

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



GOV. MSG. NO. 1371

EXECUTIVE CHAMBERS  
KE KE'ENA O KE KIA'ĀINA

July 2, 2025

The Honorable Ronald D. Kouchi  
President of the Senate,  
and Members of the Senate  
Thirty-Third State Legislature  
State Capitol, Room 409  
Honolulu, Hawai'i 96813

The Honorable Nadine Nakamura  
Speaker, and Members of the  
House of Representatives  
Thirty-Third State Legislature  
State Capitol, Room 431  
Honolulu, Hawai'i 96813

Aloha President Kouchi, Speaker Nakamura, and Members of the Legislature:

This is to inform you that on July 2, 2025, the following bill was signed into law:

H.B. NO. 422, H.D. 1,  
S.D. 2, C.D. 1

RELATING TO SCHOOL IMPACT FEES.  
**ACT 268**

Mahalo,

A handwritten signature in black ink that reads "Josh Green M.D." in a cursive style.

Josh Green, M.D.  
Governor, State of Hawai'i

Approved by the Governor

on JUL 2 2025

HOUSE OF REPRESENTATIVES  
THIRTY-THIRD LEGISLATURE, 2025  
STATE OF HAWAII

ACT 268  
H.B. NO. 422  
H.D. 1  
S.D. 2  
C.D. 1

## 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 district boundaries designated to  
16 date raise concerns as to whether constitutional  
17 "nexus" 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 also finds that as of January 1, 2025,  
4 \$21,118,831.74 remains unused in a special fund.

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

8 The purpose of this Act is to reduce the cost of housing  
9 by:

- 10 (1) Eliminating the construction cost component of the  
11 school impact fee;
- 12 (2) Exempting additional projects from school impact fees,  
13 including certain affordable, government, and Hawaiian  
14 home lands developments and single-room dwellings;
- 15 (3) Requiring the school facilities authority to adopt  
16 rules governing the collection of impact fees;
- 17 (4) Increasing the minimum number of units in a  
18 development to trigger land dedication provisions of  
19 the land component impact fee; and



1           (5)    Requiring the school facilities authority to report to  
2                   the legislature on the benefits and impacts of this  
3                   Act before its repeal.

4           SECTION 2.   Section 302A-1601, Hawaii Revised Statutes, is  
5 amended to read as follows:

6           "**§302A-1601 Findings.**   New residential developments within  
7 identified school impact districts create additional demand for  
8 public school facilities.  As such, once school impact districts  
9 are identified, new residential developments shall be required  
10 to contribute toward the construction of new or expansion of  
11 existing public school facilities through[+]

12        ~~(1)~~   The] the land requirement, either through an in lieu  
13                   fee or actual acreage (unless land is not required in  
14                   the school impact district), based on each new  
15                   residential development's proportionate share of the  
16                   need to provide additional public school sites[~~;~~ and

17        ~~(2)~~   The construction requirement either through an in lieu  
18                   fee or actual construction based on each new  
19                   residential development's proportionate share of the  
20                   need to construct additional school facilities].



1 A study commissioned by the State has identified the land  
2 dedication requirement that is consistent with proportionate  
3 fair-share principles [~~and the net capital cost of school~~  
4 ~~facilities, excluding land costs, that is consistent with~~  
5 ~~proportionate fair-share principles~~].

6 The State determines that new residential developments  
7 within designated school impact districts shall provide land for  
8 schools or pay a fee in lieu of land proportionate to the  
9 impacts of the new residential development on existing school  
10 facilities. [~~The State also determines that new residential~~  
11 ~~developments within designated school impact districts shall~~  
12 ~~also pay school construction cost component impact fees~~  
13 ~~proportionate to their impacts.~~]

14 In determining the amounts of land component impact fees  
15 [~~and construction cost component impact fees~~], the intent of the  
16 school impact fee calculations is that new residential  
17 developments should not be charged for a higher level of service  
18 than is being charged to existing developments.

19 This subpart establishes the methodology for developers to  
20 provide their proportionate share of the land [~~and the~~  
21 ~~construction cost of~~] needed for new or expanded school



1 facilities [needed] to serve new residential developments, as  
2 determined in [sections] section 302A-1606 [~~and 302A-1607,~~  
3 ~~respectively~~]."

