
A BILL FOR AN ACT

RELATING TO THE BUDGET.

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

1 SECTION 1. The legislature finds that state facilities can
2 be used for both public and private activities to further the
3 economic development of the State. Full use of these facilities
4 provides the maximum benefit to the community.

5 The legislature recognizes that the Internal Revenue
6 Service has previously determined that facilities financed with
7 tax-exempt bonds may not be used for private activities.
8 Accordingly, the purpose of this Act is to promote the private
9 use of state facilities by creating a trust fund to address
10 tax-exempt bond payments.

11 SECTION 2. Chapter 39, Hawaii Revised Statutes, is amended
12 by adding a new section to part VII to be appropriately
13 designated and to read as follows:

14 "§39- Defeasement fund; established. (a) There is
15 established within the department of budget and finance a
16 defeasement trust fund into which shall be deposited
17 appropriations made by the legislature. The defeasement trust



fund shall be administered by the department of budget and finance and shall be used to take all actions necessary to defease tax-exempt bonds to allow the private use of state facilities that are financed by tax-exempt bonds; provided that the department shall consult with bond counsel before any defeasement to:

(1) Assess the specific impacts of the defeasement necessary to allow private activity in state facilities;

(2) Evaluate the relevant bonds; and

(3) Determine the cost of the defeasement.

(b) The defeasement trust fund shall be terminated upon the full payment of all outstanding obligations under the tax-exempt bonds subject to defeasement. Upon termination, any moneys in the defeasement trust fund shall lapse to the general fund."

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2026-2027 to be deposited into the defeasement trust fund for the defeasement of certain tax-exempt bonds.



1 SECTION 4. There is appropriated out of the defeasement
2 trust fund the sum of \$ or so much thereof as may be
3 necessary for fiscal year 2026-2027 for the defeasement of
4 certain tax-exempt bonds.

5 The sum appropriated shall be expended by the department of
6 budget and finance for the purposes of this Act.

7 SECTION 5. New statutory material is underscored.

8 SECTION 6. This Act shall take effect on July 1, 2026.



Report Title:

B&F; Defeasement Trust Fund; Tax-Exempt Bonds; State Facilities;
Private Use; Appropriation

Description:

Establishes the Defeasement Trust Fund within the Department of Budget and Finance for the defeasement of tax-exempt bonds to allow private use of state facilities financed by tax-exempt bonds. Requires the Department to consult with bond counsel before defeasement. Appropriates moneys in and out of the Defeasement Trust Fund for defeasement of certain tax-exempt bonds. (SD1)

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