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SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

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Deputy to the Chairperson

**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

April 4, 2016
2:00 P.M.
CONFERENCE ROOM 211

**HOUSE BILL NO. 2029 HD1 SD1
RELATING TO WATER INFRASTRUCTURE LOANS**

Chairperson Tokuda and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 2029 HD1 SD1. The purpose of this measure is to establish a water infrastructure loan program under the Department of Agriculture. It also grants authority to make loans for water infrastructure development, repair, and maintenance activities. Finally, it makes an appropriation to support this initiative. The Department of Agriculture supports the intent of this measure provided that it does not impact the priorities submitted in the department's executive budget.

Irrigation infrastructure is the backbone of Hawaii's agricultural industry. It is critical to ensure the viability of these systems as the push toward food security is made. Many of these systems are aging and are in need of significant improvements to modernize their collection and delivery systems to increase storage and reduce water losses and maintenance costs. These funds are necessary to help extend the life of these systems for many decades to come and to continue to move Hawaii toward a more sustainable future. The intent of this program is to help promote agricultural development of the State by providing credit at reasonable rates and terms to qualifying individuals or entities. The Department would like to note that placing a water infrastructure loan program within the current Agricultural Loan Division will require additional resources.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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**Testimony of
SUZANNE D. CASE
Chairperson**

**Before the Senate Committee on
WAYS AND MEANS**

**Monday, April 4, 2016
2:00 PM
State Capitol, Conference Room 211**

**In consideration of
HOUSE BILL 2029, HOUSE DRAFT 1, SENATE DRAFT 1
RELATING TO WATER INFRASTRUCTURE LOANS**

House Bill 2029, House Draft 1, Senate Draft 1 proposes to amend Chapter 155, Hawaii Revised Statutes (HRS), by adding a new part to establish a water infrastructure loan program to allow the Department of Agriculture to make loans for water infrastructure development, repair, and maintenance. **The Department of Land and Natural Resources (Department) supports House Bill 2029, House Draft 1, Senate Draft 1 provided it does not adversely impact appropriations for other priorities in the Executive Supplemental Budget and defers to the Department of Agriculture on the implementation of the loan program.**

The Department understands that the maintenance and upgrading of water infrastructure is important to the State and that many water distribution systems are in need of costly repair and maintenance. The proposed loan program would provide a means of financing to address this issue.

Thank you for the opportunity to testify on this measure.

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

KEKOA KALUHIWA
FIRST DEPUTY

JEFFREY T. PEARSON, P.E.
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

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR

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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
WAYS AND MEANS

April 4, 2016, 2:00 P.M.

House Bill No. 2029, HD1, SD1
RELATING TO WATER INFRASTRUCTURE LOANS

Chair Tokuda, Vice-Chair Dela Cruz, and members of the committee, thank you for the opportunity to submit testimony on HB2029, HD1, SD1. The State Procurement Office supports the intent of this bill, but opposes the exemption language on page 3 lines 13-15.

Statutory exemptions are contrary to the Hawaii Public Procurement Code (Code), section 103D-102, HRS, 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.

One of public procurement's primary objectives is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in the awarding of contracts. Another critical objective is to ensure disclosure and public visibility into the way tax-payer dollars are being spent. As such, along with open competition the Code provides safeguards to ensure procurement integrity, determination of fair and reasonable pricing, public notice, and transparency. The Code also provides consistency in the manner in which purchasing agencies procure goods, services, and construction.

Exemptions to the Code mean that all procurements made with taxpayer monies for this authority, will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the Code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the State in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. It also means the authority is not required to adhere to the Code's procurement integrity laws.

To provide fairness and consistency, and due process for vendors/contractors, the Code offers a legal and contractual remedy process to resolve protested solicitations and awards, which includes impartial reviews by the Department of Commerce and Consumer Affairs administrative hearings process and the ability to request judicial review. The protest process also protects agencies and taxpayers from onerous and

baseless protests, minimizes delays and disruptions in the award of contracts, and supports a prompt resolution.

To ensure all vendors/contractors who seek public contracts compete on equal footing they are required to demonstrate compliance with Hawaii laws. The Code requires potential vendors/contractors to comply with Hawaii laws prior to award of a contract, i.e. DOTAX Tax Clearance Certificate including IRS certification, DLIR Certificate of Compliance; DCCA Certificate of Good Standing; or Hawaii Compliance Express (HCE) Certificate of vendor compliance. Upon completion of goods provided or services performed, and before final payment is made, a vendor/contractor is again required to demonstrate compliance with Hawaii laws, thereby assuring that public funds are paid to compliant vendors/contractors.

Open bidding procedures assures that the State obtains value, and potential vendors/contractors are treated fairly. Those who lack a working knowledge of the Code, may view it as a cumbersome process. The SPO believes that it is vital to good government to have a fair and consistent process to award government contracts that hold agencies responsible and accountable for their actions.

The SPO is against exempting the Hawaii water infrastructure authority, administratively attached to the Department of Land and Natural Resources, for the administration of the loan program 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, reliable set of rules and processes for award of contracts.

In conclusion, there is no compelling reason to statutorily exempt the Department of Land and Natural from the Code. The SPO recommends amending page 3, lines 13 to 15 to read as follows:

- “(5) Enter into contracts for the administration of the loan program, ~~without the necessity of~~
~~complying~~ in accordance with chapter 103D;”

Thank you.



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April 04, 2016

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON HB 2029, HD1, SD1
RELATING TO WATER INFRASTRUCTURE LOANS

Room 211
2:00 PM

Aloha Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

The Hawaii Farm Bureau strongly supports HB 2029, HD1, SD1, which establishes a Water Infrastructure Loan Program under the Hawaii Water Infrastructure Authority within DLNR. Allows the Authority to make loans for water infrastructure development, repair, and maintenance.

There is no doubt that water infrastructure development has lagged the needs of population growth across the State. In addition to new development, repair and maintenance of aging infrastructure also need to be addressed. In addition to those meeting potable water needs, there is an equal need to address irrigation and other water requirements associated with agriculture.

We commend the focus on storm water reclamation as weather forecasts indicate increasing erratic weather patterns, with prolonged droughts followed by intense storm events. Management of storm waters will be critical to protect the environment, properties and lives. At the same time, storm waters will be critical sources of water to be used during the prolonged droughts that are sure to follow.

The measure lists the scope of water infrastructure and types of activities eligible for the loan program. These descriptions follow traditional water infrastructure expectations. Times have changed and the infrastructure demands of agricultural systems go beyond delivery of water to the farms and ranches. Untreated water that was considered the norm for agriculture may no longer be acceptable in certain cases based on the requirements of the Food Safety Modernization Act or FSMA. Farms using non-potable water face the need to acquire treated water for certain operations. Without treatment

having water itself will not suffice. We believe **water treatment should be included in the definitions associated with water infrastructure.**

There are Federal programs that have assisted the State in water infrastructure. This is one of the core mission of the Hawaii Association of Conservation Districts whose funding (HB 2420, HD1) was discussed in the WAL committee. HACD works along with USDA NRCS to fund major projects to control flooding while utilizing the water. Funding for programs such as PL-566 eroded over the years, however, President Obama has proposed funding these measures and Senator Hirono has introduced amendments to qualify Hawaii as a recipient. **The scope of this program should include working with organizations such as HACD to identify and access federal funds to leverage state funding.**

HFB commends this proactive measure to address Hawaii's water infrastructure needs. We request your **strong support of HB 2029, HD1, SD1 with amendments as suggested** to focus on increasing Hawaii's resiliency to droughts and storm events.

Thank you for the opportunity to comment on this measure.