4 SECTION 3. Section 302A-1602, Hawaii Revised Statutes, is  
5 amended as follows:

6 1. By adding a new definition to be appropriately inserted  
7 and to read:

8 "Board" means the school facilities authority board  
9 established by section 302A-1704."

10 2. By deleting the definitions of "construction cost",  
11 "construction cost component impact fee", and "cost per  
12 student".

13 [~~"Construction cost" means the net cost to construct a~~  
14 ~~school, including without limitation, planning, design,~~  
15 ~~engineering, grading, permits, construction, and construction~~  
16 ~~and project management, but not including the cost to acquire~~  
17 ~~land.~~

18 [~~"Construction cost component impact fee" means ten per cent~~  
19 ~~of the share of the construction cost for the required new~~  
20 ~~school, the expansion of existing school facilities that is~~  
21 ~~attributable to a specific new residential development, or both.~~



1       ~~"Cost per student" means the average of actual school~~  
2 ~~construction costs, expressed in current dollars, divided by the~~  
3 ~~respective design enrollments, for schools constructed within~~  
4 ~~approximately the last ten years."]~~

5       3. By deleting the definition of "revenue credit".

6       ~~["Revenue credit" means the state general excise tax~~  
7 ~~revenues under chapter 237 that will be generated by a new~~  
8 ~~dwelling unit and used to fund school capital facilities and pay~~  
9 ~~for outstanding debt on existing facilities."]~~

10       SECTION 4. Section 302A-1603, Hawaii Revised Statutes, is  
11 amended to read as follows:

12       **"§302A-1603 Applicability and exemptions.** (a) Except as  
13 provided in subsection (b), any person who seeks to develop a  
14 new residential development within a designated school impact  
15 district requiring:

16       (1) A county subdivision approval;

17       (2) A county building permit; or

18       (3) A condominium property regime approval for the  
19 project,

20 shall be required to fulfill the land component impact fee or  
21 fee in lieu requirement ~~[and construction cost component impact~~





1 ~~fee requirement]~~ of the authority[, ~~including all government~~  
2 ~~housing projects and projects processed pursuant to sections 46-~~  
3 ~~15.1 and 201H-38]~~.

4 (b) The following shall be exempt from this section:

5 (1) Any form of housing permanently excluding school-aged  
6 children, with the necessary covenants or declarations  
7 of restrictions recorded on the property;

8 (2) Any form of housing that is or will be paying the  
9 transient accommodations tax under chapter 237D;

10 (3) All nonresidential development;

11 (4) Any development with an executed education  
12 contribution agreement or other like document with the  
13 agency for the contribution of school sites or payment  
14 of fees for school land or school construction; ~~and]~~

15 (5) Any housing project developed by the government;

16 (6) Any housing project processed pursuant to  
17 sections 46-15.1 and 201H-38;

18 (7) Any housing that meets the definition of affordable  
19 housing in sections 46-15.25 or 201H-57;

20 (8) Any housing that is a single-room dwelling;



1        (9) Any form of housing developed by the department of  
2        Hawaiian home lands for use by beneficiaries of the  
3        Hawaiian Homes Commission Act, 1920, as amended; and  
4        ~~[(5)]~~ (10) Any form of development by the Hawaii community  
5        development authority pursuant to part XII of chapter  
6        206E.

7        (c) The authority shall adopt rules in accordance with  
8        chapter 91 governing the collection of school impact fees."

9        SECTION 5. Section 302A-1606, Hawaii Revised Statutes, is  
10       amended as follows:

11       1. By amending subsection (c) to read:

12       "(c) The procedure for determining whether the dedication  
13       of land is required or a payment of a fee in lieu is required  
14       for a new school facility or to satisfy the land component  
15       impact fee shall be as follows:

16       (1) A new residential development with ~~[fifty]~~ one hundred  
17       or more units shall include a written agreement  
18       between the owner or developer of the property and the  
19       authority, executed prior to issuance of a building  
20       permit, under which the owner or developer has:



