

JAN 22 2016

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# A BILL FOR AN ACT

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RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING  
CONSTRUCTION FINANCING.

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

1       SECTION 1. The legislature finds that counties and some  
2 state agencies have aging and limited infrastructure that have  
3 been neglected over time and now require a significant capital  
4 improvement investment. The 2013 State Report Card on  
5 Infrastructure, prepared by the American Society of Consulting  
6 Engineers, provided the following assessment of Hawaii's  
7 infrastructure:

8       (1) Dams and levees:

9       (A) Hawaii's dam safety program has five full-time  
10 employees that each oversee an average of 28.4 state  
11 regulated dams;

12       (B) Hawaii has seventy-five high hazard dams;

13       (C) Ninety-four per cent of the state regulated dams in  
14 Hawaii have an emergency action plan;

15       (D) Hawaii's dam safety program has an annual budget of  
16 \$754,000; and



- (E) Hawaii has approximately sixteen miles of levees according to the Federal Emergency Management Agency (FEMA) Mid-term Levee Inventory database;
- (2) Hazardous waste and wastewater:
- (A) Hawaii has three sites on the National Priorities List, a list of national priorities among the known releases or threatened releases of hazardous substances, pollutants, or contaminants throughout the United States and its territories; and
- (B) Hawaii has reported \$1,800,000,000 in wastewater infrastructure needs over the next twenty years;
- (3) Airports, bridges, and ports:
- (A) Hawaii has fifteen public-use airports;
- (B) One hundred forty-six of the 1,131 bridges in Hawaii (12.9 per cent) are considered structurally deficient;
- (C) Three hundred fifty-nine of the 1,131 bridges in Hawaii (31.7 per cent) are considered functionally obsolete;
- (D) Hawaii received \$28,700,000 from the Federal Highway Bridge Fund in fiscal year 2011; and
- (E) Hawaii's ports handled 19,000,000 short tons of cargo in 2009, ranking twenty-ninth in the nation;



1 (4) Roads and road transit:

2 (A) Driving on roads in need of repair costs Hawaii  
3 motorists \$456,000,000 a year in extra vehicle repairs  
4 and operating costs or roughly \$515 per motorist;

5 (B) Forty-nine per cent of Hawaii's roads are in poor or  
6 mediocre condition;

7 (C) Hawaii has 4,370 public road miles;

8 (D) Hawaii's highway vehicle-miles traveled in 2009 was  
9 approximately 7,331 per capita, ranking it forty-  
10 eighth in the nation;

11 (E) Hawaii's gas tax of 47.1 cents per gallon has not been  
12 increased since 2012; and

13 (F) Hawaii has 74,782 annual unlinked passenger trips via  
14 transit systems -- motor bus, heavy rail, light rail,  
15 and commuter rail; and

16 (5) Public schools, parks, and recreation facilities:

17 (A) Public school districts in Hawaii spent a total of  
18 \$215,000,000 on capital outlays for school  
19 construction and acquisition of land and existing  
20 structures in fiscal years 2005-2008;

21 (B) Hawaii schools have an estimated \$3,400,000,000 in  
22 infrastructure funding needs; and



1 (C) Hawaii has reported an unmet need of \$28,000,000 for  
2 its park systems.

3 TRIP, a national transportation research group, also  
4 released a report in October 2013 which found that Honolulu  
5 urban area ranks nineteenth among large cities with a population  
6 of more than five hundred thousand in the annual cost to  
7 motorists of driving on rough roads and thirteenth in the  
8 percentage of roads in poor condition. The report further noted  
9 that "[d]riving on roads in disrepair increases consumer costs  
10 by accelerating vehicle deterioration and depreciation,  
11 increasing the frequency of needed maintenance and requiring  
12 additional fuel consumption," as well as increasing the  
13 frequency of water main breaks on Oahu each year.

14 The legislature finds that orderly and planned  
15 infrastructure construction is the foundation for planned  
16 population growth and desirable communities. It is a public  
17 purpose for which public funds should be appropriated and  
18 expended. The legislature also finds that infrastructure  
19 construction should be coordinated and timed or phased with  
20 planned development. Adequate infrastructure to accommodate  
21 future growth would provide livable communities with a desirable  
22 quality of life, make possible strategically situated affordable



1 housing (for example, near job growth), and allow the transfer  
2 of development rights to protect and preserve important  
3 agricultural lands by targeting growth to specific areas that  
4 have necessary infrastructure capacity to support development.  
5 Based on population projections prepared by the State, the  
6 individual counties would first plan and determine where growth  
7 is desirable and then proceed to construct, in coordination with  
8 applicable state agencies, the infrastructure to support the  
9 planned growth in those areas.

10 Population increase will occur, and economic growth is  
11 necessary, and, therefore, both should be planned for properly.  
12 Prior experience indicates that the lack of adequate  
13 infrastructure is a severe constraint to future growth. For  
14 example, as Honolulu plans for its new fixed guide-way system,  
15 discussion will focus on quality of life issues as the community  
16 begins to balance higher densities in and around the transit  
17 corridor with the need to protect open space and agricultural  
18 areas. Infrastructure capacity must be increased to accommodate  
19 higher densities in and around the transit corridor. While this  
20 problem is most evident on Oahu, the neighbor islands also  
21 suffer from lack of infrastructure capacity to accommodate  
22 future growth. It is necessary to assist all counties, in



1 accordance with an orderly and predictable plan for increasing  
2 infrastructure capacity, to better utilize existing areas for  
3 planned growth and mitigate impacts to areas that are  
4 appropriate for growth.

