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

14 The legislature further finds that the State is committed
15 to the production and maintenance of available affordable
16 housing for its residents and that housing related projects



1 could benefit from greater access to private activity bond
2 financing.

3 Therefore, the purpose of this Act is to:

- 4 (1) Specify that the allocation of the state bond ceiling
5 to the State shall be used entirely for housing
6 related projects;
- 7 (2) Make it easier for counties or issuers to assign their
8 allocation back to the State by removing the
9 requirement for a resolution or written certificate;
- 10 (3) Remove the authorization for counties or issuers to
11 request additional allocations of the state bond
12 ceiling;
- 13 (4) Prioritize projects of counties that assign their
14 allocation back to the State over projects of counties
15 that have their own bond issuance program;
- 16 (5) Require counties or issuers that retain their
17 allocation to submit quarterly reports on the status
18 or use of any allocation;
- 19 (6) Require a project to first apply to the county in
20 which the project is located, if the county has a



1 private activity bond issuance program, before
2 applying to the State; and
3 (7) Change the dates for reverted or remaining allocations
4 and require certain reverted or remaining allocations
5 to be used for housing related projects.

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

8 "§39B-2 Allocation of annual state ceiling. (a) The
9 annual state ceiling shall be allocated for each calendar year
10 in the following proportions:

- 11 (1) An amount equal to fifty per cent of the annual state
12 ceiling to the State[+], which shall be used entirely
13 for housing related projects;
- 14 (2) An amount equal to 37.55 per cent of the annual state
15 ceiling to the city and county of Honolulu;
- 16 (3) An amount equal to 5.03 per cent of the annual state
17 ceiling to the county of Hawaii;
- 18 (4) An amount equal to 2.41 per cent of the annual state
19 ceiling to the county of Kauai; and
- 20 (5) An amount equal to 5.01 per cent of the annual state
21 ceiling to the county of Maui.



1 (b) The department, with the approval of the governor, may
2 assign all or any part of the allocation of the State to any
3 issuer or any county for a specific calendar year or years. At
4 the request of the department, any issuer or county to which any
5 part of the State's allocation has been assigned shall return
6 all or part of the assignment, in which case the department may
7 provide for its reassignment.

8 (c) The department may request return of all or any part
9 of the allocations of one or more counties made pursuant to
10 subsection (a), and may assign and reassign the allocation to
11 any other county or issuer for a specified calendar year or
12 years.

13 (d) A county [~~, by resolution of its governing body,~~] or
14 any issuer [~~, by written certificate of such issuer,~~] may
15 [~~request additional allocations of the annual state ceiling~~
16 ~~from, or~~] assign all or any part of its portion of the
17 allocation of the annual state ceiling to [~~,~~] the State for a
18 specified calendar year or years. Any county or issuer that
19 assigns all or any part of its portion of the allocation of the
20 annual state ceiling to the State shall be given priority over



1 counties that have their own bond issuance program for projects
2 in those counties that are subject to the annual state ceiling.

3 (e) A county or any issuer shall submit a quarterly report
4 to the department on the status or use of its portion of the
5 allocation of the annual state ceiling, including any
6 carryforward allocation, that has not been applied to an
7 issuance of a qualified private bond, as evidenced by a
8 certificate of the issuer or the director of finance of a
9 county, as applicable.

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

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

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

19 "[+]§39B-4[+] Report of unused allocation; reversion to
20 State. The director of finance of each county shall report to
21 the department in writing by [~~December 15~~] September 30 of each



1 year as to the amount of allocation to [~~such~~] the county which
2 has not been applied to private activity bonds in [~~such~~] that
3 year or assigned pursuant to this chapter.

4 In preparing such report, the director of finance of the
5 county shall deduct any allocation [~~which~~] that is unused or
6 unassigned as of [~~December 15~~] September 30 but will be applied
7 to private activity bonds on or prior to [~~December 31~~]
8 November 1 of [~~such~~] the year.

9 Unless the director of finance of the county or any issuer,
10 by written certificate, indicates to the department prior to
11 [~~December 15~~] September 30 of each year that it intends to carry
12 forward all or any portion of its allocation [~~which~~] that has
13 not been applied to private activity bonds in [~~such~~] the year or
14 assigned pursuant to this chapter, [~~such~~] the unused or
15 unassigned allocation shall revert to the State on [~~December 31~~]
16 November 1 and the State shall be entitled to carry forward such
17 unused or unassigned allocation as permitted by federal law[-];
18 provided that the State shall use any reverted allocation for
19 housing related projects, and the amount of reverted allocation
20 carried forward and used for housing related projects in
21 subsequent years shall be in addition to, and shall not



1 supplant, any other portions of the annual state ceiling
2 required by this chapter to be used for housing related
3 projects."

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

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



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. 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.

(SD1)

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