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# A BILL FOR AN ACT

PROPOSING AMENDMENTS TO THE HAWAII STATE CONSTITUTION RELATING  
TO ISSUANCE OF 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, and article X, section 1,  
3 of the Constitution of the State of Hawaii, to authorize the  
4 State to issue special purpose revenue bonds and use the  
5 proceeds from those bonds to assist not-for-profit organizations  
6 that support charter schools.

7           SECTION 2. Article 7, section 12, of the Constitution of  
8 the State of Hawaii is amended to read as follows:

9                           **"DEFINITIONS; ISSUANCE OF INDEBTEDNESS**

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

11           1. The term "bonds" shall include bonds, notes and other  
12 instruments of indebtedness.

13           2. The term "general obligation bonds" means all bonds for  
14 the payment of the principal and interest of which the full  
15 faith and credit of the State or a political subdivision are  
16 pledged and, unless otherwise indicated, includes reimbursable  
17 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 "person" means an individual, firm,  
15           partnership, corporation, association, cooperative or other  
16           legal entity, governmental body or agency, board, bureau or  
17           other instrumentality thereof, or any combination of the  
18           foregoing.

19           5. The term "rates, rentals and charges" means all  
20           revenues and other moneys derived from the operation or lease of  
21           a public undertaking, improvement or system, or derived from any  
22           payments or return on security under a loan program or a loan

1 thereunder; provided that insurance premium payments,  
2 assessments and surcharges, shall constitute rates, rentals and  
3 charges of a state property insurance program.

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

15       7. The term "revenue bonds" means all bonds payable from  
16 the revenues, or user taxes, or any combination of both, of a  
17 public undertaking, improvement, system or loan program and any  
18 loan made thereunder and secured as may be provided by law,  
19 including a loan program to provide loans to a state property  
20 insurance program providing hurricane insurance coverage to the  
21 general public.

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

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

12           The legislature, by a majority vote of the members to which  
13 each house is entitled, shall authorize the issuance of all  
14 general obligation bonds, bonds issued under special improvement  
15 statutes and revenue bonds issued by or on behalf of the State  
16 and shall prescribe by general law the manner and procedure for  
17 such issuance. The legislature by general law shall authorize  
18 political subdivisions to issue general obligation bonds, bonds  
19 issued under special improvement statutes and revenue bonds and  
20 shall prescribe the manner and procedure for such issuance. All  
21 such bonds issued by or on behalf of a political subdivision

1 shall be authorized by the governing body of such political  
2 subdivision.

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

6 1. Manufacturing, processing, or industrial enterprises;

7 2. Utilities serving the general public;

8 3. Health care facilities provided to the general public  
9 by not-for-profit corporations;

10 4. Early childhood education and care facilities provided  
11 to the general public by not-for-profit corporations;

12 5. Low and moderate income government housing programs;

13 6. Not-for-profit private nonsectarian and sectarian  
14 elementary schools, secondary schools, colleges and  
15 universities; [~~or~~]

16 7. Agricultural enterprises serving important agricultural  
17 lands [~~or~~]; or

18 8. Not-for-profit organizations that support charter  
19 schools,

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

1           The legislature, by a two-thirds vote of the members to  
2 which each house is entitled, may enact enabling legislation for  
3 the issuance of special purpose revenue bonds separately for  
4 each special purpose entity, and, by a two-thirds vote of the  
5 members to which each house is entitled and by separate  
6 legislative bill, may authorize the State to issue special  
7 purpose revenue bonds for each single project or multi-project  
8 program of each special purpose entity; provided that the  
9 issuance of such special purpose revenue bonds is found to be in  
10 the public interest by the legislature; and provided further  
11 that the State may combine into a single issue of special  
12 purpose revenue bonds two or more proposed issues of special  
13 purpose revenue bonds to assist not-for-profit private  
14 nonsectarian and sectarian elementary schools, secondary  
15 schools, colleges, and universities, and not-for-profit  
16 organizations that support charter schools, separately  
17 authorized as aforesaid, in the total amount of not exceeding  
18 the aggregate of the proposed separate issues of special purpose  
19 revenue bonds. The legislature may enact enabling legislation  
20 to authorize political subdivisions to issue special purpose  
21 revenue bonds. If so authorized, a political subdivision by a  
22 two-thirds vote of the members to which its governing body is

1 entitled and by separate ordinance may authorize the issuance of  
2 special purpose revenue bonds for each single project or multi-  
3 project program of each special purpose entity; provided that  
4 the issuance of such special purpose revenue bonds is found to  
5 be in the public interest by the governing body of the political  
6 subdivision. No special purpose revenue bonds shall be secured  
7 directly or indirectly by the general credit of the issuer or by  
8 any revenues or taxes of the issuer other than receipts derived  
9 from payments by a person or persons under contract or from any  
10 security for such contract or contracts or special purpose  
11 revenue bonds and no moneys other than such receipts shall be  
12 applied to the payment thereof. The governor shall provide the  
13 legislature in November of each year with a report on the  
14 cumulative amount of all special purpose revenue bonds  
15 authorized and issued, and such other information as may be  
16 necessary."

17 SECTION 3. Article X, section 1, of the Constitution of  
18 the State of Hawaii is amended to read as follows:

19 **"PUBLIC EDUCATION**

20 **Section 1.** The State shall provide for the establishment,  
21 support and control of a statewide system of public schools free  
22 from sectarian control, a state university, public libraries and

1 such other educational institutions as may be deemed desirable,  
2 including physical facilities therefor. There shall be no  
3 discrimination in public educational institutions because of  
4 race, religion, sex or ancestry; nor shall public funds be  
5 appropriated for the support or benefit of any sectarian or  
6 nonsectarian private educational institution, except that  
7 proceeds of special purpose revenue bonds authorized or issued  
8 under section 12 of Article VII may be appropriated to finance  
9 or assist:

10 1. Not-for-profit corporations that provide early  
11 childhood education and care facilities serving the general  
12 public; [~~and~~]

13 2. Not-for-profit private nonsectarian and sectarian  
14 elementary schools, secondary schools, colleges and  
15 universities[~~;~~]; and

16 3. Not-for-profit organizations that support charter  
17 schools."

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

20 "Shall the State be authorized to issue special purpose  
21 revenue bonds and use the proceeds from the bonds to assist  
22 not-for-profit organizations that support charter schools?"



1           SECTION 5. Constitutional material to be repealed is  
2 bracketed and stricken. New constitutional material is  
3 underscored.

4           SECTION 6. This amendment shall take effect on July 1,  
5 2040, and upon compliance with article XVII, section 3, of the  
6 Constitution of the State of Hawaii.

**Report Title:**

SPRBs; Constitutional Amendment; Charter Schools

**Description:**

Proposes a constitutional amendment to authorize the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist not-for-profit organizations that support charter schools. (SD1)