5       The State's role in dealing with this growth would be to  
6 provide coordination with the counties on regional state  
7 infrastructure construction in areas of planned growth.  
8 Although the primary responsibility for basic municipal  
9 infrastructure needs continues to reside with the counties, much  
10 of the work will need to be coordinated with the State for  
11 regional infrastructure improvements. Infrastructure projects  
12 included under this Act are regional sewer, water, drainage,  
13 roads, and telecommunications and broadband, if a project would  
14 increase the capacity to accommodate future growth, and not  
15 solely benefit one particular project. Increased capacity is  
16 distinguishable from maintenance. While maintenance would  
17 increase the life of the facility or infrastructure, only  
18 projects that would result in increased infrastructure capacity  
19 would be eligible for supplemental funding under this Act.

20       The State cannot afford to abandon the counties and must  
21 provide financial assistance for improving infrastructure. In  
22 addition, while the counties have primary jurisdiction over



1 planning and development, development links the State with the  
2 counties to several shared responsibilities under the  
3 Constitution of the State of Hawaii, including the following:

4 (1) Article IX, section 6, relating to management of state  
5 population growth;

6 (2) Article XI, section 3, relating to agricultural lands;  
7 and

8 (3) Article XI, section 5, relating to general laws over  
9 the lands owned by or under the control of the State.

10 The purpose of this Act is to create an infrastructure  
11 capacity construction loan revolving fund to provide loans to  
12 the counties, state agencies, and private developers for  
13 infrastructure improvements. Furthermore, the intent of this  
14 Act is to allow for innovative financing techniques, such as tax  
15 increment financing and improvement districts, to fund the loan  
16 based upon the use of the new infrastructure capacity.

17 SECTION 2. Chapter 36, Hawaii Revised Statutes, is amended  
18 by adding a new part to be appropriately designated and to read  
19 as follows:

20 "PART . INFRASTRUCTURE CAPACITY FINANCING

21 §36- Infrastructure capacity construction loan revolving  
22 fund. (a) There is established within the state treasury an



1 infrastructure capacity construction loan revolving fund. The  
2 revolving fund shall be administered by the department of  
3 accounting and general services. This section shall be deemed  
4 to satisfy the requirements of section 37-52.4.

5 (b) The infrastructure capacity construction loan  
6 revolving fund shall consist of the following sources of  
7 revenue:

8 (1) Moneys received by the department of accounting and  
9 general services from the counties for the repayment  
10 of the loan principal and the payment of simple  
11 interest from various assessments or fees from special  
12 improvement districts, improvement districts, tax  
13 increment financing districts, community facilities  
14 districts, and other areas where property value  
15 increases are captured over periods of time for the  
16 purposes of infrastructure financing; provided that  
17 simple interest charged to a county for a loan shall  
18 be per cent below the prevailing market rate at  
19 the time the loan is made but not less than per  
20 cent; provided further that in no event shall the  
21 simple interest charged to a county exceed per  
22 cent;





(2) Appropriations from the legislature;

(3) Federal grants and subsidies to the State or counties,  
if any;

(4) Private investor contributions; and

(5) Voluntary contributions.

(c) The department of accounting and general services  
shall expend revenues in the fund to:

(1) Make loans to counties, state agencies, or private  
developers for the costs, in whole or in part, of  
infrastructure improvements that would increase the  
capacity of the infrastructure facilities, including  
regional sewer, water, drainage systems, roads, and  
telecommunications and broadband; and

(2) Pay costs associated with the implementation,  
administration, and coordination of the fund.

Loans shall be made only for capital improvement projects  
approved by the respective county council or state agency with a  
view toward planned growth rather than upkeep and maintenance.

(d) Eligible costs shall include those for planning,  
design, feasibility studies, construction, and materials. No  
loan shall be made:



- 1           (1) For maintenance or repair costs unless the  
2                   construction would simultaneously increase the  
3                   carrying capacity of the infrastructure facility; or  
4           (2) Solely for mass transit or electrical utilities.

5           The department of accounting and general services may also  
6   expend revenues in the fund to repay private investors for their  
7   investment plus any interest accrued on their investments made  
8   into the fund to finance, in whole or in part, infrastructure  
9   improvements that would increase the capacity of the  
10   infrastructure facilities, including regional sewer, water,  
11   drainage, roads, and telecommunications and broadband.

12           (e) The department of accounting and general services  
13   shall adopt rules in accordance with chapter 91 for the purposes  
14   of this section."

15           SECTION 3. There is appropriated out of the general  
16   revenues of the State of Hawaii the sum of \$           or so much  
17   thereof as may be necessary for fiscal year 2016-2017 for  
18   deposit into the infrastructure capacity construction loan  
19   revolving fund.

20           SECTION 4. There is appropriated out of the infrastructure  
21   capacity construction loan revolving fund the sum of \$

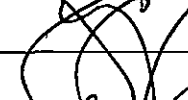


for:

- The sum appropriated shall be expended by the department of accounting and general services for the purposes of this Act.

SECTION 5. This Act shall take effect on July 1, 2016.

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**Report Title:**

Construction; Revolving Fund; Appropriation

**Description:**

Establishes the Infrastructure Capacity Construction Loan Revolving Fund to provide loans to counties, state agencies, or private developers for infrastructure improvements.  
Appropriates funds.

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

