

DAVID Y. IGE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Testimony of
SUZANNE D. CASE
Chairperson

Before the House Committee on
FINANCE

Thursday, February 9, 2017
2:00 P.M.
State Capitol, Conference Room 308

In consideration of
HOUSE BILL 628
RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING
CONSTRUCTION FINANCING

House Bill 628 proposes to establish the Infrastructure Capacity Construction Loan Revolving Fund to provide loans to counties, state agencies, or private developers for infrastructure improvements, and appropriates an unspecified amount of funds. **The Department of Land and Natural Resources (Department) supports Section 1.(1) of this bill provided its passage does not replace or adversely impact priorities indicated in the Executive Budget request, as it could assist government agencies and private developers by providing an economic means to bring their facilities up to current safety standards.**

The Department oversees the State's Dam and Reservoir Safety Program, which regulates the safe design, construction, and operation of dams and reservoirs. Dams and reservoirs provide valuable functions for the community and environment including water supply, irrigation, flood control, recreation, hydroelectric power, debris and sediment control, fire protection, wildlife habitat, waste management and aid in groundwater recharge.

The Department currently regulates 132 dams in the state of which the majority are classified as having a high hazard potential whereby their failure is anticipated to be a threat to the downstream population. Some of these irrigation systems and reservoirs may be considered to be infeasible to be replaced and if removed, their benefits would be lost forever.

Thank you for the opportunity to comment on this measure.

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

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FIRST DEPUTY

JEFFERY T. PEARSON, P.E.
DEPUTY DIRECTOR - WATER

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BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

DEPARTMENT OF ENVIRONMENTAL SERVICES
CITY AND COUNTY OF HONOLULU

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DEPUTY DIRECTOR

ROSS S. TANIMOTO, P.E.
DEPUTY DIRECTOR

IN REPLY REFER TO:
WAS 17-33

February 7, 2017

The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
and Members of the Committee on Finance
House of Representatives
State Capitol
415 South Beretania Street, Room 306
Honolulu, Hawaii 96813

Dear Chair Luke, Vice Chair Cullen and Members:

Subject: House Bill 628, Relating to Statewide Infrastructure Capacity Building
Construction Financing

The City and County of Honolulu's (City) Department of Environmental Services supports the concept of HB 628, to establish an additional source of low interest cost funds to support the construction of upgrades or additions to infrastructure in the State. The success of the Clean Water State Revolving Fund program may provide some background for the utility of such a program. We would, however, not want a new program to detract from or limit funding for the Clean Water and Drinking Water State Revolving Fund program.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori M.K. Kahikina".

Lori M.K. Kahikina, P.E.
Director



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of Hawaii

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February 8, 2017

House Committee on Finance

Hearing Date: Thursday, February 9, 2:00 p.m., Conference Room 308

Honorable Representatives Sylvia Luke, Chair; Ty J.K. Cullen, Vice Chair; and Members of the House Committee on Finance

Subject: **SUPPORT of HB 628, Relating to STATEWIDE INFRASTRUCTURE CAPACITY BUILDING CONSTRUCTION FINANCING**

Dear Chair Luke, Vice Chair Cullen, and Committee Members:

The American Council of Engineering Companies of Hawaii (ACECH) represents more than 70 engineering consulting firms with over 1,500 employees throughout Hawaii. ACEC nationally is a strong supporter of long-term infrastructure investment as a driver of our economy. Modern and efficient infrastructure is critical for protecting public health and safety, promoting commerce, protecting our environment and way of life, and enhancing energy security.

National studies tracked by ACEC have shown:

- *Transportation infrastructure forms the basis of economic growth.* Every dollar invested in highway and transit development generates between \$4-8 in economic output.
- *Continued under-investment hampers the economy,* as inefficiencies in infrastructure systems negatively impact businesses and development.
- *The public supports infrastructure investment as a core government responsibility.* Public polling and numerous recent funding initiatives in mainland states show that voters are willing to support user alternative funding methods and fee increases when additional revenues are dedicated to repair or replace aging infrastructure.

Increasing funding options for local agencies and private developers to build drinking water, wastewater, energy, and transportation systems can only help our economy and improve our long-term security. Consistent with our national organization's strong commitment to infrastructure investment, ACECH supports HB 628 regarding infrastructure capacity financing. We appreciate the opportunity to provide testimony on this matter. Please do not hesitate to contact us if you have any questions.

Respectfully submitted,
AMERICAN COUNCIL OF ENGINEERING COMPANIES OF HAWAII

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Testimony to the House Committee on Finance
Thursday, February 9, 2017
2:00 p.m.
Conference Room 309

RE: HB 628 – Relating to Statewide Infrastructure Capacity Building
Construction Financing

Chair Luke, Vice-Chair Cullen, and members of the committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is in strong support of H.B. 628 which proposes to establish the Infrastructure Capacity Construction Loan Revolving Fund to provide loans to counties, state agencies, or private developers for infrastructure improvements.

One of the goals of H.B. 628 is to provide an alternative means of funding for infrastructure construction. Similar in intent to the Chicago Infrastructure Trust created by 2012, H.B. 628 would be structured to receive moneys from a variety of sources, 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.

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.

