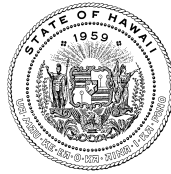


DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

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

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON TRANSPORTATION
ON
HOUSE BILL NO. 1443

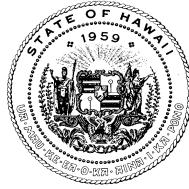
February 3, 2017
10:30 a.m.
Room 423

RELATING TO AN AIRPORT CORPORATION

House Bill No. 1443 proposes to establish the Hawaii Airport Corporation (HAC) which shall be a body politic and corporate, constituting a public instrumentality and a special political subdivision of the State, created for the performance of an essential public and government function, as provided in the bill. The corporation shall be established and operate as a subdivision of the State. To accomplish this, the measure transfers the jurisdiction over aeronautics and airports, including airport functions under the Department of Transportation's (DOT) Airports Division, to the corporation on July 1, 2018. The bill also provides that the HAC shall be administratively attached to DOT.

The Department of Budget and Finance has very serious concerns with this measure. We firmly believe that the present statutory structure provides an appropriate balance between development, management, operational flexibility and accountability. Our reading of this bill provides the HAC with two substantial amendments affecting present statutes: 1) creation of a separate governing board;

and 2) exemption of the HAC from Chapter 103D, HRS, which governs state procurements. We question the benefits that a separate governing board would bring to improving airport operations. Given the DOT Airports Division procures hundreds of million dollars worth of capital improvement projects and numerous service and professional contracts, we advise caution regarding authorizing the HAC to propose and administer its own procurement program without any oversight by an external entity.



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

IN REPLY REFER TO:

February 3, 2017
10:30 a.m.
State Capitol, Room 423

**H.B. 1443
RELATING TO AN AIRPORT CORPORATION.**

House Committee on Transportation

The Department of Transportation strongly **supports** this bill to establish an independent corporation to develop, manage, and operate the State's airports and aeronautical facilities.

At present, responsibility for development, management and operation of the State's Airports System is distributed among several State departments. Further, key decision-making is vested in the State legislature, which is only in session for part of each year. Distributed responsibility and involvement by multiple agencies, sometimes with conflicting goals and priorities, results in delay to decision-making, inefficiency and reduced effectiveness.

Such delays have stalled the Airport System capital programs, resulting in lost economic contribution and jobs, and insufficient airport capacity to meet future airline needs. At the same time, despite the financial self-sufficiency of the Airport System, State-imposed constraints to Airport operating budgets and staffing have resulted in progressive deterioration of the quality of terminal facilities, which no longer reflect the best of our State, and are increasingly well below the standard of other airports serving leading global destinations.

Unlike other units of State government, its Airports are self-sustaining businesses, which must operate with a strong commercial and customer service focus, and must be responsive to opportunities and market conditions. Such a corporation would create a single-purpose entity, configured with all the powers, capabilities and attributes necessary to improve efficiency and implement airport industry best practices in all aspects of operation.

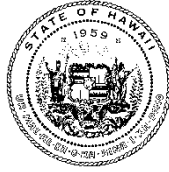
An independent Airport Corporation with a dedicated decision-making Board meeting throughout the year would enable capital program decisions to be made more rapidly and commercially important opportunities to be pursued more responsively. Streamlined

procedures for budgeting, procurement, and human resources processes configured to the unique needs of the Airport System would enable the airport enterprise to operate more efficiently. Operating budgets defined by airport needs would enable improvement both to terminal facilities and the quality of services and amenities offered to visitors, consistent with current airport industry standards.

While such an Airport Corporation would be independent of other State departments, it would retain full public accountability via Board appointments, public meetings, and full transparency of all policies and procedures, consistent with public sector standards and best practices. Further, recognizing the unique importance of the Airports System to our island State, DOTA believes that an independent Airport Corporation, operating airports to achieve their full potential, would maximize their contribution to the State economy, improve global access and inter-island mobility, and in so doing strengthen their critical role in sustaining the social and cultural fabric of the State.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
MARA SMITH
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
TRANSPORTATION

February 3, 2017, 10:30 AM

House Bill 1443
RELATING TO AN AIRPORT CORPORATION

Chair Aquino, Vice-Chair Quinlan and members of the committee, thank you for the opportunity to submit testimony on House Bill 1443. The State Procurement Office (SPO) supports this bill and offers the following comments:

Page 11, lines 4 to 16 of the bill states that the Hawaii Airport Corporation shall be exempt from the Procurement Code and shall implement their own procurement policies and procedures for professional services, planning, engineering, construction services, and other services - consistent with accepted standards of probity, transparency, and accountability.

