



HOUSE COMMITTEE ON FINANCE
The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair

**H.B. NO. 2422, HD 1, RELATING TO THE DIVISION OF BOATING AND OCEAN
RECREATION**

Hearing: Monday, February 24, 2020, 12:00 p.m.

The Office of the Auditor takes **no position** on H.B. No. 2422, HD 1, and offers the following comments.

The bill directs the Auditor to conduct a comprehensive performance and management audit of the Department of Land and Natural Resources' (DLNR) Division of Boating and Ocean Recreation (DOBOR).

Performance audits, also referred to as management audits, examine the efficiency and effectiveness of a government program or agency. Because the objectives of a performance audit can vary widely, it is important that we understand concerns you may have or areas you would like audited. Therefore, in order to ensure any audit performed in this area focuses on the issues the Legislature is most interested in having us examine, we would suggest the Committee consider identifying the specific programs or activities that it would like assessed.

Thank you for considering our testimony related to H.B. No. 2422, HD 1. We are committed to providing meaningful audit findings that address the issues identified by the Legislature and are available to work with the Committee on the language of this bill.

DAVID Y. IGE
GOVERNOR OF HAWAII



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

Testimony of
SUZANNE D. CASE
Chairperson

Before the House Committee on
FINANCE

Monday, February 24, 2020
12:00 PM
State Capitol, Conference Room 308

In consideration of
HOUSE BILL 2422, HOUSE DRAFT 1
RELATING TO THE DIVISION OF BOATING AND OCEAN RECREATION

House Bill 2422, House Draft 1 proposes to require the State Auditor to conduct a performance and management audit of the Department of Land and Natural Resources (Department), Division of Boating and Ocean Recreation (DOBOR). **The Department offers the following comments.**

The Department notes that the following audits have been conducted for the small boat harbor program:

- 1976: Management Audit of the Recreational Boating Program (under management of the Department of Transportation)
- 1995: Follow-Up on a Study of the Financing of the Small Boat Harbors and Boat Ramps Program of the Department of Land and Natural Resources
- 1998: Audit of the Management of Small Boat Harbors and Boat Ramps
- 2001: Audit of the Management of State Boating Facilities by the Department of Land and Natural Resources

Additionally, the following financial audits and reviews have been conducted by the Legislative Auditor for the small boat harbor program:

- 1986: Financial Audit of the Boating Program (under management of the Department of Transportation)
- 2000: Financial Audit of the Department of Land and Natural Resources
- 2006: Financial Audit of the Department of Land and Natural Resources

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

ROBERT K. MASUDA
FIRST DEPUTY

M. KALEO MANUEL
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

- 2009: Department of Land and Natural Resources – June 30, 2008 Financial Statements and Single Audit Report
- 2010: Department of Land and Natural Resources – June 30, 2009 Financial Statements and Single Audit Report
- 2014: Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounting of the Department of Land and Natural Resources
- 2018: Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounting of the Department of Land and Natural Resources
- 2019: Department of Land and Natural Resources – June 30, 2017 Financial Statement

In addition to the audits listed above, a financial audit of DOBOR is conducted every year. When the Small Boat Harbor Program was transferred from the Department of Transportation to the Department in 1991, the Department received the then-\$300 million backlog of deferred maintenance projects, which include capital improvement projects (CIP) and repair & maintenance (R&M) projects.

DOBOR's statutory mandate, contained in Section 200-3, Hawaii Revised Statutes, includes operation of both the small boat harbor and the coastal areas programs, which expands DOBOR's jurisdiction to include ocean recreation activity management in ocean waters out to three nautical miles from shore. The Department appreciates the increases in positions that the Legislature has been able to provide over the years; however, staffing requirements to operate the small boat harbor and coastal areas programs exceed DOBOR's current staffing levels. In 2019, DOBOR developed a Strategic Plan intended to provide a solution for staffing deficiencies as well as generate funding needed to address the backlog of CIP and R&M projects.

The Department echoes the comments submitted by the Office of the Auditor on February 5, 2020 and recommends that if this Committee decides to pass this measure, it should narrow the scope of the audit to specific programs or activities. The Department therefore recommends that the audit focus on whether the current management structure and budget for the Boating and Ocean Recreation Program is adequate in comparison to management structures and budgets used in other jurisdictions and in harbors not managed by DOBOR and for carrying out DOBOR's ocean recreation mandate in addition to harbor management.

Thank you for the opportunity to comment on this measure.

**TESTIMONY OF ALANA B. RASK IN SUPPORT OF H.B. 2422
RELATING TO THE DIVISION OF BOATING AND OCEAN RECREATION**

BEFORE THE COMMITTEE ON FINANCE

DATE: Wednesday, February 24, 2020

TIME: 12:00 P.M.

LOCATION: State Capitol, Conference Room 308

Chair Luke and members of the Committee,

I, as a live-aboard resident of the Ala Wai Small Boat Harbor, slip 731, provide the following testimony in my individual capacity in support of this bill.

