HB 1260

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEES ON
WAYS & MEANS
and
JUDICIARY & GOVERNMENT OPERATIONS

Monday, April 6, 2009
10:30 AM
State Capitol, Conference Room 211

in consideration of

HB 1260 HD1 Proposed SD1
RELATING GOVERNMENT

Chairs Kim and Taniguchi, Vice-Chairs Tsutsui and Takamine and members of the Senate Committees on Ways & Means and Judiciary & Government Operations:

On the basis that –

1. The department's existing programs, both within its core divisions and its attached agencies, are integrated and aligned to meet the State's short-term economic difficulties and to achieve the State's longer-term economic development objectives; and
2. The proposed program transfers will take necessary focus away from addressing the State's short-term economic difficulties without any commensurate or offsetting benefits; and
3. Any necessary and proper periodic reassessment of the State's economic development mission and function should be thorough and thoughtfully made –

I respectfully oppose the proposed measure before you.

The Department's Programs are Aligned to
Meet the State's Short-Term Difficulties and Achieve Long-Term Opportunities

As set forth in the department's testimonies before your Ways & Means Committee over the past four years, including its testimony on January 22 of this year, the department's core divisions and attached agency programs have been aligned[1] toward achieving the following strategic objectives:

- Lead implementation of the Hawaii 5-Point Economic Plan to stabilize the economy and establish the basis for future growth.
- Lead efforts to transform how Hawaii produces, distributes and uses energy with an objective that 70% of Hawaii's energy to come from locally developed alternative energy sources and energy efficiency and conservation efforts by 2030.
- Align, facilitate and lead public and private resources to develop Hawaii's innovation capacity based on science, technology, engineering, and math skills, creative ideas and lifelong learning resulting in an innovation-driven and globally-competitive economy.
- Increase international trade and international educational opportunities for Hawaii's citizens.
- Support public policy-making and public and private decision-making by providing data, research and analysis; by creating better data standards, reports, and data-sharing protocols with other state entities and Hawaii's educational institutions.
- Advocate open, fair and transparent tax and regulatory policies to provide a competitive business environment for Hawaii's small businesses.
- Increase the supply of workforce or "gap" housing units to support an increasing quality of life in Hawaii.
- Plan and advocate policies, including land-use policies, that promote the efficient use of public and private resources.
- Advocate and achieve, directly and in partnership with other departments, world-class infrastructure.

These strategic objectives and programs' alignment thereto is consistent with the department's statutory obligations under Section 201 HRS. They are also consistent with the necessary response to the current national and state-wide economic crisis.

Specific plans and resulting functional programs, as well as specific measurements of effectiveness[2] and results, were included in the department's written testimony submitted to your Ways & Means Committee. These plans, functional programs and measures of effectiveness are

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[1] This alignment was referred to in the budget testimony's Narrative, Attachments and each program's individual program testimonies. "Attachment A" hereto contains one of the attachments provided with the budget testimony.
[2] See Table 1, attached to the department's budget testimony. Column 3 contains measures of effectiveness. Table 1 is also attached as "Attachment B" hereto.

also contained in each program's "Yearly Activity Plan", copies of which are on the department's website and have been provided to the Ways & Means Committee.

The department's current programs are aligned and are functioning and the measure before you is not necessary.

The Proposed Program Transfers Will Take Necessary Focus Away From Meeting the State's Short-term Economic Difficulties Without any Commensurate or Offsetting Benefits

Driven by the national and global financial crisis, Hawaii's economy has experienced its severest decline in decades, negatively impacting workers, households and businesses.

The department's current focus, together with its' sister departments and agencies, is on stabilizing the Hawaii economy and forming the basis for an economic recovery.

Within the overarching framework of strategic objectives set forth above, all the department's programs have focused their plans and activities on stabilizing the Hawaii economy. The proposed transfers will shift focus and attention away from these activities at a critical time in these economic stabilization and recovery efforts.

It is not clear how the proposed transfers increase the efficiency and effectiveness of the programs. The proposed transfers result in a total $98,984[3] general fund budgetary saving.

Rather, in these difficult times when focus is critically needed on the economic stabilization and recovery and when departments are called on to "do more with less", the transfers will reduce program effectiveness and increase program costs.

Program effectiveness will be reduced as attention will necessarily be diverted to the administrative and logistical requirements of the transfers and the policy, programmatic and administrative integration with the new department. Significant time will also be expended on programmatic alignment with the mission and functions of the new department[4].

Increased costs would arise due to additional administrative and personnel time and direct expenses, including costs of physical relocations, additional office space, IT and telecommunication services, personnel transfers and disruption of services.

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[3] Resulting from change in method of funding for Small Business Regulatory Review Board from general to special funding.

[4] The most recent program transfer was the transfer of the Hawaii Housing Development & Finance Corporation from the Housing and Community Development Corporation of Hawaii (HCDCH) from the Department of Human Services to DBEDT. That process too two years. Should these transfers take place as proposed by this measure, I expect the transitions to take up to 18 months by which time there may well be a new Director of the department in place.

Periodic Reassessment of the State's Economic Development Function is Necessary and Should be Conducted Thoroughly and Thoughtfully

Because the economy is a dynamic system and undergoes business cycles, the state's economic development function also needs to be dynamic and adapt to the circumstances presented by a particular cycle. The dynamic macro economic context also requires that the state's economic development function be periodically reviewed and realigned to ensure ability to properly respond.

That periodic review and realignment should be conducted, I believe, thoroughly and with reference to –

- Changes in fundamental national, regional and local economic structures and drivers, with increasing importance of global interdependencies;
- Structural imbalances and inefficiencies caused by these changes;
- New opportunities resulting from these changes;
- Capacity and resource availability to address the imbalances and inefficiencies and to capture the new opportunities;
- Benefits and costs, including the costs of externalities, of allocation of capacity and resources to address the imbalances and inefficiencies and to capture the new opportunities;
- The state's short- and longer-term economic development objectives, including workforce and quality of life; and
- Efficiencies, productivity and effectiveness.

I support a periodic review and realignment of the state's economic development function. However, the transfers proposed in the measure before you is not the product, I believe, of such a review. Consequently, not only are the intended results of the proposed transfers not identified, the transfers will result in many unintended consequences.

One of these unintended consequences, I believe, is the significant narrowing of the state's economic development function, such that it may be rendered ineffective to meet future challenges and interests of the state, regardless of who is serving as the Director of the department.

In order to meet the dynamic national and global economy, the state's economic development function requires a breadth of tools to meet this ever-changing economic environment. On its surface, the department's programs may appear broad, but collectively the programs provide the state's economic development function with all of the tools to meet its statutory obligations under Section 201, HRS.

For example, economic data gathering, research and analysis not only underpin economic "policy determinations" as required by Section 201-2, HRS, but good decision-making across the economy. The technology attached agencies support development of "new industries", as required by Section 201-3 (1). The development-related attached agencies support "productive use of land" as required by HRS 201-3 (2).

Transferring these programs will serve to narrow the economic development function and will restrict the ability and effectiveness of future administrations to utilize a broad set of tools to deal with new challenges and opportunities as they arise.

Conclusion

The proposed transfers come at a time when the departmental programs are aligned and focused on meeting the state's short-term economic crisis. The transfers would take focus away from the critical task of stabilizing and growing the economy, would be disruptive and costly and would have no commensurate benefit. The proposed transfers result in negligible general fund budget savings.

I would support a thorough and thoughtful review of the state's economic development functions with the objective of any realignment improving the state's ability to achieve its economic development objectives. The proposed transfers are not based on such a review nor do they accomplish such an improvement.

I respectfully request that you hold this measure.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR

RONALD BOYER
DEPUTY DIRECTOR

TO THE SENATE COMMITTEES ON
WAYS AND MEANS
AND
JUDICIARY AND GOVERNMENT OPERATIONS

TWENTY-FIFTH STATE LEGISLATURE
REGULAR SESSION, 2009

Monday, April 6, 2009
10:30 a.m.

**TESTIMONY ON HOUSE BILL NO. 1260, H.D. 1, PROPOSED S.D. 1
RELATING TO GOVERNMENT**

TO THE HONORABLE DONNA MERCADO KIM AND BRIAN T. TANIGUCHI, CHAIRS, SHAN S. TSUTSUI AND DWIGHT Y. TAKAMINE, VICE CHAIRS, AND MEMBERS OF THE COMMITTEES:

The Department of Commerce and Consumer Affairs ("Department") appreciates the opportunity to testify in opposition to House Bill No. 1260, H.D. 1, Proposed S.D. 1, Relating to Government. My name is Lawrence M. Reifurth, and I am the Department's Director. House Bill No. 1260, H.D. 1, Proposed S.D. 1, proposes to reorganize State government by transferring or abolishing certain executive branch agencies and programs. The Department is particularly concerned about parts V and X of the bill.

Insufficient opportunity to comment.

The reorganization of State executive agencies proposed by this bill and H.B. No. 200, H.D. 1 (the Budget bill) is extensive and far reaching and should only be entered into after careful consideration of the comments and concerns of all affected stakeholders in a deliberative process. It should be planned for with the input and active participation of all affected stakeholders—it should not be rushed into. However, we first learned about the reorganization in mid-March, when the House version of the budget was released. We did not have any opportunity to provide comment in a public hearing to the House. Nor were we invited to actively participate in the development of such a proposal that has a considerable impact on the Department.

Small Business Regulatory Review Board.

Part V of the proposed draft transfers the Small Business Regulatory Review Board (SBRRB), along with its powers and duties, from the Department of Business, Economic Development, and Tourism (DBEDT) to the Department. We have two major concerns with this proposed transfer.

First, because the Department has numerous rules that have the potential of affecting small business, we appear before the SBRRB on a frequent basis. It could be argued that placing the SBRRB within the Department would have the appearance of having the "fox guarding the henhouse". In order to maintain the integrity of the SBRRB and the public's confidence in its decision-making process, it would be prudent not to create a situation where the appearance of a conflict of interest is created. A prime example of potential conflict between the Department and SBRRB is SBRRB's April 2, 2009 letter to the Department. Under the auspices of the "small business bill of rights" enacted last year by the Legislature pursuant to Act 230, the SBRRB has requested that the Department appear at its May 2009 meeting to explain its proceedings with regard to disciplinary action taken by the Department against a respondent for unfair and deceptive practices. The SBRRB has also invited the respondent to the same meeting to provide its side of the story. We believe such a situation would result in a clear conflict of interest should the SBRRB be attached to the Department._

Second, although the proposed draft requires the Department to include as part of any of its other fees, an additional amount with a reasonable nexus to the activities of the SBRRB, we presently do not have the ability to segregate out "small business" to charge only them the additional amount—we would have to charge **all** business registrants the additional charge. If we were to include the additional charge for all business registrants, some of those who pay the additional charge would not have that "reasonable nexus", and therefore, would be subsidizing "small business".

Measurement Standards.

Part X proposes to transfer the measurement standards program from the Department of Agriculture to the Department. If the principle reason for the transfer is to save general fund moneys, this proposal will not achieve that goal. The program already charges fees and is in the process of increasing those fees. The fees collected by the program are currently deposited into the general fund. Under the proposed S.D. 1, those fees would now be deposited into the Department's Compliance Resolution Fund. Therefore, although the expenditures for the program would be removed from the general fund books, the revenues from the program's fees would also be removed from the general fund's revenue stream. This would result in very little to no general fund savings.

Additionally, the Department does not have expertise in the measurement standards area. This would, at least initially, cause some operational disruptions.

Closing.

The Department is not adverse to assuming responsibility for additional programs. In 2005, the Department supported the transfer of the Business Action Center from DBEDT to the Department because that transfer was a good fit and we were involved in the early discussions and cooperative planning for the transfer which occurred before the 2005 session. The transfers called for in this bill do not fit as well and we have not been active participants in the planning process.

Based on the foregoing, the Department respectfully urges the Committee to remove the provisions contained in Parts V and X of the bill.

LINDA LINGLE
GOVERNOR

AARON S. FUJIOKA
ADMINISTRATOR

STATE OF HAWAII
STATE PROCUREMENT OFFICE
P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 587-4700 Fax: (808) 587-4703
www.spo.hawaii.gov

TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE
SENATE COMMITTEES
ON
WAYS AND MEANS
AND
JUDICIARY AND GOVERNMENT OPERATIONS

April 6, 2009

10:30 AM

HB 1260, HD1,
Proposed SD1

RELATING TO GOVERNMENT.