- 1 (A) Agreed to designate an area to be dedicated for  
2 one or more schools for the development, subject  
3 to approval by the authority; or
- 4 (B) Agreed to pay to the authority, at a time  
5 specified in the agreement, a fee in lieu of land  
6 dedication;
- 7 ~~[(2) A new residential development with less than fifty~~  
8 ~~units shall include a written agreement between the~~  
9 ~~owner or the developer of the property and the~~  
10 ~~authority, executed prior to the issuance of the~~  
11 ~~building permit, under which the owner or developer~~  
12 ~~has agreed to a time specified for payment for the fee~~  
13 ~~in lieu;~~
- 14 ~~(3)]~~ (2) Prior to approval of any change of zoning,  
15 subdivision, or any other approval for a:
- 16 (A) Residential development with ~~[fifty]~~ one hundred  
17 or more units; or
- 18 (B) Condominium property regime development of  
19 ~~[fifty]~~ one hundred or more units,  
20 the authority shall notify the approving entity of its  
21 determination on whether it will require the



1 development to dedicate land, pay a fee in lieu  
2 thereof, or a combination of both for the provision of  
3 new school facilities;

4 ~~[(4)]~~ (3) The authority's determination to require land  
5 dedication or the payment of a fee in lieu, or a  
6 combination of both, shall be guided by the following  
7 criteria:

8 (A) The topography, geology, access, value, and  
9 location of the land available for dedication;

10 (B) The size and shape of the land available for  
11 dedication;

12 (C) The location of existing or proposed schooling  
13 facilities; and

14 (D) The availability of infrastructure;

15 ~~[(5)]~~ (4) The determination of the authority as to whether  
16 lands shall be dedicated or whether a fee in lieu  
17 shall be paid, or a combination of both, shall be  
18 final;

19 ~~[(6)]~~ (5) When land dedication is required, the land shall  
20 be conveyed to the State upon completion of the



1 subdivision improvements and any offsite  
2 infrastructure necessary to serve the land; and  
3 ~~[(7)]~~ (6) When the payment of a fee in lieu is required,  
4 the fee in lieu shall be paid based on the terms  
5 contained in the written agreement."

6 2. By amending subsection (e) to read:

7 "(e) The developer or owner of new residential  
8 developments of ~~[fifty]~~ one hundred or more units shall either  
9 pay the fee in lieu based on the land value as determined in  
10 subsection (d) or convey appropriate acreage as determined in  
11 subsection (b). ~~[When conveying the fee simple interest for the~~  
12 ~~new or expanded school facility, the developers shall be~~  
13 ~~credited the difference between the fair market fee simple value~~  
14 ~~of the property and the developers' proportionate share of the~~  
15 ~~value of the land as determined in subsection (d) against any~~  
16 ~~construction cost component impact fee. Any excess may be~~  
17 ~~transferred and used as credit against any future land or~~  
18 ~~construction cost requirements on any other development of the~~  
19 ~~State.]"~~

20 SECTION 6. Section 302A-1608, Hawaii Revised Statutes, is  
21 amended to read as follows:



1           **"§302A-1608 Accounting and expenditure requirements. (a)**

2   Each designated school impact district shall be a separate  
3   benefit district. Fees collected within each school impact  
4   district shall be spent only within the same school impact  
5   district for the purposes collected.

6           (b) Land dedicated by the developer shall be used only as  
7   a site for the construction of one or more new schools or for  
8   the expansion of existing school facilities. If the land is  
9   never used for the school facility, it shall be returned to the  
10   developer, or the developer's successor in interest. Once used,  
11   the land may be sold, with the proceeds used to acquire land for  
12   school facilities in the same school impact district.

13           (c) If the land is not used for a school facility within  
14   twenty years of its dedication, it shall be returned to the  
15   developer, or the developer's successor in interest.

16           (d) Once used for school facilities, all or part of the  
17   land may be later sold. Proceeds from the sale shall be used  
18   ~~[to acquire]~~ for land acquisition for school facilities in the  
19   same school impact district.

