
A BILL FOR AN ACT

RELATING TO PUBLIC FUNDS.

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

PART I.

SECTION 1. The legislature finds that the State continues to suffer from the global economic recession. While some Hawaii businesses are showing modest signs of recovery, the construction industry, including construction workers, support staff, and construction-support businesses, is still suffering.

The legislature further finds that Hawaii is experiencing the lowest interest rates on record and that there were significant savings from the State's most recent bond authorization and issuance. In completing the bond transaction, the State:

(1) Reduced debt service by saving \$59,000,000 on refunded outstanding debt;

(2) Kept debt service for fiscal 2012-2013 at legislatively appropriated levels;

(3) Restructured outstanding debt;

(4) Normalized the State's debt service profile;

(5) Built excess debt capacity from 2014 to 2019;



1 (6) Improved the State's financial position; and

2 (7) Garnered a positive credit rating.

3 The primary economic objective of the legislature this
4 session is to immediately stimulate direct and indirect job
5 creation to maintain and create local construction jobs for all
6 stages of construction, including employment for painters,
7 roofers, electricians, carpenters, architects, engineers, and
8 other consultants to generate more personal income growth. The
9 department of business, economic development, and tourism
10 estimates that the last advancement of \$1,800,000,000 in capital
11 improvement projects by the State resulted in the creation of
12 12.9 direct and indirect jobs created for every \$1,000,000
13 invested.

14 In contemplating capital improvement projects, the
15 legislature finds that a main focus should include repair and
16 maintenance projects as well as those projects that address
17 health and safety concerns. Completion of those projects will
18 ensure the existence of well-maintained state facilities and
19 infrastructure, which are essential to maintaining a positive
20 business climate and strong economic foundation. Funding would
21 be provided statewide and include efforts to eliminate current
22 repair and maintenance backlogs.



1 The estimated backlog of repair and maintenance or capital
2 renewal and deferred maintenance projects for the department of
3 education, Hawaii state library system, University of Hawaii
4 system, University of Hawaii's athletic facilities, department
5 of accounting and general services, department of agriculture,
6 department of defense, department of health, Hawaii health
7 systems corporation, department of human services, department of
8 land and natural resources, department of public safety, and
9 judiciary is well over \$1,000,000,000.

10 Another priority of the legislature is to develop
11 sustainable and renewable energy resources, such as photovoltaic
12 technology, as well as initiatives to improve upon efficient
13 energy consumption. Investing in energy and information
14 technology initiatives throughout schools, hospitals, and office
15 buildings would have significant impact and ultimately lead to
16 cost savings, alleviating the drain on general funds, and a
17 reduction of the State's carbon footprint.

18 The legislature also realizes that the public procurement
19 process is lengthy and complicated, which adds considerable time
20 to completing capital improvements and repairs and maintenance
21 in the State's facilities and infrastructure. This Act requires
22 procurements for goods, services, or construction for the repair



1 and maintenance or capital renewal and deferred maintenance
2 projects authorized by this Act that are less than \$1,000,000 to
3 be made pursuant to section 103D-305, Hawaii Revised Statutes.

4 The purpose of this Act is to issue \$500,000,000 in general
5 obligation bonds to fund the repair and maintenance or capital
6 renewal and deferred maintenance projects of various
7 departments, the University of Hawaii system, the Hawaii health
8 systems corporation, and the judiciary and to streamline the
9 procurement process.

10 SECTION 2. As used in this Act, "expending agency" means
11 the executive department, agency, office, board, or other
12 establishment of the state government, including the judiciary,
13 that is authorized to expend specified appropriations made by
14 this Act.

15 **PART II.**

16 SECTION 3. The following sums, or so much thereof as may
17 be sufficient to accomplish the purposes designated herein, are
18 hereby appropriated or authorized, as the case may be, from the
19 general obligation bond fund to the expending agencies
20 designated for the fiscal year beginning July 1, 2011, and
21 ending June 30, 2012. The total expenditures shall not exceed
22 the following sums, except as provided elsewhere in this Act:



	<u>Expending Agency</u>	<u>Appropriations</u>
1		
2	1. Education	150,000,000
3	2. University of Hawaii	127,000,000
4	3. Accounting and General Services	63,000,000
5	4. Agriculture	5,000,000
6	5. Defense	5,000,000
7	6. Health	70,000,000
8	7. Human Services	40,000,000
9	8. Land and Natural Resources	20,000,000
10	9. Public Safety	15,000,000
11	10. Judiciary	5,000,000
12		

PART III.