The Airport Authority works on a different business model from most state and government agencies. It receives most of its funds from the airlines and concessions – not from taxpayers. This identifies a different set of stakeholders in which the need for alignment with the Procurement Code can have a negative effect on the outcome. A set of policies and procedures more aligned with the business model of an Airport Authority is the logical path to take.

Notwithstanding my support, I do want to highlight some considerations for the implementation and maintenance of this separate entity:

First, the date of creation for this Authority is July 1, 2018. That gives the organization one year to formulate a formal, substantive set of procurement policies and procedures, with forms, workflows, organizational and system requirements. Is that enough time? I would like to see the Department of Transportation (DOT) hire procurement and change management consultants to work through this challenge to enable the workforce and the systems to be implemented

successfully. Perhaps an alternate plan would be to extend the use of the code until a smooth changeover can be achieved.

The Hawaii Airport Corporation (HAC) must take into account that procurement is a complex function guided by numerous policies that are critical to ensuring procurement staff and stakeholders' follow the proper procedures and rules and have a clear and consistent understanding of the required regulations. The HAC should develop a comprehensive policy manual that clearly defines authority, management oversight, responsibility, and guidelines for the public and procurement staff when carrying out their responsibilities.

Replacing the procurement code with their own procurement policies and procedures maybe problematic for the Hawaii Airport Corporation. "Procuring faster is not always a good thing." The state's competitive procurement processes are to insure that all potential providers are afforded the opportunity to compete for the required services through established time-tested, fair, and reliable set of rules and processes for award of contracts. Public procurement's primary objective is to give everyone equal opportunity to compete for government contracts to prevent favoritism, collusion or fraud in awarding of contracts.

Second, the current organizational chart for procurement officers and post-award contract managers does not lead itself to streamlining and effective actualization of procurements to contracts. The DOT leadership should consider formulating a robust, centralized acquisition center that has the authority, skill and experience to manage complex procurements in all areas, as well as manage the administration and oversight thereto. There should be a chief procurement officer (CPO) position created to be included in the C-Suite set of executives to maintain a high level of presence and understanding of the acquisition landscape in which they are working.

Third, consideration should be taken on how this Authority will be audited, specifically on procurement issues. All exempt public entities are not reviewable by the SPO since they fall outside the code that specifically authorizes the SPO to do reviews. Leadership should consider the options to fill this gap in some form or other.

In conclusion, it is important to state that, at any other time, the creation of an Airport Authority may be too immense of a change to contemplate. However, the strong leadership of DOT Department Director Ford Fuchigami can bring this Authority to reality. Mr. Fuchigami understands the business aspects, has the respect of community leaders, consults with his staff and is a selfless leader that people respect.

Thank you.



HB1443
RELATING TO AN AIRPORT CORPORATION
House Committee on Transportation

February 3, 2017

10:30 a.m.

Room 423

The Office of Hawaiian Affairs (OHA) offers the following **COMMENTS** on HB1443, which would authorize the establishment of the Hawaii Airport Corporation (Corporation), which would have overall consolidated jurisdiction for the state's airport infrastructure and aeronautics.

OHA appreciates the intent of establishing the Authority to oversee the efficient and coordinated functioning of our air transportation system and infrastructure. However, the wording of this measure leaves unclear the legal nature and status of the proposed Authority, in a manner that could significantly affect the legal rights of OHA and our Native Hawaiian beneficiaries.

