounts expressed in thousands):

| Series | Date of Issue      | Interest Rates | Maturity Dates          | Original Amount of Issue | Outstanding Amount  |
|--------|--------------------|----------------|-------------------------|--------------------------|---------------------|
| DS     | November 5, 2009   | 0.800%–1.450%  | September 15, 2019–2024 | \$ 32,000                | \$ 9,000            |
| DX     | February 18, 2010  | 4.450%–5.530%  | February 1, 2020–2030   | 500,000                  | 295,875             |
| EE     | December 4, 2012   | 1.000%–5.000%  | November 1, 2019–2032   | 444,000                  | 1,080               |
| EF     | December 4, 2012   | 5.000%         | November 1, 2019–2024   | 396,990                  | 53,140              |
| EG     | December 4, 2012   | 1.600%–3.625%  | November 1, 2019–2032   | 26,000                   | 18,950              |
| EH     | November 21, 2013  | 4.000%–5.000%  | August 1, 2019–2033     | 635,000                  | 23,125              |
| EL     | November 21, 2013  | 1.500%–5.000%  | August 1, 2019–2023     | 50,860                   | 16,065              |
| EM     | November 21, 2013  | 2.450%–4.800%  | August 1, 2019–2033     | 25,000                   | 20,060              |
| EN     | November 21, 2013  | 2.450%–4.800%  | August 1, 2019–2033     | 29,795                   | 22,335              |
| EO     | November 25, 2014  | 3.000%–5.000%  | August 1, 2019–2034     | 575,000                  | 413,905             |
| EP     | November 25, 2014  | 5.000%         | August 1, 2019–2026     | 209,015                  | 79,910              |
| EQ     | November 25, 2014  | 2.035%–3.915%  | August 1, 2019–2034     | 25,000                   | 21,220              |
| ET     | October 29, 2015   | 2.000%–5.000%  | October 1, 2019–2035    | 190,000                  | 107,995             |
| EU     | October 29, 2015   | 2.000%–3.500%  | October 1, 2019–2035    | 35,000                   | 28,635              |
| EX     | October 29, 2015   | 2.000%–4.000%  | October 1, 2019–2025    | 25,035                   | 14,935              |
| EY     | October 29, 2015   | 5.000%         | October 1, 2020–2027    | 212,120                  | 166,765             |
| EZ     | October 29, 2015   | 5.000%         | October 1, 2019–2028    | 215,590                  | 109,665             |
| FA     | October 29, 2015   | 1.950%–4.400%  | October 1, 2019–2035    | 25,000                   | 20,590              |
| FB     | April 14, 2016     | 3.000%–5.000%  | April 1, 2020–2036      | 500,000                  | 420,420             |
| FE     | April 14, 2016     | 3.000%–5.000%  | October 1, 2019–2028    | 219,690                  | 164,790             |
| FF     | April 14, 2016     | 1.309%–2.902%  | October 1, 2019–2028    | 119,730                  | 86,510              |
| FG     | October 13, 2016   | 3.000%–5.000%  | October 1, 2019–2036    | 375,000                  | 332,580             |
| FH     | October 13, 2016   | 3.000%–5.000%  | October 1, 2021–2031    | 379,295                  | 352,580             |
| FI     | October 13, 2016   | 2.000%–5.000%  | October 1, 2021–2033    | 2,710                    | 2,545               |
| FJ     | October 13, 2016   | 1.151%–1.921%  | October 1, 2019–2022    | 25,000                   | 5,155               |
| FK     | May 24, 2017       | 2.000%–5.000%  | May 1, 2020–2037        | 575,000                  | 507,445             |
| FN     | May 24, 2017       | 5.000%         | October 1, 2021–2031    | 229,355                  | 213,320             |
| FP     | May 24, 2017       | 1.850%–3.940%  | May 1, 2020–2037        | 7,500                    | 6,510               |
| FS     | December 12, 2017  | 2.220%–2.950%  | October 1, 2022–2033    | 275,363                  | 275,364             |
| FT     | February 14, 2018  | 3.000%–5.000%  | January 1, 2022–2038    | 631,215                  | 606,525             |
| FW     | February 21, 2019  | 2.000%–5.000%  | January 1, 2023–2039    | 431,665                  | 431,665             |
| FZ     | August 5, 2020     | 0.670%–2.293%  | August 1, 2025–2040     | 995,000                  | 995,000             |
| GB     | October 21, 2020   | 0.429%–0.852%  | October 1, 2022–2025    | 600,000                  | 600,000             |
| GC     | October 21, 2020   | 0.852%–2.782%  | October 1, 2025–2040    | 400,000                  | 400,000             |
| GD     | September 29, 2021 | 0.247%–2.870%  | October 1, 2022–2041    | 700,000                  | 700,000             |
| GE     | September 29, 2021 | 0.247%–2.870%  | October 1, 2022–2041    | 200,000                  | 200,000             |
| GG     | September 29, 2021 | 0.247%         | August 1, 2022          | 83,750                   | 83,750              |
| GH     | September 29, 2021 | 0.422%         | August 1, 2023          | 138,700                  | 138,700             |
| GI     | September 29, 2021 | 0.713%         | August 1, 2024          | 105,000                  | 105,000             |
| GJ     | September 29, 2021 | 1.033%–2.222%  | August 1, 2025–2033     | 629,705                  | 629,705             |
|        |                    |                |                         |                          | <u>\$ 8,680,814</u> |

The general obligation bonds outstanding financed the Hawaiian Home Lands Trust settlement reported in Note 12 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.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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A summary of the general obligation bond premium activity for fiscal year 2022 is as follows (amounts expressed in thousands):

|                                |                   |
|--------------------------------|-------------------|
| <b>Balance – July 1, 2021</b>  | \$ 522,250        |
| Additions                      | 2,018             |
| Deductions                     | (67,636)          |
| Current-year amortization      | (82,269)          |
| <b>Balance – June 30, 2022</b> | <b>\$ 374,363</b> |

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

| <b>Fiscal Year</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>         |
|--------------------|---------------------|---------------------|----------------------|
| 2023               | \$ 675,170          | \$ 262,296          | \$ 937,466           |
| 2024               | 679,305             | 243,627             | 922,932              |
| 2025               | 657,397             | 225,039             | 882,436              |
| 2026               | 680,775             | 205,231             | 886,006              |
| 2027               | 544,803             | 185,713             | 730,516              |
| 2028–2032          | 2,515,422           | 646,136             | 3,161,558            |
| 2033–2037          | 1,859,300           | 273,184             | 2,132,484            |
| 2038–2042          | 779,612             | 45,901              | 825,513              |
|                    | <b>\$ 8,391,784</b> | <b>\$ 2,087,127</b> | <b>\$ 10,478,911</b> |

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

| <b>Fiscal Year</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|--------------------|-------------------|------------------|-------------------|
| 2023               | \$ 19,971         | \$ 6,905         | \$ 26,876         |
| 2024               | 20,424            | 6,451            | 26,875            |
| 2025               | 20,900            | 5,975            | 26,875            |
| 2026               | 21,401            | 5,475            | 26,876            |
| 2027               | 21,926            | 4,949            | 26,875            |
| 2028–2032          | 118,532           | 15,847           | 134,379           |
| 2033–2037          | 52,209            | 1,542            | 53,751            |
|                    | <b>\$ 275,363</b> | <b>\$ 47,144</b> | <b>\$ 322,507</b> |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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

| <b>Fiscal Year</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b>     |
|--------------------|------------------|-----------------|------------------|
| 2023               | \$ 2,701         | \$ 680          | \$ 3,381         |
| 2024               | 2,835            | 546             | 3,381            |
| 2025               | 2,977            | 404             | 3,381            |
| 2026               | 3,125            | 256             | 3,381            |
| 2027               | 1,136            | 100             | 1,236            |
| 2028               | 893              | 44              | 937              |
|                    | <u>\$ 13,667</u> | <u>\$ 2,030</u> | <u>\$ 15,697</u> |

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, 2022 was \$635,023,000.

At June 30, 2022, general obligation bonds authorized but unissued were approximately \$3,079,686,000.

**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 October 7, 2021, the Department of Transportation – Highways Division (Highways) issued \$23,130,000 of State of Hawaii Revenue Bonds Series 2019B (the 2019B Bonds) at 5% per annum payable semiannually each January 1 and July 1 commencing on January 1, 2022. The 2019B bonds mature in installments beginning in 2024 through 2032. These bonds were issued at a premium of \$4,051,000, and were used to advance refund \$26,825,000 of a portion of certain Highway revenue bonds previously outstanding.

On June 9, 2021, Highways issued \$137,205,000 of State of Hawaii Revenue Bonds Series 2021 ("2021 Bonds"). The 2021 Bonds bear interest at 5.00% and mature in annual installments beginning in 2027 through 2041. These bonds were issued at a premium of approximately \$43,909,000. The 2021 Bonds maturing on and before January 1, 2030, are not subject to redemption prior to their respective maturity dates. The 2021 Bonds maturing on or after January 1, 2033, are subject to redemption prior to their respective maturity dates at the option of the State at 100% plus accrued interest.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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On December 11, 2019, 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. 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 final payment for Tranche A-1 was made on July 1, 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.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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.

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, 2022 (amounts expressed in thousands):

| Series                        | Date of Issue     | Interest Rates | Maturity Dates       | Original Amount of Issue | Outstanding Amount |
|-------------------------------|-------------------|----------------|----------------------|--------------------------|--------------------|
| <b>Highways</b>               |                   |                |                      |                          |                    |
| 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                  | 73,810             |
| 2014B                         | August 14, 2014   | 5.00%          | January 1, 2020–2026 | 32,285                   | 14,745             |
| 2016A                         | September 8, 2016 | 1.25%–5.00%    | January 1, 2020–2036 | 103,395                  | 82,175             |
| 2016B                         | September 8, 2016 | 4.00%–5.00%    | January 1, 2021–2030 | 101,090                  | 88,325             |
| 2019A                         | December 11, 2019 | 3.00%–5.00%    | January 1, 2023–2040 | 81,835                   | 81,835             |
| 2021                          | June 9, 2021      | 5.00%          | January 1, 2027–2041 | 137,205                  | 137,205            |
| 2019B                         | October 7, 2021   | 5.00%          | January 1, 2024–2032 | 23,130                   | 23,130             |
| <b>DHHL</b>                   |                   |                |                      |                          |                    |
| 2017                          | August 25, 2017   | 3.00%–5.00%    | April 1, 2020–2032   | 30,940                   | 23,125             |
| <b>DBEDT</b>                  |                   |                |                      |                          |                    |
| 2014A-A2                      | November 13, 2014 | 3.242%         | January 1, 2031      | 100,000                  | 82,133             |
|                               |                   |                |                      |                          | 611,578            |
| Add: Unamortized bond premium |                   |                |                      |                          | 88,849             |
|                               |                   |                |                      |                          | <u>\$ 700,427</u>  |

A summary of the revenue bond premium activity for fiscal year 2022 is as follows (amounts expressed in thousands):

|                                |                  |
|--------------------------------|------------------|
| <b>Balance – July 1, 2021</b>  | \$ 98,166        |
| Current-year additions         | 4,051            |
| Defeased bonds                 | (3,034)          |
| Current-year amortization      | (10,334)         |
| <b>Balance – June 30, 2022</b> | <u>\$ 88,849</u> |



**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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

|                    | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>      |
|--------------------|-------------------|-------------------|-------------------|
| <b>Fiscal Year</b> |                   |                   |                   |
| 2023               | \$ 39,463         | \$ 26,831         | \$ 66,294         |
| 2024               | 41,040            | 28,253            | 69,293            |
| 2025               | 42,529            | 26,762            | 69,291            |
| 2026               | 44,379            | 24,917            | 69,296            |
| 2027               | 46,517            | 23,052            | 69,569            |
| 2028–2032          | 183,012           | 84,472            | 267,484           |
| 2033–2037          | 115,625           | 45,691            | 161,316           |
| 2038–2041          | 99,013            | 15,335            | 114,348           |
|                    | <u>\$ 611,578</u> | <u>\$ 275,313</u> | <u>\$ 886,891</u> |

**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.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2022 (amounts expressed in thousands):

| <b>Series</b>              | <b>Interest Rates</b> | <b>Final Maturity Date (July 1)</b> | <b>Original Amount of Issue</b> | <b>Outstanding Amount</b> |
|----------------------------|-----------------------|-------------------------------------|---------------------------------|---------------------------|
| 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                          | 92,745                    |
| 2018D, refunding           | 5.00%                 | 2034                                | 142,150                         | 142,150                   |
| 2020A, nonrefunding        | 4.00%–5.00%           | 2045                                | 113,140                         | 113,140                   |
| 2020B, nonrefunding        | 3.48%                 | 2050                                | 165,885                         | 165,885                   |
| 2020C, nonrefunding        | 5.00%                 | 2050                                | 20,295                          | 20,295                    |
| 2020D, refunding           | 4.00%–5.00%           | 2039                                | 184,855                         | 184,855                   |
| 2020E, refunding           | 1.39%–2.33%           | 2030                                | 98,315                          | 98,315                    |
| 2022A, nonrefunding        | 4.00%–5.00%           | 2015                                | 209,280                         | 209,280                   |
| 2022B, refunding           | 5.000%                | 2024                                | 53,035                          | 53,035                    |
|                            |                       |                                     | <u>\$ 1,739,075</u>             | <u>1,738,645</u>          |
| Add: Unamortized premium   |                       |                                     |                                 | 169,260                   |
| Less: Unamortized discount |                       |                                     |                                 | (46)                      |
|                            |                       |                                     |                                 | <u>1,907,859</u>          |
| Less: Current portion      |                       |                                     |                                 | (445)                     |
| Noncurrent portion         |                       |                                     |                                 | <u>\$ 1,907,414</u>       |

On February 3, 2022, the Airports Division issued \$209,280,000 and \$53,035,000 of Airports System Revenue Bonds (Series 2022A and Series 2022B, respectively) at interest rates ranging from 4.00% to 5.00%. The Series 2022A Bonds were issued to pay costs of capital improvement projects at certain facilities of the State's airports system, to pay capitalized interest on the Series 2022A bonds, to fund a deposit into the Debt Service Reserve Account, and to pay certain costs of issuance relating to the Series 2022A Bonds. The Series 2022B Bonds were issued to refund the remaining outstanding Series 2011 Refunded Bonds and to pay certain costs of issuance relating to the Series 2022B Bonds. Of the net proceeds of \$57,010,906 (after payment of \$235,745 in underwriting fees, insurance, and other costs), along with an additional \$228,801 from the debt service reserve account, \$57,003,963 was deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of Refunding Series 2011 bonds on February 3, 2022. As a result, the refunded portion of the Refunding Series 2011 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statement.

***Airports Special Facility Revenue Bonds***

The Airports Division entered into special facility lease agreements with Continental Airlines, Inc. in November 1997. The construction of the related facilities was financed by special facility revenue bonds issued by the Airports Division in the amount of \$25,255,000. The bonds were called in full on June 25, 2022. The bonds were subject to redemption on or after November 15, 2007 at the option of the Airports Division, upon the request of Continental Airlines, Inc., at prices ranging from 101% to 100% of principal, depending on the dates of redemption or, if the facilities are destroyed or damaged extensively, at 100% plus interest.

***Customer Facility Charge Revenue Bonds***

In July 2017, the Airports Division 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 facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements 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, 2022, the outstanding balance of the Series 2017A Bonds is \$229,085,000, with a maturity 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, 2022, the outstanding balance of the Series 2019A Bonds is \$184,790,000, 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.

On December 2, 2020, the Harbors Division issued \$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 these Series are the 2020 Revenue Bonds. Proceeds of approximately \$165,800,000 from the Series A of 2020 Revenue Bonds (AMT) and \$9,200,000 from the Series B of 2020 Revenue Bonds (Taxable) were used to provide funding for the

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

Harbors Division Capital Improvement Program, primarily for the Kapalama Container Terminal Phase 1 and Phase 2 projects.

The remaining proceeds obtained from the 2020 Revenue Bonds were used to refund, on a current basis, \$140,395,000 in existing Series A of 2010 and \$4,785,000 in Series B of 2010 Revenue Bonds. The refunding of Series A of 2010 and Series B of 2010 Revenue Bonds provided net present value savings of approximately \$46,700,000.

The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2022 (amounts expressed in thousands):

| Year of Issue                       | Final Redemption Date | Interest Rates | Original Amount of Issue | Current                    |                     | Total            | Noncurrent        |
|-------------------------------------|-----------------------|----------------|--------------------------|----------------------------|---------------------|------------------|-------------------|
|                                     |                       |                |                          | Principal Due July 1, 2022 | Due January 1, 2023 |                  |                   |
| 2013                                | July 1, 2029          | 3.25%          | \$ 23,615                | \$ 5,290                   | \$ -                | \$ 5,290         | \$ 7,995          |
| 2016                                | January 1, 2031       | 1.99%–3.09%    | 105,525                  | 2,725                      | 5,570               | 8,295            | 67,280            |
| 2020                                | July 1, 2040          | 0.60%–5.00%    | 266,550                  | 6,685                      | -                   | 6,685            | 253,905           |
|                                     |                       |                | <u>\$ 395,690</u>        | <u>\$ 14,700</u>           | <u>\$ 5,570</u>     | <u>20,270</u>    | <u>329,180</u>    |
| Add: Unamortized premium (discount) |                       |                |                          |                            |                     | <u>3,918</u>     | <u>41,736</u>     |
|                                     |                       |                |                          |                            |                     | <u>\$ 24,188</u> | <u>\$ 370,916</u> |

Debt service requirements to maturity on the business-type activities' revenue bonds for fiscal years ending June 30, 2022 are aggregated below (amounts expressed in thousands):

| Fiscal Year | Principal           | Interest            | Total               |
|-------------|---------------------|---------------------|---------------------|
| 2023        | \$ 31,290           | \$ 103,032          | \$ 134,322          |
| 2024        | 59,555              | 102,710             | 162,265             |
| 2025        | 64,255              | 100,370             | 164,625             |
| 2026        | 70,825              | 98,107              | 168,932             |
| 2027        | 72,960              | 95,898              | 168,858             |
| 2028–2032   | 404,860             | 437,940             | 842,800             |
| 2033–2037   | 487,510             | 340,605             | 828,115             |
| 2038–2042   | 464,700             | 239,487             | 704,187             |
| 2043–2047   | 487,065             | 132,574             | 619,639             |
| 2048–2052   | 358,950             | 34,250              | 393,200             |
|             | <u>\$ 2,501,970</u> | <u>\$ 1,684,973</u> | <u>\$ 4,186,943</u> |

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, 2022, revenue bonds authorized, but unissued, were approximately \$9,640,900,000.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

**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, 2022 amounted to approximately \$2,864,860,000. At June 30, 2022, special purpose revenue bonds of \$1,190,702,000 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):

| <b>Governmental Activities</b>               |   |                  |                   |                                  |                                |
|--|---|------------------|-------------------|----------------------------------|--------------------------------|
|  | <b>Balance<br/>July 1, 2021<br/>(As Restated)</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balance<br/>June 30, 2022</b> | <b>Due Within<br/>One Year</b> |
| General obligation bonds payable             | \$ 8,068,951                                      | \$ 1,882,955     | \$ (1,560,122)    | \$ 8,391,784                     | \$ 675,170                     |
| Add: Unamortized premium                     | 522,250   | 2,018            | (149,905)         | 374,363                          | 65,589                         |
| Direct placements                            | 279,253   | -                | (3,890)           | 275,363                          | 19,971                         |
| Total general obligation bonds payable       | 8,870,454   | 1,884,973        | (1,713,917)       | 9,041,510                        | 760,730                        |
| Revenue bonds payable                        | 655,339   | 23,130           | (66,891)          | 611,578                          | 39,463                         |
| Add: Unamortized premium                     | 98,166  | 4,051            | (13,368)          | 88,849                           | 10,428                         |
| Total revenue bonds payable                  | 753,505   | 27,181           | (80,259)          | 700,427                          | 49,891                         |
| Bond anticipation note                       | 200,000   | -                | (200,000)         | -                                | -                              |
| Accrued vacation payable                     | 274,800   | 111,310          | (112,769)         | 273,341                          | 91,820                         |
| Reserve for losses and loss adjustment costs | 290,563   | 395,747          | (59,009)          | 627,301                          | 369,416                        |
| Lease payable                                | 62,750  | 10,179           | (12,131)          | 60,798                           | 12,311                         |
| Net pension liability                        | 7,567,480   | 379,153          | (1,801,403)       | 6,145,230                        | -                              |
| Net other postemployment benefits liability  | 6,299,019   | 394,167          | (1,485,394)       | 5,207,792                        | -                              |
| Financed purchases                           | 108,665   | -                | (7,034)           | 101,631                          | 7,761                          |
| Other  | 335   | -                | -                 | 335                              | -                              |
| Total  | \$ 24,427,571                                     | \$ 3,202,710     | \$ (5,471,916)    | \$ 22,158,365                    | \$ 1,291,929                   |

| <b>Business-type Activities</b>                  |                                 |                  |                   |                                  |                                |
|--|---------------------------------|------------------|-------------------|----------------------------------|--------------------------------|
|  | <b>Balance<br/>July 1, 2021</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balance<br/>June 30, 2022</b> | <b>Due Within<br/>One Year</b> |
| General obligation bonds payable, net            | \$ 16,239                       | \$ -             | \$ (2,572)        | \$ 13,667                        | \$ 2,701                       |
| Revenue bonds payable                            | 2,342,895                       | 262,315          | (103,240)         | 2,501,970                        | 31,290                         |
| Add: Unamortized premium, net                    | 177,066                         | 51,133           | (13,330)          | 214,869                          | 3,918                          |
| Total revenue bonds payable                      | 2,519,961                       | 313,448          | (116,570)         | 2,716,839                        | 35,208                         |
| Accrued vacation and retirement benefits payable | 18,986                          | 13,032           | (13,083)          | 18,935                           | 7,425                          |
| Reserve for losses and loss adjustment costs     | 8,110                           | 2,278            | (2,236)           | 8,152                            | 2,317                          |
| Lease payable                                    | -                               | 437              | (195)             | 242                              | 159                            |
| Net pension liability                            | 247,308                         | 20,715           | (89,970)          | 178,053                          | -                              |
| Net other postemployment benefits liability      | 217,857                         | 3,490            | (13,151)          | 208,196                          | -                              |
| Financed purchases                               | 210,803                         | -                | (15,211)          | 195,592                          | 16,468                         |
| Prepaid airport use charge fund                  | -                               | 2,856            | -                 | 2,856                            | -                              |
| Security deposits                                | 3,307                           | 1,080            | (582)             | 3,805                            | -                              |
| Other long-term liabilities                      | 1,803                           | -                | -                 | 1,803                            | -                              |
| Total  | \$ 3,244,374                    | \$ 357,336       | \$ (253,570)      | \$ 3,348,140                     | \$ 64,278                      |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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The accrued vacation liability attributable to the governmental activities will be liquidated by the State's governmental funds. Approximately 86%, 13%, 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, 2022.

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, 2022 (amounts expressed in thousands):

|   | <u>Due From</u>   | <u>Due To</u>     |
|---|-------------------|-------------------|
| <b>Governmental Funds</b>                   |                   |                   |
| General Fund                                |                   |                   |
| Med-Quest Special Revenue Fund              | \$ 112,003        | \$ -              |
| Administrative Support Special Revenue Fund | -                 | 16,992            |
| Natural Resources Special Revenue Fund      | 4,891             | -                 |
| Nonmajor Governmental Funds                 | 48,763            | 272               |
| Airports                                    | 20                | -                 |
|   | <u>165,677</u>    | <u>17,264</u>     |
| Capital Projects Fund                       |                   |                   |
| Proprietary Fund                            | <u>1,597</u>      | <u>-</u>          |
| Med-Quest Special Revenue Fund              |                   |                   |
| General Fund                                | <u>-</u>          | <u>112,003</u>    |
| Administrative Support Special Revenue Fund |                   |                   |
| General Fund                                | 16,992            | -                 |
| National Resources Special Revenue Fund     | 9,534             | -                 |
| Nonmajor Governmental Funds                 | 148,430           | -                 |
| Airports                                    | 278               | -                 |
|   | <u>175,234</u>    | <u>-</u>          |
| Natural Resources Special Revenue Fund      |                   |                   |
| General Fund                                | -                 | 4,891             |
| Administrative Support Special Revenue Fund | -                 | 9,534             |
|   | <u>-</u>          | <u>14,425</u>     |
| Nonmajor Governmental Funds                 |                   |                   |
| General Fund                                | 272               | 48,763            |
| Administrative Support Special Revenue Fund | -                 | 148,430           |
|   | <u>272</u>        | <u>197,193</u>    |
| <b>Proprietary Funds</b>                    |                   |                   |
| Airports                                    | -                 | 298               |
| Harbors                                     | -                 | 1,597             |
|   | <u>-</u>          | <u>1,895</u>      |
|   | <u>\$ 342,780</u> | <u>\$ 342,780</u> |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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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, 2022, transfers by fund were as follows (amounts expressed in thousands):

|   | <u>Transfers In</u> | <u>Transfers Out</u> |
|---|---------------------|----------------------|
| <b>Governmental Funds</b>                   |                     |                      |
| General Fund                                |                     |                      |
| Med-Quest Special Revenue Fund              | \$ 115,480          | \$ 3,418             |
| Capital Projects Fund                       | -                   | 118                  |
| Administrative Support Special Revenue Fund | 16,863              | 1,615                |
| Natural Resources Special Revenue Fund      | 551                 | -                    |
| Nonmajor Governmental Funds                 | 58,651              | 1,052,475            |
|   | <u>191,545</u>      | <u>1,057,626</u>     |
| Capital Projects Fund                       |                     |                      |
| General Fund                                | 118                 | -                    |
| Administrative Support Special Revenue Fund | -                   | 5,141                |
| Nonmajor Governmental Funds                 | 148,899             | -                    |
|   | <u>149,017</u>      | <u>5,141</u>         |
| Med-Quest Special Revenue Fund              |                     |                      |
| General Fund                                | 3,418               | 115,480              |
| Nonmajor Governmental Funds                 | 1,736               | 553                  |
|   | <u>5,154</u>        | <u>116,033</u>       |
| Administrative Support Special Revenue Fund |                     |                      |
| General Fund                                | 1,615               | 16,863               |
| Capital Projects Fund                       | 5,141               | -                    |
| Natural Resources Special Revenue Fund      | -                   | 11,327               |
| Hawaiian Programs Special Revenue Fund      | -                   | 5,000                |
| Nonmajor Governmental Funds                 | 5,363               | 253,177              |
|   | <u>12,119</u>       | <u>286,367</u>       |
| Natural Resources Special Revenue Fund      |                     |                      |
| General Fund                                | -                   | 551                  |
| Administrative Support Special Revenue Fund | 11,327              | -                    |
| Nonmajor Governmental Funds                 | -                   | 2,257                |
|   | <u>11,327</u>       | <u>2,808</u>         |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

|   | <u>Transfers In</u> | <u>Transfers Out</u> |
|---|---------------------|----------------------|
| Hawaiian Programs Special Revenue Fund      |                     |                      |
| Administrative Support Special Revenue Fund | 5,000               | -                    |
| Nonmajor Governmental Funds                 | -                   | 3,011                |
|   | <u>5,000</u>        | <u>3,011</u>         |
| Nonmajor Governmental Funds                 |                     |                      |
| General Fund                                | 1,052,475           | 58,651               |
| Capital Projects Fund                       | -                   | 148,899              |
| Med-Quest Special Revenue Fund              | 553                 | 1,736                |
| Administrative Support Special Revenue Fund | 253,177             | 5,363                |
| Natural Resources Special Revenue Fund      | 2,257               | -                    |
| Hawaiian Programs Special Revenue Fund      | 3,011               | -                    |
| Other Nonmajor Governmental Funds           | 75,223              | 75,223               |
|   | <u>1,386,696</u>    | <u>289,872</u>       |
|   | <u>\$ 1,760,858</u> | <u>\$ 1,760,858</u>  |

The General Fund transferred approximately \$953,568,000 to the Nonmajor Governmental Funds for debt service payments and approximately \$98,907,000 to subsidize various Special Revenue Funds' programs, and approximately \$118,000 to the Capital Projects Fund to finance capital projects. Approximately \$148,899,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

**9. Leases and Financed Purchases**

**Lease Receivable**

***Governmental Activities***

The major portion of the State's property is leased to others. Such property includes special purpose facilities, office and commercial space, and land. Lease receivable consists of agreements with others for the right to use the underlying assets at various locations owned by the State. The terms of the arrangements range from 1 to 65 years. The calculated interest rate used was 2.87%. For the fiscal year ended June 30, 2022, the State recognized approximately \$19,550,000 in lease revenue and \$24,092,000 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows (amounts expressed in thousands):

| <u>Balance</u><br><u>July 1, 2021</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u><br><u>June 30, 2022</u> | <u>Due Within</u><br><u>One Year</u> |
|---------------------------------------|------------------|-------------------|--|--------------------------------------|
| \$ 840,801                            | \$ 27,397        | \$ (29,647)       | \$ 838,551                             | \$ 20,148                            |



**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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Lease receivable is due in the upcoming years as follows (amounts expressed in thousands):

| <b>Fiscal Year</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|--------------------|-------------------|------------------|-------------------|
| 2023               | \$ 20,148         | \$ (2,438)       | \$ 17,710         |
| 2024               | 18,801            | (2,447)          | 16,354            |
| 2025               | 18,304            | (12)             | 18,292            |
| 2026               | 17,931            | 1,632            | 19,563            |
| 2027               | 16,941            | 1,601            | 18,542            |
| 2028-2032          | 94,617            | 4,968            | 99,585            |
| 2033-2037          | 107,977           | 1,426            | 109,403           |
| 2038-2042          | 119,647           | 1,789            | 121,436           |
| 2043-2047          | 148,027           | 2,433            | 150,460           |
| 2048-2052          | 46,788            | 338              | 47,126            |
| 2053-2057          | 49,476            | 337              | 49,813            |
| 2058-2062          | 42,393            | 131              | 42,524            |
| 2063-2067          | 44,723            | 100              | 44,823            |
| 2068-2072          | 38,798            | 94               | 38,892            |
| 2073-2077          | 33,363            | 91               | 33,454            |
| 2078-2082          | 19,371            | 52               | 19,423            |
| 2083-2087          | 1,246             | 2                | 1,248             |
|                    | <u>\$ 838,551</u> | <u>\$ 10,097</u> | <u>\$ 848,648</u> |

***Business-Type Activities***

Airports leases certain building spaces and improvements to concessionaires, airline carriers and other airport users. The terms of these leases range from 4 to 15 years for concessionaires and up to 35 years for other airport users. Lease receivable consists of agreements with others for the right-to-use of the underlying assets and as measured at the present value of payments expected to be received during the lease term. The discount rates used vary depending on the length of the lease. For fiscal year ended June 30, 2022, the Airports Division recognized approximately \$21,347,000 in lease revenue and \$3,951,000 in interest revenue.