14 SECTION 4. The sum of \$500,000,000 appropriated or
 15 authorized in part II of this Act for capital improvement
 16 projects shall be expended for plans, design, construction, and
 17 equipment for the projects below.

18 A. \$150,000,000 for repair and maintenance projects and
 19 to address infrastructure needs, such as science and
 20 technology, electricity, and other utility
 21 infrastructure improvements, within the public school
 22 system. The sum shall be expended by the department
 23 of education.

24 B. \$3,000,000 for repair and maintenance projects within
 25 the Hawaii state library system. The sum shall be
 26 expended by the department of accounting and general
 27 services.



1 C. \$90,000,000 for capital renewal and deferred
2 maintenance projects of the University of Hawaii at
3 Manoa and the University of Hawaii at Hilo. The sum
4 shall be expended by the University of Hawaii.

5 D. \$25,000,000 for capital renewal and deferred
6 maintenance projects within the University of Hawaii
7 community college system. The sum shall be expended
8 by the University of Hawaii.

9 E. \$12,000,000 for repair and maintenance projects for
10 the University of Hawaii at Manoa's athletic
11 facilities. The sum shall be expended by the
12 University of Hawaii.

13 F. \$60,000,000 for repair and maintenance projects of the
14 department of accounting and general services. The
15 sum shall be expended by the department of accounting
16 and general services.

17 G. \$5,000,000 for repair and maintenance projects of the
18 department of agriculture. The sum shall be expended
19 by the department of agriculture.

20 H. \$5,000,000 for repair and maintenance projects of the
21 department of defense. The sum shall be expended by
22 the department of defense.



1 I. \$30,000,000 for repair and maintenance projects of the
2 department of health. The sum shall be expended by
3 the department of health.

4 J. \$40,000,000 for repair and maintenance projects of the
5 Hawaii health systems corporation. The sum shall be
6 expended by the department of health.

7 K. \$40,000,000 for repair and maintenance projects of the
8 department of human services. The sum shall be
9 expended by the department of human services.

10 L. \$20,000,000 for repair and maintenance projects of the
11 department of land and natural resources. The sum
12 shall be expended by the department of land and
13 natural resources.

14 M. \$15,000,000 for repair and maintenance projects of the
15 department of public safety. The sum shall be
16 expended by the department of public safety.

17 N. \$5,000,000 for repair and maintenance projects of the
18 judiciary. The sum shall be expended by the
19 judiciary.

20 **PART IV.**

21 SECTION 5. General obligation bonds may be issued, as
22 provided by law, to yield the amount that may be necessary to



1 finance projects authorized in part II and listed in part III of
2 this Act; provided that the sum total of the general obligation
3 bonds so issued shall not exceed \$500,000,000.

4 **PART V.**

5 SECTION 6. Any provision of this Act to the contrary
6 notwithstanding, the appropriations made for capital improvement
7 projects authorized in part II and listed in part III of this
8 Act shall not lapse at the end of the fiscal year for which the
9 appropriations are made; provided that all appropriations made
10 for fiscal year 2011-2012 that are unencumbered as of June 30,
11 2014, shall lapse as of that date.

12 SECTION 7. Designated expending agencies for capital
13 improvement projects authorized in this Act may delegate to
14 other state or county agencies the implementation of projects
15 when it is determined advantageous to do so by both the original
16 expending agency and the agency to which expending authority is
17 to be delegated.

18 SECTION 8. In carrying out the purposes of this Act,
19 expending agencies, when possible, shall use energy-efficient
20 materials and sustainable and renewable energy strategies to
21 reduce energy consumption.

22 **PART VI.**



1 SECTION 9. The legislature finds that the public
2 procurement approval process can take longer than may be
3 necessary. A streamlined procurement approval process would
4 assist in expediting implementation of projects to help
5 stimulate growth of the workforce and the State's economy. The
6 purpose of this part is to provide a temporary, expedited
7 process for the capital improvement projects authorized under
8 this Act, for contracts for goods, services, or construction
9 that are less than \$1,000,000.

