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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 purpose of this part is to address economic  
3 development by identifying, as state policy, the key economic  
4 sectors that are essential to the growth and diversification of  
5 the economy of Hawaii. Additionally, this part intends to  
6 create long-term support for the key economic sectors that are  
7 pillars for economic diversification in the State by identifying  
8 some of the essential projects within these economic sectors and  
9 expressing support for these projects as key elements in  
10 building these industries into successful economic drivers for  
11 Hawaii's people in the long term.

12 SECTION 2. It shall be the policy of the State to  
13 delineate the key economic sectors of importance for economic  
14 diversification in Hawaii and to identify some of the key  
15 projects within these sectors that are important to the long-  
16 term growth and success of these industries. It is the intent  
17 of the State to complete or facilitate completion of the  
18 following key projects within the following sectors by



1 December 31, 2023, as a material way to support and advance  
2 these industries:

3 (1) Renewable energy:

4 Renewable energy production facilities that meet the  
5 goals of the first decade of the Hawaii clean energy  
6 initiative and facilitate the development of a smart  
7 grid system and electrical interconnectivity between  
8 Oahu and the neighbor islands.

9 (2) Broadband:

10 Fund and develop infrastructure that provides coverage  
11 for one hundred per cent of land in the State that is  
12 zoned for business, commercial, industrial, hotel, or  
13 resort use and land used for higher education  
14 instruction or research and to connect all key state  
15 facilities and buildings by high speed broadband with  
16 an emphasis on wireless connectivity.

17 (3) Infrastructure and construction:

18 Repair, upgrade, and build state-of-the-art harbors,  
19 airports, and other transportation projects that  
20 provide for the quick, reliable, and affordable  
21 transportation of people and goods, and the building  
22 of housing and other commercial facilities, including:



1 (A) The airport modernization project of the  
2 department of transportation, as it exists as of  
3 the effective date of this section;

4 (B) The harbor modernization project of the  
5 department of transportation, as it exists as of  
6 the effective date of this section;

7 (C) The locally preferred alternative mass transit  
8 system of the city and county of Honolulu; and

9 (D) The 690 Pohukaina street mixed-use transit-  
10 oriented development project.

11 (4) Aerospace:

12 To leverage Hawaii's position in the Pacific among  
13 thirty-eight other space-faring Pacific nations as  
14 well as the State's unique environment, which is  
15 essential for the development and testing of new  
16 technologies to be used in aerospace, lunar, and near-  
17 earth object exploration and research as well as  
18 economic development, including;

19 (A) The thirty-meter telescope on Mauna Kea;

20 (B) The pacific international space center for  
21 exploration systems aerospace research and



1 development park in Hilo and the international  
2 lunar research park near Mauna Kea;

3 (C) A next generation avionics and pilot training  
4 facility in Oahu; and

5 (D) An extreme environments center and other earth  
6 science initiatives within the University of  
7 Hawaii.

8 (5) Visitor industry:

9 To ensure the continued development of the needed  
10 workforce for the various service industries that  
11 visitors demand of a world-class vacation destination,  
12 including:

13 (A) The Culinary Institute of the Pacific on the  
14 slope of Diamond Head; and

15 (B) A community college campus in West Hawaii.

16 (6) Film and digital media:

17 To grow and expand Hawaii's film and digital media  
18 industry by creating an environment that will  
19 incentivize more film production in Hawaii and  
20 transform it into a robust industry by facilitating  
21 the development of both the physical infrastructure as



1 well as the workforce needed for the industry to grow,  
2 including:

3 (A) Development of two major film studios with at  
4 least one of the studios on a neighbor island;  
5 and

6 (B) Development of digital animation and post-  
7 production facilities with at least one facility  
8 on the neighbor islands.

9 (7) Military:

10 Work to support the United States military and other  
11 federal defense partners by continuing to support  
12 adequate training, repair, and building facilities to  
13 support the operational and defense capacity of the  
14 United States armed forces in the Pacific region,  
15 including:

16 (A) Supporting and incentivizing current and future  
17 use of Pearl Harbor shipyard for naval  
18 shipbuilding and ship repair; and

19 (B) Supporting the current uses at Pohakuloa training  
20 area and the pacific missile range facility at  
21 Barking Sands, Kauai.

22 **PART II.**



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

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

- 11 (1) Reduced debt service by saving \$59,000,000 on refunded  
12 outstanding debt;
- 13 (2) Kept debt service for fiscal 2012-2013 at  
14 legislatively appropriated levels;
- 15 (3) Restructured outstanding debt;
- 16 (4) Normalized the State's debt service profile;
- 17 (5) Built excess debt capacity from 2014 to 2019;
- 18 (6) Improved the State's financial position; and
- 19 (7) Garnered a positive credit rating.