Major portions of the Harbor's property are leased to others. Such property includes special purpose facilities, office and commercial space, and land. Lease receivable consists of agreements with others for the right-to-use of the underlying assets at various locations owned by the Harbors. The terms of the arrangements range from 10 to 70 years. For the fiscal year ended June 30, 2022, the Harbors Division recognized approximately \$2,684,000 in lease revenue and \$1,382,000 in interest revenue. In addition, the Harbors Division recognized approximately \$4,437,000 in lease revenue for variable payments not previously included in measurement of lease receivable.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows (amounts expressed in thousands):

| <b>Balance<br/>July 1, 2021</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balance<br/>June 30, 2022</b> | <b>Due Within<br/>One Year</b> |
|---------------------------------|------------------|-------------------|----------------------------------|--------------------------------|
| \$ 383,269                      | \$ 214,819       | \$ (25,294)       | \$ 572,794                       | \$ 75,574                      |

Lease receivable is due in the upcoming years as follows (amounts expressed in thousands):

| <b>Fiscal Year</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|--------------------|-------------------|------------------|-------------------|
| 2023               | \$ 75,574         | \$ 15,273        | \$ 90,847         |
| 2024               | 76,526            | 13,121           | 89,647            |
| 2025               | 75,878            | 10,885           | 86,763            |
| 2026               | 70,908            | 8,788            | 79,696            |
| 2027               | 57,590            | 6,962            | 64,552            |
| 2028–2032          | 181,083           | 14,843           | 195,926           |
| 2033–2037          | 11,656            | 4,058            | 15,714            |
| 2038–2042          | 6,304             | 2,925            | 9,229             |
| 2043–2047          | 6,889             | 1,992            | 8,881             |
| 2048–2052          | 7,813             | 942              | 8,755             |
| 2053–2057          | 2,069             | 217              | 2,286             |
| 2058–2059          | 504               | 7                | 511               |
|                    | <u>\$ 572,794</u> | <u>\$ 80,013</u> | <u>\$ 652,807</u> |

**Regulated Leases – Airports**

Airports does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings between airports, air carriers and other aeronautical users.

***Airport-Airline 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).

***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 2022 have been transferred to the PAUCF.

***Airports System Rates and Charges***

Signatory and nonsignatory airlines were assessed the following airports system rates and charges:

- Landing fees amounted to approximately \$83,293,000 for fiscal year 2022. Airport landing fees are shown, net of aviation fuel tax credits of approximately \$2,109,000, for fiscal year 2022 on the statement of revenues, expenses, and changes in net position, which resulted in net airport landing fees of approximately \$81,184,000 for fiscal year 2022. 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 50% of the airport landing fees for overseas flights for fiscal year 2022, and are scheduled to increase 1% annually until it reaches 100%.
- 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. Nonexclusive joint-use premise charges for terminal rentals amounted to approximately \$76,819,000 for fiscal year 2022.
- Exclusive-use premise charges amounted to approximately \$75,205,000 for fiscal year 2022, and are computed using a fixed rate per square footage per year. Included in exclusive-use premise charges are terminal rentals amounting to approximately \$37,152,000.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

---

Expected future minimum payments from the agreements with signatory airlines and other users related to land and buildings for aeronautical purposes at June 30, 2022 are as follows (amounts expressed in thousands):

| <b>Fiscal Year</b> |                   |
|--------------------|-------------------|
| 2023               | \$ 24,163         |
| 2024               | 29,417            |
| 2025               | 26,091            |
| 2026               | 23,631            |
| 2027               | 21,137            |
| 2028–2032          | 83,236            |
| 2033–2037          | 18,065            |
| 2038–2042          | 9,443             |
| 2043–2047          | 10,036            |
| 2048–2052          | 10,916            |
|                    | <u>\$ 256,135</u> |

**Lease Payable**

***Governmental Activities***

The State has entered into leases for building space and equipment use. The terms of the agreements range from 1 to 40 years. The calculated interest rates used was 2.87%.

Principal and interest payments to maturity are as follows (amounts expressed in thousands):

| <b>Fiscal Year</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b>     |
|--------------------|------------------|-----------------|------------------|
| 2023               | \$ 12,311        | \$ 42           | \$ 12,353        |
| 2024               | 9,647            | 36              | 9,683            |
| 2025               | 7,185            | 31              | 7,216            |
| 2026               | 5,111            | 13              | 5,124            |
| 2027               | 2,640            | 7               | 2,647            |
| 2028–2032          | 9,406            | 28              | 9,434            |
| 2033–2037          | 3,539            | 11              | 3,550            |
| 2038–2042          | 2,623            | 9               | 2,632            |
| 2043–2047          | 2,920            | 10              | 2,930            |
| 2048–2052          | 2,709            | 10              | 2,719            |
| 2053–2057          | 1,912            | 9               | 1,921            |
| 2058–2062          | 795              | 3               | 798              |
|                    | <u>\$ 60,798</u> | <u>\$ 209</u>   | <u>\$ 61,007</u> |

**Financed Purchases**

***Governmental Activities***

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 is 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 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 approximately \$60,286,000 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%.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

---

Future minimum payments for these financed agreements are as follows (amounts expressed in thousands):

| <b>Fiscal Year</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|--------------------|-------------------|------------------|-------------------|
| 2023               | \$ 7,761          | \$ 3,620         | \$ 11,381         |
| 2024               | 8,456             | 3,312            | 11,768            |
| 2025               | 9,221             | 2,972            | 12,193            |
| 2026               | 10,029            | 2,604            | 12,633            |
| 2027               | 8,954             | 2,243            | 11,197            |
| 2028–2032          | 54,305            | 5,770            | 60,075            |
| 2033–2034          | 2,905             | 107              | 3,012             |
|                    | <u>\$ 101,631</u> | <u>\$ 20,628</u> | <u>\$ 122,259</u> |

Capital assets acquired under these financed agreements are as follows (amounts expressed in thousands):

|                            |                   |
|----------------------------|-------------------|
| <b>Asset type</b>          |                   |
| Buildings and improvements | \$ 15,125         |
| Equipment                  | <u>117,010</u>    |
| Total assets               | <u>\$ 132,135</u> |

***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%, payable annually with a final maturity date of 2029.

On April 13, 2016, the Airports Division entered into another 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 Division and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports Division in the amount of approximately \$8,057,000 at an interest rate of 1.74%, payable annually with a final maturity date of 2026.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

---

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 Division and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports Division in the amount of approximately \$51,473,000 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 contain 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, 2022, the outstanding balance of the lease revenue certificates of participation and the unamortized premium are approximately \$172,679,000 and \$527,000, respectively. The schedule of payments for the lease revenue certificates of participation is as follows (amounts expressed in thousands):

| <b>Fiscal Year</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|--------------------|-------------------|------------------|-------------------|
| 2023               | \$ 15,204         | \$ 7,343         | \$ 22,547         |
| 2024               | 17,224            | 6,633            | 23,857            |
| 2025               | 19,760            | 5,797            | 25,557            |
| 2026               | 20,755            | 4,827            | 25,582            |
| 2027               | 22,770            | 3,767            | 26,537            |
| 2028–2032          | 68,697            | 5,460            | 74,157            |
| 2033–2034          | 8,269             | 249              | 8,518             |
|                    | <u>\$ 172,679</u> | <u>\$ 34,076</u> | <u>\$ 206,755</u> |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

---

***Harbors – Equipment Lease Agreement***

The Harbors Division entered into a financed purchase agreement to fund the installation and acquisition of energy conservation measures at selected Harbors Division locations. Proceeds of approximately \$26,246,000 were deposited into an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the Harbors Division. The agreement also provided for the financing of interest expense through October 1, 2016 approximating \$747,000, which was applied toward the principal of the financed purchase obligation. The financed purchase obligation amounted to approximately \$22,386,000 at June 30, 2022. Annual payments commenced on October 1, 2017 and will continue through October 1, 2032 at an interest rate of 2.74%. Costs incurred for the installation and acquisition of energy conservation measures were capitalized to other improvements and approximated \$28,952,000, net of related expense of \$23,000, which includes additional capitalized interest of \$1,983,000 for the period October 2, 2016 through June 30, 2019. Amortization of equipment acquired under the agreement is included with depreciation expense. There were no unused proceeds in the acquisition fund at June 30, 2022. Future payments as of June 30, 2022 are as follows (amounts expressed in thousands):

| <b>Fiscal Year</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b>     |
|--------------------|------------------|-----------------|------------------|
| 2023               | \$ 1,264         | \$ 613          | \$ 1,877         |
| 2024               | 1,396            | 579             | 1,975            |
| 2025               | 1,537            | 540             | 2,077            |
| 2026               | 1,687            | 498             | 2,185            |
| 2027               | 1,846            | 452             | 2,298            |
| 2028–2032          | 11,996           | 1,405           | 13,401           |
| 2033               | 2,660            | 73              | 2,733            |
|                    | <u>\$ 22,386</u> | <u>\$ 4,160</u> | <u>\$ 26,546</u> |

**10. Significant Transactions with Component Units**

Through June 30, 2022, the State received approximately \$1.89 billion in funding from the American Rescue Plan Act (ARPA) and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). The State appropriated amounts to various departments for eligible expenses for fiscal years 2022 and 2023. These funds will expire in December 2024.

**Hawaii Health Systems Corporation**

The amount due to the State of approximately \$19,008,000 at June 30, 2022 is comprised of cash advances that was assumed by the HHSC.

At June 30, 2022, approximately \$48,861,000 was due from the State for allotments made to 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 fiscal year ended June 30, 2022, interest and dividends earned and earmarked for transfer into the State General Fund amounted to \$3,624,000.

**Hawaii Tourism Authority**

Act 001, SLH 2021 amended specific provisions of law. Included were Sections 237D-6.5(b), HRS, *distribution of the TAT*, and 201B-11, HRS, *tourism special fund*.

Effective January 1, 2022, the Tourism Fund could no longer expend any new funds. In its place, the State has appropriated \$60,000,000 in fiscal year 2022 funds from ARPA for eligible expenses incurred by the Authority. Those funds will expire in December 2024.

Effective July 1, 2021, the maximum amount of funding of TAT revenues that may be deposited into the Convention Center Fund is \$11,000,000. Pursuant to Act 088, SLH 2021, \$11,000,000 in ARPA funds were appropriated to the Convention Center Fund for fiscal years 2022 and 2023.

**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 are 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 are 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 are 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 are 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 2022 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the State was approximately \$623,489,000 for the fiscal year ended June 30, 2022.

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 41% on July 1, 2020. The rate for all other employees 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, 2022, the State reported a liability of approximately \$6.3 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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projected contributions of all participants, actuarially determined. At June 30, 2021, the State's proportion was 56.6916%, which was a decrease of 0.8531% from its proportion measured as of June 30, 2020.

There was no change in actuarial assumptions as of June 30, 2020 to June 30, 2021. There were no changes between the measurement date, June 30, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the fiscal year ended June 30, 2022, the State recognized pension expense of approximately \$637,194,000. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts expressed in thousands):

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience   | \$ 178,807                                    | \$ (879)                                     |
| Changes in assumptions   | 23,714  | (66)   |
| Net difference between projected and actual earnings on pension plan investments                           | -   | (1,056,227)                                  |
| Changes in proportion and differences between State contributions and proportionate share of contributions | 37,639  | (40,151)                                     |
| State contributions subsequent to the measurement date   | 623,489                                       | -  |
| Total  | <u>\$ 863,649</u>                             | <u>\$ (1,097,323)</u>                        |

At June 30, 2022, the approximate \$623,489,000 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 fiscal year ended June 30, 2022.

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):

| <b>Fiscal Year</b> |                     |
|--------------------|---------------------|
| 2023               | \$ (182,004)        |
| 2024               | (172,102)           |
| 2025               | (206,545)           |
| 2026               | (300,451)           |
| 2027               | 3,939               |
|                    | <u>\$ (857,163)</u> |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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***Actuarial Assumptions***

The total pension liability in the June 30, 2021 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 annually including inflation |

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

Post-retirement mortality rates are based on the 2019 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of Pub-2010 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:

|  | <b><u>Target<br/>Allocation</u></b> | <b><u>Long-Term<br/>Expected Real<br/>Rate of Return</u></b> |
|--|-------------------------------------|--|
| <b>Strategic allocation (risk-based classes)</b> |                                     |  |
| Broad growth                                     | 63.0 %                              | 8.0 %  |
| Diversifying strategies                          | 37.0 %                              | 5.1 %  |
| Total investments                                | <u>100.0 %</u>                      |  |

***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):

|  | <b>1%<br/>Decrease<br/>(6.00%)</b> | <b>Discount<br/>Rate<br/>(7.00%)</b> | <b>1%<br/>Increase<br/>(8.00%)</b> |
|--|------------------------------------|--------------------------------------|------------------------------------|
| State's proportionate share of the net pension liability | \$ 8,630,799                       | \$ 6,323,283                         | \$ 4,420,867                       |

***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, 2022. Excess payments of \$25,816,000 are being applied to amounts due in fiscal year 2023.

**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.



**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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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, 2021, the State had the following number of plan members covered:

|   |               |
|---|---------------|
| Inactive plan members or beneficiaries currently receiving benefits | 38,534        |
| Inactive plan members entitled to but not yet receiving benefits    | 7,539         |
| Active plan members   | <u>49,700</u> |
| Total plan members  | <u>95,773</u> |

***Contributions***

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the State was \$445,543,000 for the fiscal year ended June 30, 2022. 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, 2022, the State reported a net OPEB liability of approximately \$5.4 billion. The net OPEB liability was measured as of July 1, 2021, 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, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the net OPEB liability.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

---

For the fiscal year ended June 30, 2022, the State recognized OPEB expense of approximately \$520,509,000. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts expressed in thousands):

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between expected and actual experience                               | \$ -  | \$ (657,076)                                 |
| Changes in assumptions   | 50,152  | (28,657)                                     |
| Net difference between projected and actual earnings<br>on OPEB plan investments | -   | (272,872)                                    |
| State contributions subsequent to the<br>measurement date                        | 445,543                                       | -  |
| Total  | <u>\$ 495,695</u>                             | <u>\$ (958,605)</u>                          |

At June 30, 2022, the approximate \$445,543,000 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 fiscal year ended June 30, 2022.

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):

|                    |                     |
|--------------------|---------------------|
| <b>Fiscal Year</b> |                     |
| 2023               | \$ (212,265)        |
| 2024               | (211,374)           |
| 2025               | (206,011)           |
| 2026               | (231,087)           |
| 2027               | (47,716)            |
|                    | <u>\$ (908,453)</u> |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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***Actuarial Assumptions***

The total OPEB liability in the July 1, 2021 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 rate of 7.25%; declining to a rate of 4.70% after 12 years |
| HMO*                        | Initial rate of 7.25%; declining to a rate of 4.70% after 12 years |
| Contribution                | Initial rate of 5.00% ; declining to a rate of 4.70% after 9 years |
| Dental                      | 4.00%  |
| Vision                      | 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.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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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:

| <b>Asset Class</b>      | <b>Target<br/>Allocation</b> | <b>Long-Term<br/>Expected Real<br/>Rate of Return</b> |
|-------------------------|------------------------------|---|
| Private equity          | 12.5 %                       | 10.19 %   |
| U.S. microcap           | 6.0 %                        | 7.62 %  |
| U.S. equity             | 16.0 %                       | 6.09 %  |
| Non-U.S. equity         | 11.5 %                       | 7.12 %  |
| Global options          | 5.0 %                        | 4.33 %  |
| Real assets             | 10.0 %                       | 6.16 %  |
| Private credit          | 8.0 %                        | 5.83 %  |
| TIPS                    | 5.0 %                        | (0.07)%   |
| Long Treasuries         | 6.0 %                        | 1.06 %  |
| Alternative risk premia | 5.0 %                        | 1.46 %  |
| Trend following         | 10.0 %                       | 2.01 %  |
| Reinsurance             | 5.0 %                        | 4.44 %  |
| Total investments       | <u>100.0 %</u>               |   |

***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%. 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. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for fiscal year ended June 30, 2021, and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to fiscal years 2022 and 2023 by Act 229, SLH 2021. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current 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.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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***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, 2021.

|  | <b>Total OPEB<br/>Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net OPEB<br/>Liability</b> |
|--|---------------------------------|--|-------------------------------|
| Beginning balance                                    | \$ 8,380,980                    | \$ 1,864,104                           | \$ 6,516,876                  |
| Service cost   | 218,681                         | -                                      | 218,681                       |
| Interest on the total OPEB liability                 | 725,918                         | -                                      | 725,918                       |
| Difference between expected<br>and actual experience | (308,109)                       | -                                      | (308,109)                     |
| Employer contributions                               | -                               | 1,139,969                              | (1,139,969)                   |
| Net investment income                                | -                               | 597,590                                | (597,590)                     |
| Benefit payments                                     | (331,733)                       | (331,731)                              | (2)                           |
| Administrative expense                               | -                               | (305)                                  | 305                           |
| Other  | -                               | 122                                    | (122)                         |
| Net changes  | 304,757                         | 1,405,645                              | (1,100,888)                   |
| Ending balance                                       | <u>\$ 8,685,737</u>             | <u>\$ 3,269,749</u>                    | <u>\$ 5,415,988</u>           |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

---

***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):

|   | <b>1%<br/>Decrease<br/>(6.00%)</b> | <b>Discount<br/>Rate<br/>(7.00%)</b> | <b>1%<br/>Increase<br/>(8.00%)</b> |
|---|------------------------------------|--------------------------------------|------------------------------------|
| State's proportionate share of the net OPEB liability | <u>\$ 6,699,289</u>                | <u>\$ 5,415,988</u>                  | <u>\$ 4,403,449</u>                |

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):

|   | <b>1%<br/>Decrease</b> | <b>Healthcare<br/>Cost<br/>Trend Rate</b> | <b>1%<br/>Increase</b> |
|---|------------------------|---|------------------------|
| State's proportionate share of the net OPEB liability | <u>\$ 4,348,789</u>    | <u>\$ 5,415,988</u>                       | <u>\$ 6,794,495</u>    |

***Payables to the OPEB Plan***

The State's employer contributions payable to the EUTF was approximately \$181,125,000 as of June 30, 2022.

**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, 2022, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

**Special Revenue Funds**

|                   |                  |
|-------------------|------------------|
| Agriculture       | \$ 4,340         |
| Natural Resources | <u>29,329</u>    |
|                   | <u>\$ 33,669</u> |

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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***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, 2022, accumulated sick leave was approximately \$1,320,149,000.

***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 were distributed annually to the counties. On April 25, 2020, the Governor issued the Sixth Supplementary Proclamation amending and restating prior proclamations and executive orders related to the COVID-19 emergency that suspended the distribution of transient accommodation tax revenues to the counties. In June 2021, the Governor temporarily restarted the distribution of TAT revenues to the counties. Effective July 1, 2021, the State discontinued TAT distributions 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, 2022, the City and County of Honolulu, Hawaii County, and Kauai County had adopted ordinances for a surcharge.

***Encumbrances***

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

Significant encumbrances at June 30, 2022 include (amounts expressed in thousands):

| <b>Fund Type</b>                       |                     |
|--|---------------------|
| General                                | \$ 481,362          |
| Capital Projects                       | 2,445,490           |
| Med-Quest Special Revenue              | 42,309              |
| Administrative Support Special Revenue | 23,570              |
| Other Governmental                     | 1,887,024           |
|  | <u>\$ 4,879,755</u> |

***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, 2022.

**Proprietary Fund Type – Enterprise Funds**

***Construction and Service Contracts***

At June 30, 2022, the Enterprise Funds had commitments of approximately \$1,012,032,000 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, 2022, 2021 and 2020 approximated \$12,534,000, \$1,580,000 and \$466,000, 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 \$38,443,000 during the fiscal year ended June 30, 2022. As of June 30, 2022, the State expects to receive \$20,000,000 for the first six months of fiscal 2023.

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. The State is



now settled through 2022, and further settlement discussions are expected to start soon to address additional years.

***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 (HHCA), 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 (1<sup>st</sup> 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 (1<sup>st</sup> 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.

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***

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 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: (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 (1<sup>st</sup> 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 (3<sup>rd</sup> 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 (1<sup>st</sup> 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, the 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, the Plaintiffs filed seven motions in June and July of 2016. The State filed cross motions to three of the Plaintiffs' motions, and opposed all the Plaintiffs' motions. The circuit court heard all motions on September 2, 2016, and took them under advisement. The 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 the Plaintiffs' motions and denying (in whole or in part) two of the 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.

The 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 on another island.
- All Waiting List Subclass members are entitled to damages under the fair market rental value model, and State Defendants have the burden of establishing any applicable defenses that would reduce those damages.
- Damages for Waiting List Subclass members cannot be adjusted to present value to account for inflation.
- The circuit court erred in ruling that damages for Waiting List Subclass members only begins to accrue 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, and judgment on appeal was entered on July 21, 2020. On July 24, 2020, the 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 approximately \$370,000.

The parties to Kalima I entered into settlement negotiations in March and April 2022. On April 14, 2022, the parties agreed on the material terms of a global settlement in this case. Under the terms of the settlement, the State agreed to pay the Plaintiffs \$328,000,000 for a full and final release of all class claims, including claims for attorneys' fees and costs. The settlement was conditioned on the Legislature appropriating the funds to pay the settlement amount, and upon final court approval of the settlement under HRCF Rule 23.

On May 3, 2022, the Legislature passed Senate Bill No. 3041, which appropriated \$328,000,000 in general funds to fund the State's payment under the settlement agreement, among other appropriations. The appropriation became effective when the Governor signed the bill into law on July 11, 2022.

On August 8, 2022, the State deposited the settlement amount of \$328,000,000 with the Clerk of the Court, First Circuit, State of Hawaii. Under the settlement agreement, the funds are to be held until the Court grants final approval of the settlement. Up to \$1,000,000 of the settlement amount may be spent on claims administration costs prior to final approval.

The Court has appointed a Claims Administrator to implement the class notice plan and claims administration process. The Court has also appointed a Settlement Special Master to supervise the claims administration process and the Claims Administrator, and to provide an accounting of all settlement funds to the Court.

The Court will hold a fairness hearing on April 14, 2023 to determine whether to grant final approval of the settlement. If the Court grants final approval, and no appeal is taken, the defendants shall be released from all claims. The remaining settlement funds on deposit with the Court will be disbursed to individual class members, as well as to class counsel for payment of attorney's fees. Any remaining settlement funds that cannot be distributed in accordance with the settlement will be paid to the Department of Hawaiian Home Lands, State of Hawaii, to be used for the purposes set forth in section 214(a) of the Hawaiian Homes Commission Act (HHC Act).

If final approval of the settlement is not granted, the settlement funds on deposit with the Court will be returned to the State, and the settlement agreement shall be deemed null and void.

*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 (1<sup>st</sup> 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 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 the 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.

The Plaintiffs filed a motion for reconsideration which the court denied. The State filed a notice of appeal and the Plaintiffs 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 \$1,300,000 to \$1,600,000, 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. 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 \$17,000,000 for fiscal year 2016, the State Defendants provided "sufficient sums" for DHHL's administrative and operating budget for fiscal year 2016. Final judgment was entered on May 25, 2021. DHHL filed a notice of appeal on June 23, 2021, and the Plaintiffs filed a notice of cross-appeal on June 24, 2021. The appeal is currently pending in the Hawaii Intermediate Court of Appeals.

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.

#### ***Land Use Commission***

DW Aina Le'a ("DW") 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 the Plaintiff had contracted to purchase from a third party for development purposes. The Hawaii Supreme Court ruled in a separate case that the Land Use Commission's reversion was improper. In its complaint, the Plaintiff alleged damages of not less than \$200,000,000 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 Plaintiffs 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.

On January 7, 2022, the State moved for summary judgment on the grounds that, among other things, DW lacked standing to pursue its taking claims. On February 4, 2022, DW moved for leave to amend its complaint to add a third party, Aina Le'a, Inc., as a plaintiff. On May 25, 2022, the District Court filed its Order Granting defendants' Motion for Summary Judgment and Denying Plaintiff's Motion for Leave to Amend, holding that DW lacked standing and denying DW's motion to amend. On May 25, 2022, judgment was entered in favor of the State and against DW. On June 6, 2022, DW filed a Notice of Appeal to the Ninth Circuit. The State intends to vigorously defend the District Court's judgment on appeal.

***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, the 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, the 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, the 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 the 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 the Plaintiffs on all of the Plaintiffs' claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual and statutory rights of the 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 the 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 the 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. The 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. The 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. On December 3, 2018, the Plaintiffs consequently filed a Motion for Recertification of the Class and for Certification of a Damages Subclass. On February 6, 2019, the Court granted the Plaintiffs' Motion for Recertification and an Order granting the Plaintiffs' Motion for Recertification was filed on June 21, 2019.

The State has been vigorously defending this case, having conducted extensive discovery and filed and defended numerous motions in court, and continues to do so. Trial commenced on November 3, 2021, and phase one of the trial was completed on November 30, 2021. Proposed Findings of Fact and Conclusions of Law were submitted by the parties, and the Court has taken its ruling under advisement. The next phase of the trial will commence sometime after the Court issues its ruling. 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.

### **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 \$500,000 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 (tort and auto) claims up to \$25,000 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, including a \$2,500,000 corridor. The annual aggregate limit for general liability occurrence is \$7,500,000 per occurrence. 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 \$5,000,000 with a deductible of \$5,000,000 per claim. This policy includes (with sub-limits) system failure business interruption, dependent business interruption system failure, bricking of hardware, and consequential reputation loss.

**Medical Insurance**

The State's community hospitals included in the HHSC are insured by a comprehensive hospital professional liability policy. The policy provides coverage for professional and general liability claims. This primary policy covers losses up to a limit of \$1,000,000 per claim and \$5,000,000 in annual aggregate. HHSC also purchased additional excess insurance with a \$34,000,000 per claim and aggregate limit.

**Self-Insured Risks**

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses up to \$25,000 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, 2022, 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.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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The following table represents changes in the amount of the estimated losses and the loss adjustment costs for governmental activities at June 30, 2022 and 2021, respectively (amounts expressed in thousands):

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
| <b>Unpaid losses and loss adjustment costs</b>   |             |             |
| Beginning of the fiscal year   | \$ 290,563  | \$ 270,641  |
| Incurring losses and loss adjustment costs   |             |             |
| Provision for insured events of current fiscal year                                    | 396,015     | 62,608      |
| Change in provision for insured events of prior fiscal years                           | (268)       | (854)       |
| Total incurred losses and loss adjustment costs  | 395,747     | 61,754      |
| Payments   |             |             |
| Losses and loss adjustment costs attributable to insured events of current fiscal year | (7,173)     | (5,715)     |
| Losses and loss adjustment costs attributable to insured events of prior fiscal year   | (51,836)    | (36,117)    |
| Total payments   | (59,009)    | (41,832)    |
| <b>Unpaid losses and loss adjustment costs</b>   |             |             |
| End of the fiscal year   | \$ 627,301  | \$ 290,563  |

**14. Subsequent Events**

On November 2, 2022, the State issued general obligation bonds as follows:

- \$740,000,000 of taxable general obligation bonds Series GK.
- \$60,000,000 of taxable general obligation bonds Series GL.

The bonds within Series GK that mature on or after October 1, 2032 are subject to optional redemption with restrictions.