20           (e) Fee in lieu funds may be used for school site land  
21   acquisition and related expenses, including surveying,



1 appraisals, and legal fees. With the exception of urban  
2 Honolulu, fee in lieu funds shall not be used for the  
3 maintenance or operation of existing schools in the district;  
4 ~~[construction costs, including]~~ planning, design, engineering,  
5 grading, construction, construction and project management,  
6 architectural, permitting, or financing costs; or for  
7 administrative expenses.

8 (f) Notwithstanding any other law to the contrary, fee in  
9 lieu funds from projects within a county-designated transit  
10 oriented development zone may also be used to purchase completed  
11 construction, construct new school facilities in new or existing  
12 school sites, improve or renovate existing structures for school  
13 use, or lease land or facilities for school use within a  
14 county-designated transit oriented development zone.

15 ~~[+]~~(g)~~[+]~~ Notwithstanding subsection (e), in urban  
16 Honolulu, fee in lieu funds may be used to purchase completed  
17 construction, construct new school facilities, improve or  
18 renovate existing structures for school use, or lease land or  
19 facilities for school use.

20 ~~[-h-] Construction cost component impact fees shall be used~~  
21 ~~only.~~



1       ~~{1} For the costs of new school facilities that expand the~~  
2           ~~student capacity of existing schools or adds student~~  
3           ~~capacity in new schools; or~~

4       ~~{2} To improve or renovate existing structures for school~~  
5           ~~use.~~

6       ~~Construction cost component impact fees shall not be used to~~  
7       ~~replace an existing school located within the same school impact~~  
8       ~~district, either on the same site or on a different site.~~

9       ~~{(i)} Eligible construction costs include planning,~~  
10       ~~engineering, architectural, permitting, financing, and~~  
11       ~~administrative expenses, and any other capital equipment~~  
12       ~~expenses pertaining to educational facilities.~~

13       ~~{j} Construction cost component impact fees shall not be~~  
14       ~~expended for the maintenance or operation of existing schools in~~  
15       ~~the district.~~

16       ~~{(k)} If a closure, demolition, or conversion of an~~  
17       ~~existing permanent department facility within a school impact~~  
18       ~~district that has the effect of reducing student capacity~~  
19       ~~occurs, an amount of new student capacity in permanent buildings~~  
20       ~~equivalent to the lost capacity shall not be funded with school~~  
21       ~~impact fees.~~





1       ~~(1)~~ (h) Fees in lieu, proceeds from the sale of all or  
2 part of an existing school site that has been dedicated by a  
3 developer pursuant to the requirements of this subpart~~[, and~~  
4 ~~construction cost component impact fees]~~ shall be expended or  
5 encumbered within twenty years of the date of collection. Fees  
6 shall be considered spent or encumbered on a first-in, first-out  
7 basis.

8       ~~[ (m) ]~~ (i) As used in this section, "urban Honolulu"  
9 means the Kalihi to Ala Moana school impact district."

10       SECTION 7. Section 302A-1609, Hawaii Revised Statutes, is  
11 amended to read as follows:

12       "**§302A-1609 Refunds of fees.** If a fee in lieu ~~[or a~~  
13 ~~construction cost component impact fee]~~ is not expended within  
14 twenty years of the date of collection, the authority shall  
15 either:

- 16       (1) Refund to the developer, or the developer's successor  
17       in interest, the amount of the fee in lieu paid and  
18       any interest accrued thereon; or  
19       (2) Recommit part or all of the fees for another  
20       twenty-year period for construction of new schools in



1 the school impact district, as authorized by the  
2 developer or the developer's successor."

3 SECTION 8. Section 302A-1612, Hawaii Revised Statutes, is  
4 amended to read as follows:

5 **"§302A-1612 Use of data reflecting recent conditions in**  
6 **impact fee calculations.** (a) Every three years beginning in  
7 2010, the authority shall [~~concurrently~~] update the [~~following~~];

8 ~~{1} School]~~ school site area averages, using the total  
9 school land requirement for each individual in a  
10 school impact district as calculated pursuant to  
11 section 302A-1606(b) [~~+~~  
12 ~~{2} Elementary, middle or intermediate, and high school~~  
13 ~~permanent facility construction costs per student, as~~  
14 ~~provided under section 302A-1607; and~~  
15 ~~{3} Revenue credit per unit figures provided pursuant to~~  
16 ~~section 302A-1607(e)].~~

17 (b) Every three years following the initial determinations  
18 made pursuant to section 302A-1604, the authority shall update  
19 the following:

20 (1) Student generation rates for each established school  
21 impact district; and



1           (2) The statewide level of service.