For example, Section 2 of the measure describes the new Authority as a "body politic and corporate," a "public instrumentality," and a "subdivision of the State." The latter term resembles the term "political subdivisions within the State" in Article VIII of the state constitution describing local government, i.e. the counties. Since the counties are not necessarily subject to the same laws as state agencies, it is unclear whether key state laws of great importance to Native Hawaiians would apply to the Authority. These laws include Act 178, Session Laws of Hawai'i 2006, which imposes strict public land trust revenue accounting requirements on state departments and agencies that use or manage public lands. Chapter 171, Hawai'i Revised Statutes, also contains numerous provisions on the disposition of public lands by state agencies, including requirements that legislative approval be obtained prior to the sale or gift of state lands (HRS §171-64.7), or the exchange of public land for private land (HRS §171-50).

The HD1 does place the Authority within the state Department of Transportation for administrative purposes only, an indication the Authority is intended to be a state agency. However, the "subdivision of the State" language, more often associated with the counties, seems at odds with this intent.

Should this measure move forward, OHA urges the Committee to ensure that all laws establishing and protecting the rights of OHA and its beneficiaries be made explicitly applicable to the Authority in its receipt, administration, and disposition of lands that may fall under its control.

Mahalo for the opportunity to testify on this measure.

AIRLINES COMMITTEE OF HAWAII



Honolulu International Airport
300 Rodgers Blvd., #62
Honolulu, Hawaii 96819-1832
Phone (808) 838-0011
Fax (808) 838-0231

February 3, 2017

Honorable Henry Aquino, Chair
Honorable Sean Quinlan, Vice Chair
House Committee on Transportation

Re: HB 1443 – RELATING TO AN AIRPORT CORPORATION - SUPPORT
Conference Room 423 – 10:30 AM

Aloha Chair Aquino, Vice Chair Quinlan and Members of the Committee:

The Airlines Committee of Hawaii* (ACH), which is made up of 20 signatory air carriers that underwrite the State Airport System, appreciates the opportunity to offer testimony supporting HB 1443, which authorizes the establishment of the Hawaii Airport Corporation.

The ACH is in strong support of this measure. HB 1443 addresses the many concerns about Hawaii's airports failing to provide a warm and welcoming experience for visitors by creating a means to efficiently and expediently execute much-needed projects at the airports. Experience at other US airports show that airport authorities can develop and implement policies and procedures designed to deliver uniquely complex airport capital programs more effectively and in a more timely fashion, while retaining full public transparency and accountability.

The Hawaii Airport Corporation will be self-sustaining and not require any tax payer dollars; it is fully funded by user fees and underwritten by the airlines serving the State's airport system. The Hawaii Airport Corporation will benefit from consistent leadership that can deliver on a long term vision for the airports.

The ACH supports a Hawaii Airport Corporation and respectfully requests additional language requiring that at least one member of the board have aviation experience in addition to business and management experience.

Thank you for the opportunity to submit testimony.

Sincerely,

Blaine Miyasato
ACH Co-chair

Turner Maynor
ACH Co-chair

**ACH members are Air Canada, Air New Zealand, Alaska Airlines, All Nippon Airways/Air Japan, Aloha Air Cargo, American Airlines, China Airlines, Delta Air Lines, Federal Express, Fiji Airways, Hawaiian Airlines, Island Air, Japan Airlines, Korean Air, Philippine Airlines, Qantas Airways, United Airlines, United Parcel Service, Virgin America and WestJet.*



Hawai'i Convention Center
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David Y. Ige
Governor

George D. Szigeti
President and Chief Executive Officer

Statement of
George D. Szigeti
Chief Executive Officer
Hawai'i Tourism Authority

on

HB 1443 Relating to an Airport Corporation

House Committee on Transportation

Friday, February 3, 2017

10:30 a.m.

Conference Room 423

Chair Aquino, Vice Chair Quinlan and Members of the committee:

The Hawai'i Tourism Authority (HTA) offers the following **comments on** HB1443, which would create the Hawaii Airport Corporation within the Department of Transportation to develop, manage, and operate the State's airports and aeronautical facilities.

Improving our airport infrastructure is critical for Hawai'i's tourism industry. Without commenting on the precise structure of the authority, HTA supports the concept of a separate entity tasked with maintaining and improving the airports and focusing on issues affecting airlines and the tourism industry. Such an entity would address the needs of our airport visitors, businesses and airlines in a responsive and timely manner. HTA supports the investment in the state, our infrastructure and Hawai'i's visitor industry.

