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# A BILL FOR AN ACT

RELATING TO TAX INCREMENT BONDS.

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

1           SECTION 1. The legislature finds that tax increment  
2 financing (TIF) has been a widely utilized economic development  
3 tool across the United States. States such as California and  
4 Colorado have leveraged TIF to successfully revitalize  
5 underserved areas and attract private investment. However,  
6 experiences in these states have also demonstrated critical  
7 challenges, including overleveraging of tax increment bonds,  
8 insufficient impact assessments, and inadequate fiscal  
9 transparency.

10           The legislature further finds that the State can learn from  
11 these experiences to enhance its approach to TIF. Specifically,  
12 the State seeks to establish safeguards to prevent fiscal over  
13 extension, ensure robust economic impact assessments, and  
14 mandate regular monitoring and reporting to uphold transparency  
15 and accountability. By addressing these issues, the State aims  
16 to maximize the benefits of TIF while avoiding the pitfalls that  
17 have hindered its implementation in other jurisdictions.



- 1           Accordingly, the purpose of this Act is to:
- 2           (1) Require counties to commission a comprehensive
- 3           economic impact analysis before issuing tax increment
- 4           bonds and make the analysis publicly available;
- 5           (2) Require counties issuing tax increment bonds to:
- 6           (A) Conduct independent audits biennially to assess
- 7           the fiscal health and compliance of any tax
- 8           increment bond projects and submit the reports to
- 9           the legislature and make the reports publicly
- 10          available; and
- 11          (B) Establish a review board to oversee tax increment
- 12          bond projects and make recommendations;
- 13          (3) Restrict the amount of total outstanding tax increment
- 14          bonds that may be excluded from the calculation of a
- 15          county's debt limits from exceeding twenty per cent;
- 16          and
- 17          (4) Conform county debt limit statements law to exclude
- 18          tax increment bonds from the debt limit of the
- 19          counties if a constitutional amendment authorizing the
- 20          use of tax increment bonds and excluding tax increment



1           bonds from determinations of the counties' funded debt  
2           is ratified.

3           SECTION 2. Chapter 47C, Hawaii Revised Statutes, is  
4 amended by adding a new section to be appropriately designated  
5 and to read as follows:

6           "§47C-    Tax increment bonds; comprehensive economic  
7 impact analysis; monitoring and reporting; requirements. (a)

8 Before issuing tax increment bonds, each county shall commission  
9 a comprehensive economic impact analysis. The comprehensive  
10 impact analysis shall include but not be limited to:

- 11           (1) Anticipated effects on local job creation;
- 12           (2) Housing affordability and availability;
- 13           (3) Tax revenue implications; and
- 14           (4) Environmental sustainability.

15           Each county shall make the findings of the comprehensive  
16 economic impact analysis available to the public at least thirty  
17 days before issuing any tax increment bond.

18           (b) Each county issuing tax increment bonds shall:

- 19           (1) Conduct independent audits biennially to assess the  
20 fiscal health and compliance of any tax increment bond  
21 projects;



- 1        (2) Submit a report of its findings from the independent
- 2        audits required pursuant to paragraph (1) to the
- 3        legislature no later than twenty days prior to the
- 4        convening of each regular session;
- 5        (3) Make the findings of the independent audits required
- 6        pursuant to paragraph (1) available to the public; and
- 7        (4) Establish a review board to:
- 8            (A) Oversee tax increment bond projects; and
- 9            (B) Provide recommendations on improving fiscal
- 10           accountability."

11        SECTION 3. Section 47C-1, Hawaii Revised Statutes, is  
12 amended to read as follows:

13        "**§47C-1 Definitions.** As used in sections 47C-1 through  
14 47C-6, the following words and terms shall have the following  
15 meanings or inclusions:

16        "Chairperson of the finance committee" shall mean the  
17 chairperson of the finance committee of the council of the  
18 county, or if the council of the county does not have a finance  
19 committee, the member of the council appointed by the council to  
20 perform the functions required by this chapter to be performed  
21 by the chairperson of the finance committee of the council.



1 "Corporation counsel" shall mean the chief legal advisor or  
2 legal representative of the county.

3 "County" shall include each county of the State, including  
4 the city and county of Honolulu.

5 "Director of finance" shall mean the director of finance of  
6 the county, or if the county does not have a director of  
7 finance, the officer of the county in whom is vested the  
8 functions and powers of maintaining the treasury of the county  
9 and issuing and selling, paying interest on, and redeeming bonds  
10 of the county.

11 "Fiscal year" shall mean the fiscal year of the county as  
12 defined in section 46-41.

13 "Special assessment bonds" shall mean bonds issued under  
14 special improvement statutes when the only security for ~~[such]~~  
15 the bonds is the assessments or special taxes levied and  
16 assessed under those statutes or properties subject to the  
17 assessments or special taxes.

18 As used in sections 47C-1 through 47C-6, the words or terms  
19 "bonds", "general obligation bonds", "net revenue", "net user  
20 tax receipts", "reimbursable general obligation bonds", "revenue  
21 bonds", "special purpose revenue bonds", "tax increment bonds",



1 and "user tax" shall have the respective meanings and inclusions  
2 given to [~~such~~] those words and terms in section 12 of article  
3 VII of the constitution."