Chair Kim, Chair Taniguchi, Vice-Chair Tsutsui, Vice-Chair Takamine and committee members, thank you for the opportunity to testify on HB 1260, HD1, Proposed SD1.

The State Procurement Office (SPO) comments are limited to SECTION 8 that we do not support the language to exempt the procurements relating to the harbors modernization project from HRS chapter 103D, the Hawaii Public Procurement Code. The SPO recommends subsection (f) on page 12, lines 3 and 4 be deleted, as not necessary.

> ~~(f) All procurements relating to the harbors modernization project shall be exempt from chapter 103D until June 30, 2016.~~

Statutory exemptions are contrary to the Hawaii Public Procurement Code (Code), HRS §103D-102, on the applicability of the chapter that states in part ". . . shall apply to all procurement contracts made by governmental bodies whether the consideration for the contract is cash, revenues, realizations, receipts, or earnings, . . ." Any governmental agency with the authority to expend funds should be in compliance with chapter 103D, which promotes the policy of fair and equitable treatment of all persons who deal with the procurement system; fosters effective broad-based competition; and increases public confidence in public procurement.

The SPO is against statutorily exempting specific agencies from the Code, as it is not in the best interest of government, the business community, and the general public. The Code establishes a time-tested, fair, and reliable set of rules and processes for award of contracts. The competitive procurement processes of the Code are to insure that all potential providers are afforded the opportunity to compete for the required services. To the extent agencies may need specific purchases to be exempted from Code requirements, the Code provides an exemption process.

The Code should not be viewed as an obstacle to a purchasing agency's mission, but rather as the single source of public procurement policy to be applied equally and uniformly. It was the legislature's intent for the Code to be a single source of public procurement policy. If individual agencies are exempted and allowed to develop their own individual processes, it becomes problematic and confusing to vendors, contractors and service providers that must comply with a variety of different processes and standards. Fairness, open competition, a level playing field, and government disclosure and transparency in the procurement and contracting process are vital to good government. For this to be accomplished, we must participate in the process with one set of statutes and rules. There needs to be one single source of public procurement policy.

Thank you.

DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Bldg., 250 South Hotel St., 5th Flr., Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Tel.: (808) 586-2355
Fax: (808) 586-2377

Statement of
GEORJA SKINNER
Administrator
Creative Industries Division
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS & MEANS
SENATE COMMITTEE ON JUDICIARY & GOVERNMENT OPERATIONS

Monday, April 6, 2009
10:30 AM
State Capitol, Conference Room 211
in consideration of

HB 1260 HD1 Proposed SD1

Chairs Kim and Taniguchi, Vice-Chairs Tsutsui and Takamine, and members of the Committees.

The Department of Business, Economic Development, and Tourism's (DBEDT), Creative Industries Division (CID) respectfully opposes this measure. CID and its **Film Industry Branch/Hawaii Film Office (FIB)** and **Arts and Culture Development Branch (ACDB)** function as the statewide liaison between industry and government, providing core constituent services locally and globally. Our staff and our constituents have serious concerns about this bill and the proposed breaking apart of CID and its branches, which recommends transferring FIB to Hawaii Tourism Authority (HTA) and ACDB to Hawaii State Foundation on Culture and the Arts (HSFCA) within Department of Accounting and General Services (DAGS). We defer to HSFCA, DAGS and HTA to comment on the affects of these proposed transfers and the impacts to their respective agencies.

While we appreciate the committee's recognition of the division and its branches vital role in diversifying Hawaii's economy, any reorganization in this economic climate negatively affects our ability to contribute to Hawaii's economic recovery and greatly impacts services to our constituents. We believe that DBEDT is the best department for the division and its branches at this time.

We caution that breaking the division apart, the interruption of services and impacts to the economy outweigh any perceived benefit to these proposed moves. The re-aligning of mission, structure, oversight of a board of commissioners or board of directors, change in statutes, staff and core operations of several state agencies risks compromising services to the public, negatively impacts Hawaii's relationships and reputation with the local and global business community, and adversely affects the immediate economic stimulus our creative industries, in particular our film and television industries, provide to our economy.

The Creative Industries Division (BED105), was formed in 2003 in recognition of Hawaii's vast creative resources and our potential to be a leader in the global creative economy. As a business advocate for Hawaii's film, television, new media, digital arts industries and the diverse artistic and cultural resources, CID's program is integral to transitioning Hawaii's economy to one based on human capacity and innovation – a mission both the legislature and administration recognize as critical to the development of a globally competitive innovation-based economy.

Collectively, CID's branches, the **Hawaii Film Office/Film Industry Branch (FIB)** and the **Arts and Culture Development Branch (ACDB)** have provided support for business development that have had significant impact on Hawaii's economic diversification. Since the division's inception and through its programs, Hawaii's creative industries have been on a steady growth curve. In 2007, Hawaii's creative sector accounted for 46,919 jobs with average earnings of $49,906, and contributed $3.9 billion to Hawaii's total GSP, up 14% from 2002 putting it in fifth place in overall GSP rankings. This aspect of Hawaii's general economy supports a highly skilled work force that through innovation, artistic or applied design-based efforts, contributes to the advancement of Hawaii's general economy while positively affecting the overall quality of life within the State.

While we recognize that there may be areas of similarity on the surface of these proposed transfers, unlike HTA or HSFCA, CID and its branches are tasked to work with Hawaii's creative industries which encompass more than tourism and grant giving. CID's programs focus on improving our business environment, a critical component to alleviate impediments to the growth of Hawaii's creative industries. The sectors CID and its branches serve include, but are not limited to, film, digital media & animation (i.e., broadcast media, film production, digital media, game production, etc.), visual arts, performing arts (i.e., music, dance, etc.) literary arts (i.e., writing, publishing, etc.), heritage & preservation (i.e., museums, heritage corridors, etc.), arts education, design & culinary arts (i.e., architecture, web design, graphic/commercial design, etc.), and cultural arts & events.

CID's programs are aligned with DBEDT's current strategic objectives of (1) Workforce Development: to develop, retain and attract a workforce with the skills required for an innovation-driven, globally competitive economy, (2) Global Links: to increase the flow of people, products, services, and ideas between Hawaii and its export markets, (3) Creation of an Innovation Infrastructure: to enable Hawaii's creative and entrepreneurial talent to turn ideas into products and services, and compete on a global scale and (4) Improving Hawaii's Small Business Environment: to lead public sector efforts to bring about a business environment that is market-driven, and rewards productivity and entrepreneurship.

As an agency dedicated to looking at these industries collectively and developing programs that build on 24+ years of staff and industry experience, CID is providing creative Hawaii with a much needed voice. The division's recent strategic industry alliances and recognition by national arts organizations as a leader in the blending arts and the economy further validate the synergy of why the division must remain a cohesive unit and not be split apart.

The question that is before us today is whether FIB or ACDB fit the mission of their proposed move to Hawaii Tourism Authority (HTA) or Hawaii State Foundation on Culture and the Arts (HSFCA) respectively, or whether it is more appropriate for them to remain under DBEDT.

CID's mission is "to promote, advocate and accelerate the growth of Hawaii's creative industries, resulting in a vibrant and internationally recognized, self-sustaining sector of Hawaii's economy."

Part XII, Section 43 (page 40) proposes the transfer of ACDB to the Hawaii State Foundation on Culture and the Arts (HSFCA) Department of Accounting and General Services. This is not a fit as their mission "to promote, perpetuate, preserve, and encourage culture and the arts, history and the humanities as central to the quality of life of the people of Hawaii" along with their 10 year strategic plan are currently not aligned with economic development or the core functions of ACDB. While the HSFCA does have a special fund it is not available for marketing or business development purposes and would require legislation to amend the law in order to utilize this special fund for any other purpose.

Part XIV, Section 53 (pages 77-84) proposes the transfer of FIB to the Hawaii Tourism Authority (HTA) which is also not a fit, as HTA's mission "to strategically manage Hawaii tourism in a sustainable manner consistent with our economic goals, cultural values, preservation of natural resources, community desires and visitor industry needs" does not address economic development of film, television or digital media industries. Integration within HTA of the complex daily operations of the film branch, the Hawaii Film Studio and its daily core functions are contrary to HTA's mission. HTA also has special funds however, any uses of these funds to support the economic development of film, television and digital media industries would be counter to their mission and would require board approval and legislation to amend existing laws in order to utilize these funds for any other purposes.

With a new administration to take office within two years and the length of time the proposed reorganization may take, it would be more prudent to further engage those agencies affected by these proposed transfers in a longer, more thorough examination and evaluation of the potential of such moves and their impacts.

In summary, merging FIB and ACDB into CID brought a sense of cohesion and direction for developing and promoting Hawaii's creative industries that no other agency was or is currently performing in our state government. It is our belief that CID and its branches should remain intact within DBEDT at this time, as its programs are more aligned with the department's current mission and objectives as compared to HTA and HSFCA.

Thank you for this opportunity to offer these comments.

LINDA LINGLE
GOVERNOR OF HAWAII

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
POST OFFICE BOX 621
HONOLULU, HAWAII 96809

LAURA H. THIELEN
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

RUSSELL Y. TSUJI
FIRST DEPUTY

KEN C. KAWAHARA
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
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

Testimony of
LAURA H. THIELEN
Chairperson

Before the Senate Committees on
WAYS AND MEANS
and
JUDICIARY AND GOVERNMENT OPERATIONS

Monday, April 6, 2009
10:30 AM
State Capitol, Conference Room 211

In consideration of
HOUSE BILL 1260, HOUSE DRAFT 1, PROPOSED SENATE DRAFT 1
RELATING TO GOVERNMENT

House Bill 1260, House Draft 1, Proposed Senate Draft 1, seeks to reorganize certain executive branch agencies by abolishing or transferring various agencies and programs. The Department of Land and Natural Resources' (DLNR) comments are addressed to PARTs VI (Transferring the Land Use Commission (LUC) from the Department of Business, Economic Development, and Tourism (DBEDT) to DLNR) and VIII (Transferring the Office of Planning (OP) from DBEDT to DLNR) in this measure. DLNR strenuously opposes the transfer of LUC and OP in this bill and similarly, the transfer of the Hawaii Community Development Authority (HCDA) to DLNR in House Bill 200, House Draft 1.

DLNR is already challenged with managing 12 line divisions within our department. Adding these unrelated and additional functions will be devastating as; 1) It would divert us from our core mission of natural and cultural resource protection and management – The functions and missions of LUC, HCDA, and OP are unrelated and not consistent, 2) To do so at a time of 20%+ budget cuts imposed by the Administration, will have a catastrophic effect on our operations.

Further, the proposed transfers will have absolutely no cost savings, and amounts to leaving agencies and staff to handle the additional and unjustified administrative duties and responsibilities on top of the aforementioned fiscal reductions. DLNR currently is made up of 808 employees. By comparison there are only 7 positions (5 of which are filled presently) in the Personnel Office, 16 positions (14 of which are filled presently) in the Fiscal Office and 9 positions in Information and Technology Office to service the entire department. The bill fails to address the additional burden placed on these service and support offices, further draining our already reduced resources.

DLNR is making a strenuous effort to integrate its myriad of existing divisions and programs. The creation of multiple new programs within DLNR that have little to do with natural or cultural resource protection will be disruptive and counterproductive to our core mission.

LINDA LINGLE
Governor

MIKE MCCARTNEY
President and
Chief Executive Officer

Hawai'i Tourism Authority

Hawai'i Convention Center, 1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
Website: www.hawaiitourismauthority.org

Telephone: (808) 973-2255
Fax: (808) 973-2253

Testimony of
Mike McCartney
President and Chief Executive Officer
Hawai'i Tourism Authority
on
H.B. 1260, H.D. 1, Proposed S.D. 1
Relating to Government

Senate Committee on Ways and Means
Senate Committee on Judiciary and Government Operations
Monday, April 6, 2009
10:30 a.m.
Conference Room 211

The Hawai'i Tourism Authority (HTA) is pleased to offer the following comments on several amendments in the proposed S.D. 1 of H.B. 1260.