Mahalo for the opportunity to offer these comments.



TESTIMONY IN SUPPORT OF HB 1443 – RELATING TO AN AIRPORT CORPORATION

Date: Friday, February 3, 2017
Time: 10:30 am
Location: Conference Room 423
Hawaii State Capitol

Aloha Chair Aquino, Vice Chair Quinlan and Members of the Committee,

Mahalo for the opportunity to testify in **support** of HB 1443. Hawaiian Airlines joins the other members of the Airline Committee of Hawai'i in the conviction that establishing an Airport Corporation would generate manifold benefits to our State by simplifying the process for making badly needed improvements to the system infrastructure.

The operations of the state Airports are fully funded by user fees and underwritten by Hawaiian and the other airlines that carry passengers between and to our Islands. All of us are committed to funding renovations that upgrade the experience encountered by our passengers. The Corporation structure outlined in SB 658 would facilitate completion of those upgrades in a number of ways, including providing consistency in leadership.

Forty-two of the top 100 U.S. Airport operated under similar structures. Please vote to approve this measure.

Sincerely,

Ann Botticelli
SVP-Corporate Communications and Public Affairs
Hawaiian Airlines



421 Aviation Way
Frederick, Maryland 21701

T. 301-695-2000
F. 301-695-2375

www.aopa.org

Thursday, February 2, 2017

The Honorable Henry Aquino
House Transportation Committee, Chairman
415 S Beretania St # 323
Honolulu, HI 96813

Dear Chairman Aquino:

The Aircraft Owners and Pilots Association (AOPA) is the world's largest aviation organization representing the general aviation interests of pilots in Hawaii. We support your legislation to create an airport corporation, HB 1443, and we respectfully request your consideration of two amendments.

We appreciate how supportive you have been working with us on aviation day; every time we come to your office you're always inviting, helpful and welcoming. It's always a pleasant experience working with you and your staff and we consider you friends and colleagues.

In that spirit of cooperation, we request two friendly amendments for consideration in committee and hope you are amenable:

Please amend:

Page 6 line 8, after the ':' (colon) and before the word 'financial,' insert the words, "commercial aviation, general aviation,"

And page 6 line 10, after the '.' (period) add the following sentence, "At least one member of the board shall be a representative from a general aviation association."

We appreciate your introduction of this bill and support of aviation and AOPA. This is a very important matter for pilots in Hawaii and we will make sure they know how much you worked to benefit all pilots of every kind.

Thank again you for all your support. If you have any questions or require additional information, please do not hesitate to contact me at 301-695-2228, 386-366-1811 or Melissa.McCaffrey@aopa.org

Very truly yours and Mahalo,

Melissa McCaffrey, Western Pacific Regional Manager



February 1, 2017

Testimony in Support of SB658 and HB1443

Members of the Hawaii State Legislature:

The Kohala Coast Resort Association (KCRA) is in full support of the establishment of the Hawaii Airport Corporation. KCRA has been a partner on numerous improvement projects at the Kona International Airport, and was a tenant for more than 15 years. Our Administrative Director serves on the Airport Operations Committee. We believe that establishing a Hawaii Airport Corporation will allow much needed airport improvement projects, including the Phase 1 of the Terminal Modernization Plan and the building of a permanent Federal Inspection Station, to happen more quickly and efficiently.

KCRA is a collection of master-planned resorts and hotels situated north of the airport which represents more than 3,500 hotel accommodations and an equal number of resort residential units. This is approximately 35 percent of the accommodations available on the Island of Hawai'i. KCRA member properties annually pay more than \$20 million in TAT and \$20 million in GET.

We encourage your support of these measures.

