

# HB441

Measure Title: RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING CONSTRUCTION FINANCING.

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 for the administration and implementation of the infrastructure capacity construction loan revolving fund.

Companion:

Package: None

Current Referral: EDT, WAM

Introducer(s): YAMANE, AQUINO, CULLEN, MCKELVEY, NISHIMOTO, SAY, TAKAYAMA, YAMASHITA

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT  
AND TECHNOLOGY  
ON  
HOUSE BILL NO. 441

March 18, 2015

RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING  
CONSTRUCTION FINANCING

House Bill No. 441 establishes an Infrastructure Capacity Construction Loan Revolving Fund to provide loans to the counties, State agencies and private developers for infrastructure improvements. The bill designates the Department of Business, Economic Development and Tourism's (DBEDT) Office of Planning to administer the loan program and requires DBEDT to adopt Administrative Rules and develop supporting procedures.

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 substantial costs of social assistance entitlements, support for public education, debt service and fringe benefits and other critical requirements.

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. Using State-funded debt to fund infrastructure to the benefit on county infrastructure or in the county-sphere of responsibility is an expense best situated at the county level of government.

Private developers are currently required to make many infrastructure improvements as conditions of developing entitlements. The department recognizes that this bill could provide a resource to developers in that it creates an additional source to fund such improvements. However, when creating any loan fund that is seeded with public funds and which will directly benefit private entities, attention to governance and accountability of debt structure are important. This bill will create a very broad mechanism in a loan fund, but with very limited funding capabilities.

In addition, there will be added operating cost for additional staff to set-up, administer and coordinate the Infrastructure Capacity Construction Loan Revolving Fund. Among the operational issues that need to be addressed through Administrative Rules and operational policies and managed on a daily basis are the following:

- How funding will be allocated and awarded.
- Repayment options, collateral (security) requirements and default remedies.
- Monitoring of disbursements.
- Tracking of loan repayments.
- Managing repayment to private investors for their investments (plus interest accrued on investment) made into the fund.
- Drafting of all loan/program documentation.

Further, it should be pointed out that given the cost of infrastructure improvements, periodic infusion of general funds will likely be required to continue future loans. The bill requires the counties to make repayment of the loan principal

and payment of simple interest, which is below prevailing market rate by an unspecified percentage, at the time of the loan. The loan repayments are made over several years, while the allocation of funds to the county must be disbursed upfront to cover construction costs. Thus, the revenues generated by the county repayment plan for deposit into the revolving fund will probably be relatively small and, therefore, insufficient to replenish the loan revolving fund to support future county infrastructure improvement projects.

Finally, the bill will appropriate an unspecified amount of general funds to capitalize the Capacity Construction Loan Revolving Fund which has not been accounted for in the Administration's general fund financial plan. House Bill No. 441 should be reconsidered based on the negative impact on general fund expenditures and the sustainability of general funded programs throughout the State.



DAVID Y. IGE  
GOVERNOR  
SHAN S. TSUTSUI  
LT. GOVERNOR

STATE OF HAWAII  
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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
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CATHERINE P. AWAKUNI COLÓN  
DIRECTOR  
JI SOOK KIM  
CABLE TELEVISION ADMINISTRATOR

TO THE SENATE COMMITTEE ON  
ECONOMIC DEVELOPMENT AND TECHNOLOGY

TWENTY-EIGHTH LEGISLATURE  
Regular Session of 2015

Date: Wednesday, March 18, 2015  
Time: 2:45 p.m.

TESTIMONY ON H.B. NO. 441 – RELATING TO STATEWIDE INFRASTRUCTURE  
CAPACITY BUILDING CONSTRUCTION FINANCING.

TO THE HONORABLE GLENN WAKAI, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Ji Sook “Lisa” Kim, and I am the Cable Television Administrator at the Department of Commerce and Consumer Affairs (the “Department”). The Department appreciates the opportunity to express **support for the intent** of H.B. No. 441, but defers to the Department of Budget and Finance on the fiscal impacts the bill may have on existing State responsibilities and programs.

