

JAN 21 2022

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# A BILL FOR AN ACT

RELATING TO BONDS.

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

1           SECTION 1. The legislature finds that the Internal Revenue  
2 Code of 1986 provides for a formula for the allocation of the  
3 State's annual ceiling among governmental units authorized to  
4 issue private activity bonds. The legislature further finds  
5 that title 26 United States Code section 146(e) also allows a  
6 state to establish a different formula for allocating the state  
7 ceiling among its governmental units by state law. That  
8 authority was exercised in the enactment of Act 62, Session Laws  
9 of Hawaii 1987, which established a different ceiling allocation  
10 for the counties to provide more flexibility and to better serve  
11 the needs of the counties and other issuers of private activity  
12 bonds within the State.

13           The legislature further finds that the State is committed  
14 to the production and maintenance of available affordable  
15 housing for its residents and that housing related projects  
16 could benefit from greater access to private activity bond  
17 financing.



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1           Therefore, the purpose of this Act is to:

2           (1) Specify that the allocation of the state bond ceiling  
3           to the State shall be used entirely for housing  
4           related projects;

5           (2) Specify that if a county elects to receive its  
6           allocation of the state bond ceiling, the county shall  
7           do so by adopting a resolution and shall specify the  
8           allocation amount requested, up to its ceiling;

9           (3) Make it easier for counties or issuers to assign their  
10          allocation back to the State by removing the  
11          requirement for a resolution or written certificate;

12          (4) Remove the authorization for counties or issuers to  
13          request additional allocations of the state bond  
14          ceiling;

15          (5) Prioritize projects of counties that assign their  
16          allocation back to the State over projects of counties  
17          that have their own bond issuance program;

18          (6) Require counties or issuers that retain their  
19          allocation to submit quarterly reports on the status  
20          or use of any allocation;



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1           (7) Require a project to first apply to the county in  
2           which the project is located, if the county has a  
3           private activity bond issuance program, before  
4           applying to the State; and

5           (8) Change the dates for reverted or remaining allocations  
6           and require certain reverted or remaining allocations  
7           to be used for housing related projects.

8           SECTION 2. Section 39B-2, Hawaii Revised Statutes, is  
9           amended to read as follows:

10           "**§39B-2 Allocation of annual state ceiling.** (a) The  
11           annual state ceiling shall be allocated for each calendar year  
12           in the following proportions:

13           (1) An amount equal to fifty per cent of the annual state  
14           ceiling to the State~~[\*]~~, which shall be used entirely  
15           for housing related projects;

16           (2) An amount equal to 37.55 per cent of the annual state  
17           ceiling to the city and county of Honolulu;

18           (3) An amount equal to 5.03 per cent of the annual state  
19           ceiling to the county of Hawaii;

20           (4) An amount equal to 2.41 per cent of the annual state  
21           ceiling to the county of Kauai; and



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1           (5) An amount equal to 5.01 per cent of the annual state  
2           ceiling to the county of Maui~~[ ]~~;  
3 provided that any county desiring to receive its portion of the  
4 allocation of the annual state ceiling shall elect to do so  
5 through adoption of a resolution by its legislative body and  
6 shall specify the allocation amount requested, up to its  
7 ceiling.

8           (b) The department, with the approval of the governor, may  
9 assign all or any part of the allocation of the State to any  
10 issuer or any county for a specific calendar year or years. At  
11 the request of the department, any issuer or county to which any  
12 part of the State's allocation has been assigned shall return  
13 all or part of the assignment, in which case the department may  
14 provide for its reassignment.

15           (c) The department may request return of all or any part  
16 of the allocations of one or more counties made pursuant to  
17 subsection (a), and may assign and reassign the allocation to  
18 any other county or issuer for a specified calendar year or  
19 years.

20           (d) A county~~[, by resolution of its governing body,]~~ or  
21 any issuer~~[, by written certificate of such issuer,]~~ may



1 ~~[request additional allocations of the annual state ceiling~~  
2 ~~from, or]~~ assign all or any part of its portion of the  
3 allocation of the annual state ceiling to~~[7]~~ the State for a  
4 specified calendar year or years. Any county or issuer that  
5 assigns all or any part of its portion of the allocation of the  
6 annual state ceiling to the State shall be given priority over  
7 counties that have their own bond issuance program for projects  
8 in those counties that are subject to the annual state ceiling.