Sincerely,

Stephanie Donoho
Administrative Director

Patrick Fitzgerald, Hualalai Resort
Kelley Cosgrove, Fairmont Orchid, Hawai'i
David Givens, Hilton Waikoloa Village
Steve Yannarell, Waikoloa Beach Marriott Resort & Spa

Scott Head, Waikoloa Land Company
Robert Whitfield, Four Seasons Resort Hualalai
Rodney Ito, Mauna Lani Bay Hotel & Bungalows
Craig Anderson, Mauna Kea Beach Hotel and Hapuna
Prince Hotel

SanHi Government Strategies

a limited liability law partnership

Gary M. Slovin
Mihoko E. Ito
R. Brian Tsujimura

c/o Ashford & Wriston • 999 Bishop Street, Suite 1400
Honolulu, Hawaii 96813
(808) 539-0400
governmentaffairs@awlaw.com

gslovin@awlaw.com
mito@awlaw.com
rtsujimura@awlaw.com

DATE: February 1, 2017

TO: Representative Henry J.C. Aquino
Chair, Committee on Transportation
Submitted Via Capitol Website

RE: **H.B. 1443 Relating to an Airport Corporation**
Hearing Date: Friday, February 3, at 10:30 a.m.
Conference Room: 423

Dear Chair Aquino and Members of the Committee on Transportation:

We submit this testimony on behalf of Enterprise Holdings, which includes Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, Enterprise CarShare and Enterprise RideShare (Van Pool).

Enterprise **supports** H.B. 1443, which would authorize the establishment of the Hawaii airport corporation within the Department of Transportation. Enterprise believes it is important to establish an independent airport authority to oversee the transformation of our state airports into world class facilities. A single entity with consolidated jurisdiction over the development, management and operation of Hawaii's airports would streamline processes and improve efficiencies. This would greatly benefit travelers to our islands, as well as all businesses that serve the Hawaii hospitality and tourism market.

For these reasons, we support H.B. 1443 and respectfully request that the Committee pass this measure. Thank you for the opportunity to submit this testimony.

Gary M. Slovin
Mihoko E. Ito
R. Brian Tsujimura
C. Mike Kido
Tiffany N. Yajima
Matthew W. Tsujimura



AIRPORT CONCESSIONAIRES COMMITTEE

Honorable Henry Aquino, Chair
Committee on Transportation
House of Representatives
Hawaii State Capitol

Hearing on February 3, 2017; 1030 am

Re: H.B. 1443 – Relating To An Airport Corporation

Dear Chair Aquino and Honorable Committee Members,

My name is Peter Fithian and I am the Legislative Chair for the Airports Concessionaires Committee whose membership consists of the major concession operators at Hawaii's public airports. Airport concessions presently and historically have contributed more than half of the operating revenues for Hawaii's airport system which as you know is special funded.

Our Committee supports this bill.

Such a corporation would increase airport revenues and also save airport operations costs. The current approval process is simply too long and typically requires approvals and obvious delays/reviews each step of the way such as with the Department of Accounting and General Services and Department of Budget and Finance and other State Departments

As a result it's not unusual for final approvals to take 9 months , 12 months and at times longer before an approval is granted.

Airports are typically viewed as an economic engine of a city and state at which hundreds of jobs are provided with thousands of business transactions involving tourists, residents and many others each day. Airports in that respect are unlike other government agencies. Airports are an important economic hub and needs to run and operate in a business fashion quickly and efficiently. Such has not been the case under the present arrangement.

In our view, the current process is such that has resulted in the airport losing money due to delays in finalizing contracts and gaining necessary approvals.

The current process is such that before tenant improvements can receive necessary approvals much time passes resulting in higher construction costs to the tenants especially in the present construction market as well as airport projects.

Their simply has to be a better way to avoid losing money and to also avoid both airport tenants and the airport system being faced with higher construction costs.

We respectfully urge you to consider and support an Airport Corporation which is similarly to what many other airport across the United States have recognized as having great benefits and also savings to their community and state.

Thank you for allowing us to testify.

PRESIDENT
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GRAHAM BUILDERS, INC.

PRESIDENT-ELECT
DEAN UCHIDA
SSFM INTERNATIONAL, INC.

VICE PRESIDENT
MARSHALL HICKOX
HOMEWORKS CONSTRUCTION, INC.

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Testimony to the House Committee on Transportation**Friday, February 3, 2017****10:30 a.m.****Conference Room 423****RE: HB 1443 - RELATING TO RELATING TO AN AIRPORT CORPORATION**

Chair Aquino, Vice-Chair Quinlan, and members of the committees:

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

BIA-Hawaii is in support of HB 1443, which would authorize the establishment of the Hawaii Airport Corporation within the department of transportation for administrative purposes on July 1, 2018. The bill sets out appointment of members to the board of directors and powers and duties of the Hawaii Airport Corporation, and transfers the aeronautics functions of DOT to the Hawaii airport authority.

