

JAN 19 2007

A BILL FOR AN ACT

RELATING TO COUNTIES.

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

1 SECTION 1. The legislature finds that counties are in need
2 of significant capital improvement projects, which have been
3 neglected over time. A recent example is the Waikiki sewer line
4 that ruptured on March 24, 2006, after an extended period of
5 heavy rains. The rupture forced the city and county of Honolulu
6 to divert more than 375,000 gallons of untreated sewage into the
7 Ala Wai canal. There is little doubt that national media
8 coverage of the closure of Waikiki beach and other famous
9 beaches along the south shore of Oahu had a negative impact on
10 Hawaii's major economic industry - tourism. Currently, the city
11 is repairing and replacing parts of the aging sewer line along
12 Ala Wai boulevard. The two-year Kapiolani boulevard underground
13 water and sewer line improvement project that began on
14 September 5, 2006, is another example of a neglected county
15 infrastructure improvement project.

16 Both the Ala Wai and Kapiolani projects were neglected for
17 years due to a lack in county funds. The emergency sewage spill



1 in March created the urgency to fix the sewer line problem along
2 the Ala Wai while the same emergency situation enabled the city
3 and county to mitigate potential problems in the future by
4 making underground repairs along Kapiolani boulevard. The
5 improvements and repairs on both projects are intended to last
6 for the next fifty years.

7 The legislature further finds that orderly and planned
8 infrastructure capacity construction is a key foundation for
9 accommodating population growth; developing communities with a
10 better quality of life; creating strategies for affordable
11 housing; and easier land use planning. Past experiences
12 indicate that the lack of adequate infrastructure is a
13 tremendous restriction on accommodating future growth.

14 As Honolulu, for example, makes plans for a new fixed
15 guide-way system, some of the discussion will focus on balancing
16 between the need to accommodate higher density growth in and
17 around the transit corridor and the need to protect open space
18 and agricultural areas. Infrastructure capacity will need to be
19 increased and improved to accommodate the predicted density
20 growth in and around the transit corridor.

21 Although the responsibility of constructing basic municipal
22 infrastructure falls primarily on the counties, the State could



1 assist the counties with infrastructure capacity construction,
2 when feasible, by providing supplemental financing. While the
3 counties bear a large amount of responsibility in planning and
4 development, the counties and the State share the responsibility
5 in providing public health and welfare, including managing the
6 State's population growth. Infrastructure capacity construction
7 is an integral part in planning for and managing population
8 growth.

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

12 SECTION 2. Chapter 36, Hawaii Revised Statutes, is amended
13 by adding a new section to be appropriately designated and to
14 read as follows:

15 **"§36- County infrastructure capacity construction loan**
16 **revolving fund.** (a) There shall be established within the
17 state treasury a county infrastructure capacity construction
18 loan revolving fund. The revolving fund shall be administered
19 by and be expended by the department of budget and finance to
20 carry out the purposes of this section.

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



- 1 (1) Received by the department of budget and finance from
2 any of the counties for the repayment of loan
3 principal and the payment of simple interest; provided
4 that the simple interest charged to a county for the
5 loan shall be per cent below the prevailing market
6 rate at the time the loan is made, but in no event
7 shall exceed per cent;
- 8 (2) Appropriated by the legislature and deposited into the
9 fund from surplus revenues derived from prior fiscal
10 years;
- 11 (3) Received from federal grants or subsidies that are
12 granted to the State or counties; and
- 13 (4) Received from voluntary contributions.
- 14 (c) The department of budget and finance shall expend
15 moneys in the fund to provide loans to counties for the cost, in
16 whole or in part, of infrastructure improvements that would
17 increase the capacity of infrastructure facilities, including
18 sewer, water, drainage, and roads. Eligible costs shall include
19 but not be limited to plans, design, feasibility studies,
20 construction, and materials. Loans shall be provided only for
21 capital improvement projects approved by the respective county



1 council with a view towards planned population and community
2 development growth rather than for maintenance or repair needs.

3 (d) No loans shall be granted for:

4 (1) Maintenance or repair costs unless the construction
5 would simultaneously increase the carrying capacity of
6 the infrastructure facility;

7 (2) Mass transit projects; or

8 (3) Electrical utilities.

9 (e) The department of budget and finance shall comply with
10 section 37-47.

11 (f) The department of budget and finance shall adopt rules
12 in accordance with chapter 91 for purposes of this section."

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

19 SECTION 4. There is appropriated out of the county
20 infrastructure capacity loan revolving fund the sum of
21 \$, or so much thereof as may be necessary for fiscal
22 year 2007-2008, and the same sum, or so much thereof that may be



1 necessary for fiscal year 2008-2009, for the department of
2 budget and finance to provide loans to the counties for
3 infrastructure capacity construction projects.

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

6 SECTION 5. New statutory material is underscored.

7 SECTION 6. This Act shall take effect upon its approval;
8 provided that sections 3 and 4 shall take effect on July 1,
9 2007.

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Report Title:

County Infrastructure Capacity Construction; Revolving Fund

Description:

Establishes a county infrastructure capacity construction loan revolving fund to be administered by the department of budget and finance to provide loans to the counties for infrastructure capacity construction projects.