2           ~~[(c) Every three years beginning in 2010, the authority~~  
3 ~~shall, where appropriate, update the list of cost factors for~~  
4 ~~the twenty-six geographically limited cost districts, as~~  
5 ~~provided in section 302A-1607(d), by incorporating any changes~~  
6 ~~to the cost factors that have been made by the department of~~  
7 ~~accounting and general services.~~

8           ~~(d)]~~ (c) If any data update required by this section is  
9 not completed within the specified time, the most current data  
10 shall be used until the update is completed."

11           SECTION 9. Section 302A-1607, Hawaii Revised Statutes, is  
12 repealed.

13           ~~["§302A-1607 Construction cost component impact fee;~~  
14 ~~determining the amount of the fee. (a) The construction cost~~  
15 ~~component impact fees shall be calculated using the following~~  
16 ~~factors:~~

17           ~~(1) For new school construction, the cost per student for~~  
18           ~~each school type (elementary, middle or intermediate,~~  
19           ~~and high school) shall be based on the ten-year~~  
20           ~~average construction of a new school facility using~~  
21           ~~the Honolulu assessment district in 2006 as the base.~~



1 ~~Costs for construction completed earlier than 2006~~  
2 ~~shall be escalated to 2006 using the engineering news-~~  
3 ~~record construction cost index;~~

4 ~~(2) For expansion of existing school facilities, the cost~~  
5 ~~per student for each school type (elementary, middle~~  
6 ~~or intermediate, and high school) is based on the ten-~~  
7 ~~year average construction of whatever components are~~  
8 ~~required to expand the school using the Honolulu~~  
9 ~~assessment district in 2006 as the base;~~

10 ~~(3) The cost per student in other assessment districts~~  
11 ~~shall be the cost per student in the Honolulu~~  
12 ~~assessment district multiplied by the appropriate cost~~  
13 ~~factor in subsection (d). At least every three years,~~  
14 ~~the authority shall update the cost per student based~~  
15 ~~on the construction of a new permanent school~~  
16 ~~facility, and present the written analysis to the~~  
17 ~~board for review; and~~

18 ~~(4) Student generation rates, as defined in section 302A-~~  
19 ~~1602.~~

20 ~~(b) The student generation rate for each school type~~  
21 ~~(elementary, middle or intermediate, and high school) shall be~~



1 ~~multiplied by the cost per student for each school type~~  
2 ~~(elementary, middle or intermediate, and high school) to~~  
3 ~~determine the cost per dwelling unit in the development.~~

4 ~~(c) The construction cost component impact fee shall be~~  
5 ~~based on recent public school construction costs. The 1997 to~~  
6 ~~2007 period school construction costs per student, adjusted for~~  
7 ~~both the year 2007 and for the Honolulu assessment district, are~~  
8 ~~as follows:~~

9 ~~(1) Elementary schools: \$35,357 per student;~~

10 ~~(2) Middle and intermediate schools: \$36,097 per student;~~

11 ~~and~~

12 ~~(3) High schools: \$64,780 per student.~~

13 ~~The costs per student for other assessment districts shall be~~  
14 ~~determined by multiplying the Honolulu assessment district costs~~  
15 ~~per student by the applicable cost factor in subsection (d).~~

16 ~~These costs per student shall be updated at least every three~~  
17 ~~years, pursuant to the provisions in section 302A-1612.~~

18 ~~(d) The State shall be divided into the following twenty-~~  
19 ~~six geographically limited cost districts, and the cost factors~~  
20 ~~listed for each cost district shall be applied to the~~



~~1 calculation of school construction costs per unit pursuant to~~  
~~2 subsection (c):~~

