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# A BILL FOR AN ACT

RELATING TO ECONOMIC DEVELOPMENT.

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

1 **PART I.**

2 SECTION 1. The legislature finds that the State continues  
3 to suffer from the global economic recession. While some Hawaii  
4 businesses are showing modest signs of recovery, the  
5 construction industry, including construction workers, support  
6 staff, and construction-support businesses, is still suffering.

7 The legislature further finds that Hawaii is experiencing  
8 the lowest interest rates on record and that there were  
9 significant savings from the State's most recent bond  
10 authorization and issuance. In completing the bond transaction,  
11 the State:

- 12 (1) Reduced debt service by saving \$59,000,000 on refunded  
13 outstanding debt;
- 14 (2) Kept debt service for fiscal 2012-2013 at  
15 legislatively appropriated levels;
- 16 (3) Restructured outstanding debt;
- 17 (4) Normalized the State's debt service profile;
- 18 (5) Built excess debt capacity from 2014 to 2019;



1 (6) Improved the State's financial position; and

2 (7) Garnered a positive credit rating.

3 The primary economic objective of the legislature this  
4 session is to immediately stimulate direct and indirect job  
5 creation to maintain and create local construction jobs for all  
6 stages of construction, including employment for painters,  
7 roofers, electricians, carpenters, architects, engineers, and  
8 other consultants to generate more personal income growth. The  
9 department of business, economic development, and tourism  
10 estimates that the last advancement of \$1,800,000,000 in capital  
11 improvement projects by the State resulted in the creation of  
12 12.9 direct and indirect jobs created for every \$1,000,000  
13 invested.

14 In contemplating capital improvement projects, the  
15 legislature finds that a main focus should include repair and  
16 maintenance projects as well as those projects that address  
17 health and safety concerns. Completion of those projects will  
18 ensure the existence of well-maintained state facilities and  
19 infrastructure, which are essential to maintaining a positive  
20 business climate and strong economic foundation. Funding would  
21 be provided statewide and include efforts to eliminate current  
22 repair and maintenance backlogs.



1           The estimated backlog of repair and maintenance or capital  
2 renewal and deferred maintenance projects for the department of  
3 education, Hawaii state library system, University of Hawaii  
4 system, University of Hawaii's athletic facilities, department  
5 of accounting and general services, department of agriculture,  
6 department of defense, department of health, Hawaii health  
7 systems corporation, department of human services, department of  
8 land and natural resources, department of public safety, and  
9 judiciary is well over \$1,000,000,000.

10           Another priority of the legislature is to develop  
11 sustainable and renewable energy resources, such as photovoltaic  
12 technology, as well as initiatives to improve upon efficient  
13 energy consumption. Investing in energy and information  
14 technology initiatives throughout schools, hospitals, and office  
15 buildings would have significant impact and ultimately lead to  
16 cost savings, alleviating the drain on general funds, and a  
17 reduction of the State's carbon footprint.

18           The legislature also realizes that the public procurement  
19 process is lengthy and complicated, which adds considerable time  
20 to completing capital improvements and repairs and maintenance  
21 in the State's facilities and infrastructure. This Act requires  
22 procurements for goods, services, or construction for the repair



1 and maintenance or capital renewal and deferred maintenance  
2 projects authorized by this Act that are less than \$1,000,000 to  
3 be made pursuant to section 103D-305, Hawaii Revised Statutes.

4 The purpose of this Act is to issue \$500,000,000 in general  
5 obligation bonds to fund the repair and maintenance or capital  
6 renewal and deferred maintenance projects of various  
7 departments, the University of Hawaii system, the Hawaii health  
8 systems corporation, and the judiciary and to streamline the  
9 procurement process.

10 SECTION 2. As used in this Act, "expending agency" means  
11 the executive department, agency, office, board, or other  
12 establishment of the state government, including the judiciary,  
13 that is authorized to expend specified appropriations made by  
14 this Act.

15 **PART II.**

16 SECTION 3. The following sums, or so much thereof as may  
17 be sufficient to accomplish the purposes designated herein, are  
18 hereby appropriated or authorized, as the case may be, from the  
19 general obligation bond fund to the expending agencies  
20 designated for the fiscal year beginning July 1, 2011, and  
21 ending June 30, 2012. The total expenditures shall not exceed  
22 the following sums, except as provided elsewhere in this Act:



1	<u>Expending Agency</u>	<u>Appropriations</u>
2	1. Education	150,000,000
3	2. University of Hawaii	127,000,000
4	3. Accounting and General Services	93,000,000
5	4. Agriculture	5,000,000
6	5. Defense	5,000,000
7	6. Health	40,000,000
8	7. Human Services	40,000,000
9	8. Land and Natural Resources	20,000,000
10	9. Public Safety	15,000,000
11	10. Judiciary	5,000,000

12 **PART III.**

14 SECTION 4. The sum of \$500,000,000 appropriated or  
15 authorized in part III of this Act for capital improvement  
16 projects shall be expended for plans, design, construction, and  
17 equipment for the projects below.