**State of Hawaii**  
**Notes to Basic Financial Statements**  
**June 30, 2022**

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**15. Restatement**

The beginning net position and fund balances for the State's governmental activities and the governmental and custodial funds were adjusted to reflect the correction of an accounting error. The following tables summarize the impact to net position and fund balance amounts as previously reported (amounts expressed in thousands):

|  | <b>Governmental Activities</b> |  |  |  |  |  |
|--|--------------------------------|--|--|--|--|--|
| Net position/fund balance, as previously reported                                    | \$ (8,233,613)                 |  |  |  |  |  |
| Correction of misstatement   | (290,258)                      |  |  |  |  |  |
| Net position/fund balance, as restated   | <u>\$ (8,523,871)</u>          |  |  |  |  |  |
| Effect of adjustments on the change in net position/fund balance previously reported | \$ (160,972)                   |  |  |  |  |  |

|  | <b>General Fund</b> | <b>Administrative Support Special Revenue Fund</b> | <b>Natural Resources Special Revenue Fund</b> | <b>Hawaiian Programs Special Revenue Fund</b> | <b>Other Governmental Funds</b> | <b>Custodial Funds</b> |
|--|---------------------|--|---|---|---------------------------------|------------------------|
| Net position/fund balance, as previously reported                                    | \$ 1,560,539        | \$ 876,500   | \$ 213,864                                    | \$ 385,370                                    | \$ 1,261,188                    | \$ 526,732             |
| Correction of misstatement   | 2,527               | (148,056)  | (29,468)                                      | (517)   | (114,744)                       | 290,258                |
| Net position/fund balance, as restated   | <u>\$ 1,563,066</u> | <u>\$ 728,444</u>                                  | <u>\$ 184,396</u>                             | <u>\$ 384,853</u>                             | <u>\$ 1,146,444</u>             | <u>\$ 816,990</u>      |
| Effect of adjustments on the change in net position/fund balance previously reported | \$ 8,501            | \$ (174,758)                                       | \$ (3,478)                                    | \$ (1,727)                                    | \$ 10,490                       | \$ 160,972             |

**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)**

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General Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2022

Med-Quest Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2022

Administrative Support Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2022

Natural Resources Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2022

Hawaiian Programs Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2022

Notes to Required Supplementary Information – Budgetary Control – Year Ended June 30, 2022

Major Governmental Funds – Reconciliation of the Budgetary to GAAP Basis – Year Ended June 30, 2022

Schedule of the Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years

Schedule of Pension Contributions – Last Ten Fiscal Years

Schedule of the Proportionate Share of the Net OPEB Liability – Last Ten Fiscal Years

Schedule of OPEB Contributions – Last Ten Fiscal Years

# State of Hawaii

## General Fund

### Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)

Year Ended June 30, 2022

(Amounts in thousands)

|  | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget –<br>Positive (Negative) |
|--|--------------------|-----------------|--------------------------------|--|
| <b>Revenues</b>  |                    |                 |                                |  |
| Taxes  |                    |                 |                                |  |
| General excise tax   | \$ 3,415,749       | \$ 4,258,407    | \$ 3,978,993                   | \$ (279,414)   |
| Net income tax   |                    |                 |                                |  |
| Corporations   | 90,897             | 167,705         | 255,621                        | 87,916   |
| Individuals  | 2,415,978          | 3,358,739       | 3,759,753                      | 401,014  |
| Inheritance and estate tax   | 48,286             | 24,945          | 57,405                         | 32,460   |
| Liquor permits and tax   | 47,811             | 60,385          | 53,983                         | (6,402)  |
| Public service companies tax   | 139,105            | 138,032         | 122,068                        | (15,964)   |
| Tobacco tax  | 74,714             | 74,979          | 65,658                         | (9,321)  |
| Tax on premiums of insurance companies   | 170,000            | 188,000         | 195,607                        | 7,607  |
| Franchise tax (banks and other financial institutions)                         | 39,138             | -               | 57,252                         | 57,252   |
| Transient accommodations tax   | 157,294            | 446,691         | 645,429                        | 198,738  |
| Other taxes, primarily conveyances tax   | 35,977             | 40,187          | 166,993                        | 126,806  |
| Total taxes  | 6,634,949          | 8,758,070       | 9,358,762                      | 600,692  |
| Non-taxes  |                    |                 |                                |  |
| Interest and investment income   | 10,012             | 11,132          | 11,385                         | 253  |
| Charges for current services   | 277,511            | 297,951         | 297,838                        | (113)  |
| Intergovernmental  | 11,422             | 14,077          | 15,041                         | 964  |
| Rentals  | 827                | 766             | 325                            | (441)  |
| Fines, forfeitures and penalties   | 17,222             | 20,032          | 17,789                         | (2,243)  |
| Licenses and fees  | 1,034              | 656             | 2,437                          | 1,781  |
| Revenues from private sources  | 3,000              | 3,001           | 5,878                          | 2,877  |
| Debt service requirements  | 6,520              | 6,520           | 6,519                          | (1)  |
| Other  | 320,410            | 333,637         | 435,081                        | 101,444  |
| Total non-taxes  | 647,958            | 687,772         | 792,293                        | 104,521  |
| Total revenues   | 7,282,907          | 9,445,842       | 10,151,055                     | 705,213  |
| <b>Expenditures</b>  |                    |                 |                                |  |
| Department   |                    |                 |                                |  |
| Accounting and General Services  | 102,694            | 102,694         | 96,823                         | 5,871  |
| Agriculture  | 13,647             | 13,647          | 10,101                         | 3,546  |
| Attorney General   | 33,307             | 37,307          | 32,069                         | 5,238  |
| Budget and Finance   | 2,952,882          | 2,952,755       | 2,899,549                      | 53,206   |
| Business, Economic Development and Tourism                                     | 13,527             | 13,527          | 12,533                         | 994  |
| Defense  | 19,442             | 19,442          | 17,847                         | 1,595  |
| Education  | 1,820,132          | 1,821,982       | 1,753,666                      | 68,316   |
| Governor   | 3,551              | 3,551           | 2,999                          | 552  |
| Hawaiian Home Lands  | 14,752             | 14,752          | 13,844                         | 908  |
| Health   | 524,250            | 625,184         | 604,799                        | 20,385   |
| House of Representative  | 3,200              | 18,075          | 3,189                          | 14,886   |
| Human Resources Development  | 19,584             | 19,584          | 16,816                         | 2,768  |
| Human Services   | 1,281,960          | 1,281,960       | 1,253,706                      | 28,254   |
| Judiciary  | 164,891            | 165,018         | 164,582                        | 436  |
| Labor and Industrial Relations   | 15,987             | 15,987          | 15,132                         | 855  |
| Land and Natural Resources   | 66,209             | 66,209          | 60,630                         | 5,579  |
| Legislative Auditor  | 5,891              | 5,959           | 4,916                          | 1,043  |
| Legislative Reference Bureau   | 3,440              | 3,467           | 3,185                          | 282  |
| Lieutenant Governor  | 956                | 956             | 895                            | 61   |
| Office of Hawaiian Affairs   | -                  | 69,292          | 64,000                         | 5,292  |
| Office of the Ombudsman  | 1,328              | 1,342           | 1,224                          | 118  |
| Public Safety  | 269,412            | 269,412         | 269,157                        | 255  |
| Senate   | 1,573              | 12,412          | 1,927                          | 10,485   |
| State Ethics Commission  | 1,152              | 1,169           | 1,119                          | 50   |
| Taxation   | 25,063             | 25,063          | 22,153                         | 2,910  |
| University of Hawaii   | 498,155            | 498,155         | 498,155                        | -  |
| Total expenditures   | 7,856,985          | 8,058,901       | 7,825,016                      | 233,885  |
| Excess (deficiency) of revenues over (under) expenditures                      | (574,078)          | 1,386,941       | 2,326,039                      | 939,098  |
| Other financing sources  | 48,920             | 77,620          | 60,474                         | (17,146)   |
| Excess (deficiency) of revenues and<br>other sources over (under) expenditures | \$ (525,158)       | \$ 1,464,561    | \$ 2,386,513                   | \$ 921,952   |

**State of Hawaii****Med-Quest Special Revenue Fund****Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)****Year Ended June 30, 2022****(Amounts in thousands)**

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|                                      | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual<br/>(Budgetary<br/>Basis)</b> | <b>Variance With<br/>Final Budget –<br/>Positive (Negative)</b> |
|--------------------------------------|----------------------------|-------------------------|---|---|
| <b>Revenues – non-taxes</b>          |                            |                         |   |   |
| Intergovernmental                    | \$ -                       | \$ -                    | \$ 90                                   | \$ 90   |
| Revenues from private sources        | -                          | 76,186                  | 72,531                                  | (3,655)   |
| Other                                | -                          | -                       | 3,418                                   | 3,418   |
| Total revenues – non-taxes           | -                          | 76,186                  | 76,039                                  | (147)   |
| Total revenues                       | -                          | 76,186                  | 76,039                                  | (147)   |
| <b>Expenditures</b>                  |                            |                         |   |   |
| Department                           |                            |                         |   |   |
| Human Services                       | 129,705                    | 129,705                 | 77,026                                  | 52,679  |
| Total expenditures                   | 129,705                    | 129,705                 | 77,026                                  | 52,679  |
| Excess of expenditures over revenues | \$ (129,705)               | \$ (53,519)             | \$ (987)                                | \$ 52,532   |

# State of Hawaii

## Administrative Support Special Revenue Fund

### Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)

Year Ended June 30, 2022

(Amounts in thousands)

|  | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget<br>Positive (Negative) |
|--|--------------------|-----------------|--------------------------------|--|
| <b>Revenues</b>  |                    |                 |                                |  |
| Taxes  |                    |                 |                                |  |
| General excise tax   | \$ 266,096         | \$ 266,096      | \$ 289,075                     | \$ 22,979  |
| Tobacco tax  | 1,752              | 1,552           | 1,439                          | (113)  |
| Transient accommodations tax                                 | 36,919             | 49,967          | 69,992                         | 20,025   |
| Total taxes  | 304,767            | 317,615         | 360,506                        | 42,891   |
| Non-taxes  |                    |                 |                                |  |
| Interest and dividend income                                 | 3,397              | 3,355           | 1,147                          | (2,208)  |
| Charges for current services                                 | 54,134             | 74,248          | 106,575                        | 32,327   |
| Rentals  | 3,787              | 3,765           | 3,837                          | 72   |
| Fines, forfeitures and penalties                             | 74                 | 74              | 85                             | 11   |
| Licenses and fees  | 200                | 300             | 344                            | 44   |
| Revenues from private sources                                | 1,681              | 1,681           | 1,817                          | 136  |
| Other  | 11,012             | 12,549          | 12,680                         | 131  |
| Total non-taxes  | 74,285             | 95,972          | 126,485                        | 30,513   |
| Total revenues   | 379,052            | 413,587         | 486,991                        | 73,404   |
| <b>Expenditures</b>  |                    |                 |                                |  |
| Department   |                    |                 |                                |  |
| Accounting and General Services                              | 80,855             | 80,855          | 58,163                         | 22,692   |
| Attorney General   | 29,893             | 29,893          | 20,812                         | 9,081  |
| Budget and Finance   | 400,530            | 400,530         | 341,209                        | 59,321   |
| Human Resources Development                                  | 5,866              | 5,866           | 360                            | 5,506  |
| Governor   | -                  | -               | -                              | -  |
| Taxation   | 3,567              | 3,567           | 1,014                          | 2,553  |
| Total expenditures   | 520,711            | 520,711         | 421,558                        | 99,153   |
| Excess (deficiency) of revenues<br>over (under) expenditures | \$ (141,659)       | \$ (107,124)    | \$ 65,433                      | \$ 172,557   |

# State of Hawaii

## Natural Resources Special Revenue Fund

### Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)

Year Ended June 30, 2022

(Amounts in thousands)

|  | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget –<br>Positive (Negative) |
|--|--------------------|-----------------|--------------------------------|--|
| <b>Revenues</b>  |                    |                 |                                |  |
| Taxes  |                    |                 |                                |  |
| Liquid fuel tax  |                    |                 |                                |  |
| Highways   | \$ 250             | \$ 250          | \$ 231                         | \$ (19)  |
| Conveyances tax  | 5,100              | 5,100           | 5,100                          | -  |
| Environmental response tax                                   | 3,800              | 3,800           | -                              | (3,800)  |
| Transient accommodations tax                                 | 1,500              | 1,500           | 4,500                          | 3,000  |
| Total taxes  | 10,650             | 10,650          | 9,831                          | (819)  |
| <b>Revenues – non-taxes</b>                                  |                    |                 |                                |  |
| Interest and investment income                               | 1,344              | 1,344           | 505                            | (839)  |
| Charges for current services                                 | 35,529             | 35,574          | 56,800                         | 21,226   |
| Intergovernmental  | -                  | -               | 44                             | 44   |
| Rentals  | 5,650              | 5,650           | 10,731                         | 5,081  |
| Fines, forfeitures and penalties                             | 72                 | 72              | 405                            | 333  |
| Licenses and fees  | 879                | 879             | 959                            | 80   |
| Revenues from private sources                                | -                  | -               | 66                             | 66   |
| Other  | 3,381              | 3,382           | 6,808                          | 3,426  |
| Total revenues – non-taxes                                   | 46,855             | 46,901          | 76,318                         | 29,417   |
| Total revenues   | 57,505             | 57,551          | 86,149                         | 28,598   |
| <b>Expenditures</b>  |                    |                 |                                |  |
| Department   |                    |                 |                                |  |
| Agriculture  | 38,819             | 38,819          | 10,829                         | 27,990   |
| Land and Natural Resources                                   | 70,463             | 70,463          | 48,849                         | 21,614   |
| Total expenditures   | 109,282            | 109,282         | 59,678                         | 49,604   |
| Excess (deficiency) of revenues<br>over (under) expenditures | \$ (51,777)        | \$ (51,731)     | \$ 26,471                      | \$ 78,202  |

# State of Hawaii

## Hawaiian Programs Special Revenue Fund

### Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)

Year Ended June 30, 2022

(Amounts in thousands)

|                                      | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget –<br>Positive (Negative) |
|--------------------------------------|--------------------|-----------------|--------------------------------|--|
| <b>Revenues – non-taxes</b>          |                    |                 |                                |  |
| Interest and investment income       | \$ 80              | \$ 80           | \$ 163                         | \$ 83  |
| Charges for current services         | -                  | -               | 5                              | 5  |
| Intergovernmental                    | -                  | -               | 545                            | 545  |
| Rentals                              | 16,938             | 16,938          | 17,863                         | 925  |
| Revenues from private sources        | -                  | -               | 2,250                          | 2,250  |
| Other                                | 3,576              | 3,576           | 13,783                         | 10,207   |
| Total revenues – non-taxes           | 20,594             | 20,594          | 34,609                         | 14,015   |
| Total revenues                       | 20,594             | 20,594          | 34,609                         | 14,015   |
| <b>Expenditures</b>                  |                    |                 |                                |  |
| Department                           |                    |                 |                                |  |
| Hawaiian Home Lands                  | 19,125             | 19,125          | 7,482                          | 11,643   |
| Total expenditures                   | 19,125             | 19,125          | 7,482                          | 11,643   |
| Excess of revenues over expenditures | \$ 1,469           | \$ 1,469        | \$ 27,127                      | \$ 25,658  |

## **State of Hawaii**

### **Notes to Required Supplementary Information – Budgetary Control (Unaudited) Year Ended June 30, 2022**

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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 2021 (Act 088, SLH 2021), amended by the Supplemental Appropriations Act (Act 248, SLH 2022), and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2021–2023 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 for expenditures 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, 2022, 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 (Unaudited)**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

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A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2022 follows (amounts expressed in thousands):

|   | <b>General<br/>Fund</b> | <b>Med-Quest<br/>Special<br/>Revenue<br/>Fund</b> | <b>Administrative<br/>Support<br/>Special Revenue<br/>Fund</b> | <b>Natural<br/>Resources<br/>Special Revenue<br/>Fund</b> | <b>Hawaiian<br/>Programs<br/>Special Revenue<br/>Fund</b> |
|---|-------------------------|---|--|---|---|
| Excess (deficiency) of revenues and other sources<br>over (under) expenditures – actual (budgetary basis) | \$ 2,386,513            | \$ (987)  | \$ 65,433  | \$ 26,471   | \$ 27,127   |
| Transfers   | 868,099                 | 112,615   | 1,977,319  | 10,714  | (2,038)   |
| Reserve for encumbrances at fiscal year end*  | 412,463                 | 3,600   | 6,775  | 10,840  | 1,570   |
| Expenditures for liquidation of prior fiscal year encumbrances  | (515,686)               | (712,475)   | (990,442)  | (35,688)  | (10,808)  |
| Revenues and expenditures for unbudgeted programs<br>and capital projects accounts, net                   | (118)                   | 721,587   | (75,219)   | 25,499  | (16,637)  |
| Tax refunds payable   | (657,121)               | -   | -  | -   | -   |
| Accrued liabilities   | (118,514)               | (11,482)  | (1,935)  | (40)  | (1,776)   |
| Accrued revenues  | 54,838                  | (10,085)  | (822,501)  | (26,413)  | (20,345)  |
| Excess (deficiency) of revenues<br>over (under) expenditures – GAAP basis                                 | <u>\$ 2,430,474</u>     | <u>\$ 102,773</u>                                 | <u>\$ 159,430</u>  | <u>\$ 11,383</u>  | <u>\$ (22,907)</u>  |

\* 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 (Unaudited)**  
**Last Ten Fiscal Years\***  
**(Amounts in millions)**

|   | 2022     | 2022     | 2021     | 2020     | 2019     | 2018     | 2017     | 2016     | 2015     |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>State of Hawaii, excluding UH**</b>  |          |          |          |          |          |          |          |          |          |
| State's proportion of the net pension liability   | 56.692 % | 55.839 % | 55.749 % | 56.090 % | 56.607 % | 56.600 % | 57.238 % | 58.483 % | 57.638 % |
| State's proportionate share of the net pension liability  | \$ 6,886 | \$ 8,510 | \$ 7,865 | \$ 7,438 | \$ 7,331 | \$ 7,567 | \$ 4,999 | \$ 4,689 | \$ 5,148 |
| State's covered payroll   | \$ 2,813 | \$ 2,689 | \$ 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 | 244.8 %  | 316.5 %  | 300.6 %  | 292.8 %  | 286.5 %  | 303.2 %  | 206.2 %  | 200.3 %  | 236.5 %  |
| Plan fiduciary net position as a percentage of total pension liability                          | 64.3 %   | 53.2 %   | 54.9 %   | 55.5 %   | 54.8 %   | 51.3 %   | 62.4 %   | 63.9 %   | 58.0 %   |
| <b>UH</b>   |          |          |          |          |          |          |          |          |          |
| Proportion of the net pension liability   | 12.100 % | 12.344 % | 12.641 % | 12.732 % | 12.730 % | 12.750 % | 13.110 % | 13.600 % | 13.750 % |
| Proportionate share of the net pension liability  | \$ 1,477 | \$ 1,889 | \$ 1,791 | \$ 1,696 | \$ 1,649 | \$ 1,704 | \$ 1,145 | \$ 1,090 | \$ 1,228 |
| Covered payroll   | \$ 575   | \$ 606   | \$ 603   | \$ 592   | \$ 587   | \$ 569   | \$ 565   | \$ 551   | \$ 518   |
| Proportionate share of the net pension liability as a percentage of its covered payroll         | 256.9 %  | 311.7 %  | 297.0 %  | 286.5 %  | 280.9 %  | 299.5 %  | 202.7 %  | 197.8 %  | 237.1 %  |
| Plan fiduciary net position as a percentage of total pension liability                          | 64.3 %   | 53.2 %   | 54.9 %   | 55.5 %   | 54.8 %   | 51.3 %   | 62.4 %   | 63.9 %   | 58.0 %   |

\* Information for 2013 is unavailable.

\*\* Amounts consist of the primary government and discretely presented component units other than UH.

**State of Hawaii**  
**Schedule of Pension Contributions (Unaudited)**  
**Last Ten Fiscal Years\***  
**(Amounts in millions)**

|  | 2022     | 2022     | 2021     | 2020     | 2019     | 2018     | 2017     | 2016     | 2014     |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>State of Hawaii, excluding UH**</b>                               |          |          |          |          |          |          |          |          |          |
| Statutorily required contribution                                    | \$ 677   | \$ 692   | \$ 606   | \$ 508   | \$ 470   | \$ 445   | \$ 432   | \$ 410   | \$ 380   |
| Contributions in relation to the contractually required contribution | 677      | 692      | 606      | 508      | 470      | 445      | 432      | 410      | 380      |
| Contribution deficiency (excess)                                     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     |
| State's covered payroll  | \$ 2,732 | \$ 2,813 | \$ 2,689 | \$ 2,616 | \$ 2,540 | \$ 2,559 | \$ 2,496 | \$ 2,424 | \$ 2,341 |
| Contributions as a percentage of covered payroll                     | 24.8 %   | 24.6 %   | 22.5 %   | 19.4 %   | 18.5 %   | 17.4 %   | 17.3 %   | 16.9 %   | 16.2 %   |
| <b>UH</b>  |          |          |          |          |          |          |          |          |          |
| Statutorily required contribution                                    | \$ 139   | \$ 147   | \$ 134   | \$ 115   | \$ 111   | \$ 99    | \$ 97    | \$ 94    | \$ 88    |
| Contributions in relation to the contractually required contribution | 139      | 147      | 134      | 115      | 111      | 99       | 97       | 94       | 88       |
| Contribution deficiency (excess)                                     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     | \$ -     |
| Covered payroll  | \$ 575   | \$ 606   | \$ 606   | \$ 603   | \$ 592   | \$ 587   | \$ 569   | \$ 565   | \$ 551   |
| Contributions as a percentage of covered payroll                     | 24.2 %   | 24.3 %   | 22.1 %   | 19.1 %   | 18.8 %   | 16.9 %   | 17.0 %   | 16.6 %   | 16.0 %   |

\* Information for 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 (Unaudited)

### Last Ten Fiscal Years\*

(Amounts in thousands)

|   | 2022                 | 2021                 | 2020                 | 2019                 | 2018                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total OPEB liability</b>   |                      |                      |                      |                      |                      |
| Service cost  | \$ 236,421           | \$ 246,846           | \$ 236,384           | \$ 229,157           | \$ 220,828           |
| Interest  | 784,812              | 792,683              | 745,104              | 709,522              | 670,530              |
| Differences between expected and actual experience                  | (333,106)            | (725,733)            | (6,204)              | (209,802)            | -                    |
| Changes of assumptions or other inputs                              | -                    | (59,421)             | 59,886               | 126,979              | -                    |
| Benefit payments  | (358,645)            | (364,565)            | (356,827)            | (345,476)            | (331,522)            |
| Net change in total OPEB liability                                  | 329,482              | (110,190)            | 678,343              | 510,380              | 559,836              |
| Total OPEB liability – beginning                                    | 11,272,719           | 11,382,909           | 10,704,566           | 10,194,186           | 9,634,350            |
| Total OPEB liability – ending                                       | <u>\$ 11,602,201</u> | <u>\$ 11,272,719</u> | <u>\$ 11,382,909</u> | <u>\$ 10,704,566</u> | <u>\$ 10,194,186</u> |
| <b>Plan fiduciary net position</b>                                  |                      |                      |                      |                      |                      |
| Employer contributions  | \$ 1,232,456         | \$ 814,659           | \$ 787,110           | \$ 682,605           | \$ 659,271           |
| Net investment income   | 646,073              | 43,497               | 71,563               | 78,648               | 66,007               |
| Benefit payments  | (358,645)            | (364,565)            | (356,827)            | (345,476)            | (331,522)            |
| Administrative expense  | (330)                | (307)                | (492)                | (258)                | (169)                |
| Other   | 134                  | 273                  | 165,770              | -                    | 5,300                |
| Net change in plan fiduciary net position                           | 1,519,688            | 493,557              | 667,124              | 415,519              | 398,887              |
| Plan fiduciary net position – beginning                             | 2,455,716            | 1,962,159            | 1,295,035            | 879,516              | 480,629              |
| Plan fiduciary net position – ending                                | <u>\$ 3,975,404</u>  | <u>\$ 2,455,716</u>  | <u>\$ 1,962,159</u>  | <u>\$ 1,295,035</u>  | <u>\$ 879,516</u>    |
| Net OPEB liability – ending   | <u>\$ 7,626,797</u>  | <u>\$ 8,817,003</u>  | <u>\$ 9,420,750</u>  | <u>\$ 9,409,531</u>  | <u>\$ 9,314,670</u>  |
| Plan fiduciary net position as a percentage of total OPEB liability | 34.26 %              | 21.78 %              | 17.24 %              | 12.10 %              | 8.63 %               |
| Covered payroll   | \$ 2,813,167         | \$ 2,688,865         | \$ 2,615,866         | \$ 2,539,755         | \$ 2,559,162         |
| Net OPEB liability as a percentage of covered payroll               | 271.11 %             | 327.91 %             | 360.14 %             | 370.49 %             | 363.97 %             |

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

\* Information for 2013–2017 is unavailable.

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

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|  | <b>2022</b>  | <b>2021</b>  | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  |
|--|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                  | \$ 877,193   | \$ 842,456   | \$ 814,659   | \$ 787,110   | \$ 770,297   |
| Contributions in relation to the actuarially determined contribution | 533,563      | 1,233,388    | 780,200      | 816,763      | 682,605      |
| Contribution deficiency (excess)                                     | \$ 343,630   | \$ (390,932) | \$ 34,459    | \$ (29,653)  | \$ 87,692    |
| Covered payroll  | \$ 2,732,427 | \$ 2,813,167 | \$ 2,688,865 | \$ 2,615,866 | \$ 2,539,755 |
| Contributions as a percentage of covered payroll                     | 20 %         | 44 %         | 29 %         | 31 %         | 27 %         |

|                               |  |
|-------------------------------|--|
| Actuarial valuation date      | July 1, 2019   |
| Actuarial cost method         | Entry age normal   |
| Amortization method**         | Level percent, closed  |
| Remaining amortization period | 23 years   |
| Asset valuation method        | Market   |
| Actuarial assumptions         |  |
| Investment rate of return     | 7.0%   |
| Projected salary increases    | 3.5% to 7.0%   |
| Healthcare inflation rates    |  |
| PPO***                        | 8.0% initial, 4.86% after 12 years   |
| HMO***                        | 8.0% initial, 4.86% after 12 years   |
| Dental                        | 5% initial rate for first two years,<br>declining to 4.0% for all future years |
| Vision                        | 0.0% initial rate for first two years,<br>then 2.5% for all future years       |
| Medicare Part B               | 5.0% initial, 4.7% after 11 years  |

\* Information for 2013–2017 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.
- **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.
- **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, 2022**  
**(Amounts in thousands)**

|  | Special Revenue Funds |                   |                  |                   |                      |
|--|-----------------------|-------------------|------------------|-------------------|----------------------|
|  | Highways              | Health            | Human Services   | Education         | Economic Development |
| <b>Assets</b>  |                       |                   |                  |                   |                      |
| Cash and cash equivalents  | \$ 35,637             | \$ 29,986         | \$ 5,784         | \$ 152,693        | \$ 96,302            |
| Notes and loans receivable, net  | -                     | -                 | -                | -                 | 71,079               |
| Lease receivable   | 25,038                | -                 | -                | -                 | 4,270                |
| Due from federal government  | -                     | -                 | 18,221           | -                 | -                    |
| Due from other funds   | -                     | -                 | -                | -                 | -                    |
| Due from agency funds  | 2,363                 | -                 | -                | -                 | -                    |
| Investments  | 288,124               | 240,109           | 46,766           | 175,157           | 41,213               |
| Other assets   | 57                    | -                 | -                | -                 | 10                   |
| Total assets   | <u>\$ 351,219</u>     | <u>\$ 270,095</u> | <u>\$ 70,771</u> | <u>\$ 327,850</u> | <u>\$ 212,874</u>    |
| <b>Liabilities</b>   |                       |                   |                  |                   |                      |
| Liabilities  |                       |                   |                  |                   |                      |
| Vouchers and contracts payable   | \$ 34,949             | \$ 68,800         | \$ 8,960         | \$ 13,755         | \$ 1,361             |
| Other accrued liabilities  | 6,537                 | 9,831             | 635              | 29,637            | 488                  |
| Due to other funds   | -                     | 23,259            | 62,397           | -                 | 3,470                |
| Payable from restricted assets –                                       |                       |                   |                  |                   |                      |
| Matured bonds and interest payable                                     | -                     | -                 | -                | -                 | -                    |
| Total liabilities  | <u>41,486</u>         | <u>101,890</u>    | <u>71,992</u>    | <u>43,392</u>     | <u>5,319</u>         |
| <b>Deferred inflows of resources</b>                                   |                       |                   |                  |                   |                      |
| Deferred inflows on leases   | 24,798                | -                 | -                | -                 | 4,281                |
| <b>Fund balances</b>   |                       |                   |                  |                   |                      |
| Restricted   | -                     | -                 | -                | -                 | -                    |
| Committed  | -                     | -                 | -                | -                 | 8,737                |
| Assigned   | 284,935               | 168,205           | -                | 284,458           | 194,537              |
| Unassigned   | -                     | -                 | (1,221)          | -                 | -                    |
| Total fund balances  | <u>284,935</u>        | <u>168,205</u>    | <u>(1,221)</u>   | <u>284,458</u>    | <u>203,274</u>       |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 351,219</u>     | <u>\$ 270,095</u> | <u>\$ 70,771</u> | <u>\$ 327,850</u> | <u>\$ 212,874</u>    |

See accompanying independent auditors' report.



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| <u>Employment</u> | <u>Regulatory</u> | <u>All<br/>Other</u> | <u>Total</u>        | <u>Debt<br/>Service<br/>Fund</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|-------------------|-------------------|----------------------|---------------------|----------------------------------|--|
| \$ 10,703         | \$ 14,687         | \$ 16,434            | \$ 362,226          | \$ 335                           | \$ 362,561   |
| -                 | -                 | -                    | 71,079              | -                                | 71,079   |
| -                 | -                 | -                    | 29,308              | -                                | 29,308   |
| -                 | -                 | -                    | 18,221              | -                                | 18,221   |
| -                 | -                 | -                    | -                   | 272                              | 272  |
| -                 | -                 | -                    | 2,363               | -                                | 2,363  |
| 86,537            | 118,747           | 132,868              | 1,129,521           | -                                | 1,129,521  |
| -                 | -                 | -                    | 67                  | -                                | 67   |
| <u>\$ 97,240</u>  | <u>\$ 133,434</u> | <u>\$ 149,302</u>    | <u>\$ 1,612,785</u> | <u>\$ 607</u>                    | <u>\$ 1,613,392</u>                                  |
|                   |                   |                      |                     |                                  |  |
| \$ 3,887          | \$ 2,004          | \$ 16,034            | \$ 149,750          | \$ -                             | \$ 149,750   |
| 2,281             | 3,658             | 2,811                | 55,878              | -                                | 55,878   |
| 61,694            | 1,243             | 45,130               | 197,193             | -                                | 197,193  |
| -                 | -                 | -                    | -                   | 335                              | 335  |
| <u>67,862</u>     | <u>6,905</u>      | <u>63,975</u>        | <u>402,821</u>      | <u>335</u>                       | <u>403,156</u>                                       |
|                   |                   |                      |                     |                                  |  |
| -                 | -                 | -                    | 29,079              | -                                | 29,079   |
| -                 | -                 | -                    | -                   | 272                              | 272  |
| -                 | 81,152            | -                    | 89,889              | -                                | 89,889   |
| 29,378            | 45,377            | 85,327               | 1,092,217           | -                                | 1,092,217  |
| -                 | -                 | -                    | (1,221)             | -                                | (1,221)  |
| <u>29,378</u>     | <u>126,529</u>    | <u>85,327</u>        | <u>1,180,885</u>    | <u>272</u>                       | <u>1,181,157</u>                                     |
|                   |                   |                      |                     |                                  |  |
| <u>\$ 97,240</u>  | <u>\$ 133,434</u> | <u>\$ 149,302</u>    | <u>\$ 1,612,785</u> | <u>\$ 607</u>                    | <u>\$ 1,613,392</u>                                  |

**State of Hawaii**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

|   | Special Revenue Funds |            |                |            |                      |
|---|-----------------------|------------|----------------|------------|----------------------|
|   | Highways              | Health     | Human Services | Education  | Economic Development |
| <b>Revenues</b>   |                       |            |                |            |                      |
| Taxes   |                       |            |                |            |                      |
| Franchise tax   | \$ -                  | \$ -       | \$ -           | \$ -       | \$ -                 |
| Tobacco and liquor taxes                                  | -                     | 19,182     | -              | -          | -                    |
| Liquid fuel tax   | 76,769                | -          | -              | -          | -                    |
| Tax on premiums of insurance companies                    | -                     | -          | -              | -          | -                    |
| Vehicle weight and registration tax                       | 132,711               | 5,868      | -              | -          | -                    |
| Rental motor/tour vehicle surcharge tax                   | 79,560                | -          | -              | -          | -                    |
| Other   | -                     | 1,244      | -              | -          | 1,111                |
| Total taxes   | 289,040               | 26,294     | -              | -          | 1,111                |
| Interest and dividend income                              | 1,457                 | 889        | 9              | 251        | 894                  |
| Net decrease in fair value of investments                 | (32,609)              | (27,175)   | (5,293)        | (19,824)   | (4,664)              |
| Charges for current services                              | 39,922                | 39,799     | 281            | 11,036     | 26,186               |
| Intergovernmental   | 100,273               | 200,589    | 1,297,575      | 527,542    | 28,071               |
| Rentals   | 1,298                 | -          | -              | 436        | 1,540                |
| Fines, forfeitures and penalties                          | 4,713                 | 1,668      | -              | -          | -                    |
| Licenses and fees   | 2,249                 | 3,187      | 90             | -          | 17                   |
| Revenues from private sources                             | -                     | 38,119     | 32             | 7,035      | -                    |
| Other   | 146,302               | 4,235      | -              | 22,308     | 14,395               |
| Total revenues  | 552,645               | 287,605    | 1,292,694      | 548,784    | 67,550               |
| <b>Expenditures</b>                                       |                       |            |                |            |                      |
| Current   |                       |            |                |            |                      |
| General government  | -                     | 9,882      | -              | -          | -                    |
| Public safety   | -                     | -          | -              | -          | -                    |
| Highways  | 325,662               | -          | -              | -          | -                    |
| Conservation of natural resources                         | -                     | -          | -              | -          | -                    |
| Health  | -                     | 376,819    | -              | -          | -                    |
| Welfare   | -                     | -          | 1,246,102      | -          | -                    |
| Lower education   | -                     | -          | -              | 621,284    | -                    |
| Other education   | -                     | -          | 10,494         | -          | -                    |
| Culture and recreation                                    | -                     | -          | -              | 2,124      | -                    |
| Urban redevelopment and housing                           | -                     | -          | 4,772          | -          | -                    |
| Economic development and assistance                       | -                     | -          | 658            | -          | 30,191               |
| Other   | 674                   | -          | 306            | -          | -                    |
| Debt service  | -                     | -          | -              | -          | -                    |
| Total expenditures  | 326,336               | 386,701    | 1,262,332      | 623,408    | 30,191               |
| Excess (deficiency) of revenues over (under) expenditures | 226,309               | (99,096)   | 30,362         | (74,624)   | 37,359               |
| <b>Other financing sources (uses)</b>                     |                       |            |                |            |                      |
| Issuance of refunding GO bonds – par                      | -                     | -          | -              | -          | -                    |
| Issuance of refunding revenue bonds – par                 | -                     | -          | -              | -          | -                    |
| Issuance of refunding revenue bonds – premium             | -                     | -          | -              | -          | -                    |
| Payment to refunded bond escrow agent                     | -                     | -          | -              | -          | -                    |
| Transfers in  | 53                    | 107,828    | 2,264          | 100,147    | 136                  |
| Transfers out   | (207,368)             | (23,722)   | (40,159)       | -          | (13,309)             |
| Total other financing sources (uses)                      | (207,315)             | 84,106     | (37,895)       | 100,147    | (13,173)             |
| Net change in fund balances                               | 18,994                | (14,990)   | (7,533)        | 25,523     | 24,186               |
| <b>Fund balances</b>                                      |                       |            |                |            |                      |
| Beginning of year, as previously reported                 | 276,927               | 190,997    | 8,962          | 291,483    | 185,596              |
| Adjustment for correction of misstatement                 | (10,986)              | (7,802)    | (2,650)        | (32,548)   | (6,508)              |
| Beginning of year, as restated                            | 265,941               | 183,195    | 6,312          | 258,935    | 179,088              |
| End of year   | \$ 284,935            | \$ 168,205 | \$ (1,221)     | \$ 284,458 | \$ 203,274           |