We understand that the Airports Division recently completed a study that recommended restructuring toward a more independent airport authority, similar to port authorities on the mainland.

An Airport Corporation would:

- Make improvements quickly and efficiently;
- Increase transparency and accountability;
- Create a more competitive tourism industry;
- Deliver economic benefits across all sectors;
- Make flying a better experience;
- Foster a better working environment;
- Provide year-round oversight and leadership with a five-member board and CEO;
- Transfer all employees of the state to the corporation without loss of salary, seniority and benefits.

One of the compelling arguments to create an Airport Corporation is that currently, Airports does not use any tax payer funds. All funds used in the airport operations are derived from user fees and assessments within the Airport properties.

While we support the proposal for the Hawaii Airport Corporation we also would encourage imposing policies and procedures that would provide sufficient oversight on the collection and expenditure of the funds raised on Airport properties which are state owned lands.

We appreciate the opportunity to provide our input on this important legislation.



General Aviation Council of Hawaii

Post Office Box 75623

Kapolei, Hawaii 96707

808-223-9991

www.gach.us.com

February 2, 2017

Aloha Chairman Aquino and committee members,

The General Aviation Council of Hawaii (GACH) supports the creation of an Airport Authority to help give the stability and professionalism to DOTA needed in Hawaii's Air Transportation system.

GACH highly recommends the House combine HB 1527 with this bill to ensure all facets of aviation are represented in the Airport Authority. HB 1527 requires professionals from both commercial and general aviation as well as tourism and other industries to be members of the authority. This will ensure a wide spectrum of professional representation to the authority. One of the main problems we currently have with DOTA is that there is no one with aviation knowledge or recent experience in senior leadership positions within DOTA (only two people in DOTA have pilot certificates). This lack of aviation knowledge has slowed the development of many air transportation policies within the State and the fiscal opportunities using Federal funds.

I look forward in discussing this at the hearing on February 3, 2017..

Thank you.

Sincerely,

Robert P. "Rob" Moore, President



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 1443

Relating To An Airport Corporation

COMMITTEE ON TRANSPORTATION

Friday, February 3, 2017, 10:30 am

Conference Room 423

Dear Chair Aquino, Vice Chair Quinlan and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes over 175 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 25,000 residents and represents over 19,000 rooms. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA is **in support** of HB 1443, which authorizes the establishment of the Hawaii airport corporation within the department of transportation for administrative purposes on July 1, 2018. Sets out appointment of members to the board of directors and powers and duties of the Hawaii airport corporation. Transfers the aeronautics functions of DOT to the Hawaii airport authority.

MHLA believes that this measure could facilitate the completion of long-needed airport improvement and also create a platform for integrated planning that will greatly benefit the traveling public. These much-needed improvements will be paid for by the airlines and concessionaires that use the airports, together with the existing passenger facility charges already included with every airfare. There will be no expense to local taxpayers with no public tax dollars used.

The first and last impressions of our visitors occur at our airports. The hospitality industry's continued progress is very dependent on the quality of our airports. It is vital that we improve upon the service, infrastructure, and overall development of such a vital entity. We support the airport corporation as a single entity to overlook our airport's planning, management, marketing and development.

We respectfully request you consider passing HB 1443. Thank you for the opportunity to testify.



**Testimony of Sweetie Nelson, Director of Destination Marketing,
Ko Olina Resort Operators Association
Before the House Committee on Transportation
February 3, 2017
10:30AM
Conference Room 423
House Bill No. 1443, Relating To An Airport Corporation**

Chair Aquino and Members of the Committee:

My name is Sweetie Nelson. I am the director of destination marketing for Ko Olina Resort Operators Association, representing the hotels, resorts and other commercial businesses at Ko Olina.

We strongly support HB 1443, which will allow for improved management and operations of the 15 airports throughout these islands, now administered by the state Department of Transportation, Airports Division. The proposed legislation would enable our airports to be run like true self-sustaining businesses.

