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# A BILL FOR AN ACT

RELATING TO COUNTY INFRASTRUCTURE CAPACITY BUILDING CONSTRUCTION  
FINANCING.

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

1           SECTION 1. The legislature understands that counties and  
2 some state agencies have aging and limited infrastructure that  
3 have been neglected over time and now require a significant  
4 capital improvement investment. An example is the Waikiki sewer  
5 line that ruptured on March 24, 2006, after flooding rains. The  
6 rupture forced the city and county of Honolulu to divert  
7 untreated sewage into the Ala Wai canal. The resulting national  
8 media coverage of Waikiki beach being closed due to a sewer  
9 spill no doubt had a negative impact on tourism, one of Hawaii's  
10 major economic industries.

11           Another example is the lack of upkeep to maintain the state  
12 and county freeways and highways throughout the State. TRIP, a  
13 national transportation research group, released a report in  
14 October 2013 that found the Honolulu urban area ranks nineteenth  
15 among large cities (500,000+) in the annual cost to motorists of  
16 driving on rough roads and thirteenth in the percentage of roads  
17 in poor condition. The report further noted that "[d]riving on



1 roads in disrepair increases consumer costs by accelerating  
2 vehicle deterioration and depreciation, increasing the frequency  
3 of needed maintenance and requiring additional fuel  
4 consumption," as well as increasing the frequency of water main  
5 breaks on Oahu each year.

6 The legislature finds that orderly and planned  
7 infrastructure construction is the foundation for planned  
8 population growth and desirable communities. It is a public  
9 purpose for which public funds should be appropriated and  
10 expended, and infrastructure construction should be coordinated  
11 and timed or phased with planned development. Adequate  
12 infrastructure to accommodate future growth would provide  
13 livable communities with a desirable quality of life, make  
14 possible strategically situated affordable housing (for example,  
15 near job growth), and allow the transfer of development rights  
16 to protect and preserve important agricultural lands by  
17 targeting growth to specific areas that have necessary  
18 infrastructure capacity to support development. Counties would  
19 first determine where development is desirable and then proceed  
20 to construct, in coordination with applicable state agencies,  
21 the infrastructure to support development in that area, rather  
22 than vice versa as is the present practice.



1           Population increase will occur, and economic growth is  
2 necessary, and therefore both should be planned for properly.  
3 Prior experience indicates that the lack of adequate  
4 infrastructure is a severe constraint to future growth. For  
5 example, as Honolulu plans for its new fixed guide-way system,  
6 discussion will focus on quality of life issues as the community  
7 begins to balance higher densities in and around the transit  
8 corridor with the need to protect open space and agricultural  
9 areas. Infrastructure capacity must be increased to accommodate  
10 higher densities in and around the transit corridor. While this  
11 problem is most evident on Oahu, the neighbor islands also  
12 suffer from lack of infrastructure capacity to accommodate  
13 future growth. It is necessary to assist all counties, in  
14 accordance with an orderly and predictable plan for increasing  
15 infrastructure capacity, to better utilize existing areas for  
16 planned growth and mitigate impacts to areas that are  
17 appropriate for growth.

18           The State could assist the counties by providing a  
19 supplemental financing incentive for infrastructure construction  
20 wherever and whenever feasible. Although the primary  
21 responsibility for basic municipal infrastructure needs  
22 continues to reside with the counties, much of the work will not



1 be done if state assistance is not provided. Infrastructure  
2 projects included under this Act are regional sewer, water,  
3 drainage, roads, and telecommunications and broadband, if a  
4 project would increase the capacity to accommodate future  
5 growth, and not solely benefit one particular project.  
6 Increased capacity is distinguishable from maintenance. While  
7 maintenance would increase the life of the facility or  
8 infrastructure, only projects that would result in increased  
9 infrastructure capacity would be eligible for supplemental  
10 funding under this Act.

11 The State cannot afford to abandon the counties and must  
12 provide financial assistance for improving infrastructure. In  
13 addition, while the counties have primary jurisdiction over  
14 planning and development, development links the State with the  
15 counties to several shared responsibilities under the  
16 Constitution of the State of Hawaii, including the following:

- 17 (1) Article IX, section 6, relating to management of state  
18 population growth;
- 19 (2) Article XI, section 3, relating to agricultural lands;  
20 and
- 21 (3) Article XI, section 5 relating to general laws over  
22 the lands owned by or under the control of the State.



