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# A BILL FOR AN ACT

RELATING TO TAX INCREMENT BONDS.

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

1           SECTION 1. Section 47C-1, Hawaii Revised Statutes, is  
2 amended to read as follows:

3           "**§47C-1 Definitions.** As used in sections 47C-1 through  
4 47C-6, the following words and terms shall have the following  
5 meanings:

6           "Chairperson of the finance committee" shall mean the  
7 chairperson of the finance committee of the council of the  
8 county, or if the council of the county does not have a finance  
9 committee, the member of the council appointed by the council to  
10 perform the functions required by this chapter to be performed  
11 by the chairperson of the finance committee of the council.

12           "Corporation counsel" shall mean the chief legal advisor or  
13 legal representative of the county.

14           "County" shall include each county of the State, including  
15 the city and county of Honolulu.

16           "Director of finance" shall mean the director of finance of  
17 the county, or if the county does not have a director of  
18 finance, the officer of the county in whom is vested the

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1 functions and powers of maintaining the treasury of the county  
2 and issuing and selling, paying interest on, and redeeming bonds  
3 of the county.

4 "Fiscal year" shall mean the fiscal year of the county as  
5 defined in section 46-41.

6 "Special assessment bonds" shall mean bonds issued under  
7 special improvement statutes when the only security for [~~sueh~~]  
8 the bonds is the assessments or special taxes levied and  
9 assessed under those statutes or properties subject to the  
10 assessments or special taxes.

11 As used in sections 47C-1 through 47C-6, the words or terms  
12 "bonds", "general obligation bonds", "net revenue", "net user  
13 tax receipts", "reimbursable general obligation bonds", "revenue  
14 bonds", "special purpose revenue bonds", "tax increment bonds",  
15 and "user tax" shall have the respective meanings given to  
16 [~~sueh~~] those words and terms in section 12 of article VII of the  
17 constitution."

18 SECTION 2. Section 47C-2, Hawaii Revised Statutes, is  
19 amended to read as follows:

20 "§47C-2 Determination of funded debt. Within ninety days  
21 after the first day of each fiscal year, the director of finance  
22 of each county shall ascertain and set forth in a tabular

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1 summary the total indebtedness of the county outstanding and  
2 unpaid as of the first day of [~~such~~] that fiscal year. The  
3 summary shall include the following:

- 4 (1) An itemization of the total principal amount of all  
5 general obligation bonds, reimbursable general  
6 obligation bonds, revenue bonds, special assessment  
7 bonds, special purpose revenue bonds, and all other  
8 bonds of the county outstanding and unpaid, including  
9 bonds [~~which~~] that may be excluded under clauses 1, 2,  
10 3, 4, 5, 6, 8, [~~and~~] 9, and 10 of section 13 of  
11 article VII of the constitution when determining the  
12 funded debt of the county for the purposes of that  
13 section together with a grand total of such total  
14 principal amounts [~~-~~];
- 15 (2) The total principal amount of all bonds of the State  
16 required by clause (7) of section 13 of article VII of  
17 the constitution to be included when determining the  
18 funded debt of the county for the purposes of that  
19 section [~~-~~];
- 20 (3) A grand total of the total principal amounts set forth  
21 in the summary pursuant to paragraphs (1) and (2) [~~-~~];

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1           (4) An itemization of the total of the principal amount of  
2           all general obligation bonds, reimbursable general  
3           obligation bonds, revenue bonds, special assessment  
4           bonds, and special purpose revenue bonds of the county  
5           outstanding and unpaid [~~which~~] that may be excluded  
6           under clauses 1, 2, 3, 4, 5, 6, 8, and 9 of section 13  
7           of article VII of the constitution when determining  
8           the total funded debt of the county for the purposes  
9           of that section, together with a grand total of such  
10          total principal amounts[-]; and

11          (5) The difference between the grand total principal  
12          amount set forth in the summary pursuant to paragraph  
13          (3) and the grand total principal amount set forth in  
14          the summary pursuant to paragraph (4).

15          The director of finance shall also prepare and attach to  
16          the tabular summary [~~such~~] supporting schedules as may be  
17          required to set forth in detail the bonds included in the  
18          itemizations required by paragraphs (1) and (4). [~~Such~~] The  
19          supporting schedules shall also set forth or make reference to  
20          the relevant statutory, charter, ordinance, or other legal  
21          provision, and the relevant figures of the tax increment as  
22          defined in section 46-102, assessment collections, revenues,

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1 user tax receipts, cost of operation, maintenance and repair,  
2 net revenues, net user tax receipts, reimbursements to the  
3 general fund, and other financial information, justifying the  
4 inclusion of [~~such~~] the bonds in the itemization required by  
5 paragraph (4). The director of finance shall indicate in the  
6 supporting schedules whether the financial findings and figures  
7 are based upon the records of the director's office or upon  
8 audited statements and reports, and if based upon the latter,  
9 shall identify in the schedules the audited reports and  
10 statements."

