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## A BILL FOR AN ACT

RELATING TO COUNTY INFRASTRUCTURE CAPACITY BUILDING CONSTRUCTION  
FINANCING.

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

1           SECTION 1. The legislature finds that state tax revenues  
2 have increased significantly over the last several fiscal years.  
3 However, looking forward, the legislature is cognizant that the  
4 amount of tax revenues collectible are at times erratic and  
5 unpredictable, depending largely on the health of the State and  
6 national economies.

7           The legislature finds that counties need to carry out  
8 significant capital improvement projects that have been  
9 neglected over time due to a lack of funding. A recent example  
10 is the rupture of a Waikiki sewer line on March 24, 2006, after  
11 flooding rains. The rupture forced the city and county of  
12 Honolulu to divert untreated sewage into the Ala Wai Canal while  
13 repairing the rupture. The resulting national media coverage of  
14 the closure of Waikiki beach and other famous beaches along the  
15 south shore of Oahu due to the diversion of sewage into the Ala  
16 Wai Canal no doubt hurt tourism, the State's major industry.  
17 Another example is the two-year Kapiolani Boulevard underground



1 utility improvement for new water and sewer lines which began on  
2 September 5, 2006. Both the Waikiki sewer line and the  
3 Kapiolani Boulevard projects would fix aging underground  
4 utilities that have been neglected for many years for lack of  
5 county funds. In the case of the Waikiki sewage line break,  
6 nothing was done until a dire emergency situation arose, and in  
7 the case of the Kapiolani Boulevard project, the intent is to  
8 avert a future disaster due to aging infrastructure. Both  
9 construction projects are intended to make improvements to last  
10 for the next fifty years or more.

11 The legislature finds orderly and planned infrastructure  
12 capacity construction is the foundation for planned population  
13 growth and desirable communities. Infrastructure construction  
14 should precede development. Adequate infrastructure to  
15 accommodate future growth would provide livable communities with  
16 a desirable quality of life; make possible strategically  
17 situated affordable housing (for example, near areas of job  
18 growth); and allow for transfer of development rights to protect  
19 and preserve important agricultural lands by targeting growth to  
20 specific areas that have necessary infrastructure capacity to  
21 support development. Counties would first determine where  
22 development is desirable and then proceed to construct the



1 infrastructure to support a development, rather than vice versa,  
2 as is the present practice.

3       The State's population will increase and growth is  
4 necessary and both should be planned for properly. Experience  
5 indicates that the lack of adequate infrastructure imposes a  
6 tremendous restriction on accommodating future growth. For  
7 example, as the city and county of Honolulu plans for its new  
8 fixed-guideway system, the discussion will focus on quality of  
9 life issues as the community begins to balance higher densities  
10 in and around the transit corridor with the need to protect open  
11 space and agricultural areas. Higher densities will require  
12 increasing the infrastructure capacity. The neighbor islands  
13 also suffer from the lack of adequate infrastructure capacity to  
14 accommodate future growth. The State must assist the counties  
15 with an orderly and predictable plan for increasing  
16 infrastructure capacity to better use existing areas for planned  
17 growth and to mitigate impacts to areas that are appropriate for  
18 immediate growth.

19       The State can assist the counties by providing an incentive  
20 consisting of supplemental financing for infrastructure capacity  
21 construction wherever and whenever feasible, although the  
22 primary responsibility continues to rest with the counties for



1 basic municipal infrastructure needs. Infrastructure projects  
2 included eligible for assistance under this Act include sewer,  
3 water, drainage, and road projects that would increase the  
4 county's capacity to accommodate future growth. Increasing  
5 infrastructure capacity is not the same as maintenance of  
6 infrastructure. While maintenance would lengthen the life of a  
7 facility or infrastructure, only projects that would result in  
8 increased infrastructure capacity will be eligible for  
9 supplemental funding under this Act.

