
A BILL FOR AN ACT

PROPOSING AMENDMENTS TO ARTICLE VII, SECTION 12, OF THE HAWAII
CONSTITUTION TO AUTHORIZE THE COUNTIES TO ISSUE TAX
INCREMENT BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to propose
2 amendments to article VII, section 12, of the Constitution of
3 the State of Hawaii to allow the counties to issue tax increment
4 bonds.

5 SECTION 2. Article VII, section 12, of the Constitution of
6 the State of Hawaii is amended to read as follows:

7 **"DEFINITIONS; ISSUANCE OF INDEBTEDNESS**

8 **Section 12.** For the purposes of this article:

9 1. The term "bonds" shall include bonds, notes and other
10 instruments of indebtedness.

11 2. The term "general obligation bonds" means all bonds for
12 the payment of the principal and interest of which the full
13 faith and credit of the State or a political subdivision are
14 pledged and, unless otherwise indicated, includes reimbursable
15 general obligation bonds.



1 3. The term "net revenues" or "net user tax receipts"

2 means the revenues or receipts derived from:

3 a. A public undertaking, improvement or system remaining
4 after the costs of operation, maintenance and repair
5 of the public undertaking, improvement or system, and
6 the required payments of the principal of and interest
7 on all revenue bonds issued therefor, have been made;
8 or

9 b. Any payments or return on security under a loan
10 program or a loan thereunder, after the costs of
11 operation and administration of the loan program, and
12 the required payments of the principal of and interest
13 on all revenue bonds issued therefor, have been made.

14 4. The term "dam and reservoir owner" means any person who
15 has a right to, title to, or an interest in, a dam, a reservoir,
16 or the property upon which a dam, a reservoir, or appurtenant
17 work is located or proposed to be located.

18 5. The term "person" means an individual, firm,
19 partnership, corporation, association, cooperative or other
20 legal entity, governmental body or agency, board, bureau or



1 other instrumentality thereof, or any combination of the
2 foregoing.

3 6. The term "rates, rentals and charges" means all
4 revenues and other moneys derived from the operation or lease of
5 a public undertaking, improvement or system, or derived from any
6 payments or return on security under a loan program or a loan
7 thereunder; provided that insurance premium payments,
8 assessments and surcharges, shall constitute rates, rentals and
9 charges of a state property insurance program.

10 7. The term "reimbursable general obligation bonds" means
11 general obligation bonds issued for a public undertaking,
12 improvement or system from which revenues, or user taxes, or a
13 combination of both, may be derived for the payment of the
14 principal and interest as reimbursement to the general fund and
15 for which reimbursement is required by law, and, in the case of
16 general obligation bonds issued by the State for a political
17 subdivision, general obligation bonds for which the payment of
18 the principal and interest as reimbursement to the general fund
19 is required by law to be made from the revenue of the political
20 subdivision.



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

8 9. The term "tax increment bonds" means all bonds, the
9 principal of and interest on which are payable from and secured
10 solely by all real property taxes levied by a political
11 subdivision such as a county, for a period not to
12 exceed years, on the assessed valuation of the real property
13 in a tax increment district established by the political
14 subdivision that is in excess of the assessed valuation of the
15 real property for the year prior to the undertaking of specified
16 public works, public improvements or other actions by the
17 political subdivision within the tax increment district.

18 ~~[9.]~~ 10. The term "special purpose revenue bonds" means
19 all bonds payable from rental or other payments made to an
20 issuer by a person pursuant to contract and secured as may be
21 provided by law.



1 ~~[10.]~~ 11. The term "user tax" means a tax on goods or
2 services or on the consumption thereof, the receipts of which
3 are substantially derived from the consumption, use or sale of
4 goods and services in the utilization of the functions or
5 services furnished by a public undertaking, improvement or
6 system; provided that mortgage recording taxes shall constitute
7 user taxes of a state property insurance program.

8 The legislature, by a majority vote of the members to which
9 each house is entitled, shall authorize the issuance of all
10 general obligation bonds, bonds issued under special improvement
11 statutes and revenue bonds issued by or on behalf of the State
12 and shall prescribe by general law the manner and procedure for
13 such issuance. The legislature by general law shall authorize
14 political subdivisions to issue general obligation bonds, bonds
15 issued under special improvement statutes ~~[and]~~, revenue bonds
16 and tax increment bonds and shall prescribe the manner and
17 procedure for such issuance. All such bonds issued by or on
18 behalf of a political subdivision shall be authorized by the
19 governing body of such political subdivision.



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

- 4 1. Manufacturing, processing or industrial enterprises;
- 5 2. Utilities serving the general public;
- 6 3. Health care facilities provided to the general public
7 by not-for-profit corporations;
- 8 4. Early childhood education and care facilities provided
9 to the general public by not-for-profit corporations;
- 10 5. Low and moderate income government housing programs;
- 11 6. Not-for-profit private nonsectarian and sectarian
12 elementary schools, secondary schools, colleges and
13 universities;
- 14 7. Agricultural enterprises; or
- 15 8. Dam and reservoir owners; provided that the bonds are
16 issued for and the proceeds are used to offer loans to
17 assist dam and reservoir owners to improve their
18 facilities to protect public safety and provide
19 significant benefits to the general public as
20 important water sources,



1 each of which is hereinafter referred to in this paragraph as a
2 special purpose entity.

3 The legislature, by a two-thirds vote of the members to
4 which each house is entitled, may enact enabling legislation for
5 the issuance of special purpose revenue bonds separately for
6 each special purpose entity, and, by a two-thirds vote of the
7 members to which each house is entitled and by separate
8 legislative bill, may authorize the State to issue special
9 purpose revenue bonds for each single project or multi-project
10 program of each special purpose entity; provided that the
11 issuance of such special purpose revenue bonds is found to be in
12 the public interest by the legislature; and provided further
13 that the State may combine into a single issue of special
14 purpose revenue bonds two or more proposed issues of special
15 purpose revenue bonds to assist:

- 16 (1) Not-for-profit private nonsectarian and sectarian
17 elementary schools, secondary schools, colleges, and
18 universities;
- 19 (2) Dam and reservoir owners; or
- 20 (3) Agricultural enterprises,



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



H.B. NO. 1457

1 special purpose revenue bonds authorized and issued, and such
2 other information as may be necessary."

3 SECTION 3. The question to be printed on the ballot shall
4 be as follows:

5 "Shall the state constitution be amended to expressly
6 provide that the legislature may authorize the counties to
7 issue tax increment bonds?"

8 SECTION 4. Constitutional material to be repealed is
9 bracketed and stricken. New constitutional material is
10 underscored.

11 SECTION 5. This amendment shall take effect upon
12 compliance with article XVII, section 3, of the Constitution of
13 the State of Hawaii.

14

INTRODUCED BY: Sam

JAN 25 2023



H.B. NO. 1457

Report Title:

Tax Increment Bonds; Counties; Proposed Constitutional Amendment

Description:

Proposes amendments to the Constitution of the State of Hawaii to expressly provide that the Legislature may authorize the Counties to issue tax increment bonds.

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