THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 3219

JAN 2 8 2026

A BILL FOR AN ACT

PROPOSING AMENDMENTS TO ARTICLE VII, SECTIONS 12 AND 13, OF THE HAWAII STATE CONSTITUTION.

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

SECTION 1. The legislature finds that Hawaii faces a severe and ongoing shortage of housing for local residents and that this crisis cannot be solved without large, sustained investments in the infrastructure needed to produce new homes. In particular, there is a shortage of infrastructure in transit-oriented development areas and other priority growth areas across all counties. State-funded planning efforts and the *Hawaii TOD Infrastructure Financing and Delivery Strategy Study* documented that four transit-oriented-development pilot areas alone will require hundreds of millions of dollars in new water, wastewater, drainage, road, and sea-level-rise mitigation projects to support thousands of new homes. Existing funding mechanisms--individual project-by-project contributions and irregular capital improvement program appropriations--are fragmented, inequitable, and insufficient to provide the scale and timing of revenue needed for these infrastructure

investments. Without adequate funding for housing infrastructure, Hawaii will not be able to solve its dire shortage of housing.

The legislature further finds that counties have limited tools to raise the revenues necessary to support housing-enabling infrastructure. *The TOD Infrastructure Financing and Delivery Strategy Study,* funded by the legislature pursuant to Act 88, Session Laws of Hawaii 2021, concluded that additional tools, especially value capture mechanisms, are needed to supplement existing county and state resources and to provide access to regular, large sources of funds and financing that do not interfere with counties' normal bonding activities.

The legislature also finds that housing infrastructure growth bonds are a proven value capture tool used in many other jurisdictions to help fund housing-enabling infrastructure. Through this form of financing, commonly implemented through tax increment financing, a county may establish a district and use a portion of the future growth in real property tax revenues--generated by new development and appreciation of existing properties within that district--to pay for present-day infrastructure. Housing infrastructure growth bonds do not

require creating a new tax or increasing property tax rates. Instead, they designate a portion of the natural growth in property tax revenues, which is generated by new development and rising property values within a designated area, and allow those revenues to be pledged to bonds that provide upfront capital for infrastructure.

In addition, the legislature finds that the *TOD Infrastructure Financing and Delivery Strategy Study* specifically recommended that the State first authorize a ballot measure for a constitutional amendment to clearly permit counties to issue housing infrastructure growth bonds and exclude such bonds from county debt limits and then amend the tax increment financing statutes to allow additional flexibility, including non-contiguous districts; the use of tax increment from higher-value areas to support infrastructure in areas of need; and, where appropriate, the capture of certain state-level tax increments.

Therefore, the purpose of this Act is to propose amendments to article VII, sections 12 and 13, of the Hawaii State Constitution to:

(1) Expressly authorize the legislature to empower the counties and other political subdivisions of the State to issue housing infrastructure growth bonds, a form of financing payable solely from incremental real property tax revenues generated within designated districts;

(2) Clarify that these bonds are payable solely from those incremental real property tax revenues and need not be supported by countywide tax increases; and

(3) Exclude such bonds from county debt limit calculations to the extent they are in fact repaid from those incremental revenues.

It is the intent of the legislature that if the proposed constitutional amendments are approved by the electorate, subsequent implementing legislation and county ordinances will establish housing infrastructure growth bond programs consistent with these findings and the best-practice recommendations of the *TOD Infrastructure Financing and Delivery Strategy Study* so that new development helps pay for the housing-enabling infrastructure it requires while safeguarding county fiscal health and advancing affordable housing goals statewide.

SECTION 2. Article VII, section 12, of the Constitution of the State of Hawaii is amended to read as follows:

"**DEFINITIONS; ISSUANCE OF INDEBTEDNESS**

Section 12. For the purposes of this article:

1. The term "bonds" shall include bonds, notes and other instruments of indebtedness.

2. The term "general obligation bonds" means all bonds for the payment of the principal and interest of which the full faith and credit of the State or a political subdivision are pledged and, unless otherwise indicated, includes reimbursable general obligation bonds.