10 The State cannot afford to abandon the counties and must  
11 financially assist the counties when it comes to providing  
12 infrastructure. It is in the counties that planning for  
13 development is needed and it is the counties that have the  
14 ultimate responsibility for this task. However, the State and  
15 the counties share several responsibilities under the  
16 Constitution of the State of Hawaii regarding development,  
17 including the following: article IX, section 6, relating to  
18 management of state population growth to protect the public  
19 health and welfare; article XVI, section 5 relating to  
20 intergovernmental relations to provide cooperation in matters  
21 affecting the public health, safety, and general welfare; and  
22 article XI, section 3, relating to the policies to promote



1 agriculture and the conservation of productive agricultural  
2 lands in the State.

3 The purpose of this Act is to create a county  
4 infrastructure capacity construction loan revolving fund to  
5 provide loans to the counties for infrastructure improvements.

6 SECTION 2. Chapter 46, Hawaii Revised Statutes, is amended  
7 to read as follows:

8 "§46- County infrastructure capacity construction loan

9 revolving fund. (a) There is established within the state  
10 treasury a county infrastructure capacity construction loan  
11 revolving fund. The revolving fund shall be administered by and  
12 moneys expended by the department of budget and finance in  
13 accordance with this section. The legislature finds that this  
14 section satisfies the requirements of section 37-52.4.

15 (b) The county infrastructure capacity construction loan  
16 revolving fund shall consist of moneys:

- 17 (1) Received by the department from counties for the  
18 repayment of loan principal and payment of simple  
19 interest; provided that simple interest charged to a  
20 county for a loan shall be per cent below the  
21 prevailing market rate at the time the loan is made  
22 but in no event shall exceed per cent;



1       (2) Appropriated by the legislature into the fund from  
2       surplus revenues derived from prior fiscal years;  
3       (3) Appropriated federal grants and subsidies to the State  
4       or counties, if any; and  
5       (4) Voluntary contributions.  
6       (c) The department shall expend money in the fund to make  
7       loans to counties for the costs, in whole or in part, of  
8       infrastructure improvements that would increase the capacity of  
9       the infrastructure facilities, including sewer, water, drainage,  
10       and roads. Eligible costs shall include but not be limited to  
11       planning, design, feasibility studies, construction and  
12       materials. No loan shall be made for maintenance or repair  
13       costs unless the construction would simultaneously increase the  
14       carrying capacity of the infrastructure facility. No loan shall  
15       be made only for mass transit or electrical utilities. Loans  
16       shall be made only for capital improvement projects approved by  
17       the respective county council with a view towards planned growth  
18       rather than upkeep and maintenance.  
19       (d) The department shall comply with section 37-47. The  
20       department shall adopt rules in accordance with chapter 91 for  
21       the purposes of this section."



1 SECTION 3. There is appropriated out of the general  
 2 revenues of the State of Hawaii the sum of \$ , for  
 3 fiscal year 2007-2008, and the same sum for fiscal year 2008-  
 4 2009, for deposit into the county infrastructure capacity  
 5 construction loan revolving fund.

6 SECTION 4. There is appropriated out of the county  
 7 infrastructure capacity construction loan revolving fund the sum  
 8 of \$ , or so much thereof as may be necessary for fiscal  
 9 year 2007-2008, and the same sum, or so much thereof as may be  
 10 necessary for fiscal year 2008-2009, for the purposes of this  
 11 Act.

12 The sums appropriated shall be expended by the department  
 13 of budget and finance for the purposes of this Act.

14 SECTION 5. New statutory material is underscored.

15 SECTION 6. This Act shall take effect upon its approval;  
 16 provided that section 3 shall take effect on July 1, 2007.  
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INTRODUCED BY:

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 Juanaka*

*[Signature]*  
 Melo Canale  
 Fono Chong  
Spindly Mayson  
Ray Sanders



**Report Title:**

County Infrastructure Capacity Construction Loan Revolving Fund

**Description:**

Creates county infrastructure capacity construction loan revolving fund within department of budget and finance to provide loans to the counties for infrastructure improvements.