Transfer of the film industry branch to the Hawai'i Tourism Authority (SECTIONS 53-55)

The HTA is not the appropriate place for the film industry branch. The Economic Revitalization Task Force recommended the establishment of the HTA to develop a cohesive plan for Hawai'i's tourism industry, with the HTA being the one entity responsible, and accountable, for all aspects of tourism – policy development, marketing and market development, product development and impact monitoring. The film industry, as a separate industry, with its scope and the purposes and functions of the film branch, are beyond the duties and functions of the HTA. Administratively placing the film industry branch with the Authority would detract HTA's from its mission and focus which is tourism, especially during these challenging economic times.

Under the current law, HTA can enter into agreements with the film branch or request assistance from the branch for the development of specific products or special promotion projects. A more appropriate fit would be with the State Foundation on Culture and the Arts, which according to this proposed measure would also oversee the arts and culture development branch, currently within DBEDT.

In addition, the administrative attachment the Hawaii Television and Film Development Board to the HTA may violate Article V, section of the Hawaii Constitution which requires that instrumentalities of the state government to be allocated to one of the principal departments. If H.B. 1260, H.D. 1, S.D. 1, does not eliminate the Department of Business, Economic Development, and Tourism, and the HTA is not administratively attached to another department, the Hawaii Television and Film Development Board, and the film branch will still be administratively in DBEDT.

Tourism research and statistics functions

In 1998, the Legislature in Act 156, Session Laws of Hawaii 1998, directed that tourism-related data collection and basic research be conducted by the Department of Business, Economic Development and Tourism. The proposed measure removes those duties from DBEDT's responsibilities.

While HTA understands that this is a policy call which will be made by the Legislature, the HTA would like to note the following. The conduct of timely and accurate tourism research including compilation and analysis of data, coupled with the gathering of market intelligence from around the world is critical for the development and implementation of efficient and effective tourism marketing programs. As such, the HTA believes that the conduct of tourism research is an important function that needs to be continued.

Thank you for the opportunity to present this testimony.

LINDA LINGLE
GOVERNOR
MARSHA WIENERT
TOURISM LIAISON

TOURISM LIAISON

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 586-2362
Fax: (808) 586-2370

Statement of
MARSHA WIENERT
Tourism Liaison
Department of Business, Economic Development & Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS
and the
SENATE COMMITTEE ON JUDICIARY AND GOVERNMENT OPERATIONS
Monday, April 6, 2009
10:30 a.m.
State Capitol, Conference Room 211

in consideration of
HB 1260 HD1 (Proposed SD1)
RELATING TO GOVERNMENT.

Chairs Kim & Taniguchi, Vice Chairs Tsutsui & Takamine and Members of the Senate Committees.

Thank you for the opportunity to comment on the proposed SD1 version of HB 1260 HD1. When Governor Lingle established the Tourism Liaison position, it was determined that it should be administratively attached to the Department of Business, Economic Development and Tourism (DBEDT), in recognition of the close link between the visitor industry and the economic vitality of our State.

The proposed SD1 language in this bill would statutorily place the Tourism Liaison position within the office of the Governor. If the Legislature determines that it must move the office to become part of the Governor's staff, then it is necessary to also transfer the funding and positions that come with the office.

Thank you for allowing me to comment on the proposed SD1 version of HB 1260 HD1.

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Bldg., 250 South Hotel St., 5th Flr., Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Tel.: (808) 586-2355
Fax: (808) 586-2377

Statement of
PEARL IMADA IBOSHI
Economic Administrator, Research and Economic Analysis Division
Department of Business, Economic Development and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS
and the
SENATE COMMITTEE ON JUDICIARY AND GOVERNMENT OPERATIONS
Monday, April 6, 2009
10:30 a.m.
State Capitol, Conference Room 211

in consideration of
HB 1260, HD 1, SD 1 Proposed
RELATING TO GOVERNMENT

Chair Kim, Chair Taniguchi and Members of the Senate Committees on Ways and Means and Judiciary and Government Operations.

We would like to provide detailed concerns about the Parts 1 and 15 of this bill, that eliminate DBEDT statutes regarding economic research and analysis, which we respectfully oppose.

Parts 1 and 15 of HB 1260, HD 1, SD 1 would eliminate numerous responsibilities of DBEDT and the State to provide economic data, research and analysis to policy makers, the business community and the public, in anticipation of abolishing BED 130, Research and Economic Analysis Division (READ). Among the functions proposed for elimination and not reassigned elsewhere in State government are:

- Population Statistics (Section 4)
- Protections on the confidentiality of survey data that identifies individuals or that may put businesses at a competitive disadvantage. (Sections 4)

- Development of research and statistics for policy makers and industry on growth industries including emerging industries such as technology, film and creative media, astronomy, biotechnology, and others. (Section 5)
- Provision of economic research and analysis. (Section 57)
- Establishment and modification of statistical boundaries in the state in cooperation with the U.S. Bureau of the Census. (Section 57)
- Tourism research and statistics. (Section 59)
- Defining and measuring self-sufficiency standards. (Section 59)

In addition, eliminating the Research and Economic Analysis Division would effectively eliminate other research and statistical projects not specifically in the statutes, such as:

- Work with the U.S. Census Bureau to ensure a full census count for Hawaii in 2010.
- Long Range economic and population projections, which are used as a basis for State and county planning policies.
- Elimination of the compilation of approximately 4,000 economic, demographic statistics for Hawaii published on line for use by government, business and the public. This includes loss of the direct provision of Hawaii census data to business and government through READ's State Data Center.
- Loss of key tools such as Hawaii's input-out model, which is used to quantify the impact of changes, new activity, dislocations and other factors on Hawaii's economy.
- Loss of expert input and support for the effective marketing of Hawaii's general and special revenue bonds.
- Loss of economic research and analysis support to the other departments of the state which depend on the Research and Economic Analysis Division for input and data.

Loss the many studies produced by READ on critical economic issues in the state. Loss of an experienced team working with U.S. Census Bureau on Hawaii's population estimate, economic census, and the annual American Community Survey in Hawaii.

We believe that elimination of these functions and state's capacity to engage in economic research and analysis would be extremely detrimental to the state, the business community and the public.

- Elimination of the READ tourism research and statistics program will leave the State and private sector with no viable data to determine tourism policy and marketing. This puts at risk the management of Hawaii's most important industry.
- The state will no longer have its own economic and financial forecasting and analysis capability. It will either need to engage consultants at significant cost, or rely on other sources of forecasts and analysis which are often limited and conflicting.
- Likewise the loss of the online and published statistical data generated by READ will undercut planning and management information by both the public and private sector. Those in need of information and data will be forced to search and access dozens of unfamiliar government and private sector web sites for those needs. It is unlikely that any other agency or private firm could duplicate this information without significant new investment and cost.
- The investment of the Legislature and the State to create the capacity to define measure, assess and provide recommendations on the development of new growth industries will be lost, just as it is bearing fruit.
- The investment in the ability to provide long term economic and demographic projections to guide state planning efforts will be lost. This will result in a proliferation of private interest projections that will confuse and frustrate planning efforts of the state and counties.

- Millions of dollars in Federal funds to the state will depend on a full and accurate count of population through the coming 2010 census. Without the participation of READ's State Data Center in that effort, a full count will be in jeopardy.
- Economic research support for the economic development efforts of the state and counties will be lost. That support is currently being utilized to improve energy data and performance goal measurement and measuring the performance of technology and creative industries in the state and counties, and assessing the economic impact and expected benefits of economic activity and programs. It is also supporting upcoming efforts by the State and counties to reevaluate emerging growth industries as part of the Comprehensive Economic Development Strategy (CEDS) process.
- One of the factors helping the state to obtain preferential bond ratings and markets for those bonds is the ability of the Department of Budget and Finance to rely on READ to present an objective and competent picture of the state's economy and its outlook to bond rating services and the bond markets. That input and assistance would be lost with the elimination of READ and that will make it more difficult to secure favorable terms for the state's bond rating and bond interest rates.
- READ is assisting the department's energy division by developing data sources and products on Hawaii's energy sources and uses. READ integration with the State's energy program is so extensive that the Energy Division (BED 120) has physically moved an energy statistician into the READ spaces, to work alongside READ staff to fulfill the data collection and management requirements of the state's energy program.

In summary we believe that the statutes and programs being addressed by the Research and Economic Analysis Division serve an important function for the state. We believe there will be grave consequences for the elimination of this program and the investment the state has made in economic research capacity over many decades. Once eliminated, it will be very difficult to rebuild the program. We respectfully recommend that these statutory elements and the research program be maintained.

Thank you for the opportunity to offer these comments.

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR
ABBEY SETH MAYER
DIRECTOR
OFFICE OF PLANNING

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

OFFICE OF PLANNING
235 South Beretania Street, 6th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 587-2846
Fax: (808) 587-2824

Statement of
ABBEY SETH MAYER
Director
Office of Planning
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS
AND
SENATE COMMITTEE ON JUDICIARY AND GOVERNMENT OPERATIONS
Monday, April 6, 2009
10:30 AM
State Capitol, Conference Room 211

in consideration of
HB 1260, HD1, SD1 PROPOSED
RELATING TO GOVERNMENT.

Chairs Kim and Taniguchi, Vice Chairs Tsutsui and Takamine, and Members of the Senate Committees on Ways and Means and Judiciary and Government Operations.

We have the following comments on HB 1260 HD1, Proposed SD 1. This bill reorganizes certain executive branch agencies by abolishing or transferring various agencies and programs to correspond with HB No. 200, HD 1, the general appropriations act of 2009. The bill transfers the Office of Planning (OP) to the Department of Land and Natural Resources (DLNR).

We assume that this proposal calls for OP to remain as an administratively attached agency. Should this measure move forward, maintaining our status as an attached agency is essential to fulfilling the integrity of OP's mission of balancing the environmental, social and economic needs of the State.

The proposed transfer would temporarily disrupt our operations and slow progress on a number of important initiatives that the Office is undertaking.

The proposed transfer has most impact on the Coastal Zone Management (CZM) Program. OP is tasked with the lead role in implementing the CZM Program which includes a network of laws, regulations, objectives and policies relating to Coastal Zone Management. CZM is charged with ensuring and monitoring State and County agency compliance with CZM objectives and policies. DLNR is one of the primary agencies that CZM must monitor and oversee for their compliance with the CZM law. It will be very difficult for CZM to fulfill its role if CZM is placed under the control/administration of the agency which it is supposed to monitor and oversee for compliance.

Further, CZM is Federally approved within the organizational structure of DBEDT. A change in this situation would require remedy in order to preserve Federal funding. See NOAA Evaluation Findings of November 2005 (excerpts attached).

Thank you for the opportunity to testify.

LINDA LINGLE
Governor
MELISSA PAVLICEK
Chairperson
SANDRA PFUND
Chief Executive Officer

ALOHA TOWER DEVELOPMENT CORPORATION

TOPA Financial Center, Bishop Street Tower, 700 Bishop Street, Suite 1701, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Website: www.alohatower.org

Telephone: (808) 586-2530
Fax: (808) 586-3046
E-mail: atdc@alohatower.org

Statement of
Sandra Pfund
Chief Executive Officer
Aloha Tower Development Corporation
before the
Joint Senate Committees on
WAYS AND MEANS
and
JUDICIARY AND GOVERNMENT OPERATIONS
Monday, April 6, 2009
10:30 a.m.
State Capitol, Conference Room 211
in consideration of

HB 1260, HD1, SD1 RELATING TO THE GOVERNMENT

Chairs Kim and Taniguchi, Vice-Chairs Tsutsui and Takamine, and Members of the Senate Committees on Ways and Means and Judiciary and Government Operations.

The Aloha Tower Development Corporation (ATDC) strongly opposes this measure, which proposes to abolish ATDC and transfer the Harbors Modernization Plan from the Department of Business, Economic Development and Tourism (DBEDT) to the Department of Transportation – Harbors Division (DOT-H).

The bill does not identify a successor in interest for the responsibilities, assets and liabilities of the ATDC for the Aloha Tower Complex and Project Area and contains other legal and technical concerns, which will be addressed by the Office of the Attorney General.

We do not support a procurement exemption for the large dollar value ($618 million) of projects that need to be contracted. Transparency and fair competition is critical. We further note that close collaboration with the federal MARAD is already occurring and that legislation is not needed to require a partnership arrangement. Both DOT-H and ATDC fully support the pursuit of federal funds for projects under the Harbors Modernization Plan and are in pursuit of this opportunity.