See accompanying independent auditors' report.

| <b>Employment</b> | <b>Regulatory</b> | <b>All<br/>Other</b> | <b>Total</b> | <b>Debt<br/>Service<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|-------------------|-------------------|----------------------|--------------|----------------------------------|--|
| \$ -              | \$ 2,000          | \$ -                 | \$ 2,000     | \$ -                             | \$ 2,000   |
| -                 | -                 | -                    | 19,182       | -                                | 19,182   |
| -                 | -                 | 1,674                | 78,443       | -                                | 78,443   |
| -                 | 2,871             | -                    | 2,871        | -                                | 2,871  |
| -                 | -                 | -                    | 138,579      | -                                | 138,579  |
| -                 | -                 | -                    | 79,560       | -                                | 79,560   |
| 1,608             | 712               | -                    | 4,675        | -                                | 4,675  |
| 1,608             | 5,583             | 1,674                | 325,310      | -                                | 325,310  |
| 9                 | 457               | 155                  | 4,121        | -                                | 4,121  |
| (9,794)           | (13,439)          | (15,038)             | (127,836)    | -                                | (127,836)  |
| 1,960             | 33,034            | 36,148               | 188,366      | -                                | 188,366  |
| 44,834            | -                 | 159,613              | 2,358,497    | -                                | 2,358,497  |
| -                 | -                 | 6,144                | 9,418        | -                                | 9,418  |
| 17                | 2,518             | 1,687                | 10,603       | -                                | 10,603   |
| -                 | 40,469            | 916                  | 46,928       | -                                | 46,928   |
| -                 | -                 | 32                   | 45,218       | -                                | 45,218   |
| -                 | -                 | 17,469               | 204,709      | -                                | 204,709  |
| 38,634            | 68,622            | 208,800              | 3,065,334    | -                                | 3,065,334  |
| -                 | 14,146            | 14,301               | 38,329       | -                                | 38,329   |
| 1,770             | 52,877            | 212,425              | 267,072      | -                                | 267,072  |
| -                 | -                 | -                    | 325,662      | -                                | 325,662  |
| -                 | -                 | 22                   | 22           | -                                | 22   |
| -                 | -                 | 1,034                | 377,853      | -                                | 377,853  |
| -                 | -                 | 1,118                | 1,247,220    | -                                | 1,247,220  |
| -                 | -                 | -                    | 621,284      | -                                | 621,284  |
| -                 | -                 | -                    | 10,494       | -                                | 10,494   |
| -                 | -                 | 14,981               | 17,105       | -                                | 17,105   |
| -                 | -                 | -                    | 4,772        | -                                | 4,772  |
| 145,331           | -                 | -                    | 176,180      | -                                | 176,180  |
| 16,631            | 874               | -                    | 18,485       | -                                | 18,485   |
| -                 | -                 | -                    | -            | 1,022,967                        | 1,022,967  |
| 163,732           | 67,897            | 243,881              | 3,104,478    | 1,022,967                        | 4,127,445  |
| (125,098)         | 725               | (35,081)             | (39,144)     | (1,022,967)                      | (1,062,111)  |
| -                 | -                 | -                    | -            | 1,182,955                        | 1,182,955  |
| -                 | -                 | -                    | -            | 23,130                           | 23,130   |
| -                 | -                 | -                    | -            | 4,051                            | 4,051  |
| -                 | -                 | -                    | -            | (1,210,136)                      | (1,210,136)  |
| 111,848           | 467               | 40,961               | 363,704      | 1,022,992                        | 1,386,696  |
| (68)              | (5,246)           | -                    | (289,872)    | -                                | (289,872)  |
| 111,780           | (4,779)           | 40,961               | 73,832       | 1,022,992                        | 1,096,824  |
| (13,318)          | (4,054)           | 5,880                | 34,688       | 25                               | 34,713   |
| 65,729            | 140,331           | 100,916              | 1,260,941    | 247                              | 1,261,188  |
| (23,033)          | (9,748)           | (21,469)             | (114,744)    | -                                | (114,744)  |
| 42,696            | 130,583           | 79,447               | 1,146,197    | 247                              | 1,146,444  |
| \$ 29,378         | \$ 126,529        | \$ 85,327            | \$ 1,180,885 | \$ 272                           | \$ 1,181,157   |

**State of Hawaii**  
**Nonmajor Special Revenue Funds**  
**Combining Schedule of Revenues and Expenditures – Budget and Actual**  
**(Budgetary Basis)**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

|  | Highways           |                                |  | Health             |                                |  |
|--|--------------------|--------------------------------|--|--------------------|--------------------------------|--|
|  | Final<br>Budget    | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget<br>Positive (Negative) | Final<br>Budget    | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget<br>Positive (Negative) |
| <b>Revenue</b>   |                    |                                |  |                    |                                |  |
| Taxes  |                    |                                |  |                    |                                |  |
| Liquid fuel tax – Highways                                   | \$ 68,351          | \$ 76,769                      | \$ 8,418   | \$ -               | \$ -                           | \$ -   |
| Vehicle registration fee tax                                 | 42,920             | 47,076                         | 4,156  | 5,516              | 5,868                          | 352  |
| State vehicle weight tax                                     | 77,736             | 85,635                         | 7,899  | -                  | -                              | -  |
| Rental/tour vehicle surcharge tax                            | 50,750             | 79,560                         | 28,810   | -                  | -                              | -  |
| Employment and training fund assessment                      | -                  | -                              | -  | -                  | -                              | -  |
| Tobacco tax  | -                  | -                              | -  | 23,003             | 19,182                         | (3,821)  |
| Environmental response tax                                   | -                  | -                              | -  | 1,249              | 1,241                          | (8)  |
| Franchise tax  | -                  | -                              | -  | -                  | -                              | -  |
| Tax on premiums of insurance companies                       | -                  | -                              | -  | -                  | -                              | -  |
| Total taxes  | <u>239,757</u>     | <u>289,040</u>                 | <u>49,283</u>  | <u>29,768</u>      | <u>26,291</u>                  | <u>(3,477)</u>                                       |
| Non-taxes  |                    |                                |  |                    |                                |  |
| Interest and investment income                               | 3,406              | 1,453                          | (1,953)  | 463                | 888                            | 425  |
| Charges for current services                                 | 27,110             | 4,106                          | (23,004)   | 95,694             | 91,869                         | (3,825)  |
| Intergovernmental  | -                  | 839                            | 839  | 2,055              | 1,914                          | (141)  |
| Rentals  | 1,000              | 1,000                          | -  | -                  | -                              | -  |
| Fines, forfeitures and penalties                             | 3,540              | 4,713                          | 1,173  | 1,753              | 1,668                          | (85)   |
| Licenses and fees  | 2,040              | 2,249                          | 209  | 3,438              | 3,187                          | (251)  |
| Revenues from private sources                                | -                  | -                              | -  | 35,550             | 38,096                         | 2,546  |
| Other  | 55                 | 1,726                          | 1,671  | 513                | 3,547                          | 3,034  |
| Total non-taxes  | <u>37,151</u>      | <u>16,086</u>                  | <u>(21,065)</u>                                      | <u>139,466</u>     | <u>141,169</u>                 | <u>1,703</u>   |
| Total revenues   | <u>276,908</u>     | <u>305,126</u>                 | <u>28,218</u>  | <u>169,234</u>     | <u>167,460</u>                 | <u>(1,774)</u>                                       |
| <b>Expenditures</b>  |                    |                                |  |                    |                                |  |
| Department   |                    |                                |  |                    |                                |  |
| Business, Economic Development<br>and Tourism                | -                  | -                              | -  | -                  | -                              | -  |
| Commerce and Consumer Affairs                                | -                  | -                              | -  | -                  | -                              | -  |
| Education  | -                  | -                              | -  | -                  | -                              | -  |
| Health   | -                  | -                              | -  | 222,765            | 166,893                        | 55,872   |
| Human Services   | -                  | -                              | -  | -                  | -                              | -  |
| Judiciary  | -                  | -                              | -  | -                  | -                              | -  |
| Labor and Industrial Relations                               | -                  | -                              | -  | -                  | -                              | -  |
| Public Safety  | -                  | -                              | -  | -                  | -                              | -  |
| Legislature  | -                  | -                              | -  | -                  | -                              | -  |
| Transportation – Highways                                    | 303,045            | 244,064                        | 58,981   | -                  | -                              | -  |
| Total expenditures   | <u>303,045</u>     | <u>244,064</u>                 | <u>58,981</u>  | <u>222,765</u>     | <u>166,893</u>                 | <u>55,872</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ (26,137)</u> | <u>\$ 61,062</u>               | <u>\$ 87,199</u>                                     | <u>\$ (53,531)</u> | <u>\$ 567</u>                  | <u>\$ 54,098</u>                                     |

See accompanying independent auditors' report.

(continued)

**State of Hawaii**  
**Nonmajor Special Revenue Funds**  
**Combining Schedule of Revenues and Expenditures – Budget and Actual**  
**(Budgetary Basis)**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

|  | Education       |                                |  | Economic Development |                                |  |
|--|-----------------|--------------------------------|--|----------------------|--------------------------------|--|
|  | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget<br>Positive (Negative) | Final<br>Budget      | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget<br>Positive (Negative) |
| <b>Revenue</b>   |                 |                                |  |                      |                                |  |
| <b>Taxes</b>   |                 |                                |  |                      |                                |  |
| Liquid fuel tax – Highways                                   | \$ -            | \$ -                           | \$ -   | \$ -                 | \$ -                           | \$ -   |
| Vehicle registration fee tax                                 | -               | -                              | -  | -                    | -                              | -  |
| State vehicle weight tax                                     | -               | -                              | -  | -                    | -                              | -  |
| Rental/tour vehicle surcharge tax                            | -               | -                              | -  | -                    | -                              | -  |
| Employment and training fund assessment                      | -               | -                              | -  | -                    | -                              | -  |
| Tobacco tax  | -               | -                              | -  | -                    | -                              | -  |
| Environmental response tax                                   | -               | -                              | -  | 1,300                | 1,111                          | (189)  |
| Franchise tax  | -               | -                              | -  | -                    | -                              | -  |
| Tax on premiums of insurance companies                       | -               | -                              | -  | -                    | -                              | -  |
| Total taxes  | -               | -                              | -  | 1,300                | 1,111                          | (189)  |
| <b>Non-taxes</b>   |                 |                                |  |                      |                                |  |
| Interest and investment income                               | 217             | 162                            | (55)   | 1,538                | 724                            | (814)  |
| Charges for current services                                 | 34,998          | 9,112                          | (25,886)   | 19,260               | 26,176                         | 6,916  |
| Intergovernmental  | 150             | 4,833                          | 4,683  | -                    | 345                            | 345  |
| Rentals  | 10              | 436                            | 426  | 1,793                | 669                            | (1,124)  |
| Fines, forfeitures and penalties                             | -               | -                              | -  | -                    | -                              | -  |
| Licenses and fees  | -               | -                              | -  | 5                    | 17                             | 12   |
| Revenues from private sources                                | 85              | 61                             | (24)   | 200                  | 413                            | 213  |
| Other  | 1,075           | 14,825                         | 13,750   | 4,920                | 8,510                          | 3,590  |
| Total non-taxes  | 36,535          | 29,429                         | (7,106)  | 27,716               | 36,854                         | 9,138  |
| Total revenues   | 36,535          | 29,429                         | (7,106)  | 29,016               | 37,965                         | 8,949  |
| <b>Expenditures</b>  |                 |                                |  |                      |                                |  |
| <b>Department</b>  |                 |                                |  |                      |                                |  |
| Business, Economic Development<br>and Tourism                | -               | -                              | -  | 159,960              | 23,009                         | 136,951  |
| Commerce and Consumer Affairs                                | -               | -                              | -  | -                    | -                              | -  |
| Education  | 117,893         | 27,173                         | 90,720   | -                    | -                              | -  |
| Health   | -               | -                              | -  | -                    | -                              | -  |
| Human Services   | -               | -                              | -  | -                    | -                              | -  |
| Judiciary  | -               | -                              | -  | -                    | -                              | -  |
| Labor and Industrial Relations                               | -               | -                              | -  | -                    | -                              | -  |
| Public Safety  | -               | -                              | -  | -                    | -                              | -  |
| Legislature  | -               | -                              | -  | -                    | -                              | -  |
| Transportation – Highways                                    | -               | -                              | -  | -                    | -                              | -  |
| Total expenditures   | 117,893         | 27,173                         | 90,720   | 159,960              | 23,009                         | 136,951  |
| Excess (deficiency) of revenues<br>over (under) expenditures | \$ (81,358)     | \$ 2,256                       | \$ 83,614  | \$ (130,944)         | \$ 14,956                      | \$ 145,900   |

See accompanying independent auditors' report.

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| Final<br>Budget | Employment                     |  |
|-----------------|--------------------------------|--|
|                 | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget<br>Positive (Negative) |
| \$ -            | \$ 153                         | \$ 153   |
| -               | -                              | -  |
| -               | -                              | -  |
| -               | -                              | -  |
| 1,349           | 1,455                          | 106  |
| -               | -                              | -  |
| -               | -                              | -  |
| -               | -                              | -  |
| -               | -                              | -  |
| 1,349           | 1,608                          | 259  |
| 25              | 9                              | (16)   |
| 2,090           | 1,955                          | (135)  |
| -               | 1,063                          | 1,063  |
| -               | -                              | -  |
| 1               | -                              | (1)  |
| -               | -                              | -  |
| -               | -                              | -  |
| -               | -                              | -  |
| 2,116           | 3,027                          | 911  |
| 3,465           | 4,635                          | 1,170  |
| -               | -                              | -  |
| -               | -                              | -  |
| -               | -                              | -  |
| -               | -                              | -  |
| -               | -                              | -  |
| -               | -                              | -  |
| 13,154          | 3,566                          | 9,588  |
| -               | -                              | -  |
| -               | -                              | -  |
| -               | -                              | -  |
| 13,154          | 3,566                          | 9,588  |
| \$ (9,689)      | \$ 1,069                       | \$ 10,758  |

(continued)

**State of Hawaii**  
**Nonmajor Special Revenue Funds**  
**Combining Schedule of Revenues and Expenditures – Budget and Actual**  
**(Budgetary Basis)**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

|  | Regulatory      |                                |  | All Other       |                                |  |
|--|-----------------|--------------------------------|--|-----------------|--------------------------------|--|
|  | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget<br>Positive (Negative) | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget<br>Positive (Negative) |
| <b>Revenue</b>   |                 |                                |  |                 |                                |  |
| <b>Taxes</b>   |                 |                                |  |                 |                                |  |
| Liquid fuel tax – Highways                                   | \$ -            | \$ -                           | \$ -   | \$ -            | \$ -                           | \$ -   |
| Vehicle registration fee tax                                 | -               | -                              | -  | -               | 1,674                          | 1,674  |
| State vehicle weight tax                                     | -               | -                              | -  | -               | -                              | -  |
| Rental/tour vehicle surcharge tax                            | -               | -                              | -  | -               | -                              | -  |
| Employment and training fund assessment                      | -               | -                              | -  | -               | -                              | -  |
| Tobacco tax  | -               | -                              | -  | -               | -                              | -  |
| Environmental response tax                                   | -               | -                              | -  | -               | -                              | -  |
| Franchise tax  | 2,000           | 2,000                          | -  | -               | -                              | -  |
| Tax on premiums of insurance companies                       | 2,900           | 2,871                          | (29)   | -               | -                              | -  |
| Total taxes  | 4,900           | 4,871                          | (29)   | -               | 1,674                          | 1,674  |
| <b>Non-taxes</b>   |                 |                                |  |                 |                                |  |
| Interest and investment income                               | 588             | 429                            | (159)  | 54              | 143                            | 89   |
| Charges for current services                                 | 28,461          | 33,034                         | 4,573  | 7,501           | 34,781                         | 27,280   |
| Intergovernmental  | -               | -                              | -  | 1,120           | 972                            | (148)  |
| Rentals  | -               | -                              | -  | -               | 6,144                          | 6,144  |
| Fines, forfeitures and penalties                             | 2,788           | 2,518                          | (270)  | 1,452           | 1,687                          | 235  |
| Licenses and fees  | 37,222          | 40,468                         | 3,246  | 918             | 844                            | (74)   |
| Revenues from private sources                                | -               | -                              | -  | 32              | 32                             | -  |
| Other  | 4,494           | 2,644                          | (1,850)  | 5,047           | 13,308                         | 8,261  |
| Total non-taxes  | 73,553          | 79,093                         | 5,540  | 16,124          | 57,911                         | 41,787   |
| Total revenues   | 78,453          | 83,964                         | 5,511  | 16,124          | 59,585                         | 43,461   |
| <b>Expenditures</b>  |                 |                                |  |                 |                                |  |
| <b>Department</b>  |                 |                                |  |                 |                                |  |
| Business, Economic Development<br>and Tourism                | -               | -                              | -  | -               | -                              | -  |
| Commerce and Consumer Affairs                                | 90,401          | 72,482                         | 17,919   | -               | -                              | -  |
| Education  | -               | -                              | -  | -               | -                              | -  |
| Health   | -               | -                              | -  | -               | -                              | -  |
| Human Services   | -               | -                              | -  | -               | -                              | -  |
| Judiciary  | -               | -                              | -  | 16,927          | 13,315                         | 3,612  |
| Labor and Industrial Relations                               | -               | -                              | -  | -               | -                              | -  |
| Public Safety  | -               | -                              | -  | 25,348          | 33,598                         | (8,250)  |
| Legislature  | -               | -                              | -  | 6,300           | 1,118                          | 5,182  |
| Transportation – Highways                                    | -               | -                              | -  | -               | -                              | -  |
| Total expenditures   | 90,401          | 72,482                         | 17,919   | 48,575          | 48,031                         | 544  |
| Excess (deficiency) of revenues<br>over (under) expenditures | \$ (11,948)     | \$ 11,482                      | \$ 23,430  | \$ (32,451)     | \$ 11,554                      | \$ 44,005  |

See accompanying independent auditors' report.



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| Total Special Revenue Funds |                                |  |
|-----------------------------|--------------------------------|--|
| Final<br>Budget             | Actual<br>(Budgetary<br>Basis) | Variance With<br>Final Budget<br>Positive (Negative) |
| \$ 68,351                   | \$ 76,922                      | \$ 8,571   |
| 48,436                      | 54,618                         | 6,182  |
| 77,736                      | 85,635                         | 7,899  |
| 50,750                      | 79,560                         | 28,810   |
| 1,349                       | 1,455                          | 106  |
| 23,003                      | 19,182                         | (3,821)  |
| 2,549                       | 2,352                          | (197)  |
| 2,000                       | 2,000                          | -  |
| 2,900                       | 2,871                          | (29)   |
| <u>277,074</u>              | <u>324,595</u>                 | <u>47,521</u>  |
| 6,291                       | 3,817                          | (2,474)  |
| 215,419                     | 201,314                        | (14,105)   |
| 3,336                       | 10,777                         | 7,441  |
| 2,803                       | 8,249                          | 5,446  |
| 9,534                       | 10,586                         | 1,052  |
| 43,751                      | 46,855                         | 3,104  |
| 35,902                      | 38,605                         | 2,703  |
| 17,104                      | 45,588                         | 28,484   |
| <u>334,140</u>              | <u>365,791</u>                 | <u>31,651</u>  |
| <u>611,214</u>              | <u>690,386</u>                 | <u>79,172</u>  |
| 159,960                     | 23,009                         | 136,951  |
| 90,401                      | 72,482                         | 17,919   |
| 117,893                     | 27,173                         | 90,720   |
| 222,765                     | 166,893                        | 55,872   |
| 5,735                       | 1,065                          | 4,670  |
| 16,927                      | 13,315                         | 3,612  |
| 13,154                      | 3,566                          | 9,588  |
| 25,348                      | 33,598                         | (8,250)  |
| 6,300                       | 1,118                          | 5,182  |
| <u>303,045</u>              | <u>244,064</u>                 | <u>58,981</u>  |
| <u>961,528</u>              | <u>586,283</u>                 | <u>375,245</u>                                       |
| <u>\$ (350,314)</u>         | <u>\$ 104,103</u>              | <u>\$ 454,417</u>                                    |

(concluded)

**State of Hawaii**  
**Nonmajor Special Revenue Funds**  
**Reconciliation of the Budgetary to GAAP Basis**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

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|  |    |                 |
|--|----|-----------------|
| Excess of revenues and other sources over expenditures – actual (budgetary basis)                                | \$ | 104,103         |
| Reserve for encumbrance at year end*   |    | 134,044         |
| Expenditures for liquidation of prior fiscal year encumbrances   |    | (699,906)       |
| Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds |    | 271,865         |
| Transfers  |    | 296,088         |
| Accrued liabilities  |    | (943,838)       |
| Accrued revenues   |    | 798,500         |
| Excess of expenditures over revenues – GAAP basis  | \$ | <u>(39,144)</u> |

\* Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

See accompanying independent auditors' report.

**State of Hawaii**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Fund Net Position**  
**June 30, 2022**  
**(Amounts in thousands)**

|  | Employer-<br>Union<br>Trust Fund | Water Pollution<br>Control<br>Revolving Fund | Drinking Water<br>Treatment<br>Revolving<br>Loan Fund | Total Nonmajor<br>Proprietary<br>Funds |
|--|----------------------------------|--|---|--|
| <b>Assets</b>  |                                  |  |   |  |
| Current assets   |                                  |  |   |  |
| Cash and cash equivalents  | \$ 24,055                        | \$ 87,480                                    | \$ 24,733   | \$ 136,268                             |
| Investments  | 158,109                          | -  | -   | 158,109                                |
| Receivables  |                                  |  |   |  |
| Accounts and accrued interest                                    | -                                | 400  | 182   | 582                                    |
| Promissory note receivable                                       | -                                | 42,920                                       | 14,907  | 57,827                                 |
| Federal government   | -                                | -  | 164   | 164                                    |
| Premiums   | 54,574                           | -  | -   | 54,574                                 |
| Other  | 15,070                           | 2,036  | 992   | 18,098                                 |
| Prepaid expenses and other assets                                | 5,086                            | -  | -   | 5,086                                  |
| Total current assets   | 256,894                          | 132,836                                      | 40,978  | 430,708                                |
| Capital assets   | 19,519                           | 739  | 2,828   | 23,086                                 |
| Less: Accumulated depreciation and amortization                  | (10,914)                         | (527)  | (2,501)   | (13,942)                               |
| Net capital assets   | 8,605                            | 212  | 327   | 9,144                                  |
| Promissory note receivable                                       | -                                | 458,171                                      | 212,599   | 670,770                                |
| Total noncurrent assets  | 8,605                            | 458,383                                      | 212,926   | 679,914                                |
| Total assets   | 265,499                          | 591,219                                      | 253,904   | 1,110,622                              |
| <b>Deferred outflows of resources</b>                            |                                  |  |   |  |
| Deferred outflows on net pension liability                       | 1,007                            | 528  | 434   | 1,969                                  |
| Deferred outflows on net other postemployment benefits liability | 420                              | 209  | 137   | 766                                    |
| Total deferred outflows of resources                             | \$ 1,427                         | \$ 737                                       | \$ 571  | \$ 2,735                               |
| <b>Liabilities</b>   |                                  |  |   |  |
| Current liabilities  |                                  |  |   |  |
| Vouchers and contracts payable                                   | \$ 1,311                         | \$ 203                                       | \$ 424  | \$ 1,938                               |
| Other accrued liabilities  | 1,113                            | -  | -   | 1,113                                  |
| Benefits claims payable  | 5,914                            | -  | -   | 5,914                                  |
| Accrued vacation, current portion                                | 135                              | 105  | 57  | 297                                    |
| Lease payable, current portion                                   | 159                              | -  | -   | 159                                    |
| Premiums payable   | 46,251                           | -  | -   | 46,251                                 |
| Total current liabilities  | 54,883                           | 308  | 481   | 55,672                                 |
| Noncurrent liabilities   |                                  |  |   |  |
| Accrued vacation   | 478                              | 244  | 171   | 893                                    |
| Lease payable  | 38                               | -  | -   | 38                                     |
| Net pension liability  | 5,308                            | 3,583  | 2,364   | 11,255                                 |
| Net other postemployment benefits liability                      | 6,623                            | 3,360  | 2,557   | 12,540                                 |
| Total noncurrent liabilities                                     | 12,447                           | 7,187  | 5,092   | 24,726                                 |
| Total liabilities  | 67,330                           | 7,495  | 5,573   | 80,398                                 |
| <b>Deferred inflows of resources</b>                             |                                  |  |   |  |
| Deferred inflows on net pension liability                        | 1,503                            | 384  | 809   | 2,696                                  |
| Deferred inflows on net other postemployment benefits liability  | 707                              | 301  | 224   | 1,232                                  |
| Total deferred inflows of resources                              | 2,210                            | 685  | 1,033   | 3,928                                  |
| <b>Net position</b>  |                                  |  |   |  |
| Net investment in capital assets                                 | 8,408                            | 212  | 327   | 8,947                                  |
| Restricted for bond requirements and other                       | -                                | 583,564                                      | 247,542   | 831,106                                |
| Unrestricted   | 188,978                          | -  | -   | 188,978                                |
| Total net position   | \$ 197,386                       | \$ 583,776                                   | \$ 247,869  | \$ 1,029,031                           |

See accompanying independent auditors' report.

**State of Hawaii**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

|  | Employer-<br>Union<br>Trust Fund | Water Pollution<br>Control<br>Revolving Fund | Drinking Water<br>Treatment<br>Revolving<br>Loan Fund | Total Nonmajor<br>Proprietary<br>Funds |
|--|----------------------------------|--|---|--|
| <b>Operating revenues</b>                  |                                  |  |   |  |
| Administrative fees                        | \$ -                             | \$ 3,655                                     | \$ 2,456  | \$ 6,111                               |
| Premium revenue – self insurance           | 97,067                           | -  | -   | 97,067                                 |
| Experience refunds, net                    | 16,132                           | -  | -   | 16,132                                 |
| Other                                      | 2,223                            | 1,405  | 731   | 4,359                                  |
| Total operating revenues                   | 115,422                          | 5,060  | 3,187   | 123,669                                |
| <b>Operating expenses</b>                  |                                  |  |   |  |
| Personnel services                         | 5,033                            | 2,127  | 1,248   | 8,408                                  |
| Depreciation                               | 494                              | 141  | 217   | 852                                    |
| Repairs and maintenance                    | 472                              | -  | 57  | 529                                    |
| General administration                     | 3,879                            | 568  | 1,019   | 5,466                                  |
| Claims                                     | 102,363                          | -  | -   | 102,363                                |
| Other                                      | -                                | 895  | 2,313   | 3,208                                  |
| Total operating expenses                   | 112,241                          | 3,731  | 4,854   | 120,826                                |
| Operating income (loss)                    | 3,181                            | 1,329  | (1,667)   | 2,843                                  |
| <b>Nonoperating revenues (expenses)</b>    |                                  |  |   |  |
| Interest and investment income (loss)      | (8,698)                          | 889  | 288   | (7,521)                                |
| Other                                      | -                                | -  | 15  | 15                                     |
| Total nonoperating revenues                | (8,698)                          | 889  | 303   | (7,506)                                |
| Income (loss) before capital contributions | (5,517)                          | 2,218  | (1,364)   | (4,663)                                |
| Capital contributions                      | -                                | 14,770                                       | 12,870  | 27,640                                 |
| Change in net position                     | (5,517)                          | 16,988                                       | 11,506  | 22,977                                 |
| <b>Net position</b>                        |                                  |  |   |  |
| Beginning of year                          | 202,903                          | 566,788                                      | 236,363   | 1,006,054                              |
| End of year                                | \$ 197,386                       | \$ 583,776                                   | \$ 247,869  | \$ 1,029,031                           |

See accompanying independent auditors' report.