3

4	<del>Cost District</del>	<del>School District</del>	<del>Cost Factor</del>
5	Honolulu	Honolulu	1.00
6	Ewa	Leeward/Central	1.00
7	Wahiawa	Central	1.05
8	Waialua	Central	1.10
9	Koolaupeke	Windward	1.00
10	Koolauloa	Windward	1.00
11	Waianae	Leeward	1.10
12	Hilo	Hawaii	1.15
13	Puna	Hawaii	1.20
14	Kona	Hawaii	1.20
15	Hamakua	Hawaii	1.20
16	South Kohala	Hawaii	1.20
17	North Kohala	Hawaii	1.25
18	Pohakuloa	Hawaii	1.25
19	Kau	Hawaii	1.30
20	Wailuku	Maui	1.15
21	Makawao	Maui	1.25
22	Lahaina	Maui	1.30
23	Hana	Maui	1.35
24	Molokai	Molokai	1.30
25	Lanai	Lanai	1.35
26	Lihue	Kauai	1.15
27	Koloa	Kauai	1.20
28	Kawaihau	Kauai	1.20
29	Waimea	Kauai	1.25
30	Hanalei	Kauai	1.25

~~31~~  
~~32 (c) At least every three years, and concurrent with any~~  
~~33 update of the costs per student, the authority shall update the~~  
~~34 revenue credits and present the written analysis to the board~~  
~~35 for review. The calculation of revenue credits shall be~~



1 ~~reviewed and calculated recognizing that the impact fee shall be~~  
2 ~~set at one hundred per cent of the fair market value of the land~~  
3 ~~and ten per cent of the total school construction cost.~~

4 ~~(f) The construction cost component of the impact fees per~~  
5 ~~dwelling unit shall be ten per cent of the amounts calculated~~  
6 ~~according to the following formula:~~

7 ~~Cost per dwelling unit from subsection (b) minus any amount~~  
8 ~~by which the revenue credit per dwelling unit from~~  
9 ~~subsection (c) exceeds ninety per cent of the per unit~~  
10 ~~construction cost.~~

11 ~~(g) The amount of the fee shall be adjusted from the date~~  
12 ~~it was determined to the date it is paid using the engineering~~  
13 ~~news-record construction cost index, or an equivalent index if~~  
14 ~~that index is discontinued.~~

15 ~~(h) Any new residential development shall be required to~~  
16 ~~obtain a written agreement executed between the owner or~~  
17 ~~developer of the property and the authority, prior to the~~  
18 ~~issuance of a building permit, under which the owner or~~  
19 ~~developer has agreed to a time specified for payment of its~~  
20 ~~construction cost component impact fee." ]~~



1 SECTION 10. Section 302A-1611, Hawaii Revised Statutes, is  
2 repealed.

3 ~~["§302A-1611 Credits for excess contributions or advance~~  
4 ~~payment of required construction cost component impact fees.~~

5 ~~(a) Any owner of a development subject to the construction cost~~  
6 ~~component impact fee requirements pursuant to this subpart shall~~  
7 ~~receive credit for any similar contribution, payment, or~~  
8 ~~construction of public school facilities accepted and received~~  
9 ~~by the authority for the portion of the development that is in~~  
10 ~~excess of the impact fee required under this subpart for that~~  
11 ~~development. No credit shall be authorized against the impact~~  
12 ~~fees in lieu.~~

13 ~~(b) A credit may be applied only against school impact~~  
14 ~~fees that would otherwise be due for new residential~~  
15 ~~developments for which the payment or contribution was agreed to~~  
16 ~~in a written educational contribution agreement.~~

17 ~~(c) Excess contribution credit may be applied to the~~  
18 ~~construction cost component impact fee requirement for any~~  
19 ~~future development by the same owner in the same school impact~~  
20 ~~district, or with the written approval of the owner of the~~





1 ~~credit, to any future development by a different owner in the~~  
2 ~~same school impact district.~~

3 ~~(d) In addition to or instead of applying the credits to~~  
4 ~~future developments, the authority may execute with an owner of~~  
5 ~~the credits an agreement to provide for partial or full~~  
6 ~~reimbursement from the impact fee payments collected from other~~  
7 ~~developers within the same school impact district. The~~  
8 ~~reimbursements shall not exceed the amount of the impact fee~~  
9 ~~revenues available in the account for that school impact~~  
10 ~~district.~~