The Report on the State of Physical Infrastructure in Hawaii indicated that 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 Building Industry Association of Hawaii and the Chamber of Commerce of Hawaii convened the first **"Houseless in Honolulu"** in November of 2015 to raise awareness of one of Hawaii's most pressing issues - home affordability. Then again in November of 2016, BIA-Hawaii convened our second event, **"Still Houseless in Honolulu."** The bottom line is we need to build our way out of this crisis by increasing the supply of housing at all price points. With the median home price in the Islands now \$730,000, the repercussions are having a major impact on Honolulu's economy.

Without a solution to the State's shortage of residences, the number will soon surpass a million dollars. Every uptick in prices has increasing economic impact. Housing at all price points is desperately needed if we are to maintain the State's economic equilibrium. If potential employees cannot find affordable homes they will choose not to move to Hawaii and current residents affected by stratospheric home prices will leave. Employers across all spectrum of enterprises are already feeling the pinch. Mid-level employees are especially hard hit. Educators, medical professionals, and small businesses are especially hard hit.

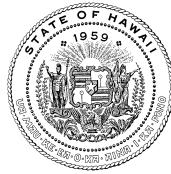
The Department of Business, Economic Development and Tourism forecasted demand for additional housing units by county is 25,847 units for Honolulu, 19,610 for Hawaii, 13,949 for Maui, and 5,287 for Kauai during the 2015-2025 period (DBEDT Report—Measuring Housing Demand in Hawaii, 2015-2025).

We believe that in order to address the current "Housing Crisis," there needs to be a shift in the focus of how government views housing development and move from our current "Regulatory" stance to a more "Production Oriented" stance. For example, this shift would have the City and County of Honolulu adopt a goal of approving an average of 2,500 new residential units each year over the next 10 year period to address the project 25,847 unit demand.

The most significant barrier to increasing the supply of housing at all price points is the lack of infrastructure capacity. 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. 628 will also help improve our quality of life.

We appreciate the opportunity to express our strong support for H.B. 628.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

P.O. BOX 150
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 628

LATE

**February 9, 2017
2:00 p.m.
Room 308**

**RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING
CONSTRUCTION FINANCING**

House Bill (H.B.) No. 628 establishes the Infrastructure Capacity Construction Loan Revolving Fund, within the State Treasury, to be administered by the Department of Accounting and General Services (DAGS). In addition, the bill makes an unspecified appropriation in general funds for FY 18 and FY 19 to be deposited into the revolving fund to be expended by DAGS for the purpose of this measure.

Revenues of the Infrastructure Capacity Construction Loan Revolving Fund include: funds received by DAGS from the counties from the repayment of loans and interest from the various assessments or fees from special improvement districts, improvement districts, tax increment financing districts, community facilities districts, and other areas where property value increases are captured over periods of time for the purposes of infrastructure financing; appropriations by the Legislature; federal grants and subsidies to the State or counties; private investor contributions; and voluntary contributions.

Revenues from the fund may be expended by DAGS to make loans to the counties, State agencies, or private developers for the costs of infrastructure improvements that would increase the capacity of the infrastructure facilities, including regional sewer, water and drainage systems, roads, and telecommunications and broadband. In addition, revenues from the fund may be used to pay costs associated with the implementation, administration and coordination of the fund, and to repay private investors for their investment made into the fund to finance infrastructure improvements.

The Department of Budget and Finance, as a matter of general policy, does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4 of the HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to H.B. No. 628, it is difficult to determine whether the proposed source of revenues will be self-sustaining. In addition, the department is concerned about the use of scarce State resources to fund infrastructure improvements such as sewer, water, and drainage systems that normally are financed by the counties through their own taxing and borrowing authorities.

Thank you for your consideration of our comments.

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843
www.boardofwatersupply.com



February 9, 2017

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ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

ELLEN E. KITAMURA, P.E.
Deputy Manager and Chief Engineer *EW*

The Honorable Sylvia Luke, Chair
and Members
Committee on Finance
House of Representatives
Hawaii State Capitol, Room 306
415 Beretania Street
Honolulu, Hawaii 96813

LATE

Dear Chair Luke and Members:

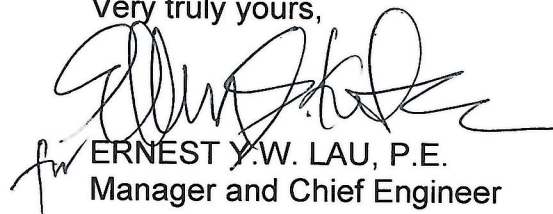
Subject: House Bill 628 Relating to Statewide Infrastructure Capacity Building Construction Financing

The Board of Water Supply (BWS) supports House Bill 628. This measure establishes the Infrastructure Capacity Construction Loan Revolving Fund to provide loans to counties, state agencies, or private developers for infrastructure improvements.

This state program is similar to the federal Environmental Protection Agency (EPA) State Revolving Fund program administered through the state Department of Health. Generally, BWS supports revolving loan programs that are available to county agencies that fund infrastructure improvements that increase the capacity of water infrastructure facilities. House Bill 628 will allow the BWS to utilize the proceeds of the loan revolving funds as an additional option to finance waterworks projects. The savings realized from lower interest rates will ultimately help keep water rates affordable for BWS customers. Additionally, with the uncertainty of future funding for the EPA, the importance of a state funded program becomes even more significant.

Thank you for your consideration of our testimony on House Bill 628.

Very truly yours,


ERNEST Y.W. LAU, P.E.
Manager and Chief Engineer