

SB 658, SD2

**RELATING TO AN AIRPORT
CORPORATION.**

TRN, LAB, FIN

SB658 SD2 HD1



Submit Testimony

Measure Title: RELATING TO AN AIRPORT CORPORATION.

Report Title: Tourism; Transportation; Aeronautics; Hawaii Airport Corporation

Description: 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 the Department of Transportation to the Hawaii Airport Authority. (SB658 HD1)

Companion: [HB1443](#)

Package: None

Current Referral: TRN, LAB, FIN

Introducer(s): INOUYE, Dela Cruz, English, K. Kahele, Kidani, Nishihara, Shimabukuro

<u>Sort by Date</u>		Status Text
1/20/2017	S	Introduced.
1/23/2017	S	Passed First Reading.
1/23/2017	S	Referred to TRE, WAM.
1/27/2017	S	The committee(s) on TRE has scheduled a public hearing on 02-01-17 1:15PM in conference room 225.
2/1/2017	S	The committee(s) on TRE recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in TRE were as follows: 5 Aye(s): Senator(s) Inouye, Dela Cruz, English, Harimoto, Shimabukuro; Aye(s) with reservations: none ; 0 No(es): none; and 0 Excused: none.
2/6/2017	S	Reported from TRE (Stand. Com. Rep. No. 46) with recommendation of passage on Second Reading, as amended (SD 1) and referral to WAM.
2/6/2017	S	Report adopted; Passed Second Reading, as amended (SD 1) and referred to WAM.

2/22/2017	S	The committee(s) on WAM will hold a public decision making on 02-24-17 9:30AM in conference room 211.
2/24/2017	S	The committee(s) on WAM recommend(s) that the measure be PASSED, WITH AMENDMENTS. The votes in WAM were as follows: 9 Aye(s): Senator(s) Tokuda, English, Galuteria, Harimoto, Inouye, K. Kahele, Riviere, Shimabukuro, Wakai; Aye(s) with reservations: none ; 1 No(es): Senator(s) Taniguchi; and 1 Excused: Senator(s) Dela Cruz.
3/3/2017	S	Reported from WAM (Stand. Com. Rep. No. 875) with recommendation of passage on Third Reading, as amended (SD 2).
3/3/2017	S	48 Hrs. Notice 03-07-17.
3/7/2017	S	Report Adopted; Passed Third Reading, as amended (SD 2). Ayes, 22; Aye(s) with reservations: Senator(s) S. Chang, Ihara, Riviere. Noes, 3 (Senator(s) Harimoto, Kim, Taniguchi). Excused, 0 (none). Transmitted to House.
3/7/2017	H	Received from Senate (Sen. Com. No. 224) in amended form (SD 2).
3/9/2017	H	Pass First Reading
3/9/2017	H	Referred to TRN, JUD, FIN, referral sheet 27
3/10/2017	H	Re-referred to TRN, LAB, FIN, referral sheet 28
3/13/2017	H	Bill scheduled to be heard by TRN on Wednesday, 03-15-17 10:00AM in House conference room 423.
3/15/2017	H	The committees on TRN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 5 Ayes: Representative(s) Aquino, Quinlan, Brower, Hashem, San Buenaventura; Ayes with reservations: none; Noes: none; and 2 Excused: Representative(s) Nakamura, McDermott.
3/17/2017	H	Reported from TRN (Stand. Com. Rep. No. 1147) as amended in HD 1, recommending passage on Second Reading and referral to LAB.
3/17/2017	H	Passed Second Reading as amended in HD 1 and referred to the committee(s) on LAB with none voting aye with reservations; none voting no (0) and Representative(s) Ichiyama, McKelvey, Oshiro, Souki excused (4).
3/17/2017	H	Bill scheduled to be heard by LAB on Tuesday, 03-21-17 10:00AM in House conference room 309.

A BILL FOR AN ACT

RELATING TO AN AIRPORT CORPORATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the economic well-
2 being of the State is substantially dependent on the efficient
3 development, management, and operation of its airports and air
4 transportation infrastructure. The legislature further finds
5 that responsibility for Hawaii's airport planning, management,
6 marketing, and capital development functions is currently
7 distributed among a number of agencies, including the department
8 of transportation's airports division, Hawaii tourism authority,
9 department of budget and finance, department of human resources
10 development, board of land and natural resources, department of
11 health with respect to environmental concerns, and the office of
12 Hawaiian affairs with respect to ceded land issues, among
13 others. Furthermore, key decision-making is vested in the state
14 legislature, which is only in regular session for part of each
15 year which imposes a constraint to responsiveness and causes
16 delay to key capital improvement program decisions. Distributed
17 responsibility and involvement by multiple agencies, sometimes



1 with conflicting goals and priorities, results in delayed
2 decision-making, inefficiency, and reduced effectiveness.

3 The legislature believes that coordinated planning and
4 development of air transportation would be achieved more
5 effectively by a single entity having overall consolidated
6 jurisdiction for the State's airport infrastructure.

7 The legislature further finds that the establishment of an
8 independent airport corporation would assist in the achievement
9 of the following important statewide objectives:

- 10 (1) Maximizing the contribution of the state airports
11 system to Hawaii's economy;
- 12 (2) Ensuring dedicated, expert airport leadership,
13 management continuity, and year-round decision-making,
14 consistent with industry best practices;
- 15 (3) Improving administrative efficiency by streamlining
16 administrative processes;
- 17 (4) Accelerating the planning and delivery of the airports
18 system's capital improvement program;
- 19 (5) Increasing the financial flexibility and strength of
20 the airports system;



- 1 (6) Increasing economic opportunities for the State, in
- 2 collaboration with the Hawaii tourism authority;
- 3 (7) Increasing responsiveness to customer needs,
- 4 commercial opportunities, and economic demands;
- 5 (8) Providing full transparency and public accountability,
- 6 and an appropriate forum to engage all interested
- 7 parties; and
- 8 (9) Maximizing job creation within the State.

9 The legislature further finds that the management and
 10 administration of scarce and increasingly valuable airport
 11 resources is most effectively served by the establishment of an
 12 independent airport corporation.

13 The purpose of this Act is to establish the Hawaii airport
 14 corporation.

15 SECTION 2. The Hawaii Revised Statutes is amended by
 16 adding a new chapter to be appropriately designated and to read
 17 as follows:

18 "CHAPTER

19 HAWAII AIRPORT CORPORATION



1 § -1 Definitions. As used in this chapter:

2 "Aeronautics" shall have the same meaning as defined in
3 section 261-1.

4 "Air navigation facility" shall have the same meaning as
5 defined in section 261-1.

6 "Airport" means any area of land or water that is used, or
7 intended for use, for the landing and taking-off of aircraft,
8 and any appurtenant areas that are used, or intended for use,
9 for airport buildings or other airport facilities or rights-of-
10 way, including approaches, together with all airport buildings
11 and facilities located thereon.

12 "Airport corporation" or "corporation" means the Hawaii
13 airport corporation.

14 "Chief executive officer" means the chief executive officer
15 of the Hawaii airport corporation.

16 § -2 Airport corporation; establishment; board; members;
17 chief executive officer. (a) There is established the Hawaii
18 airport corporation, which shall be a body politic and
19 corporate, constituting a public instrumentality for the
20 performance of an essential public and governmental function as
21 provided in this chapter. The corporation shall be established



1 and shall operate as a subdivision of the State for the purpose
2 of developing and implementing management structures, policies,
3 and procedures based on airport industry best practices and
4 expressly configured to support the efficient development,
5 management, and operation of the State's airports and
6 aeronautical facilities. The corporation shall be placed within
7 the department of transportation for administrative purposes
8 only.

9 (b) The powers of the airport corporation shall be vested
10 in and exercised by a board of directors, which shall consist of
11 nine voting members, who shall be appointed by the governor
12 pursuant to section 26-34; provided that there shall be one
13 member representing each of the counties of Hawaii, Kauai, and
14 Maui and the city and county of Honolulu. Members shall be
15 removed from office by the governor only for inefficiency,
16 neglect of duty, turpitude, or misconduct in office after giving
17 the member a copy of the charges against the member and allowing
18 the member an opportunity to be heard, in person or by counsel,
19 upon not less than ten days notice.

20 Members shall have relevant business and management
21 experience, including experience in one or more of the following



1 disciplines: financial planning, budgeting, hospitality,
2 tourism, commercial development, construction program
3 management, marketing, law, or aviation.

4 No board member appointed under this section shall be an
5 officer or employee of the State or the counties.

6 (c) The airport corporation shall be headed by a single
7 executive to be known as the chief executive officer of the
8 Hawaii airport corporation, who shall:

- 9 (1) Not be a member of the board;
- 10 (2) Serve at the pleasure of the board; and
- 11 (3) Receive such compensation as shall be fixed by the
12 board.

13 (d) The chief executive officer:

- 14 (1) Shall be selected based on criteria approved by the
15 board, including experience in airport management at
16 an executive level at a large- or medium-hub airport
17 within the United States, management of significant
18 scale capital programs, and domestic and international
19 air service development;
- 20 (2) Shall be appointed by a majority vote of the members
21 of the board;



- 1 (3) Shall be employed subject to a formal contract, the
2 terms of which shall be approved by the board;
3 provided that the:
- 4 (A) Terms shall include provisions for the removal of
5 the chief executive officer with and without
6 cause; and
- 7 (B) Salary established by the contract shall not
8 exceed the salary of any deputy director of
9 transportation;
- 10 (4) May be removed from office only by a vote of not less
11 than five members of the board; provided that the
12 basis for removal is consistent with the terms of the
13 applicable employment contract;
- 14 (5) May establish management organization structures;
- 15 (6) May appoint one deputy executive officer, as the chief
16 executive officer deems appropriate, who shall be
17 exempt from chapter 76. The deputy executive officer
18 shall exercise those powers that may be delegated by
19 the chief executive officer;
- 20 (7) Shall have such powers as described in this chapter
21 and as may be delegated by the members of the board;



- 1 (8) Shall attend all meetings of the board, keep a record
2 of the proceedings, and shall maintain and be the
3 custodian of all books, records, documents, and papers
4 filed with the corporation, of the minute book of the
5 corporation, and of its official seal;
- 6 (9) Shall direct and supervise the corporation's
7 administrative affairs and technical activities in
8 accordance with the directives of the board;
- 9 (10) Shall approve all accounts for salaries and allowable
10 expenses of the corporation or of any employee or
11 consultant thereof;
- 12 (11) May hire employees, subject to chapters 76 and 89, to
13 fill positions provided for in the airport
14 corporation's annual budget; provided that the
15 functions and duties of all positions shall be
16 provided for in the bylaws of the airport corporation;
- 17 (12) Shall serve as the chief procurement officer for the
18 corporation; and
- 19 (13) Shall perform such other duties as may be directed by
20 the board in carrying out the purpose of the
21 corporation.



1 (e) The airport corporation shall establish bylaws
2 providing for, upon the vacancy of the position of the chief
3 executive officer, the automatic succession by a deputy
4 executive officer on an interim basis until a permanent chief
5 executive officer is appointed.

6 (f) The number of members of the board necessary to
7 constitute a quorum to do business shall be a majority of the
8 members.

