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# A BILL FOR AN ACT

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.

**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





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



**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. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

