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## A BILL FOR AN ACT

RELATING TO SCHOOL IMPACT FEES.

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

1           SECTION 1. The legislature finds that school impact fees  
2 add to the cost of residential housing development, potentially  
3 adding thousands of dollars to each new unit of housing  
4 constructed in affected districts. These costs are passed on to  
5 renters and buyers, leading to higher rental and for-sale  
6 prices. In some cases, high impact fees can result in a project  
7 becoming financially untenable and the units are never built.  
8 This contributes to a scarce housing market, driving up the  
9 market price of housing.

10           The legislature further finds that Auditor Report No. 19-13  
11 is the most comprehensive analysis of school impact fees to  
12 date. The report's summary of findings are as follows:

13           (1) The department of education's designation of school  
14 impact districts lacks well-defined policies and  
15 procedures and the districts designated to date raise  
16 concerns as to whether constitutional "nexus"  
17 requirements have been adequately addressed;



1           (2) The department of education's calculation of fees has  
2           been inconsistent and at times based on questionable  
3           assumptions, and updates to formula factors as well as  
4           other requirements of the school impact fee law have  
5           not been met;

6           (3) Gaps, that is delays, between designation of school  
7           impact districts and collection of fees have resulted  
8           in loss of fee revenue; and

9           (4) The department of education cannot adequately account  
10          for fair share and school impact fee cash and land  
11          contributions.

12          In its report, the auditor also found that in twelve years  
13          following the enactment of the school impact fee law, the  
14          department of education collected only \$5,342,886 in school  
15          impact fees. The auditor further found that this collection  
16          would not have been enough to build a single elementary school.  
17          For example, the auditor found that Hookele elementary school  
18          cost \$55,000,000 to build and further found that the department  
19          estimated it would cost approximately \$80,000,000 to build a  
20          single new elementary school. The auditor found that none of  
21          the school impact fees collected had been used for the



1 construction of new schools and \$17,600,340 of collected fees  
2 remain unused in a special fund.

3 The legislature further finds that school impact fees are a  
4 burden on aspiring homeowners and renters and the collection of  
5 these fees does not provide a clear benefit to the community.

6 The purpose of this Act is to eliminate school impact fees  
7 to reduce the cost of housing.

8 SECTION 2. Section 302A-1706, Hawaii Revised Statutes, is  
9 amended by amending subsections (a) and (b) to read as follows:

10 "(a) There is established within the state treasury a  
11 special fund to be known as the school facilities special fund  
12 into which shall be deposited:

13 (1) All moneys the authority receives, including funds  
14 appropriated or transferred by the legislature for  
15 deposit into the special fund;

16 ~~[(2) Funds collected pursuant to section 302A-1608(a);~~  
17 ~~provided that these moneys shall be deposited into the~~  
18 ~~appropriate subaccount established pursuant to~~  
19 ~~subsection (b);~~

20 ~~(3)]~~ (2) Any moneys received by the department in the form  
21 of a grant, gift, endowment, or donation for the



1 development, planning, or construction of new school  
2 facilities or major renovations of school facilities;  
3 and

4 ~~[(4)]~~ (3) All other moneys received by the authority and  
5 not deposited into a trust fund or trust account,  
6 including unrestricted grants, gifts, and donations;  
7 proceeds from sales of property; rents and other  
8 receipts from leases, rights of entry, and the like;  
9 and interest, refunds, and other receipts and  
10 payments.

11 (b) The authority shall establish and appropriately name  
12 subaccounts within the school facilities special fund to accept  
13 deposits of revenues ~~[from school impact fees that are required~~  
14 ~~to be expended within a specific school impact district pursuant~~  
15 ~~to section 302A-1608(a) or]~~ restricted for a specified purpose  
16 pursuant to part V, subpart B of this chapter."

17 SECTION 3. Chapter 302A, part VI, subpart B, Hawaii  
18 Revised Statutes, is repealed.

19 SECTION 4. Section 46-142.5, Hawaii Revised Statutes, is  
20 repealed.



1       ~~["§46-142.5 School impact districts; new building permit~~  
 2       ~~requirements.]"~~ No new residential development in a designated  
 3       ~~school impact district under chapter 302A shall be issued a~~  
 4       ~~residential building permit or condominium property regime~~  
 5       ~~building permit until the department of education provides~~  
 6       ~~written confirmation that the permit applicant has fulfilled its~~  
 7       ~~school impact fee requirements. This section shall only apply~~  
 8       ~~to new dwelling units."]~~

9       SECTION 5. The school impact fees subaccounts within the  
 10       school facilities special fund under section 302A-1706, Hawaii  
 11       Revised Statutes, are abolished and any unencumbered balance  
 12       remaining shall lapse to the school facilities special fund;  
 13       provided that the funds shall be:

- 14       (1) Used within the school impact district for which it
- 15       was collected; or
- 16       (2) Refunded to the developer if collected as a fee in
- 17       lieu or a construction cost component impact fee after
- 18       twenty years of the date of collection.

19       SECTION 6. Statutory material to be repealed is bracketed  
 20       and stricken. New statutory material is underscored.

21       SECTION 7. This Act shall take effect on July 1, 2025.



H.B. NO. 422

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INTRODUCED BY: ZMC

JAN 16 2025



# H.B. NO. 422

**Report Title:**

DOE; School Impact Fees; School Facilities Special Fund

**Description:**

Repeals school impact fees. Transfers unencumbered balances of the school impact fee subaccounts to School Facilities Special Fund.

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