11 SECTION 3. Section 47C-3, Hawaii Revised Statutes, is  
12 amended to read as follows:

13 "§47C-3 Supplemental determination. Whenever the county  
14 proposes to issue bonds, the director of finance shall prepare a  
15 supplemental summary of the indebtedness of the county setting  
16 forth therein [~~such~~] information and findings as of a date  
17 within thirty days of the delivery of [~~such~~] the bonds as will  
18 bring up to date and make current the most recent summary  
19 prepared in accordance with the provisions of section 47C-2.  
20 The director of finance shall also prepare and attach to [~~such~~]  
21 the supplemental summary [~~such~~] supporting schedules as may be  
22 required to set forth in detail the variations and changes from

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1 the summary prepared in accordance with section 47C-2, including  
2 [~~such~~] legal and financial findings as will justify any changes  
3 in the itemizations set forth in [~~such~~] the previous summary  
4 pursuant to the requirements of paragraph (4) of section 47C-2.  
5 If all the bonds proposed to be issued may be excluded when  
6 determining the funded debt of the county for the purposes of  
7 section 13 of article VII of the constitution by reason of the  
8 provisions of clauses 2 [~~ex~~], 4, or 10 of that section, the  
9 supplemental summary and supporting schedules may be limited to  
10 [~~such~~] those bonds and findings as are necessary to justify  
11 [~~such~~] the exclusion under [~~such~~] those clauses.

12 In the event proceeds of the bonds proposed to be issued  
13 are to be applied to the retirement in the then fiscal year of  
14 outstanding bonds, including notes issued in anticipation of the  
15 issuance of the bonds proposed to be issued, for the purpose of  
16 applying the provisions of clause 1 of section 13 of article VII  
17 of the constitution to the bonds to be retired, that amount of  
18 [~~such~~] proceeds to be so applied may be considered and treated  
19 as moneys irrevocably set aside for the payment of [~~such~~] those  
20 bonds."

21 SECTION 4. Statutory material to be repealed is bracketed  
22 and stricken. New statutory material is underscored.

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1 SECTION 5. This Act shall take effect upon its approval  
2 and upon ratification of a constitutional amendment expressly  
3 providing that the legislature may authorize the counties to  
4 issue tax increment bonds, and further providing that tax  
5 increment bonds shall be excluded from determinations of the  
6 funded debt of the counties.

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INTRODUCED BY: \_\_\_\_\_



9

BY REQUEST

JAN 22 2024

# H.B. NO. 2363

**Report Title:**

Tax Increment Bonds; County Debt Limit Statements

**Description:**

Conforms county debt limit statements law to exclude tax increment bonds from the debt limit of the counties if a constitutional amendment authorizing the use of tax increment bonds and excluding tax increment bonds from determinations of the counties' funded debt is ratified.

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



## JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO TAX INCREMENT BONDS.

PURPOSE: To conform county debt limit statements law to permit counties to exclude tax increment bonds from the debt limit of the counties if a constitutional amendment authorizing the use of tax increment bonds and excluding tax increment bonds from determinations of the counties' funded debt is ratified.

MEANS: Amend sections 47C-1, 47C-2, and 47C-3, Hawaii Revised Statutes (HRS).

JUSTIFICATION: Tax increment financing uses a portion of property taxes in excess of a base assessed value and dedicates that portion to finance costs of a project through the issuance of bonds. While section 46-103, HRS, permits a county council to provide for tax increment financing, and section 46-104(2), HRS, grants a county the power to issue tax increment bonds, those types of financing and bonds do not fit neatly within the types of bonds that counties may issue under Hawaii's Constitution. This can be remedied by a separate bill, which proposes a constitutional amendment to expressly provide that the Legislature may authorize the counties to issue tax increment bonds and also provide that the Legislature shall exclude tax increment bonds in calculating the debt limit. If the constitutional amendment bill passes and the voters approve the constitutional amendment, this bill will allow county debt limit laws to be amended to enable use of tax increment bonds.

Impact on the public: No direct impacts to the public. If a constitutional amendment is approved, the bill allows counties to issue bonds to be issued to fund public infrastructure from increases in property

taxes attributable to higher density and mixed-use development in transit areas. Infrastructure improvements could expedite the production of affordable housing.

Impact on the department and other agencies:

The bill would enable counties to redirect property tax revenues to fund public infrastructure in areas that have experienced increased property valuations due to increased density and transit proximity. County concerns could arise from the diversion of future revenues that could restrict the county's ability to pay for basic services such as police, fire, and parks. On the other hand, infrastructure improvements could expedite the construction of housing and thus respond to the housing crisis. Agencies with development interests, such as Hawaii Public Housing Authority and Hawaii Housing Finance and Development Corporation would benefit from this financing tool that helps fund needed infrastructure.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: BED-144 PL.

OTHER AFFECTED AGENCIES: County of Kauai, City and County of Honolulu, County of Maui, and County of Hawaii.

EFFECTIVE DATE: Upon its approval and upon ratification of a constitutional amendment expressly providing that the legislature may authorize the counties to issue tax increment bonds and excluding tax increment bonds from determinations of the funded debt of the counties.