3. The term "net revenues" or "net user tax receipts" means the revenues or receipts derived from:

a. A public undertaking, improvement or system remaining after the costs of operation, maintenance and repair of the public undertaking, improvement or system, and the required payments of the principal of and interest on all revenue bonds issued therefor, have been made; or

b. Any payments or return on security under a loan program or a loan thereunder, after the costs of operation and administration of the loan program, and the required

payments of the principal of and interest on all revenue bonds issued therefor, have been made.

4. The term "dam and reservoir owner" means any person who has a right to, title to, or an interest in, a dam, a reservoir, or the property upon which a dam, a reservoir, or appurtenant work is located or proposed to be located.

5. The term "person" means an individual, firm, partnership, corporation, association, cooperative or other legal entity, governmental body or agency, board, bureau or other instrumentality thereof, or any combination of the foregoing.

6. The term "rates, rentals and charges" means all revenues and other moneys derived from the operation or lease of a public undertaking, improvement or system, or derived from any payments or return on security under a loan program or a loan thereunder; provided that insurance premium payments, assessments and surcharges, shall constitute rates, rentals and charges of a state property insurance program.

7. The term "reimbursable general obligation bonds" means general obligation bonds issued for a public undertaking, improvement or system from which revenues, or user taxes, or a

combination of both, may be derived for the payment of the principal and interest as reimbursement to the general fund and for which reimbursement is required by law, and, in the case of general obligation bonds issued by the State for a political subdivision, general obligation bonds for which the payment of the principal and interest as reimbursement to the general fund is required by law to be made from the revenue of the political subdivision.

8. The term "revenue bonds" means all bonds payable from the revenues, or user taxes, or any combination of both, of a public undertaking, improvement, system or loan program and any loan made thereunder and secured as may be provided by law, including a loan program to provide loans to a state property insurance program providing hurricane insurance coverage to the general public.

9. The term "special purpose revenue bonds" means all bonds payable from rental or other payments made to an issuer by a person pursuant to contract and secured as may be provided by law.

10. The term "housing infrastructure growth bonds" means all bonds, the principal of and interest on which are payable

from and secured solely by all real property taxes levied by a political subdivision, such as a county, on the assessed valuation of the real property in a designated district established by the political subdivision that is in excess of the assessed valuation of the real property for the fiscal year prior to the effective date specified by resolution of the political subdivision of the specified public works, public improvements, or other actions necessary for new housing development by the political subdivision within the designated district.

[~~10.~~] 11. The term "user tax" means a tax on goods or services or on the consumption thereof, the receipts of which are substantially derived from the consumption, use or sale of goods and services in the utilization of the functions or services furnished by a public undertaking, improvement or system; provided that mortgage recording taxes shall constitute user taxes of a state property insurance program.

The legislature, by a majority vote of the members to which each house is entitled, shall authorize the issuance of all general obligation bonds, bonds issued under special improvement statutes and revenue bonds issued by or on behalf of the State

and shall prescribe by general law the manner and procedure for such issuance. The legislature by general law shall authorize political subdivisions to issue general obligation bonds, bonds issued under special improvement statutes [~~and~~], revenue bonds and housing infrastructure growth bonds and shall prescribe the manner and procedure for such issuance. All such bonds issued by or on behalf of a political subdivision shall be authorized by the governing body of such political subdivision.

Special purpose revenue bonds shall only be authorized or issued to finance facilities of or for, or to loan the proceeds of such bonds to assist:

1. Manufacturing, processing or industrial enterprises;
2. Utilities serving the general public;
3. Health care facilities provided to the general public by not-for-profit corporations;
4. Early childhood education and care facilities provided to the general public by not-for-profit corporations;
5. Low and moderate income government housing programs;
6. Not-for-profit private nonsectarian and sectarian elementary schools, secondary schools, colleges and universities;

7. Agricultural enterprises; or

8. Dam and reservoir owners; provided that the bonds are issued for and the proceeds are used to offer loans to assist dam and reservoir owners to improve their facilities to protect public safety and provide significant benefits to the general public as important water sources,

each of which is hereinafter referred to in this paragraph as a special purpose entity.

