
A BILL FOR AN ACT

RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING
CONSTRUCTION FINANCING.

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

1 SECTION 1. The legislature finds that counties and some
2 state agencies have aging and limited infrastructure that have
3 been neglected over time and now require a significant capital
4 improvement investment. The 2013 State Report Card on
5 Infrastructure, prepared by the American Society of Consulting
6 Engineers, provided the following assessment of Hawaii's
7 infrastructure:

- 8 (1) Dams and levees:
- 9 (A) Hawaii's dam safety program has five full-time
10 employees that each oversee an average of 28.4 state
11 regulated dams;
- 12 (B) Hawaii has seventy-five high hazard dams;
- 13 (C) Ninety-four per cent of the state regulated dams in
14 Hawaii have an emergency action plan;
- 15 (D) Hawaii's dam safety program has an annual budget of
16 \$754,000; and



- 1 (E) Hawaii has approximately sixteen miles of levees
2 according to the Federal Emergency Management Agency
3 (FEMA) Mid-term Levee Inventory database;
- 4 (2) Hazardous waste and wastewater:
- 5 (A) Hawaii has three sites on the National Priorities
6 List, a list of national priorities among the known
7 releases or threatened releases of hazardous
8 substances, pollutants, or contaminants throughout the
9 United States and its territories; and
- 10 (B) Hawaii has reported \$1,800,000,000 in wastewater
11 infrastructure needs over the next twenty years;
- 12 (3) Airports, bridges, and ports:
- 13 (A) Hawaii has fifteen public-use airports;
- 14 (B) One hundred forty-six of the 1,131 bridges in Hawaii
15 (12.9 per cent) are considered structurally deficient;
- 16 (C) Three hundred fifty-nine of the 1,131 bridges in
17 Hawaii (31.7 per cent) are considered functionally
18 obsolete;
- 19 (D) Hawaii received \$28,700,000 from the Federal Highway
20 Bridge Fund in fiscal year 2011; and
- 21 (E) Hawaii's ports handled 19,000,000 short tons of cargo
22 in 2009, ranking twenty-ninth in the nation;



- 1 (4) Roads and road transit:
- 2 (A) Driving on roads in need of repair costs Hawaii
- 3 motorists \$456,000,000 a year in extra vehicle repairs
- 4 and operating costs or roughly \$515 per motorist;
- 5 (B) Forty-nine per cent of Hawaii's roads are in poor or
- 6 mediocre condition;
- 7 (C) Hawaii has 4,370 public road miles;
- 8 (D) Hawaii's highway vehicle-miles traveled in 2009 was
- 9 approximately 7,331 per capita, ranking it forty-
- 10 eighth in the nation;
- 11 (E) Hawaii's gas tax of 47.1 cents per gallon has not been
- 12 increased since 2012; and
- 13 (F) Hawaii has 74,782 annual unlinked passenger trips via
- 14 transit systems -- motor bus, heavy rail, light rail,
- 15 and commuter rail; and
- 16 (5) Public schools, parks, and recreation facilities:
- 17 (A) Public school districts in Hawaii spent a total of
- 18 \$215,000,000 on capital outlays for school
- 19 construction and acquisition of land and existing
- 20 structures in fiscal years 2005-2008;
- 21 (B) Hawaii schools have an estimated \$3,400,000,000 in
- 22 infrastructure funding needs; and



1 (C) Hawaii has reported an unmet need of \$28,000,000 for
2 its park systems.

3 TRIP, a national transportation research group, also
4 released a report in October 2013 which found that Honolulu
5 urban area ranks nineteenth among large cities with a population
6 of more than five hundred thousand in the annual cost to
7 motorists of driving on rough roads and thirteenth in the
8 percentage of roads in poor condition. The report further noted
9 that "[d]riving on roads in disrepair increases consumer costs
10 by accelerating vehicle deterioration and depreciation,
11 increasing the frequency of needed maintenance and requiring
12 additional fuel consumption," as well as increasing the
13 frequency of water main breaks on Oahu each year.

14 The legislature finds that orderly and planned
15 infrastructure construction is the foundation for planned
16 population growth and desirable communities. It is a public
17 purpose for which public funds should be appropriated and
18 expended. The legislature also finds that infrastructure
19 construction should be coordinated and timed or phased with
20 planned development. Adequate infrastructure to accommodate
21 future growth would provide livable communities with a desirable
22 quality of life, make possible strategically situated affordable



1 housing (for example, near job growth), and allow the transfer
2 of development rights to protect and preserve important
3 agricultural lands by targeting growth to specific areas that
4 have necessary infrastructure capacity to support development.
5 Based on population projections prepared by the State, the
6 individual counties would first plan and determine where growth
7 is desirable and then proceed to construct, in coordination with
8 applicable state agencies, the infrastructure to support the
9 planned growth in those areas.

10 Population increase will occur, and economic growth is
11 necessary, and, therefore, both should be planned for properly.
12 Prior experience indicates that the lack of adequate
13 infrastructure is a severe constraint to future growth. For
14 example, as Honolulu plans for its new fixed guide-way system,
15 discussion will focus on quality of life issues as the community
16 begins to balance higher densities in and around the transit
17 corridor with the need to protect open space and agricultural
18 areas. Infrastructure capacity must be increased to accommodate
19 higher densities in and around the transit corridor. While this
20 problem is most evident on Oahu, the neighbor islands also
21 suffer from lack of infrastructure capacity to accommodate
22 future growth. It is necessary to assist all counties, in



1 accordance with an orderly and predictable plan for increasing
2 infrastructure capacity, to better utilize existing areas for
3 planned growth and mitigate impacts to areas that are
4 appropriate for growth.