9 (e) A county or any issuer that does not assign all or any  
10 part of its portion of the allocation of the annual state  
11 ceiling to the State pursuant to subsection (d) during a  
12 calendar year shall submit a quarterly report to the department  
13 on the status or use of that portion of the allocation.

14 (f) Any project subject to the annual state ceiling shall  
15 first apply to the county in which the project is located, if  
16 the county has a private activity bond issuance program, before  
17 applying to the State for the state allocation.

18 (g) After December 1 of each calendar year, any unused  
19 annual state ceiling allocation shall be used for housing  
20 related purposes."



1 SECTION 3. Section 39B-4, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "[~~§~~§39B-4~~§~~] **Report of unused allocation; reversion to**  
4 **State.** The director of finance of each county shall report to  
5 the department in writing by [~~December 15~~] September 30 of each  
6 year as to the amount of allocation to such county which has not  
7 been applied to private activity bonds in such year or assigned  
8 pursuant to this chapter.

9 In preparing such report, the director of finance of the  
10 county shall deduct any allocation which is unused or unassigned  
11 as of [~~December 15~~] September 30 but will be applied to private  
12 activity bonds on or prior to [~~December 31~~] November 1 of such  
13 year.

14 Unless the director of finance of the county or any issuer,  
15 by written certificate, indicates to the department prior to  
16 [~~December 15~~] September 30 of each year that it intends to carry  
17 forward all or any portion of its allocation which has not been  
18 applied to private activity bonds in such year or assigned  
19 pursuant to this chapter, such unused or unassigned allocation  
20 shall revert to the State on [~~December 31~~] November 1 and the  
21 State shall be entitled to carry forward such unused or



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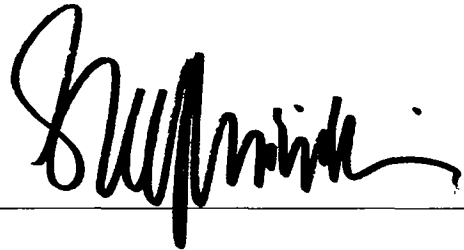
1 unassigned allocation as permitted by federal law[-]; provided  
 2 that the State shall use any reverted allocation for housing  
 3 related projects, and the amount of reverted allocation carried  
 4 forward and used for housing related projects in subsequent  
 5 years shall be in addition to, and shall not supplant, any other  
 6 portions of the annual state ceiling required by this chapter to  
 7 be used for housing related projects."

8 SECTION 4. Statutory material to be repealed is bracketed  
 9 and stricken. New statutory material is underscored.

10 SECTION 5. This Act shall take effect on July 1, 2022;  
 11 provided that this Act shall be repealed on December 31, 2027,  
 12 and sections 39B-2 and 39B-4, Hawaii Revised Statutes, shall be  
 13 reenacted in the form in which they read on the day prior to the  
 14 effective date of this Act.

15

INTRODUCED BY:



A handwritten signature in black ink, appearing to read 'S. P. ...', is written over a horizontal line.



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**Report Title:**

State Bonds; Annual Ceiling; Private Activity Bonds

**Description:**

Specifies that the allocation of the state bond ceiling to the State shall be used entirely for housing related projects. Requires counties that elect to receive their allocation to do so by resolution and specify the allocation amount requested. Removes the authorization for counties or issuers to request additional allocations of the state bond ceiling. Prioritizes projects of counties that assign their allocation back to the State over projects of counties with their own private activity bond issuance program. Requires counties or issuers that retain their allocation to submit quarterly reports on the status or use of any allocation. Requires a project to first apply to the county in which the project is located, if the county has a private activity bond issuance program, before applying to the State. Changes the dates for reverted or remaining allocations and requires certain reverted or remaining allocations to be used for housing related projects. Sunsets on 12/31/2027.

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

