

JAN 17 2014

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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 closed due to a sewer spill no  
9 doubt had a negative impact on one of our major economic  
10 industries, tourism.

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 19th  
15 among large cities (500,000+) in the annual cost to motorists of  
16 driving on rough roads and 13th in the percentage of roads in  
17 poor condition. Driving on roads in disrepair increases



1 consumer costs by accelerating vehicle deterioration and  
2 depreciation and increasing needed maintenance, fuel consumption  
3 and tire wear frequent water main breaks on Oahu each year."

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

20 Population increase will occur, and economic growth is  
21 necessary. Both should be planned for properly. Experience  
22 indicates that the lack of adequate infrastructure is a severe



1 constraint to future growth. For example, as Honolulu plans for  
2 its new fixed guide-way system, discussion will focus on quality  
3 of life issues as the community begins to balance higher  
4 densities in and around the transit corridor with the need to  
5 protect open space and agricultural areas. Increasing the  
6 infrastructure capacity is needed to accommodate higher  
7 densities in and around the transit corridor. While this  
8 problem is most evident on Oahu, the neighbor islands, too,  
9 suffer from lack of infrastructure capacity to accommodate  
10 future growth. It is necessary to assist all counties in  
11 accordance with an orderly and predictable plan for increasing  
12 infrastructure capacity to better utilize existing areas for  
13 planned growth and mitigate impacts to areas that are  
14 appropriate for growth.

15 The State could assist the counties by providing a  
16 supplemental financing incentive for infrastructure construction  
17 wherever and whenever feasible. Although the primary  
18 responsibility for basic municipal infrastructure needs  
19 continues to rest with the counties, much of the work will not  
20 be done if state assistance is not provided. Infrastructure  
21 projects included under this Act are regional sewer, water,  
22 drainage, and roads, if a project would increase the capacity to



1 accommodate future growth, and not solely benefit one particular  
2 project. Increased capacity is distinguishable from  
3 maintenance. While maintenance would increase the life of the  
4 facility or infrastructure, only projects that would result in  
5 increased infrastructure capacity would be eligible for  
6 supplemental funding under this Act.

7 The State cannot afford to abandon the counties and must  
8 provide financial assistance when it comes to improving  
9 infrastructure. In addition, while the counties have primary  
10 jurisdiction when it comes to planning and development,  
11 development links the State with the counties to several shared  
12 responsibilities under the Constitution of the State of Hawaii,  
13 including the following:

- 14 (1) Article IX, section 6, relating to management of state  
15 population growth;
- 16 (2) Article XI, section 3, relating to agricultural lands;  
17 and
- 18 (3) Article XI, section 5 relating to general laws  
19 required; exceptions.

20 The purpose of this Act is to create an infrastructure  
21 capacity construction loan revolving fund to provide loans to  
22 the counties, state agencies, and private developers for



1 infrastructure improvements. Furthermore, the intent of this  
2 Act is to allow for innovative financing techniques, such as tax  
3 increment financing, improvement districts, etc., to fund the  
4 loan based upon the use of the new infrastructure capacity.

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

8 "PART . INFRASTRUCTURE CAPACITY FINANCING

9 §36- Infrastructure capacity construction loan  
10 revolving fund. (a) There is established within the state  
11 treasury an infrastructure capacity construction loan revolving  
12 fund. The revolving fund shall be administered by the  
13 department of budget and finance. The legislature finds that  
14 this section satisfies the requirements of section 37-52.4.

15 (b) The infrastructure capacity construction loan  
16 revolving fund shall consist of the following sources of  
17 revenue:

18 (1) Moneys received by the department from counties for  
19 the repayment of the loan principal and the payment of  
20 simple interest; provided that simple interest charged  
21 to a county for a loan shall be per cent below the  
22 prevailing market rate at the time the loan is made



1 but not less than per cent; provided further that  
2 in no event shall the simple interest charged to a  
3 county exceed per cent;

4 (2) Appropriations from the legislature;

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

7 (4) Private investor contributions; and

8 (5) Voluntary contributions.

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

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

18 (d) Eligible costs shall include those for planning,  
19 design, feasibility studies, construction, and materials. No  
20 loan shall be made:



- 1 (1) For maintenance or repair costs unless the
- 2 construction would simultaneously increase the
- 3 carrying capacity of the infrastructure facility; or
- 4 (2) Solely for mass transit or electrical utilities.

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

11 (e) The department shall adopt rules in accordance with  
 12 chapter 91 for the 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 2014-2015 for  
 16 deposit into the infrastructure capacity construction loan  
 17 revolving fund.

18 SECTION 4. There is appropriated out of the infrastructure  
 19 capacity construction loan revolving fund the sum of \$  
 20 or so much thereof as may be necessary for fiscal year 2014-2015  
 21 for the making of loans to the counties, state agencies, or  
 22 private developers for the costs, in whole or in part, of



1 infrastructure improvements that would increase the capacity of  
2 the infrastructure facilities.

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

5 SECTION 5. This Act shall take effect upon its approval;  
6 provided that sections 3 and 4 shall take effect on July 1,  
7 2014.

8

INTRODUCED BY:

J. Kilian Eghosh  
By Request





# S.B. NO. 2757

**Report Title:**

Construction; Revolving Fund

**Description:**

Establishes a revolving fund to provide loans to counties, state agencies, or private developers for infrastructure improvements. Makes appropriations.

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