20 The primary economic objective of the legislature this  
21 session is to immediately stimulate direct and indirect job  
22 creation to maintain and create local construction jobs for all



1 stages of construction, including employment for painters,  
2 roofers, electricians, carpenters, architects, engineers, and  
3 other consultants to generate more personal income growth. The  
4 department of business, economic development, and tourism  
5 estimates that the last advancement of \$1,800,000,000 in capital  
6 improvement projects by the State resulted in the creation of  
7 12.9 direct and indirect jobs created for every \$1,000,000  
8 invested.

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

18 The estimated backlog of repair and maintenance or capital  
19 renewal and deferred maintenance projects for the department of  
20 education, Hawaii state library system, University of Hawaii  
21 system, University of Hawaii's athletic facilities, department  
22 of accounting and general services, department of agriculture,



1 department of defense, department of health, Hawaii health  
2 systems corporation, department of human services, department of  
3 land and natural resources, department of public safety, and  
4 judiciary is well over \$1,000,000,000.

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

13 The legislature also realizes that the public procurement  
14 process is lengthy and complicated, which adds considerable time  
15 to completing capital improvements and repairs and maintenance  
16 in the State's facilities and infrastructure. This Act requires  
17 procurements for goods, services, or construction for the repair  
18 and maintenance or capital renewal and deferred maintenance  
19 projects authorized by this Act that are less than \$1,000,000 to  
20 be made pursuant to section 103D-305, Hawaii Revised Statutes.

21 The purpose of parts II to VIII of this Act is to issue  
22 \$500,000,000 in general obligation bonds to fund the repair and





1 maintenance or capital renewal and deferred maintenance projects  
2 of various departments, the University of Hawaii system, the  
3 Hawaii health systems corporation, and the judiciary and to  
4 streamline the procurement process.

5 SECTION 4. As used in this Act, "expending agency" means  
6 the executive department, agency, office, board, or other  
7 establishment of the state government, including the judiciary,  
8 that is authorized to expend specified appropriations made by  
9 this Act.

10 **PART III.**

11 SECTION 5. The following sums, or so much thereof as may  
12 be sufficient to accomplish the purposes designated herein, are  
13 hereby appropriated or authorized, as the case may be, from the  
14 general obligation bond fund to the expending agencies  
15 designated for the fiscal year beginning July 1, 2011, and  
16 ending June 30, 2012. The total expenditures shall not exceed  
17 the following sums, except as provided elsewhere in this Act:

18	<u>Expending Agency</u>	<u>Appropriations</u>
19	1. Education	150,000,000
20	2. University of Hawaii	127,000,000
21	3. Accounting and General Services	63,000,000
22	4. Agriculture	5,000,000
23	5. Defense	5,000,000
24	6. Health	70,000,000
25	7. Human Services	40,000,000



1	8.	Land and Natural Resources	20,000,000
2	9.	Public Safety	15,000,000
3	10.	Judiciary	5,000,000

**PART IV.**

6 SECTION 6. The sum of \$500,000,000 appropriated or  
7 authorized in part III of this Act for capital improvement  
8 projects shall be expended for plans, design, construction, and  
9 equipment for the projects below.

10 A. \$150,000,000 for repair and maintenance projects and  
11 to address infrastructure needs, such as science and  
12 technology, electricity, and other utility  
13 infrastructure improvements, within the public school  
14 system. The sum shall be expended by the department  
15 of education.

16 B. \$3,000,000 for repair and maintenance projects within  
17 the Hawaii state library system. The sum shall be  
18 expended by the department of accounting and general  
19 services.

20 C. \$90,000,000 for capital renewal and deferred  
21 maintenance projects of the University of Hawaii at  
22 Manoa and the University of Hawaii at Hilo. The sum  
23 shall be expended by the University of Hawaii.



- 1 D. \$25,000,000 for capital renewal and deferred  
2 maintenance projects within the University of Hawaii  
3 community college system. The sum shall be expended  
4 by the University of Hawaii.
- 5 E. \$12,000,000 for repair and maintenance projects for  
6 the University of Hawaii at Manoa's athletic  
7 facilities. The sum shall be expended by the  
8 University of Hawaii.
- 9 F. \$60,000,000 for repair and maintenance projects of the  
10 department of accounting and general services. The  
11 sum shall be expended by the department of accounting  
12 and general services.
- 13 G. \$5,000,000 for repair and maintenance projects of the  
14 department of agriculture. The sum shall be expended  
15 by the department of agriculture.
- 16 H. \$5,000,000 for repair and maintenance projects of the  
17 department of defense. The sum shall be expended by  
18 the department of defense.
- 19 I. \$30,000,000 for repair and maintenance projects of the  
20 department of health. The sum shall be expended by  
21 the department of health.