4 SECTION 4. Section 47C-2, Hawaii Revised Statutes, is  
5 amended to read as follows:

6 "**§47C-2 Determination of funded debt.** (a) Within ninety  
7 days after the first day of each fiscal year, the director of  
8 finance of each county shall ascertain and set forth in a  
9 tabular summary the total indebtedness of the county outstanding  
10 and unpaid as of the first day of [~~such~~] that fiscal year. The  
11 summary shall include the following:

12 (1) An itemization of the total principal amount of all  
13 general obligation bonds, reimbursable general  
14 obligation bonds, revenue bonds, special assessment  
15 bonds, special purpose revenue bonds, and all other  
16 bonds of the county outstanding and unpaid, including  
17 bonds [~~which~~] that may be excluded under clauses 1, 2,  
18 3, 4, 5, 6, 8, [~~and~~] 9, and 10 of section 13 of  
19 article VII of the constitution when determining the  
20 funded debt of the county for the purposes of that



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- 1 section together with a grand total of such total  
2 principal amounts[-];
- 3 (2) The total principal amount of all bonds of the State  
4 required by clause (7) of section 13 of article VII of  
5 the constitution to be included when determining the  
6 funded debt of the county for the purposes of that  
7 section[-];
- 8 (3) A grand total of the total principal amounts set forth  
9 in the summary pursuant to paragraphs (1) and (2)[-];
- 10 (4) An itemization of the total of the principal amount of  
11 all general obligation bonds, reimbursable general  
12 obligation bonds, revenue bonds, special assessment  
13 bonds, and special purpose revenue bonds of the county  
14 outstanding and unpaid [~~which~~] that may be excluded  
15 under clauses 1, 2, 3, 4, 5, 6, 8, and 9 of section 13  
16 of article VII of the constitution when determining  
17 the total funded debt of the county for the purposes  
18 of that section, together with a grand total of such  
19 total principal amounts[-]; and
- 20 (5) The difference between the grand total principal  
21 amount set forth in the summary pursuant to paragraph



1 (3) and the grand total principal amount set forth in  
2 the summary pursuant to paragraph (4).

3 The director of finance shall also prepare and attach to  
4 the tabular summary such supporting schedules as may be required  
5 to set forth in detail the bonds included in the itemizations  
6 required by paragraphs (1) and (4). [~~Such~~] The supporting  
7 schedules shall also set forth or make reference to the relevant  
8 statutory, charter, ordinance, or other legal provision, and the  
9 relevant figures of the tax increment as defined in section  
10 46-102, assessment collections, revenues, user tax receipts,  
11 cost of operation, maintenance and repair, net revenues, net  
12 user tax receipts, reimbursements to the general fund, and other  
13 financial information, justifying the inclusion of [~~such~~] the  
14 bonds in the itemization required by paragraph (4). The  
15 director of finance shall indicate in the supporting schedules  
16 whether the financial findings and figures are based upon the  
17 records of the director's office or upon audited statements and  
18 reports, and if based upon the latter, shall identify in the  
19 schedules the audited reports and statements.



1           (b) No more than twenty per cent of the total outstanding  
2 tax increment bonds issued by any county may be excluded from  
3 the calculation of the county's debt limits."

4           SECTION 5. Section 47C-3, Hawaii Revised Statutes, is  
5 amended to read as follows:

6           "**§47C-3 Supplemental determination.** Whenever the county  
7 proposes to issue bonds, the director of finance shall prepare a  
8 supplemental summary of the indebtedness of the county setting  
9 forth therein [~~such~~] information and findings as of a date  
10 within thirty days of the delivery of [~~such~~] the bonds as will  
11 bring up to date and make current the most recent summary  
12 prepared in accordance with the provisions of section 47C-2.  
13 The director of finance shall also prepare and attach to [~~such~~]  
14 the supplemental summary [~~such~~] supporting schedules as may be  
15 required to set forth in detail the variations and changes from  
16 the summary prepared in accordance with section 47C-2, including  
17 [~~such~~] legal and financial findings as will justify any changes  
18 in the itemizations set forth in [~~such~~] the previous summary  
19 pursuant to the requirements of paragraph (4) of section 47C-2.  
20 If all the bonds proposed to be issued may be excluded when  
21 determining the funded debt of the county for the purposes of



1 section 13 of article VII of the constitution by reason of the  
2 provisions of clauses 2 [~~or~~], 4, or 10 of that section, the  
3 supplemental summary and supporting schedules may be limited to  
4 [~~such~~] those bonds and findings as are necessary to justify  
5 [~~such~~] the exclusion under [~~such~~] those clauses.

6 In the event proceeds of the bonds proposed to be issued  
7 are to be applied to the retirement in the then fiscal year of  
8 outstanding bonds, including notes issued in anticipation of the  
9 issuance of the bonds proposed to be issued, for the purpose of  
10 applying the provisions of clause 1 of section 13 of article VII  
11 of the constitution to the bonds to be retired, that amount of  
12 [~~such~~] proceeds to be so applied may be considered and treated  
13 as moneys irrevocably set aside for the payment of [~~such~~] those  
14 bonds."

15 SECTION 6. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 7. This Act shall take effect upon its approval  
18 and upon ratification of a constitutional amendment expressly  
19 providing that the legislature may authorize the counties to  
20 issue tax increment bonds, and further providing that tax



1 increment bonds shall be excluded from determinations of the  
2 funded debt of the counties.  
3

INTRODUCED BY:

  
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# S.B. NO. 374

**Report Title:**

Tax Increment Bonds; County Debt Limit Statements; Comprehensive Economic Impact Analysis; Reports

**Description:**

Requires counties to commission a comprehensive economic impact analysis before issuing tax increment bonds and make the analysis publicly available. Requires counties issuing tax increment bonds to conduct publicly available biennial independent audits and report to the Legislature. Requires counties issuing tax increment bonds to establish a review board to oversee tax increment bond projects. Restricts the amount of total outstanding tax increment bonds that may be excluded from the calculation of a county's debt limits from exceeding twenty per cent. Conforms county debt limit statements law 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.

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

