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# A BILL FOR AN ACT

PROPOSING AMENDMENTS TO THE HAWAII STATE CONSTITUTION RELATING  
TO SPECIAL PURPOSE REVENUE 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:

4           (1) Authorize the State to issue special purpose revenue  
5 bonds and use the proceeds from the bonds to assist  
6 not-for-profit private organizations in the  
7 development of low- and moderate-income housing; and

8           (2) Authorize the State to combine into a single issue of  
9 special purpose revenue bonds two or more proposed  
10 issues of special purpose revenue bonds to assist not-  
11 for-profit private organizations in the development of  
12 low- and moderate-income housing, separately  
13 authorized, in the total amount of not exceeding the  
14 aggregate of the proposed separate issues of special  
15 purpose revenue bonds.

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



1                   **"DEFINITIONS; ISSUANCE OF INDEBTEDNESS**

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

3           1. The term "bonds" shall include bonds, notes and other  
4 instruments of indebtedness.

5           2. The term "general obligation bonds" means all bonds for  
6 the payment of the principal and interest of which the full  
7 faith and credit of the State or a political subdivision are  
8 pledged and, unless otherwise indicated, includes reimbursable  
9 general obligation bonds.

10          3. The term "net revenues" or "net user tax receipts"  
11 means the revenues or receipts derived from:

12          a. A public undertaking, improvement or system remaining  
13 after the costs of operation, maintenance and repair  
14 of the public undertaking, improvement or system, and  
15 the required payments of the principal of and interest  
16 on all revenue bonds issued therefor, have been made;

17 or

18          b. Any payments or return on security under a loan  
19 program or a loan thereunder, after the costs of  
20 operation and administration of the loan program, and  
21 the required payments of the principal of and interest  
22 on all revenue bonds issued therefor, have been made.



1           4. The term "person" means an individual, firm,  
2 partnership, corporation, association, cooperative or other  
3 legal entity, governmental body or agency, board, bureau or  
4 other instrumentality thereof, or any combination of the  
5 foregoing.

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

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



1 is required by law to be made from the revenue of the political  
2 subdivision.

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

10 8. The term "special purpose revenue bonds" means all  
11 bonds payable from rental or other payments made to an issuer by  
12 a person pursuant to contract and secured as may be provided by  
13 law.

14 9. The term "user tax" means a tax on goods or services or  
15 on the consumption thereof, the receipts of which are  
16 substantially derived from the consumption, use or sale of goods  
17 and services in the utilization of the functions or services  
18 furnished by a public undertaking, improvement or system;  
19 provided that mortgage recording taxes shall constitute user  
20 taxes of a state property insurance program.

21 The legislature, by a majority vote of the members to which  
22 each house is entitled, shall authorize the issuance of all



1 general obligation bonds, bonds issued under special improvement  
2 statutes and revenue bonds issued by or on behalf of the State  
3 and shall prescribe by general law the manner and procedure for  
4 such issuance. The legislature by general law shall authorize  
5 political subdivisions to issue general obligation bonds, bonds  
6 issued under special improvement statutes and revenue bonds and  
7 shall prescribe the manner and procedure for such issuance. All  
8 such bonds issued by or on behalf of a political subdivision  
9 shall be authorized by the governing body of such political  
10 subdivision.

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

- 14 1. Manufacturing, processing or industrial enterprises;
- 15 2. Utilities serving the general public;
- 16 3. Health care facilities provided to the general public  
17 by not-for-profit corporations;
- 18 4. Early childhood education and care facilities provided  
19 to the general public by not-for-profit corporations;
- 20 5. Low and moderate income government housing programs;
- 21 [~~or~~]



1           6. Not-for-profit private nonsectarian and sectarian  
2           elementary schools, secondary schools, colleges and  
3           universities~~[7]~~; or

4           7. Not-for-profit private organizations in the  
5           development of low and moderate income housing,

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

8           The legislature, by a two-thirds vote of the members to  
9 which each house is entitled, may enact enabling legislation for  
10 the issuance of special purpose revenue bonds separately for  
11 each special purpose entity, and, by a two-thirds vote of the  
12 members to which each house is entitled and by separate  
13 legislative bill, may authorize the State to issue special  
14 purpose revenue bonds for each single project or multi-project  
15 program of each special purpose entity; provided that the  
16 issuance of such special purpose revenue bonds is found to be in  
17 the public interest by the legislature; ~~and~~ provided further  
18 that the State may combine into a single issue of special  
19 purpose revenue bonds two or more proposed issues of special  
20 purpose revenue bonds to assist not-for-profit private  
21 nonsectarian and sectarian elementary schools, secondary  
22 schools, colleges, and universities, separately authorized as



1 aforesaid, in the total amount of not exceeding the aggregate of  
2 the proposed separate issues of special purpose revenue  
3 bonds[-]; and provided further that the State may combine into a  
4 single issue of special purpose revenue bonds two or more  
5 proposed issues of special purpose revenue bonds to assist not-  
6 for-profit private organizations in the development of low and  
7 moderate income housing, separately authorized as aforesaid, in  
8 the total amount of not exceeding the aggregate of the proposed  
9 separate issues of special purpose revenue bonds. The  
10 legislature may enact enabling legislation to authorize  
11 political subdivisions to issue special purpose revenue bonds.  
12 If so authorized, a political subdivision by a two-thirds vote  
13 of the members to which its governing body is entitled and by  
14 separate ordinance may authorize the issuance of special purpose  
15 revenue bonds for each single project or multi-project program  
16 of each special purpose entity; provided that the issuance of  
17 such special purpose revenue bonds is found to be in the public  
18 interest by the governing body of the political subdivision. No  
19 special purpose revenue bonds shall be secured directly or  
20 indirectly by the general credit of the issuer or by any  
21 revenues or taxes of the issuer other than receipts derived from  
22 payments by a person or persons under contract or from any



1 security for such contract or contracts or special purpose  
2 revenue bonds and no moneys other than such receipts shall be  
3 applied to the payment thereof. The governor shall provide the  
4 legislature in November of each year with a report on the  
5 cumulative amount of all special purpose revenue bonds  
6 authorized and issued, and such other information as may be  
7 necessary."

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

10 "Shall the State be authorized to issue special purpose  
11 revenue bonds and use the proceeds from the bonds to assist  
12 not-for-profit private organizations in the development of  
13 low and moderate income housing; and to combine into a  
14 single issue of special purpose revenue bonds two or more  
15 proposed issues of special purpose revenue bonds to assist  
16 not-for-profit private organizations in the development of  
17 low and moderate income housing, separately authorized, in a  
18 total amount not exceeding the aggregate of the proposed  
19 separate issues of special purpose revenue bonds?"

20 SECTION 4. Constitutional material to be repealed is  
21 bracketed and stricken. New constitutional material is  
22 underscored.





1           SECTION 5. This amendment shall take effect on July 1,  
2 2020, upon compliance with article XVII, section 3, of the  
3 Constitution of the State of Hawaii.



**Report Title:**

Constitution Amend.; SPRBs; Low and Moderate Income Housing

**Description:**

Proposes constitutional amendment to authorize the State to issue special purpose revenue bonds to assist not-for-profit private organizations in the development of low and moderate income housing. Effective date July 1, 2020. (SB2571 HD1)