We have made significant progress in achieving our mission, goals and objectives and have benefited from the support provided under DBEDT. We are aligned with the economic development focus of DBEDT and are working collaboratively and effectively with the DOT-H on our key initiatives. For the record, we choose to focus on the substantive progress we have made on the Harbors Modernization Plan and our progress in resolving long-standing issues at the Aloha Tower Complex and Project Area.

HARBORS MODERNIZATION PLAN

In 2005, there was and remains an urgent need to respond on a priority basis to pressing demands for infrastructure improvements in Honolulu Harbor. A partnership between the DOT-H and ATDC was formed to address these concerns. The ATDC was selected to partner with DOT-H due to its compatible mission, statutorily established jurisdiction within Honolulu Harbor, its economic development mission under DBEDT, and experienced staff in the development of state-owned property. This short-term arrangement was strategized as a way to provide focused and prioritized development assistance to DOT-H to alleviate the strong demands for action due to reduced cargo and maritime-related space resulting from sharply increased harbor activity.

In 2007, the Legislature recognized the expedited accomplishments of ATDC and supported the concept of formalizing the partnership as evidenced by the passage of Act 127, Session Laws of Hawaii 2007, which statutorily partnered ATDC and DOT-H for the development of critically needed harbor infrastructure in Honolulu Harbor.

In 2008, Act 200, Session Laws of Hawaii 2008 was passed by the Legislature. The Act expanded the partnership between ATDC and DOT-H to a statewide authorization to implement the development of commercial harbor infrastructure under a comprehensive Harbors Modernization Plan. The legislation is effective from July 1, 2008 to June 30, 2016 and calls for expedited development of critically needed port infrastructure. Appropriations totaling $144.3 million in DOT-H revenue bond funds were approved for the program in FY09.

It is critical during this economic downturn that the focus of the agency remains on moving the projects forward. Cargo and passenger volumes are down, and it is a good time to implement construction projects when impacts to operations are lessened. Construction projects undertaken during a strong economy often encounter extended project schedules to accommodate work stoppages for operational users of the working harbor. It is also an opportune time to stimulate the economy by having government projects move forward to provide jobs.

The ATDC and DOT-H partnership has resulted in the following accomplishments:

2005

- In cooperation with the Department of Transportation, Airports Division, a dilapidated warehouse in the Kapalama Military Reservation was demolished and an acre of adjacent land was acquired from the Department of Land and Natural Resources (DLNR) to provide an expansion area of approximately 4 acres for cargo container yard operations.

- Approximately 30 acres of land adjacent to the major cargo terminals on Sand Island were acquired from the DLNR for cargo container yard expansion. Pre-development land entitlements and approvals were pursued.

- At Piers 1 and 2, Honolulu Harbor, design funds were released and design underway, consisting of demolition of a warehouse shed, relocation of existing overhead lines that impede cargo operations and new lighting to provide a cargo yard expansion area of approximately 5.7 acres.

- At Kapalama Military Reservation, $1 million in planning funds was released by the Governor to establish a development plan for a new cargo container terminal. Three requests for qualified consultants were issued for this state-owned property, which is approximately 70 acres in size. A national solicitation was made for a consultant with expertise in port terminal development and cargo operations. The work included financial proformas and a business plan for development. A consultant was also sought to complete a historic review and documentation of this former military site used during World War II and the Vietnam War. Lastly, a general engineering consultant was brought into the project, focusing on infrastructure, environmental, surveying and subdivision work.

2006

- Governor Lingle signed the Executive Order vesting use rights to DOT-H in August for the 30 acres of land adjacent to the major cargo terminals on Sand Island.

- An 8-year lease was negotiated and executed with Matson for a 9.6-acre portion of the Sand Island Expansion Area. Matson constructed site improvements in the first quarter of 2007.

- At Piers 1 and 2, Honolulu Harbor, $2.7 million in design and construction funds were released for the demolition of the CFS#2 warehouse shed, relocation of existing overhead lines that impede cargo operations and new lighting to provide a cargo yard expansion area of approximately 5.7 acres. Bids for construction were opened in October 2006.

- Relocation of LCL cargo processing at CFS#2 was necessary to expand the foreign cargo yard at Piers 1 and 2. A warehouse at Kapalama Military Reservation was cleared of month-to-month permittees and leased to Island Movers, Inc. who assumed the LCL ("less than container load") cargo processing for NYK Lines.

- A 5-year lease to Island Movers for its core facility at Kapalama Military Reservation was also negotiated and executed to ensure facilities for the LCL cargo processing.

- Facilitation of the arbitration proceedings for the re-opening of lease rent for Hawaii Stevedores, Inc. at Pier 35 was successfully completed.

- Property descriptions were drafted for the land parcels at Piers 1 and 2 that were included in Act 165, Session Laws of Hawaii 2006, for the return of these lands to DOT-Harbors and the Foreign Trade Zone No. 9 from the Kakaako Community Development District.

- Secured tenant reservations for all parcels at the Fishing Village, Pier 38.

- Three major contracts were procured and executed for the new Kapalama Container Terminal:

    - JWD Group completed development options and financing scenarios for redevelopment;
    - Belt Collins Hawaii, Ltd. was tasked to complete an assessment of the UH Marine Center facilities at the KMR harbor front for the relocation to new facilities. Preparation of cost estimates to identify the cost of the new facilities and relocation costs.
    - Fung Associates to perform a historic architectural survey of KMR in preparation for demolition and redevelopment.

- Planning, design and construction initiated in September 2006 to demolish a warehouse shed at Pier 40 and provide for expansion area on the former Daishowa property to permit Young Brothers to expand its Honolulu inter-island barge operations.

2007

- Matson completed construction of site improvements and is fully utilizing the 9.6-acre Sand Island Expansion Area site.

- Construction was completed at Piers 1 and 2, Honolulu Harbor, for the demolition of the CFS#2 warehouse shed, and new lighting was installed to provide a cargo yard expansion area of approximately 5.7 acres.

- Property descriptions were drafted for the land parcels at Piers 1 and 2 that were included in Act 165, Session Laws of Hawaii 2006, for the return of these lands to DOT-Harbors and the Foreign Trade Zone No. 9 (FTZ) from the Kakaako Community Development District. The Board of Land and Natural Resources (BLNR) granted final approval in December 2007 to revert the lands to DOT-Harbors and FTZ.

- Completion of the development plan for the new Kapalama Container Terminal (redevelopment of the former Kapalama Military Reservation, KMR).

- Belt Collins, Hawaii, Ltd. completed a facilities assessment of the UH Marine Center facilities at the KMR.

- Fung Associates completed the historical architectural survey of KMR, which was accepted by the State Historic Preservation Division.

- A warehouse shed at Pier 40 was demolished to provide expansion area for Young Brothers to load cargo at its Honolulu inter-island barge operations site.

- An agreement in principle was reached with the University of Hawaii for the relocation of the UH Marine Center from KMR. Relocation of the UH Marine Center is essential to start construction of the new Kapalama Container Terminal. Planning of new facilities was initiated in 2007.

- Relocation of Matson rolling stock operations from Pier 29 to Pier 2 clears the way for the relocation of Pacific Shipyard to Piers 27-28. Planning of new facilities was initiated in 2007.

- A Request for Proposals (RFP) is issued for the redevelopment of the Keehi Industrial Lots area, a run-down 20-acre site off Sand Island Access Road, to an industrial park for maritime or maritime-related purposes.

2008

- In collaboration with the University of Hawaii, a development plan was initiated in 2008 to relocate UH SOEST to two areas in Honolulu Harbor. A schematic plan was developed to relocate UH SOEST research facilities and ships to Pier 35 and educational programs to land adjacent to the Marine Education Training Center on Sand Island. The development plan will be completed in January 2009.

- Preparation of an Environmental Assessment for the Kapalama Container Terminal was initiated, along with other supporting due diligence studies to prepare for redevelopment actions, including design of the new terminal.

- Initiated the preparation of a development plan for relocation of Pacific Shipyard and other tenants located on pier frontage affecting the development of the Kapalama Container Terminal.

- Initiated the preparation of a development plan for the expansion of the east cargo terminal area at Kahului Harbor.

- Implementation efforts to launch the comprehensive Harbors Modernization Plan began on July 1, 2008, the effective date of the law. A reorganization plan was approved to establish positions; new office space was leased to accommodate additional staff and the Governor appointed two maritime members to the expanded ATDC Board of thirteen members. Various administrative procedures were established with DOT related to approval of projects to be undertaken by the Harbors Modernization Group and the delegation of funds for project expenditures.

2009

- Professional Services Contracts in Progress:

    - New Kapalama Container Terminal H.C. 10193
    - General Engineering Services, New Kapalama Container Terminal H.C. 10298
    - Statewide Commercial Harbors Plans and Development Project, Kahului Harbor, Maui H.C. 90032B
    - Rehabilitation of Building and Yard Areas at Piers 34/35, Honolulu, Harbor, H.C. 10368
    - Demolition of Structures at Kapalama Military Reservation, Honolulu Harbor, H.C. 10370
    - Environmental Assessment and other Pre-Development Studies for Renovation of Facilities at Piers 34/35, Honolulu Harbor, H.C. 10371
    - Development Plan for Relocation of Tenants from Kapalama Military Reservation Tenants, Honolulu Harbor H.C. 10372
    - Various Site Improvements at the New Kapalama Container Terminal – Demolition of Building 923 Slab, Honolulu Harbors, H.C. 10320

- Professional Services Contracts Advertised and Selection in Progress

    - Pier 39 Shed Demolition, Honolulu Harbor, HMP 20901
    - Building Improvements at Pier 35, Honolulu Harbor, HMP 20905
    - Development Plan for Hana Harbor, HMP 40901
    - Development Plan for Kawaihae Harbor, HMP 60902
    - Pier 2 Terminal Improvements, Kawaihae Harbor, HMP 60903
    - Pier 4 Interisland Cargo Terminal, Hilo Harbor, HMP 60901

ALOHA TOWER PROJECT AREA AND COMPLEX

Efforts were made to resolve long-standing litigation involving the area:

- Irwin Park – In May 2001, ATDC filed an application in the Land Court of the State of Hawaii to remove the restrictive covenants in the indenture that conveyed the Irwin Memorial Park property to the State of Hawaii. The matter is being resolved with the Court issuing a Findings of Fact, Conclusions of Law and Order on November 3, 2008. A hearing on a motion to recover attorney's fees is to be resolved in the first-half of 2009.

- Aloha Tower L.P. and AHI Aloha Limited Partnership v. ATDC (including the Dept. of Transportation). In 2002, AHI sued ATDC for failing to fulfill promises it made before it acquired the Aloha Tower Marketplace resulting in financial loss. The suit filed in the federal district court was dismissed with prejudice on December 31, 2008. The ATDC is in mediation with AHI's successor in interest to resolve the state lawsuit. A settlement is in pre-final stage.

- Kenneth H. Hughes v. ATDC – Arbitration. The developer became involved with ATDC in 2002. Hughes claims ATDC breached its covenant of good faith and fair dealing when ATDC refused to agree to Hughes' terms and conditions for a mixed-use development project on Piers 5&6. Formal arbitration proceedings have been concluded and a decision is expected in April or May 2009.

ATDC is close to resolving all past litigation and looks forward to repositioning the project area for future public-private partnerships for development. It is critical that ATDC maintain its present form and that the focus is not shifted from the work at hand.

CONCLUSION

ATDC strongly opposes this measure because the current organizational structure is working well. A program transfer at this time will take necessary focus away from meeting the State's short-term economic recovery efforts and will detract from the momentum we currently have in meeting project goals.

Thank you for the opportunity to testify on this measure.

LINDA LINGLE
Governor

SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

DUANE K. OKAMOTO
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512

TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEES ON WAYS AND MEANS
AND
JUDICIARY AND GOVERNMENT OPERATIONS
MONDAY, APRIL 6, 2009
10:30 A.M.
ROOM 211

HOUSE BILL NO. 1260, HD1, PROPOSED SD1
RELATING TO GOVERNMENT

Chairpersons Kim and Taniguchi and Members of the Committees:

Thank you for the opportunity to testify on House Bill No. 1260, HD1, Proposed SD1. The purpose of this bill is to reorganize certain executive branch agencies by abolishing or transferring various agencies and programs to correspond with HB200, HD1, the general appropriations act of 2009. The Hawaii Department of Agriculture (HDOA) opposes the change to Section 30 regarding the proposed transfer of the Measurement Standards branch (MSB) from the HDOA to the Department of Commerce and Consumer Affairs (DCCA) and questions the need and the benefits of the transfer during this difficult economic period.