9 § -3 Powers; generally. (a) Except as otherwise
10 provided in this chapter, the airport corporation:

11 (1) Shall exercise power and control over airports, air
12 navigation facilities, buildings, and other facilities
13 belonging to, or controlled by, the airport
14 corporation;

15 (2) Shall exercise general supervision over aeronautics
16 within the State and, in connection therewith,
17 encourage, foster, and assist in the development of
18 aeronautics in the State, and encourage the
19 establishment of airports and air navigation
20 facilities;



- 1 (3) Shall provide as appropriate for the landing, taking-
2 off, and servicing of aircraft, and the loading and
3 unloading of passengers and cargo;
- 4 (4) Shall provide for the comfort, accommodation, and
5 convenience of air travelers;
- 6 (5) Shall establish performance targets and performance
7 standards to achieve the highest levels of customer
8 service;
- 9 (6) Shall cooperate with and assist the federal government
10 and other persons in the development of aeronautics;
- 11 (7) Shall seek to coordinate the aeronautical activities
12 of the State with those activities of the federal
13 government;
- 14 (8) Shall ensure that appropriate mission statements,
15 business plans, minimum development standards, and
16 strategic goals are established and that progress
17 towards their accomplishment is regularly assessed and
18 reported;
- 19 (9) Shall develop an organization and management structure
20 to best accomplish the goals of the Hawaii airport
21 system and the corporation;



- 1 (10) Shall not be subject to chapter 103D;
- 2 (11) Shall employ employees subject to chapters 76 and 89;
- 3 (12) May use the facilities and services of any department,
4 board, commission, or agency of the State or counties,
5 if permitted pursuant to memoranda of understanding
6 approved by the board;
- 7 (13) May sue and be sued;
- 8 (14) Shall have a seal and may alter the seal at its
9 pleasure;
- 10 (15) May make and execute contracts and all other
11 instruments necessary or convenient for the exercise
12 of its powers and functions under this chapter;
- 13 (16) Shall establish bylaws for its organization and
14 internal management;
- 15 (17) Shall adopt an annual budget for its operations,
16 maintenance, and capital improvements, pursuant to
17 chapter 37;
- 18 (18) May own, sell, lease, hold, clear, improve, and
19 rehabilitate real, personal, or mixed property, and
20 assign, exchange, transfer, convey, lease, sublease,
21 or encumber any airport, or any project, improvement,



1 or facility related thereto; provided that the
2 corporation and corporation lands shall not be subject
3 to chapter 171;

4 (19) May develop, construct, reconstruct, rehabilitate,
5 improve, alter, repair, or provide for the
6 development, construction, reconstruction,
7 rehabilitation, improvement, alteration, or repair of,
8 any airport, or any project, improvement, or facility
9 related to airports controlled by the corporation or
10 located on land controlled by the corporation;

11 (20) May arrange or initiate appropriate action for the:
12 (A) Furnishing of facilities;
13 (B) Acquisition of property or property rights; and
14 (C) Furnishing of property, development rights, or
15 services in connection with any airport or any
16 project, improvement, or facility related to
17 airports controlled by the corporation;

18 (21) May grant options or renew any lease entered into by
19 it in connection with any project, on terms and
20 conditions as it deems advisable;



- 1 (22) May engage the services of consultants on a
2 contractual basis for rendering professional and
3 technical assistance and advice;
- 4 (23) Shall procure insurance against any loss in connection
5 with its property and other assets and operations, in
6 such amounts and from such insurers as it deems
7 desirable, or provide for self-insurance;
- 8 (24) May accept and receive gifts or grants in any form
9 from any person, public entity, or source; provided
10 that the grants and gifts shall be used for airport
11 corporation purposes;
- 12 (25) May pledge or assign all or any part of the moneys,
13 fees, rents, charges, or other revenues and proceeds
14 derived by the airport corporation from the proceeds
15 of insurance or condemnation awards for the loss of
16 revenues or incurring of costs and expenses because of
17 any action taken by the airport corporation;
- 18 (26) Shall fix, impose, prescribe, and collect rates,
19 rentals, fees, or charges for the lease, use, and
20 services of its airport facilities at least sufficient
21 to pay the costs of operation, maintenance, and



1 repair, if any, and the required payments of the
2 principal of, and interest on, all bonds issued or
3 assumed by the airport corporation and reserves
4 therefor;

5 (27) May take all actions necessary under emergencies such
6 as hurricanes, tsunamis, and other natural disasters;

7 (28) Shall plan, construct, operate, and maintain all
8 airport facilities in the State;

9 (29) Subject to legislative authorization or appropriation,
10 may allot airport funds, issue revenue bonds and
11 special facility revenue bonds in its name pursuant to
12 chapter 39, but not in excess of such principal
13 amounts as are necessary for its purposes or specified
14 in covenants with bondholders;

15 (30) May invest and secure its moneys in accordance with
16 chapters 36 and 38;

17 (31) May take public and private property for use in
18 furthering any of the purposes of the airport
19 corporation; provided that all proceedings for
20 condemnation shall be conducted in accordance with
21 chapter 101;



1 (32) May provide compensation, allowance, or other
2 assistance to any person for relocation or
3 displacement caused by the acquisition of land for
4 airport purposes;

5 (33) May hire or contract law enforcement personnel;

6 (34) May license all airports and heliports within the
7 State, pursuant to all federal and state rules and
8 regulations, as well as the procedures of the airport
9 corporation;

10 (35) May approve all safety, security, and federal
11 certification plans, procedures, and specifications
12 related to the operation, management, and development
13 of all airports and heliports within the State; and

14 (36) May do any and all things necessary to carry out its
15 powers and duties pursuant to this chapter.

16 (b) The corporation shall adopt rules pursuant to chapter
17 91 to carry out the purpose of this chapter."

18 SECTION 3. Section 26-19, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "§26-19 Department of transportation. The department of
21 transportation shall be headed by a single executive to be known



1 as the director of transportation. The department shall
2 establish, maintain, and operate transportation facilities of
3 the State, including highways, [~~airports,~~] harbors, and such
4 other transportation facilities and activities as may be
5 authorized by law.

6 The department shall plan, develop, promote, and coordinate
7 various transportation systems management programs that shall
8 include, but not be limited to, alternate work and school hours
9 programs, bicycling programs, and ridesharing programs.

10 The department shall develop and promote ridesharing
11 programs which shall include but not be limited to, carpool and
12 vanpool programs, and may assist organizations interested in
13 promoting similar programs, arrange for contracts with private
14 organizations to manage and operate these programs, and assist
15 in the formulation of ridesharing arrangements. Ridesharing
16 programs include informal arrangements in which two or more
17 persons ride together in a motor vehicle.

18 The functions and authority heretofore exercised by the
19 department of public works with respect to highways are
20 transferred to the department of transportation established by
21 this chapter.



1 On July 1, 1961, the Hawaii aeronautics commission, the
2 board of harbor commissioners and the highway commission shall
3 be abolished and their remaining functions, duties, and powers
4 shall be transferred to the department of transportation."

5 SECTION 4. Section 103D-203, Hawaii Revised Statutes, is
6 amended as follows:

7 1. By amending subsection (a) to read:

8 "(a) The chief procurement officer for each of the
9 following state entities shall be:

- 10 (1) The judiciary--the administrative director of the
11 courts;
- 12 (2) The senate--the president of the senate;
- 13 (3) The house of representatives--the speaker of the house
14 of representatives;
- 15 (4) The office of Hawaiian affairs--the chairperson of the
16 board;
- 17 (5) The University of Hawaii--the president of the
18 University of Hawaii; provided that, except as
19 specified in section 304A-2672(2), for contracts for
20 construction and professional services furnished by
21 licensees under chapter 464, the administrator of the



1 state procurement office of the department of
2 accounting and general services shall serve as the
3 chief procurement officer;

4 (6) The department of education, excluding the Hawaii
5 public library system--the superintendent of
6 education;

7 (7) The Hawaii health systems corporation--the chief
8 executive officer of the Hawaii health systems
9 corporation; ~~and~~

10 (8) The Hawaii airport corporation--the chief executive
11 officer of the corporation; and

12 ~~[(8)]~~ (9) The remaining departments of the executive branch
13 of the State and all governmental bodies
14 administratively attached to them--the administrator
15 of the state procurement office of the department of
16 accounting and general services."

17 2. By amending subsection (c) to read:

18 "(c) For purposes of applying this chapter to the
19 judiciary, houses of the legislature, office of Hawaiian
20 affairs, University of Hawaii, department of education, Hawaii
21 airport corporation, remaining departments of the executive



1 branch and all governmental bodies administratively attached to
2 them, and the several counties, unless otherwise expressly
3 provided, "State" shall mean "judiciary", "state senate", "state
4 house of representatives", "office of Hawaiian affairs",
5 "University of Hawaii", "department of education", "Hawaii
6 airport corporation", "executive branch", "county", "board of
7 water supply" or "department of water supply", and "semi-
8 autonomous public transit agency", respectively."

9 SECTION 5. Section 261-1, Hawaii Revised Statutes, is
10 amended as follows:

11 1. By adding a new definition to be appropriately inserted
12 and to read as follows:

13 "Chief executive officer" means the chief executive
14 officer of the Hawaii airport corporation."

15 2. By repealing the definition of "director".

16 [~~"Director" means the director of transportation.~~]

17 SECTION 6. Section 261-2, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "**§261-2 Development of aeronautics, general.** The
20 department of transportation shall have general supervision over
21 aeronautics within the State[-]; provided that on July 1, 2018,



1 the general supervision shall be transferred to the Hawaii
2 airport corporation. It shall encourage, foster, and assist in
3 the development of aeronautics in the State and encourage the
4 establishment of airports and air navigation facilities. It
5 shall cooperate with and assist the federal government and other
6 persons in the development of aeronautics and shall seek to
7 coordinate the aeronautical activities of the State with those
8 of the federal government. Municipalities may cooperate with
9 the department in the development of aeronautics and aeronautics
10 facilities in the State."

11 SECTION 7. The Hawaii airport corporation shall be a
12 successor agency, and jurisdiction over aeronautics and
13 airports, including airport functions under the department of
14 transportation's airports division, shall be transferred to the
15 Hawaii airport corporation on July 1, 2018.

16 To the extent that the Hawaii airport corporation is
17 authorized in this Act to exercise powers and duties which are
18 also granted to other departments, offices, or boards of the
19 State, with respect to airports and aeronautical facilities, the
20 Hawaii airport corporation shall exercise such powers and



1 perform such duties in lieu of any other departments, offices,
2 and boards.

3 SECTION 8. The State shall facilitate the corporation's
4 governance over airports and provide an orderly transition of
5 ownership, jurisdiction, assets, liabilities, powers, funds,
6 accounts, contracts, employees, and any other rights, benefits,
7 or obligations, and authority to control, operate, develop, and
8 maintain airports and aeronautical facilities from the
9 department of transportation to the corporation prior to July 1,
10 2018.

11 SECTION 9. The revisor of statutes shall substitute the
12 phrase "chief executive officer" in chapter 261, Hawaii Revised
13 Statutes, wherever the terms "director" or "director of
14 transportation" appear, except for the amendments made to
15 section 261-1, Hawaii Revised Statutes, in section 5 of this
16 Act.

17 SECTION 10. The revisor of statutes shall substitute the
18 phrase "Hawaii airport corporation" in chapter 261, Hawaii
19 Revised Statutes, wherever the terms "department" or "department
20 of transportation" appear, except for the amendments made to



1 section 261-2, Hawaii Revised Statutes, in section 6 of this
2 Act.

3 SECTION 11. It is the intent of this Act not to jeopardize
4 the receipt of any federal aid nor to impair the obligation of
5 the State or any agency thereof to the holders of any bond
6 issued by the State or by any such agency, and to the extent,
7 and only to the extent, necessary to effectuate this intent, the
8 governor may modify the strict provisions of this Act, but shall
9 promptly report any such modification with reasons therefor to
10 the legislature at its next session thereafter for review by the
11 legislature.

12 SECTION 12. This Act does not affect rights and duties
13 that matured, penalties that were incurred, and proceedings that
14 were begun before its effective date.

15 SECTION 13. If any provision of this Act, or the
16 application thereof to any person or circumstance, is held
17 invalid, the invalidity shall not affect the other provisions or
18 applications of this Act that can be given effect without the
19 invalid provision or application, and to this end the provisions
20 of this Act are severable.



1 SECTION 14. All rights, powers, functions, and duties of
 2 the department of transportation's airports division are
 3 transferred to the Hawaii airport corporation on July 1, 2018.
 4 The Hawaii airport corporation shall recognize all bargaining
 5 units and collective bargaining agreements existing at the time
 6 of transfer to the corporation. The employees of the
 7 corporation shall be considered employees of the State as
 8 provided in this section.

9 All employees who occupy civil service positions and whose
 10 functions are transferred to the Hawaii airport corporation by
 11 this Act shall retain their civil service status, whether
 12 permanent or temporary. Employees shall be transferred without
 13 loss of salary, seniority (except as prescribed by applicable
 14 collective bargaining agreements), retention points, prior
 15 service credit, any vacation and sick leave credits previously
 16 earned, and other rights, benefits, and privileges, in
 17 accordance with state personnel laws and this Act.

18 Any employee who, prior to this Act, is exempt from civil
 19 service and is transferred as a consequence of this Act may
 20 retain the employee's exempt status, but shall not be appointed
 21 to a civil service position as a consequence of this Act. An



1 exempt employee who is transferred by this Act shall not suffer
2 any loss of prior service credit, vacation or sick leave credits
3 previously earned, or other employee benefits or privileges as a
4 consequence of this Act; provided that the employees possess
5 legal and public employment requirements for the position to
6 which transferred or appointed, as applicable. The chief
7 executive officer of the Hawaii airport corporation may
8 prescribe the duties and qualifications of these employees and
9 fix their salaries without regard to chapter 76, Hawaii Revised
10 Statutes.