1           The purpose of this Act is to create an infrastructure  
2 capacity construction loan revolving fund to provide loans to  
3 the counties, state agencies, and private developers for  
4 infrastructure improvements. Furthermore, the intent of this  
5 Act is to allow for innovative financing techniques, such as tax  
6 increment financing and improvement districts, to fund the loan  
7 based upon the use of the new infrastructure capacity.

8           SECTION 2. Chapter 36, Hawaii Revised Statutes, is amended  
9 by adding a new part to be appropriately designated and to read  
10 as follows:

11                   **"PART           .    INFRASTRUCTURE CAPACITY FINANCING**

12           **§36-           Infrastructure capacity construction loan**  
13 **revolving fund.** (a) There is established within the state  
14 treasury an infrastructure capacity construction loan revolving  
15 fund. The revolving fund shall be administered by the  
16 department of budget and finance. This section shall be deemed  
17 to satisfy the requirements of section 37-52.4.

18           (b) The infrastructure capacity construction loan  
19 revolving fund shall consist of the following sources of  
20 revenue:

21           (1) Moneys received by the department from counties for  
22           the repayment of the loan principal and the payment of



1 simple interest; provided that simple interest charged  
2 to a county for a loan shall be per cent below the  
3 prevailing market rate at the time the loan is made  
4 but not less than per cent; provided further that  
5 in no event shall the simple interest charged to a  
6 county exceed per cent;

7 (2) Appropriations from the legislature;

8 (3) Federal grants and subsidies to the State or counties,  
9 if any;

10 (4) Private investor contributions; and

11 (5) Voluntary contributions.

12 (c) The department shall expend revenues in the fund to  
13 make loans to counties, state agencies, or private developers  
14 for the costs, in whole or in part, of infrastructure  
15 improvements that would increase the capacity of the  
16 infrastructure facilities, including regional sewer, water,  
17 drainage systems, roads, and telecommunications and broadband.

18 Loans shall be made only for capital improvement projects  
19 approved by the respective county council or state agency with a  
20 view towards planned growth rather than upkeep and maintenance.



1 (d) Eligible costs shall include those for planning,  
2 design, feasibility studies, construction, and materials. No  
3 loan shall be made:

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

7 (2) Solely for mass transit or electrical utilities.

8 The department may also expend revenues in the fund to  
9 repay private investors for their investment plus any interest  
10 accrued on their investments made into the fund to finance, in  
11 whole or in part, infrastructure improvements that would  
12 increase the capacity of the infrastructure facilities,  
13 including regional sewer, water, drainage, roads, and  
14 telecommunications and broadband.

15 (e) The department shall adopt rules in accordance with  
16 chapter 91 for the purposes of this section."

17 SECTION 3. There is appropriated out of the general  
18 revenues of the State of Hawaii the sum of \$ or so  
19 much thereof as may be necessary for fiscal year 2014-2015 for  
20 deposit into the infrastructure capacity construction loan  
21 revolving fund.



1 SECTION 4. There is appropriated out of the infrastructure  
2 capacity construction loan revolving fund the sum of  
3 \$ or so much thereof as may be necessary for fiscal  
4 year 2014-2015 for the making of loans to the counties, state  
5 agencies, or private developers for the costs, in whole or in  
6 part, of infrastructure improvements that would increase the  
7 capacity of the infrastructure facilities.

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

10 SECTION 5. There is appropriated out of the general  
11 revenues of the State of Hawaii the sum of \$ or so  
12 much thereof as may be necessary for fiscal year 2014-2015 for  
13 the implementation, administration, and coordination of the  
14 infrastructure capacity construction loan revolving fund.

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

17 SECTION 6. This Act shall take effect on July 1, 2050;  
18 provided that sections 3, 4, and 5 shall take effect on July 1,  
19 2014.





**Report Title:**

Construction; Revolving Fund; Appropriations

**Description:**

Establishes the infrastructure capacity construction loan revolving fund to provide loans to counties, state agencies, or private developers for infrastructure improvements. Makes appropriations. Effective 7/1/2050. (SD1)

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