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

4 K. \$40,000,000 for repair and maintenance projects of the  
5 department of human services. The sum shall be  
6 expended by the department of human services.

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

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

14 N. \$5,000,000 for repair and maintenance projects of the  
15 judiciary. The sum shall be expended by the  
16 judiciary.

17 **PART V.**

18 SECTION 7. General obligation bonds may be issued, as  
19 provided by law, to yield the amount that may be necessary to  
20 finance projects authorized in part III and listed in part IV of  
21 this Act; provided that the sum total of the general obligation  
22 bonds so issued shall not exceed \$500,000,000.



**PART VI.**

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

SECTION 9. Designated expending agencies for capital improvement projects authorized in this Act may delegate to other state or county agencies the implementation of projects when it is determined advantageous to do so by the original expending agency and the agency to which expending authority is to be delegated.

SECTION 10. In carrying out the purposes of this Act, expending agencies, when possible, shall use energy-efficient materials and sustainable and renewable energy strategies to reduce energy consumption.

**PART VII.**

SECTION 11. The legislature finds that the public procurement approval process can take longer than may be necessary. A streamlined procurement approval process would



1 assist in expediting implementation of projects to help  
2 stimulate growth of the workforce and the State's economy. The  
3 purpose of this part is to provide a temporary, expedited  
4 process for the capital improvement projects authorized under  
5 this Act, for contracts for goods, services, or construction  
6 that are less than \$1,000,000.

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

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

17 SECTION 13. Capital improvement projects authorized  
18 pursuant to this Act that are less than \$1,000,000 shall be  
19 exempt from all county permit, license, and certificate  
20 requirements; provided that the capital improvement projects  
21 shall meet all federal and state permits, license, and



1 certificate requirements, and other applicable county code  
2 requirements.

3 **PART VIII.**

4 SECTION 14. (a) There is established a legislative  
5 capital improvements program oversight committee, to be  
6 comprised of seven voting members as follows:

7 (1) One member of the senate, to be appointed by the  
8 president of the senate;

9 (2) One member of the house of representatives to be  
10 appointed by the speaker of the house of  
11 representatives; and

12 (3) Five members, one each to be appointed by the  
13 governor, president of the senate, speaker of the  
14 house of representatives, senate minority leader, and  
15 house of representatives minority leader.

16 (b) Legislative staff offices as determined by the  
17 president of the senate and the speaker of the house of  
18 representatives shall provide administrative assistance to the  
19 committee.

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



- 1 (1) Evaluate the coordination and timeliness of the  
2 implementation of capital improvement projects;
- 3 (2) Determine the adequacy of public notice; opportunity  
4 for contractors to submit bids for work; and capacity  
5 for a broad spectrum of trades to be awarded  
6 contracts;
- 7 (3) Evaluate the efficiency and transparency of the  
8 bidding and the contracting process; and
- 9 (4) Undertake any other tasks or efforts to ensure the  
10 integrity and appropriateness of the distribution and  
11 expenditure of all funds and implementation of all  
12 capital improvement projects.
- 13 (d) Executive and judicial branch agencies shall provide  
14 information on the receipt and expenditure of funds and  
15 implementation of projects appropriated by this Act upon request  
16 of the committee.
- 17 (e) The committee may request specific audit services from  
18 the state auditor.
- 19 (f) The committee shall submit reports of its findings to  
20 the legislature no later than twenty days prior to the convening  
21 of the 2013 and 2014 regular sessions.
- 22 (g) The committee shall cease to exist on June 30, 2014.





1 (h) For the purposes of this section, "committee" means  
2 the legislative capital improvements program oversight  
3 committee.

4 SECTION 15. The department of accounting and general  
5 services shall prepare quarterly reports, beginning with the  
6 first quarter of fiscal year 2012-2013, and every three months  
7 thereafter through fiscal year 2013-2014, to include the status  
8 of all appropriations made by this Act, including amounts  
9 appropriated, appropriated but not allotted, allotted,  
10 encumbered, and expended by project as designated in part IV of  
11 this Act; provided that the department of accounting and general  
12 services shall submit the reports to the legislature no later  
13 than thirty days after the last day of each quarter and post the  
14 reports on its website.

15 **PART IX.**

16 SECTION 16. This Act shall take effect upon its approval.



**Report Title:**

Economic Development; Specific Ten-Year Projects; State Funds;  
Capital Improvement Projects; General Obligation Bonds;  
Procurement; Appropriation

**Description:**

Expresses as state policy the delineation of the key economic sectors of importance for economic diversification in Hawaii and identification of key projects within those sectors that are important to the long-term growth and success of those industries. 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. Creates oversight committee. Requires DAGS to prepare quarterly reports. (Proposed SD1)

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