HDOA does not see any financial or strategic benefit accruing to the State or the business community by the actions proposed in this bill. Particularly in these difficult economic times, we do not believe that this is a good time to make changes that will degrade the efficiency of both the Measurement Standards branch and DCCA as they are diverted from their primary missions in order to address problems of assimilation and coordination of effort.

The transfer of the branch from the HDOA to the DCCA would impose an additional financial burden on DCCA as Measurement Standard fees do not cover their expenses. It would be financially wasteful and injurious to incur such unnecessary disruption, not only to the departments themselves but also to the business community they serve. In a best case scenario, even with fee increases occurring in FY 09 and FY 14, fees will still not cover expenses.

We wish to note that while there are some measurement tasks performed by the branch that may seem outside of normal agricultural concerns, in thirty-seven of the states, governmental measurement standards operations are housed within departments of agriculture due to the close relationship between labeling, weight and price verification and the agricultural supply chain. Many of the measurement controls required by law, enabled by nation wide National Institute of Standards and Technology (NIST) measurement technology and practiced by the branch, are designed to protect the consumer against deceptive and fraudulent food related practices and to support associated food safety concerns.

In addition, Part X, Section 33 proposes to amend 486-7 to establish rules for a requirement for weighing of coffee. In order to fulfill this requirement, the branch will have to substantially raise fees because for a number of years the branch has not conducted calibration of coffee scales due to a previous legislative cutback in funding. Again, we emphasize that this is not the right time to add additional fees on to an already burdened business community.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY

KAKAAKO KALAELOA

Linda Lingle
Governor

Jonathan W. Y. Lai
Chairperson

Anthony J. H. Ching
Executive Director

677 Ala Moana Boulevard
Suite 1001
Honolulu, Hawaii
96813

Telephone
(808) 587-2870

Facsimile
(808) 587-8150

E-Mail
contact@hcdaweb.org

Web site
www.hcdaweb.org

WRITTEN STATEMENT OF

ANTHONY J. H. CHING, EXECUTIVE DIRECTOR
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE

SENATE COMMITTEE ON WAYS AND MEANS

AND

SENATE COMMITTEE ON JUDICIARY AND GOVERNMENT OPERATIONS

Monday, April 6, 2009

10:30 A.M.

State Capitol, Conference Room 211

H. B. 1260, H. D. 1, PROPOSED S. D. 1 – RELATING TO GOVERNMENT.

Purpose: Reorganizes certain Executive Branch agencies by abolishing or transferring various agencies and programs to correspond with H. B. 200, H. D. 1, which is the general appropriations act of 2009.

Position: The Hawaii Community Development Authority ("HCDA") offers comments only as they pertain to the HCDA.

The purposes for which the HCDA was established are consistent with the mission of the Department of Business, Economic Development, and Tourism ("DBEDT"). The Act proposes to have the HCDA remain as an attached agency, for administrative purposes, under DBEDT. [See, Part XV, Section 57, Page 85, Line 10.] The mission of DBEDT includes undertaking activities that encourage business and economic development on a statewide basis. The HCDA's mission, aside from its zoning and regulatory function, is to plan and implement capital improvement projects to upgrade infrastructure and develop public facilities, coordinate the development of mixed-use projects, and to obtain from developers reserved housing units and public facilities dedication, where appropriate. Those activities and projects encourage private sector development and economic activity within the HCDA's Kakaako and Kalaeloa Community Development Districts.

The complementary nature of our respective missions has resulted in a mutually beneficial relationship over the years between our agencies and we look forward to continuing that relationship in the future.

Thank you for the opportunity to submit our testimony.

STATE OF HAWAII 1959
UA MAU KE EA O KA AINA I KA PONO

SMALL BUSINESS REGULATORY REVIEW BOARD

Department of Business, Economic Development & Tourism
No. 1 Capitol District Bldg., 250 South Hotel St. 4th Fl., Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Tel 808 586 2594
Fax 808 586 8449

To: Chair Kim, Vice Chair Tsutsui, and Members of the Committee on Ways and Means - Conference Room 211

From: Small Business Regulatory Review Board

Re: **SB 1260, HD1, SD1 – "Relating to Government"**

Date: April 6, 2009 at 10:30 a.m.

The Small Business Regulatory Review Board offers testimony in **strong support** of HB 1260, HD1, SD1, "Relating to Government," that pertains to **Part V, Section 15,** (beginning on p. 13, line 20 to p. 16 line 18) of the bill. This section statutorily transfers the Small Business Regulatory Review Board to the Department of Commerce and Consumer Affairs (DCCA) for administrative purposes. The board members support this transfer.

The bill also provides that "[t]he director of commerce and consumer affairs shall include, as part of any other fee charged to a person or organization, an amount with a reasonable nexus to the small business regulatory review activities of the board," and the bill further explains "expenses." The members appreciate this section of the bill as well.

It is requested that the two positions specifically assigned to this Board, currently in the Department of Business, Economic Development and Tourism, be transferred to the DCCA. Please include these two positions as part of the expenses of the Board's funding. Without these positions, it will leave the Board without any directly assigned, administrative and clerical support.

Thank you for the opportunity to provide testimony on this bill.

William P. Kenoi
Mayor

BJ Leithead Todd
Acting Deputy Planning Director

County of Hawaii
PLANNING DEPARTMENT
Aupuni Center • 101 Pauahi Street, Suite 3 • Hilo, Hawaii 96720
Phone (808) 961-8288 • Fax (808) 961-8742

April 3, 2009

The Honorable Donna Mercado, Chair
and Members, Committee on Ways and Means
The Honorable Brian T. Taniguchi, Chair
and Members, Committee on Judiciary and Government Operations
State Senate
Hawai'i State Capitol
415 South Beretania Street
Honolulu, Hawai'i 96813

Re: HOUSE BILL 1260 HD1 Proposed SD1, RELATING TO GOVERNMENT
Hearing Date: Monday, April 6, 2009, 10:30 a.m., Conference Room 211

Dear Chairs Mercado and Taniguchi and Committee Members:

Thank you for the opportunity to testify in strong opposition to HB 1260 HD1 Proposed SD1.

HB 1260 HD1 Proposed SD1 reorganizes the executive branch of Hawai'i State government.

I oppose this bill foremost because this type of reorganization could prove to be expensive. Reorganization may be a needed future goal that could be implemented in stages, but now is not the time.

There is also nothing in the bill that explains the need for the proposed changes, what the impacts will be, both positive and negative, and no justification for such a drastic shift. There was no discussion of larger ramifications of the bill in terms of how these changes will impact County agencies, and their functioning as a result of these changes. This discussion should have been had with the Counties ahead of time to evaluate what the cost will be to us.

In addition, it also does not explain what the changes will mean for the County in terms of our funding for certain programs, such as Coastal Zone Management (CZM). Currently, State Office of Planning gives the Counties operating money every year to carry-out CZM programs. Would this continue or would the changes remove some of our funding sources?

Finally, related specifically to State Office of Planning, the bill proposes to place it under the Department of Land and Natural Resources, yet it still has the Director of OP reporting to the Director of Business, Economic Development and Tourism. This seems contradictory and doesn't make sense.

Mahalo for your consideration.

BJ Leithead Todd
Planning Director

cc: Honorable William P. Kenoi, Mayor
Kevin Dayton, Executive Assistant

HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Touching Lives Every Day"

Committee on Ways and Means
Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair
Committee on Judiciary and Government Operations
Senator Brian T. Taniguchi, Chair
Senator Dwight Y. Takamine, Vice Chair

Monday, April 6, 2009
10:30am

Conference Room 211
Hawaii State Capitol

Testimony Opposing HB 1260, HD1, Proposed SD1, Relating to Government
Reorganizes certain executive branch agencies by abolishing or transferring various agencies and programs to correspond with H.B. No. 200, H.D. 1, the general appropriations act of 2009.

Testimony By: Thomas M. Driskill, Jr.
President & CEO
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporation Board of Directors, thank you for this opportunity to provide testimony in strong "opposition" to Part XIII (sections 45 through 52) of HB 1260, HD1, Proposed SD1, that would disestablish the Hawaii Health Systems Corporation and create five separate regional state agencies to own and operate the state community hospitals.

We have been advised that there was a misunderstanding with the drafting agency concerning what was supposed to be in this draft concerning HHSC. We appreciate it is the intent of the committees to correct the proposed draft. We understand there was not sufficient time to revise the proposed SD1 prior to this hearing.

Since the posted SD1 could not be revised and posted prior to the hearing, we provide the following testimony on the bill as drafted:

Due to State imposed Employee Retirement System charges, employee health-for-life charges, collective bargaining increases, as well as under-reimbursement by

3675 KILAUEA AVENUE • HONOLULU, HAWAII 96816 • PHONE: (808) 733-4020 • FAX: (808) 733-4028

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government payers and insufficient reimbursement by third party payers to offset government under-reimbursement, lack of Disproportionate Share Hospital (DSH) funding and increasing physician costs, the costs for supporting HHSC hospitals have increased to levels the State of Hawaii cannot afford to sustain over the long term, and higher subsidies for the hospitals are even harder to bear now given the tremendous budget shortfalls being faced by the State. However, the creation of 5 separate state agencies to run the hospitals will not solve these problems and will tremendously escalate costs to the State for healthcare serves, by creating five separate bureaucracies. Costs will escalate, rather than decrease, for the following reasons:

1. Each region will need to interface with the other state agencies and the legislature, requiring 5 times the resources and effort by the hospitals as well as other parts of government;
2. The shared services provided by HHSC will be lost. The regions have a new process established in Act 290 (2007) whereby the regions determine which shared services they want to buy from the corporation. The process was first done last winter, resulting in implementation of some changes at the corporate office. What is especially pertinent to this discussion is the fact the regions expressed a desire for MORE shared services from the corporate office, not less. Who is in a better position to make that determination than the regional representatives appointed by the regional system boards?
3. There will be a loss of expertise built up in the corporate office if disbanded. Running a health care system is extremely complex, with hospitals being among the most highly regulated industries that exist. Even if they could afford to each pay for the expertise, they will not be able to recruit the personnel for every region;
4. Shared group purchasing contracts and other types of economies of scale in contracting will be lost when there is no central entity to enter into these arrangements;
5. The system is eighty percent (80%) finished with transitioning the Act 290 structure, which has used tremendous resources. Literally thousands of hours have been put into carefully establishing policies to govern the relationship between the corporate board and the regional boards on each type of function from cash management to corporate compliance to legal services. Especially in these difficult financial times when resources are scarce, the system simply cannot withstand another corporate-wide major reorganization in the immediate future. It would be a waste of resources, knowing that the ultimate reorganization will likely be different than that proposed in this legislation.

All of the accomplishments and collaborative efforts that have already been put forth by the five regions and corporate office in accordance with processes set up by Act 290 to reduce expenditures of the hospital system would be totally ignored. Instead, millions of wasted tax dollars for new costs would be incurred by each of the five regions in their effort to attempt to rapidly duplicate shared services currently provided by the HHSC corporate office. This proposed direction clearly counters most other hospital systems in the country today that continually pursue operational efficiency and effectiveness through ongoing centralization of shared services and management. A local example of this fundamental practice of system savings through shared services is Hawaii Pacific Health, Straub & Wilcox.

It should also be considered that the immediate implementation of staffing reductions on July 1, 2009, that would be required by this legislation in coordination with HB 200 HD1 would be in violation of civil service rights and collective bargaining rights of many employees. The removal of these staff and other leaders would cause the termination of substantial services to the community hospitals that will then have to be replaced by expensive contracts that the hospitals would have to manage. Not only would support cost substantially increase, but there would be degrading services with associated increased litigation, as well as increased legal exposure from new federal fines for noncompliance with federal laws concerning management of healthcare financial arrangements

Also, this legislation would not create an appropriate and effective mechanism to develop a transition strategy to restructure the system. If legislative action were taken requiring transfer of the control of HHSC facilities to five separate state agencies, it is possible that licenses would be affected, and would also require CONs. These ramifications have not been thought through, and there could be huge impacts on the ability to bill Medicare if the licenses are not kept in tact. This would hinder the viability and survival of the hospitals and long term care safety net on the neighbor islands and Oahu.