11 No employee covered by a collective bargaining unit as an
12 employee of the department of transportation shall be laid off
13 as a result of the creation of the Hawaii airport corporation.
14 The officers and all other employees of the Hawaii airport
15 corporation shall be state employees for the purposes of
16 benefits and retirement.

17 SECTION 15. On July 1, 2018, all appropriations, records,
18 equipment, machines, files, supplies, contracts, books, papers,
19 documents, maps, and other personal property heretofore made,
20 used, acquired, or held by the department of transportation
21 relating to the functions transferred to the Hawaii airport



1 corporation shall be transferred with the functions to which
2 they relate.

3 SECTION 16. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 17. This Act shall take effect on December 16,
6 2050; provided that sections 5, 9, and 10 shall take effect on
7 December 17, 2050.



Report Title:

Tourism; Transportation; Aeronautics; Hawaii Airport Corporation

Description:

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 the Department of Transportation to the Hawaii Airport Authority.
(SB658 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
LABOR & PUBLIC EMPLOYMENT

MARCH 21, 2017 10:00 A.M.

SB 658 SD2, HD1
RELATING TO AN AIRPORT CORPORATION

Chair Johanson, Vice-Chair Holt and members of the committee, thank you for the opportunity to submit testimony on SB658 SD2 HD1. The State Procurement Office's (SPO) supports the intent of this bill and offers the following recommendation:

Page 11, line 1 of the bill states the Hawaii Airport Corporation shall be exempt from the Procurement Code.

The SPO is in support of the Hawaii Airport Corporation (HAC) become its own CPO Jurisdiction, and it should continue to follow HRS 103D.

The states 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. HAC should strive to create a system that is fair and transparent, using systems that allow for meaningful business analytics.

Page 13 item 22:

"...May engage the services of consultants on a contractual basis for rendering professional and technical assistance..."

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.

The following section is also concerning with regard to procurement policy and procedure.

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“...May accept and receive gifts or grants in any form from any person, public entity, or source; provided that the grants and gifts shall be used for airport corporation purposes...”

SPO strongly urges that the Hawaii Airport Corporation HAC be required to develop a strict policy on operational conflicts of interest, and procurement integrity issues to mitigate perceptions of gifts or grants unduly influencing procurement decisions.

The HAC must take into account that procurement is a complex function guided by numerous policies are critical to ensuring procurement staff, and all stakeholder’s follow the proper procedures, and rules so all will have a clear and consistent understanding of the required regulations. The HAC should develop a comprehensive procedure manual that clearly defines authority, management oversight, responsibility, and guidelines for the public and procurement staff when carrying out their responsibilities.

The SPO recommends the Hawaii Airport Corporation (HAC) become its own CPO Jurisdiction. This will allow the HAC to develop more efficient internal processes and give it authority over its own procurements, but still maintain the higher level policies of the State Procurement Code and Rules.

In order to achieve the above recommendations, the SPO suggests the following verbiage to this bill:

The Hawaii airport corporation shall have its own CPO Jurisdiction within HRS103D, and the Chief executive officer shall serve as chief procurement officer for the Hawaii airport corporation with full authority to develop and implement procedures for the timely and efficient procurement of professional services; planning, engineering, and construction services; and such other services and materiel as may be required for the development, management, and operation of the airport system, consistent with accepted standards of probity, transparency, and accountability for a public body;

Add a new Section:

SECTION X. Section 103D-203, Hawaii Revised Statutes, is amended to read as follows:

Chief procurement officers. (a) The chief procurement officer for each of the following state entities shall be:

- (1) The judiciary--the administrative director of the courts;
- (2) The senate--the president of the senate;
- (3) The house of representatives--the speaker of the house of representatives;

(4) The office of Hawaiian affairs--the chairperson of the board;

(5) The University of Hawaii--the president of the University of Hawaii; provided that, except as specified in section 304A-2672(2), for contracts for construction and professional services furnished by licensees under chapter 464, the administrator of the state procurement office of the department of accounting and general services shall serve as the chief procurement officer;

(6) The department of education, excluding the Hawaii public library system--the superintendent of education;

(7) The Hawaii health systems corporation--the chief executive officer of the Hawaii health systems corporation; and

(8) The Hawaii airport corporation – the chief executive officer of the corporation.

(89) The remaining departments of the executive branch of the State and all governmental bodies administratively attached to them--the administrator of the state procurement office of the department of accounting and general services.

(b) The chief procurement officers for each of the several counties shall be:

(1) The executive branch--the respective finance directors of the several counties, except as provided in paragraphs (3), (4), and (5);

(2) The legislative branch--the respective chairpersons of the councils of the several counties;

(3) The Honolulu, Kauai, and Maui boards or departments of water supply--the managers and chief engineers of the respective boards or departments of water supply as designated by county charter;

(4) The Hawaii board of water supply--the manager of the board of water supply as designated by county charter; and

(5) The semi-autonomous public transit agency--the director of the agency as designated by county charter; provided that the chief procurement officers designated under paragraphs (1), (2), (3), (4), and (5) shall not exercise their powers or duties over contracting in a manner contrary to the respective county's charter, ordinances, or rules adopted in accordance with chapter 91.

Thank you.



Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815
kelepona tel 808 973 2255
kelepa'i fax 808 973 2253
kahua pa'a web hawaii tourism authority.org

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
SB658 SD2 HD1 Relating to an Airport Corporation
House Committee on Transportation
Tuesday, March 21, 2017
10:00 a.m.
Conference Room 309

Chair Johanson, Vice Chair Holt and Members of the committee:

The Hawai'i Tourism Authority (HTA) offers the following **comments on** SB658 SD2 HD1, 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.



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

ON THE FOLLOWING MEASURE:

S.B. NO. 658, S.D. 2, H.D. 1, RELATING TO AN AIRPORT CORPORATION.

BEFORE THE:

HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

DATE: Tuesday, March 21, 2017

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 309

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

Chair Johanson and Members of the Committee:

The Department of the Attorney General provides the following legal comments regarding 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.

EMPLOYMENT

Subsection (c) on page 6, lines 6-8, of the new section -2 provides that the corporation shall be headed by a chief executive officer (CEO). There is no express civil service exemption for this position in the bill. If the intent is to exempt this position from chapter 76, the bill should include wording that the CEO shall be exempt from chapter 76, and section 76-16(b), Hawaii Revised Statutes (HRS) should be amended to expressly list the CEO as a position that is exempt from chapter 76. If exempted but not listed in section 76-16(b), pursuant to section 76-16(b)(17)(A), HRS, the CEO position would be for a period of only three years unless affirmatively extended by an act of the Legislature.

Paragraph (6) on page 7, lines 15-17, of the new section -2 authorizes the appointment of one deputy executive officer (DEO) who shall be exempt from chapter 76. Section 76-16(b), should be amended to expressly list the DEO as a position that is exempt from chapter 76.

There is no provision regarding the salary limit for this officer. If it is not listed, pursuant to section 76-16(b)(17)(A), the DEO position would also be for a three-year period unless affirmatively extended by an act of the Legislature.

Section 14 on page 23, lines 18-21, addresses the transfer of exempt employees from the Department of Transportation to the corporation. These employees have existing qualifications, duties, and salaries. The bill however, on page 24, lines 6-10, authorizes the CEO to prescribe the duties, qualifications, and salaries of these exempt employees. This sentence should be deleted if the intent is that the exempt employees who are transferred should remain in their same positions and maintain the same salaries.

PROCUREMENT

Paragraph (10) on page 11, line 1, of the new section -2 provides that the corporation shall not be subject to chapter 103D, HRS. However, section 4 on page 18, lines 10-11 and 20-2, and on page 19, lines 5-6, makes amendments to section 103D-203(a) and (c), HRS. The amendments to section 103D-203(a) and (c) are not necessary if the corporation is exempt from chapter 103D.

CHAPTER 171

Paragraph (18) on page 12, line 2, refers to “corporation lands.” It is ambiguous whether this means lands owned by the corporation (the Department of Transportation does not own any land and no land will be transferred to the corporation) or lands controlled by the corporation. “Corporation lands” should be revised to “land controlled by the corporation” to be consistent with the wording of other provisions in the bill.

Thank you for the opportunity to provide comments regarding this bill.



**HEADQUARTERS
HAWAII WING
CIVIL AIR PATROL**

UNITED STATES AIR FORCE AUXILIARY
P. O. BOX 29417
HONOLULU, HI 96820

Tuesday, March 21, 2017
10:00 AM, Conference Room 309, State Capitol

TESTIMONY FOR: Chair Arron Ling Johanson, Vice Chair Daniel Holt of the
Committees on Labor & Public Employment

FROM: Hawaii Wing Civil Air Patrol Commander: Colonel Pat Collins and Vice
Commander Lt Col Carswell Ross

SUBJECT: Support with amendments to SB 658, SD2, HD1: RELATING TO AN
AIRPORT CORPORATION

Good afternoon Chair Johanson and Vice Chair Holt, and members of the Committee on Labor & Public Employment. The Hawaii Civil Air Patrol, an organization that provides emergency, Tsunami Warning, Search and Rescue services as well as aeronautical education for Hawaii's youth, supports the intent of SB658. We note that as an island state there is one mention of emergency service within the proposed legislation. As you are aware if there were a significant weather or manmade disaster to one or more islands the fastest method to provide help would be by air transportation of humanitarian aid, machinery, and personnel would be by air using our airports. Although the Civil Air Patrol provides warning services in response to Federal and State procedures, we use airport facilities to house our aircraft, as does other Federal and State agencies. We strongly suggest that planning for and sheltering emergency service provider be added to the roles and responsibilities of the newly established airport Corporation.

The following wording on page 3, line 3 (7) Increasing responsiveness to customer needs; **especially during emergent situation**, could be added without changing the focus or intent of the sentence. This change supports page 14, line 5, (26) which speaks to emergency warning services.

Thank you for the opportunity to testify in **support**, with amendment, of the proposed SB 568, SD2, HD1.



SB658 SD2 HD1
RELATING TO AN AIRPORT CORPORATION
House Committee on Labor & Public Employment

March 21, 2017

10:00 a.m.

Room 309

The Office of Hawaiian Affairs (OHA) **OPPOSES** SB658 SD2 HD1, which would establish the Hawai'i Airport Corporation (Corporation) to exercise consolidated jurisdiction over the State's airports and airport lands, and exempt the Corporation from critical laws protecting Native Hawaiian rights and interests in public and "ceded" lands.

OHA has significant concerns regarding language in this measure that would explicitly exempt the Corporation and Corporation-held lands from Hawai'i Revised Statutes (HRS) Chapter 171.

Under Article 11, section 1 of the Hawai'i State Constitution and HRS Chapter 171, the State holds in trust approximately 1.3 million acres of public lands, including the natural and cultural resources they contain, for the benefit of present and future generations. Much of these lands are "ceded" lands, most of which are also subject to the public land trust created by Article 12 of the Hawai'i State Constitution and the Admission Act section 5(f), which requires that a portion of revenues derived from public land trust lands be dedicated to OHA, for the purpose of bettering the conditions of Native Hawaiians. OHA notes that the trust status of these lands imposes on the State specific fiduciary obligations of due diligence and undivided loyalty, in making the trust corpus productive and maximizing its benefits for the trust's Native Hawaiian and public beneficiaries.

By exempting the proposed Corporation from Chapter 171, this bill would circumvent critical laws that protect Native Hawaiian rights related to "ceded" lands, other public lands, and the public land trust. For example, Chapter 171 contains requirements that legislative approval be obtained prior to the sale or gift of state lands (HRS §171-64.7), or to the exchange of public lands for private lands (HRS §171-50). OHA views these statutory protections as critical to maintaining the ceded lands corpus, as their enactment was a condition precedent to the settlement agreement in the OHA v. Housing and Community Development Corporation of Hawai'i lawsuit, brought in response to the State's actions to sell and otherwise alienate ceded lands. An exemption from these statutory requirements would therefore undermine the long-held understanding between OHA, Native Hawaiians, and the State, regarding the State's moral and legal obligation to maintain the ceded lands corpus. Chapter 171 also contains requirements for leases of public lands, including public auction requirements, limits on lease length

and parcel use, and lessee qualifications, all of which are meant to benefit and protect the interests of Native Hawaiians and the public. Exempting the Corporation from these requirements may invite potential violations of the public trust and public land trust, by foreclosing opportunities to maximize the financial and intangible benefits derived from the trust corpus, and fostering a sense of entitlement in lessees that can and has in the past led to the alienation of public lands. **Accordingly, the wholesale exemption of the Corporation and its lands from Chapter 171 may threaten a range of Native Hawaiian interests in our limited public land base.**

OHA has additional concerns over Section 2 of the measure, which describes the new Corporation 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 would apply to the Corporation, including 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.

