



HOUSE COMMITTEE ON TRANSPORTATION  
The Honorable Henry J.C. Aquino, Chair  
The Honorable Troy N. Hashimoto, Vice Chair

Testimony of the Office of the Auditor on  
**H.B. NO. 2672, RELATING TO THE HAWAII COMMERCIAL HARBORS  
AUTHORITY**

Hearing: Wednesday, February 5, 2020, 10:15 a.m.

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The Office of the Auditor takes **no position** on H.B. No. 2672 and offers the following comments on Section 10 of the bill.

The bill establishes a separate commercial harbors authority, which would be responsible for, among other things, the development, management, operations, and maintenance of Hawai'i's commercial harbors and maritime facilities. Section 10 of the bill requires "the auditor [to] conduct management and financial audits of the authority for fiscal year 2024 and every second year thereafter."

We have strong concerns about our capacity to perform the recurring work required by this bill without additional staff. In addition to the work we are asked to perform at the close of each legislative session, we are statutorily mandated to regularly audit the Office of Hawaiian Affairs, the Hawai'i Tourism Authority, and the Deposit Beverage Container Program; to review the special funds, revolving funds, trust funds, and trust accounts of all state departments; to assess proposed special and revolving funds; and to analyze the State's tax exemptions, exclusions, credits, and deductions.

If tasked with regularly performing management and financial audits of the authority every other year, we will retain an independent CPA firm to audit the authority's financial statements and likely will retain a contractor to perform all or some of the other required work. We suggest the authority be required to reimburse us the costs that we incur to perform the audits, similar to the Department of Health's obligation to reimburse us for the costs we incur to audit the Deposit Beverage Container program every other year. *See* Section 342G-107, HRS.

Thank you for considering our testimony related to H.B. No. 2672.

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR  
  
ROBERT YU  
DEPUTY DIRECTOR

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

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

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

**WRITTEN ONLY**  
TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON TRANSPORTATION  
ON  
HOUSE BILL NO. 2672

**February 5, 2020**  
**10:15 a.m.**  
**Room 423**

RELATING TO THE HAWAII COMMERCIAL HARBORS AUTHORITY

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 2672.

H.B. No. 2672 establishes the Hawai'i Commercial Harbors Authority (HCHA), which shall assume authority and responsibilities from the Department of Transportation (DOT) related to commercial maritime and harbors. The HCHA will be placed within DOT for administrative purposes only. This bill appropriates an unspecified amount of Harbor Special Funds (HSF) for FY 21 to be expended by the HCHA.

B&F has the following concerns with this bill: 1) it allows the Board of Directors of the HCHA to issue their own revenue bonds without regard to Section 39-5 (Sale of Bonds), HRS; and 2) it exempts the HCHA from Chapters 36 (Management of State Funds), 37 (Budget), 38 (Deposits of Public Funds), and 40 (Audit and Accounting), HRS. With regard to Section 39-5, this section delineates the Director of Finance's authority in issuing bonds for the State. Its purpose is to ensure that there is oversight of all State debt and compliance with constitutional requirements and federal laws. With

regard to the cited chapters, this bill exempts the HSF from the allotment system and other fiscal controls (except where State general funds are requested), allows money from the HSF to be deposited into depositories other than the State treasury, and allows the Board of Directors of the HCHA to approve the expenditure of funds in excess of the amount appropriated without the Governor's approval.

Thank you for your consideration of our comments.

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  
Transportation**

**Wednesday, February 5, 2020  
10:15 AM  
State Capitol, Conference Room 423**

**In consideration of  
HOUSE BILL 2672  
RELATING TO THE HAWAII COMMERCIAL HARBORS AUTHORITY**

House Bill 2672 proposes to establish the Hawaii Commercial Harbors Authority (Authority) and appropriates funds for its establishment. **The Department of Land and Natural Resources (Department) offers the following comments and suggested amendment.**

The Department notes that any public trust lands held by the Department of Transportation (DOT) under Governor's executive order will be deemed to be held by the Authority as of the transfer completion date. Accordingly, no action by the Board of Land and Natural Resources or the Governor would be needed to cancel existing executive orders to DOT and reset aside public trust lands to the Authority.

House Bill 2672 also exempts lands to which the Authority holds title from the definition of public lands as defined in Section 171-2, Hawaii Revised Statutes. Should lands held by the Authority no longer be needed for harbor purposes, said lands should be returned to the public trust administered by the Department. Therefore, the Department recommends amending this measure by adding the following new section:

SECTION 23. **Lands no longer needed.** Should lands held by the authority acquired from another government agency no longer be needed for harbor purposes, said lands should be returned to the public trust administered by 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

SECTION [~~23~~]24. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the Act that can be given effect without the invalid provision or application, and to this end the provisions of this Act are severable.

SECTION [~~24~~]25. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION [~~25~~]26. This Act shall take effect on July 1, 2020; provided that the amendments made to section 103D-203, Hawaii Revised Statutes, by section 9 of this Act shall not be repealed when that section is reenacted on June 30, 2021, pursuant to section 6 of Act 42, Session Laws of Hawaii 2018.