There is great concern from HHSC being dissolved by passage of this bill over the potential immediate calling of tens of millions of dollars in municipal leases for the system, and revenue bonds issued for Maui Memorial Medical Center that would become immediate obligations of the State of Hawaii.

Accordingly, we strongly support establishment of a working group to evaluate new structures for shared services support to further help the system move through its Act 290 transition evolution by determining what services should be centrally shared vs accomplished at the region/facility level as well as what healthcare levels of services should be offered in each community. We believe that the SD2 version of SB 1673 will establish the correct framework for creating an appropriate new infrastructure for the system and urge the WAM and Committee on Judiciary and Government Affairs to adopt the wording in SB 1673, SD2. The " bottom line" is simple, until such time as HHSC is given the proper authority and tools with which to contain its State imposed ERS cost, EUTF cost and other associated collective bargaining and procurement costs, the system will not be sustainable in the long run no matter what how many separate state agencies are created.

Finally, Part III is not complete, as many other statutes need to be amended before HHSC can be dissolved and five new agencies created. The State agency laws pertaining to personnel, budgeting, accounts, etc. all need to be reviewed and amended and more changes are required to Chapter 323F before HHSC can be eliminated and five new agencies created.

We ask that you delete Part XIII from this bill. Your support for the SD2 version of SB 1673 will be greatly appreciated as well as your support for a realistic transition work group to capitalize on the Act 290 transition that has already been put into effect by evaluating where HHSC facilities are now, what are the future needs of the communities they serve and what is the best way to facilitate HHSC getting the authority and tools necessary to get cost under control while evolving to meet their future needs. The HHSC Corporate Board and corporate management are committed to working collaboratively with each of our five regions and representatives of the legislature to establish an appropriate new operating model or models for all or portions of the state's community hospital system and to establish plans for a smooth transitioning process for any facility or region being restructured. We provide to you our commitment to work closely and collaboratively with the house and the senate to transform our system while assuring that the quality healthcare needs of our communities are met.

Thank you for giving us the opportunity to testify.

LEAHI HOSPITAL

HAWAII HEALTH SYSTEMS CORPORATION

3675 Kilauea Avenue ■ Honolulu, Hawaii 96816 ■ Telephone: (808) 733-8000 ■ FAX: (808) 733-7914

April 4, 2008

TO: **The Senate Committee on Ways and Means**
Senator Donna Mercado Kim, Chair
Senator Shan Tsutsui, Vice Chair

The Senate Committee on Judiciary and Government Operations
Senator Brian T. Taniguchi, Chair
Senator Dwight Y. Takamine, Vice Chair

FROM: **Vince H.S. Lee, Regional Chief Executive Officer**

RE: **HOUSE BILL 1260 HD1 REORGANIZES CERTAIN EXECUTIVE BRANCH AGENCIES BY ABOLISHING OR TRANSFERRING VARIOUS AGENCIES AND PROGRAMS TO CORRESPOND WITH H.B. NO. 200, H.D. 1, S.D. 1, THE GENERAL APPROPRIATIONS ACT OF 2009**

Thank you for providing the Hawaii Health Systems Corporation Oahu region an opportunity to submit testimony in opposition to HB 1260 HD1, SD1. The purpose of HB 1260 HD1 SD1 reorganizes certain executive branch agencies by abolishing or transferring various agencies and programs to correspond with H.B. No. 200, H.D. 1, the General Appropriations Act of 2009.

Although the HHSC Oahu region (i.e., Leahi Hospital and Maluhia) believes that structural changes are needed for the present community hospital system, it is deeply concerned about the direction that the SD1 version is proposing. In spite of the multitude of challenges that lawmakers must face during this dismal economic period, we ask that you seriously consider reexamining the impact of abolishing the HHSC Corporation, while transferring all centralized powers to its five regional system boards.

Yes, the HHSC Oahu region fully supports the legislative initiative being undertaken to assist the HHSC Maui region in its quest for further autonomy and its efforts to develop a public-private partnership. However, other less developed regions, such as the Oahu region, are not fully prepared to respond to the proposed transition that this bill proposes.

The major concern of this legislative proposal is a likely oversight of the shared-service benefits that the regions have been depended on. The present system approach to corporate services offers regions significant potential for cost savings and improved service. What some lawmakers may not realize is that continued improvement of a centralized service center will afford advantages that will most certainly accrue.

The continued centralization of services such as finance, human resources, legal, and information technology functions can lead to significant cost savings. Our ability to maintain shared services will continue to reduce costs by eliminating redundant work and infrastructure. By consolidating "back office", non-revenue generating functions, the Oahu region and others, can take advantage of economies of scale, better utilization of technology, greater automation, and standardization to achieve higher productivity with fewer resources.

At the same time, please keep in mind that positive results of shared services are also dependent on the region's ability to implement its own best practices. In other words, the extent of success for each region is also contingent upon its concerted effort to improve its own operations, beyond the assistance of a centralized service.

More and more hospitals are recognizing the benefits of operating shared-service centers, primarily because they allow for even more synergies than a single center. Benefits include: 1) Consistency of practices; 2) Reduced duplication; 3) Coordination of intra-hospital transactions; and 4) Increased economies of scale.

The HHSC Oahu region's continued need for shared services, through a centralized service center, is a proven way to reduce costs and efficiencies. By maintaining best practice on a system basis, developing regions can realize significant cost saving opportunities in a share-service corporate environment.

This sentiment is reflected in the HHSC Corporate Office Implementation Plan, FY 10-11 Biennium Budget, which provides the specific corporate functions that the five regions, following extensive examination and discussion, felt were vital and needed to be continued, including the funding aspect.

As a result, the HHSC Oahu region humbly asks that you will consider maintaining the present corporate structure, at least until more discussion and examination is undertaken to fully understand the impact that this proposal has on each region. Additionally, the HHSC Oahu region recommends that lawmakers also consider examining the future restructuring of HHSC by its service lines: long-term care-critical access hospitals, and acute hospitals. Please also keep in mind that of the total 1,254 licensed beds that HHSC services, close to 800 are designated for long-term care.

Thank you for providing me with this opportunity to present testimony.

Respectfully submitted,

Vincent H.S. Lee
Regional Chief Executive Officer
HHSC Oahu Region
(808) 733-9722

HTDC Cultivating Hawaii's tech sector
HIGH TECHNOLOGY DEVELOPMENT CORPORATION

Email: WAMTestimony@Capitol.hawaii.gov before 4/5/09 4PM

Statement of
YUKA NAGASHIMA
Executive Director & CEO of the High Technology Development Corporation
President of the High Technology Innovation Corporation
before the
SENATE COMMITTEES ON WAYS AND MEANS
And JUDICIARY AND GOVERNMENT OPERATIONS
Monday, April 6, 2009
10:30 AM
State Capitol, Conference Room 211

In consideration of
HB 1260, HD1, PROPOSED SD 1, RELATING TO GOVERNMENT.

Chairs Kim and Taniguchi, Vice Chairs Tsutsui and Takamine, and Members of the Senate Committees on Ways and Means, and Judiciary and Government Operations.

The High Technology Development Corporation (HTDC) sincerely appreciates the time and thought given by committee members and staff to realize HTDC's full potential, and how HTDC can be part of the solution to Hawaii's current economic challenges. In this testimony we will discuss the Senate's concerns and suggestions reflected in HB 1260, Proposed SD1, and also put them in relative context with the House's position reflected in HB200, HD1, and further elaborated in SB 294, HD1. I would also like to take this opportunity to also explore and identify what the organizational obstacles are, so we can assess the proposals at hand and to consider other options.

Please be advised that the comments reflected here are not those of are not those of the HTDC or the High Technology Innovation Corporation (HTIC) Boards. Given the need for adequate notice of meetings per Sunshine Law and time to discuss openly, we were not able to meet with board members to obtain consensus on the contents and impacts of Proposed SD1. In addition, while HTDC is very much interested in synergies with other affected divisions and attached agencies, our comments are restricted to only portions of Proposed SD1 that relate to HTDC and HTIC.

The bills name a different department to which HTDC should be administratively attached. The two options presented by the legislature are Department of Commerce and Consumer Affairs (DCCA) by the House, and the University of Hawaii (UH) by the Senate. If those options were the only ones available to HTDC, UH seems to be a more appropriate option, although there are both operational and ideological concerns.

2800 Woodlawn Drive, Suite 100, Honolulu, HI 96822 | Ph: (808) 539-3806 | Fax: (808) 539-3611 | info@htdc.org | www.htdc.org

Being administratively attached to UH would avoid the following logistical and conceptual problems being attached to DCCA. With respect to SB 294 Proposed HD1, we offer the following comments and recommendations for changes:

1. Comment: HTDC has received through the DBEDT Director written comments from the Director of DCCA opposing the attachment of HTDC. The opposing comments were gracious, yet sincere in the belief that a TBED agency does not belong in a regulatory department. Further, DCCA Director believes the available compliance resolution special fund of $35 million is barely sufficient to meet the department's ongoing operational needs and cannot support HTDC's general fund requirement (which for the upcoming biennium is less than $800,000 annually, a 28% cut proposed by DBEDT).

2. Comment: Proposed HD1 names the Director of DCCA as the chairperson of HTDC Board in the absence of a chairperson, among other rights entitled the department director to which an agency is attached. The chairperson would need the vision and leadership to direct and provide oversight for a TBED agency; we don't believe this is inherently resident in a regulatory environment such as DCCA. Further, relocating to a department that is non-supportive of TBED mission is, at best, counterproductive.

3. Recommendation for Change: Current HTDC statutes under current 206M-15, relating to the Small Business Innovation Research (SBIR) matching grant program (matches federal funding from various agencies), require that state grant funds be general funded. As proposed, funding from DCCA's compliance resolution special fund could not legally fund this successful program. Even if special funds were permitted by law for grants (Chapter 42), since funding is proposed through the DCCA, new language will be needed to change the SBIR funding to come from the DCCA's compliance resolution special fund appropriation.

4. Comment: It is not clear how the existing HTDC special fund (see 206M-15, 206M-15.6 and 206M-17) would transfer funds to the proposed DCCA compliance resolution special fund, if 206M-15 were amended to delete it as a "special fund" to become a "special account" in the DCCA compliance resolution special fund. Also, as proposed, the DCCA compliance resolution special fund references these three sections as exceptions. The staff attorneys would need to explore the consequences of such a transfer and if the three sections should remain in statutes. This issue also exists for HB 1260 Proposed SD1.

5. Recommendation for Change: HTDC receives federal funds from various agencies, some are matching programs and some are direct grants. It may be preferred for transparency, accountability, and other purposes to retain the current high technology special fund. This structure would avoid the potential appearance of co-mingling of federal funds requiring State matching funds with revenues of DCCA.

Being attached to UH raises its own concerns. With respect to HB 1260 Proposed SD1, we offer the following comments and recommendations for changes:

1. Comment: We believe the best alignment for HTDC would be with a department that has as one of its core missions to be technology-based economic development (TBED). Further, it should have a strong vision and role for economic development since economic development, especially the growth of commercial technology and innovation-

based industries, is a long term proposition. While the University of Hawaii is a land-based institution which means that economic development for the community is part of its mission, we are not certain of their support or priority for TBED, particularly with the potential changes in leadership in key positions. National research shows that universities (nationwide and internationally) struggle to prioritize TBED programs. Only few which have clearly made TBED a priority with the blessing of all branches of government has been successful.

2. Recommendation for Change: The University in testimony before the legislature last year indicated their desire to take back the Manoa Innovation Center (MIC) facility when HTDC's lease expires in 6 years. As you recall, HTDC with State legislative approval of general obligation bond developed MIC. The University (OTTED) through a land lease arrangement occupies a portion of MIC and the Maui Research & Technology Center rent free. HTDC has requested a lease extension until a new State facility is built to replace the MIC; however, this matter has not yet been resolved with the University. This status represents a serious conflict and we recommend a resolution of this lease since HTDC programs and personnel (60%) costs primarily depend on the revenues received from Manoa Innovation Center.