18 A. \$150,000,000 for repair and maintenance projects and  
19 to address infrastructure needs, such as science and  
20 technology, electricity, and other utility  
21 infrastructure improvements, within the public school  
22 system. The sum shall be expended by the department  
23 of education.

24 B. \$3,000,000 for repair and maintenance projects within  
25 the Hawaii state library system. The sum shall be  
26 expended by the department of accounting and general  
27 services.



- 1 C. \$90,000,000 for capital renewal and deferred  
2 maintenance projects of the University of Hawaii at  
3 Manoa and the University of Hawaii at Hilo. The sum  
4 shall be expended by the University of Hawaii.
- 5 D. \$25,000,000 for capital renewal and deferred  
6 maintenance projects within the University of Hawaii  
7 community college system. The sum shall be expended  
8 by the University of Hawaii.
- 9 E. \$12,000,000 for repair and maintenance projects for  
10 the University of Hawaii at Manoa's athletic  
11 facilities. The sum shall be expended by the  
12 University of Hawaii.
- 13 F. \$60,000,000 for repair and maintenance projects of the  
14 department of accounting and general services. The  
15 sum shall be expended by the department of accounting  
16 and general services.
- 17 G. \$5,000,000 for repair and maintenance projects of the  
18 department of agriculture. The sum shall be expended  
19 by the department of agriculture.
- 20 H. \$5,000,000 for repair and maintenance projects of the  
21 department of defense. The sum shall be expended by  
22 the department of defense.



1 I. \$30,000,000 for repair and maintenance projects of the  
2 department of health. The sum shall be expended by  
3 the department of accounting and general services.

4 J. \$40,000,000 for repair and maintenance projects of the  
5 Hawaii health systems corporation. The sum shall be  
6 expended by the department of health.

7 K. \$40,000,000 for repair and maintenance projects of the  
8 department of human services. The sum shall be  
9 expended by the department of human services.

10 L. \$20,000,000 for repair and maintenance projects of the  
11 department of land and natural resources. The sum  
12 shall be expended by the department of land and  
13 natural resources.

14 M. \$15,000,000 for repair and maintenance projects of the  
15 department of public safety. The sum shall be  
16 expended by the department of public safety.

17 N. \$5,000,000 for repair and maintenance projects of the  
18 judiciary. The sum shall be expended by the  
19 judiciary.

20 **PART IV.**

21 SECTION 5. General obligation bonds may be issued, as  
22 provided by law, to yield the amount that may be necessary to



1 finance projects authorized in part III and listed in part IV of  
2 this Act; provided that the sum total of the general obligation  
3 bonds so issued shall not exceed \$500,000,000.

4 **PART V.**

5 SECTION 6. Any provision of this Act to the contrary  
6 notwithstanding, the appropriations made for capital improvement  
7 projects authorized in part III and listed in part IV of this  
8 Act shall not lapse at the end of the fiscal year for which the  
9 appropriations are made; provided that all appropriations made  
10 for fiscal year 2011-2012 that are unencumbered as of June 30,  
11 2014, shall lapse as of that date.

12 SECTION 7. Designated expending agencies for capital  
13 improvement projects authorized in this Act may delegate to  
14 other state or county agencies the implementation of projects  
15 when it is determined advantageous to do so by the original  
16 expending agency and the agency to which expending authority is  
17 to be delegated.

18 SECTION 8. In carrying out the purposes of this Act,  
19 expending agencies, when possible, shall use energy-efficient  
20 materials and sustainable and renewable energy strategies to  
21 reduce energy consumption.

22 **PART VI.**





1 SECTION 9. The legislature finds that the public  
2 procurement approval process can take longer than may be  
3 necessary. A streamlined procurement approval process would  
4 assist in expediting implementation of projects to help  
5 stimulate growth of the workforce and the State's economy. The  
6 purpose of this part is to provide a temporary, expedited  
7 process for the capital improvement projects authorized under  
8 this Act, for contracts for goods, services, or construction  
9 that are less than \$1,000,000.

10 SECTION 10. Notwithstanding the contract value limitation  
11 in section 103D-305, Hawaii Revised Statutes, procurements of  
12 less than \$1,000,000 for goods or services, or less than  
13 \$1,000,000 for construction, for the capital improvement  
14 projects authorized by this Act shall be:

- 15 (1) Made pursuant to section 103D-305, Hawaii Revised  
16 Statutes, including provisions relating to performance  
17 and payment bond requirements thereunder;
- 18 (2) Conducted through an electronic system; and
- 19 (3) Exempt from section 103D-701, Hawaii Revised Statutes.

