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# A BILL FOR AN ACT

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  
11                   state regulated dams;

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

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

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



- 1 (E) Hawaii has approximately sixteen miles of levees  
2 according to the Federal Emergency Management  
3 Agency (FEMA) Mid-term Levee Inventory database;
- 4 (2) Hazardous waste and wastewater:
- 5 (A) Hawaii has three sites on the National Priorities  
6 List, a list of national priorities among the  
7 known releases or threatened releases of  
8 hazardous substances, pollutants, or contaminants  
9 throughout the United States and its territories;  
10 and
- 11 (B) Hawaii has reported \$1,800,000,000 in wastewater  
12 infrastructure needs over the next twenty years;
- 13 (3) Airports, bridges, and ports:
- 14 (A) Hawaii has fifteen public-use airports;
- 15 (B) One hundred forty-six of the 1,131 bridges in  
16 Hawaii (12.9 per cent) are considered  
17 structurally deficient;
- 18 (C) Three hundred fifty-nine of the 1,131 bridges in  
19 Hawaii (31.7 per cent) are considered  
20 functionally obsolete;
- 21 (D) Hawaii received \$28,700,000 from the Federal  
22 Highway Bridge Fund in fiscal year 2011; and



1 (E) Hawaii's ports handled 19,000,000 short tons of  
2 cargo in 2009, ranking twenty-ninth in the  
3 nation;

4 (4) Roads and road transit:

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

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

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

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

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

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

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

21 (A) Public school districts in Hawaii spent a total  
22 of \$215,000,000 on capital outlays for school



1 construction and acquisition of land and existing  
2 structures in fiscal years 2005-2008;

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

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

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

18 The legislature finds that orderly and planned  
19 infrastructure construction is the foundation for planned  
20 population growth and desirable communities. It is a public  
21 purpose for which public funds should be appropriated and  
22 expended. The legislature also finds that infrastructure



1 construction should be coordinated and timed or phased with  
2 planned development. Adequate infrastructure to accommodate  
3 future growth would provide livable communities with a desirable  
4 quality of life, make possible strategically situated affordable  
5 housing (for example, near job growth), and allow the transfer  
6 of development rights to protect and preserve important  
7 agricultural lands by targeting growth to specific areas that  
8 have necessary infrastructure capacity to support development.  
9 Based on population projections prepared by the State, the  
10 individual counties would first plan and determine where growth  
11 is desirable and then proceed to construct, in coordination with  
12 applicable state agencies, the infrastructure to support the  
13 planned growth in those areas.

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



1 higher densities in and around the transit corridor. While this  
2 problem is most evident on Oahu, the neighbor islands also  
3 suffer from lack of infrastructure capacity to accommodate  
4 future growth. It is necessary to assist all counties, in  
5 accordance with an orderly and predictable plan for increasing  
6 infrastructure capacity, to better utilize existing areas for  
7 planned growth and mitigate impacts to areas that are  
8 appropriate for growth.

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



1 projects that would result in increased infrastructure capacity  
2 would be eligible for supplemental funding under this Act.

3 The State cannot afford to abandon the counties and must  
4 provide financial assistance for improving infrastructure. In  
5 addition, while the counties have primary jurisdiction over  
6 planning and development, development links the State with the  
7 counties to several shared responsibilities under the  
8 Constitution of the State of Hawaii, including the following:

- 9 (1) Article IX, section 6, relating to management of state  
10 population growth;
- 11 (2) Article XI, section 3, relating to agricultural lands;  
12 and
- 13 (3) Article XI, section 5, relating to general laws over  
14 the lands owned by or under the control of the State.

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



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

4 "PART . INFRASTRUCTURE CAPACITY FINANCING

5 §36- Infrastructure capacity construction loan revolving  
6 fund. (a) There is established within the state treasury an  
7 infrastructure capacity construction loan revolving fund. The  
8 revolving fund shall be administered by the department of  
9 accounting and general services. This section shall be deemed  
10 to satisfy the requirements of section 37-52.4.

11 (b) The infrastructure capacity construction loan  
12 revolving fund shall consist of the following sources of  
13 revenue:

- 14 (1) Moneys received by the department of accounting and  
15 general services from the counties for the repayment  
16 of the loan principal and the payment of simple  
17 interest from various assessments or fees from special  
18 improvement districts, improvement districts, tax  
19 increment financing districts, community facilities  
20 districts, and other areas where property value  
21 increases are captured over periods of time for the  
22 purposes of infrastructure financing; provided that



1 simple interest charged to a county for a loan shall  
2 be per cent below the prevailing market rate at  
3 the time the loan is made but not less than per  
4 cent; provided further that in no event shall the  
5 simple interest charged to a county exceed per  
6 cent;

7 (2) Appropriations from the legislature;

8 (3) Federal grants and subsidies to the State or counties;

9 (4) Private investor contributions; and

10 (5) Voluntary contributions.

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

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

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



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

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

7           (1) For maintenance or repair costs unless the  
8                 construction would simultaneously increase the  
9                 carrying capacity of the infrastructure facility; or

10          (2) Solely for mass transit or electrical utilities.

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

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

21          SECTION 3. There is appropriated out of the general  
22 revenues of the State of Hawaii the sum of \$                 or so much



1 thereof as may be necessary for fiscal year 2017-2018 and the  
2 same sum or so much thereof as may be necessary for fiscal year  
3 2018-2019 for deposit into the infrastructure capacity  
4 construction loan revolving fund.

5 SECTION 4. There is appropriated out of the infrastructure  
6 capacity construction loan revolving fund the sum of \$  
7 or so much thereof as may be necessary for fiscal year 2017-2018  
8 and the same sum or so much thereof as may be necessary for  
9 fiscal year 2018-2019 for:

10 (1) The making of loans to the counties, state agencies,  
11 or private developers for the costs, in whole or in  
12 part, of infrastructure improvements that would  
13 increase the capacity of the infrastructure  
14 facilities; and

15 (2) The implementation, administration, and coordination  
16 of the infrastructure capacity construction loan  
17 revolving fund.

18 The sums appropriated shall be expended by the department  
19 of accounting and general services for the purposes of this Act.

20 SECTION 5. This Act shall take effect on July 1, 2050.



**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. Effective 7/01/2050. (SD1)

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