**State of Hawaii**  
**Nonmajor Proprietary Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2022**  
**(Amounts in thousands)**

|   | <b>Employer-<br/>Union<br/>Trust Fund</b> | <b>Water Pollution<br/>Control<br/>Revolving Fund</b> | <b>Drinking Water<br/>Treatment<br/>Revolving<br/>Loan Fund</b> | <b>Total Nonmajor<br/>Proprietary<br/>Funds</b> |
|---|---|---|---|---|
| <b>Cash flows from operating activities</b>   |   |   |   |   |
| Cash received from employers and employees for premiums and benefits                                    | \$ 711,496                                | \$ -  | \$ -  | \$ 711,496                                      |
| Cash paid to suppliers  | (3,554)                                   | (127)   | (1,216)   | (4,897)   |
| Cash paid to employees  | (5,206)                                   | (2,615)   | (1,529)   | (9,350)   |
| Cash paid for premiums and benefits payable   | (675,426)                                 | -   | -   | (675,426)                                       |
| Net cash provided by (used in) operating activities   | 27,310                                    | (2,742)   | (2,745)   | 21,823  |
| <b>Cash flows from capital financing activities</b>   |   |   |   |   |
| Purchase of equipment   | (3,500)                                   | (37)  | (65)  | (3,602)   |
| Principal repayments of lease payable   | (195)                                     | -   | -   | (195)   |
| Proceeds from federal, state and capital grants and contributions                                       | -   | 14,770  | 12,927  | 27,697  |
| Net cash provided by (used in) capital financing activities   | (3,695)                                   | 14,733  | 12,862  | 23,900  |
| <b>Cash flows from investing activities</b>   |   |   |   |   |
| Purchase of investments   | (27,951)                                  | -   | -   | (27,951)  |
| Principal repayments on notes receivable  | -   | 39,247  | 14,431  | 53,678  |
| Disbursement of notes receivable proceeds   | -   | (56,076)  | (24,150)  | (80,226)  |
| Interest income from notes receivable   | -   | 1,378   | 738   | 2,116   |
| Administrative loan fees  | -   | 3,458   | 2,484   | 5,942   |
| Interest received from investments  | 2,675                                     | 339   | 89  | 3,103   |
| Net cash used in investing activities   | (25,276)                                  | (11,654)  | (6,408)   | (43,338)  |
| Net increase (decrease) in cash and cash equivalents  | (1,661)                                   | 337   | 3,709   | 2,385   |
| <b>Cash and cash equivalents, including restricted amounts</b>  |   |   |   |   |
| Beginning of year   | 25,716                                    | 87,143  | 21,024  | 133,883   |
| End of year   | \$ 24,055                                 | \$ 87,480   | \$ 24,733   | \$ 136,268                                      |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b> |   |   |   |   |
| Operating income (loss)   | \$ 3,181                                  | \$ 1,329  | \$ (1,667)  | \$ 2,843  |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities |   |   |   |   |
| Depreciation  | 494                                       | 141   | 217   | 852   |
| Principal forgiveness of loan   | -   | 890   | 2,045   | 2,935   |
| Interest income from loans  | -   | (1,405)   | (731)   | (2,136)   |
| Administrative loan fees  | -   | (3,655)   | (2,456)   | (6,111)   |
| Non-imposed fringe benefits   | -   | 25  | 15  | 40  |
| Premium reserves held by insurance companies  | 17,741                                    | -   | -   | 17,741  |
| Change in assets, deferred outflows, liabilities and deferred inflows                                   |   |   |   |   |
| Receivables   | 5,355                                     | 7   | -   | 5,362   |
| Prepaid and other expenses  | 233                                       | -   | -   | 233   |
| Net deferred outflows/inflows of resources  | 1,926                                     | 807   | 500   | 3,233   |
| Vouchers and contracts payable  | 564                                       | 88  | (77)  | 575   |
| Net pension liability   | (1,788)                                   | (814)   | (495)   | (3,097)   |
| Other postemployment benefits liability   | (340)                                     | (155)   | (96)  | (591)   |
| Other accrued liabilities   | 51  | -   | -   | 51  |
| Benefits claim payable  | (107)                                     | -   | -   | (107)   |
| Net cash provided by (used in) operating activities   | \$ 27,310                                 | \$ (2,742)  | \$ (2,745)  | \$ 21,823                                       |
| <b>Supplemental information</b>   |   |   |   |   |
| Noncash capital and related financing activities  |   |   |   |   |
| Right-to-use lease asset and related payable  | \$ 392                                    | \$ -  | \$ -  | \$ 392  |

See accompanying independent auditors' report.

**State of Hawaii**  
**Custodial Funds**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2022**  
**(Amounts in thousands)**

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|                                  | <b>Tax<br/>Collections</b> | <b>Custodial<br/>and Clearance</b> | <b>Other</b>      | <b>Total<br/>Custodial<br/>Funds</b> |
|----------------------------------|----------------------------|------------------------------------|-------------------|--------------------------------------|
| <b>Assets</b>                    |                            |                                    |                   |                                      |
| Cash and cash equivalents        | \$ 3,273                   | \$ 82,034                          | \$ 852,124        | \$ 937,431                           |
| Receivables – taxes              | -                          | -                                  | 10,007            | 10,007                               |
| Receivables – other              | -                          | -                                  | 6,258             | 6,258                                |
| Investments                      | 21,204                     | 29,245                             | 2,084             | 52,533                               |
| Total assets                     | <u>\$ 24,477</u>           | <u>\$ 111,279</u>                  | <u>\$ 870,473</u> | <u>\$ 1,006,229</u>                  |
| <b>Liabilities</b>               |                            |                                    |                   |                                      |
| Vouchers payable                 | \$ 25,024                  | \$ 403                             | \$ 2,173          | \$ 27,600                            |
| Due to other funds               | -                          | -                                  | 2,363             | 2,363                                |
| Total liabilities                | <u>25,024</u>              | <u>403</u>                         | <u>4,536</u>      | <u>29,963</u>                        |
| <b>Net position – restricted</b> | <u>\$ (547)</u>            | <u>\$ 110,876</u>                  | <u>\$ 865,937</u> | <u>\$ 976,266</u>                    |

See accompanying independent auditors' report.

**State of Hawaii**  
**Custodial Funds**  
**Combining Statement of Changes in Fiduciary Net Position**  
**June 30, 2022**  
**(Amounts in thousands)**

|   | <b>Tax<br/>Collections</b> | <b>Custodial<br/>and Clearance</b> | <b>Other</b>      | <b>Total<br/>Custodial<br/>Funds</b> |
|---|----------------------------|------------------------------------|-------------------|--------------------------------------|
| <b>Additions</b>                                  |                            |                                    |                   |                                      |
| Tax collections                                   | \$ 541,264                 | \$ -                               | \$ -              | \$ 541,264                           |
| Custodial collections                             | -                          | 306,137                            | -                 | 306,137                              |
| Other collections                                 | -                          | -                                  | 923,094           | 923,094                              |
| Net depreciation in the fair value of investments | (8,231)                    | (11,353)                           | (809)             | (20,393)                             |
| Total additions                                   | <u>533,033</u>             | <u>294,784</u>                     | <u>922,285</u>    | <u>1,750,102</u>                     |
| <b>Deductions</b>                                 |                            |                                    |                   |                                      |
| Tax disbursements                                 | 541,194                    | -                                  | -                 | 541,194                              |
| Custodial disbursements                           | -                          | 272,175                            | -                 | 272,175                              |
| Other disbursements                               | -                          | -                                  | 777,457           | 777,457                              |
| Total deductions                                  | <u>541,194</u>             | <u>272,175</u>                     | <u>777,457</u>    | <u>1,590,826</u>                     |
| Change in net position                            | <u>(8,161)</u>             | <u>22,609</u>                      | <u>144,828</u>    | <u>159,276</u>                       |
| <b>Net position</b>                               |                            |                                    |                   |                                      |
| Beginning of year, as previously reported         | 9,087                      | (79,841)                           | 597,486           | 526,732                              |
| Adjustment for correction of misstatement         | (1,473)                    | 168,108                            | 123,623           | 290,258                              |
| Beginning of year, as restated                    | <u>7,614</u>               | <u>88,267</u>                      | <u>721,109</u>    | <u>816,990</u>                       |
| End of year                                       | <u>\$ (547)</u>            | <u>\$ 110,876</u>                  | <u>\$ 865,937</u> | <u>\$ 976,266</u>                    |

See accompanying independent auditors' report.

**PART III: STATISTICAL SECTION  
(UNAUDITED)**



**State of Hawaii**  
**Statistical Section (Unaudited)**  
**June 30, 2022**

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This Part of the State’s annual comprehensive 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.

| <b><u>Contents</u></b>  | <b><u>Page(s)</u></b> |
|---|-----------------------|
| <b>Financial Trends Information:</b> These schedules contain trend information to help the reader understand how the State’s financial performance and well-being have changed over time.   | 168–177               |
| <b>Revenue Capacity Information:</b> These schedules contain information to help the reader assess the State’s most significant local revenue sources, the general excise tax and net income tax.   | 178–185               |
| <b>Debt Capacity Information:</b> These schedules present information to help the reader assess the affordability of the State’s current levels of outstanding debt and the State’s ability to issue additional debt in the future.                 | 186–192               |
| <b>Demographic and Economic Information:</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place.                                      | 193–195               |
| <b>Operating Information:</b> These schedules contain service and infrastructure data to help the reader understand how the information in the State’s financial report relates to the services provided and the activities performed by the State. | 196–201               |

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.*

**State of Hawaii**  
**Financial Trends Information**  
**Net Position by Component (Accrual Basis of Accounting) (Unaudited)**  
**Ten Years Ended June 30, 2022**  
**(Amounts in thousands)**

|   | Fiscal Year Ended June 30, |                |                |                |                |
|---|----------------------------|----------------|----------------|----------------|----------------|
|   | 2022                       | 2021           | 2020           | 2019           | 2018           |
| <b>Governmental activities</b>              |                            |                |                |                |                |
| Net investment in capital assets            | \$ 1,012,903               | \$ 1,147,118   | \$ 2,478,200   | \$ 2,459,159   | \$ 2,661,730   |
| Restricted                                  | 2,373,911                  | 2,755,923      | 2,345,000      | 2,089,246      | 2,028,259      |
| Unrestricted                                | (10,615,961)               | (12,136,654)   | (12,518,653)   | (11,830,687)   | (11,381,725)   |
| Total governmental activities net position  | \$ (7,229,147)             | \$ (8,233,613) | \$ (7,695,453) | \$ (7,282,282) | \$ (6,691,736) |
| <b>Business-type activities</b>             |                            |                |                |                |                |
| Net investment in capital assets            | \$ 2,568,292               | \$ 2,637,031   | \$ 2,629,344   | \$ 2,459,973   | \$ 2,183,188   |
| Restricted                                  | 1,814,854                  | 1,721,912      | 1,639,488      | 1,580,020      | 1,444,009      |
| Unrestricted                                | 685,673                    | (381,773)      | 251,266        | 1,018,193      | 1,075,059      |
| Total business-type activities net position | \$ 5,068,819               | \$ 3,977,170   | \$ 4,520,098   | \$ 5,058,186   | \$ 4,702,256   |
| <b>Primary government</b>                   |                            |                |                |                |                |
| Net investment in capital assets            | \$ 3,581,195               | \$ 3,784,149   | \$ 5,107,544   | \$ 4,919,132   | \$ 4,844,918   |
| Restricted                                  | 4,188,765                  | 4,477,835      | 3,984,488      | 3,669,266      | 3,472,268      |
| Unrestricted                                | (9,930,288)                | (12,518,427)   | (12,267,387)   | (10,812,494)   | (10,306,666)   |
| Total primary government net position       | \$ (2,160,328)             | \$ (4,256,443) | \$ (3,175,355) | \$ (2,224,096) | \$ (1,989,480) |

**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.

Amounts prior to fiscal 2021 have not been restated for GASB Statement No. 84.

Amounts for fiscal 2021 have not been restated for fiscal 2022 restatement.

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| <u>2017</u>           | <u>2016</u>           | <u>2015</u>           | <u>2014</u>         | <u>2013</u>         |
|-----------------------|-----------------------|-----------------------|---------------------|---------------------|
| \$ 2,787,289          | \$ 2,727,055          | \$ 2,826,649          | \$ 2,772,220        | \$ 2,863,379        |
| 1,799,903             | 1,591,701             | 1,445,824             | 1,128,678           | 1,051,548           |
| <u>(7,996,567)</u>    | <u>(7,190,837)</u>    | <u>(7,379,890)</u>    | <u>(3,096,065)</u>  | <u>(2,669,391)</u>  |
| <u>\$ (3,409,375)</u> | <u>\$ (2,872,081)</u> | <u>\$ (3,107,417)</u> | <u>\$ 804,833</u>   | <u>\$ 1,245,536</u> |
| <br>                  |                       |                       |                     |                     |
| \$ 2,022,844          | \$ 1,871,554          | \$ 1,773,613          | \$ 1,653,902        | \$ 1,599,483        |
| 1,309,392             | 1,305,799             | 1,227,441             | 1,160,551           | 1,068,146           |
| <u>1,141,536</u>      | <u>1,058,108</u>      | <u>995,207</u>        | <u>1,050,981</u>    | <u>899,740</u>      |
| <u>\$ 4,473,772</u>   | <u>\$ 4,235,461</u>   | <u>\$ 3,996,261</u>   | <u>\$ 3,865,434</u> | <u>\$ 3,567,369</u> |
| <br>                  |                       |                       |                     |                     |
| \$ 4,810,133          | \$ 4,598,609          | \$ 4,600,262          | \$ 4,426,122        | \$ 4,462,862        |
| 3,109,295             | 2,897,500             | 2,673,265             | 2,289,229           | 2,119,694           |
| <u>(6,855,031)</u>    | <u>(6,132,729)</u>    | <u>(6,384,683)</u>    | <u>(2,045,084)</u>  | <u>(1,769,651)</u>  |
| <u>\$ 1,064,397</u>   | <u>\$ 1,363,380</u>   | <u>\$ 888,844</u>     | <u>\$ 4,670,267</u> | <u>\$ 4,812,905</u> |

**State of Hawaii**  
**Financial Trends Information**  
**Changes in Net Position (Accrual Basis of Accounting) (Unaudited)**  
**Ten Years Ended June 30, 2022**  
**(Amounts in thousands)**

|   | Fiscal Year Ended June 30, |                       |                       |                       |                       |
|---|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2022                       | 2021                  | 2020                  | 2019                  | 2018                  |
| <b>Expenses</b>                                 |                            |                       |                       |                       |                       |
| Governmental activities                         |                            |                       |                       |                       |                       |
| General government                              | \$ 2,309,934               | \$ 1,867,701          | \$ 1,129,769          | \$ 1,054,935          | \$ 920,547            |
| Public safety                                   | 740,183                    | 772,470               | 642,353               | 675,663               | 639,888               |
| Highways  | 565,191                    | 531,130               | 531,105               | 552,741               | 614,847               |
| Conservation of natural resources               | 118,553                    | 115,658               | 109,093               | 224,266               | 118,637               |
| Health  | 1,103,928                  | 891,325               | 1,138,450             | 1,019,160             | 874,898               |
| Welfare   | 4,882,816                  | 4,579,544             | 3,678,820             | 3,379,304             | 3,542,771             |
| Lower education                                 | 3,389,834                  | 3,299,413             | 3,595,747             | 3,527,097             | 3,404,645             |
| Higher education                                | 919,350                    | 984,734               | 1,050,582             | 950,253               | 950,843               |
| Other education                                 | 16,933                     | 20,593                | 16,936                | 18,376                | 23,827                |
| Culture and recreation                          | 117,785                    | 374,727               | 155,261               | 110,711               | 89,647                |
| Urban redevelopment and housing                 | 201,311                    | 449,870               | 246,495               | 179,794               | 392,921               |
| Economic development and assistance             | 265,549                    | 403,426               | 4,868                 | 174,629               | 170,200               |
| Interest expense                                | 219,989                    | 257,218               | 244,994               | 251,294               | 311,340               |
| Total governmental activities expenses          | <u>14,851,356</u>          | <u>14,547,809</u>     | <u>12,544,473</u>     | <u>12,118,223</u>     | <u>12,055,011</u>     |
| Business-type activities                        |                            |                       |                       |                       |                       |
| Airports  | 616,382                    | 600,867               | 559,374               | 469,321               | 429,884               |
| Harbors   | 107,980                    | 107,371               | 98,998                | 85,007                | 92,978                |
| Unemployment compensation                       | 608,094                    | 4,005,272             | 2,147,598             | 165,134               | 177,009               |
| Nonmajor proprietary funds                      | 120,826                    | 98,462                | 108,798               | 103,954               | 96,548                |
| Total business-type activities expenses         | <u>1,453,282</u>           | <u>4,811,972</u>      | <u>2,914,768</u>      | <u>823,416</u>        | <u>796,419</u>        |
| Total primary government expenses               | <u>\$ 16,304,638</u>       | <u>\$ 19,359,781</u>  | <u>\$ 15,459,241</u>  | <u>\$ 12,941,639</u>  | <u>\$ 12,851,430</u>  |
| <b>Program revenues</b>                         |                            |                       |                       |                       |                       |
| Governmental activities                         |                            |                       |                       |                       |                       |
| Charges for services                            |                            |                       |                       |                       |                       |
| General government                              | \$ 237,404                 | \$ 229,268            | \$ 292,428            | \$ 302,275            | \$ 319,043            |
| Health  | 142,621                    | 140,442               | 130,082               | 138,013               | 126,046               |
| Other   | 436,310                    | 334,200               | 375,479               | 393,958               | 479,847               |
| Operating grants and contributions              | 6,121,649                  | 5,030,769             | 3,597,822             | 3,082,678             | 3,154,479             |
| Capital grants and contributions                | -                          | -                     | -                     | -                     | -                     |
| Total governmental activities program revenues  | <u>6,937,984</u>           | <u>5,734,679</u>      | <u>4,395,811</u>      | <u>3,916,924</u>      | <u>4,079,415</u>      |
| Business-type activities                        |                            |                       |                       |                       |                       |
| Charges for services                            |                            |                       |                       |                       |                       |
| Airports  | 539,502                    | 328,629               | 475,064               | 562,436               | 587,602               |
| Unemployment compensation                       | 243,660                    | 239,096               | 1,391,747             | 193,093               | 186,239               |
| Others  | 325,324                    | 323,230               | 329,283               | 296,920               | 283,586               |
| Operating grants and contributions              | 1,387,833                  | 3,206,169             | -                     | -                     | -                     |
| Capital grants and contributions                | 45,611                     | 83,411                | 95,720                | 78,010                | 37,956                |
| Total business-type activities program revenues | <u>2,541,930</u>           | <u>4,180,535</u>      | <u>2,291,814</u>      | <u>1,130,459</u>      | <u>1,095,383</u>      |
| Total primary government program revenues       | <u>\$ 9,479,914</u>        | <u>\$ 9,915,214</u>   | <u>\$ 6,687,625</u>   | <u>\$ 5,047,383</u>   | <u>\$ 5,174,798</u>   |
| <b>Net (expense) revenue</b>                    |                            |                       |                       |                       |                       |
| Governmental activities                         | \$ (7,913,372)             | \$ (8,813,130)        | \$ (8,148,662)        | \$ (8,201,299)        | \$ (7,975,596)        |
| Business-type activities                        | 1,088,648                  | (631,437)             | (622,954)             | 307,043               | 298,964               |
| Total primary government net expenses           | <u>\$ (6,824,724)</u>      | <u>\$ (9,444,567)</u> | <u>\$ (8,771,616)</u> | <u>\$ (7,894,256)</u> | <u>\$ (7,676,632)</u> |

**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.

Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.

|    | 2017               | 2016                  | 2015                  | 2014                  | 2013                  |
|----|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 631,052            | \$ 688,394            | \$ 595,278            | \$ 567,941            | \$ 531,839            |
|    | 552,671            | 485,985               | 504,343               | 533,727               | 451,946               |
|    | 457,374            | 399,997               | 426,142               | 554,039               | 490,091               |
|    | 161,924            | 107,740               | 89,176                | 101,587               | 52,208                |
|    | 889,216            | 878,610               | 871,563               | 849,493               | 813,190               |
|    | 3,481,679          | 3,343,392             | 3,196,602             | 2,879,813             | 2,798,053             |
|    | 3,157,517          | 2,840,782             | 2,729,789             | 2,685,037             | 2,592,125             |
|    | 899,199            | 673,217               | 761,837               | 693,292               | 654,611               |
|    | 27,248             | 23,379                | 21,664                | 21,766                | 20,086                |
|    | 106,875            | 106,511               | 84,265                | 104,303               | 94,679                |
|    | 245,819            | 122,981               | 115,653               | 137,160               | 173,677               |
|    | 161,077            | 163,935               | 179,485               | 166,455               | 172,602               |
|    | 212,042            | 210,204               | 247,059               | 239,760               | 241,677               |
|    | <u>10,983,693</u>  | <u>10,045,127</u>     | <u>9,822,856</u>      | <u>9,534,373</u>      | <u>9,086,784</u>      |
|    | 408,517            | 377,393               | 350,041               | 346,699               | 366,918               |
|    | 101,180            | 93,088                | 87,031                | 89,327                | 90,548                |
|    | 173,735            | 144,481               | 186,893               | 244,947               | 336,931               |
|    | 110,907            | 112,323               | 112,209               | 87,031                | 66,119                |
|    | <u>794,339</u>     | <u>727,285</u>        | <u>736,174</u>        | <u>768,004</u>        | <u>860,516</u>        |
| \$ | <u>11,778,032</u>  | <u>\$ 10,772,412</u>  | <u>\$ 10,559,030</u>  | <u>\$ 10,302,377</u>  | <u>\$ 9,947,300</u>   |
| \$ | 289,116            | \$ 209,598            | \$ 248,915            | \$ 223,066            | \$ 267,081            |
|    | 143,363            | 136,429               | 136,547               | 130,338               | 56,963                |
|    | 357,034            | 371,823               | 314,099               | 287,937               | 170,603               |
|    | 3,068,752          | 2,986,842             | 2,809,460             | 2,660,770             | 2,589,537             |
|    | -                  | 113,006               | 139,977               | 97,290                | 96,184                |
|    | <u>3,858,265</u>   | <u>3,817,698</u>      | <u>3,648,998</u>      | <u>3,399,401</u>      | <u>3,180,368</u>      |
|    | 511,018            | 459,269               | 434,489               | 404,442               | 431,708               |
|    | 176,212            | 187,215               | 239,375               | 353,546               | 507,096               |
|    | 269,694            | 218,552               | 238,852               | 203,979               | 215,243               |
|    | -                  | -                     | -                     | -                     | -                     |
|    | 51,091             | 80,173                | 72,140                | 98,628                | 64,313                |
|    | <u>1,008,015</u>   | <u>945,209</u>        | <u>984,856</u>        | <u>1,060,595</u>      | <u>1,218,360</u>      |
| \$ | <u>4,866,280</u>   | <u>\$ 4,762,907</u>   | <u>\$ 4,633,854</u>   | <u>\$ 4,459,996</u>   | <u>\$ 4,398,728</u>   |
| \$ | (7,125,428)        | \$ (6,227,429)        | \$ (6,173,858)        | \$ (6,134,972)        | \$ (5,906,416)        |
|    | 213,676            | 217,924               | 248,682               | 292,591               | 357,844               |
| \$ | <u>(6,911,752)</u> | <u>\$ (6,009,505)</u> | <u>\$ (5,925,176)</u> | <u>\$ (5,842,381)</u> | <u>\$ (5,548,572)</u> |

(continued)

**State of Hawaii**  
**Financial Trends Information**  
**Changes in Net Position (Accrual Basis of Accounting) (Unaudited)**  
**Ten Years Ended June 30, 2022**  
**(Amounts in thousands)**

|   | Fiscal Year Ended June 30, |                       |                     |                     |                     |
|---|----------------------------|-----------------------|---------------------|---------------------|---------------------|
|   | 2022                       | 2021                  | 2020                | 2019                | 2018                |
| <b>General revenues and other changes in net position</b> |                            |                       |                     |                     |                     |
| Governmental activities                                   |                            |                       |                     |                     |                     |
| Taxes   |                            |                       |                     |                     |                     |
| General excise tax  | \$ 3,890,136               | \$ 3,438,088          | \$ 3,667,538        | \$ 3,794,587        | \$ 3,553,975        |
| Net income tax – corporations and individuals             | 3,784,904                  | 3,254,330             | 2,661,618           | 2,728,991           | 2,407,338           |
| Public service companies tax                              | 122,068                    | 125,201               | 134,639             | 126,691             | 117,641             |
| Transient accommodations tax                              | 659,646                    | 195,410               | 304,012             | 356,670             | 304,521             |
| Tobacco and liquor tax                                    | 140,263                    | 141,522               | 150,065             | 151,438             | 157,988             |
| Liquid fuel tax   | 78,674                     | 69,351                | 79,187              | 85,146              | 85,211              |
| Tax on premiums of insurance companies                    | 198,479                    | 188,229               | 183,563             | 176,420             | 162,318             |
| Vehicle weight and registration tax                       | 138,579                    | 143,242               | 125,119             | 136,142             | 135,080             |
| Rental motor/tour vehicle surcharge tax                   | 79,575                     | 32,206                | 72,502              | 57,994              | 54,846              |
| Franchise tax   | 59,252                     | 5,079                 | 35,271              | 26,808              | 15,712              |
| Other tax   | 307,865                    | 106,457               | 157,623             | 156,632             | 145,861             |
| Interest and investment income                            | 54,743                     | 30,759                | 164,354             | 40,141              | 36,527              |
| Net decrease in fair value of investments                 | (298,277)                  | -                     | -                   | -                   | -                   |
| Other   | (7,811)                    | -                     | -                   | (2,797)             | 4,538               |
| Assumption agreement with State, net                      | -                          | -                     | -                   | -                   | (250,697)           |
| Debt cancellation with State                              | -                          | -                     | -                   | (224,110)           | -                   |
| Total governmental activities                             | <u>9,208,096</u>           | <u>7,729,874</u>      | <u>7,735,491</u>    | <u>7,610,753</u>    | <u>6,930,859</u>    |
| Business-type activities                                  |                            |                       |                     |                     |                     |
| Interest and investment income                            | 7,550                      | 88,509                | 84,866              | 48,887              | 27,352              |
| Other   | (4,549)                    | -                     | -                   | -                   | -                   |
| Total business-type activities                            | <u>3,001</u>               | <u>88,509</u>         | <u>84,866</u>       | <u>48,887</u>       | <u>27,352</u>       |
| Total primary government                                  | <u>\$ 9,211,097</u>        | <u>\$ 7,818,383</u>   | <u>\$ 7,820,357</u> | <u>\$ 7,659,640</u> | <u>\$ 6,958,211</u> |
| <b>Changes in net position</b>                            |                            |                       |                     |                     |                     |
| Governmental activities                                   | \$ 1,294,724               | \$ (1,083,256)        | \$ (413,171)        | \$ (590,546)        | \$ (1,044,737)      |
| Business-type activities                                  | 1,091,649                  | (542,928)             | (538,088)           | 355,930             | 326,316             |
| Total primary government                                  | <u>\$ 2,386,373</u>        | <u>\$ (1,626,184)</u> | <u>\$ (951,259)</u> | <u>\$ (234,616)</u> | <u>\$ (718,421)</u> |

**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.

Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.

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| 2017         | 2016         | 2015         | 2014         | 2013         |
|--------------|--------------|--------------|--------------|--------------|
| \$ 3,189,599 | \$ 3,192,469 | \$ 3,021,418 | \$ 2,816,346 | \$ 2,991,792 |
| 2,330,408    | 2,160,872    | 2,073,015    | 1,840,890    | 1,795,683    |
| 122,159      | 152,760      | 163,481      | 166,179      | 163,930      |
| 299,712      | 233,082      | 202,345      | 188,721      | 186,377      |
| 160,906      | 161,239      | 165,137      | 155,990      | 161,066      |
| 84,933       | 89,702       | 88,449       | 88,707       | 87,645       |
| 166,836      | 154,690      | 147,767      | 139,074      | 133,585      |
| 132,974      | 130,051      | 125,113      | 124,686      | 121,605      |
| 53,189       | 54,873       | 51,941       | 42,853       | 52,112       |
| 11,174       | 14,691       | 19,930       | 38,983       | 22,673       |
| 103,204      | 109,072      | 76,222       | 96,131       | 80,081       |
| 30,676       | 22,564       | 16,024       | 13,163       | 25,502       |
| -            | -            | -            | -            | -            |
| -            | (13,300)     | -            | -            | -            |
| -            | -            | -            | -            | -            |
| -            | -            | -            | -            | -            |
| 6,685,770    | 6,462,765    | 6,150,842    | 5,711,723    | 5,822,051    |
| 25,324       | 21,276       | 17,567       | 12,805       | 14,633       |
| -            | -            | -            | -            | 19,000       |
| 25,324       | 21,276       | 17,567       | 12,805       | 33,633       |
| \$ 6,711,094 | \$ 6,484,041 | \$ 6,168,409 | \$ 5,724,528 | \$ 5,855,684 |
| \$ (439,658) | \$ 235,336   | \$ (23,016)  | \$ (423,249) | \$ (84,365)  |
| 239,000      | 239,200      | 266,249      | 305,396      | 391,477      |
| \$ (200,658) | \$ 474,536   | \$ 243,233   | \$ (117,853) | \$ 307,112   |

(concluded)

# State of Hawaii

## Financial Trends Information

### Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting) (Unaudited)

#### Ten Years Ended June 30, 2022

(Amounts in thousands)

|                                     | Fiscal Year Ended June 30, |                     |                     |                     |                     |
|-------------------------------------|----------------------------|---------------------|---------------------|---------------------|---------------------|
|                                     | 2022                       | 2021                | 2020                | 2019                | 2018                |
| <b>General Fund</b>                 |                            |                     |                     |                     |                     |
| Assigned                            | \$ 407,353                 | \$ 390,666          | \$ 479,071          | \$ 475,242          | \$ 503,201          |
| Unassigned                          | 2,732,304                  | 1,169,873           | 789,518             | 1,147,073           | 974,719             |
| Total General Fund                  | <u>\$ 3,139,657</u>        | <u>\$ 1,560,539</u> | <u>\$ 1,268,589</u> | <u>\$ 1,622,315</u> | <u>\$ 1,477,920</u> |
| <b>All other governmental funds</b> |                            |                     |                     |                     |                     |
| Restricted                          | \$ 272                     | \$ 247              | \$ 16,018           | \$ 22,006           | \$ 25,653           |
| Committed                           | 89,889                     | 667,104             | 1,041,570           | 823,958             | 805,502             |
| Assigned                            | 2,284,971                  | 2,092,883           | 1,316,396           | 1,267,999           | 1,226,984           |
| Unassigned                          | (396,277)                  | (183,242)           | (362,148)           | (210,972)           | (68,660)            |
| Total all other governmental funds  | <u>\$ 1,978,855</u>        | <u>\$ 2,576,992</u> | <u>\$ 2,011,836</u> | <u>\$ 1,902,991</u> | <u>\$ 1,989,479</u> |

**Note:** Amounts for fiscal 2021 have not been restated for fiscal 2022 restatement.



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| <u>2017</u>         | <u>2016</u>         | <u>2015</u>         | <u>2014</u>         | <u>2013</u>         |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 400,529          | \$ 394,581          | \$ 205,242          | \$ 256,483          | \$ 271,020          |
| <u>1,305,542</u>    | <u>1,400,783</u>    | <u>1,384,053</u>    | <u>1,079,180</u>    | <u>1,154,253</u>    |
| \$ <u>1,706,071</u> | \$ <u>1,795,364</u> | \$ <u>1,589,295</u> | \$ <u>1,335,663</u> | \$ <u>1,425,273</u> |
|                     |                     |                     |                     |                     |
| \$ 110,750          | \$ 15,557           | \$ 25,370           | \$ 27,145           | \$ 21,854           |
| 688,980             | 401,313             | 449,290             | 497,932             | 486,240             |
| 1,117,520           | 1,199,080           | 1,009,503           | 739,279             | 612,762             |
| <u>(116,880)</u>    | <u>(340,671)</u>    | <u>(576,980)</u>    | <u>(588,405)</u>    | <u>(611,097)</u>    |
| \$ <u>1,800,370</u> | \$ <u>1,275,279</u> | \$ <u>907,183</u>   | \$ <u>675,951</u>   | \$ <u>509,759</u>   |