Accordingly, OHA urges the Committee to **HOLD** SB658 SD2 HD1, or otherwise ensure that all laws establishing and protecting the rights of OHA and its beneficiaries be made explicitly applicable to the Corporation in its receipt, administration, and disposition of lands that fall under its control. Mahalo for the opportunity to testify on this measure.

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 11:19 AM
To: LABtestimony
Cc: merubenstein@gmail.com
Subject: Submitted testimony for SB658 on Mar 21, 2017 10:00AM

SB658

Submitted on: 3/18/2017

Testimony for LAB on Mar 21, 2017 10:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Marc Rubenstein	Royal Star Hawaii	Support	No

Comments: I would like to testify in favor of this bill. The State has not been effective in keeping up with minimal standards for a world class destination. The current airport is outdated, neglected, and all efforts to modernize are over budget in time and money. We need a separate authority that can cut through bureaucracy and get our airport at least up to minimal standards.

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

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MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 309
TUESDAY, MARCH 21, 2017 AT 10:00 A.M.**

To The Honorable Aaron Ling Johanson, Chair;
The Honorable Daniel Holt, Vice Chair; and
Members of the Committee on Labor & Public Employment

**TESTIMONY IN SUPPORT OF SB 658 TO ESTABLISH THE HAWAII
AIRPORT CORPORATION FOR ADMINISTRATIVE PURPOSES**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce representing approximately 600 businesses and 16,000 employees on Maui. I am writing share our support of SB658.

The visitor industry is extremely important to our overall state economy, creating a number of jobs for residents and generating revenue for local businesses. Our visitors are impacted by their experiences at the airport, which is their first and last impression of our islands. Many of our airports need updates and improvements to continue to sustain the growing tourism industry. Therefore, we support this bill that would create a the airport corporation to oversee updates and management of our state's vital airports.

We appreciate the opportunity to testify on this matter and therefore ask that this bill be passed.

Mahalo for your consideration of our testimony and we hope you will move this bill forward.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



**Testimony to the House Committee on Labor & Public Employment
Tuesday, March 21, 2017 at 10:00 A.M.
Conference Room 309, State Capitol**

RE: SENATE BILL 658 SD2 HD1 RELATING TO AN AIRPORT CORPORATION

Chair Johanson, Vice Chair Holt, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 658 SD2 HD1, 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 the Department of Transportation 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
- 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

While we support the proposal for the Hawaii Airport Corporation we also would support any policies and procedures that would provide sufficient oversight on the collection and expenditure of the funds raised at Hawaii's airports.

Thank you for the opportunity to testify.

SanHi Government Strategies

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

a limited liability law partnership
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DATE: March 20, 2017

TO: Representative Aaron Johanson
Chair, Committee on Labor & Public Employment
Submitted Via Capitol Website

RE: **SB 658, S.D.2, H.D.1 Relating to an Airport Corporation**
Hearing Date: Tuesday, March 21, 2017 at 10:00 a.m.
Conference Room: 309

Dear Chair Johanson and Members of the Committee on Labor & Public Employment:

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** S.B. 658, S.D.2, H.D.1 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 S.B. 658, S.D.2, H.D.1 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



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

SB 658 SD2 HD1

Relating To An Airport Corporation

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

Tuesday, March 21, 2017, 10:00 am

Conference Room 309

Dear Chair Ling Johanson, Vice Chair Holt 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 SB 658 SD2 HD1, 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 the Department of Transportation to the Hawaii Airport Authority.

MHLA believes that this measure could facilitate the completion of long-needed airport improvement and 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.

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 oversee our airport's planning, management, marketing and development.

We respectfully request you consider passing SB 658 SD2 HD1. Thank you for the opportunity to testify.

Douglas Meller
2615 Aaliamanu Place
Honolulu, Hawaii 96813
douglasmeller@gmail.com

Testimony Opposing SB 658, SD 2, HD 1 Relating to an Airport Corporation

Submitted to House Committee on Labor & Public Employment
10 am, March 21, 2017 Hearing in Conference Room 309

SB 658, SD 2, HD 1 cannot accomplish what is desired by the agencies and organizations which support it. Instead of enacting ineffective legislation, I suggest that you replace the current contents of this bill with a mandate and appropriation for the Legislative Auditor to:

- study “best-practices” for airport funding, operation, and management and
- recommend appropriate Constitutional and statutory amendments to adapt “best practices” for Hawaii’s situation.

HDOT’s February 1, 2017 testimony on SB 658 alleged that “State-imposed constraints to Airport operating budgets and staffing have resulted in progressive deterioration of the quality of terminal facilities . . . below the standard of other airports serving leading global destinations.” I agree. But SB 658, SD 2, HD 1 will not help. Without a Constitutional amendment, the Legislature will continue to impose “constraints” on the proposed Airport Corporation’s expenditures and staffing.

HDOT’s February 1, 2017 testimony on SB 658 also alleged that “Distributed responsibility and involvement by multiple agencies, sometimes with conflicting goals and priorities, results in delay to decision-making, inefficiency and reduced effectiveness. “ I agree. But SB 658, SD 2, HD 1 will not help. Merely exempting the proposed Airport Corporation from the Governor’s allotment advice and political oversight will not reduce airport conflicts with other agencies which need additional funding, staffing, and airport space for their airport-related functions. At a minimum, the proposed Airport Corporation should be assigned statutory responsibility to cooperate with and assist the State DOH, DOA, and DLNR to control introduction of noxious non-native plants, animals, and diseases. Perhaps the proposed Airport Corporation should have statutory responsibility to collect user fees assessed by the DLNR, DOA, and DOH to fund their airport-related functions. And because several underfunded federal agencies need to screen embarking and/or disembarking passengers, the proposed Airport Corporation needs clear statutory authorization to use Airport Corporation funds to “purchase” sufficient federal employees to reduce delays for airport passengers.

Before establishing a new semi-autonomous Airport Corporation, I also suggest that the Legislature ask the Legislative Auditor to reconsider potentially problematic “airport financial and property considerations”. For example:

- should the state subsidize Hawaii airports? Perhaps state law could and should deposit revenues from Duty Free concessions located outside of airports into the general fund rather than into the airport fund.
- should the Airport Corporation be authorized to favor or subsidize certain enterprises with either non-bid leases or below-market leases of public property? It seems reasonable for the statute creating an Airport Corporation to incorporate a transparent process and reasonable criteria for leases of airport property.
- should OHA be compensated for revenues arising from private lease of ceded lands within airports? State law should unambiguously resolve whether OHA is entitled to compensation; and, if compensation is owed, clarify whether compensation should be derived from airport revenues or from the general fund.
- should the DHHL be compensated for revenues arising from private lease of public lands within airports which were formerly leased for cultivation of sugar cane? If the State Constitution requires compensation, State law should unambiguously clarify whether compensation should be derived from airport revenues or from the general fund.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 20, 2017 9:57 AM
To: LABtestimony
Cc: championhome@hotmail.com
Subject: *Submitted testimony for SB658 on Mar 21, 2017 10:00AM*

SB658

Submitted on: 3/20/2017

Testimony for LAB on Mar 21, 2017 10:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Arnold Abe	Individual	Oppose	No

Comments:

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

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Statement of Richard Hill

Representative Aaron Ling Johanson, Chairman
Representative Daniel Holt, Vice Chairman
Hawaii State Legislature - **House Committee on Labor**

Submitted March 20, 2017

→ **Written Statement for Hearing of Tuesday, March 21, 2017 10:00 a.m.**

Support for Intent of S.B 658, S.D. 2 H.D. 1 & Recommendations Relating to the Formation of an Airport Corporation

Revisions for HC LAB from HC TRN Statement of March 13, 2017 by Color/Italics

As a Hawaii Resident for most of the past 16 years I have a both a personal and professional interest in the success of HDOT's effort to reorganize the Hawaii Airport System. As a former Chairman of the Board for the Reno Tahoe Airport Authority, and having served in key career management and policy making roles during the formative development, growth and maturation of the agency over 20 years I have been asked by several stakeholders to contribute my opinions and recommendations for the committee to consider. Thank you for the opportunity Mr. Chairman.

Sharing the Experience - Airport Authority Formation

What started out as United Airlines Airport in the 1950's evolved to become Reno Municipal Airport managed by the City of Reno. Severe mismanagement, missed opportunities, conflicting priorities and unmet constituent needs led to the need for change. A well-crafted enabling statute in 1977 was a visionary effort marshaled forward by a strong Nevada State Senate Leader. When the creation statute was enacted it gave the agency the broadest of powers as a full subdivision of the state, not subordinate to any other agency. Improvements were subsequently made to the legislation but always at the request of the Authority, not the legislature. Certainly there was trepidation that the agency needed to ramp up gradually or it could fail. These fears were never realized as the agency developed its own civil service plan and followed the principles laid out in the state purchasing act. Upon the liberation from state control, expert management was unleashed and stakeholder confidence soared. Its passage sparked investment and spawned immediate and rapid development through the Authority's exclusive ownership of airport land, facilities and full governing autonomy over the operation and administration Reno Tahoe International Airport and Reno Stead Airport.

Performance & Results

The agency hit the ground running. From its inception, the Airport Authority was the recipient of countless financial excellence, productivity enhancement and efficiency awards. Frustration among all stakeholders gave way to definitive plans to energize idle assets. Bonds were issued for a terminal expansion. Innovative ideas were easily implemented and performed with absolutely no state, county or special municipal permissions, multiple agency approvals, revenue diversions

or state-control-for-the-sake-of-control. A new terminal building was funded and built. Airlines no longer balked at operating at RTIA, but were soon free to penetrate its once restrictive air service market and to obtain non-exclusive gate access to benefit from the synergies of shared facilities, ending the era of gate monopolization. The Authority worked closely with the FAA to be proactive in its interpretations of the FAR's to the delight of its General Aviation community. A new anchor carrier started service and identified an enduring market, launching into a diversified competitive redefinition leading to some of the lowest sustainable fares in the nation, and ultimately rising to a dominant market position they hold to this day. A parking structure transformed the passenger convenience standard to a new level by developing contiguous facilities with the shortest aggregate walk-to-gate distance in the nation for resident travelers. Non-aeronautical revenues increased dramatically and costs dropped precipitously as the airport rose to over 6.6 million passengers annually by the late 90's and was ranked as the fastest growing airport in the nation rising from the rank of the 60th busiest airport in the nation to 43rd. Landing fees, at the growing medium hub airport went from the highest in the nation to the lowest in three short years. Many industry leaders saw then, what we all see today; ***The enabling statute of the Reno Tahoe Airport Authority is one of the most successful airport governing models in the nation.***

Anyone who has visited Reno Tahoe International can easily see that it continues on its path of excellence today as a thematic masterpiece, efficiently run on a firm financial footing with widespread community acceptance and a full range of passenger conveniences. ***However, without the courage of the legislature to act to nearly four decades ago to implement the Airport Authority this vision of excellence would simply never have been realized.***

By the State of Nevada relinquishing direct control the Airport System it flourished, and the State Legislature can take the credit for the progress achieved, acting boldly to divest power when it seemed counterintuitive at the crossroads it faced at that pioneering time. Now Hawaii is in that same position.

The Hawaii Constituency – The Flying Public

The constituency requiring the most focused attention for their needs, and therefore representation for their interests are the **flying public**. Some argue that this representation is provided by the airlines. In practice, the reality is that the Airport Authority serves as the de-facto advocate for efficient and effective facilities on the ground to serve the passenger. The signatory airlines exercise their interests through their majority-in-interest clause of the residual airport agreement for these facilities. HDOT is disadvantaged by operating within the state run model for a variety of reasons. This frustrates the airlines whose properties executives expect to negotiate with an empowered decision maker. The airport leader's job is to frame the operating and development issues for investments that are in tune with their need to restrain costs, skillfully forecast requirements, identify and develop non-aeronautical funding sources and reliably deliver facilities as agreed according to a dynamically driven, coherent and predictable master plan. In like fashion, the same frustration is shared by concessionaires who serve your passengers and other first and second tier stakeholders who experience delays in the decision process.