The legislature, by a two-thirds vote of the members to which each house is entitled, may enact enabling legislation for the issuance of special purpose revenue bonds separately for each special purpose entity, and, by a two-thirds vote of the members to which each house is entitled and by separate legislative bill, may authorize the State to issue special purpose revenue bonds for each single project or multi-project program of each special purpose entity; provided that the issuance of such special purpose revenue bonds is found to be in the public interest by the legislature; and provided further that the State may combine into a single issue of special

purpose revenue bonds two or more proposed issues of special purpose revenue bonds to assist:

(1) Not-for-profit private nonsectarian and sectarian elementary schools, secondary schools, colleges, and universities;

(2) Dam and reservoir owners; or

(3) Agricultural enterprises,

separately authorized as aforesaid, in the total amount not exceeding the aggregate of the proposed separate issues of special purpose revenue bonds. The legislature may enact enabling legislation to authorize political subdivisions to issue special purpose revenue bonds. If so authorized, a political subdivision by a two-thirds vote of the members to which its governing body is entitled and by separate ordinance may authorize the issuance of special purpose revenue bonds for each single project or multi-project program of each special purpose entity; provided that the issuance of such special purpose revenue bonds is found to be in the public interest by the governing body of the political subdivision. No special purpose revenue bonds shall be secured directly or indirectly by the general credit of the issuer or by any revenues or taxes of

the issuer other than receipts derived from payments by a person or persons under contract or from any security for such contract or contracts or special purpose revenue bonds and no moneys other than such receipts shall be applied to the payment thereof. The governor shall provide the legislature in November of each year with a report on the cumulative amount of all special purpose revenue bonds authorized and issued, and such other information as may be necessary."

SECTION 3. Article VII, section 13, of the Constitution of the State of Hawaii is amended to read as follows:

"**DEBT LIMIT; EXCLUSIONS**

Section 13. General obligation bonds may be issued by the State; provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds to exceed: a sum equal to twenty percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance until June 30, 1982; and thereafter, a sum equal to eighteen and one-half percent of the average of the general fund revenues of the State in the three

fiscal years immediately preceding such issuance. Effective July 1, 1980, the legislature shall include a declaration of findings in every general law authorizing the issuance of general obligation bonds that the total amount of principal and interest, estimated for such bonds and for all bonds authorized and unissued and calculated for all bonds issued and outstanding, will not cause the debt limit to be exceeded at the time of issuance. Any bond issue by or on behalf of the State may exceed the debt limit if an emergency condition is declared to exist by the governor and concurred to by a two-thirds vote of the members to which each house of the legislature is entitled. For the purpose of this paragraph, general fund revenues of the State shall not include moneys received as grants from the federal government and receipts in reimbursement of any reimbursable general obligation bonds which are excluded as permitted by this section.

A sum equal to fifteen percent of the total of the assessed values for tax rate purposes of real property in each political subdivision, as determined by the last tax assessment rolls pursuant to law, is established as the limit of the funded debt

of such political subdivision that is outstanding and unpaid at any time.

All general obligation bonds for a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest. The first installment of principal of general obligation bonds and of reimbursable general obligation bonds shall mature not later than five years from the date of issue of such series. The last installment on general obligation bonds shall mature not later than twenty-five years from the date of such issue and the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds and on bonds constituting instruments of indebtedness under which the State or a political subdivision incurs a contingent liability as a guarantor shall mature not later than thirty-five years from the date of such issue. The interest and principal payments of general obligation bonds shall be a first charge on the general fund of the State or political subdivision, as the case may be.