Every year we hear numerous complaints about the condition of our airports from both visitors and Hawaii residents. For visitors, Hawaii's airports are the first impression and last memory of our islands. I don't believe they represent Hawaii, its culture and people in a manner we can be proud of.

Development of the Atlantis Resort will soon begin at Ko Olina with additional hotel brands, some of which may be new to the Hawaii market, to follow. Attracting new, affluent travel audiences will be essential to growing our visitor industry. These developments and other top-tier properties on other islands will bring tremendous economic benefits to our state, but only if the visitors to these destinations experience a consistent level of quality at every stage of their journey, including their points of arrival and departure.

Hawaii, as a world-class destination, deserves world-class airports. Today, our state's airports are jeopardizing Hawaii's status as a top global vacation destination.

The proposed Airport Corporation can operate like a business, implement best practices that have shown impressive results at other airports and deliver a welcoming experience commensurate with the quality of our state's hospitality infrastructure and tourism product, reflecting the distinct culture and values that make our island home special.

The Airport Corporation will also provide increased transparency and involve the community more extensively in decision-making.

Under the model outlined in this measure, the airlines and concessionaires who benefit from the airports, along with existing passenger facility charges already included with every airfare, will pay for the much-needed improvements to our airports. In short, there will be no expense to local taxpayers.

I urge you to pass this bill to create the world-class airports Hawaii deserves.

Thank you for the opportunity to testify on this important legislation.



Chamber of Commerce HAWAII

The Voice

LATE

**Testimony to the House Committee on Transportation
Friday, February 3, 2017 at 10:30 A.M.
Conference Room 423, State Capitol**

RE: HOUSE BILL 1443 RELATING TO AN AIRPORT CORPORATION

Chair Aquino, Vice Chair Quinlan, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 1443, would authorize the establishment of the Hawaii Airport Corporation within the department of transportation for administrative purposes on July 1, 2018. The bill sets out appointment of members to the board of directors and powers and duties of the Hawaii Airport Corporation, and transfers the aeronautics functions of DOT to the Hawaii airport authority.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

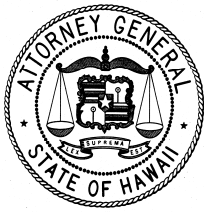
We understand that the Airports Division recently completed a study that recommended restructuring toward a more independent airport authority, similar to port authorities on the mainland.

An Airport Corporation would allow for:

- Make improvements quickly and efficiently
- Create a more competitive tourism industry
- Deliver economic benefits across all sectors
- Make flying a better experience
- Provide year-round oversight and leadership with a five-member board and CEO
- Transfer all employees of the state to the corporation without loss of salary, seniority and benefits

One of the compelling arguments to create an Airport Corporation is that currently, Airports does not use any tax payer funds. All funds used in the airport operations are derived from user fees and assessments within the Airport properties.

While we support the proposal for the Hawaii Airport Corporation we also would encourage imposing policies and procedures that would provide sufficient oversight on the collection and expenditure of the funds raised on Airport properties which are state owned lands.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2017**

LATE

ON THE FOLLOWING MEASURE:

H.B. NO. 1443, RELATING TO AN AIRPORT CORPORATION.

BEFORE THE:

HOUSE COMMITTEE ON TRANSPORTATION

DATE: Friday, February 3, 2017

TIME: 10:30 a.m.

LOCATION: State Capitol, Room 423

TESTIFIER(S): Douglas S. Chin, Attorney General, or
Michael Q.Y. Lau, Deputy Attorney General

Chair Aquino and Members of the Committee:

The Department of the Attorney General provides the following comments on this measure.

The purpose of the bill is to establish the Hawai'i airport corporation (the "corporation") to manage state airports. The corporation would be placed within the Department of Transportation for administrative purposes.

Appropriations

Paragraph (33) on page 15, lines 17-21, of the new section -3 in section 2 of the bill provides that the corporation has the power to "appropriate and allot airport funds, issue revenue bonds and special facility revenue bonds in its name pursuant to chapter 39, but not in excess of such principal amounts as are necessary for its purpose or specified in covenants with bondholders."