The Urgency

As I have observed the bills being discussed in the halls of the legislature and my attendance at the Aviation Caucus, Aviation Day, and in conversation with individual legislators there is a palpable sense that the top-down power and decision structure is failing. Failing to keep up with the needs of the Airport System comprised of 15 airports and the many interests and constituencies requiring action. In my discussions with members of the airline, tourism, concessionaire, construction and general aviation communities and those within FAA circles have expressed an urgency to act now, not later. They want to streamline state processes and expedite decision-making that enables **responsible and responsive action** to seize immediate opportunities to deliver more efficient and effective airport facilities, and to administer them in a fair and equitable manner. These groups encourage removal of state imposed rules that are inflexible-in-practice, and procedures with constraints which impede the expected progress in building the proper capacity for the economic pipeline that the Airport System should be more efficiently delivering for the Aloha State. That takes expertise, focus, time and support. With the vast untapped aviation opportunities and strategic placement in the geographic center of the Pacific Rim, that time is now.

Opportunity Cost

Cargo buildings in the center of the Pacific Rim should not stand idle and unoccupied. Premium developable land and hangar facilities should not sit unattended, unfunded, un-partnered, un-negotiated and in economic limbo. Planes should not be parked on taxiways, left wanting for construction of ramp space. Progress on master plans should not be halted to await direction from the legislature to only find that action is deferred simply because it is too complex to unwind the byzantine rules. Simply put, to kick the airport can down the road from legislative session to legislative session is not progress. It needs to be championed in the legislature, ownership taken and closure brought to the bill before you. Your action now will send a message that there is a unified mandate to remedy these continued missed opportunities that hurt the entire airport system, and the citizens of Hawaii. The net effect of capitalizing on these missed opportunities is to generate a windfall that benefits the newly expanded Airport System and keeps it independent. An Airport Authority is one agency that will never be a burden, but rather it will produce direct and indirect dividends to the people of the Aloha State for years to come.

Appropriate Statutory Roles

Running a metropolitan international airport is analogous to running a complex city. Taken further, an airport system comprised of multiple airports serving multiple passenger catchment areas requires a staff structure with the appropriate divisions of labor which arm it with the credibility to responsibly carry out the fiscal administration and operations with full accountability to the public. It is a serious specialized business. The broad responsibilities of a State's Department of Transportation are not typically tooled for, nor should it be expected to provide the specific competencies and scale required to quickly and efficiently bring rapid change of focus to the airport as it does not have the specialized training, resources, procedures or communications configured to the complexities of this specialty field. An Airport Authority

structure provides a systematic forum that serves as the magnet for facilitating understanding and improved 'clarity of purpose' by and between their interdependent customers, reinforcing and refining its mission through its regular agendas.

Corporation vs. Authority

Airport Authority is the more prevalent industry term for an entity that governs an airport system such as the Hawaii Airport System. The DOT Director has testified that there is no difference in the intent or definitions between Authority and Corporation. With that said the difference could be just semantic on intent. However, Airport Authority governing structures most typically stand alone as a subdivision of the state with no influence being exerted by the state beyond its creation. A "Corporation" connotes that it is formed for a specific purpose and that it may be intended to extinguish after that purpose is achieved. It is usually subordinate to a parent agency. S.B.658 S.D.2 has eliminated the repeal clause and therefore it would seem that the entity is intended to endure beyond a single purpose. However, it also appears that there are linkages between HDOT and the Corporation that interweave the entities to the procurement statutes and civil service statutes under HDOT. It could be inferred from this that the "Corporation" could be interpreted as being subordinate to HDOT. It would appear that the title of "Airport Authority" would be a better title for the agency's longer term strategic purposes to eliminate any misinterpretation of its intent, scope and durability.

Having reviewed Bills H.B.1443 and S.B.658 in detail through S.B.658 SD2 in TRN, *and the current S.B.658 SD2 HD1 in LAB*, along with the testimonies given, I respectfully provide my opinion in the form of recommendations and the narrative rationale below:

Review of S.B.658 S.D.1 H.D. 1 in its Current Form

Passage of the bill in its current form would be preferable to having no action taken in the legislature in the 2017 Legislative Session. The concern I see is that there could be interpretations that contain lingering potential mechanisms and influences from forces outside the agency that could dilute the agency's independence and invite politics to play a role in future transactions, appointments, or decisions. This should be protected against to ensure the long term health of the agency. But to avoid making the 'perfect' the enemy of the 'good', some actions should take place in this session to start the transition immediately.

The Transition

HDOT's immediate concern appears to be the need for a mechanism to allow HDOT latitude to move forward with backlogged projects and propel languishing programs. This is a good short-term goal. Once the immediate goals have been achieved there should be a specific period of time when the new Airport Authority agency should become its own subdivision of the State, and be removed from the operating "administrative purposes" under HDOT.

Procurement - RTAA was given broad exemptions on regulatory purchasing processes and required to follow some basic guidelines defined in the State Purchasing Act. This practice has resulted in using these exemptions to expend hundreds of millions of dollars of capital

projects and operating contracts which deliver a high standard of value for the traveling public and have successfully maintained the public trust without scandal or waste. To enact this provision in S.B. 658 it would be prudent to give the new board the first task of passing the act within one year, at which time the provisions are met, then any dependence on interim state purchasing regulations would automatically sunset by this statute.

Civil Service Plan - To address the same issues faced by RTAA in their enabling statute, the Nevada Legislature enabled the Authority to adopt its own Civil Service Plan to be administered by its Board of Trustees. It has 14 provisions, required by the statute, which define the administration of both exempt and non-exempt employees which the Board did in fact adopt and in fact improved upon over the years, the outcome of which finds efficient, satisfied and well compensated employees.

***Hawaii Labor's Stated Concerns Raised in TRN** – Positive labor relations is a valuable asset in moving an Airport organization forward, especially when a partnership is essential to raising the bar. To address any misconceptions early is important. Therefore, the issues raised by Hawaii Labor in the House Committee on TRN, particularly concern for the impact of the proposed legislation on State employees affected in the transition to the new Airport entity being created should be illuminated and discussed directly. The specific concerns are:*

- ✓ **Hawaii Labor's Concern - Comparison with the Hawaii Health Systems 'Corporation', and concern its apparent lack of success has a parallel to the Airport 'Corporation'.**
 - *While both agencies being compared benefit from reduced regulation and both happen to be proposed under the same moniker (Corporation) the similarity to HHSC ends there. HHSC differs considerably in scope, purpose and mission challenges as a point-by-point analysis of the specific needs faced, and specific tools available to each, would reveal. While the Airport Authority concept was groundbreaking almost four decades ago, the agency model is now mainstream with many dozens of organizations operating under the now classic model, and many more based on similarly situated and successful such models operate not only in the United States but at airports around the world, seamlessly serving hundreds of millions of passengers every day. You need only to turn on the TV news to recognize that the Health Care Industry is at a different stage in its evolution and circumstances entirely.*
- ✓ **Hawaii Labor's Concern – Asserting that multiple state agencies with improved cooperation would better protect the public interest than the proposed Airport Authority**
 - Labor has stated their confidence that it is possible to achieve better coordination the current state agencies and thereby better serve the public interest. However, the record is replete with examples and testimony that this type of coordination has been more than elusive, not because of the people within the state agencies, but from a **structure** that places the agencies in competition for purview, priority and the resulting*

*conflagration of time consuming processes that are unresponsive to the airport stakeholders. This is not unique to Hawaii, but of many states and countries that turn to the improved structure an Airport Authority provides. It comes down to **focus on the issues airports face on a systematic basis** -- Issues involving safety, economics, development and operations that simply must keep pace in a rapidly changing environment. This focus is provided by the team of people who make up the Airport Authority.*

People are the Key to Success

Once the structure is in place, the people are the greatest asset and the key to success at the new agency. If I were a concerned employee wanting to know how such a transition has worked at another Airport Authority I would want to know what other organizations have implemented this entity and how it worked out. Having served in the rank-and-file, on management staff, on both sides of the negotiating table and on the Reno Tahoe Airport Authority policy board as its Chairman, I would like to relate my knowledge of the transition by these specific observations:

- All then-existing transitioning municipal employees benefits/agreements were honored, not diminished, and newly hired employees were successfully integrated into the Airport workforce.*
- All employee collective bargaining rights were respected.*
- A pay for performance program was initiated resulting in a measurable increase in productivity. Employees were solicited for ideas and participated fully in assisting to set the higher standards by which they themselves were measured, and enjoyed the pride of achievement for their part in many award winning programs receiving industry recognition.*
- Nearly all of the transitioned employees raised their level of performance and fully participated in the higher, measurable performance expectations and went on to have full productive and rewarding careers, retiring with stable and competitive incomes.*
- The financial health of the organization maintained a trend that evolved to inspire confidence among its stakeholders and did not devolve in any manner.*
- Of the many Legislative, State Agency, City and County Leaders, Employees, Unions, Airlines, FAA and the countless others I have had contact with who took risks of one kind or another during a time when an Airport Authority model was deemed experimental **not one person has expressed that it was a poor decision**, or any regret for the path taken to usher in the profound changes, nor do I recall hearing*

even a single comment that it would have been better to run the airport “the old way”.

- *Each airport board and each airport executive leader have different approaches when applying their success formulas. RTAA had five such leadership changes over 40 years. So the road can at times be rocky when conducting position-based negotiations using these inherently different management styles. Like any organization, RTAA was no different in its evolution with Labor. However, these methods have yielded to the more contemporary **interest-based negotiation** that, on the whole, achieved greater efficiency, productivity and reward as it has raised standards and moved the organization higher. Employees always played an essential and important role in that effort with new collaborative ways for employees and managers to think about their work.*

Deputy Director Provisions in the Proposed Bill

The legislation defines and limits the number of Deputy Directors to one and a salary limitation in the statute. For whatever the reason is that this language was added to the bill this statutory constraint on the second tier level of the management team appears incongruous with the executive and board responsibility to effectively and competitively manage the organization. A classic structure for airports is to implement a division of labor between the administration and operations functions. This statutory constraint would foreclose that option for executive management into the future.

Board Member Qualifications - The RTAA places an emphasis on having the county/municipalities appoint members with qualifications in Aviation, Business and Tourism backgrounds. The board members (9) are also paid a modest stipend (\$560/mo. in 1977) by statute to help insure commitment, uniformity, and participation continuity and given a corporate surety bond conditioned on faithful service, also by statute. It has proven in the past to be a profound benefit to have at least one pilot on the board. With Reno-Stead Airport being the home of the Reno Air Races, we had a legacy of top pilots as Board Trustees who acted as ambassadors to the General Aviation community.

Be brave, look forward, think big and take action. If you do, the agency you create and the professional airport executives that lead it to success will give you pride in the most impressive and wonderful way.

- **Thank you Mr. Chairman for the opportunity to share my opinions and recommendations with the Committee.**

SB 658, SD2, HD1
Late Testimony

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

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

LATE

WRITTEN ONLY

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
ON
SENATE BILL NO. 658, S.D. 2, H.D. 1

LATE

March 21, 2017
10:00 a.m.
Room 309

LATE

RELATING TO AN AIRPORT CORPORATION

Senate Bill No. 658, S.D. 2, H.D. 1, proposes to establish the Hawaii Airport Corporation (HAC) 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. 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 and shall not be subject to Chapter 103D, Hawaii Public Procurement Code.

The Department of Budget and Finance questions the benefit that a separate governing board would bring to improving airport operations, given that the HAC is still attached to the Department of Transportation. Additionally, it is unclear the intent of the general powers relating to Item 28 "Subject to legislative authorization or appropriation

may allot airport funds...”, as all appropriations and authorizations are subject to Chapter 37, HRS, unless specifically exempt.

Thank you for your consideration of our comments.

LATE

DAVID Y. IGE
GOVERNOR



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

LATE

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

March 21, 2017
10:00 a.m.
State Capitol, Room 309

LATE

**S.B. 658, S.D. 2, H.D. 1
RELATING TO AN AIRPORT CORPORATION**

House Committee on Labor and Public Employment

The Department of Transportation **supports** the intent of S.B. 658, S.D. 2, H.D. 1, which authorizes the establishment of the Hawaii Airport Corporation with the DOT for administrative purposes on July 1, 2018 with amendments.

