



Testimony of John White
The Pacific Resource Partnership

House Committee on Judiciary
Representative Karl Rhoads, Chair
Representative Sharon E. Har, Vice Chair

HB 1741 – Relating to County Infrastructure Capacity Building Construction
February 11, 2014
2:00 PM
Conference Room 325

Aloha Chair Rhoads, Vice Chair Har and Members of the Committee:

The Pacific Resource Partnership (PRP) is a labor-management consortium representing over 240 signatory contractors and the Hawaii Regional Council of Carpenters.

PRP **supports** HB 1741 – Relating to County Infrastructure Capacity Building Construction, which establishes a revolving fund to provide loans to counties, state agencies, or private developers for infrastructure improvements.

According to a new report from the American Society of Civil Engineers, Hawaii's roads, bridges, schools, parks, drinking water and wastewater facilities are in serious disrepair and is in need of about \$6 billion in upgrades over the next twenty years.

The infrastructure capacity construction loan revolving fund will assist counties, state agencies and private developers with infrastructure improvements that would increase the capacity of the infrastructure facilities. Although the primary responsibility for basic municipal infrastructure needs continues to rest with the counties, much of the work will not be done if state assistance is not provided.

Thank you for the opportunity to share our views and we humbly request your favorable consideration on HB 1741.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Judiciary
Tuesday, February 11, 2014 at 2:00 P.M.
State Capitol - Conference Room 325**

**RE: HOUSE BILL NO. 1741 RELATING TO COUNTY INFRASTRUCTURE CAPACITY BUILDING
CONSTRUCTION FINANCING**

Chair Rhoads, Vice Chair Har, and members of the committee:

The Chamber **support** H.B. No. 1741, which proposes to establish a revolving fund to provide loans to counties, state agencies, or private developers for infrastructure improvements.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the “Voice of Business” in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state’s economic climate and to foster positive action on issues of common concern.

The deterioration of basic backbone infrastructure is a problem both nationally and locally. Keeping up with the need to increase infrastructure capacity to support future growth is essential for not only our economic growth but also to improve our quality of life.

A range of new and innovative approaches are being utilized across the nation to address alternative methods to finance government infrastructure needs. A Public-Private-Partnership (P3’s) is one example of how government was able to attract private investment to pay for the upfront cost of a government infrastructure project with the private investor being paid back over time for a particular project.

In 2012, Chicago created the Chicago Infrastructure Trust which essentially sought private investors to fund infrastructure improvements for the City. We understand that the Trust is undertaking a project to improve the energy performance of schools in Chicago with the investors being paid from the savings created. This is similar to what DAGS has done with the State buildings on Oahu.

While there appears to be a track record of individual projects or agencies that have been successful at funding infrastructure through private investors, there does not appear to be too many situations where one entity can “put the whole package together.” The Chicago Infrastructure Trust is the first attempt that we know of to approach infrastructure from a comprehensive standpoint.

We realize that there are still many questions that need to be addressed on how the proposed bill would be implemented such as:

- Is there an appetite for private investors to invest in infrastructure capacity building in Hawaii?
- Who are some of the critical “players” that need to be at the table to insure a successful project in Hawaii?



Chamber of Commerce HAWAII

The Voice of Business

- How would we select and prioritize the projects to be funded through this new method of financing?

The bill is the first step to start the discussion on how to shape public policy to allow for an innovated way to finance infrastructure capacity building in Hawaii. We look to the legislature to provide the “political will” to move the discussion forward to address a critical need in Hawaii.

Thank you for the opportunity to express our views on this matter.

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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Testimony to the House Committee on Judiciary Tuesday, February 11, 2014

2:00 p.m.

State Capitol - Room 325

SUBJECT: H.B. 1741, County Infrastructure Capacity Building Construction Financing

Dear Chair Rhoads, Vice-Chair Har, and members of the Committee:

My name is Gladys Marrone, Government Relations Director for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA-Hawaii **strongly supports** H.B. 1741, which would establish a revolving fund to provide loans to counties, state agencies, or private developers for infrastructure improvements that would increase the capacity of infrastructure facilities, including regional sewer, water, drainage systems, and roads to accommodate future growth, and not solely benefit one particular project.