11 ~~(e) Any owner of a development shall receive credit for~~  
12 ~~any part of its required construction cost component impact fee~~  
13 ~~that, with the approval of the authority, is paid in advance of~~  
14 ~~the time specified in the written agreement executed in~~  
15 ~~accordance with section 302A-1607(h). The authority shall~~  
16 ~~maintain an accounting of the amount of the credit applicable to~~  
17 ~~the new residential development and shall reduce the amount of~~  
18 ~~the credit by the amount of the impact fees that would otherwise~~  
19 ~~be due for each building permit issued for the new residential~~  
20 ~~development. After the credit balance is exhausted, no~~



1 ~~additional credits shall be applied to subsequent building~~  
2 ~~permits issued within the new residential development.~~  
3 ~~(f) If private construction of school facilities is~~  
4 ~~proposed by a developer after July 1, 2010, if the proposed~~  
5 ~~construction is acceptable to the authority, and if the value of~~  
6 ~~the proposed construction exceeds the total impact fees that~~  
7 ~~would be due from the development, the authority shall execute~~  
8 ~~with the developer an agreement to provide reimbursement for the~~  
9 ~~excess credit from the impact fees collected from other~~  
10 ~~developers within the same benefit district. For the purposes~~  
11 ~~of this section, the private construction of school facilities~~  
12 ~~is a "public work" pursuant to chapter 104." ]~~

13 SECTION 11. No later than December 15, 2026, the school  
14 facilities authority shall submit a report to the legislature on  
15 its findings, recommendations, and evaluation of the benefits  
16 and impacts of subpart B of part VI of chapter 302A, Hawaii  
17 Revised Statutes, as amended by this Act. The report shall  
18 include:

19 (1) The authority's efforts and progress in addressing the  
20 recommendations set forth in auditor's report no.  
21 19-13;



1           (2) A thorough review of the currently established impact  
2           fee districts; and

3           (3) An assessment of the need for new school construction  
4           based on demographic projections over the next  
5           twenty-five years, as provided by the state land use  
6           commission.

7           SECTION 12. Notwithstanding any provision of this Act to  
8           the contrary, any existing educational contribution agreement or  
9           agreement that has been executed with the department of  
10          education or the school facilities authority pursuant to subpart  
11          B of part VI of chapter 302A, Hawaii Revised Statutes, prior to  
12          the effective date of this Act shall remain effective unless the  
13          parties to the agreement mutually agree to terminate or  
14          renegotiate the agreement.

15          SECTION 13. Statutory material to be repealed is bracketed  
16          and stricken. New statutory material is underscored.

17          SECTION 14. This Act shall take effect upon its approval,  
18          and shall apply to new residential developments permitted or  
19          approved on or before June 30, 2029; provided that this Act  
20          shall be repealed on July 1, 2029, and sections 302A-1601, 302A-  
21          1602, 302A-1603, 302A-1606, 302A-1607, 302A-1608, 302A-1609,



1 302A-1611, and 302A-1612, Hawaii Revised Statutes, shall be  
2 reenacted in the form in which they read prior to the effective  
3 date of this Act.



H.B. NO. 422  
H.D. 1  
S.D. 2  
C.D. 1

APPROVED this 2nd day of July, 2025

A handwritten signature in black ink, appearing to read "Josh Green", is written above the title of the Governor.

GOVERNOR OF THE STATE OF HAWAII

HB No. 422, HD 1, SD 2, CD 1

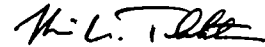
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 30, 2025  
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-Third Legislature of the State of Hawaii, Regular Session of 2025.

A handwritten signature in black ink, reading "Nadine K. Nakamura", followed by a long horizontal flourish.

Nadine K. Nakamura  
Speaker  
House of Representatives

A handwritten signature in black ink, reading "Brian L. Takeshita", with a stylized flourish at the end.


Brian L. Takeshita  
Chief Clerk  
House of Representatives

**THE SENATE OF THE STATE OF HAWAI‘I**

Date: April 30, 2025  
Honolulu, Hawai‘i 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate  
of the Thirty-Third Legislature of the State of Hawai‘i, Regular Session of 2025.

  
President of the Senate

  
Clerk of the Senate