In determining the power of the State to issue general obligation bonds or the funded debt of any political subdivision under section 12, the following shall be excluded:

1. Bonds that have matured, or that mature in the then current fiscal year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then fiscal year, or for the full payment of which moneys or securities have been irrevocably set aside.

2. Revenue bonds, if the issuer thereof is obligated by law to impose rates, rentals and charges for the use and services of the public undertaking, improvement or system or the benefits of a loan program or a loan thereunder or to impose a user tax, or to impose a combination of rates, rentals and charges and user tax, as the case may be, sufficient to pay the cost of operation, maintenance and repair, if any, of the public undertaking, improvement or system or the cost of maintaining a loan program or a loan thereunder and the required payments of the principal of and interest on all revenue bonds issued for the public undertaking, improvement or system or loan program, and if the issuer is obligated to deposit such revenues or tax

or a combination of both into a special fund and to apply the same to such payments in the amount necessary therefor.

3. Special purpose revenue bonds, if the issuer thereof is required by law to contract with a person obligating such person to make rental or other payments to the issuer in an amount at least sufficient to make the required payment of the principal of and interest on such special purpose revenue bonds.

4. Bonds issued under special improvement statutes when the only security for such bonds is the properties benefited or improved or the assessments thereon.

5. General obligation bonds issued for assessable improvements, but only to the extent that reimbursements to the general fund for the principal and interest on such bonds are in fact made from assessment collections available therefor.

6. Reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the general fund are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the immediately preceding fiscal year.

7. Reimbursable general obligation bonds issued by the State for any political subdivision, whether issued before or

after the effective date of this section, but only for as long as reimbursement by the political subdivision to the State for the payment of principal and interest on such bonds is required by law; provided that in the case of bonds issued after the effective date of this section, the consent of the governing body of the political subdivision has first been obtained; and provided further that during the period that such bonds are excluded by the State, the principal amount then outstanding shall be included within the funded debt of such political subdivision.

8. Bonds constituting instruments of indebtedness under which the State or any political subdivision incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed seven percent of the principal amount of outstanding general obligation bonds not otherwise excluded under this section; provided that the State or political subdivision shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the State or political subdivision as provided by law.

9. Bonds issued by or on behalf of the State or by any political subdivision to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet casual deficits or failures of revenue, if required to be paid within one year, and bonds issued by or on behalf of the State to suppress insurrection, to repel invasion, to defend the State in war or to meet emergencies caused by disaster or act of God.

10. Housing infrastructure growth bonds issued pursuant to section 12 of this article.

The total outstanding indebtedness of the State or funded debt of any political subdivision and the exclusions therefrom permitted by this section shall be made annually and certified by law or as provided by law. For the purposes of section 12 and this section, amounts received from on-street parking may be considered and treated as revenues of a parking undertaking.

Nothing in section 12 or in this section shall prevent the refunding of any bond at any time."

SECTION 4. The question to be printed on the ballot shall be as follows:

"Shall the Hawaii State Constitution be amended to authorize counties to issue housing infrastructure growth bonds, the repayment of which shall be secured solely by the incremental increase in real property tax revenues attributable to the increase in assessed real property values within a designated district established for housing-related public improvements?"

SECTION 5. Constitutional material to be repealed is bracketed and stricken. New constitutional material is underscored.

SECTION 6. These amendments shall take effect upon compliance with article XVII, section 3, of the Constitution of the State of Hawaii.

INTRODUCED BY: _____

S.B. NO. 3219

Report Title:
Counties; Housing Infrastructure Growth Bonds; Constitutional Amendments

Description:
Proposes constitutional amendments to expressly provide that the Legislature may authorize political subdivisions, such as the counties, to issue housing infrastructure growth bonds, and exclude these bonds from determinations of the funded debt of the political subdivisions for specified public works, public improvements, or other actions necessary for new housing development.

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