The goal of H.B. 1741 is to provide an alternative means of funding for infrastructure construction. Similar in intent to the Chicago Infrastructure Trust (CIT) created by 2012, H.B. 1741 would be structured to receive moneys from a variety of sources to fund infrastructure improvements, being careful not to jeopardize federal funding and grants to several State agencies. This fund would be allowed to receive moneys from legislative appropriations, federal grants and subsidies to the State or counties, private investor contributions, and voluntary contributions.

The CIT has just approved its first project to improve the energy performance of schools in Chicago, with the investor, Bank of America, being paid back from the savings created. This is similar to what DAGS has done with the State buildings on Oahu. While there appears to be a track record of individual projects or agencies that have been successful at funding infrastructure through private investors, there does not appear to be many situations where one entity can "put the whole package together." The CIT is the first attempt that we know of to approach infrastructure from a comprehensive standpoint.

Infrastructure is one of the biggest issues that governments need to address in their public policies, though the importance that infrastructure plays in people's everyday lives is often taken for granted. Infrastructure investment in the development of roads, sewers, drainage, communications, IT, schools, ports, and hospitals is important to both economic development and overall quality of life. Failure to invest means a failure to sustain and develop our State's social and economic wellbeing. But improving infrastructure is costly.

In a report on the State of Physical Infrastructure in Hawaii¹¹, there is \$14.3 billion in capital improvement projects needed over the next six years throughout the state and counties. In Phase II of this report, preliminary details indicate that over a 20-year period beginning in 2014, the total costs of major and long term infrastructure projects is \$17.4 billion, with 53% required on Oahu. Furthermore, this undertaking would create over 195,000 jobs, \$1.6 billion in state tax revenues, \$8.7 billion infused into household incomes, and \$30 billion generated in our statewide economy.

Additionally, the City's \$5 billion rail project would benefit from improved infrastructure in and around the transit corridor in order to accommodate higher densities, thus protecting our opens spaces and agricultural areas.

The costs of these infrastructure improvements cannot be undertaken by our State and counties alone. Allowing for outside revenue and investors to invest in improvements to our infrastructure will help accommodate the anticipated population growth, Statewide, as mandated by our State Constitution. H.B. 1741 will also help improve our quality of life.

There may still be questions that need to be addressed on how H.B. 1741 would be implemented, such as:

- Is there an appetite for private investors to invest in infrastructure capacity building in Hawaii?
- Who are some of the critical "players" that need to be at the table to insure a successful project in Hawaii?
- How would we select and prioritize the projects to be funded through this new method of financing?

H.B. 1741 is the first step to start the discussion on how to shape public policy to allow for an innovative way to finance infrastructure capacity building in Hawaii. We look to the legislature to provide the "political will" to move the discussion forward to address a critical need in Hawaii.

We appreciate the opportunity to express our **strong support** for H.B. 1741.

¹¹ Hawaii Institute for Public Affairs, *Report on the State of Physical Infrastructure in Hawaii, Final Report to the Economic Development Administration, U.S. Department of Commerce*, July, 2010.

LATE

NEIL ABERCROMBIE
GOVERNOR



**SANJEEV "SONNY"
BHAGOWALIA**
CHIEF INFORMATION
OFFICER

RANDY BALDEMOR
DEPUTY CHIEF INFORMATION
OFFICER – BUSINESS
TRANSFORMATION

KEONE KALI
DEPUTY CHIEF INFORMATION
OFFICER – OPERATIONS

STATE OF HAWAII
OFFICE OF INFORMATION MANAGEMENT AND TECHNOLOGY

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TESTIMONY OF
KEONE KALI, DEPUTY CHIEF INFORMATION OFFICER
TO THE HOUSE COMMITTEE ON JUDICIARY

Tuesday, February 11, 2014
2:00 p.m.
Conference Room 325, State Capitol

H.B.1741
RELATING TO COUNTY INFRASTRUCTURE CAPACITY BUILDING CONSTRUCTION
FINANCING

Chair Rhoads, Vice Chair Har, and Members of the Committee:

I am Keone Kali, Deputy Chief Information Officer (Operations), in the State Office of Information Management and Technology (OIMT), speaking in strong support of H.B. No. 1741 which establishes a revolving fund to provide loans to counties, state agencies, or private developers for infrastructure improvements.

