



**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SCOTT J. GLENN
INTERIM DIRECTOR

235 South Beretania Street, 6th Floor, Honolulu, Hawai'i 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawai'i 96804

Telephone: (808) 587-2846
Fax: (808) 587-2824
Web: <https://planning.hawaii.gov/>

Statement of
SCOTT GLENN, Interim Director

before the
HOUSE COMMITTEE ON FINANCE
Wednesday, March 29, 2023, 2:00 PM
State Capitol, Conference Room 308

in consideration of
SB1101, SD1
RELATING TO TAX INCREMENT BONDS.

Chair Yamashita, Vice Chair Kitagawa, and Members of the House Committee on Finance:

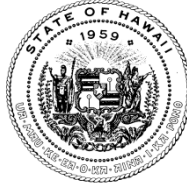
The Office of Planning and Sustainable Development (OPSD) **strongly supports** SB1101 which conforms county debt limit statements law to permit counties to exclude tax increment bonds from the debt limit of the counties if a constitutional amendment authorizing the use of tax increment bonds and excluding tax increment bonds from determinations of the Counties' funded debt is ratified.

Tax increment financing (TIF) is a useful tool to help finance regional public infrastructure to facilitate transit-oriented development on state and private lands. It allows a portion of property taxes in excess of a base assessed value to be dedicated to finance costs of a project through issuance of bonds.

While HRS §46-103 permits a county council to provide for tax increment financing, and HRS §46-104(2) grants a county the power to issue tax increment bonds, tax increment bonds do not fit neatly within the types of bonds that counties may issue under Hawaii's Constitution. If a separate bill is passed to introduce a constitutional amendment authorizing TIF use, and the amendment is ratified, this bill would conform state debt limit statements law to allow counties to exclude tax increment bonds in calculating the debt limit of the counties.

Thank you for the opportunity to testify on this measure.

JOSH GREEN, M.D.
GOVERNOR



TESTIMONY BY:
EDWIN H. SNIFFEN
DIRECTOR

Deputy Directors
DREANALEE K. KALILI
TAMMY L. LEE
ROBIN K. SHISHIDO
JAMES KUNANE TOKIOKA

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

March 29, 2023
2:00 P.M.

State Capitol Conference Room 308 & Videoconference

S.B. 1101 S.D. 1
RELATING TO TAX INCREMENT BONDS

House Committee on Finance

The Hawaii Department of Transportation (DOT) **supports** this measure that proposes to conform the state debt limit statements law to include tax increment bonds if a constitutional amendment authorizing the use of such bonds and excluding such bonds from determinations of the Counties' funded debt is ratified.

The DOT issues Revenue Bonds under the authority of Hawaii Revised Statutes (HRS) § 39 Part III and is supportive of tax increment bonds as a complement to Revenue Bonds as an innovative financing tool.

And while the DOT understands that implementing Tax Increment Financing (TIF) and Tax Increment Bonds is complicated, this evolved way of thinking about financing may provide the potential for infrastructure improvements under the purview of the DOT as FHWA provides this on the subject of TIF, "Although TIF has not been used extensively to fund transportation infrastructure, some state laws specifically authorize the use of TIF for transportation purposes."¹

The DOT supports housing and have been working with developers to fulfill our infrastructure requirements and see TIF as an opportunity for the State and Counties to collaborate on areas that have been historically difficult to develop.

Thank you for the opportunity to provide testimony.

¹ https://www.fhwa.dot.gov/ipd/value_capture/defined/tax_increment_financing.aspx

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Amend State Debt Limit Statements if Tax Increment Bonds Are Authorized

BILL NUMBER: SB 1101 SD 1

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Conforms state debt limit statements law to include tax increment bonds if a constitutional amendment authorizing the use of such bonds and excluding such bonds from determinations of the Counties' funded debt is ratified.

SYNOPSIS: Amends section 47C-2, HRS, to conform the statutory language to accommodate a new clause in Article VII, section 13 of the Hawaii Constitution.

Makes technical and conforming amendments to sections 47C-1 and -3, HRS.

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.

STAFF COMMENTS: Apparently, this legislation was intended to pair with SB 1100 / HB 1457 which proposes a constitutional amendment to authorize the counties to issue tax increment bonds. However, SB 1100 / HB 1457 are currently dead in this legislative session.

Digested: 3/27/2023