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# A BILL FOR AN ACT

RELATING TO COUNTY INFRASTRUCTURE CAPACITY CONSTRUCTION  
FINANCING.

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

1           SECTION 1. The legislature finds that state tax revenues  
2 are up significantly over the last fiscal year, and that excess  
3 revenues will likely continue for the foreseeable future.  
4 However, the legislature is cognizant, nonetheless, that tax  
5 revenues are necessarily erratic and unpredictable, depending on  
6 the economic health of the State and the vagaries of the  
7 national economy.

8           The legislature finds that counties are in dire financial  
9 straits leaving needed capital improvement projects neglected.  
10 A recent example is the Waikiki sewer line that ruptured on  
11 March 24, 2006 after flooding rains, which forced the city and  
12 county of Honolulu to divert untreated sewage into the Ala Wai  
13 Canal and then implement a project for a long-term solution.  
14 Another example is the two-year Kapiolani Boulevard underground  
15 utility improvement for new water and sewer lines which began on  
16 September 5, 2006. Both projects would fix aging underground  
17 utilities that were neglected for many years for lack of county



1 funds until a dire emergency situation was created in the case  
2 of the Ala Wai, or until a disaster is averted ahead of time in  
3 case of Kapiolani Boulevard. Both construction projects are  
4 intended to make improvements to last for the next fifty years  
5 or more.

6 The legislature finds orderly and planned infrastructure  
7 capacity construction is the foundation for planned population  
8 growth and desirable communities. Infrastructure construction  
9 should precede development. Adequate infrastructure to  
10 accommodate future growth would provide livable communities with  
11 a desirable quality of life; make possible strategically  
12 situated affordable housing (for example, near areas of job  
13 growth); and preserve the environment by targeting growth to  
14 specific areas that have the necessary infrastructure to support  
15 development. Counties would first determine where development  
16 is desirable and then proceed to construct the infrastructure to  
17 support a development, rather than vice versa as is the present  
18 practice.

19 Population increase is natural, inevitable, and  
20 unavoidable. The issue then becomes how the government can best  
21 prepare for future planned growth. Experience indicates that  
22 the lack of adequate infrastructure is a tremendous restriction



1 on planned development. For example, the *Honolulu Advertiser*  
2 reported in the September 19, 2006 issue that approximately  
3 60,000 new homes are being planned for Oahu over the next two  
4 decades. The estimate was taken from the department of planning  
5 and permitting and *Advertiser* estimates. The expansion is the  
6 equivalent of a new Mililani, Hawaii Kai, Wahiawa, Kailua, and  
7 Kaneohe combined, a prospect that will bring benefits and  
8 drawbacks. Adequate infrastructure (excluding mass transit)  
9 would mitigate much of the systemic drawbacks.

10 The State could assist the counties with supplemental  
11 financing of infrastructure capacity construction whenever  
12 feasible, although the primary responsibility continues to rest  
13 with the counties. Infrastructure projects included under this  
14 Act are sewer; water; drainage; and roads, if a project would  
15 increase the carrying capacity to accommodate future planning.  
16 Increasing capacity is distinguishable from maintenance. While  
17 maintenance would increase the life of the facility, only  
18 projects that increase capacity would be eligible for  
19 supplemental funding under this Act.

20 The State cannot afford to abandon the counties and must  
21 financially assist the counties when it comes to providing  
22 infrastructure. Counties are the first and last stop when it



1 comes to planning and development. Development is linked to  
 2 several shared responsibilities under the constitution of the  
 3 State of Hawaii, including the following: article IX, section  
 4 6, relating to management of state population growth to protect  
 5 the public health and welfare; article XI, section 1, relating  
 6 to conservation and development of resources for the benefit of  
 7 present and future generations; and article XVI, section 5,  
 8 relating to intergovernmental relations to provide cooperation  
 9 in matters affecting the public health, safety, and general  
 10 welfare.

11 The purpose of this Act is to create a county  
 12 infrastructure capacity construction loan revolving fund to  
 13 provide loans to the counties for infrastructure improvements.

14 SECTION 2. Chapter 46, Hawaii Revised Statutes, is amended  
 15 by adding a new section to part V to be appropriately designated  
 16 and to read as follows:

17 "§46- County infrastructure capacity construction loan  
 18 revolving fund. (a) There is established within the state  
 19 treasury a county infrastructure capacity construction loan  
 20 revolving fund. The revolving fund shall be administered by and  
 21 monies expended by the department of budget and finance in  
 22 accordance with this section. The legislature find that the



## S.B. NO.

1 provisions of this section satisfy the requirements of section  
2 37-52.4.

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

5 (1) Received by the department from counties for the  
6 repayment of loan principal and payment of simple  
7 interest; provided that simple interest charged to a  
8 county for a loan shall be \_\_\_\_\_ per cent below the  
9 prevailing market rate at the time the loan is made  
10 but in no event shall exceed \_\_\_\_\_ per cent;

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

13 (3) Appropriate federal grants and subsidies to the State  
14 or counties, if any; and

15 (4) Voluntary contributions.

16 (c) The department shall expend monies in this fund to  
17 make loans to counties for the costs, in whole or in part, of  
18 infrastructure improvements that would increase the carrying  
19 capacity of infrastructure facilities, including sewer, water,  
20 drainage, and roads. Eligible costs shall be limited to  
21 construction and materials, excluding the initial costs of  
22 planning, engineering, and feasibility studies. No loan shall



1 be made for maintenance costs, such as increasing the life of  
2 the facility, unless the construction would simultaneously  
3 increase the carrying capacity of the facility. No loan shall  
4 be made for mass transit or for electrical utilities. Loans  
5 shall be made only for capital improvement projects approved by  
6 the respective county council with a view towards planned growth  
7 rather than upkeep and maintenance.

8 (d) The department shall comply with section 37-47. The  
9 department shall adopt rules in accordance with chapter 91 for  
10 purposes of this section."

11 SECTION 3. There is appropriated out of the general  
12 revenues of the State of Hawaii the sum of \$ , or so  
13 much thereof as may be necessary for fiscal year 2007-2008, and  
14 the same sum, or so much thereof as may be necessary for fiscal  
15 year 2008-2009, for deposit into the county infrastructure  
16 capacity construction loan revolving fund.

17 The sum appropriated shall be expended by the department of  
18 budget and finance for the purposes of this Act.

19 SECTION 4. New statutory material is underscored.



# S.B. NO. 1620

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

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INTRODUCED BY: *Frankie Chun Oakland*



**Report Title:**

County Infrastructure Capacity Construction Loan Revolving Fund

**Description:**

Creates a county infrastructure capacity construction loan revolving fund to make loans to counties to increase infrastructure facilities.