The Hawaii Airport Corporation must be empowered to be able to recruit and retain exceptional leadership by offering benefits that commensurate the dynamic operations of Hawaii's airport system in comparison to other airports.

The transition of the Hawaii Airport Corporation must also be orderly to facilitate the corporation's governance which includes assets, funds, accounts, contracts, and liabilities.

Enclosed is a proposed H.D. 2 which addresses these concerns for your consideration.

Thank you for the opportunity to provide testimony.

A BILL FOR AN ACT

RELATING TO AN AIRPORT CORPORATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the economic well-
2 being of the State is substantially dependent on the efficient
3 development, management, and operation of its airports and air
4 transportation infrastructure. The legislature further finds
5 that responsibility for Hawaii's airport planning, management,
6 marketing, and capital development functions is currently
7 distributed among a number of agencies, including the department
8 of transportation's airports division, Hawaii tourism authority,
9 department of budget and finance, department of human resources
10 development, board of land and natural resources, department of
11 health with respect to environmental concerns, and the office of
12 Hawaiian affairs with respect to ceded land issues, among
13 others. Furthermore, key decision-making is vested in the state
14 legislature, which is only in regular session for part of each
15 year which imposes a constraint to responsiveness and causes
16 delay to key capital improvement program decisions. Distributed
17 responsibility and involvement by multiple agencies, sometimes

1 with conflicting goals and priorities, results in delayed
2 decision-making, inefficiency, and reduced effectiveness.

3 The legislature believes that coordinated planning and
4 development of air transportation would be achieved more
5 effectively by a single entity having overall consolidated
6 jurisdiction for the State's airport infrastructure.

7 The legislature further finds that the establishment of an
8 independent airport corporation would assist in the achievement
9 of the following important statewide objectives:

- 10 (1) Maximizing the contribution of the state airports
11 system to Hawaii's economy;
- 12 (2) Ensuring dedicated, expert airport leadership,
13 management continuity, and year-round decision-making,
14 consistent with industry best practices;
- 15 (3) Improving administrative efficiency by streamlining
16 administrative processes;
- 17 (4) Accelerating the planning and delivery of the airports
18 system's capital improvement program;
- 19 (5) Increasing the financial flexibility and strength of
20 the airports system;
- 21 (6) Increasing economic opportunities for the State, in
22 collaboration with the Hawaii tourism authority;

- 1 (7) Increasing responsiveness to customer needs,
2 commercial opportunities, and economic demands;
3 (8) Providing full transparency and public accountability,
4 and an appropriate forum to engage all interested
5 parties; and
6 (9) Maximizing job creation within the State.

7 The legislature further finds that the management and
8 administration of scarce and increasingly valuable airport
9 resources is most effectively served by the establishment of an
10 independent airport corporation.

11 The purpose of this Act is to establish the Hawaii airport
12 corporation.

13 SECTION 2. The Hawaii Revised Statutes is amended by
14 adding a new chapter to be appropriately designated and to read
15 as follows:

16 "CHAPTER

17 HAWAII AIRPORT CORPORATION

18 § -1 Definitions. As used in this chapter:

19 "Aeronautics" shall have the same meaning as defined in section
20 261-1.

21 "Air navigation facility" shall have the same meaning as
22 defined in section 261-1.

1 "Airport" means any area of land or water that is used, or
2 intended for use, for the landing and taking-off of aircraft,
3 and any appurtenant areas that are used, or intended for use,
4 for airport buildings or other airport facilities or rights-of
5 way, including approaches, together with all airport buildings
6 and facilities located thereon.

7 "Airport corporation" or "corporation" means the Hawaii
8 airport corporation.

9 "Chief executive officer" means the chief executive officer
10 of the Hawaii airport corporation.

11 **§ -2 Airport corporation; establishment; board; members;**
12 **chief executive officer.** (a) There is established the Hawaii
13 airport corporation, which shall be a body politic and
14 corporate, constituting a public instrumentality for the
15 performance of an essential public and governmental function as
16 provided in this chapter. The corporation shall be established
17 and shall operate as a subdivision of the State for the purpose
18 of developing and implementing management structures, policies,
19 and procedures based on airport industry best practices and
20 expressly configured to support the efficient development,
21 management, and operation of the State's airports and
22 aeronautical facilities. The corporation shall be placed within

1 the department of transportation for administrative purposes
2 only.

3 (b) The powers of the airport corporation shall be vested
4 in and exercised by a board of directors, which shall consist of
5 nine voting members, who shall be appointed by the governor
6 pursuant to section 26-34; provided that there shall be one
7 member representing each of the counties of Hawaii, Kauai, and
8 Maui and the city and county of Honolulu. Members shall be
9 removed from office by the governor only for inefficiency,
10 neglect of duty, turpitude, or misconduct in office after giving
11 the member a copy of the charges against the member and allowing
12 the member an opportunity to be heard, in person or by counsel,
13 upon not less than ten days notice.

14 Members shall have relevant business and management
15 experience, including experience in one or more of the following
16 disciplines: financial planning, budgeting, hospitality,
17 tourism, commercial development, construction program
18 management, marketing, law, or aviation.

19 No board member appointed under this section shall be an
20 officer or employee of the State or the counties.

1 (c) The airport corporation shall be headed by a single
2 executive to be known as the chief executive officer of the
3 Hawaii airport corporation, who shall:

4 (1) Not be a member of the board;

5 (2) Serve at the pleasure of the board; and

6 (3) Receive such compensation as shall be fixed by the
7 board.

8 (d) The chief executive officer:

9 (1) Shall be selected based on criteria approved by the
10 board, including experience in airport management at
11 an executive level at a large- or medium-hub airport
12 within the United States, management of significant
13 scale capital programs, and domestic and international
14 air service development;

15 (2) Shall be appointed by a majority vote of the members
16 of the board;

17 (3) Shall be employed subject to a formal contract, the
18 terms of which shall be approved by the board;
19 provided that the:

20 (A) Terms shall include provisions for the removal of
21 the chief executive officer with and without
22 cause; and

1 ~~[(B) Salary established by the contract shall not~~
2 ~~exceed the salary of any deputy director of~~
3 ~~transportation,]~~

4 (4) May be removed from office only by a vote of not less
5 than five members of the board; provided that the
6 basis for removal is consistent with the terms of the
7 applicable employment contract;

8 (5) May establish management organization structures;

9 (6) May appoint one deputy executive officer, as the chief
10 executive officer deems appropriate, who shall be
11 exempt from chapter 76. The deputy executive officer
12 shall exercise those powers that may be delegated by
13 the chief executive officer;

14 (7) Shall have such powers as described in this chapter
15 and as may be delegated by the members of the board;

16 (8) Shall attend all meetings of the board, keep a record
17 of the proceedings, and shall maintain and be the
18 custodian of all books, records, documents, and papers
19 filed with the corporation, of the minute book of the
20 corporation, and of its official seal;

1 (9) Shall direct and supervise the corporation's
2 administrative affairs and technical activities in
3 accordance with the directives of the board;

4 ~~[(10) Shall approve all accounts for salaries and allowable~~
5 ~~expenses of the corporation or of any employee or~~
6 ~~consultant thereof,]~~

7 (10 [3]) May hire employees, subject to chapters 76 and 89,
8 to fill positions provided for in the airport
9 corporation's annual budget; provided that the
10 functions and duties of all positions shall be
11 provided for in the bylaws of the airport corporation;

12 ~~[(12) Shall serve as the chief procurement officer for the~~
13 ~~corporation, and]~~

14 (11 [3]) Shall perform such other duties as may be directed
15 by the board in carrying out the purpose of the
16 corporation.

17 (e) The airport corporation shall establish bylaws
18 providing for, upon the vacancy of the position of the chief
19 executive officer, the automatic succession by a deputy
20 executive officer on an interim basis until a permanent chief
21 executive officer is appointed.

1 (f) The number of members of the board necessary to
2 constitute a quorum to do business shall be a majority of the
3 members.

4 § -3 Powers; generally. (a) Except as otherwise
5 provided in this chapter, the airport corporation:

6 (1) Shall exercise power and control over airports, air
7 navigation facilities, buildings, and other facilities
8 belonging to, or controlled by, the airport
9 corporation;

10 (2) Shall exercise general supervision over aeronautics
11 within the State and, in connection therewith,
12 encourage, foster, and assist in the development of
13 aeronautics in the State, and encourage the
14 establishment of airports and air navigation
15 facilities;

16 (3) Shall provide as appropriate for the landing, taking-
17 off, and servicing of aircraft, and the loading and
18 unloading of passengers and cargo;

19 (4) Shall provide for the comfort, accommodation, and
20 convenience of air travelers;

- 1 (5) Shall establish performance targets and performance
2 standards to achieve the highest levels of customer
3 service;
- 4 (6) Shall cooperate with and assist the federal government
5 and other persons in the development of aeronautics;
- 6 (7) Shall seek to coordinate the aeronautical activities
7 of the State with those activities of the federal
8 government;
- 9 (8) Shall ensure that appropriate mission statements,
10 business plans, minimum development standards, and
11 strategic goals are established and that progress
12 towards their accomplishment is regularly assessed and
13 reported;
- 14 (9) Shall develop an organization and management structure
15 to best accomplish the goals of the Hawaii airport
16 system and the corporation;
- 17 (10) Shall [not be subject to chapter 103D,] develop and
18 implement policies and procedures for the timely and
19 efficient procurement of professional services;
20 planning, engineering, and construction services; and
21 such other services and material as may be required
22 for the development, management, and operation of the

1 airport system, consistent with accepted standards of
2 probity, transparency, and accountability for a public
3 body. The corporation shall establish a stand-alone
4 chief procurement officer jurisdiction within chapter
5 103D, separate and apart from the Executive Branch,
6 with full authority to develop and implement policies
7 and procedures for timely and efficient procurement of
8 professional services; planning, engineering, and
9 construction services; and such other services and
10 material as may be required for the development,
11 management and operation of the airport system,
12 consistent with accepted standards of probity,
13 transparency, and accountability for a public body.

- 14 (11) Shall employ employees subject to chapters 76 and 89;
15 (12) May use the facilities and services of any department,
16 board, commission, or agency of the State or counties,
17 if permitted pursuant to memoranda of understanding
18 approved by the board;
19 (13) May sue and be sued;
20 (14) Shall have a seal and may alter the seal at its
21 pleasure;

- 1 (15) May make and execute contracts and all other
2 instruments necessary or convenient for the exercise
3 of its powers and functions under this chapter;
- 4 (16) Shall establish bylaws for its organization and
5 internal management;
- 6 (17) Shall adopt an annual budget for its operations,
7 maintenance, and capital improvements, pursuant to
8 chapter 37;
- 9 (18) May own, sell, lease, hold, clear, improve, and
10 rehabilitate real, personal, or mixed property, and
11 assign, exchange, transfer, convey, lease, sublease,
12 or encumber any airport, or any project, improvement,
13 or facility related thereto; provided that the
14 corporation and corporation lands shall not be subject
15 to chapter 171;
- 16 (19) May develop, construct, reconstruct, rehabilitate,
17 improve, alter, repair, or provide for the
18 development, construction, reconstruction,
19 rehabilitation, improvement, alteration, or repair of,
20 any airport, or any project, improvement, or facility
21 related to airports controlled by the corporation or
22 located on land controlled by the corporation;

- 1 (20) May arrange or initiate appropriate action for the:
2 (A) Furnishing of facilities;
3 (B) Acquisition of property or property rights; and
4 (C) Furnishing of property, development rights, or
5 services in connection with any airport or any
6 project, improvement, or facility related to
7 airports controlled by the corporation;
- 8 (21) May grant options or renew any lease entered into by
9 it in connection with any project, on terms and
10 conditions as it deems advisable;
- 11 (22) May engage the services of consultants on a
12 contractual basis for rendering professional and
13 technical assistance and advice;
- 14 (23) Shall procure insurance against any loss in connection
15 with its property and other assets and operations, in
16 such amounts and from such insurers as it deems
17 desirable, or provide for self-insurance;
- 18 (24) May accept and receive gifts or grants in any form
19 from any person, public entity, or source; provided
20 that the grants and gifts shall be used for airport
21 corporation purposes;