**State of Hawaii**  
**Financial Trends Information**  
**Changes in Fund Balances – Governmental Funds (Unaudited)**  
**(Modified Accrual Basis of Accounting)**  
**Ten Years Ended June 30, 2022**  
**(Amounts in thousands)**

|  | Fiscal Year Ended June 30, |              |              |              |              |
|--|----------------------------|--------------|--------------|--------------|--------------|
|  | 2022                       | 2021         | 2020         | 2019         | 2018         |
| <b>Revenues</b>  |                            |              |              |              |              |
| Taxes  |                            |              |              |              |              |
| General excise tax   | \$ 3,893,006               | \$ 3,437,755 | \$ 3,632,630 | \$ 3,794,585 | \$ 3,553,975 |
| Net income tax – corporations and individuals                  | 3,758,447                  | 3,233,174    | 2,657,551    | 2,718,654    | 2,456,674    |
| Public service companies tax                                   | 122,068                    | 125,201      | 134,639      | 126,691      | 117,641      |
| Transient accommodations tax                                   | 661,330                    | 194,095      | 303,176      | 356,670      | 304,521      |
| Tobacco and liquor tax   | 140,262                    | 141,522      | 150,065      | 151,438      | 157,988      |
| Liquid fuel tax  | 78,674                     | 69,351       | 79,187       | 85,146       | 85,211       |
| Tax on premiums of insurance companies                         | 198,478                    | 188,229      | 183,563      | 176,420      | 162,318      |
| Vehicle weight and registration tax                            | 138,579                    | 143,242      | 125,119      | 136,142      | 135,080      |
| Rental motor/tour vehicle surcharge tax                        | 79,574                     | 32,206       | 72,502       | 57,994       | 54,846       |
| Franchise tax  | 59,252                     | 5,079        | 35,271       | 26,808       | 15,712       |
| Other  | 307,868                    | 106,457      | 157,591      | 156,632      | 145,861      |
| Total taxes  | 9,437,538                  | 7,676,311    | 7,531,294    | 7,787,180    | 7,189,827    |
| Interest and investment income                                 | 54,739                     | 30,759       | 164,354      | 40,141       | 36,527       |
| Net decrease in fair value of investments                      | (298,277)                  | -            | -            | -            | -            |
| Charges for current services                                   | 487,273                    | 401,403      | 495,009      | 518,531      | 477,717      |
| Intergovernmental  | 5,801,691                  | 4,741,176    | 3,333,396    | 2,783,538    | 2,878,717    |
| Rentals  | 40,153                     | 31,316       | 35,035       | 38,031       | 35,466       |
| Fines, forfeitures and penalties                               | 28,882                     | 32,081       | 28,579       | 37,513       | 38,767       |
| Licenses and fees  | 50,668                     | 42,577       | 45,763       | 47,965       | 47,066       |
| Revenues from private sources                                  | 127,760                    | 138,520      | 128,401      | 122,017      | 184,661      |
| Other  | 414,994                    | 356,653      | 329,624      | 369,425      | 428,066      |
| Total revenues   | 16,145,421                 | 13,450,796   | 12,091,455   | 11,744,341   | 11,316,814   |
| <b>Expenditures</b>  |                            |              |              |              |              |
| Current  |                            |              |              |              |              |
| General government   | 2,023,088                  | 1,708,337    | 1,137,274    | 1,007,554    | 807,032      |
| Public safety  | 744,838                    | 746,822      | 612,091      | 634,120      | 579,980      |
| Highways   | 561,216                    | 448,647      | 500,212      | 526,148      | 609,538      |
| Conservation of natural resources                              | 134,505                    | 137,459      | 167,383      | 145,383      | 157,639      |
| Health   | 1,090,851                  | 1,040,285    | 1,096,444    | 1,009,545    | 827,592      |
| Welfare  | 4,869,981                  | 4,599,447    | 3,653,210    | 3,332,469    | 3,495,974    |
| Lower education  | 3,507,290                  | 3,451,175    | 3,351,308    | 3,334,110    | 3,226,275    |
| Higher education   | 919,351                    | 984,734      | 1,050,582    | 950,253      | 950,843      |
| Other education  | 16,933                     | 20,593       | 16,936       | 18,376       | 23,827       |
| Culture and recreation   | 116,598                    | 377,419      | 143,739      | 116,381      | 104,964      |
| Urban redevelopment and housing                                | 98,161                     | 89,826       | 78,061       | 79,236       | 124,292      |
| Economic development and assistance                            | 267,845                    | 238,956      | 166,387      | 152,592      | 167,614      |
| Housing  | 113,095                    | 355,350      | 153,411      | 85,032       | 256,386      |
| Other  | 99,661                     | 20,144       | 13,293       | 13,691       | 12,388       |
| Debt service   |                            |              |              |              |              |
| Principal  | 699,248                    | 522,640      | 564,222      | 464,518      | 464,518      |
| Interest and others  | 323,719                    | 330,893      | 332,279      | 390,856      | 321,150      |
| Total expenditures   | 15,586,380                 | 15,072,727   | 13,036,832   | 12,260,264   | 12,130,012   |
| Excess (deficiency) of expenditures over revenues              | 559,041                    | (1,621,931)  | (945,377)    | (515,923)    | (813,198)    |
| <b>Other financing sources (uses)</b>                          |                            |              |              |              |              |
| Proceeds from borrowing and refunding                          | 1,912,154                  | 2,333,941    | 700,496      | 644,962      | 1,200,004    |
| Payments to escrow agent                                       | (1,210,136)                | (400,000)    | -            | (69,730)     | (424,887)    |
| Issuance of leases (1)   | 10,180                     | -            | -            | -            | -            |
| Transfers in   | 1,760,858                  | 2,632,432    | 1,324,903    | 1,214,773    | 1,291,815    |
| Transfers out  | (1,760,858)                | (2,632,432)  | (1,324,903)  | (1,214,773)  | (1,291,815)  |
| Other  | -                          | -            | -            | (1,402)      | (961)        |
| Total other financing sources                                  | 712,198                    | 1,933,941    | 700,496      | 573,830      | 774,156      |
| Net change in fund balances                                    | \$ 1,271,239               | \$ 312,010   | \$ (244,881) | \$ 57,907    | \$ (39,042)  |
| Total debt service as a percent of noncapital expenditures (2) | 7.2 %                      | 6.1 %        | 7.7 %        | 7.5 %        | 7.0 %        |

(1) Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.

(2) 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 capital outlay.

| 2017         | 2016         | 2015         | 2014         | 2013         |
|--------------|--------------|--------------|--------------|--------------|
| \$ 3,189,599 | \$ 3,192,469 | \$ 3,021,418 | \$ 2,816,346 | \$ 2,991,792 |
| 2,286,017    | 2,157,879    | 2,047,327    | 1,840,963    | 1,804,409    |
| 122,159      | 152,760      | 163,481      | 166,179      | 163,930      |
| 299,712      | 233,082      | 202,345      | 188,721      | 186,377      |
| 160,906      | 161,239      | 165,137      | 155,990      | 161,066      |
| 84,933       | 89,702       | 88,449       | 88,707       | 87,645       |
| 166,836      | 154,690      | 147,767      | 139,074      | 133,585      |
| 132,974      | 130,051      | 125,113      | 124,686      | 121,605      |
| 53,189       | 54,873       | 51,941       | 42,853       | 52,112       |
| 11,174       | 14,691       | 19,930       | 38,983       | 22,673       |
| 103,204      | 109,072      | 76,222       | 96,131       | 80,079       |
| 6,610,703    | 6,450,508    | 6,109,130    | 5,698,633    | 5,805,273    |
| 30,676       | 22,564       | 16,024       | 13,163       | 25,502       |
| -            | -            | -            | -            | -            |
| 460,211      | 431,181      | 384,380      | 363,791      | 369,269      |
| 2,938,557    | 2,995,768    | 2,803,989    | 2,650,876    | 2,372,480    |
| 35,530       | 32,371       | 31,127       | 31,846       | 28,633       |
| 39,203       | 35,738       | 37,201       | 33,087       | 36,802       |
| 46,893       | 45,738       | 42,463       | 47,209       | 46,839       |
| 105,857      | 126,450      | 121,366      | 112,916      | 104,670      |
| 248,389      | 169,533      | 191,472      | 173,483      | 235,516      |
| 10,516,019   | 10,309,851   | 9,737,152    | 9,125,004    | 9,024,984    |
| 701,083      | 673,236      | 573,820      | 543,129      | 408,538      |
| 531,545      | 479,047      | 484,960      | 519,954      | 432,024      |
| 461,523      | 389,744      | 455,563      | 403,559      | 418,991      |
| 180,697      | 181,563      | 145,516      | 108,703      | 92,601       |
| 873,703      | 876,820      | 855,797      | 828,088      | 779,755      |
| 3,442,279    | 3,349,414    | 3,192,807    | 2,945,370    | 2,773,241    |
| 2,973,583    | 2,828,013    | 2,619,156    | 2,603,774    | 2,358,763    |
| 899,199      | 673,217      | 761,837      | 693,292      | 654,611      |
| 27,248       | 23,379       | 21,664       | 21,766       | 20,086       |
| 104,655      | 101,351      | 96,676       | 107,846      | 107,940      |
| 63,807       | 54,446       | 71,384       | 65,228       | 66,243       |
| 179,127      | 159,483      | 176,919      | 158,379      | 157,468      |
| 133,010      | 58,381       | 48,565       | 63,683       | 112,614      |
| 10,613       | 20,193       | 15,179       | 29,818       | 32,716       |
| 484,274      | 444,791      | 444,791      | 458,983      | 399,382      |
| 296,482      | 315,321      | 289,524      | 278,315      | 288,267      |
| 11,362,828   | 10,628,399   | 10,254,158   | 9,829,887    | 9,103,240    |
| (846,809)    | (318,548)    | (517,006)    | (704,883)    | (78,256)     |
| 2,161,677    | 1,835,677    | 1,518,709    | 948,190      | 1,066,848    |
| (879,070)    | (989,950)    | (516,839)    | (185,560)    | (503,372)    |
| -            | -            | -            | -            | -            |
| 1,444,931    | 1,276,279    | 1,171,272    | 1,066,780    | 1,033,917    |
| (1,444,931)  | (1,276,279)  | (1,171,272)  | (1,066,780)  | (1,033,917)  |
| -            | 46,986       | -            | 18,835       | -            |
| 1,282,607    | 892,713      | 1,001,870    | 781,465      | 563,476      |
| \$ 435,798   | \$ 574,165   | \$ 484,864   | \$ 76,582    | \$ 485,220   |
| 7.3 %        | 7.6 %        | 7.7 %        | 7.9 %        | 8.0 %        |

**State of Hawaii**  
**Revenue Capacity Information**  
**Personal Income by Industry (Unaudited)**  
**Ten Years Ended June 30, 2022**  
**(Amounts in millions)**

|   | Fiscal Year Ended June 30, |           |           |           |           |
|---|----------------------------|-----------|-----------|-----------|-----------|
|   | 2022                       | 2021      | 2020      | 2019      | 2018      |
| <b>Farm earnings</b>                            | \$ 208                     | \$ 286    | \$ 249    | \$ 271    | \$ 284    |
| <b>Nonfarm wage and salary worker</b>           |                            |           |           |           |           |
| Goods-producing industries                      |                            |           |           |           |           |
| Forestry, fishing-related activities, and other | N/A                        | 94        | 90        | 97        | 94        |
| Mining  | 31                         | 27        | 32        | 31        | 35        |
| Construction                                    | 4,686                      | 4,786     | 4,531     | 4,538     | 4,372     |
| Manufacturing – durable and nondurable goods    | 653                        | 976       | 948       | 975       | 959       |
| Subtotal goods-producing industries             | 5,370                      | 5,883     | 5,601     | 5,641     | 5,460     |
| Service-producing industries                    |                            |           |           |           |           |
| Transportation, communication and utilities     | 3,376                      | 2,965     | 4,802     | 3,064     | 2,965     |
| Trade   | 4,981                      | 4,784     | 3,170     | 4,841     | 4,659     |
| Information                                     | 1,064                      | 865       | 830       | 893       | 766       |
| Finance, insurance and real estate              | 4,094                      | 4,216     | 3,714     | 3,626     | 3,373     |
| Service   | 23,493                     | 20,480    | 21,500    | 21,964    | 21,051    |
| State and local government                      | 7,638                      | 7,601     | 7,313     | 7,235     | 6,907     |
| Federal government                              | 9,400                      | 8,746     | 9,219     | 8,990     | 8,505     |
| Subtotal service-producing industries           | 54,046                     | 49,657    | 50,548    | 50,613    | 48,226    |
| Total nonfarm wage and salary worker            | 59,416                     | 55,540    | 56,149    | 56,254    | 53,686    |
| <b>Other (1)</b>                                | 26,387                     | 29,613    | 27,963    | 23,638    | 22,506    |
| Total personal income                           | \$ 86,011                  | \$ 85,439 | \$ 84,361 | \$ 80,163 | \$ 76,476 |
| Total direct income tax rate (2)                | N/A                        | N/A       | N/A       | N/A       | N/A       |

N/A Not Available

(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.

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| 2017      | 2016      | 2015      | 2014      | 2013      |
|-----------|-----------|-----------|-----------|-----------|
| \$ 274    | \$ 284    | \$ 318    | \$ 349    | \$ 243    |
| 87        | 76        | 76        | 66        | 60        |
| 35        | 39        | 41        | 37        | 39        |
| 4,391     | 4,038     | 3,542     | 3,328     | 3,236     |
| 921       | 918       | 878       | 833       | 804       |
| 5,434     | 5,071     | 4,537     | 4,264     | 4,139     |
| 2,714     | 2,639     | 2,424     | 2,316     | 2,178     |
| 4,574     | 4,419     | 4,130     | 4,089     | 3,929     |
| 711       | 742       | 718       | 711       | 692       |
| 3,192     | 3,051     | 3,110     | 3,267     | 2,752     |
| 19,595    | 19,087    | 17,608    | 17,126    | 16,423    |
| 6,970     | 6,949     | 6,426     | 6,089     | 5,873     |
| 8,491     | 8,614     | 8,400     | 8,139     | 8,507     |
| 46,247    | 45,501    | 42,816    | 41,737    | 40,354    |
| 51,681    | 50,572    | 47,353    | 46,001    | 44,493    |
| 21,042    | 19,814    | 19,092    | 18,270    | 18,473    |
| \$ 72,997 | \$ 70,670 | \$ 66,763 | \$ 64,620 | \$ 63,209 |
| N/A       | N/A       | N/A       | N/A       | N/A       |

**State of Hawaii**  
**Revenue Capacity Information**  
**Personal Income Tax Rates (Unaudited)**  
**Ten Years Ending December 31, 2022**

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| 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 |
| 2022  | 11.00% + \$16,379 | \$ 200,000 | 11.00% + \$32,757 | \$ 400,000             | 11.00% + \$24,568 | \$ 300,000        |
| 2021  | 11.00% + \$16,379 | 200,000    | 11.00% + \$32,757 | 400,000                | 11.00% + \$24,568 | 300,000           |
| 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           |

**Source:** State of Hawaii, Department of Taxation.

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**State of Hawaii**  
**Revenue Capacity Information**  
**Taxable Sales by Industry (Unaudited)**  
**Ten Years Ended June 30, 2022**  
**(Amounts in millions)**

|                                    | Fiscal Year Ended June 30, |           |            |            |            |
|------------------------------------|----------------------------|-----------|------------|------------|------------|
|                                    | 2022                       | 2021      | 2020       | 2019       | 2018       |
| <b>Taxable sales by activities</b> |                            |           |            |            |            |
| Retailing                          | \$ 43,307                  | \$ 33,368 | \$ 35,679  | \$ 36,801  | \$ 35,454  |
| Services                           | 18,256                     | 15,345    | 16,750     | 16,927     | 16,375     |
| Contracting                        | 10,327                     | 10,029    | 9,541      | 9,706      | 8,914      |
| Hotel rentals                      | 6,658                      | 1,989     | 5,215      | 5,669      | 5,527      |
| All other rentals                  | 9,134                      | 7,533     | 8,667      | 8,564      | 8,171      |
| All other (4%)                     | 6,874                      | 4,493     | 5,893      | 6,543      | 6,545      |
| Subtotal                           | 94,556                     | 72,757    | 81,745     | 84,210     | 80,986     |
| Producing                          | 382                        | 342       | 303        | 296        | 359        |
| Manufacturing                      | 441                        | 522       | 561        | 596        | 640        |
| Wholesaling                        | 22,501                     | 16,837    | 17,417     | 18,062     | 17,590     |
| Use (0.5%)                         | 8,280                      | 6,512     | 6,886      | 7,280      | 7,640      |
| Services (intermediary)            | 1,079                      | 865       | 1,007      | 1,005      | 903        |
| Insurance solicitors               | 672                        | 664       | 702        | 754        | 650        |
| Subtotal                           | 33,355                     | 25,742    | 26,876     | 27,993     | 27,782     |
| Total all activities               | \$ 127,911                 | \$ 98,499 | \$ 108,621 | \$ 112,203 | \$ 108,768 |

General excise and use tax are 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.



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| <b>2017</b>      | <b>2016</b>      | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      |
|------------------|------------------|------------------|------------------|------------------|
| \$ 30,747        | \$ 29,498        | \$ 29,987        | \$ 31,152        | \$ 29,636        |
| 14,162           | 13,667           | 13,361           | 13,795           | 12,985           |
| 8,418            | 8,185            | 7,322            | 7,046            | 7,547            |
| 4,898            | 4,442            | 4,328            | 4,279            | 3,871            |
| 6,669            | 6,474            | 6,544            | 6,472            | 6,377            |
| 5,918            | 5,407            | 5,486            | 5,683            | 5,337            |
| <u>70,812</u>    | <u>67,673</u>    | <u>67,028</u>    | <u>68,427</u>    | <u>65,753</u>    |
| 324              | 295              | 321              | 436              | 399              |
| 731              | 734              | 716              | 1,876            | 639              |
| 14,462           | 13,864           | 14,294           | 14,675           | 14,430           |
| 6,799            | 7,354            | 7,127            | 6,489            | 8,867            |
| 870              | 708              | 716              | 1,096            | 628              |
| 495              | 485              | 489              | 485              | 464              |
| <u>23,681</u>    | <u>23,440</u>    | <u>23,663</u>    | <u>25,057</u>    | <u>25,427</u>    |
| <u>\$ 94,493</u> | <u>\$ 91,113</u> | <u>\$ 90,691</u> | <u>\$ 93,484</u> | <u>\$ 91,180</u> |

**State of Hawaii**  
**Revenue Capacity Information**  
**Sales Tax Revenue Payers by Industry (Unaudited)**  
**Ten Years Ended June 30, 2022**  
**(Amounts in thousands)**

|                          | 2022          |                     | 2021          |                     | 2020          |                     | 2019          |                     | Fiscal Year Ended June 30,<br>2018 |                     |
|--------------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|------------------------------------|---------------------|
|                          | 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                | \$ 1,732,276  | 43.2 %              | \$ 1,334,715  | 43.3 %              | \$ 1,427,180  | 41.5 %              | \$ 1,472,039  | 41.5 %              | \$ 1,418,176                       | 41.8 %              |
| Services                 | 730,258       | 18.2 %              | 613,791       | 19.9 %              | 670,010       | 19.5 %              | 677,082       | 19.1 %              | 655,007                            | 19.3 %              |
| Contracting              | 413,076       | 10.3 %              | 401,141       | 13.0 %              | 381,641       | 11.1 %              | 388,249       | 11.0 %              | 356,576                            | 10.5 %              |
| Theater, amusement, etc. | 17,633        | 0.4 %               | 8,537         | 0.3 %               | 16,661        | 0.5 %               | 19,978        | 0.6 %               | 19,182                             | 0.6 %               |
| Interest                 | 145,241       | 3.6 %               | 83,679        | 2.7 %               | 127,396       | 3.7 %               | 141,903       | 4.0 %               | 142,359                            | 4.2 %               |
| Commissions              | 71,372        | 1.8 %               | 51,715        | 1.7 %               | 51,076        | 1.5 %               | 54,981        | 1.6 %               | 55,832                             | 1.6 %               |
| Hotel rentals            | 266,321       | 6.6 %               | 79,578        | 2.6 %               | 208,581       | 6.1 %               | 226,764       | 6.4 %               | 221,084                            | 6.5 %               |
| All other rentals        | 365,344       | 9.1 %               | 301,321       | 9.8 %               | 346,685       | 10.1 %              | 342,572       | 9.7 %               | 326,823                            | 9.6 %               |
| Use (4%)                 | 40,719        | 1.0 %               | 35,784        | 1.2 %               | 40,580        | 1.2 %               | 44,847        | 1.3 %               | 44,390                             | 1.3 %               |
| All other (4%)           | -             | 0.0 %               | -             | 0.0 %               | -             | 0.0 %               | -             | 0.0 %               | -                                  | 0.0 %               |
| Producing                | 1,910         | 0.1 %               | 1,712         | 0.1 %               | 1,514         | 0.1 %               | 1,480         | 0.0 %               | 1,794                              | 0.1 %               |
| Manufacturing            | 2,203         | 0.1 %               | 2,612         | 0.1 %               | 2,807         | 0.1 %               | 2,981         | 0.1 %               | 3,201                              | 0.1 %               |
| Wholesaling              | 112,507       | 2.8 %               | 84,183        | 2.7 %               | 87,088        | 2.5 %               | 90,308        | 2.6 %               | 87,952                             | 2.6 %               |
| Use (0.5%)               | 41,402        | 1.0 %               | 32,560        | 1.1 %               | 34,428        | 1.0 %               | 36,398        | 1.0 %               | 38,201                             | 1.1 %               |
| Services (Intermediary)  | 5,395         | 0.2 %               | 4,324         | 0.1 %               | 5,033         | 0.1 %               | 5,026         | 0.1 %               | 4,514                              | 0.1 %               |
| Insurance solicitors     | 1,007         | 0.0 %               | 996           | 0.0 %               | 1,053         | 0.0 %               | 1,131         | 0.0 %               | 975                                | 0.0 %               |
| Unallocated collections  | 63,245        | 1.6 %               | 43,546        | 1.4 %               | 34,405        | 1.0 %               | 35,650        | 1.0 %               | 19,500                             | 0.6 %               |
| Total                    | \$ 4,009,909  | 100.0 %             | \$ 3,080,194  | 100.0 %             | \$ 3,436,138  | 100.0 %             | \$ 3,541,389  | 100.0 %             | \$ 3,395,566                       | 100.0 %             |

**Note:** Information for number of filers is not available.

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

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| 2017                |                     | 2016                |                     | 2015                |                     | 2014                |                     | 2013                |                     |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 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 |
| \$ 1,229,860        | 38.0 %              | \$ 1,179,911        | 36.8 %              | \$ 1,199,488        | 39.4 %              | \$ 1,246,061        | 43.3 %              | \$ 1,185,446        | 40.3 %              |
| 566,466             | 17.5 %              | 546,684             | 17.1 %              | 534,442             | 17.5 %              | 551,784             | 19.2 %              | 519,419             | 17.6 %              |
| 336,717             | 10.4 %              | 327,394             | 10.2 %              | 292,874             | 9.6 %               | 281,839             | 9.8 %               | 301,875             | 10.3 %              |
| 17,248              | 0.5 %               | 15,931              | 0.5 %               | 15,955              | 0.5 %               | 15,619              | 0.5 %               | 15,986              | 0.5 %               |
| 134,441             | 4.2 %               | 1                   | 0.0 %               | 1                   | 0.0 %               | 3                   | 0.0 %               | 3                   | 0.0 %               |
| 49,209              | 1.5 %               | 44,777              | 1.4 %               | 45,619              | 1.5 %               | 45,125              | 1.6 %               | 42,064              | 1.4 %               |
| 195,919             | 6.0 %               | 177,671             | 5.5 %               | 173,100             | 5.7 %               | 171,162             | 5.9 %               | 154,837             | 5.3 %               |
| 266,758             | 8.2 %               | 258,977             | 8.1 %               | 261,743             | 8.6 %               | 258,886             | 9.0 %               | 255,074             | 8.7 %               |
| 35,845              | 1.1 %               | 35,620              | 1.1 %               | 39,884              | 1.3 %               | 40,277              | 1.4 %               | 41,015              | 1.4 %               |
| -                   | 0.0 %               | 119,948             | 3.7 %               | 118,014             | 3.9 %               | 126,306             | 4.4 %               | 114,396             | 3.9 %               |
| 1,619               | 0.1 %               | 1,473               | 0.0 %               | 1,605               | 0.1 %               | 2,181               | 0.1 %               | 1,997               | 0.1 %               |
| 3,657               | 0.1 %               | 3,670               | 0.1 %               | 3,581               | 0.1 %               | 9,380               | 0.3 %               | 3,194               | 0.1 %               |
| 72,309              | 2.2 %               | 69,322              | 2.2 %               | 71,471              | 2.3 %               | 73,373              | 2.5 %               | 72,149              | 2.4 %               |
| 33,996              | 1.0 %               | 36,872              | 1.2 %               | 35,634              | 1.2 %               | 32,446              | 1.1 %               | 44,337              | 1.5 %               |
| 4,352               | 0.1 %               | 3,539               | 0.1 %               | 3,578               | 0.1 %               | 5,480               | 0.2 %               | 3,139               | 0.1 %               |
| 743                 | 0.1 %               | 728                 | 0.0 %               | 733                 | 0.0 %               | 728                 | 0.0 %               | 697                 | 0.0 %               |
| 290,086             | 9.0 %               | 383,736             | 12.0 %              | 250,484             | 8.2 %               | 19,893              | 0.7 %               | 188,859             | 6.4 %               |
| <u>\$ 3,239,225</u> | <u>100.0 %</u>      | <u>\$ 3,206,254</u> | <u>100.0 %</u>      | <u>\$ 3,048,206</u> | <u>100.0 %</u>      | <u>\$ 2,880,543</u> | <u>100.0 %</u>      | <u>\$ 2,944,487</u> | <u>100.0 %</u>      |

**State of Hawaii**  
**Debt Capacity Information**  
**Ratios of Outstanding Debt by Type (Unaudited)**  
**Ten Years Ended June 30, 2022**  
**(Amounts in thousands except per capita data)**

|  | Fiscal Year Ended June 30, |               |               |               |               |
|--|----------------------------|---------------|---------------|---------------|---------------|
|  | 2022                       | 2021          | 2020          | 2019          | 2018          |
| <b>Governmental activities</b>                 |                            |               |               |               |               |
| General obligation bonds                       | \$ 9,041,510               | \$ 8,870,454  | \$ 7,294,070  | \$ 7,914,382  | \$ 7,912,206  |
| Revenue bonds                                  | 700,427                    | 753,505       | 623,120       | 571,306       | 633,073       |
| Lease payable                                  | 60,798                     | 10,179        | -             | -             | -             |
| Financed purchases                             | 101,631                    | 108,665       | 115,147       | 122,922       | 129,897       |
| Total governmental activities                  | 9,904,366                  | 9,742,803     | 8,032,337     | 8,608,610     | 8,675,176     |
| <b>Business-type activities</b>                |                            |               |               |               |               |
| General obligation bonds                       | 13,667                     | 16,239        | 18,690        | 21,026        | 23,255        |
| Revenue bonds                                  | 2,716,839                  | 2,519,961     | 2,093,075     | 1,968,315     | 1,567,305     |
| Lease payable                                  | 242                        | -             | -             | -             | -             |
| Financed purchases                             | 195,592                    | 210,803       | 224,375       | 236,147       | 244,979       |
| Loan payable                                   | -                          | -             | -             | 76,000        | 76,000        |
| Total business-type activities                 | 2,926,340                  | 2,747,003     | 2,336,140     | 2,301,488     | 1,911,539     |
| Total primary government                       | \$ 12,830,706              | \$ 12,489,806 | \$ 10,368,477 | \$ 10,910,098 | \$ 10,586,715 |
| <b>Hawaii total personal income</b>            | \$ 86,011,000              | \$ 85,439,000 | \$ 84,361,000 | \$ 80,163,000 | \$ 76,476,000 |
| <b>Debt as a percentage of personal income</b> | 14.9 %                     | 14.6 %        | 12.3 %        | 13.6 %        | 13.8 %        |
| <b>Hawaii population</b>                       | 1,435                      | 1,455         | 1,416         | 1,422         | 1,435         |
| <b>Amount of debt per capita</b>               | \$ 8,941                   | \$ 8,584      | \$ 7,322      | \$ 7,672      | \$ 7,378      |

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

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

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| 2017          | 2016          | 2015          | 2014          | 2013          |
|---------------|---------------|---------------|---------------|---------------|
| \$ 7,635,827  | \$ 6,953,431  | \$ 6,503,281  | \$ 5,784,139  | \$ 5,534,921  |
| 692,742       | 615,120       | 666,202       | 412,725       | 441,150       |
| -             | -             | -             | -             | -             |
| 143,622       | 149,477       | 96,175        | 102,622       | 89,879        |
| 8,472,191     | 7,718,028     | 7,265,658     | 6,299,486     | 6,065,950     |
| 25,377        | 27,400        | 29,332        | 31,176        | 32,934        |
| 1,375,442     | 1,429,980     | 1,218,943     | 1,278,137     | 1,326,112     |
| -             | -             | -             | -             | -             |
| 252,806       | 179,985       | 172,864       | 173,771       | -             |
| 76,000        | 34,910        | 34,910        | -             | -             |
| 1,729,625     | 1,672,275     | 1,456,049     | 1,483,084     | 1,359,046     |
| \$ 10,201,816 | \$ 9,390,303  | \$ 8,721,707  | \$ 7,782,570  | \$ 7,424,996  |
| \$ 72,997,000 | \$ 71,767,000 | \$ 66,763,000 | \$ 64,620,000 | \$ 63,209,000 |
| 14.0 %        | 13.1 %        | 13.1 %        | 12.0 %        | 11.7 %        |
| 1,428         | 1,429         | 1,432         | 1,420         | 1,404         |

## State of Hawaii

### Debt Capacity Information

#### Ratios of Net General Bonded Debt Outstanding (Unaudited)

Ten Years Ended June 30, 2022

(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 |
|-------------|-------------------|----------------|---------------------------------------|--|------------------------------------|-----------------------------|---|
| 2022        | \$ 127,811,000    | 1,435          | \$ 9,055,177                          | \$ 272                                   | \$ 9,054,905                       | 7.1 %                       | 6,310   |
| 2021        | 98,499,000        | 1,455          | 8,886,693                             | 247                                      | 8,886,446                          | 9.0 %                       | 6,108   |
| 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   |

(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.