20 SECTION 11. Capital improvement projects authorized  
21 pursuant to this Act that are less than \$1,000,000 shall be  
22 exempt from all county permit, license, and certificate



1 requirements; provided that the capital improvement projects  
2 shall meet all federal and state permits, license, and  
3 certificate requirements, and other applicable county code  
4 requirements.

5 SECTION 12. In the solicitation for bids for capital  
6 improvement projects authorized pursuant to this Act with a  
7 total estimated contract value of \$250,000 or higher, each  
8 bidder shall be required to submit a listing of each person or  
9 firm to be engaged by the bidder as a joint contractor or  
10 subcontractor in the performance of the contract and the nature  
11 and scope of the work to be performed by each. Construction  
12 bids that do not comply with this requirement may be accepted if  
13 acceptance is in the best interest of the State and the value of  
14 the work to be performed by the joint contractor or  
15 subcontractor is equal to or less than one per cent of the total  
16 bid amount.

17 **PART VII.**

18 SECTION 13. (a) There is established a legislative  
19 capital improvements program oversight committee, to be  
20 comprised of seven voting members as follows:

21 (1) One member of the senate, to be appointed by the  
22 president of the senate;



1 (2) One member of the house of representatives to be  
2 appointed by the speaker of the house of  
3 representatives; and

4 (3) Five members, one each to be appointed by the  
5 governor, president of the senate, speaker of the  
6 house of representatives, senate minority leader, and  
7 house of representatives minority leader.

8 (b) Legislative staff offices as determined by the  
9 president of the senate and the speaker of the house of  
10 representatives shall provide administrative assistance to the  
11 committee.

12 (c) In providing oversight of funds appropriated by this  
13 Act and the implementation of expenditures, the committee may:

14 (1) Evaluate the coordination and timeliness of the  
15 implementation of capital improvement projects;

16 (2) Determine the adequacy of public notice; opportunity  
17 for contractors to submit bids for work; and capacity  
18 for a broad spectrum of trades to be awarded  
19 contracts;

20 (3) Evaluate the efficiency and transparency of the  
21 bidding and the contracting process; and



1 (4) Undertake any other tasks or efforts to ensure the  
2 integrity and appropriateness of the distribution and  
3 expenditure of all funds and implementation of all  
4 capital improvement projects.

5 (d) Executive and judicial branch agencies shall provide  
6 information on the receipt and expenditure of funds and  
7 implementation of projects appropriated by this Act upon request  
8 of the committee.

9 (e) The committee may request specific audit services from  
10 the state auditor.

11 (f) The committee shall submit reports of its findings to  
12 the legislature no later than twenty days prior to the convening  
13 of the 2013 and 2014 regular sessions.

14 (g) The committee shall cease to exist on June 30, 2014.

15 (h) For the purposes of this section, "committee" means  
16 the legislative capital improvements program oversight  
17 committee.

18 SECTION 14. The department of accounting and general  
19 services shall prepare quarterly reports, beginning with the  
20 first quarter of fiscal year 2012-2013, and every three months  
21 thereafter through fiscal year 2013-2014, to include the status  
22 of all appropriations made by this Act, including amounts



1 appropriated, appropriated but not allotted, allotted,  
2 encumbered, and expended by project as designated in part IV of  
3 this Act; provided that the department of accounting and general  
4 services shall submit the reports to the legislature no later  
5 than thirty days after the last day of each quarter and post the  
6 reports on its website.

7 **PART VIII.**

8 SECTION 15. This Act shall take effect upon its approval.



**Report Title:**

Economic Development; GO Bonds; Procurement; Appropriation

**Description:**

Issues general obligation bonds to fund the repair and maintenance or capital renewal and deferred maintenance projects of various departments, the University of Hawaii, Hawaii health systems corporation, and the judiciary. Applies small purchase procurement requirements to capital improvement projects authorized pursuant to this Act for goods, services, or construction less than \$1,000,000. Requires procurements of less than \$1,000,000 to be conducted through an electronic system. Exempts capital improvement projects that are less than \$1,000,000 from the provisions of section 103D-701, HRS, relating to protests. Provides for certain exemptions from county permitting, licensing, and certification requirements. Requires each bidder to submit a listing of the bidder's subcontractors who are to perform work on contracts with an estimated value of \$250,000 or greater. Creates oversight committee. Requires DAGS to prepare quarterly reports. (SD1)

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