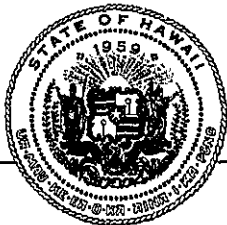
In 2010, the Department was charged with duties to advance the State’s goals to provide a strong communications backbone and to provide statewide access to affordable, high speed broadband services necessary to build a vibrant economy and to improve the health, welfare and quality of life for our residents. Specifically, section 440G-11.5, Hawaii Revised Statutes, charged the Department with duties that include making recommendations and facilitating and supporting efforts to advance access to affordable broadband services throughout the State, with particular focus on establishing services to consumers in the unserved and underserved areas of the State.

H.B. No. 441 creates an infrastructure capacity construction loan revolving fund to provide loans to counties, state agencies, and private developers in order to incent planned infrastructure construction and growth. The bill makes telecommunications and

broadband infrastructure costs eligible, recognizing that planning and development in the 21<sup>st</sup> century must include telecommunications and broadband infrastructure.

The Department supports this intent to incent planned and coordinated development of critical infrastructure facilities that includes telecommunications and broadband infrastructure. In so doing, the bill will provide opportunities to accelerate the deployment of broadband and telecommunications infrastructure across the State, and will promote the efficient use of government and private resources while minimizing the disruption to the public caused by such deployment.

Thank you for the opportunity to provide support for the intent of this measure.



**OFFICE OF PLANNING  
STATE OF HAWAII**

DAVID Y. IGE  
GOVERNOR

LEO R. ASUNCION  
ACTING DIRECTOR  
OFFICE OF PLANNING

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Statement of  
**LEO R. ASUNCION**  
Acting Director, Office of Planning  
before the  
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY**  
Wednesday, March 18, 2015  
2:45 PM  
State Capitol, Conference Room 016

in consideration of  
**HB 441**  
**RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING  
CONSTRUCTION FINANCING.**

Chair Wakai, Vice Chair Slom, and Members of the Senate Committee on Economic Development and Technology.

The Office of Planning (OP) supports the intent of HB 441, which would amend Hawaii Revised Statutes (HRS) Chapter 36 to establish an infrastructure capacity construction loan revolving fund, administered by OP, to provide loans to county, State, and private entities to increase the capacity of infrastructure systems in areas planned for growth by the counties or State. The bill would also appropriate funds to capitalize the infrastructure revolving fund and for the administration of the fund, to be expended by OP.

In the State Land Use System Review project currently being conducted by OP, one of the key concerns raised is inadequate investment in infrastructure capacity in areas planned for growth, whether for urban expansion or infill redevelopment like transit oriented development. Some participants have commented that this leads to delays in development projects and shifts the cost of needed infrastructure to the developer and consumers. OP believes that better mechanisms are needed to better plan for, coordinate, finance, and implement regional infrastructure investments.

It is appropriate for OP to be involved in the planning and coordination of regional infrastructure improvements. However, OP lacks the capacity and expertise to administer a financing tool that must address the complexity, scale, and range of public and private entities

engaged in the provision of community infrastructure statewide. In addition, the amount of funds needed to capitalize an infrastructure loan fund and effectively administer the proposed fund is quite substantial. The Department of Budget and Finance has previously testified on this measure expressing concern that the proposed appropriations will impact other fiscal priorities in the State's financial plan.

For these reasons, OP recommends that funds be appropriated to convene a working group to research alternative mechanisms and develop recommendations for the establishment of appropriate financing tools to provide infrastructure capacity for planned growth throughout the State.

Thank you for the opportunity to testify on this measure.



DEPARTMENT OF PLANNING AND PERMITTING  
**CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL  
MAYOR



GEORGE J. ATTA, FAICP  
DIRECTOR

ARTHUR D. CHALLACOMBE  
DEPUTY DIRECTOR

March 18, 2015

The Honorable Glenn Wakai, Chair  
and Members of the Committee on Economic  
Development and Technology  
Hawaii State Senate  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Wakai and Members:

Subject: House Bill No. 441  
Relating to Statewide Infrastructure Capacity  
Building Construction Financing

The Department of Planning and Permitting (DPP) **supports the intent** of House Bill No. 441, which would establish a revolving loan fund to support enhancements to the capacities of infrastructure systems.