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**State of Hawaii**  
**Debt Capacity Information**  
**Legal Debt Margin Information (Unaudited)**  
**Ten Years Ended June 30, 2022**  
**(Amounts in thousands)**

|   | <b>Fiscal Year Ended June 30,</b> |              |              |              |              |
|---|-----------------------------------|--------------|--------------|--------------|--------------|
|   | <b>2022</b>                       | <b>2021</b>  | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  |
| Average general fund revenues of the three preceding fiscal years   | \$ 8,695,460                      | \$ 7,930,471 | \$ 7,732,620 | \$ 7,637,553 | \$ 7,359,330 |
| 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                  | 1,608,660                         | 1,467,137    | 1,430,535    | 1,412,947    | 1,361,476    |
| Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year | (973,637)                         | (917,238)    | (753,610)    | (836,170)    | (792,143)    |
| Legal debt margin   | \$ 635,023                        | \$ 549,899   | \$ 676,925   | \$ 576,777   | \$ 569,333   |
| Legal debt margin as a percentage of the debt limit   | 39.5 %                            | 37.5 %       | 47.3 %       | 40.8 %       | 41.8 %       |

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



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| <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|------------------|------------------|------------------|------------------|------------------|
| \$ 6,997,106     | \$ 6,577,966     | \$ 6,294,642     | \$ 5,987,800     | \$ 5,659,152     |
| <u>18.5 %</u>    | <u>18.5 %</u>    | <u>18.5 %</u>    | <u>18.5 %</u>    | <u>18.5 %</u>    |
| 1,294,465        | 1,216,924        | 1,164,509        | 1,107,743        | 1,046,943        |
| <u>(739,852)</u> | <u>(712,590)</u> | <u>(693,934)</u> | <u>(693,677)</u> | <u>(693,592)</u> |
| \$ 554,613       | \$ 504,334       | \$ 470,575       | \$ 414,066       | \$ 353,351       |
| <u>42.8 %</u>    | <u>41.4 %</u>    | <u>40.4 %</u>    | <u>37.4 %</u>    | <u>33.8 %</u>    |

**State of Hawaii**  
**Debt Capacity Information**  
**Pledge Revenue Coverage (Unaudited)**  
**Ten Years Ended June 30, 2022**  
**(Amounts in thousands)**

|  | Fiscal Year Ended June 30, |            |            |            |            |            |            |            |            |            |
|--|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|  | 2022                       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       | 2015       | 2014       | 2013       |
| <b>Revenue bonds – Airports</b>                          |                            |            |            |            |            |            |            |            |            |            |
| Gross revenue (1)  | \$ 575,402                 | \$ 403,145 | \$ 486,117 | \$ 495,315 | \$ 466,317 | \$ 431,726 | \$ 381,404 | \$ 355,948 | \$ 341,155 | \$ 385,841 |
| Less: Operating expenses (2)                             | 363,479                    | 364,439    | 339,043    | 316,905    | 299,799    | 288,644    | 259,223    | 253,581    | 246,982    | 244,328    |
| Net available revenue                                    | 211,923                    | 38,706     | 147,074    | 178,410    | 166,518    | 143,082    | 122,181    | 102,367    | 94,173     | 141,513    |
| Debt services  |                            |            |            |            |            |            |            |            |            |            |
| Principal  | 445                        | 430        | 44,690     | 42,585     | 40,755     | 38,935     | 37,290     | 35,725     | 34,210     | 40,305     |
| Interest (3)   | 61,836                     | 53,947     | 51,751     | 47,423     | 46,454     | 45,182     | 42,532     | 41,671     | 23,414     | 40,705     |
| Total debt services                                      | 62,281                     | 54,377     | 96,441     | 90,008     | 87,209     | 84,117     | 79,822     | 77,396     | 57,624     | 81,010     |
| Coverage (4)   | 340 %                      | 71 %       | 153 %      | 198 %      | 191 %      | 170 %      | 153 %      | 132 %      | 163 %      | 175 %      |
| <b>Revenue bonds – Harbors</b>                           |                            |            |            |            |            |            |            |            |            |            |
| Gross revenue (5)  | \$ 205,340                 | \$ 183,738 | \$ 183,623 | \$ 198,605 | \$ 170,560 | \$ 140,052 | \$ 131,858 | \$ 124,663 | \$ 122,379 | \$ 114,640 |
| Less: Operating expenses (6)                             | 55,018                     | 48,491     | 48,834     | 47,461     | 53,543     | 53,396     | 47,133     | 43,132     | 43,837     | 44,048     |
| Net available revenue                                    | 150,322                    | 135,247    | 134,789    | 151,144    | 117,017    | 86,656     | 84,725     | 81,531     | 78,542     | 70,592     |
| Debt services  | 28,350                     | 28,350     | 28,940     | 28,936     | 29,114     | 31,176     | 31,187     | 31,176     | 31,528     | 31,531     |
| Coverage (4)   | 530 %                      | 477 %      | 466 %      | 522 %      | 402 %      | 278 %      | 272 %      | 262 %      | 249 %      | 224 %      |
| <b>Revenue bonds – Highways</b>                          |                            |            |            |            |            |            |            |            |            |            |
| Gross revenue  | N/A                        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | \$ 255,431 | \$ 256,102 |
| Less: Operating expenses                                 | N/A                        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | 205,872    | 184,696    |
| Net available revenue                                    | N/A                        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | 49,559     | 71,406     |
| Debt services  |                            |            |            |            |            |            |            |            |            |            |
| Principal  | \$ 27,980                  | \$ 30,695  | \$ 29,845  | \$ 42,735  | \$ 40,765  | \$ 37,790  | \$ 34,920  | \$ 31,890  | 28,825     | 27,170     |
| Interest   | 22,966                     | 20,382     | 17,630     | 19,299     | 21,186     | 19,320     | 20,571     | 19,402     | 19,036     | 20,245     |
| Total debt services                                      | 50,946                     | 51,077     | 47,475     | 62,034     | 61,951     | 57,110     | 55,491     | 51,292     | 47,861     | 47,415     |
| Coverage (7)   | N/A                        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | N/A        | 104 %      | 151 %      |
| <b>Revenue bonds – Department of Hawaiian Home Lands</b> |                            |            |            |            |            |            |            |            |            |            |
| Revenue  | \$ 19,984                  | \$ 15,922  | \$ 16,434  | \$ 17,361  | \$ 17,564  | \$ 15,867  | \$ 14,730  | \$ 15,230  | \$ 15,763  | \$ 12,585  |
| Less: Operating expenses                                 | -                          | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| Net available revenue                                    | 19,984                     | 15,922     | 16,434     | 17,361     | 17,564     | 15,867     | 14,730     | 15,230     | 15,763     | 12,585     |
| Debt services  |                            |            |            |            |            |            |            |            |            |            |
| Principal  | 1,920                      | 1,695      | 1,655      | 1,575      | 1,100      | 850        | 810        | 775        | 740        | 710        |
| Interest   | 1,221                      | 1,306      | 1,372      | 1,435      | 887        | 2,163      | 2,201      | 2,237      | 2,270      | 2,301      |
| Total debt services                                      | 3,141                      | 3,001      | 3,027      | 3,010      | 1,987      | 3,013      | 3,011      | 3,012      | 3,010      | 3,011      |
| Coverage (4)   | 636 %                      | 531 %      | 543 %      | 577 %      | 884 %      | 527 %      | 489 %      | 506 %      | 524 %      | 418 %      |

N/A Not Available

- (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).

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 (Unaudited)**  
**Ten Years Ended June 30, 2022**

|   | Fiscal Year Ended June 30, |               |               |               |               |               |               |               |               |               |
|---|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2022                       | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          | 2014          | 2013          |
| <b>Population (in thousands)</b>                    |                            |               |               |               |               |               |               |               |               |               |
| State   | 1,435                      | 1,455         | 1,416         | 1,422         | 1,435         | 1,428         | 1,429         | 1,432         | 1,420         | 1,404         |
| Percentage change                                   | (1.37)%                    | 2.75 %        | (0.42)%       | (0.91)%       | 0.49 %        | (0.07)%       | (0.21)%       | 0.85 %        | 1.14 %        | 0.86 %        |
| National  | 332,834                    | 332,473       | 329,872       | 331,884       | 327,734       | 325,719       | 323,128       | 321,419       | 318,857       | 316,129       |
| Percentage change                                   | 0.11 %                     | 0.79 %        | (0.61)%       | 1.27 %        | 0.62 %        | 0.80 %        | 0.53 %        | 0.80 %        | 0.86 %        | 0.71 %        |
| <b>Total personal income (in millions)</b>          |                            |               |               |               |               |               |               |               |               |               |
| State   | \$ 86,011                  | \$ 85,439     | \$ 84,361     | \$ 80,163     | \$ 76,476     | \$ 72,997     | \$ 70,670     | \$ 66,763     | \$ 64,620     | \$ 63,209     |
| Percentage change                                   | 0.67 %                     | 1.28 %        | 5.24 %        | 4.82 %        | 4.77 %        | 3.29 %        | 5.85 %        | 3.32 %        | 2.23 %        | 5.47 %        |
| National  | \$ 20,805,550              | \$ 18,670,430 | \$ 17,829,250 | \$ 17,855,326 | \$ 17,189,635 | \$ 16,152,011 | \$ 15,725,128 | \$ 14,991,944 | \$ 14,420,041 | \$ 13,904,502 |
| Percentage change                                   | 11.44 %                    | 4.72 %        | (0.15)%       | 3.87 %        | 6.42 %        | 2.71 %        | 4.89 %        | 3.97 %        | 3.71 %        | 5.73 %        |
| <b>Per capita personal income (in thousands)</b>    |                            |               |               |               |               |               |               |               |               |               |
| State   | \$ 60,210                  | \$ 58,721     | \$ 59,577     | \$ 56,373     | \$ 53,293     | \$ 51,118     | \$ 49,454     | \$ 46,622     | \$ 45,507     | \$ 45,021     |
| Percentage change                                   | 2.54 %                     | (1.44)%       | 5.68 %        | 5.78 %        | 4.25 %        | 3.36 %        | 6.07 %        | 2.45 %        | 1.08 %        | 4.57 %        |
| National  | \$ 62,510                  | \$ 56,156     | \$ 54,049     | \$ 53,890     | \$ 52,450     | \$ 49,589     | \$ 48,665     | \$ 46,643     | \$ 45,224     | \$ 43,984     |
| Percentage change                                   | 11.31 %                    | 3.90 %        | 0.30 %        | 2.75 %        | 5.77 %        | 1.90 %        | 4.34 %        | 3.14 %        | 2.82 %        | 4.99 %        |
| <b>Resident civilian labor force and employment</b> |                            |               |               |               |               |               |               |               |               |               |
| Civilian labor force employed                       | 642,879                    | 576,163       | 612,221       | 656,546       | 669,642       | 672,675       | 660,942       | 645,092       | 624,638       | 615,546       |
| Unemployed  | 30,333                     | 70,075        | 45,125        | 18,013        | 14,508        | 19,800        | 22,563        | 27,729        | 30,142        | 33,913        |
| Unemployment rate                                   | 4.72 %                     | 12.16 %       | 7.37 %        | 2.74 %        | 2.17 %        | 2.94 %        | 3.41 %        | 4.30 %        | 4.83 %        | 5.51 %        |

**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 (Unaudited)**  
**June 30, 2022 and June 30, 2013**

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| 2022                               |           |                                      | 2013                                    |           |                                      |
|------------------------------------|-----------|--------------------------------------|---|-----------|--------------------------------------|
| Employer                           | Employees | Percentage of Total State Employment | Employer                                | Employees | Percentage of Total State Employment |
| Bank of Hawaii Corp                | 2,000     | 0.3 %                                | Bank of Hawaii Corp                     | 2,343     | 0.4 %                                |
| First Hawaiian Bank                | 2,063     | 0.3 %                                | Hawaii Pacific Health                   | 5,809     | 0.9 %                                |
| Hawaii Pacific Health              | 7,119     | 1.1 %                                | Hawaiian Airlines                       | 4,906     | 0.8 %                                |
| Hawaiian Airlines                  | 5,667     | 0.8 %                                | Hawaiian Electric Industries, Inc.      | 3,870     | 0.6 %                                |
| Hawaiian Electric Industries, Inc. | 3,597     | 0.5 %                                | Kaiser Permanente Hawaii                | 4,564     | 0.7 %                                |
| Kaiser Permanente Hawaii           | 2,749     | 0.4 %                                | Kamehameha Schools                      | 2,400     | 0.4 %                                |
| Kamehameha Schools                 | 3,203     | 0.5 %                                | Kyo-ya Co., Ltd                         | 3,310     | 0.5 %                                |
| Matson, Inc.                       | 2,441     | 0.4 %                                | L&L Drive-Inn and L&L Hawaiian Barbecue | 2,056     | 0.3 %                                |
| Servco Pacific Inc.                | 2,121     | 0.3 %                                | Securita Security Services USA, Inc.    | 2,700     | 0.4 %                                |
| The Queen's Health Systems         | 8,426     | 1.3 %                                | The Queen's Health Systems              | 5,234     | 0.8 %                                |

**Note:** Total Annual Average Employment for Hawaii for fiscal year 2022 – 673,000 and for fiscal year 2013 – 649,000.

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 (Unaudited)**  
**Ten Years Ended June 30, 2022**

|                                     | Fiscal Year Ended June 30, |        |        |        |        |        |        |        |        |        |
|-------------------------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                     | 2022                       | 2021   | 2020   | 2019   | 2018   | 2017   | 2016   | 2015   | 2014   | 2013   |
| General government                  | 4,102                      | 4,160  | 4,478  | 4,533  | 4,517  | 4,538  | 4,537  | 4,571  | 4,572  | 4,419  |
| Public safety                       | 3,030                      | 3,094  | 3,161  | 3,207  | 3,265  | 3,336  | 3,316  | 3,197  | 3,175  | 2,981  |
| Transportation                      | 2,216                      | 2,228  | 2,258  | 2,210  | 2,229  | 2,234  | 2,263  | 2,295  | 2,254  | 2,275  |
| Conservation of natural resources   | 963                        | 1,058  | 1,144  | 1,079  | 1,051  | 1,008  | 1,015  | 1,007  | 1,007  | 972    |
| Health                              | 5,149                      | 5,103  | 5,204  | 5,246  | 5,325  | 5,127  | 6,544  | 6,731  | 6,813  | 7,136  |
| Welfare                             | 1,747                      | 1,859  | 1,915  | 1,948  | 1,957  | 1,940  | 1,913  | 1,927  | 1,941  | 1,940  |
| Lower education                     | 21,815                     | 21,581 | 21,995 | 22,122 | 22,016 | 21,531 | 21,841 | 21,707 | 21,797 | 21,976 |
| Higher education                    | 8,157                      | 8,269  | 8,633  | 8,660  | 8,647  | 8,620  | 8,746  | 8,802  | 9,080  | 8,978  |
| Other education                     | 427                        | 452    | 497    | 493    | 508    | 486    | 496    | 488    | 492    | -      |
| Urban redevelopment and housing     | 122                        | 124    | 136    | 138    | 132    | 130    | 118    | 123    | 127    | 116    |
| Economic development and assistance | 764                        | 810    | 698    | 702    | 814    | 730    | 749    | 761    | 759    | 781    |
| Total                               | 48,492                     | 48,738 | 50,119 | 50,338 | 50,461 | 49,680 | 51,538 | 51,609 | 52,017 | 51,574 |

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

**State of Hawaii**  
**Operating Information**  
**Operating Indicators by Function (Unaudited)**  
**Ten Years Ended June 30, 2022**

|  | Fiscal Year Ended June 30, |          |          |          |          |
|--|----------------------------|----------|----------|----------|----------|
|  | 2022                       | 2021     | 2020     | 2019     | 2018     |
| <b>General government</b>  |                            |          |          |          |          |
| Tax Commission   |                            |          |          |          |          |
| Total individual net income returns  | 766,585                    | 883,260  | 693,152  | 838,441  | 808,183  |
| Number of individual net income returns filed electronically   | 621,258                    | 687,282  | 543,820  | 579,720  | 552,464  |
| Percentage of individual net income returns transmitted electronically   | 81.04%                     | 77.81%   | 78.46%   | 69.14%   | 68.36%   |
| <b>Public safety</b>   |                            |          |          |          |          |
| Inmate population  |                            |          |          |          |          |
| In-state facilities  | 3,120                      | 2,981    | 3,326    | 3,991    | 4,017    |
| Out-of-state facilities  | 1,029                      | 1,189    | 1,199    | 1,507    | 1,460    |
| Total  | 4,149                      | 4,170    | 4,525    | 5,498    | 5,477    |
| <b>Conservation and natural resources</b>  |                            |          |          |          |          |
| Parks and Recreation   |                            |          |          |          |          |
| Number of state-owned parks  | 50                         | 50       | 50       | 51       | 52       |
| <b>Health</b>  |                            |          |          |          |          |
| Environmental health   |                            |          |          |          |          |
| Air quality sites monitored  | 18                         | 20       | 21       | 20       | 20       |
| Water quality stations   | 197                        | 197      | 197      | 197      | 187      |
| Revolving loan funds   | 224                        | 214      | 208      | 200      | 192      |
| Mental health  |                            |          |          |          |          |
| Adult consumers served   | 7,390                      | 7,792    | 7,990    | 7,124    | 8,328    |
| Individuals with developmental disabilities served   | 3,474                      | 3,424    | 3,548    | 3,251    | 2,956    |
| <b>Welfare</b>   |                            |          |          |          |          |
| Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF) |                            |          |          |          |          |
| Families per-month average   | 5,149                      | 6,782    | 4,569    | 4,362    | 4,813    |
| Average time on assistance   | 18.0                       | 24.0     | 16.7     | 19.7     | 18.1     |
| Monthly benefits paid for the month of July (in millions)  | \$ 3.36                    | \$ 4.15  | \$ 2.71  | \$ 2.48  | \$ 2.26  |
| General assistance   |                            |          |          |          |          |
| Individuals per month  | 4,456                      | 6,529    | 5,634    | 5,396    | 5,575    |
| Food stamp program   |                            |          |          |          |          |
| Number of persons participating  | 178,486                    | 176,513  | 154,669  | 154,161  | 164,788  |
| Number of households participating   | 100,706                    | 97,382   | 79,811   | 79,702   | 84,297   |
| Benefits issued (in millions)  | \$ 79.69                   | \$ 57.32 | \$ 37.07 | \$ 36.89 | \$ 39.78 |
| Medicaid programs  |                            |          |          |          |          |
| Med-Quest enrollment   | 460,742                    | 428,580  | 361,912  | 336,202  | 353,058  |

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| 2017     | 2016     | 2015     | 2014     | 2013     |
|----------|----------|----------|----------|----------|
| 704,250  | 768,261  | 715,706  | 737,205  | 612,373  |
| 536,273  | 529,527  | 509,409  | 483,817  | 397,178  |
| 76.15%   | 68.93%   | 71.18%   | 65.63%   | 64.86%   |
| 4,052    | 4,584    | 4,683    | 4,456    | 4,438    |
| 1,617    | 1,386    | 1,341    | 1,363    | 1,415    |
| 5,669    | 5,970    | 6,024    | 5,819    | 5,853    |
| 54       | 54       | 52       | 51       | 53       |
| 14       | 14       | 14       | 13       | 14       |
| 169      | 160      | 161      | 173      | 173      |
| 186      | 176      | 159      | 149      | 133      |
| 9,295    | 7,828    | 8,282    | 10,408   | 10,728   |
| 2,863    | 2,738    | 2,705    | 2,615    | 2,599    |
| 5,750    | 6,918    | 8,102    | 8,927    | 10,075   |
| 18.1     | 18.1     | 17.5     | N/A      | 14.6     |
| \$ 2.98  | \$ 3.90  | \$ 3.60  | \$ 4.10  | \$ 5.47  |
| 5,651    | 5,676    | 5,699    | 5,598    | 5,687    |
| 170,850  | 173,780  | 191,918  | 193,565  | 187,062  |
| 85,491   | 87,636   | 96,502   | 98,440   | 94,649   |
| \$ 40.26 | \$ 40.23 | \$ 49.90 | \$ 43.39 | \$ 40.33 |
| 352,991  | 350,358  | 332,197  | 325,510  | 292,423  |

(continued)

**State of Hawaii**  
**Operating Information**  
**Operating Indicators by Function (Unaudited)**  
**Ten Years Ended June 30, 2022**

|   | Fiscal Year Ended June 30, |         |         |         |         |
|---|----------------------------|---------|---------|---------|---------|
|   | 2022                       | 2021    | 2020    | 2019    | 2018    |
| <b>Lower education</b>  |                            |         |         |         |         |
| Number of schools   | 294                        | 294     | 293     | 292     | 292     |
| Number of students  | 173,178                    | 176,441 | 181,088 | 181,278 | 180,837 |
| <b>Staff</b>  |                            |         |         |         |         |
| Classroom teachers  | 12,026                     | 12,136  | 12,221  | 12,132  | 12,033  |
| Librarians  | 88                         | 114     | 126     | 135     | 143     |
| Counselors  | 646                        | 659     | 660     | 660     | 653     |
| Administrators  | 1,064                      | 1,095   | 1,093   | 1,056   | 1,036   |
| Other support staff   | 9,108                      | 9,246   | 9,236   | 9,194   | 9,277   |
| Total   | 22,932                     | 23,250  | 23,336  | 23,177  | 23,142  |
| <b>Higher education</b>   |                            |         |         |         |         |
| <b>Enrollment</b>   |                            |         |         |         |         |
| Number of credit students   | 48,373                     | 49,773  | 49,594  | 49,977  | 51,063  |
| <b>Degrees earned</b>   |                            |         |         |         |         |
| Certificates/Associate Degrees/Advanced Professional certificates | 4,434                      | 4,801   | 4,800   | 5,191   | 4,912   |
| Bachelor's degrees  | 4,681                      | 4,558   | 4,473   | 4,681   | 4,693   |
| Master's degrees/Professional diploma                             | 1,004                      | 905     | 1,031   | 868     | 1,035   |
| Doctor's degrees/First Professional                               | 167                        | 443     | 489     | 479     | 513     |
| Other   | 409                        | 56      | 54      | 80      | 62      |
| Total   | 10,695                     | 10,763  | 10,847  | 11,299  | 11,215  |
| <b>Degrees by campus/college</b>                                  |                            |         |         |         |         |
| University of Hawaii at Manoa                                     | 4,692                      | 4,461   | 4,519   | 4,551   | 4,726   |
| University of Hawaii at Hilo                                      | 780                        | 775     | 801     | 895     | 942     |
| University of Hawaii at West Oahu                                 | 738                        | 706     | 709     | 643     | 613     |
| Hawaii Community College  | 523                        | 530     | 552     | 587     | 586     |
| Honolulu Community College  | 799                        | 756     | 922     | 906     | 778     |
| Kapiolani Community College                                       | 943                        | 1,084   | 1,100   | 1,212   | 1,276   |
| Kauai Community College   | 335                        | 307     | 290     | 343     | 211     |
| Leeward Community College   | 1,193                      | 1,293   | 1,087   | 1,135   | 1,102   |
| Maui Community College  | 442                        | 572     | 593     | 701     | 638     |
| Windward Community College  | 250                        | 279     | 274     | 326     | 343     |
| Total   | 10,695                     | 10,763  | 10,847  | 11,299  | 11,215  |

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.



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| 2017    | 2016    | 2015    | 2014    | 2013    |
|---------|---------|---------|---------|---------|
| 290     | 290     | 289     | 288     | 286     |
| 181,550 | 181,995 | 182,384 | 185,273 | 183,251 |
| 11,782  | 11,747  | 11,663  | 11,781  | 11,632  |
| 149     | 160     | 173     | 185     | 192     |
| 634     | 634     | 623     | 625     | 629     |
| 995     | 943     | 914     | 833     | 823     |
| 9,039   | 9,113   | 9,052   | 9,014   | 8,987   |
| 22,599  | 22,597  | 22,425  | 22,438  | 22,263  |
| 51,674  | 53,418  | 55,756  | 57,052  | 58,941  |
| 5,102   | 5,192   | 4,830   | 5,158   | 4,097   |
| 4,735   | 4,841   | 4,599   | 4,408   | 4,236   |
| 1,040   | 1,126   | 1,035   | 1,179   | 1,095   |
| 482     | 472     | 579     | 467     | 508     |
| 49      | 49      | 61      | 66      | 65      |
| 11,408  | 11,680  | 11,104  | 11,278  | 10,001  |
| 4,712   | 5,104   | 4,923   | 4,949   | 4,737   |
| 955     | 893     | 905     | 806     | 809     |
| 623     | 474     | 439     | 352     | 349     |
| 576     | 693     | 569     | 669     | 552     |
| 900     | 886     | 725     | 683     | 551     |
| 1,356   | 1,383   | 1,335   | 1,513   | 1,193   |
| 258     | 248     | 264     | 203     | 216     |
| 1,019   | 1,057   | 1,000   | 1,090   | 770     |
| 668     | 594     | 575     | 660     | 601     |
| 341     | 348     | 369     | 353     | 223     |
| 11,408  | 11,680  | 11,104  | 11,278  | 10,001  |

(concluded)

**State of Hawaii**  
**Operating Information**  
**Capital Assets Statistics by Function (Unaudited)**  
**Ten Years Ended June 30, 2022**

|   | Fiscal Year Ended June 30, |       |       |       |       |       |       |       |       |      |
|---|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|------|
|   | 2022                       | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  | 2013 |
| <b>General government</b>                     |                            |       |       |       |       |       |       |       |       |      |
| Department of Accounting and General Services |                            |       |       |       |       |       |       |       |       |      |
| Buildings                                     | 79                         | 84    | 79    | 79    | 79    | 79    | 81    | 79    | 78    | 74   |
| Vehicles                                      | 655                        | 677   | 692   | 675   | 644   | 644   | 673   | 650   | 650   | 608  |
| Department of the Attorney General            |                            |       |       |       |       |       |       |       |       |      |
| Buildings                                     | 8                          | 6     | 6     | 6     | 6     | 6     | 6     | 6     | 6     | 5    |
| Vehicles                                      | 8                          | 8     | 4     | 3     | 3     | 3     | 4     | 3     | 3     | 3    |
| The Judiciary                                 |                            |       |       |       |       |       |       |       |       |      |
| Buildings                                     | 19                         | 19    | 19    | 19    | 19    | 19    | 19    | 19    | 19    | 19   |
| Vehicles                                      | -                          | -     | -     | -     | -     | 18    | 18    | 18    | 18    | 18   |
| Other departments                             |                            |       |       |       |       |       |       |       |       |      |
| Buildings                                     | 20                         | 19    | 21    | 21    | 21    | 21    | 21    | 23    | 23    | 22   |
| Vehicles                                      | 4                          | 4     | 3     | 3     | 3     | 3     | 3     | 3     | 4     | 4    |
| <b>Public safety</b>                          |                            |       |       |       |       |       |       |       |       |      |
| Department of Public Safety                   |                            |       |       |       |       |       |       |       |       |      |
| Buildings and correction facilities           | 76                         | 83    | 76    | 76    | 76    | 76    | 76    | 77    | 75    | 74   |
| Vehicles                                      | 375                        | 367   | 370   | 354   | 353   | 290   | 302   | 306   | 279   | 274  |
| Department of Defense                         |                            |       |       |       |       |       |       |       |       |      |
| Buildings                                     | 64                         | 63    | 99    | 99    | 99    | 99    | 99    | 99    | 98    | 98   |
| Vehicles                                      | 134                        | 126   | 126   | 128   | 121   | 108   | 104   | 96    | 128   | 118  |
| Department of Commerce and Consumer Affairs   |                            |       |       |       |       |       |       |       |       |      |
| Buildings                                     | 4                          | 4     | 4     | 4     | 4     | 4     | 4     | 4     | 4     | 4    |
| <b>Highways</b>                               |                            |       |       |       |       |       |       |       |       |      |
| Department of Transportation                  |                            |       |       |       |       |       |       |       |       |      |
| Highway lane miles                            | 2,491                      | 2,477 | 2,478 | 2,497 | 2,489 | 2,489 | 2,487 | 2,477 | 2,488 | N/A  |
| Highway bridges                               | 752                        | 752   | 752   | 752   | 752   | 752   | 752   | 752   | 752   | N/A  |
| Buildings                                     | 40                         | 41    | 40    | 40    | 40    | 40    | 40    | 39    | 37    | 36   |
| Vehicles                                      | 1,048                      | 1,065 | 1,063 | 1,077 | 1,101 | 1,043 | 989   | 971   | 982   | 984  |

(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 2022.

|  | Fiscal Year Ended June 30, |       |       |       |       |       |       |       |       |       |
|--|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|  | 2022                       | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  | 2013  |
| <b>Conservation of natural resources</b>                 |                            |       |       |       |       |       |       |       |       |       |
| 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  | 96                         | 102   | 97    | 97    | 97    | 97    | 97    | 97    | 96    | 94    |
| Vehicles   | 100                        | 968   | 982   | 969   | 927   | 886   | 855   | 824   | 785   | 788   |
| Department of Agriculture                                |                            |       |       |       |       |       |       |       |       |       |
| Buildings  | 33                         | 35    | 33    | 33    | 33    | 33    | 33    | 33    | 32    | 32    |
| Vehicles   | 153                        | 158   | 164   | 165   | 163   | 159   | 161   | 164   | 166   | 167   |
| <b>Health</b>  |                            |       |       |       |       |       |       |       |       |       |
| Department of Health                                     |                            |       |       |       |       |       |       |       |       |       |
| Buildings  | 73                         | 71    | 73    | 73    | 73    | 73    | 74    | 74    | 74    | 74    |
| Vehicles   | 266                        | 270   | 272   | 278   | 269   | 258   | 241   | 230   | 227   | 238   |
| <b>Welfare</b>   |                            |       |       |       |       |       |       |       |       |       |
| Department of Human Services                             |                            |       |       |       |       |       |       |       |       |       |
| Buildings  | 18                         | 20    | 18    | 18    | 18    | 18    | 18    | 18    | 18    | 18    |
| Vehicles   | 94                         | 95    | 93    | 94    | 95    | 99    | 99    | 104   | 116   | 110   |
| <b>Lower education</b>                                   |                            |       |       |       |       |       |       |       |       |       |
| Department of Education                                  |                            |       |       |       |       |       |       |       |       |       |
| Buildings  | 9                          | 9     | 8     | 8     | 8     | 8     | 8     | 8     | 8     | 8     |
| <b>Other education</b>                                   |                            |       |       |       |       |       |       |       |       |       |
| Department of Education – libraries                      |                            |       |       |       |       |       |       |       |       |       |
| Buildings  | 41                         | 40    | 39    | 39    | 38    | 38    | 39    | 38    | 38    | 38    |
| Vehicles   | 23                         | 27    | 31    | 33    | 33    | 29    | 29    | 29    | 25    | 27    |
| <b>Urban redevelopment and housing</b>                   |                            |       |       |       |       |       |       |       |       |       |
| Department of Hawaiian Home Lands                        |                            |       |       |       |       |       |       |       |       |       |
| Buildings  | 23                         | 21    | 19    | 19    | 19    | 19    | 19    | 18    | 18    | 18    |
| Vehicles   | 52                         | 50    | 50    | 46    | 47    | 42    | 39    | 36    | 33    | 37    |
| <b>Economic development and assistance</b>               |                            |       |       |       |       |       |       |       |       |       |
| Department of Business, Economic Development and Tourism |                            |       |       |       |       |       |       |       |       |       |
| Buildings  | 32                         | 38    | 33    | 33    | 32    | 32    | 32    | 32    | 32    | 32    |
| Vehicles   | 26                         | 26    | 29    | 32    | 32    | 30    | 32    | 32    | 28    | 30    |
| 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 October 1, 2023