1 (25) May pledge or assign all or any part of the moneys,
2 fees, rents, charges, or other revenues and proceeds
3 derived by the airport corporation from the proceeds
4 of insurance or condemnation awards for the loss of
5 revenues or incurring of costs and expenses because of
6 any action taken by the airport corporation;

7 (26) Shall fix, impose, prescribe, and collect rates,
8 rentals, fees, or charges for the lease, use, and
9 services of its airport facilities at least sufficient
10 to pay the costs of operation, maintenance, and
11 repair, if any, and the required payments of the
12 principal of, and interest on, all bonds issued or
13 assumed by the airport corporation and reserves
14 therefor;

15 (27) May take all actions necessary under emergencies such
16 as hurricanes, tsunamis, and other natural disasters;

17 (28) Shall plan, construct, operate, and maintain all
18 airport facilities in the State;

19 (29) Subject to legislative authorization or appropriation,
20 may allot airport funds, issue revenue bonds and
21 special facility revenue bonds in its name pursuant to
22 chapter 39, but not in excess of such principal

1 amounts as are necessary for its purposes or specified
2 in covenants with bondholders;

3 (30) May invest and secure its moneys in accordance with
4 chapters 36 and 38;

5 (31) May take public and private property for use in
6 furthering any of the purposes of the airport
7 corporation; provided that all proceedings for
8 condemnation shall be conducted in accordance with
9 chapter 101;

10 (32) May provide compensation, allowance, or other
11 assistance to any person for relocation or
12 displacement caused by the acquisition of land for
13 airport purposes;

14 (33) May hire or contract law enforcement personnel;

15 (34) May license all airports and heliports within the
16 State, pursuant to all federal and state rules and
17 regulations, as well as the procedures of the airport
18 corporation;

19 (35) May approve all safety, security, and federal
20 certification plans, procedures, and specifications
21 related to the operation, management, and development
22 of all airports and heliports within the State; and

1 (36) May do any and all things necessary to carry out its
2 powers and duties pursuant to this chapter.

3 (b) The corporation shall adopt rules pursuant to chapter
4 91 to carry out the purpose of this chapter."

5 SECTION 3. Section 26-19, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**§26-19 Department of transportation.** The department of
8 transportation shall be headed by a single executive to be known
9 as the director of transportation. The department shall
10 establish, maintain, and operate transportation facilities of
11 the State, including highways, [~~airports,~~] harbors, and such
12 other transportation facilities and activities as may be
13 authorized by law.

14 The department shall plan, develop, promote, and coordinate
15 various transportation systems management programs that shall
16 include, but not be limited to, alternate work and school hours
17 programs, bicycling programs, and ridesharing programs.

18 The department shall develop and promote ridesharing
19 programs which shall include but not be limited to, carpool and
20 vanpool programs, and may assist organizations interested in
21 promoting similar programs, arrange for contracts with private
22 organizations to manage and operate these programs, and assist

1 in the formulation of ridesharing arrangements. Ridesharing
2 programs include informal arrangements in which two or more
3 persons ride together in a motor vehicle.

4 The functions and authority heretofore exercised by the
5 department of public works with respect to highways are
6 transferred to the department of transportation established by
7 this chapter.

8 On July 1, 1961, the Hawaii aeronautics commission, the
9 board of harbor commissioners and the highway commission shall
10 be abolished and their remaining functions, duties, and powers
11 shall be transferred to the department of transportation."

12 SECTION 4. Section 103D-203, Hawaii Revised Statutes, is
13 amended as follows:

14 1. By amending subsection (a) to read:

15 "(a) The chief procurement officer for each of the
16 following state entities shall be:

17 (1) The judiciary--the administrative director of the
18 courts;

19 (2) The senate--the president of the senate;

20 (3) The house of representatives--the speaker of the house
21 of representatives;

- 1 (4) The office of Hawaiian affairs--the chairperson of the
2 board;
- 3 (5) The University of Hawaii--the president of the
4 University of Hawaii; provided that, except as
5 specified in section 304A-2672(2), for contracts for
6 construction and professional services furnished by
7 licensees under chapter 464, the administrator of the
8 state procurement office of the department of
9 accounting and general services shall serve as the
10 chief procurement officer;
- 11 (6) The department of education, excluding the Hawaii
12 public library system--the superintendent of
13 education;
- 14 (7) The Hawaii health systems corporation--the chief
15 executive officer of the Hawaii health systems
16 corporation; [and]
- 17 (8) The Hawaii airport corporation--the chief executive
18 officer of the corporation; and
- 19 ~~(8)~~ (9) The remaining departments of the executive branch
20 of the State and all governmental bodies
21 administratively attached to them--the administrator

1 of the state procurement office of the department of
2 accounting and general services."

3 2. By amending subsection (c) to read:

4 "(c) For purposes of applying this chapter to the
5 judiciary, houses of the legislature, office of Hawaiian
6 affairs, University of Hawaii, department of education, Hawaii
7 airport corporation, remaining departments of the executive
8 branch and all governmental bodies administratively attached to
9 them, and the several counties, unless otherwise expressly
10 provided, "State" shall mean "judiciary", "state senate", "state
11 house of representatives", "office of Hawaiian affairs",
12 "University of Hawaii", "department of education", "Hawaii
13 airport corporation", "executive branch", "county", "board of
14 water supply" or "department of water supply", and "semi-
15 autonomous public transit agency", respectively."

16 SECTION 5. Section 261-1, Hawaii Revised Statutes, is
17 amended as follows:

18 1. By adding a new definition to be appropriately inserted
19 and to read as follows:

20 "Chief executive officer" means the chief executive
21 officer of the Hawaii airport corporation."

22 2. By repealing the definition of "director".

1 [~~"Director" means the director of transportation.~~"]

2 SECTION 6. Section 261-2, Hawaii Revised Statutes, is
3 amended to read as follows:

4 "§261-2 Development of aeronautics, general. The
5 department of transportation shall have general supervision over
6 aeronautics within the State[-]; provided that on July 1, 2018,
7 the general supervision shall be transferred to the Hawaii
8 airport corporation. It shall encourage, foster, and assist in
9 the development of aeronautics in the State and encourage the
10 establishment of airports and air navigation facilities. It
11 shall cooperate with and assist the federal government and other
12 persons in the development of aeronautics and shall seek to
13 coordinate the aeronautical activities of the State with those
14 of the federal government. Municipalities may cooperate with
15 the department in the development of aeronautics and aeronautics
16 facilities in the State."

17 SECTION 7. The Hawaii airport corporation shall be a
18 successor agency, and jurisdiction over aeronautics and
19 airports, including airport functions under the department of
20 transportation's airports division, shall be transferred to the
21 Hawaii airport corporation on July 1, 2018.

1 To the extent that the Hawaii airport corporation is
2 authorized in this Act to exercise powers and duties which are
3 also granted to other departments, offices, or boards of the
4 State, with respect to airports and aeronautical facilities, the
5 Hawaii airport corporation shall exercise such powers and
6 perform such duties in lieu of any other departments, offices,
7 and boards.

8 SECTION 8. The State shall facilitate the corporation's
9 governance over airports and provide an orderly transition of
10 ownership, jurisdiction, assets, liabilities, powers, funds,
11 accounts, contracts, employees, and any other rights, benefits,
12 or obligations, and authority to control, operate, develop, and
13 maintain airports and aeronautical facilities from the
14 department of transportation to the corporation prior to July 1,
15 2018. The Hawaii airport corporation and State shall enter into
16 one or more memoranda of understanding to facilitate the
17 corporation's governance over airports and provide an orderly
18 transition from the department of transportation, within an
19 agreed timeframe, of ownership, jurisdiction, and authority to
20 control, operate, develop, and maintain airports and
21 aeronautical facilities. Such memoranda of understanding shall
22 include, but not limited to:

1 (1) The administrative support functions to be provided by
2 the department of transportation and other State
3 departments during agreed transition period;

4 (2) Those powers that will be exercised and duties that
5 will be performed by each party during the agreed
6 transition period;

7 (3) Those assets, funds, accounts, contracts, and
8 liabilities that will be transferred to the Hawaii airport
9 corporation, and when such transfers will be made;

10 (4) The transfer of employees who will be transferred to
11 the Hawaii airport corporation, and when such transfers
12 will be made;

13 (5) The time when services will be protected under
14 memoranda of understanding; and

15 (6) Reimbursement to the State for the services provided
16 under the memoranda of understanding; provided that the
17 memoranda of understanding shall provide for the lease,
18 assignment, or transfer of ownership, jurisdiction, and
19 authority to control the airports , together with all
20 assets, funds, accounts, contracts, and assumptions of
21 liabilities and manner and timing of any such lease,
22 assignment or transfer; and provided further that the

1 department of transportation shall receive no compensation
2 in consideration of any such leases, assignment or
3 transfers.

4 SECTION 9. The revisor of statutes shall substitute the
5 phrase "chief executive officer" in chapter 261, Hawaii Revised
6 Statutes, wherever the terms "director" or "director of
7 transportation" appear, except for the amendments made to
8 section 261-1, Hawaii Revised Statutes, in section 5 of this
9 Act.

10 SECTION 10. The revisor of statutes shall substitute the
11 phrase "Hawaii airport corporation" in chapter 261, Hawaii
12 Revised Statutes, wherever the terms "department" or "department
13 of transportation" appear, except for the amendments made to
14 section 261-2, Hawaii Revised Statutes, in section 6 of this
15 Act.

16 SECTION 11. It is the intent of this Act not to jeopardize
17 the receipt of any federal aid nor to impair the obligation of
18 the State or any agency thereof to the holders of any bond
19 issued by the State or by any such agency, and to the extent,
20 and only to the extent, necessary to effectuate this intent, the
21 governor may modify the strict provisions of this Act, but shall
22 promptly report any such modification with reasons therefor

1 to the legislature at its next session thereafter for review by
2 the legislature.

3 SECTION 12. This Act does not affect rights and duties
4 that matured, penalties that were incurred, and proceedings that
5 were begun before its effective date.

6 SECTION 13. If any provision of this Act, or the
7 application thereof to any person or circumstance, is held
8 invalid, the invalidity shall not affect the other provisions or
9 applications of this Act that can be given effect without the
10 invalid provision or application, and to this end the provisions
11 of this Act are severable.

12 SECTION 14. All rights, powers, functions, and duties of
13 the department of transportation's airports division are
14 transferred to the Hawaii airport corporation on July 1,
15 2018. The Hawaii airport corporation shall recognize all
16 bargaining units and collective bargaining agreements existing
17 at the time of transfer to the corporation. The employees of
18 the corporation shall be considered employees of the State as
19 provided in this section.

20 All employees who occupy civil service positions and whose
21 functions are transferred to the Hawaii airport corporation by
22 this Act shall retain their civil service status, whether

1 permanent or temporary. Employees shall be transferred without
2 loss of salary, seniority (except as prescribed by applicable
3 collective bargaining agreements), retention points, prior
4 service credit, any vacation and sick leave credits previously
5 earned, and other rights, benefits, and privileges, in
6 accordance with state personnel laws and this Act.

7 Any employee who, prior to this Act, is exempt from civil
8 service and is transferred as a consequence of this Act may
9 retain the employee's exempt status, but shall not be appointed
10 to a civil service position as a consequence of this Act. An
11 exempt employee who is transferred by this Act shall not suffer
12 any loss of prior service credit, vacation or sick leave credits
13 previously earned, or other employee benefits or privileges as a
14 consequence of this Act; provided that the employees possess
15 legal and public employment requirements for the position to
16 which transferred or appointed, as applicable. The chief
17 executive officer of the Hawaii airport corporation may
18 prescribe the duties and qualifications of these employees and
19 fix their salaries without regard to chapter 76, Hawaii Revised
20 Statutes.

21 No employee covered by a collective bargaining unit as an
22 employee of the department of transportation shall be laid off

1 as a result of the creation of the Hawaii airport
2 corporation. The officers and all other employees of the Hawaii
3 airport corporation shall be state employees for the purposes of
4 benefits and retirement.

5 SECTION 15. On July 1, 2018, all appropriations, records,
6 equipment, machines, files, supplies, contracts, books, papers,
7 documents, maps, and other personal property heretofore made,
8 used, acquired, or held by the department of transportation
9 relating to the functions transferred to the Hawaii airport
10 corporation shall be transferred with the functions to which
11 they relate.

