

STAND. COM. REP. NO. **665**

Honolulu, Hawaii

**MAR 02 2023**

RE: S.B. No. 1295  
S.D. 2

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 1295, S.D. 1, entitled:

"A BILL FOR AN ACT PROPOSING AMENDMENTS TO ARTICLE VII, SECTIONS 12 AND 13, OF THE HAWAII CONSTITUTION TO EXPRESSLY PROVIDE THAT THE LEGISLATURE MAY AUTHORIZE THE COUNTIES TO ISSUE TAX INCREMENT BONDS AND TO EXCLUDE TAX INCREMENT BONDS FROM DETERMINATIONS OF THE FUNDED DEBT OF THE COUNTIES,"

begs leave to report as follows:

The purpose and intent of this measure is to propose amendments to the Constitution of the State of Hawaii to:

- (1) Explicitly authorize political subdivisions, such as the counties, to issue tax increment bonds; and
- (2) Exclude tax increment bonds from the calculation of the debt limit of the political subdivisions.

Your Committee received written comments in support of this measure from the Department of Business, Economic Development, and Tourism and Hawaii Community Development Authority.

Your Committee received written comments in opposition to this measure from one individual.



Your Committee received written comments on this measure from the Department of the Attorney General and Tax Foundation of Hawaii.

Your Committee finds that although section 46-104(2), Hawaii Revised Statutes, statutorily authorizes counties to issue tax increment bonds, this type of bond does not neatly fit within the categories of bonds that the Legislature may authorize a county to issue under article VII, section 12, of the Hawaii State Constitution. Your Committee further finds that passage of the constitutional amendment proposed by this measure would make clear a county's authority to issue tax increment bonds.

Your Committee has amended this measure by:

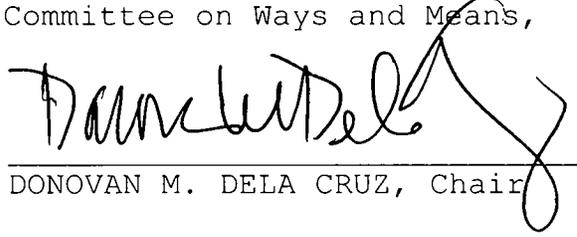
- (1) Amending the definition of the term "tax increment bonds" to clarify that the bonds are payable from and secured solely by the amount of real property taxes levied and collected by a political subdivision on the difference between:
  - (A) The assessed value of the taxable real property located within a tax increment district in a given year; and
  - (B) The assessed value of the taxable real property in the tax increment district during the year the tax increment district was created;
- (2) Clarifying, in the constitutional ratification question, that the tax increment district is established by the political subdivision; and
- (3) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1295, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 1295, S.D. 2.



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Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



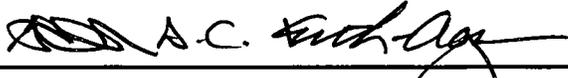
A handwritten signature in black ink, appearing to read "Donovan M. DeLa Cruz", written over a horizontal line.

DONOVAN M. DELA CRUZ, Chair



The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* <b>SB1295, SD1</b>	Committee Referral: <b>JDC, WAM</b>	Date: <b>2/15/23</b>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
AQUINO, Henry J.C.	X			
DECOITE, Lynn	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo				X
KIDANI, Michelle N.	X			
KIM, Donna Mercado	X			
LEE, Chris				X
MORIWAKI, Sharon Y.				X
SHIMABUKURO, Maile S.L.	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
<b>TOTAL</b>	<b>10</b>			<b>3</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original            Yellow            Pink            Goldenrod File with Committee Report            Clerk's Office            Drafting Agency            Committee File Copy				

\*Only one measure per Record of Votes