3. Recommendation for Change: Proposed SD1, Part VII, Section 20, page 20, beginning on lines 8 and 12: As proposed, the HTDC Board will have an appointed member selected from the faculty of the University of Hawaii, in addition to the president of the University of Hawaii. To avoid the duplication in representation, we recommend the appointed board member from the faculty be deleted and replaced with a member appointed from the Senate or House or by the governor.

4. Recommendation for Change: Current statutes under current 206M-15, relating to the Small Business Innovation Research (SBIR) matching grant program (matches federal funding from various agencies), require state grant funds be general funded. As proposed, funding from University of Hawaii high technology special fund could not fund this successful program. Since funding will flow through the University, language will be needed to change the SBIR funding to come from the University's general fund appropriation.

5. Comment: It is not clear how the existing special funds (206M-15.5, 206M-15.6 and 206M-17) would transfer funds to the proposed University high technology special fund, if 206M-15.5 were repealed. As proposed, the University of Hawaii High Technology Special fund in chaper 304A is established, but it is believed that there should be a corresponding section within 206M which specifically authorizes HTDC to use this account. Also, as proposed, the University high technology special fund references these three sections as exceptions. The staff attorneys would need to explore the consequences of such a transfer and if the three sections should remain in statutes. We suspect that the three sections need to remain in the statutes.

6. Recommendation for Change: HTDC receives federal funds from various agencies, some are matching programs and some are direct grants. It may be preferred for transparency, accountability, and other purposes to retain the current high technology special fund. This structure would avoid the potential appearance of co-mingling of federal funds with an even larger entity with numerous federal funding sources.

7. Recommendation for Change: HTDC owns and operates physical assets, such as the Manoa Innovation Center, and transaction documents refer to DBEDT. References to DBEDT should be replaced with the new "parent" to which HTDC will be attached.

In addition to not having an opportunity to meet with the boards of HTDC and HTIC, we have not had an opportunity to complete our review of the proposed SD1 with staff, and would like to offer additional comments and recommendations at a later date, if that is acceptable to the committees.

If HTDC were to remain with the Department of Business, Economic Development and Tourism (DBEDT), certainly as the department charged with economic development and industries development, it would be in alignment with the mission and purpose of HTDC. Perhaps a solution to the concerns raised by both House and Senate might be found in changes to the way departments and agencies define their respective administrative and operational responsibilities and authorities. To this point, we offer the following comments:

1. We believe departments do their best to provide oversight for an attached agency and attached agencies want autonomy to do their best to implement in the more efficient and effective way possible to meet goals. For whatever reasons, HTDC, created by the legislature in 1983, has experienced gradual yet diminished capacity over its budget and operations that was not intended when the agency was originally created under chapter 206M, HRS.

2. To work collaboratively, a department's view of its attached agency should be as different from itself. The agency is there to facilitate programs and projects the department is not prepared to do. Agencies are created to fill a gap, usually to expedite an important mission of the State and do so with powers the department would not have or likely maintain given its larger purpose. For HTDC, it is to move faster or facilitate the development and growth of a technology industry within the State's larger context of industry or economic development.

3. Focused programs require focused management. A department's administrative execution or process related tasks must be streamlined and add value. Once an agency's program budget has been submitted and approved by the administration and legislature, the department and attached agency goals are aligned. The attached agency, supported by the actions of the department, should then be left to implement and accomplish its program objectives.

4. Necessary budget reductions/restrictions should be within the realm of administration and legislature. Once a restriction is determined, the attached agency should be left to use its management discretion and board oversight to operate efficiently and effectively within the available funding resources and with full support of the department. Further, the practice of departments implementing gross administrastive budget reductions and restrictions upon agencies, leave little room for priorities and discretion by an agency's board and management.

5. Oversight, transparency, and accountability are critical for success; perhaps, even more so when government is asked to do more with less. Departments maintain administrative support staff that is helpful to attached agencies with smaller and lean staff counts.

Personnel, fiscal, purchasing, legal, travel, and related activities require specialized skills which departments can provide attached agencies efficiently. These effective departmental support systems allow an agency to focus on its mission and help to accomplish departmental and agency goals.

The agency accomplished the most and was the most effective in its early years under its enabling legislation. The administration and state departments understood the purpose and mission of HTDC and worked cooperatively and collaboratively to get things done. During these early years the agency was allowed to create programs and projects that have significantly contributed to the growth of the tech industry. Below is a list of a few of these programs and projects:

- ***Hawaii Small Business Innovation Research (SBIR) Grant*** *with assistance from the State Legislature*
- ***KAITEC****, in partnership with former Hawaiian Telephone Company produced Hawaii's first tech incubator program and facility*
- ***Maui Research & Technology Center*** *with assistance from Maui County, Maui Economic Development Board, and the University of Hawaii*
- ***Manoa Innovation Center*** *with assistance from the University of Hawaii,*
- ***Hawaii Ocean Science & Technology Park*** *with assistance from NELH, Airports Division of DOT and DLNR*
- ***Center of Excellence for Research in Ocean Sciences and Hawaii Center for Advanced Transportation Technologies (aka Hawaii Electric Vehicle Demonstration Project)*** *both with assistance from DARPA and Hawaii's congressional delegation*

The factors raised by the bills are significant points for discussion that all question the underlying, more fundamental issue. Selection of the appropriate parent entity, while important, is secondary compared to clearly defining the authorities of the parent with respect to the attached entities it manages. As implied in both the Senate and House bills, HTDC believes that the fundamental issue facing an attached agency is the actual interpretation or application of the phrase "administratively attached to", that is, for the attached agency to have a different status than the department's divisions. As an attached agency, HTDC must be able to utilize its independent board to monitor the performance of the executive director, and in turn, for the executive director to be able to carry out the agency's mission. We further believe the real issue at hand is to better define the relationship between the parent department and the attached agency, regardless of which department it may be.

It is important to look to the future with vision, and make changes recognizing that these challenging times really bring opportunities for change. We are grateful to the House and Senate for their vision and leadership to look beyond today's fires and plant the seeds of success for tomorrow, because tech-based economic development is a long term commitment.

Thank you for the opportunity to submit testimony.

HGEA
AFSCME
LOCAL 152, AFL-CIO
888 Mililani Street, Suite 601
Honolulu, Hawaii 96813-2991
Telephone: 808.543.0000
Facsimile: 808.528.4059
www.hgea.org

The Twenty-Fifth Legislature, State of Hawaii
Hawaii State Senate
Committee on Ways and Means
Committee on Judiciary and Government Operations

Testimony by
Hawaii Government Employees Association
April 6, 2009

H.B. 1260, H.D. 1 (Proposed S.D.1) – RELATING TO GOVERNMENT

The Hawaii Government Employees Association does not take a formal position with respect to the proposed reorganization of state government contained in H.B. 1260, H.D. 1 (Proposed S.D. 1). This is a policy decision that properly rests with the Legislature. During this period of economic uncertainty, it is necessary to carefully consider how state government can become more effective and efficient.

Our primary concern is for the employees, both civil service and exempt, who will be affected by the elimination and transfer of various programs to other departments. It is especially important that the rights and benefits of civil service employees are protected within this legislation. Section 61 of the bill contains some of the needed protections, although we have suggested language to strengthen subsection (b), which we can provide to the committee.

Thank you for the opportunity to testify on H.B. 1260, H.D. 1 (Proposed S.D. 1).

Respectfully submitted,

Nora A. Nomura
Deputy Executive Director

Hawaii Farm Bureau
FEDERATION
2343 Rose Street, Honolulu, HI 96819
PH: (808)848-2074; Fax: (808) 848-1921

TESTIMONY

Re: HB1260 SD1 (proposed) Relating to Government

Chair Kim, Chair Taniguchi and Members of the Committees:

Hawaii Farm Bureau Federation, on behalf of our commercial farm and ranch families and organizations, provides the following comments on HB1260 SD1, proposing transfer of DBEDT responsibilities to other agencies within government.

HFBF recognizes that the extreme fiscal challenges facing us today require us to take unconventional steps to provide for Hawaii today and tomorrow. The Office of State Planning and the Land Use Commission provide services that critically impact the agricultural industry. Therefore, their future is of interest to the industry.

While we feel it is best that an entity such as DBEDT is available to administer these divisions, we also recognize that the fiscal conditions may require the changes proposed in this measure. DLNR, the proposed agency to which OSP and LUC would be transferred has a mission statement that says its role is to:

> "Enhance, protect, conserve and manage Hawaii's unique and limited natural, cultural and historic resources held in public trust for current and future generations of visitors and the people of Hawaii nei in partnership with others from the public and private sectors."

At the same time, the directive within the DBEDT's responsibilities relative to Land Development (HRS201-3(2)) is not being incorporated within DLNR. HFBF is very concerned that DLNR, an agency focused on conservation and protection will find economic development pursuits to be in conflict and may find difficulties balancing the two interests of the State.

In turn, the Department of Budget and Finance, "administers the State budget, develops near- and long-term financial plans and strategies for the State, and provides programs for the improvement of management and financial management of State agencies". Their mission to develop near and long term financial plans and strategies for the State is complementary to the goals of the Office of State Planning and the Land Use Commission. Both of these entities reported to DBEDT for administrative purposes only and were not actually part of the Department. For this reason, as part of the streamlining purposes, it would appear to be appropriate to move these two areas to the Department of Budget and Finance again, for administrative purposes. However, as part of DB&F, the linkage between the long term financial plans and strategies and land use planning would make sense. The land use planning would provide economic indicators of the direction the State.

We appreciate the leadership the Legislature is providing to address fiscal shortfalls and are willing to do our part to address these situations. We do so, looking forward with insight to minimize unintended consequences to actions that may be taken. <u>We respectfully request that consideration be given to</u>

Hawaii Farm Bureau
FEDERATION
2343 Rose Street, Honolulu, HI 96819
PH: (808)848-2074; Fax: (808) 848-1921

moving the administrative responsibilities of oversight of the OSP and LUC to the Department of Budget and Finance instead of the Department of Land and Natural Resources. Thank you.

HAWAII
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AN AFFILIATE OF THE NATIONAL NETWORK FOR WOMEN'S EMPLOYMENT

2600 Campus Rd. QLCSS #211
Honolulu, HI 96822
Phone: (808) 956-8059
Fax: (808) 956-9314

Date: April 3, 2009

TO: SENATE Committee on WAYS & MEANS
Senator Donna Mercado Kim, Chair

SENATE Committee on Judiciary and Government Operations
Senator Brian Taniguchi, Chair

From: Teresa Bill

RE: **HB1260, hd1, sd1**, relating to Government
Propose Amendments

Monday April 6, 2009 10:30 a.m.
State Capitol Conference Room 211

I am Teresa Bill, testifying in regards to HB 1260, hd1, sd1 with **suggested amendments to reinstate** a portion of section 59 (pg. 91), relating to HRS **§201-3** (6) Self-sufficiency standard.

I propose that the biennial calculation of a "Self-Sufficiency Standard" should continue to be a function of the research office of DBEDT. I was a co-director of the group that facilitated the development of the Hawai'i Family Economic Self-Sufficiency Standard (HI-FESS) published in April 2003. The community has worked very hard for several years to statutorily establish that DBEDT would conduct the biennial updates; the first of which was produced for the 2009 legislature using the most current (2007 data). The community of advocates for working families is pleased with DBEDT's report and the information is available and useful for a variety of calculations. Attached to my testimony is a page from the Self-Sufficiency Standard that details the wages needed to support a family of 3; and it is sophisticated enough to differentiate between a family of 3 with 1 adult earner and 2 children; or 2 adults with 1 child.