10 SECTION 10. Notwithstanding the contract value limitation
11 in section 103D-305, Hawaii Revised Statutes, procurements of
12 less than \$1,000,000 for goods or services, or less than
13 \$1,000,000 for construction, for the capital improvement
14 projects authorized by this Act shall be:

- 15 (1) Made pursuant to section 103D-305, Hawaii Revised
16 Statutes, including provisions relating to performance
17 and payment bond requirements thereunder;
18 (2) Conducted through an electronic system; and
19 (3) Exempt from section 103D-701, Hawaii Revised Statutes.

20 SECTION 11. Capital improvement projects authorized
21 pursuant to this Act that are less than \$1,000,000 shall be
22 exempt from all county permit, license, and certificate



1 requirements; provided that the capital improvement projects
2 shall meet all federal and state permits, license, and
3 certificate requirements, and other applicable county code
4 requirements.

5 **PART VII.**

6 SECTION 12. (a) There is established a legislative
7 capital improvements program oversight committee, to be
8 comprised of seven voting members as follows:

9 (1) One member of the senate, to be appointed by the
10 president of the senate;

11 (2) One member of the house of representatives to be
12 appointed by the speaker of the house of
13 representatives; and
14 (3) Five members, one each to be appointed by the
15 governor, president of the senate, speaker of the
16 house of representatives, senate minority leader, and
17 house of representatives minority leader.

18 (b) Legislative staff offices as determined by the
19 president of the senate and the speaker of the house of
20 representatives shall provide administrative assistance to the
21 committee.



1 (c) In providing oversight of funds appropriated by this
2 Act and the implementation of expenditures, the committee may:

3 (1) Evaluate the coordination and timeliness of the
4 implementation of capital improvement projects;

5 (2) Determine the adequacy of public notice; opportunity
6 for contractors to submit bids for work; and capacity
7 for a broad spectrum of trades to be awarded
8 contracts;

9 (3) Evaluate the efficiency and transparency of the
10 bidding and the contracting process; and

11 (4) Undertake any other tasks or efforts to ensure the
12 integrity and appropriateness of the distribution and
13 expenditure of all funds and implementation of all
14 capital improvement projects.

15 (d) Executive and judicial branch agencies shall provide
16 information on the receipt and expenditure of funds and
17 implementation of projects appropriated by this Act upon request
18 of the committee.

19 (e) The committee may request specific audit services from
20 the state auditor.



1 (f) The committee shall submit reports of its findings to
2 the legislature not later than twenty days prior to the
3 convening of the 2013 and 2014 regular sessions.

4 (g) The committee shall cease to exist on June 30, 2014.

5 (h) For the purposes of this section, "committee" means
6 the legislative capital improvements program oversight
7 committee.

8 SECTION 13. The department of accounting and general
9 services shall prepare quarterly reports, beginning with the
10 first quarter of fiscal year 2012-2013, and every three months
11 thereafter through fiscal year 2013-2014, to include the status
12 of all appropriations made by this Act, including amounts
13 appropriated, appropriated but not allotted, allotted,
14 encumbered, and expended by project as designated in part III of
15 this Act; and provided further that the department of accounting
16 and general services shall submit the reports to the legislature
17 no later than thirty days after the last day of each quarter and
18 post the reports on its website.

19 **PART VIII.**

20 SECTION 14. This Act shall take effect upon its approval.



Report Title:

Capital Improvement Projects; General Obligations Bonds;
Appropriation; Procurement

Description:

Issues general obligation bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various departments, the University of Hawaii, Hawaii health systems corporation, and the judiciary. Applies small purchase procurement requirements to capital improvement projects authorized pursuant to this Act for goods, services, or construction less than \$1,000,000. Requires procurements of less than \$1,000,000 to be conducted through an electronic system. Exempts capital improvement projects that are less than \$1,000,000 from the provisions of section 103D-701, HRS, relating to protests. Provides for certain exemptions from county permitting, licensing, and certification requirements. Creates oversight committee. Requires DAGS to prepare quarterly reports. (SD1)

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