
A BILL FOR AN ACT

PROPOSING AMENDMENTS TO ARTICLE VII, SECTION 12, AND ARTICLE X, SECTION 1, OF THE CONSTITUTION OF THE STATE OF HAWAII TO AUTHORIZE THE STATE TO ISSUE SPECIAL PURPOSE REVENUE BONDS AND USE THE PROCEEDS FROM THE BONDS TO ASSIST NOT-FOR-PROFIT ORGANIZATIONS THAT PROVIDE CAPITAL IMPROVEMENT FUNDING TO PUBLIC ELEMENTARY SCHOOLS, SECONDARY SCHOOLS, COLLEGES, AND UNIVERSITIES.

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

- 1 SECTION 1. The purpose of this Act is to:
- 2 (1) Propose amendments to article VII, section 12, and
- 3 article X, section 1, of the Constitution of the State
- 4 of Hawaii to authorize the State to issue special
- 5 purpose revenue bonds and use the proceeds from the
- 6 bonds to assist not-for-profit organizations that
- 7 provide capital improvement funding to public
- 8 elementary schools, secondary schools, colleges, and
- 9 universities; and
- 10 (2) Propose amendments to article VII, section 12 of the
- 11 Constitution of the State of Hawaii to authorize the
- 12 State to combine into a single issue of special
- 13 purpose revenue bonds two or more proposed issues of
- 14 special purpose revenue bonds to assist not-for-profit
- 15 organizations that provide capital improvement funding



1 to public elementary schools, secondary schools,
 2 colleges, and universities, separately authorized, in
 3 the total amount of not exceeding the aggregate of the
 4 proposed separate issues of special purpose revenue
 5 bonds.

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

8 **"DEFINITIONS; ISSUANCE OF INDEBTEDNESS**

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

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

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

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

- 19 a. A public undertaking, improvement or system remaining
- 20 after the costs of operation, maintenance and repair
- 21 of the public undertaking, improvement or system, and
- 22 the required payments of the principal of and interest



1 on all revenue bonds issued therefor, have been made;

2 or

3 b. Any payments or return on security under a loan
4 program or a loan thereunder, after the costs of
5 operation and administration of the loan program, and
6 the required payments of the principal of and interest
7 on all revenue bonds issued therefor, have been made.

8 4. The term "person" means an individual, firm,
9 partnership, corporation, association, cooperative or other
10 legal entity, governmental body or agency, board, bureau or
11 other instrumentality thereof, or any combination of the
12 foregoing.

13 5. The term "rates, rentals and charges" means all
14 revenues and other moneys derived from the operation or lease of
15 a public undertaking, improvement or system, or derived from any
16 payments or return on security under a loan program or a loan
17 thereunder; provided that insurance premium payments,
18 assessments and surcharges, shall constitute rates, rentals and
19 charges of a state property insurance program.

20 6. The term "reimbursable general obligation bonds" means
21 general obligation bonds issued for a public undertaking,
22 improvement or system from which revenues, or user taxes, or a



1 combination of both, may be derived for the payment of the
2 principal and interest as reimbursement to the general fund and
3 for which reimbursement is required by law, and, in the case of
4 general obligation bonds issued by the State for a political
5 subdivision, general obligation bonds for which the payment of
6 the principal and interest as reimbursement to the general fund
7 is required by law to be made from the revenue of the political
8 subdivision.

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

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

20 9. The term "user tax" means a tax on goods or services or
21 on the consumption thereof, the receipts of which are
22 substantially derived from the consumption, use or sale of goods



1 and services in the utilization of the functions or services
2 furnished by a public undertaking, improvement or system;
3 provided that mortgage recording taxes shall constitute user
4 taxes of a state property insurance program.

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

17 Special purpose revenue bonds shall only be authorized or
18 issued to finance facilities of or for, or to loan the proceeds
19 of such bonds to assist:

- 20 1. Manufacturing, processing, or industrial enterprises;
- 21 2. Utilities serving the general public;



- 1 3. Health care facilities provided to the general public
2 by not-for-profit corporations;
- 3 4. Early childhood education and care facilities provided
4 to the general public by not-for-profit corporations;
- 5 5. Low and moderate income government housing programs;
- 6 6. Not-for-profit private nonsectarian and sectarian
7 elementary schools, secondary schools, colleges and
8 universities; [~~or~~]
- 9 7. Agricultural enterprises serving important
10 agricultural lands[~~7~~]; or
- 11 8. Not-for-profit organizations that provide capital
12 improvement funding to public elementary schools,
13 secondary schools, colleges and universities,
- 14 each of which is hereinafter referred to in this paragraph as a
15 special purpose entity.

