

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON JUDICIARY
ON
HOUSE BILL NO. 2168

February 6, 2014

RELATING TO TAX INCREMENT BONDS

House Bill No. 2168 conforms the state debt limit statements laws to include tax increment bonds if a constitutional amendment authorizing the use of such bonds is ratified.

The Department has a technical comment on the bill. The bill incorrectly proposes to amend Section 39-92, HRS, which relates to State of Hawaii's Debt Limit Statement. As the proposed constitutional amendment relates to the issuance of tax increment bonds by the counties, Chapter 47C, HRS, would need to be amended to conform the counties' funded debt statement laws to include the tax increment bonds should the constitutional amendment authorizing the use of such bonds be ratified.

Thank you for the opportunity to provide testimony on this measure.

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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Testimony to the House Committee on Judiciary

Thursday, February 6, 2014

2:00 p.m.

State Capitol - Conference Room 325

SUBJECT: H.B. 2167, PROPOSING AMENDMENTS TO ARTICLE VII, SECTIONS 12 AND 13, OF THE HAWAII CONSTITUTION TO AUTHORIZE THE COUNTIES TO ISSUE TAX INCREMENT BONDS AND TO EXCLUDE TAX INCREMENT BONDS FROM DETERMINATIONS OF THE FUNDED DEBT OF THE COUNTIES AND H.B. 2168, RELATING TO TAX INCREMENT BONDS

Dear Chair Rhoads, Vice-Chair Har, and members of the Committee:

My name is Gladys Marrone, Government Relations Director for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-HAWAII supports both H.B. 2167 and H.B.2168. H.B. 2167 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 and to exclude tax increment bonds in determining the funded debt of the counties. H.B. 2168 proposes to conform state debt limit statements laws to include tax increment bonds if a constitutional amendment authorizing the use of such bonds is ratified.

BIA Hawaii has been a strong proponent of providing new alternatives to fund public infrastructure in Hawaii. Tax Increment Financing (TIF) is currently allowed for in County ordinances; however, none of the Counties have implemented it as an alternative to financing infrastructure in Hawaii.

It is not clear, however, whether or not the proposed bills will address the issues that have prevented the Counties from implementing TIF's. We hope that the proposed bills provide more certainty for the Counties to implement TIF's in Hawaii.

Thank you for the opportunity to express our views on this matter.



**Testimony to the House Committee on Judiciary
Thursday, February 6, 2014 at 2:00 p.m.
State Capitol - Conference Room 325**

RE: HOUSE BILL 2168 RELATING TO TAX INCREMENT BONDS

Chair Rhoads and Vice Chair Har and members of the committee:

The Chamber **supports** H.B. 2168, which proposes to conform state debt limit statements laws to include tax increment bonds if a constitutional amendment authorizing the use of such bonds is ratified.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber has been a strong proponent of providing new alternatives to fund public infrastructure in Hawaii. Tax Increment Financing (TIF) has been allowed for in the Statutes for some years now; however, none of the Counties have implemented it as an alternative to financing infrastructure in Hawaii.

It is not clear whether or not the proposed bill will address the issues that have prevented the Counties from implementing TIFs. We hope that the proposed bill will provide more certainty for the Counties to implement TIFs in Hawaii.

Thank you for the opportunity to express our views on this matter.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SEVENTH LEGISLATURE, 2014**

ON THE FOLLOWING MEASURE:

H.B. NO. 2168, RELATING TO TAX INCREMENT BONDS.

BEFORE THE:

HOUSE COMMITTEE ON JUDICIARY

DATE: Thursday, February 6, 2014

TIME: 2:00 p.m.

LOCATION: State Capitol, Room 325

TESTIFIER(S): David M. Louie, Attorney General, or
Randall S. Nishiyama, Deputy Attorney General

Chair Rhoads and Members of the Committee:

The Department of the Attorney General provides the following comments regarding this bill.

This bill amends section 39-92, Hawaii Revised Statutes (HRS), to conform the state debt limit statement laws to include tax increment bonds if the constitutional amendments authorizing the counties to issue tax increment bonds are authorized by the Legislature and ratified by the electorate. Tax increment bonds can be used to finance public improvements for redevelopment and for economic development within a designated tax increment area.

While this bill proposes to amend the statutes pertaining to the state debt limit ceiling to exclude tax increment bonds issued by the counties, we note that the state debt limit ceiling applies only to state debt issuances. Because the proposed constitutional amendments seek to authorize the issuance of tax increment bonds by the counties, this bill should be amending chapter 47C, HRS, Indebtedness of the Counties, Exclusions from the Funded Debt, and Certification Thereof, the governing statutory framework for the debt limit statement for the counties, and not section 39-92.

We respectfully ask the Committee to consider our comments.