
A BILL FOR AN ACT

RELATING TO GOVERNMENT.

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

1 SECTION 1. The legislature finds that in the mid-twentieth
2 century, Hawaii's economy was predominantly agrarian, with
3 significant revenues derived from plantations, tourism, and
4 military expenditures. During this period, the State assumed
5 responsibilities in education, health, public safety, and other
6 sectors that, in other states, were typically managed by the
7 counties. The intent was to protect rural communities from
8 excessive property taxation and to capitalize on economic
9 pillars centered in Honolulu. As a result, the State became the
10 primary entity responsible for funding and administering
11 services in these critical sectors.

12 The legislature notes that in the twenty-first century,
13 Hawaii's economic landscape has undergone a dramatic
14 transformation. Real estate investments have surged and there
15 has been a notable increase in non-resident property ownership,
16 which has contributed to a housing affordability crisis. The
17 State's property tax rates, which are among the lowest in the



1 nation, have attracted speculative investments, leading to the
2 current proliferation of vacant homes. These properties are
3 often held as second or third homes or used as short-term
4 rentals, reducing housing availability for the State's
5 residents. Many of these property owners contribute minimally
6 to state revenues since many do not pay state income tax and
7 have limited exposure to general excise taxes due to their
8 non-resident status.

9 The legislature recognizes that Hawaii's fiscal structure,
10 where the State predominantly funds education, health, and
11 public safety, has resulted in challenges in revenue generation
12 and equitable service delivery. The legislature therefore
13 recognizes the need to reexamine and redefine the roles,
14 responsibilities, and funding mechanisms of Hawaii's state and
15 county governments. This examination and restructuring will
16 help address the State's urgent need to ensure that property tax
17 revenues and other financial resources are equitably utilized
18 and that the responsibilities for public services are
19 appropriately allocated to enhance government and public service
20 outcomes.



1 Accordingly, the purpose of this Act is to establish and
2 appropriate moneys for a select commission on government
3 restructuring to examine and provide recommendations on the
4 allocation and sharing of funding and duties between the State
5 and counties, particularly in the areas of education, health,
6 and public safety.

7 SECTION 2. (a) There is established the select commission
8 on government restructuring, which shall be placed within the
9 office of the governor for administrative purposes. The
10 commission shall comprise the following members:

- 11 (1) The governor, or the governor's designee, who shall
12 serve as the chairperson of the commission;
- 13 (2) The director of transportation, or the director's
14 designee;
- 15 (3) The chairperson of the board of land and natural
16 resources, or the chairperson's designee;
- 17 (4) The superintendent of education, or the
18 superintendent's designee;
- 19 (5) The director of corrections and rehabilitation, or the
20 director's designee;



- 1 (6) The director of law enforcement, or the director's
2 designee;
- 3 (7) The director of health, or the director's designee;
- 4 (8) Two members of the senate, to be appointed by the
5 president of the senate;
- 6 (9) Two members of the house of representatives, to be
7 appointed by the speaker of the house of
8 representatives; and
- 9 (10) Two citizens with expertise in public administration,
10 finance, or a related field, chosen and invited to
11 participate by the governor.
- 12 (b) Members shall serve until the commission dissolves;
13 provided that any vacancies shall be filled in the same manner
14 as the original appointments.
- 15 (c) Members shall serve without compensation but shall be
16 reimbursed for reasonable expenses, including travel expenses,
17 necessary for the performance of their duties.
- 18 (d) The commission shall:
- 19 (1) Examine the current allocation of responsibilities and
20 funding between the state and county governments, with
21 a focus on education, health, and public safety;



- 1 (2) Assess the impacts of the State's property tax
2 structure on the affordability and availability of
3 housing, including the prevalence of vacant homes and
4 non-resident property ownership;
- 5 (3) Explore models for bifurcating and sharing duties and
6 funding between the State and counties to enhance
7 efficiency, equity, and responsiveness to local needs;
- 8 (4) Consider the potential for structural flexibility to
9 allow counties to assume greater responsibility in
10 certain areas, and the implications of reallocating
11 duties among the State and counties;
- 12 (5) Develop recommendations for legislative,
13 administrative, or policy changes to realign
14 government functions and funding mechanisms in
15 accordance with current economic and social
16 conditions; and
- 17 (6) Engage with stakeholders, including government
18 agencies, community organizations, subject matter
19 experts, and the public to inform its deliberations
20 and recommendations.
- 21 (e) The commission shall submit to the legislature:



1 (1) An interim report of its findings and recommendations
2 no later than twenty days prior to the convening of
3 the regular sessions of 2026 and 2027; and

4 (2) A final report, including its findings and
5 recommendations and any proposed legislation, no later
6 than twenty days prior to the convening of the regular
7 session of 2028.

8 (f) The commission shall meet as determined by the
9 chairperson and shall hold at least one public hearing in each
10 county to solicit input from the county's residents.

11 (g) The office of the governor shall provide
12 administrative support to the commission. The commission may
13 also request assistance from other state agencies as the
14 chairperson deems necessary.

15 (h) The commission shall dissolve on December 31, 2027.

16 SECTION 3. There is appropriated out of the general
17 revenues of the State of Hawaii the sum of \$ or so much
18 thereof as may be necessary for fiscal year 2025-2026 and the
19 same sum or so much thereof as may be necessary for fiscal year
20 2026-2027 for the administration and operational expenses of the
21 select commission on government restructuring, including



1 personnel costs, research, stakeholder engagement, and report
2 preparation.

3 The appropriations made by this section shall not lapse at
4 the end of the fiscal year for which the appropriation is made;
5 provided that all moneys from the appropriations unencumbered as
6 of June 30, 2027, shall lapse as of that date.

7 The sums appropriated shall be expended by the office of
8 the governor for the purposes of this Act.

9 SECTION 4. This Act shall take effect on January 1, 2525.



S.B. NO. 375
S.D. 1

Report Title:

Office of the Governor; Government Restructuring; Commission;
Reports; Appropriations

Description:

Establishes and appropriates moneys for a Select Commission on
Government Restructuring within the Office of the Governor.
Requires interim reports and a final report to the Legislature.
Dissolves the Commission on 12/31/2027. Effective 1/1/2525.
(SD1)

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not legislation or evidence of legislative intent.*