12 SECTION 16. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 17. This Act shall take effect on July 1,
15 2018 [~~December 16, 2050, provided that sections 5, 9, and 10~~
16 ~~shall take effect on December 17, 2050.~~]

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20
21

INTRODUCED BY: _____

BY REQUEST



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

LATE

The Twenty-Ninth Legislature, State of Hawaii
House of Representatives
Committee on Labor & Public Employment

Testimony by
Hawaii Government Employees Association

March 21, 2017

LATE

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S.B. 658, S.D. 2, H.D. 1 - RELATING TO
AN AIRPORT CORPORATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO opposes the purpose and intent of S.B. 658, S.D. 2, H.D. 1 which authorizes the establishment of a new state entity, "an independent airport corporation," to take over from the Department of Transportation Airports Division the responsibility for Hawaii's airport planning, management, marketing and capital development.

The bill advances the notion that such corporation addresses delayed decision-making and inefficiency resulting from multiple agencies involved in the planning, development and operation of Hawaii's airport infrastructure. We assert that multiple agencies, each with their own area of responsibility, are rightly involved to collectively protect the public interest. The public benefits from the involvement of the Department of Health with respect to addressing environmental concerns, the Board of Land and Natural Resources with respect to protecting public lands and the Department of Human Resources Development with respect to enforcing the civil service law to render impartial service to the public.

Furthermore, we respectfully remind the Committee of the negative impacts of a similarly independent public corporation, the Hawaii Health Systems Corporation, which was established in 1996, with the intent of freeing the community hospital system from bureaucratic oversight and red tape. The effects of the inefficiencies, mismanagement, and lack of accountability of that public corporation are continuing to disrupt families and communities in the Maui region and statewide.

The public interest at our airports would be better served by efforts to increase efficiency through improved collaboration among state agencies and involving the experience and expertise of their employees.

We respectfully request that S.B. 658, S.D. 2, H.D. 1 be deferred.

Respectfully submitted,

Randy Perreira
Executive Director

LATE



HAWAI'I LODGING & TOURISM
ASSOCIATION

LATE

Testimony of

Mufi Hannemann
President & CEO

Hawai'i Lodging & Tourism Association

LATE

House Committee on Labor and Public Employment

Senate Bill 658 SD2 HD1: Relating to an Airport Corporation

Chair Johanson, Vice Chair Holt, and members of the committee:

Thank you for the opportunity to testify. On behalf of the Hawai'i Lodging & Tourism Association, we support Senate Bill 658 SD2 HD1 which would establish a very necessary Hawai'i airport corporation. For HLTA, the state's largest private sector visitor organization, this is one of our major objectives. We supported it strongly last session when the subject was broached and our support remains steadfast this session.

We appreciate the work done through the House Committee on Transportation in sculpting this measure's HD1 as well as the amendments proffered by supporters of the airport corporation. However, we have concerns with the current bill that we would like to express. One major concern lies with the requirement of the executive branch to appoint the entire corporation's board of directors, taking the legislature out of the equation. We would like to see a balance of power through the board selection process that would allow the legislative branch to be actively involved. In addition to this, we would also like to ensure that at least one of the nine board members have substantial experience in the hospitality and tourism industry. We would also like to recommend that the committee remove stipulations from the corporation to appropriate and allot airport funds, and further address the transitional period whereas the DOT is to transfer powers and duties to the corporation.

As an association we are in strong support of the establishment of an airport corporation, but we want to ensure that the corporation's makeshift is capable and efficient, has the ability to function and carry out initiatives in a timely manner as well as establish a proper transitional period for the corporation to get its feet wet.

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.



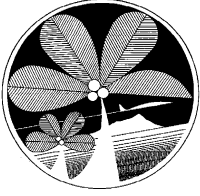
HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

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 the opportunity to testify.

AIRLINES COMMITTEE OF HAWAII



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

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March 21, 2017

Honorable Aaron Ling Johanson, Chair
Honorable Daniel Holt, Vice Chair
House Committee on Labor and Public Employment

**Re: SB 658 SD2 HD1 – RELATING TO AN AIRPORT CORPORATION – SUPPORT INTENT,
REQUEST AMENDMENTS**
Conference Room 309 – 10:00 AM

Aloha Chair Johanson, Vice Chair Holt and Members of the Committee:

The Airlines Committee of Hawaii supports the intent of SB 658 SD2 HD1 which authorizes the establishment of the Hawaii Airport Corporation (HAC) within the Department of Transportation for administrative purposes on July 1, 2018.

While we are in support of the concept, we do have some concerns with some of the provisions in the HD1 and therefore, would like to propose the following amendments for the committee's consideration:

Page 5, line 9 (b) add language that the terms of the members appointed by the governor be staggered to allow for continuity. Also, we would like to request a requirement that at least one member of the board have aviation experience in addition to business and management experience.

Page 7 request deleting lines 7 - 9 (B) Salary established by the contract shall not exceed the salary of any deputy director of transportation.

The HAC Board must be empowered to be able to recruit and retain top quality airport leadership and development talent. Compensation should be commensurate with the size of the operation relative to operations, revenues and expenses in line with other airports and entities similar in size and shared characteristics.

Page 7 request replacing lines 15-19 with the following:
May appoint such deputy executive officers as the chief executive officer deems appropriate. Each deputy executive officer shall exercise those powers that may be delegated by the chief executive officer.

Hawaii's airports are facing continuing traffic growth and must deliver a large development program that is already behind schedule. The CEO must be able to organize and establish a leadership team equipped to meet those challenges. In addition, there should be allowances made to expand the number of exempt employees on a temporary basis in the event of large capital development programs to ensure that projects are properly managed and completed on schedule.

Page 14, lines 9 – 14 request amending as follows:

May appropriate and allot airport funds and issue revenue bonds and special facility revenue bonds in its name and secured by airport funds, pursuant to chapter 39, but not in excess of such principal amounts as are necessary for its purposes or specified in covenants with bondholders. Airport funds shall be separate and apart from all public moneys or funds of the State and shall not be subject to any provision of law requiring specific appropriations or allotments.

Page 21, add to Section 8 the following language describing the transition process:

The Hawaii Airport Corporation and the State shall enter into one or more memoranda of understanding to facilitate the corporation's governance over airports and provide an orderly transition from the department of transportation, within an agreed timeframe, of ownership, jurisdiction, and authority to control, operate, develop and maintain airports and aeronautical facilities. Such memoranda of understanding shall include, but not be limited to:

- (1) The administrative support functions to be provided by the department of transportation and other State departments during the agreed transition period;*
- (2) Those powers that will be exercised and duties that will be performed by each party during the agreed transition period;*
- (3) Those assets, funds, accounts, contracts, and liabilities that will be transferred to the Hawaii Airport Corporation, and when such transfers will be made;*
- (4) The transfer of employees who will be transferred to the Hawaii Airport Corporation, and when such transfers will be made;*
- (5) The time when services will be provided under the memoranda of understanding; and*
- (6) Reimbursement to the State for the services provided under the memoranda of understanding; provided that the memoranda of understanding shall provide for the lease, assignment, or transfer of ownership, jurisdiction, and authority to control the airports, together with all assets, funds, accounts, contracts, and assumptions of liabilities and the manner and timing of any such lease, assignment or transfer; and provided further that the department of transportation shall receive no compensation in consideration of any such leases, assignments, or transfers.*

The Hawaii Airport Corporation will be a highly regulated and scrutinized organization. The new organization will be reviewed and certified by the Federal Aviation Administration (FAA). The FAA also imposes many regulatory requirements on airports and consistently monitors compliance.

Thank you for the opportunity to testify. We hope the above proposed amendments help clarify and answer some of the questions that have been raised. We respectfully request the Committee pass SB 658 HD1 with these requested amendments.

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.*

LATE



LAND USE RESEARCH
FOUNDATION OF HAWAII

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March 21, 2017

Representative Aaron Ling Johanson, Chair
Representative Daniel Holt, Vice Chair
House Committee on Labor

Support of SB 658, SD2, HD1 - Relating to an Airport corporation (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 the DOT to the Hawaii Airport Authority.)

LAB Hrg: Tuesday, March 21, 2017, 10:00 a.m., Conf. Room 309

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF supports SB 658, SD2, HD1.

SB 658, SD2, HD1. This bill would authorize the establishment of the Hawaii Airport Corporation within the Department of Transportation [DOT] 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; and transfers the aeronautics functions of the DOT to the Hawaii Airport Authority.

LURF's Position. LURF supports the establishment an independent authority to develop, manage, and operate the State's airports and aeronautical facilities. According to DOT, this bill will result in better coordination of the development, management and operation of the State's Airports System; more efficient repair and maintenance; timely implementation of its capital improvement projects; and will improve planning and response to opportunities, market conditions and competitive forces.

For the above reasons, LURF **supports SB 658, SD2, HD1** and respectfully urges your favorable consideration.

Thank you for the opportunity to present testimony regarding this matter.



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LATE

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Tuesday, March 21, 2017

The Honorable Aaron Ling Johanson
House Labor and Public Employment Committee
Chair
415 S Beretania St, Room # 213
Honolulu, HI 96813

Dear Representative Ling Johanson,

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 the intent of Senate Bill 658, legislation to create an airport corporation. However, AOPA has concerns that the general aviation community will not be properly represented.

In the spirit of cooperation, we respectfully request two friendly amendments for consideration 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 you hearing SB 658, this is a very important matter for pilots in Hawaii, it is critical to them that the flying public is represented.

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

Very truly yours and Mahalo,

Melissa McCaffrey, Western Pacific Regional Manager

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 20, 2017 10:34 PM
To: LABtestimony
Cc: begoniabarry@gmail.com
Subject: *Submitted testimony for SB658 on Mar 21, 2017 10:00AM

LATE

SB658

Submitted on: 3/20/2017

Testimony for LAB on Mar 21, 2017 10:00AM in Conference Room 309

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Barry	Individual	Oppose	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 21, 2017 8:03 AM
To: LABtestimony
Cc: suzy.okino@gmail.com
Subject: *Submitted testimony for SB658 on Mar 21, 2017 10:00AM*

SB658

Submitted on: 3/21/2017

Testimony for LAB on Mar 21, 2017 10:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Suzy Okino	Individual	Oppose	No

Comments:

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LABtestimony

From: Margaret Murchie <MargaretM@cbpacific.com>
Sent: Tuesday, March 21, 2017 9:31 AM
To: LABtestimony
Subject: Sb658 airport

We need a big change. Our airport is an embarrassing mess with \$ being wasted & nothing positive. We really need to make a change & put someone in charge who knows what they are doing. Not same old cast of characters who have great love for dirty plywood, gray cement & yellow tape!

Sent from my iPhone Warm Aloha, Margaret Murchie Realtor RB13265 CRS VP Coldwell Banker Pacific Properties 808-226-6600 margaret@margaretm.com _____ This email may be confidential. If you are not the intended recipient, please notify us immediately and delete this copy from your system. Nothing in this email creates a contract for a real estate transaction, and the sender does not have authority to bind a party to a contract via written or verbal communication.



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AIRPORT CONCESSIONAIRES COMMITTEE

Honorable Aaron Ling Johanson, Chair
Committee on Labor & Public Employment
Hawaii State House of Representatives
Hawaii State Capitol

Hearing on March 21, 2017 at 1000am, Room 309

Re: S.B. 658, HD1 – Relating To An Airport Corporation

Dear Chair Johanson 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 strongly supports this bill. Please pass and allow for continued discussions on this important legislation.

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 DOT Director's office, Department of Accounting and General Services and Department of Budget and Finance.

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.

There 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 airports 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.

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From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 21, 2017 7:20 PM
To: LABtestimony
Cc: robmoorehawaii@hotmail.com
Subject: Submitted testimony for SB658 on Mar 21, 2017 10:00AM

SB658

Submitted on: 3/21/2017

Testimony for LAB on Mar 21, 2017 10:00AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Robert Moore	GACH	Support	No

Comments: 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 Senate combine the board member requirements stated in 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 to be members of the authority and details that aviation people must be seated on the authority and that the executive (administrator) must also have aviation and airport management experience. One of the main problems we currently have with DOTA is that there is no one with aviation knowledge or recent experience existing 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. If Hawaii does not get experienced aviation people on the board, the State of Hawaii run the risk of unknowledgeable people mis-directing FAA funds and policies and adding another layer of bureaucracy on top of an already broken system. . Respectfully, Rob Moore, President The General Aviation Council of Hawaii (GACH) Hawaii

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

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