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A BILL FOR AN ACT

RELATING TO OCEAN RECREATION COMMERCIAL PERMITS.

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

1           SECTION 1. Section 200-10, Hawaii Revised Statutes, is  
2 amended by amending subsection (f) to read as follows:

3           "(f) Any person who owns an interest in a corporation or  
4 other business entity or is part of a controlled group  
5 possessing a valid commercial permit issued by the department,  
6 in accordance with rules adopted by the chairperson pursuant to  
7 chapter 91, may transfer any or all stock or other interest to  
8 another person without terminating the right of the corporation  
9 or business entity to retain or renew its commercial permit or  
10 any other permit issued to it by the department; provided that:

11           (1) The corporation or business entity has been engaged in  
12 the same commercial vessel activity, as defined in  
13 section 200-9, for a minimum of one year;

14           (2) The seller shall pay the department a business  
15 transfer fee based on the passenger-carrying capacity  
16 of the vessels owned or operated by the corporation or  
17 business entity as provided by rules adopted by the  
18 chairperson pursuant to chapter 91, except for

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1 transfers of stock or interest in a corporation or  
2 other business entity between spouses or first-  
3 generation lineal descendants; and

4 (3) In the case of a controlled group, the transferee  
5 shall retain eighty per cent control of the  
6 transferor.

7 Any person possessing a commercial permit shall be required to  
8 meet minimum revenue standards, as a condition of retaining or  
9 renewing the commercial permit.

10 When an application for renewal of a commercial permit is  
11 made at least sixty days prior to expiration of the commercial  
12 permit, the department shall review the application and, within  
13 thirty days of receipt of the application, shall renew the  
14 permit or notify the applicant that the application is  
15 incomplete or cannot be renewed and explain any reasons for  
16 nonrenewal. Within thirty days of receipt of the applicant's  
17 amended application, the department shall either renew the  
18 permit or notify the applicant that the permit will not be  
19 renewed.

20 If the holder of a commercial permit fails to timely obtain  
21 renewal of a commercial permit, the holder of the permit shall

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1 automatically be granted a thirty-day extension from the date of  
2 the existing permit's expiration to obtain a permit renewal.

3 Except as provided in section 200-37(1), all new commercial  
4 permits issued by the department for any type of commercial  
5 ocean recreation activity after July 1, 2020, may be issued at  
6 public auction."

7 SECTION 2. This Act does not affect rights and duties that  
8 matured, penalties that were incurred, and proceedings that were  
9 begun before its effective date.

10 SECTION 3. New statutory material is underscored.

11 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: \_\_\_\_\_



14

BY REQUEST

JAN 21 2020

# H.B. NO. 2356

**Report Title:**

Ocean Recreation Commercial Permits; Public Auction

**Description:**

Authorizes the Department of Land and Natural Resources to issue new ocean recreation commercial permits by public auction.

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

JUSTIFICATION SHEET

DEPARTMENT: Land and Natural Resources

TITLE: A BILL FOR AN ACT RELATING TO OCEAN RECREATION COMMERCIAL PERMITS.

PURPOSE: To authorize the Department to issue new ocean recreation commercial permits by public auction.

MEANS: Amend section 200-10(f), Hawaii Revised Statutes (HRS).

JUSTIFICATION: Over the last several decades, the number of commercial operators using state ocean waters for profit has increased with the increase in tourism for popular areas throughout the State. The auction process would allow the Department to limit the number of commercial permits issued, in order to better manage the State's limited natural resources.

Section 200-37(1), HRS, currently allows the Department to auction commercial permits for jet ski and parasail operations only. For commercial permits that are not auctioned, the fee for issuance is \$200.

The Department maintains waitlists for some commercial permits, which allow a person to reserve a spot in line for the next available commercial permit by signing up and paying a fee. As the fee for issuance of a commercial permit is relatively low, people have been obtaining permits with the intent of holding the permit to sell at a higher price and profit, instead of operating commercially. To discourage this practice, in absence of a waitlist, a public auction would provide a fair method to issue available permits.

Impact on the public: All fees collected under section 200-10, HRS, go toward, among other things, operating, maintaining, and

managing all state small boat harbor facilities under the control of the Department.

Impact on the department and other agencies:  
Ultimately, this bill would allow the Department to increase its revenues through higher permit fees as a result of competitive bidding in auctions.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: LNR 801.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: Upon approval.