16 The legislature, by a two-thirds vote of the members to
17 which each house is entitled, may enact enabling legislation for
18 the issuance of special purpose revenue bonds separately for
19 each special purpose entity, and, by a two-thirds vote of the
20 members to which each house is entitled and by separate
21 legislative bill, may authorize the State to issue special
22 purpose revenue bonds for each single project or multi-project



1 program of each special purpose entity; provided that the
2 issuance of such special purpose revenue bonds is found to be in
3 the public interest by the legislature; and provided further
4 that the State may combine into a single issue of special
5 purpose revenue bonds two or more proposed issues of special
6 purpose revenue bonds to assist not-for-profit private
7 nonsectarian and sectarian elementary schools, secondary
8 schools, colleges, and universities, or not-for-profit
9 organizations that provide capital improvement funding to public
10 elementary schools, secondary schools, colleges and
11 universities, separately authorized as aforesaid, in the total
12 amount of not exceeding the aggregate of the proposed separate
13 issues of special purpose revenue bonds. The legislature may
14 enact enabling legislation to authorize political subdivisions
15 to issue special purpose revenue bonds. If so authorized, a
16 political subdivision by a two-thirds vote of the members to
17 which its governing body is entitled and by separate ordinance
18 may authorize the issuance of special purpose revenue bonds for
19 each single project or multi-project program of each special
20 purpose entity; provided that the issuance of such special
21 purpose revenue bonds is found to be in the public interest by
22 the governing body of the political subdivision. No special



1 purpose revenue bonds shall be secured directly or indirectly by
2 the general credit of the issuer or by any revenues or taxes of
3 the issuer other than receipts derived from payments by a person
4 or persons under contract or from any security for such contract
5 or contracts or special purpose revenue bonds and no moneys
6 other than such receipts shall be applied to the payment
7 thereof. The governor shall provide the legislature in November
8 of each year with a report on the cumulative amount of all
9 special purpose revenue bonds authorized and issued, and such
10 other information as may be necessary."

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

13 **"PUBLIC EDUCATION**

14 **Section 1.** The State shall provide for the establishment,
15 support and control of a statewide system of public schools free
16 from sectarian control, a state university, public libraries and
17 such other educational institutions as may be deemed desirable,
18 including physical facilities therefor. There shall be no
19 discrimination in public educational institutions because of
20 race, religion, sex or ancestry; nor shall public funds be
21 appropriated for the support or benefit of any sectarian or
22 nonsectarian private educational institution, except that



1 proceeds of special purpose revenue bonds authorized or issued
2 under section 12 of Article VII may be appropriated to finance
3 or assist:

4 1. Not-for-profit corporations that provide early
5 childhood education and care facilities serving the general
6 public; [and]

7 2. Not-for-profit private nonsectarian and sectarian
8 elementary schools, secondary schools, colleges and
9 universities[-]; and

10 3. Not-for-profit organizations that provide capital
11 improvement funding to public elementary schools, secondary
12 schools, colleges and universities."

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

15 "Shall the State be authorized to issue special purpose
16 revenue bonds and use the proceeds from the bonds to assist not-
17 for-profit organizations that provide capital improvement
18 funding to public elementary schools, secondary schools,
19 colleges, and universities; and to combine into a single issue
20 of special purpose revenue bonds two or more proposed issues of
21 special purpose revenue bonds to assist not-for-profit
22 organizations that provide capital improvement funding to public



1 elementary schools, secondary schools, colleges, and
 2 universities, separately authorized, in a total amount not
 3 exceeding the aggregate of the proposed separate issues of
 4 special purpose revenue bonds?"

5 SECTION 5. Constitutional material to be repealed is
 6 bracketed and stricken. New constitutional material is
 7 underscored.

8 SECTION 6. This amendment shall take effect upon compliance
 9 with article XVII, section 3, of the Constitution of the State
 10 of Hawaii.

11

INTRODUCED BY:



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Report Title:

Special Purpose Revenue Bonds; Constitutional Amendment;
Not-for-profit School Organizations

Description:

Proposes constitutional amendments to: (1) authorize the State to issue special purpose revenue bonds to assist not-for-profit organizations that provide capital improvement funding to public elementary schools, secondary schools, colleges, and universities; and (2) authorize the State to combine two or more proposed issues of these bonds into a single issue in an amount not to exceed the combined total amount of the proposed issues.

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