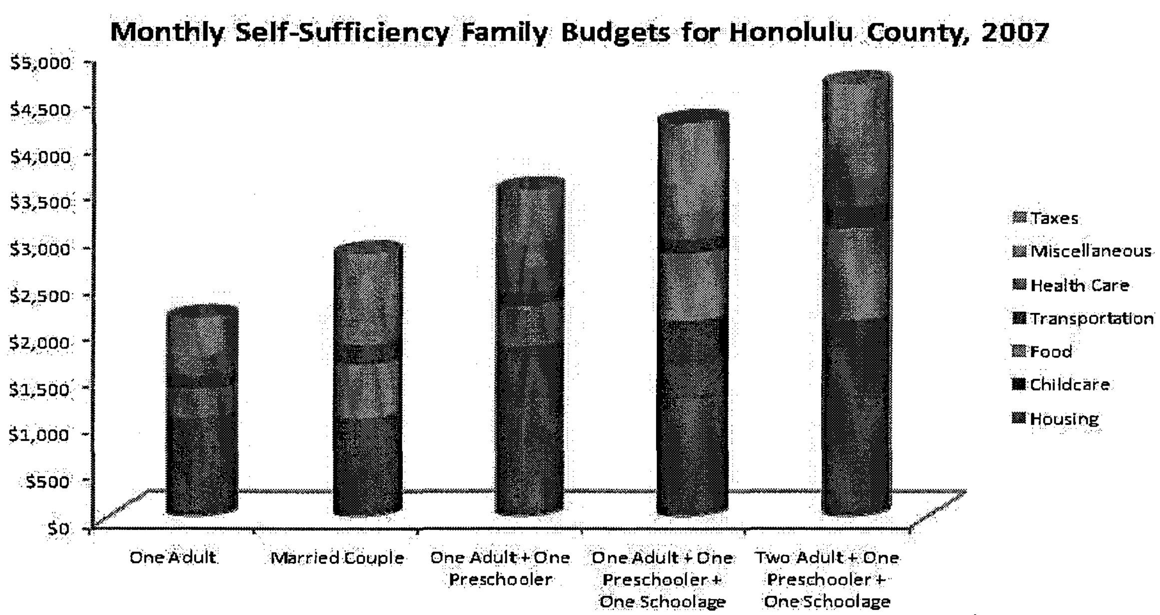
The Self-Sufficiency Standard provides a "reality-based model" of determining the wages, benefits and work supports necessary for families to be "economically self-sufficient" – which means how much does a family need to earn so they do not need any government or private subsidies to provide a very basic standard of living. The Federal Poverty Level of $21,060 for a family of 3 in Hawaii is laughable and not a serious indicator of the real costs facing families. It is appropriate that the Dept. of Business, Economic Development & Tourism be the agency calculating and disseminating a self-sufficiency standard, (including different size families living in different counties). We need to know if our economy includes jobs that can support our families. Government agencies make decisions that impact family self sufficiency and we need a reality-based calculation. Many federal programs use the term, "self sufficiency" but we need to define it – and consistently update that calculation.

If the function of DBEDT continues to be to "make broad policy determinations with respect to economic development in the State and to stimulate through research and demonstration projects those

Table 2. Self-Sufficiency Family Budgets for Selected Family Types, Honolulu County, 2007

Monthly Costs	One Adult	Two Adult Family	One Adult + One Preschooler	One Adult + One Preschooler + One Schoolage	Two Adult + One Preschooler + One Schoolage
Housing	$1,058.00	$1,058.00	$1,279.00	$1,279.00	$1,279.00
Childcare	$0.00	$0.00	$546.00	$825.43	$825.43
Food	$308.71	$577.17	$443.33	$730.30	$1,004.23
Transportation	$137.57	$216.35	$137.57	$147.57	$226.35
Health Care	$61.73	$280.23	$266.06	$279.41	$296.84
Miscellaneous	$154.60	$213.17	$267.20	$326.17	$363.18
Taxes	$413.16	$480.62	$576.56	$639.74	$645.66
Total	$2,133.77	$2,825.54	$3,515.71	$4,227.61	$4,640.69
Self-Sufficiency Income Requirement					
Hourly	$12.12	$8.03	$19.98	$24.02	$13.18
Monthly	$2,133.77	$2,825.54	$3,515.71	$4,227.61	$4,640.69
Annual	$25,605.24	$33,906.48	$42,188.50	$50,731.34	$55,688.23
% by Which Self-Sufficiency Income Is Above or Below Selected Income Benchmarks					
Poverty Threshold	117.9%	115.3%	167.9%	156.9%	134.5%
Minimum Wage	67.2%	10.7%	175.5%	231.3%	81.8%
Median Income	-19.2%	-57.7%	16.8%	35.5%	-33.9%
% of Families with Income Below Self-Sufficiency Level (based on ACS-PUMS data)					
Honolulu County Total	42.9%	11.1%	67.6%	78.2%	24.7%

Figure 2. Monthly Self-Sufficiency Family Budgets for Honolulu County, 2007



Aloha United Way
200 N. Vineyard Blvd., Suite 700
Honolulu, Hawaii 96817-3938
Telephone (808) 536-1951
Fax (808) 543-2222
www.auw.org

Aloha United Way

April 3, 2009

Senate Committee on Ways and Means
Senator Donna Mercado Kim, Chair
Senator Shan S. Tsutsui, Vice Chair
Monday, April 6, 2009 at 10:30 A.M.
Conference Room 211

HB 1260, HD 1, SD 1: Relating to Government - Written Testimony in Opposition

Dear Chair Mercado Kim and Vice Chair Tsutsui and Committee Members:

Aloha United Way has strong objections to one portion of HB 1260, HD 1, SD 1, which details the elimination of required research of the Department of Business, Economic Development and Tourism.

Specifically, HB 1260, HD 1, SD 1 eliminates the requirement for the department to complete a Self Sufficiency Standard as currently required in HRS 201-3 (6) Self Sufficiency Standard. The Self Sufficiency Standard is critical to the work of nonprofit agencies working in the areas of asset building and individual financial stability.

The Standard is the only accurate determination of the true cost of living in Hawaii and is used in multiple ways to enhance the work of many organizations. Because it provides accurate insight into the cost of housing, transportation, child care, taxes and fully considers various tax credits and other subsidies provided to individuals, it is used in school counseling, credit counseling, financial literacy and other workforce development programs.

One of Aloha United Way's key priorities is to promote financial stability and independence. Our commitment is evidenced by our continuing support of the Earned Income Tax Credit Program and the funding of projects intended to establish, increase, and/or sustain earning capacity. The Self Sufficiency Standard provides an important tool in our efforts to help all of Hawaii's residents make ends meet.

We take no stand on the other issues addressed in HB 1260, HD 1, SD 1. However, Aloha United Way strongly opposes the elimination of the Self Sufficiency Standard and we request this provision of the bill be adjusted to retain the Self Sufficiency Standard as a part of DBEDT's annual work.

Aloha United Way thanks you for the opportunity to testify and we recommend amendment of HB 1260 to retain the Self Sufficiency Standard.

Sincerely,

Susan Doyle

Susan Doyle
President & Chief Professional Officer

Sen WAM/JGO Committee
Monday, April 6, 2009
10:30 am
Room 211

NASW

National Association of Social Workers — Hawaii Chapter

April 4, 2009

TO: Senator Donna Mercado Kim, Chair
And members of the Senate Ways and Means Committee
Senator Brian Taniguchi, Chair
And members of the Senate Judiciary and Government Operations Committee

FROM: Debbie Shimizu, LSW, Executive Director
National Association of Social Workers (NASW)
Welfare and Employments Rights Coalition (WERC)

RE: HB 1260, HD1, **proposed SD1** – Relating to Government- **OPPOSED to deleting Section 59 (page 91) relating to HRS 201-3(6) Self-sufficiency standard.**

Chair Mercado Kim, Chair Taniguchi and members of the Senate Ways and Means and Judiciary and Government Operations Committee, I am Debbie Shimizu, Executive Director of the National Association of Social Workers and a member of the Welfare and Employment Rights Coalition. I am testifying in **opposition to deleting Section 59** (page 91) relating to HRS 201-3(6) Self-sufficiency standard.

In 2005, the Legislature passed legislation to change the formula used to calculate the amount of assistance individuals would receive on welfare based on the 2006 Federal Poverty Level (FPL). While we appreciate the change, we know that in a few years, we would be back advocating to change the formula again to the new poverty level. Truthfully, basing the formula on the FPL is flawed. The FPL was created in 1963 and set at three times the cost of the "Thrifty Food Plan". Since then, the Wider Opportunities for Women (WOW) developed the "self sufficiency standard" which calculates the cost of living based on a number of factors including housing, transportation, child care, etc, and takes into account the composition of the family and community in which the family lives. The "self sufficiency standard" is a truer picture of what it costs a family to live. The self-sufficiency standard for Hawaii was published in 2003. In 2008, the Legislature established that DBEDT would biennially update the standard.

We were pleased that we had a truer figure to use to make public policy decisions rather than the FPL. As policy makers, you should have accurate and current information to base your decisions on. Eliminating this function from DBEDT without re-establishing it in another department will eliminate the progress we were making in determining the real costs of living for Hawaii's families.

We urge you to keep Section 59, page 91 relating to HRS 201-2(6) self-sufficiency standard in DBEDT. If you eliminate this from DBEDT, we strongly encourage transferring the function to update the self-sufficiency standard to the University of Hawaii Center on the Family, who produced a 2005 report on the "*Economic Well-Being in Hawaii: Family and Individual Self Sufficiency*" and is familiar with the self-sufficiency standard.

Thank you for the opportunity to testify on HB 1260 HD1 proposed SD1.

677 Ala Moana Blvd #702 ● Honolulu, HI 96813 ● TEL (808)521-1787 ● FAX (808)534-1199 ● Email: info@naswhi.org

kim4 - Elizabeth

From: rawcohi@cs.com
Sent: Friday, April 03, 2009 5:42 PM
To: WAM Testimony
Subject: Testimony in support of a modified SD1 for HB 1269, HD1

TESTIMONY IN SUPPORT OF AN AMENDED SD1 TO HB1260, HD1

Committee on Ways and Means

Room 211 at 1030 on Monday, 6 April 2009

Chair Kim and respected members of the Committee;

This bill is an important piece of legislation to streamline governmental functions and control wasted energy. I support SD1 if you will just amend it as a Part XIV of the bill to remove HCDA and place all the land in Kakaako and Kalaeloa under DLNR and return Kewalo Basin Harbor with its immediately surrounding fast lands to DOT. HCDA is a disaster for Kewalo Basin and Kakaako Makai! Please support this change to the proposed SD1 and then support the bill as an SD1.

Respectfully,

Reg White
1540 S. King St.
Honolulu, Hawaii 96826-1919
(808) 222-9794
RawcoHI@cs.com

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kim2 - Arline

From: RD Stewart [shaftow@gmail.com]

Sent: Sunday, April 05, 2009 8:50 AM
To: WAM Testimony
Subject: DLNR Ala Wai Boat Harbor

Follow Up Flag: Follow up
Flag Status: Completed

TESTIMONY IN SUPPORT OF AN AMENDED SD1 TO HB1260, HD1

Committee on Judiciary and Government Operations

Room 211 at 1030 on Monday, 6 April 2009

Chair Taniguchi and respected members of the Committee;

This bill is an important piece of legislation to streamline governmental functions and control wasted energy. I support SD1 if you will just amend it as a Part XIV of the bill to remove HCDA and place all the land in Kakaako and Kalaeloa under DLNR and return Kewalo Basin Harbor with its immediately surrounding fast lands to DOT. HCDA is a disaster for Kewalo Basin and Kakaako Makai! Please support this change to the proposed SD1 and then support the bill as an SD1.

Respectfully,

RD Stewart Ala Wai Boat Harbor

From: Cwhite808@cs.com
Sent: Friday, April 03, 2009 7:10 PM
To: Sen. Brian Taniguchi; Sen. Dwight Takamine; Sen. Donna Mercado Kim; Sen. Shan Tsutsui; JGO Testimony
Subject: TESTIMONY IN SUPPORT OF AN AMENDED SD1 TO HB1260, HD1

TESTIMONY IN SUPPORT OF AN AMENDED SD1 TO HB1260, HD1

Committee on Judiciary and Government Operations

Room 211 at 1030 on Monday, 6 April 2009

Chair Taniguchi and respected members of the Committee;

This bill is an important piece of legislation to streamline governmental functions and control wasted energy. I support SD1 if you will just amend it as a Part XIV of the bill to remove HCDA and place all the land in Kakaako and Kalaeloa under DLNR and return Kewalo Basin Harbor with its immediately surrounding fast lands to DOT. HCDA is a disaster for Kewalo Basin and Kakaako Makai! Please support this change to the proposed SD1 and then support the bill as an SD1.

Respectfully,

Connie White
1540 S. King Street
Honolulu, HI. 96826