We agree with Section 1 of the Bill that our infrastructure systems are challenged by both aging facilities and lack of capacity to support the orderly growth of our communities. For Honolulu, this is particularly true for our urban core, where our rail system will be built. We need timely upgrades, particularly to our sewer system, to meet the anticipated needs of transit-oriented development (TOD). We also agree that the fund should concentrate on regional infrastructure projects, rather than projects that benefit a single or limited number of developments. We also agree that proposed county projects should have county council approval.

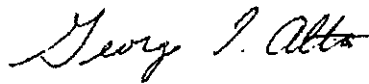
However, we request the Bill address the following:

- It would be preferable that the fund offer no-interest loans, unless the projects are tied to special property assessments, such as tax increment financing, wherein this expense can be passed on to the beneficiaries of the loan. In some cases, capital improvement projects will be funded by bonds to be repaid by all county taxpayers in general.
- State and private sector requests for funding should be screened by the respective county. Allowances for independent requests would run counter to coordinated use of limited funds and orderly growth.

The Honorable Glenn Wakai, Chair  
and Members of the Committee on Economic  
Development and Technology  
Hawaii State Senate  
Hawaii State Capitol  
Re: House Bill No. 441  
March 18, 2015  
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Thank you for this opportunity to testify on House Bill No. 441.

Very truly yours,

A handwritten signature in cursive script that reads "George I. Atta".

George I. Atta, FAICP  
Director

GIA:ks  
HB441Infrastructure Fund-ks



**Chamber of Commerce HAWAII**  
*The Voice of Business*

**Testimony to the Senate Committee on Economic Development and  
Technology  
Wednesday, March 18, 2015 at 2:45 P.M.  
Conference Room 016, State Capitol**

**RE: HOUSE BILL 441 RELATING TO STATEWIDE INFRASTRUCTURE  
CAPACITY BUILDING CONSTRUCTION FINANCING**

Chair Wakai, Vice Chair Slom, and Members of the Committee:

The Chamber of Commerce of Hawaii (“The Chamber”) **strongly supports** H.B. 441, 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 Chamber is Hawaii’s leading statewide business advocacy organization, representing about 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 members and the entire business community to improve the state’s economic climate and to foster positive action on issues of common concern.

The goal of H.B. 441 is to provide an alternative means of funding for infrastructure construction. Similar in intent to the Chicago Infrastructure Trust created by 2012, H.B. 441 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



# Chamber of Commerce HAWAII

*The Voice of Business*

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. 441 will also help improve our quality of life.

We appreciate the opportunity to express our strong support for H.B. 441.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 14, 2015 2:02 PM  
**To:** EDT Testimony  
**Cc:** darakawa@lurf.org  
**Subject:** Submitted testimony for HB441 on Mar 18, 2015 14:45PM

**HB441**

Submitted on: 3/14/2015

Testimony for EDT on Mar 18, 2015 14:45PM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
David Z. Arakawa	Land Use Research Foundation of Hawaii	Support	No

Comments: The Land Use Research Foundation of Hawaii SUPPORTS HB 441, RELATING TO STATEWIDE INFRASTRUCTURE CAPACITY BUILDING CONSTRUCTION FINANCING, which establishes the Infrastructure Capacity Construction Loan Revolving Fund to provide loans to counties, state agencies, or private developers for infrastructure improvements. Appropriates funds for the administration and implementation of the Infrastructure Capacity Construction Loan Revolving Fund. (HB 441)

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)

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**From:** finance8-Melanie on behalf of FINTestimony  
**Sent:** Monday, March 16, 2015 11:40 AM  
**To:** EDT Testimony  
**Subject:** FW: Please Support H.B. 441 to Provide Statewide Infrastructure Capacity Funding

-----Original Message-----

**From:** Joan Sato [mailto:Joan@JSatoAssociates.com]  
**Sent:** Monday, March 16, 2015 11:28 AM  
**To:** FINTestimony  
**Subject:** Please Support H.B. 441 to Provide Statewide Infrastructure Capacity Funding

Dear Chair Luke,

As a concerned individual, I respectfully request your support of H.B. 441, which proposes to 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. 441 is to provide an alternative means of funding for infrastructure construction. H.B. 441 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 well being.

The cost of future 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. In these ways, H.B. 441 will help improve our quality of life.

Please vote to support H.B. 441! Thank you.

Sincerely,

Joan Sato  
2232 Kapiolani Blvd Apt 804  
Honolulu, HI 96826