Thank you for the opportunity to comment on this measure.



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

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

The Thirtieth Legislature, State of Hawaii  
House of Representatives  
Committee on Transportation

**LATE**

Testimony by  
Hawaii Government Employees Association

February 5, 2020

H.B. 2672 – RELATING TO THE HAWAII  
COMMERCIAL HARBORS AUTHORITY

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO would like to provide comments on H.B. 2672 which establishes a Hawaii Commercial Harbors Authority.

During the 2019 legislative session, the House of Representatives passed House Resolution No. 61 which requested the Harbors Division of the Department of Transportation to convene a task force to study the feasibility of establishing a Hawaii Commercial Harbors Authority, of which our organization formally participated. The Task Force Report accurately reflected the general pros and cons of establishing an Authority, with special attention to the impact on the current state government workforce. We continue to question whether a completely autonomous Authority and Board of Directors with unlimited powers could negatively affect the job security of employees and whether an exemption from the procurement process and concerns over financial solvency could result in a once profitable operation experiencing budgetary shortfalls.

While we appreciate that this measure includes appropriate legislative language to immediately protect the rights and benefits of state employees, it is impossible for us to predict the long-term ramifications of an independent Authority; therefore, we cannot fully support the measure at this time.

Thank you for the opportunity to provide comments on H.B. 2672.

Respectfully submitted,

*fr*  
Randy Perreira  
Executive Director

The Thirtieth Legislature  
Regular Session of 2020

THE HOUSE

Committee on Transportation

Representative Henry J.C. Aquino, Chair

Representative Troy N. Hashimoto, Vice Chair

State Capitol, Conference Room 423

Wednesday, February 5, 2020; 10:15 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2672  
RELATING TO THE HAWAII COMMERCIAL HARBORS AUTHORITY**

The ILWU Local 142 **strongly opposes** H.B. 2672, which establishes the Hawaii Commercial Harbors Authority.

The ILWU Local 142 has strong objections to the establishment of a Hawaii Commercial Harbors Authority in Hawaii. The fact is, we don't see the relevance or the need of a port authority in Hawaii and are concerned with the potential makeup of the board. In addition, a port authority could lead to privatization. We recommend deferral of H.B. 2672 to allow further discussion on this issue with all the stakeholders to determine the best outcome for Hawaii's harbors, ports and working families.

The ILWU Local 142 urges H.B. 2672 be deferred. Thank you for the opportunity to offer testimony on this measure.

Testimony of Ku'uhaku Park  
On Behalf of Matson  
Support of HB2672  
Before the Committee on Transportation  
February 5, 2020

Dear Chair Aquino, , Vice Chair Hashimoto, and Members,

Matson strongly supports HB2672, which establishes the Hawaii Commercial Harbors Authority. Matson is the largest user of the state harbor system and the largest contributor to the operating budget of the State's harbors. The Commercial Harbors Authority structure outlined in this measure will allow for a more efficient and cost-effective process for much needed harbor renovations. It will also create a platform for integrated planning that will greatly benefit the State of Hawaii.

The current governance model is not conducive to maximizing efficiency for the current harbor system. The responsibility of development, management, and operation of the State's commercial harbor system are distributed among several state agencies. Delays to the capital program, deferral of maintenance and modernization resulting from complex State approval requirements and decision-making processes are limiting capacity to accommodate demand. An independent authority would allow for quicker decision-making and a streamlined process for budgeting and procurement.

Thank you for your consideration of my testimony in strong support.





**LATE**

February 4, 2020

**TESTIMONY SUPPORTING HOUSE BILL 2672,  
RELATING TO THE HAWAII COMMERCIAL HARBORS AUTHORITY**

House Committee on Transportation  
The Honorable Henry Aquino, Chair  
The Honorable Troy Hashimoto, Vice Chair

Wednesday, February 5, 2020 at 10:15 a.m.  
State Capitol, Conference Room 423

Chair Aquino, Vice Chair Hashimoto and members of the Committee,

Thank you for this opportunity to submit written testimony on House Bill 2672, Relating to the Hawaii Commercial Harbors Authority. My name is Lance Tanaka, director of government and public affairs for Par Hawaii. Par Hawaii, LLC and Par Hawaii Refining, LLC are subsidiaries of Texas-based Par Pacific Holdings, Inc. Par Hawaii operates the state's only refinery, markets fuels through a statewide network of Hele- and 76-branded retail locations, and distributes fuels via pipelines on Oahu and barges to all major harbors in the state.

House Bill 2672 establishes a Hawaii Commercial Harbors Authority and appropriates funds.

**Par Hawaii supports HB 2672, and other legislative initiatives aimed at updating and improving Hawaii's airports and highway infrastructure.**

Par depends on an efficient statewide harbors system to deliver fuels made at our refinery on Oahu to the Neighbor Islands to power our island economy. We understand that much collaboration and work must go into establishing an effective harbors governance structure that will address harbor users' and stakeholders' needs and concerns. It begins with a framework that is outlined in HB 2672.

Thank you for allowing Par Hawaii the opportunity to present these remarks for the Committee's consideration.