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# A BILL FOR AN ACT

RELATING TO INFRASTRUCTURE.

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

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

6           The legislature finds that counties are in need of  
7 significant capital improvement projects, which have been  
8 neglected over time. A recent example is the Waikiki sewer line  
9 that ruptured on March 24, 2006, after flooding rains. The  
10 rupture forced the city and county of Honolulu to divert  
11 untreated sewage into the Ala Wai canal, while attempting to fix  
12 the rupture. The resulting national media coverage of the  
13 closure of Waikiki beach and other famous beaches along the  
14 south shore of Oahu due to the sewage spill no doubt had a  
15 negative impact on one of our major economic industries,  
16 tourism.

17           Another example is the two-year Kapiolani boulevard  
18 underground utility improvement for new water and sewer lines



1 which began on September 5, 2006. Both projects will fix aging  
2 underground utilities that were neglected for many years for  
3 lack of county funds until a dire emergency situation was  
4 created in the case of the Ala Wai, or until a disaster was  
5 averted ahead of time in the case of Kapiolani boulevard. Both  
6 construction projects are intended to make improvements that  
7 last for the next fifty years or more.

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



1           Population increase and growth is necessary and should be  
2 properly planned. Experience indicates that the lack of  
3 adequate infrastructure is a tremendous restriction to  
4 accommodate future growth. For example, as Honolulu plans for  
5 its new fixed guide-way system, the discussion will focus on  
6 quality of life issues as the community begins to balance higher  
7 densities in and around the transit corridor with the need to  
8 protect open space and agricultural areas. The infrastructure  
9 capacity must be increased to accommodate higher densities in  
10 and around the transit corridor. While this problem focuses on  
11 Oahu, the neighbor islands similarly suffer from the lack of  
12 adequate infrastructure capacity to accommodate future growth.  
13 The State must assist the counties with an orderly and  
14 predictable plan for increasing infrastructure capacity to  
15 better use existing developed areas for planned growth and  
16 mitigate impacts to areas that are appropriate for immediate  
17 growth.

18           While the primary responsibility for basic municipal  
19 infrastructure needs continues to rest with the counties, the  
20 State can assist the counties by offering an incentive to  
21 infrastructure capacity construction with supplemental financing  
22 wherever and whenever feasible. Infrastructure projects that



1 are included under this Act are sewer, water, drainage, and  
2 roads, so long as the project would increase the capacity to  
3 accommodate future growth. Increased capacity is  
4 distinguishable from maintenance. While maintenance would  
5 increase the life of the facility or infrastructure, only  
6 projects that would result in increased capacity would be  
7 eligible for supplemental funding under this Act.

8 The State cannot afford to abandon the counties and must  
9 financially assist the counties when it comes to providing  
10 infrastructure. The counties are the first and last stop when  
11 it comes to planning and development. Development is linked to  
12 several shared responsibilities under the constitution of the  
13 State of Hawaii, including:

- 14 (1) Article IX, section 6, relating to management of state  
15 population growth to protect the public health and  
16 welfare;
- 17 (2) Article XVI, section 5, relating to intergovernmental  
18 relations to provide cooperation in matters affecting  
19 the public health, safety, and general welfare; and
- 20 (3) Article XI, section 3, relating to the policies to  
21 promote agriculture and the conservation of productive  
22 agricultural lands in the state.



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

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

6 "§46- County infrastructure capacity construction loan

7 revolving fund. (a) There is established within the state  
8 treasury a county infrastructure capacity construction loan  
9 revolving fund. The revolving fund shall be administered by and  
10 moneys expended by the department of budget and finance in  
11 accordance with this section.

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

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

20 (2) Appropriated by the legislature into the fund from  
21 surplus revenues derived from prior fiscal years;



1       (3) Appropriated as federal grants and subsidies to the  
2           state or counties, if any; and

3       (4) Voluntary contributions.

4       (c) The department shall expend moneys in this fund to  
5 make loans to counties for the costs, in whole or in part, of  
6 infrastructure improvements that would increase the capacity of  
7 the infrastructure facilities, including sewer, water, drainage,  
8 and roads. Eligible costs shall include but not be limited to  
9 planning, design, feasibility studies, construction, and  
10 materials. No loan shall be made for maintenance or repair  
11 costs unless the construction would simultaneously increase the  
12 carrying capacity of the infrastructure facility. No loan shall  
13 be made only for mass transit or electrical utilities. Loans  
14 shall be made only for capital improvement projects approved by  
15 the respective county council with a view towards planned growth  
16 rather than upkeep and maintenance.

17       (d) The department shall adopt rules in accordance with  
18 chapter 91 for the purposes of this section."

19       SECTION 3. There is appropriated out of the general  
20 revenues of the State of Hawaii the sum of \$        or so much  
21 thereof as may be necessary for fiscal year 2007-2008 and the  
22 same sum or so much thereof as may be necessary for fiscal year



1 2008-2009 for deposit into the county infrastructure capacity  
2 construction loan revolving fund.

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

5 SECTION 4. New statutory material is underscored.

6 SECTION 5. This Act shall take effect upon its approval;  
7 provided section 3 shall take effect on July 1, 2007.

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INTRODUCED BY:

*Paul Chung*  
*K. Ho*  
*[Signature]*  
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JAN 23 2007



**Report Title:**

County Infrastructure Capacity Construction Loan Revolving Fund

**Description:**

Establishes the county infrastructure capacity construction loan revolving fund and appropriates moneys to support the counties' infrastructure improvement efforts by loaning funds for capital improvement costs from the revolving fund.