#### 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 (\$) |
|-------------------|--|--|--|--|----------------------------|
| November 5, 2009  | \$ 32,000,000, Series DS, QSCB tax credit bonds                  | 1.450  | September 15, 2024   | 3,040,000.00   | 3,040,000.00               |
| February 18, 2010 | \$ 500,000,000, Series DX, BABs, Optional Make-Whole Redemptions | 5.100<br>5.230<br>5.330<br>5.430<br>5.480<br>5.510<br>5.530                            | February 1, 2024<br>February 1, 2025<br>February 1, 2026<br>February 1, 2027<br>February 1, 2028<br>February 1, 2029<br>February 1, 2030   | 32,280,000.00<br>33,930,000.00<br>35,705,000.00<br>37,605,000.00<br>39,650,000.00<br>41,820,000.00<br>44,125,000.00  | 265,115,000.00             |
| December 4, 2012  | \$ 26,000,000, Series EG, taxable                                | 2.450<br>2.600<br>2.750<br>2.850<br>3.375<br>3.050<br>3.150<br>3.250<br>3.350<br>3.625 | November 1, 2023<br>November 1, 2024<br>November 1, 2025<br>November 1, 2026<br>November 1, 2027<br>November 1, 2028<br>November 1, 2029<br>November 1, 2030<br>November 1, 2031<br>November 1, 2032 | 1,525,000.00<br>1,565,000.00<br>1,610,000.00<br>1,655,000.00<br>1,705,000.00<br>1,760,000.00<br>1,815,000.00<br>1,875,000.00<br>1,940,000.00<br>2,010,000.00 | 17,460,000.00              |
| November 21, 2013 | \$ 25,000,000, Series EM   | 3.750<br>3.900<br>4.050<br>4.200<br>4.350<br>4.450<br>4.650<br>4.700<br>4.750<br>4.800 | August 1, 2024<br>August 1, 2025<br>August 1, 2026<br>August 1, 2027<br>August 1, 2028<br>August 1, 2029<br>August 1, 2030<br>August 1, 2031<br>August 1, 2032<br>August 1, 2033                     | 1,425,000.00<br>1,480,000.00<br>1,540,000.00<br>1,605,000.00<br>1,675,000.00<br>1,750,000.00<br>1,835,000.00<br>1,920,000.00<br>2,015,000.00<br>2,110,000.00 | 17,355,000.00              |
| November 21, 2013 | \$ 29,795,000, Series EN, QSCB—Direct Payment                    | 3.750<br>3.900<br>4.050<br>4.200<br>4.350<br>4.450<br>4.650<br>4.700<br>4.750<br>4.800 | August 1, 2024<br>August 1, 2025<br>August 1, 2026<br>August 1, 2027<br>August 1, 2028<br>August 1, 2029<br>August 1, 2030<br>August 1, 2031<br>August 1, 2032<br>August 1, 2033                     | 1,865,000.00<br>1,860,000.00<br>1,860,000.00<br>1,860,000.00<br>1,860,000.00<br>1,860,000.00<br>1,860,000.00<br>1,860,000.00<br>1,860,000.00<br>1,860,000.00 | 18,605,000.00              |
| November 25, 2014 | \$ 575,000,000, Series EO  | 4.000<br>5.000<br>3.000<br>5.000<br>4.000<br>5.000<br>3.000<br>5.000                   | August 1, 2024<br>August 1, 2024<br>August 1, 2025<br>August 1, 2025<br>August 1, 2026<br>August 1, 2026<br>August 1, 2027<br>August 1, 2027   | 5,305,000.00<br>25,720,000.00<br>730,000.00<br>31,850,000.00<br>440,000.00<br>30,825,000.00<br>2,130,000.00<br>28,845,000.00                                 |                            |

| Date of Issue     | Original Principal and Description                                   | Rate of Interest (%) | Outstanding Maturity Dates | Amount Due    | Outstanding Principal (\$) |
|-------------------|--|----------------------|----------------------------|---------------|----------------------------|
|                   |  | 5.000                | August 1, 2028             | 32,795,000.00 |                            |
|                   |  | 5.000                | August 1, 2029             | 27,195,000.00 |                            |
|                   |  | 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             | 9,315,000.00  |                            |
|                   |  | 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 | 378,345,000.00             |
| November 25, 2014 | \$ 209,015,000, Series EP, refunding                                 | 5.000                | August 1, 2024             | 27,980,000.00 | 27,980,000.00              |
| November 25, 2014 | \$ 25,000,000, Series EQ, taxable,<br>Make-Whole Optional Redemption | 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  | 18,530,000.00              |
| October 29, 2015  | \$ 190,000,000, Series ET  | 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 |                            |
|                   |  | 4.000                | October 1, 2034            | 14,010,000.00 |                            |
|                   |  | 4.000                | October 1, 2035            | 14,585,000.00 | 90,580,000.00              |
| October 29, 2015  | \$ 35,000,000, Series EU, Green Bonds                                | 2.000                | October 1, 2024            | 1,780,000.00  |                            |
|                   |  | 3.000                | October 1, 2025            | 1,825,000.00  |                            |
|                   |  | 2.500                | October 1, 2026            | 1,875,000.00  |                            |
|                   |  | 3.000                | October 1, 2027            | 1,930,000.00  |                            |
|                   |  | 3.000                | October 1, 2028            | 1,985,000.00  |                            |
|                   |  | 3.000                | October 1, 2029            | 2,050,000.00  |                            |
|                   |  | 3.125                | October 1, 2030            | 2,110,000.00  |                            |
|                   |  | 3.250                | October 1, 2031            | 2,180,000.00  |                            |
|                   |  | 3.250                | October 1, 2032            | 2,250,000.00  |                            |
|                   |  | 3.250                | October 1, 2033            | 2,325,000.00  |                            |
|                   |  | 3.375                | October 1, 2034            | 2,405,000.00  |                            |
|                   |  | 3.500                | October 1, 2035            | 2,490,000.00  | 25,205,000.00              |
| October 29, 2015  | \$ 25,035,000, Series EX, refunding                                  | 3.000                | October 1, 2024            | 3,790,000.00  |                            |
|                   |  | 3.000                | October 1, 2025            | 3,905,000.00  | 7,695,000.00               |
| October 29, 2015  | \$ 212,120,000, Series EY, refunding                                 | 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 | 116,635,000.00             |
| October 29, 2015  | \$ 215,590,000, Series EZ, refunding                                 | 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 | 69,060,000.00              |
| October 29, 2015  | \$ 25,000,000, Series FA, taxable,<br>Make-Whole Optional Redemption | 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  |                            |

| Date of Issue    | Original Principal and Description  | Rate of Interest (%) | Outstanding Maturity Dates | Amount Due    | Outstanding Principal (\$) |
|------------------|---|----------------------|----------------------------|---------------|----------------------------|
| April 14, 2016   | \$ 500,000,000, Series FB   | 3.750                | October 1, 2030            | 1,520,000.00  | 18,220,000.00              |
|                  |   | 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  |                            |
|                  |   | 5.000                | April 1, 2024              | 23,610,000.00 | 397,935,000.00             |
|                  |   | 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 |                            |
| April 14, 2016   | \$ 219,690,000, Series FE, refunding  | 5.000                | October 1, 2024            | 22,280,000.00 | 123,415,000.00             |
|                  |   | 3.000                | October 1, 2025            | 225,000.00    |                            |
|                  |   | 5.000                | October 1, 2025            | 23,195,000.00 |                            |
|                  |   | 5.000                | October 1, 2026            | 24,620,000.00 |                            |
|                  |   | 5.000                | October 1, 2027            | 25,885,000.00 |                            |
|                  |   | 4.000                | October 1, 2028            | 200,000.00    |                            |
|                  |   | 5.000                | October 1, 2028            | 27,010,000.00 |                            |
| April 14, 2016   | \$ 119,730,000, Series FF, refunding, taxable, Make-Whole Optional Redemption | 2.402                | October 1, 2024            | 12,010,000.00 | 63,300,000.00              |
|                  |   | 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 |                            |
| October 13, 2016 | \$ 375,000,000, Series FG   | 4.000                | October 1, 2024            | 340,000.00    | 300,755,000.00             |
|                  |   | 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 |                            |
| October 13, 2016 | \$ 379,295,000, Series FH, refunding  | 5.000                | October 1, 2024            | 30,875,000.00 | 295,285,000.00             |
|                  |   | 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 |                            |
| October 13, 2016 | \$ 2,710,000, Series FI, refunding  | 3.000                | October 1, 2024            | 185,000.00    |                            |
|                  |   | 3.000                | October 1, 2025            | 185,000.00    |                            |
|                  |   | 3.000                | October 1, 2026            | 195,000.00    |                            |
|                  |   | 5.000                | October 1, 2027            | 200,000.00    |                            |
|                  |   | 5.000                | October 1, 2028            | 210,000.00    |                            |
|                  |   | 5.000                | October 1, 2029            | 220,000.00    |                            |
|                  |   | 5.000                | October 1, 2030            | 235,000.00    |                            |

| Date of Issue     | Original Principal and Description                               | Rate of Interest (%) | Outstanding Maturity Dates | Amount Due    | Outstanding Principal (\$) |
|-------------------|--|----------------------|----------------------------|---------------|----------------------------|
|                   |  | 5.000                | October 1, 2031            | 240,000.00    | 2,200,000.00               |
|                   |  | 5.000                | October 1, 2032            | 255,000.00    |                            |
|                   |  | 5.000                | October 1, 2033            | 275,000.00    |                            |
| May 24, 2017      | \$ 575,000,000, Series FK  | 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 | 483,200,000.00             |
| May 24, 2017      | \$ 229,355,000, Series FN, refunding                             | 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 | 178,735,000.00             |
| May 24, 2017      | \$ 7,500,000, Series FP, taxable, Make-Whole Optional Redemption | 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    | 6,165,000.00               |
| December 21, 2017 | \$ 275,363,064.26, Series FS, Direct Purchase, refunding         | 2.340                | October 1, 2024            | 20,900,472.76 |                            |
|                   |  | 2.390                | October 1, 2025            | 21,400,747.22 |                            |
|                   |  | 2.460                | October 1, 2026            | 21,926,178.14 |                            |
|                   |  | 2.520                | October 1, 2027            | 22,479,106.88 |                            |
|                   |  | 2.580                | October 1, 2028            | 23,059,815.25 |                            |
|                   |  | 2.660                | October 1, 2029            | 23,672,126.14 |                            |
|                   |  | 2.730                | October 1, 2030            | 24,318,918.66 |                            |
|                   |  | 2.810                | October 1, 2031            | 25,002,152.13 |                            |
|                   |  | 2.880                | October 1, 2032            | 25,723,855.90 |                            |
|                   |  | 2.950                | October 1, 2033            | 26,484,932.17 | 234,968,305.25             |

| Date of Issue     | Original Principal and Description                                 | Rate of Interest (%) | Outstanding Maturity Dates | Amount Due    | Outstanding Principal (\$) |
|-------------------|--|----------------------|----------------------------|---------------|----------------------------|
| February 14, 2018 | \$ 631,215,000, Series FT  | 4.000                | January 1, 2024            | 1,875,000.00  | 580,615,000.00             |
|                   |  | 5.000                | January 1, 2024            | 25,305,000.00 |                            |
|                   |  | 4.000                | January 1, 2025            | 4,775,000.00  |                            |
|                   |  | 5.000                | January 1, 2025            | 23,745,000.00 |                            |
|                   |  | 3.000                | January 1, 2026            | 1,300,000.00  |                            |
|                   |  | 5.000                | January 1, 2026            | 28,595,000.00 |                            |
|                   |  | 4.000                | January 1, 2027            | 85,000.00     |                            |
|                   |  | 5.000                | January 1, 2027            | 31,280,000.00 |                            |
|                   |  | 4.000                | January 1, 2028            | 1,035,000.00  |                            |
|                   |  | 5.000                | January 1, 2028            | 31,900,000.00 |                            |
|                   |  | 5.000                | January 1, 2029            | 34,570,000.00 |                            |
|                   |  | 5.000                | January 1, 2030            | 36,295,000.00 |                            |
|                   |  | 5.000                | January 1, 2031            | 38,110,000.00 |                            |
|                   |  | 4.000                | January 1, 2032            | 20,000,000.00 |                            |
|                   |  | 5.000                | January 1, 2032            | 20,020,000.00 |                            |
|                   |  | 3.250                | January 1, 2033            | 760,000.00    |                            |
|                   |  | 5.000                | January 1, 2033            | 41,060,000.00 |                            |
|                   |  | 4.000                | January 1, 2034            | 20,000,000.00 |                            |
|                   |  | 5.000                | January 1, 2034            | 23,895,000.00 |                            |
|                   |  | 3.250                | January 1, 2035            | 25,000,000.00 |                            |
|                   |  | 5.000                | January 1, 2035            | 20,890,000.00 |                            |
|                   |  | 3.375                | January 1, 2036            | 6,280,000.00  |                            |
|                   |  | 5.000                | January 1, 2036            | 41,470,000.00 |                            |
|                   |  | 4.000                | January 1, 2037            | 20,000,000.00 |                            |
|                   |  | 5.000                | January 1, 2037            | 30,035,000.00 |                            |
|                   |  | 5.000                | January 1, 2038            | 52,335,000.00 |                            |
| February 21, 2019 | \$ 431,665,000, Series FW  | 2.000                | January 1, 2024            | 4,600,000.00  | 414,640,000.00             |
|                   |  | 5.000                | January 1, 2024            | 13,185,000.00 |                            |
|                   |  | 4.000                | January 1, 2025            | 4,095,000.00  |                            |
|                   |  | 5.000                | January 1, 2025            | 14,445,000.00 |                            |
|                   |  | 5.000                | January 1, 2026            | 19,425,000.00 |                            |
|                   |  | 5.000                | January 1, 2027            | 20,395,000.00 |                            |
|                   |  | 5.000                | January 1, 2028            | 21,415,000.00 |                            |
|                   |  | 4.000                | January 1, 2029            | 2,500,000.00  |                            |
|                   |  | 5.000                | January 1, 2029            | 19,985,000.00 |                            |
|                   |  | 2.500                | January 1, 2030            | 180,000.00    |                            |
|                   |  | 5.000                | January 1, 2030            | 23,405,000.00 |                            |
|                   |  | 5.000                | January 1, 2031            | 24,760,000.00 |                            |
|                   |  | 5.000                | January 1, 2032            | 26,000,000.00 |                            |
|                   |  | 3.000                | January 1, 2033            | 2,500,000.00  |                            |
|                   |  | 5.000                | January 1, 2033            | 24,795,000.00 |                            |
|                   |  | 4.000                | January 1, 2034            | 13,410,000.00 |                            |
|                   |  | 5.000                | January 1, 2034            | 15,200,000.00 |                            |
|                   |  | 3.250                | January 1, 2035            | 5,000,000.00  |                            |
|                   |  | 5.000                | January 1, 2035            | 24,910,000.00 |                            |
|                   |  | 5.000                | January 1, 2036            | 31,315,000.00 |                            |
|                   |  | 4.000                | January 1, 2037            | 15,290,000.00 |                            |
|                   |  | 5.000                | January 1, 2037            | 17,590,000.00 |                            |
|                   |  | 3.500                | January 1, 2038            | 15,000,000.00 |                            |
|                   |  | 5.000                | January 1, 2038            | 19,375,000.00 |                            |
|                   |  | 4.000                | January 1, 2039            | 12,500,000.00 |                            |
|                   |  | 5.000                | January 1, 2039            | 23,365,000.00 |                            |
| 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 |                            |

| Date of Issue    | Original Principal and Description  | Rate of Interest (%) | Outstanding Maturity Dates | Amount Due     | Outstanding Principal (\$) |
|------------------|---|----------------------|----------------------------|----------------|----------------------------|
|                  |   | 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 | \$ 600,000,000, Series GB, taxable, Make-Whole Optional Redemption            | 0.802                | October 1, 2024            | 150,000,000.00 |                            |
|                  |   | 0.852                | October 1, 2025            | 150,000,000.00 | 300,000,000.00             |
| 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             |
| October 12, 2021 | \$ 700,000,000, Series GD, taxable, Make-Whole Optional Redemption            | 0.713                | October 1, 2024            | 29,780,000.00  |                            |
|                  |   | 2.750                | October 1, 2025            | 30,300,000.00  |                            |
|                  |   | 1.283                | October 1, 2026            | 30,915,000.00  |                            |
|                  |   | 1.535                | October 1, 2027            | 31,355,000.00  |                            |
|                  |   | 1.710                | October 1, 2028            | 31,870,000.00  |                            |
|                  |   | 1.892                | October 1, 2029            | 32,450,000.00  |                            |
|                  |   | 1.972                | October 1, 2030            | 33,080,000.00  |                            |
|                  |   | 2.042                | October 1, 2031            | 33,750,000.00  |                            |
|                  |   | 2.192                | October 1, 2032            | 34,475,000.00  |                            |
|                  |   | 2.322                | October 1, 2033            | 35,260,000.00  |                            |
|                  |   | 2.422                | October 1, 2034            | 36,110,000.00  |                            |
|                  |   | 2.522                | October 1, 2035            | 37,010,000.00  |                            |
|                  |   | 2.642                | October 1, 2036            | 37,980,000.00  |                            |
|                  |   | 2.760                | October 1, 2037            | 39,020,000.00  |                            |
|                  |   | 2.800                | October 1, 2038            | 40,120,000.00  |                            |
|                  |   | 2.830                | October 1, 2039            | 41,265,000.00  |                            |
|                  |   | 2.850                | October 1, 2040            | 42,455,000.00  |                            |
|                  |   | 2.870                | October 1, 2041            | 43,685,000.00  | 640,880,000.00             |
| October 12, 2021 | \$ 200,000,000, Series GE, refunding, taxable, Make-Whole Optional Redemption | 0.713                | October 1, 2024            | 8,635,000.00   |                            |
|                  |   | 1.033                | October 1, 2025            | 8,710,000.00   |                            |
|                  |   | 1.283                | October 1, 2026            | 8,810,000.00   |                            |
|                  |   | 1.535                | October 1, 2027            | 8,935,000.00   |                            |
|                  |   | 1.710                | October 1, 2028            | 9,080,000.00   |                            |
|                  |   | 1.892                | October 1, 2029            | 9,245,000.00   |                            |
|                  |   | 1.972                | October 1, 2030            | 9,425,000.00   |                            |
|                  |   | 2.042                | October 1, 2031            | 9,620,000.00   |                            |
|                  |   | 2.192                | October 1, 2032            | 9,825,000.00   |                            |
|                  |   | 2.322                | October 1, 2033            | 10,050,000.00  |                            |
|                  |   | 2.422                | October 1, 2034            | 10,290,000.00  |                            |
|                  |   | 2.522                | October 1, 2035            | 10,545,000.00  |                            |
|                  |   | 2.642                | October 1, 2036            | 10,825,000.00  |                            |
|                  |   | 2.760                | October 1, 2037            | 11,120,000.00  |                            |
|                  |   | 2.800                | October 1, 2038            | 11,435,000.00  |                            |
|                  |   | 2.830                | October 1, 2039            | 11,760,000.00  |                            |
|                  |   | 2.850                | October 1, 2040            | 12,100,000.00  |                            |
|                  |   | 2.870                | October 1, 2041            | 12,450,000.00  | 182,860,000.00             |



| <b>Date of Issue</b>  | <b>Original Principal and Description</b>                                     | <b>Rate of Interest (%)</b> | <b>Outstanding Maturity Dates</b> | <b>Amount Due</b> | <b>Outstanding Principal (\$)</b> |
|---|---|-----------------------------|-----------------------------------|-------------------|-----------------------------------|
| October 12, 2021  | \$ 105,000,000, Series GI, refunding, taxable, Make-Whole Optional Redemption | 0.713                       | August 1, 2024                    | 105,000,000.00    | 105,000,000.00                    |
| October 12, 2021  | \$ 629,705,000, Series GJ, refunding, taxable, Make-Whole Optional Redemption | 1.033                       | August 1, 2025                    | 65,530,000.00     | \$ 629,705,000.00                 |
|   |   | 1.283                       | August 1, 2026                    | 66,290,000.00     |                                   |
|   |   | 1.535                       | August 1, 2027                    | 67,235,000.00     |                                   |
|   |   | 1.710                       | August 1, 2028                    | 68,335,000.00     |                                   |
|   |   | 1.892                       | August 1, 2029                    | 69,575,000.00     |                                   |
|   |   | 1.972                       | August 1, 2030                    | 70,935,000.00     |                                   |
|   |   | 2.042                       | August 1, 2031                    | 72,370,000.00     |                                   |
|   |   | 2.142                       | August 1, 2032                    | 73,900,000.00     |                                   |
|   |   | 2.222                       | August 1, 2033                    | 75,535,000.00     |                                   |
| November 2, 2022  | \$ 740,000,000 Series GK, taxable, Make-Whole Optional Redemption             | 4.750                       | October 1, 2024                   | 24,555,000.00     | <u>716,580,000.00</u>             |
|   |   | 4.781                       | October 1, 2025                   | 25,755,000.00     |                                   |
|   |   | 4.818                       | October 1, 2026                   | 27,020,000.00     |                                   |
|   |   | 4.838                       | October 1, 2027                   | 28,355,000.00     |                                   |
|   |   | 4.925                       | October 1, 2028                   | 29,775,000.00     |                                   |
|   |   | 5.055                       | October 1, 2029                   | 31,300,000.00     |                                   |
|   |   | 5.131                       | October 1, 2030                   | 32,935,000.00     |                                   |
|   |   | 5.151                       | October 1, 2031                   | 34,675,000.00     |                                   |
|   |   | 5.201                       | October 1, 2032                   | 36,515,000.00     |                                   |
|   |   | 5.600                       | October 1, 2033                   | 38,545,000.00     |                                   |
|   |   | 5.750                       | October 1, 2034                   | 40,800,000.00     |                                   |
|   |   | 5.950                       | October 1, 2035                   | 43,260,000.00     |                                   |
|   |   | 6.050                       | October 1, 2036                   | 45,935,000.00     |                                   |
|   |   | 6.100                       | October 1, 2037                   | 48,815,000.00     |                                   |
|   |   | 6.150                       | October 1, 2038                   | 51,900,000.00     |                                   |
|   |   | 6.200                       | October 1, 2039                   | 55,205,000.00     |                                   |
|   |   | 6.200                       | October 1, 2040                   | 58,740,000.00     |                                   |
|   |   | 6.200                       | October 1, 2041                   | 62,495,000.00     |                                   |
| Total of all State of Hawaii general obligation bonds and general obligation refunding bonds issued and outstanding |   |                             |                                   |                   | \$8,125,063,305.25                |

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## APPENDIX E

### PENDING LITIGATION

#### Office of Hawaiian Affairs and Ceded Lands

In 1898, the former Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the 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. Trial is scheduled for July 8, 2024. 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

*Update on Individual Claims Cases.* The parties to *Kalima et al. v. State of Hawaii et al.*, Civil No. 99-4771-12-LWC ("Kalima I") entered into settlement negotiations in March and April 2022 with the assistance of the settlement judge, Judge Gary W.B. Chang of the First Circuit Court. On April 14, 2022, the parties agreed on the material terms of a global settlement in this case. Under the terms of the settlement,

the State agreed to pay Plaintiffs \$328,000,000 for a full and final release of all class claims, including claims for attorneys' fees and costs. The settlement was conditioned on the Legislature appropriating the funds to pay the settlement amount, and upon final court approval of the settlement under HRCF Rule 23.

On May 3, 2022, the Legislature passed Act 280, Session Laws of Hawaii 2022, which appropriated \$328,000,000 in general funds to fund the State's payment under the settlement agreement, among other appropriations. The appropriation became effective when the Governor signed the bill into law on July 11, 2022.

On August 8, 2022, the State deposited the settlement amount of \$328,000,000 with the Clerk of the Court, First Circuit, State of Hawaii. Under the settlement agreement, the funds were to be held until the Court grants final approval of the settlement. Up to \$2,000,000 of the settlement amount may be spent on claims administration costs prior to final approval. This \$2,000,000 has been released to a court-appointed auditor to pay pre-final approval costs as they were incurred, leaving a balance of \$326,000,000 in the Court's account.

The Court has also appointed a Claims Administrator to implement the class notice plan and claims administration process. The Court has also appointed a Settlement Special Master to supervise the claims administration process and the Claims Administrator, and to provide an accounting of all settlement funds to the Court.

On August 1, 2023, the Court entered an order granting final approval of the settlement and final judgment. On August 17, 2023, class member Rickey Rivera filed a notice of appeal with the Circuit Court. On October 10, 2023, the Clerk of the Court filed Mr. Rivera's notice of appeal with the Hawaii Intermediate Court of Appeals. On October 27, 2023, the Hawaii Supreme Court dismissed Mr. Rivera's appeal. The class-wide release of claims against the defendants became final with the dismissal of Mr. Rivera's appeal.

On October 30, 2023, the Clerk of the Court paid the remaining balance of the settlement funds (\$326,000,000) to the court-appointed auditor. The auditor will transfer the \$326,000,000 and any unspent claims administration funds to the trustee of a qualified settlement trust that has been established to distribute payments to individual class members. Any remaining settlement funds that cannot be distributed in accordance with the settlement will be paid to the Department of Hawaiian Homelands, State of Hawaii, to be used for the purposes set forth in section 214(a) of the Hawaiian Homes Commission Act.

**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 million 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 fiscal year 2016, the State Defendants provided "sufficient sums" for DHHL's administrative and operating budget for fiscal year 2016, 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. 1:17-CV-00113-SOM-WRP, U.S. District Court for the District of Hawaii. 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.

On January 7, 2022, the State moved for summary judgment on the grounds that, among other things, DW lacked standing to pursue its takings claims. On February 4, 2022, DW moved for leave to amend its Complaint to add a third party, Aina Le'a, Inc., as a plaintiff. On May 25, 2022, the District Court filed its Order Granting Defendants' Motion for Summary Judgment and Denying Plaintiff's Motion for Leave to Amend, holding that DW lacked standing and denying DW's motion to amend. On May 25, 2022, judgment was entered in favor of the State and against DW.

On June 6, 2022, DW filed a Notice of Appeal to the Ninth Circuit. On July 19, 2023, the Ninth Circuit reversed and remanded the case to the District Court.

Trial has been set in the District Court for March 12, 2024. The State intends to continue its vigorous defense against all claims brought against the State in the case.

### **Hawaii Employer Union Health Benefits Trust Fund**

*Dannenberg, et al. v. State of Hawaii, et al.* Civil No.: 06-1-1141 JPC, 1st Circuit Court. This class action was originally filed in June 2006 as *Marion Everson, et al. v. State of Hawaii, et al.* Plaintiffs are retired employees of the State and the Counties of Kauai, Honolulu, Maui and Hawaii, who have alleged claims for declaratory relief, injunctive relief, breach of contract, negligence, and breach of fiduciary duty. Plaintiffs primarily claim that their constitutional rights have been impaired and they have suffered damages. The State is vigorously defending against all claims brought by Plaintiffs against the State Defendants which include the State, the Hawaii Employer Union Health Benefits Trust Fund (“EUTF”), and the EUTF Board. Plaintiffs primarily allege that their constitutional rights have been impaired and they have suffered damages. The first phase of the trial of this case commenced in early November 2021, and was completed at the end of November 2021. Proposed Findings of Fact and Conclusions of Law were submitted by the parties in January 2022 and the Court issued its Findings of Fact and Conclusions of Law in March 2023. The trial reconvened in May 2023, and the presentation of evidence through witnesses was completed on October 25, 2023. The Court will entertain the submittal of documents by the Defendants, and the Court will then consider Findings of Facts and Conclusions of Law (“FOF/COL”) submitted by the parties in accordance with the following schedule: Plaintiffs’ FOF/COL on November 6, 2023; Defendants’ FOF/COLs on November 22, 2023; Plaintiffs’ responsive FOF/COL on December 1, 2023; and closing arguments and hearing on FOF/COLs on December 11, 2023.

The Court’s decision and final judgment will be issued and filed no later than January 31, 2024, the trial judge’s retirement date. It is anticipated that the Court’s decision on the FOF/COLs will be appealed by the losing party. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for Plaintiffs’ claims.

In addition, an action for declaratory relief was filed on August 31, 2022, and a First Amended Complaint was filed on October 3, 2022, by various insurers that have provided a defense for the Dannenberg lawsuit. Insurance coverage counsel has been retained to defend the State Defendants in this action. The insurer-Plaintiffs are seeking a declaration that they have no duty to defend the State Defendants under various insurance policies with respect to the Dannenberg lawsuit. The insurer-Plaintiffs have also requested that the Court find that the insurer-Plaintiffs are entitled to reimbursement of defense costs incurred, the amount of which was not specified but may be in excess of the initial policy of insurance that has been exhausted. No trial date has been scheduled as of November 14, 2023.

### **Maui Wildfires**

On August 8, 2023, a series of wildfires broke out on the island of Maui. The wildfires caused widespread damage in the town of Lahaina. As of November 20, 2023, 100 people have been confirmed dead from the wildfires and 4 people remain missing. The wildfires destroyed over 2,000 homes and businesses and displaced over 8,000 residents. See “MAUI WILDFIRES” in Appendix A.

As of October 25, 2023, the State has been named as a defendant in 26 cases arising out of the Maui wildfires, including claims for wrongful death, personal injury, emotional distress and property damage (including a class action for property damage). The allegations against the State include (1) negligent



maintenance of grasses and invasive species of plants that allegedly contributed to the spread of the wildfires, and (2) negligent handling of the emergency, including failure to use emergency sirens.

The cases are all in the earliest stages, and State is unable to predict whether additional cases will be filed against the State in the future. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for all such claims.

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## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

**STATE OF HAWAII**  
**\$750,000,000**  
**Taxable General Obligation Bonds of 2023**  
**Series GM**

(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 \$750,000,000 Taxable General Obligation Bonds of 2023, Series GM (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, 2023, 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 December 6, 2023, 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.

Dated: December 19, 2023

STATE OF HAWAII

By \_\_\_\_\_  
Luis P. Salaveria, 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 2023, Series GM

Date of Issuance: December 19, 2023

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 December 19, 2023. [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**

[Closing Date]

State of Hawaii  
Honolulu, Hawaii

**STATE OF HAWAII**  
**\$750,000,000**  
**TAXABLE GENERAL OBLIGATION BONDS OF 2023, SERIES GM**  
**(Base CUSIP: 419792)**

We have acted as bond counsel to the State of Hawaii (the “State”) in connection with the issuance by the State of \$750,000,000 aggregate principal amount of State of Hawaii Taxable General Obligation Bonds of 2023, Series GM (the “Bonds”), pursuant to the provisions of Part I of Chapter 39, Hawaii Revised Statutes, a Certificate of the Director of Finance of the State dated as of December 6, 2023, providing for the issuance of the Bonds (the “Certificate”), and various acts of the Legislature of the State identified in the Certificate.

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

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

1. The Bonds have been duly authorized and issued in accordance with the Constitution and laws of the State and constitute valid general obligations of the State.
2. The full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Bonds, and principal and interest payments on the Bonds are a first charge on the general fund of the State.
3. Interest on the Bonds is included in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.
4. Under existing laws of the State, the Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes.

The opinions expressed in paragraphs 1 and 2 above may be subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors’ rights, the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law, and limitations

on legal remedies against the State. Furthermore, no opinion is expressed as to the availability of any particular remedy.

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

We express no opinion herein as to the accuracy, adequacy, sufficiency or completeness of the Official Statement dated December 6, 2023 (or any update or amendment thereof or supplement thereto) relating to the Bonds, or any other financial or other information which has been or may be supplied to purchasers or prospective purchasers of the Bonds.

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

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

Very truly yours,

## **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](http://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 depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

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

***Clearing and Settlement Procedures.*** The 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.

THE ABOVE INFORMATION CONCERNING EUROCLEAR OR CLEARSTREAM HAS BEEN OBTAINED FROM SOURCES THAT THE ISSUER BELIEVES TO BE RELIABLE, BUT THE ISSUER TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.