5 The State's role in dealing with this growth would be to
6 provide coordination with the counties on regional state
7 infrastructure construction in areas of planned growth.
8 Although the primary responsibility for basic municipal
9 infrastructure needs continues to reside with the counties, much
10 of the work will need to be coordinated with the State for
11 regional infrastructure improvements. Infrastructure projects
12 included under this Act are regional sewer, water, drainage,
13 roads, and telecommunications and broadband, if a project would
14 increase the capacity to accommodate future growth, and not
15 solely benefit one particular project. Increased capacity is
16 distinguishable from maintenance. While maintenance would
17 increase the life of the facility or infrastructure, only
18 projects that would result in increased infrastructure capacity
19 would be eligible for supplemental funding under this Act.

20 The State cannot afford to abandon the counties and must
21 provide financial assistance for improving infrastructure. In
22 addition, while the counties have primary jurisdiction over



1 planning and development, development links the State with the
2 counties to several shared responsibilities under the
3 Constitution of the State of Hawaii, including the following:

- 4 (1) Article IX, section 6, relating to management of state
5 population growth;
- 6 (2) Article XI, section 3, relating to agricultural lands;
7 and
- 8 (3) Article XI, section 5, relating to general laws over
9 the lands owned by or under the control of the State.

10 The purpose of this Act is to create an infrastructure
11 capacity construction loan revolving fund to provide loans to
12 the counties, state agencies, and private developers for
13 infrastructure improvements. Furthermore, the intent of this
14 Act is to allow for innovative financing techniques, such as tax
15 increment financing and improvement districts, to fund the loan
16 based upon the use of the new infrastructure capacity.

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

20 "PART . INFRASTRUCTURE CAPACITY FINANCING
21 §36- Infrastructure capacity construction loan revolving
22 fund. (a) There is established within the state treasury an



1 infrastructure capacity construction loan revolving fund. The
2 revolving fund shall be administered by the department of
3 accounting and general services. This section shall be deemed
4 to satisfy the requirements of section 37-52.4.

5 (b) The infrastructure capacity construction loan
6 revolving fund shall consist of the following sources of
7 revenue:

8 (1) Moneys received by the department of accounting and
9 general services from the counties for the repayment
10 of the loan principal and the payment of simple
11 interest from various assessments or fees from special
12 improvement districts, improvement districts, tax
13 increment financing districts, community facilities
14 districts, and other areas where property value
15 increases are captured over periods of time for the
16 purposes of infrastructure financing; provided that
17 simple interest charged to a county for a loan shall
18 be per cent below the prevailing market rate at
19 the time the loan is made but not less than per
20 cent; provided further that in no event shall the
21 simple interest charged to a county exceed per
22 cent;



- 1 (2) Appropriations from the legislature;
- 2 (3) Federal grants and subsidies to the State or counties,
- 3 if any;
- 4 (4) Private investor contributions; and
- 5 (5) Voluntary contributions.
- 6 (c) The department of accounting and general services
- 7 shall expend revenues in the fund to:
- 8 (1) Make loans to counties, state agencies, or private
- 9 developers for the costs, in whole or in part, of
- 10 infrastructure improvements that would increase the
- 11 capacity of the infrastructure facilities, including
- 12 regional sewer, water, drainage systems, roads, and
- 13 telecommunications and broadband; and
- 14 (2) Pay costs associated with the implementation,
- 15 administration, and coordination of the fund.
- 16 Loans shall be made only for capital improvement projects
- 17 approved by the respective county council or state agency with a
- 18 view toward planned growth rather than upkeep and maintenance.
- 19 (d) Eligible costs shall include those for planning,
- 20 design, feasibility studies, construction, and materials. No
- 21 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 of accounting and general services may also
6 expend revenues in the fund to repay private investors for their
7 investment plus any interest accrued on their investments made
8 into the fund to finance, in whole or in part, infrastructure
9 improvements that would increase the capacity of the
10 infrastructure facilities, including regional sewer, water,
11 drainage, roads, and telecommunications and broadband.

12 (e) The department of accounting and general services
13 shall adopt rules in accordance with chapter 91 for the purposes
14 of this section."

15 SECTION 3. There is appropriated out of the general
16 revenues of the State of Hawaii the sum of \$ or so much
17 thereof as may be necessary for fiscal year 2016-2017 for
18 deposit into the infrastructure capacity construction loan
19 revolving fund.

20 SECTION 4. There is appropriated out of the infrastructure
21 capacity construction loan revolving fund the sum of \$



1 or so much thereof as may be necessary for fiscal year 2016-2017
2 for:

- 3 (1) The making of loans to the counties, state agencies,
- 4 or private developers for the costs, in whole or in
- 5 part, of infrastructure improvements that would
- 6 increase the capacity of the infrastructure
- 7 facilities; and
- 8 (2) The implementation, administration, and coordination
- 9 of the infrastructure capacity construction loan
- 10 revolving fund.

11 The sum appropriated shall be expended by the department of
12 accounting and general services for the purposes of this Act.

13 SECTION 5. This Act shall take effect on July 1, 2016.

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H.B. NO. 2027

Report Title:

Construction; Revolving Fund; Appropriation

Description:

Establishes the Infrastructure Capacity Construction Loan Revolving Fund to provide loans to counties, state agencies, or private developers for infrastructure improvements. Appropriates funds.

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