The last audit of DOBOR, which was completed in 2001, stated that:

Inadequate management of state boating facilities has been a recurring problem. Our prior audits in 1993 and 1998 reported on these deficiencies. In our present audit, we found that little had changed in the poor conditions of these state boating facilities. The boating program's mismanagement and neglect have deteriorated facilities to the point where their continued use threatens public safety.

The audit further stated, "the boating division lacks adequate controls to ensure the accuracy and integrity of its financial affairs. The boating division is still unable to accurately determine the cost of operating its boating facilities. In addition, inventory and cash collection controls are inadequate . . . delinquent user fees (now totaling approximately \$500,000) continue to increase."

Despite this extremely worrisome report, no follow-up audit was ever conducted. DOBOR did not create a master plan for its harbors. And, considering the current state of the Keehi and Ala Wai Small Boat Harbors, there has been no showing that DOBOR remedied its management practices or the integrity of its financial affairs.

In the meantime, DOBOR has sought to drastically increase mooring fees, and all other fees it charges at small boat harbors across the state. Our base mooring fees alone are increasing by 42% this year.

Respectfully, boaters and live-aboard residents like myself should not be penalized with new, higher, and perhaps arbitrary fees in order to support DOBOR's decades of inefficiency. Many harbor residents are on a fixed income, and the ability to live aboard a boat is their alternative to homelessness.

I request that the legislature direct the Office of the Auditor to conduct a management and financial audit of DOBOR.

Thank you for the opportunity to provide this testimony.

**TESTIMONY OF ERIK RASK IN SUPPORT OF H.B. 2422
RELATING TO THE DIVISION OF BOATING AND OCEAN RECREATION**

BEFORE THE COMMITTEE ON WATER, LAND, & HAWAIIAN AFFAIRS

DATE: Monday, February 24, 2020

TIME: 12:00 P.M.

LOCATION: State Capitol, Conference Room 308

Members of the Committee,

I, as a live-aboard resident of the Ala Wai Small Boat Harbor, slip 731, provide the following testimony **in strong support** of this bill.

The last audit of DOBOR, which was completed in 2001, stated that:

Inadequate management of state boating facilities has been a recurring problem. Our prior audits in 1993 and 1998 reported on these deficiencies. In our present audit, we found that little had changed in the poor conditions of these state boating facilities. The boating program's mismanagement and neglect have deteriorated facilities to the point where their continued use threatens public safety.

The audit further stated, "the boating division lacks adequate controls to ensure the accuracy and integrity of its financial affairs. The boating division is still unable to accurately determine the cost of operating its boating facilities. In addition, inventory and cash collection controls are inadequate . . . delinquent user fees (now totaling approximately \$500,000) continue to increase."

Despite this extremely worrisome report, no follow-up audit was ever conducted. DOBOR did not create a master plan for its harbors. And, considering the current state of the Keehi and Ala Wai Small Boat Harbors, there has been no showing that DOBOR remedied its management practices or the integrity of its financial affairs.

In the meantime, DOBOR has imposed unauthorized mooring fee increases via its newly amended Administrative Rules, HAR § 13-234-3. HRS 200-10(c)(1) limits DOBOR to imposing mooring fee increases "annually ..., to reflect a cost-of-living index increase" but DOBOR instead imposed 24% to 96%

increases at all Hawaii Small Boat Harbors. This issue is currently being litigated in State Circuit Court.

In light of DOBOR's failure to competently manage Hawaii's public harbors, I request that this Bill be passed so that the Auditor may conduct a much-needed, long-overdue management and financial audit of DOBOR.

Thank you for the opportunity to provide this testimony.

/s/ Erik Rask

HB-2422-HD-1

Submitted on: 2/23/2020 1:27:27 PM

Testimony for FIN on 2/24/2020 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeffry L. Hossellman	Individual	Support	No

Comments:

There is no reason to hold out hope for the continued state harbor management. Nothing will change. Perhaps let the boaters of Hawai'i operate the Ala Wai as a non profit. Condo the slips and write a check to the State for over 50 million dollors. Please take a look at the proposal in hb1688. It just needs a little work in committee and the state is out and all their problems solved. The boaters will overwhelmingly support a non profit.

HB-2422-HD-1

Submitted on: 2/23/2020 3:03:05 PM

Testimony for FIN on 2/24/2020 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Wanda Azzario Goldberg	Individual	Support	No

Comments:

I support whole heartedly the audit of public assets which DOBOR has time after time missmanaged.

The 800 row at the Ala Wai Small Boat Harbor has been empty for years, losing the harbor coffers millions, it remains empty to this day WHY????

Slips are rotting into the harbor with peoples boats attached, although slip fees went up approximatelt 40% in November 2019.

I have friends who are mending their docks out of pocket because the harbor does nothing for its "Live aboard" community. WHY???

WHERE IS THE MONEY GOING????

Wanda Azzario-Goldberg

Slip 784, Ala Wai Small Boat Harbor (Live aboard)