Airport moneys are public moneys that are subject to appropriation by the legislature. Article VII, section 5, of the Hawai'i State Constitution, provides that "[n]o public moneys shall be expended except pursuant to appropriations made by law." Section 9 provides that it is the Legislature that makes the appropriations.

Therefore, the wording authorizing the corporation to "appropriate" airport funds is not accurate and we recommend it be deleted.

Appointments

Subsection (b) on page 5, lines 11-18, of the new section -2 in section 2 further provides that the corporation board of directors shall consist of five members, three who are appointed by the Governor, one appointed by the Speaker of the House, and one appointed by the President of the Senate. The direct appointment by the House Speaker and Senate President might be challenged as violating the separation of powers doctrine under the Hawai'i Constitution.

Whether the appointment power that is conferred directly to the Legislature for an executive branch board violates the separation of powers doctrine under article V, section 6 of the Hawai'i Constitution has not been addressed by the Hawai'i courts. Until a law is challenged and a court rules on the issue, the bill, if enacted into law, would be presumptively constitutional. See Schwab v. Ariyoshi, 58 Haw. 25, 31 (1977); Blair v. Cayetano, 73 Haw. 536, 542 (1992).

The Hawaii Revised Statutes contains examples of executive boards and commissions to which the Legislature appoints members. See e.g., Elections Commission (Haw. Rev. Stat. § 11-7) and Research Corporation of the University of Hawaii (Haw. Rev. Stat. § 304A-3002). While these examples enjoy the presumption of constitutionality, only a challenge and determination by a court will definitively settle this issue. To obviate a potential challenge, we suggest that wording be added to the bill that provides that the Governor shall appoint all five members of the board of directors.

Chapter 171

The bill includes several provisions that conflict with chapter 171, Hawaii Revised Statutes (HRS). For example, section 2 provides that the corporation may assign, sell, convey, lease and sublease any airport. The vast majority of state airports are located on "public lands," as defined by section 171-2, HRS. As such, these actions related to state airports are currently subject to the approval by the Board of Land and Natural Resources. Section 2 also provides that the corporation may grant options or renew any lease. This provision is contrary to section § 171-36(a)(1), HRS. We recommend that wording be added to the bill that provides that the corporation shall not be subject to chapter 171 (similar to the bill's wording for the procurement code exemption).

Thank you for the opportunity to comment on this bill.



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

LATE

Testimony of

Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

House Committee on Transportation

House Bill 1443: Relating to an Airport Corporation

Chair Aquino, Vice Chair Quinlan, and members of the Committee on Transportation:

Thank you for the opportunity to testify. On behalf of the Hawai'i Lodging & Tourism Association, we support House Bill 1443 which would establish a Hawai'i airport corporation. For HLTA, the state's largest private sector visitor organization, this is one of our major objectives.

The Department of Transportation is a very large state department which is responsible for our roads, harbors, and airports. Our state's airports serve as the first and last impression to those visiting our islands. Given the importance of our airports, we fully support the establishment of a state airport corporation. The corporation would give a laser-like focus to the operations, goal setting, and improvements of our airports, and would allow for quicker and more efficient results.

Our airports serve as our window to the world, and the hospitality industry's continued success is very dependent on the quality provided by our airports; so it is critically important that we improve upon the service, infrastructure, and overall development of such a vital entity. With year-round governance, the corporation would be able to better accommodate our air travelers by providing a higher level of comfort and convenience as well as establish standards and goals in achieving a higher caliber of customer service. It would also provide better transparency and public accountability by engaging stakeholders and all interested parties in the decision-making process.

It is imperative that we keep our airports at the forefront of our state's priorities. Visitors to our islands are always impressed when they experience examples of our Aloha Spirit and the beauty of our Native Hawaiian culture - our airports can be one of the best venues to experience these memorable moments.

We understand that these sorely needed airport improvements will be paid by the airlines and concessionaires that utilize the airports coupled with the existing passenger facility fees already included in the airfares. In short, HLTA enthusiastically supports an independent airport corporation as the overarching entity to oversee our airports' planning, management and marketing and development; all under one umbrella.

Mahalo for your consideration of House Bill 1443.