The OIMT is one of three lead agencies supporting the Hawaii Broadband Initiative (HBI) which will extend high speed broadband internet services across a wider cross section of our state to build the foundation for Hawaii's future economic growth and diversification. Meeting this goal requires investing in sufficient communication capabilities wherever practical and feasible in new roadways, buildings, facilities when they are constructed throughout the State. Since communication lines have become as important as utilities such as water, sewer, electricity, we suggest adding language which includes communication conduits/lines within the definition of utility infrastructure.

Public safety is one important use of that infrastructure. We suggest that state policies and practices promoting the orderly, planned growth of our communities require including communication infrastructure for telephones, video, and data that support the safety and protection of those communities. We recommend adding language where the infrastructure capacity construction loan fund can support building communication systems for government agencies and critical infrastructure operators. This may include costs for communication cable conduits, antenna poles, electrical power, electronics base stations, emerging technologies, as well as securing the rights of ways for that infrastructure. Since public safety, law enforcement, and disaster management responsibilities are shared among state, city, and county agencies, we suggest they be part of the joint planning, operations, and maintenance of the communication infrastructure they will share.

We thank the Committee for this opportunity to testify in support of expanding public access to broadband services and improving the safety of our communities.



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
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KEALI'I S. LOPEZ
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON
JUDICIARY

TWENTY-SEVENTH LEGISLATURE
Regular Session of 2014

Date: Tuesday, February 11, 2014
Time: 2:00 p.m.

TESTIMONY ON H.B. NO. 1741 – RELATING TO COUNTY INFRASTRUCTURE
CAPACITY BUILDING CONSTRUCTION FINANCING.

TO THE HONORABLE KARL RHOADS, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is Catherine Awakuni, and I am the Cable Television Administrator at the Department of Commerce and Consumer Affairs (the “**Department**”). The Department appreciates the opportunity to express its support for the intent of H.B. No. 1741, and strongly recommends an amendment for consideration by the Committee to specifically include telecommunications and broadband infrastructure construction under the bill.

H.B. 1741 provides a supplemental financing incentive that will encourage planned increases in infrastructure capacity to better support growth and mitigate impacts in targeted areas for development. Specifically, the bill creates a revolving fund to provide loans to counties, state agencies, and private developers for infrastructure construction that increases capacity to accommodate future growth.

The bill currently provides “regional sewer, water, and drainage systems and roads” as examples of the types of infrastructure facilities that may be funded. The Department strongly recommends that telecommunications and broadband infrastructure, which is also critical infrastructure for planned development and growth, be included in this language to clearly allow construction funding for such projects. Telecommunications and broadband infrastructure should at a minimum be considered in, and may often be included as part of, the planning and construction of other types of infrastructure projects to efficiently utilize government resources and to minimize disruption cause by such construction. Specifically, the Department recommends that

the bill be revised at page 6, lines 13-14, and at page 7, lines 9-10, to include “telecommunications and broadband.”

With this amendment, H.B. 1741 will clearly support the State’s forward-looking vision to achieve world class broadband communication by providing opportunities to increase broadband infrastructure across the State. In so doing, it will help to advance objectives set out in the State Plan and by the Hawaii Broadband Task Force, formed by the Legislature in 2007, as well as efforts by the Department and other agencies under Governor Abercrombie’s Hawaii Broadband Initiative (HBI) to increase access to broadband services vital to the future of our State’s economy and to the health, welfare and quality of life of all our residents.

Thank you for the opportunity to provide testimony and for your consideration of the amendment proposed above.

LATE

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON JUDICIARY
ON
HOUSE BILL NO. 1741

February 11, 2014

RELATING TO COUNTY INFRASTRUCTURE CAPACITY BUILDING
CONSTRUCTION FINANCING

House Bill No. 1741 establishes an Infrastructure Capacity Construction Loan Revolving Fund to provide loans to the counties, State agencies and private developers for infrastructure improvements.

The Department of Budget and Finance has concerns with this bill because of the unknown costs associated with sewer, water, drainage and road projects. We recognize the importance of ensuring adequate infrastructure for our residents as the need for additional infrastructure capacity increases with population growth. However, State resources and credit are limited and, if obligated to meet these additional costs, it will be in direct competition with our current responsibilities for education, social safety-net, public safety, etc.

The counties have their own taxing and borrowing capabilities which can also be used to provide for county infrastructure. The State currently provides funds to the counties and private developers for infrastructure improvements for wastewater and safe drinking water projects.