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**STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097**

April 3, 2024
10:30 a.m.
State Capitol, Room 211

H.B. 2490 H.D. 2 S.D. 1
RELATING TO CAPITAL ADVANCEMENT CONTRACTS

Senate Committee on Ways and Means

The Hawaii Department of Transportation (HDOT) is in strong **support** of this measure. This bill was included in the Governor's Package at HDOT's request. This measure proposes to increase the current limits on capital advancement contracts.

The existing law authorizes HDOT Harbors to enter into capital advancement contracts with private parties for any public improvement to or construction of a state port facility when the director determines that a capital advancement contract promotes the best interest of the State. In recent years, this tool has proven effective in expediting project delivery, especially for projects that increase port resilience and operational efficiency.

The current cap of \$2,000,000 per contract or aggregate \$5,000,000 per party limits the scope and type of work and number of projects that can be done under a capital advancement contract. By increasing these caps to at least \$5,000,000 and \$20,000,000, respectively, HDOT can accomplish more in improving port facilities through these contracts. HDOT anticipates escalating project costs due to inflation and rising costs of materials and labor and the higher limits will facilitate improved project delivery given these factors.

Thank you for the opportunity to provide testimony.

Testimony of Matson Navigation Company, Inc.
Support of HB2490, HD2, SD1
Before the Committee on Ways and Means
April 3, 2024

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Matson Navigation Company, Inc. (Matson) supports HB2490, HD2, SD1 which increases the limit of the capital advancement contracts to an unspecified amount per contract with an annual total limit that is also unspecified.

As an island state, Hawaii is very dependent upon our commercial harbors to ensure the continued and unimpeded flow of cargo in and out of our State. It is estimated that over 90 percent Hawaii's imported goods pass through our commercial harbors, including consumer goods, motor vehicles, construction materials, and fuel. Given the critical role of our commercial harbors, it is imperative that the State support dependable and efficient cargo transportation and handling to service our residents and businesses.

Capital advancement contracts provide a means for the Department of Transportation to enter into an agreement with a private party to improve a state harbor, commercial harbor, roadstead, or other waterfront improvement belonging to the State when private development is likely to be cheaper than any other type of contract or is needed on a significantly timelier basis; or when public funds are not available on a timely basis. Capital advancement contracts also must ensure that public works and procurement laws are followed. These agreements have been capped at \$2,000,000 per contract for over twenty years. This measure raises the limit per contract, recognizing inflation and escalating costs impacting design and construction materials and labor costs for future capital improvements. Increasing the limit will help also support our harbors by strengthening private-public partnership agreements for federal grant funding.

Thank you for considering our testimony in support.

HAWAII HARBORS USERS GROUP

Support of HB 2490, HD2, SD1, Relating to Capital Advancement Contracts

Before the Senate Committee on Ways and Means

April 3, 2024

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Hawaii Harbors Users Group **supports** HB 2490, HD2, SD1, relating to capital advancement contracts, which increases the caps for the total contract value for any one capital advancement contract (CAC) and the total aggregate value of CACs in a fiscal year entered into by the Department of Transportation with private parties for harbor improvements and adds reporting requirements for the department.

Capital advancement contracts provide a means for the Department of Transportation to enter into an agreement with a private party to improve a state harbor, commercial harbor, roadstead, or other waterfront improvement belonging to the State when private development is likely to be cheaper than any other type of contract or is needed on a significantly more timely basis; or when public funds are not available on a timely basis. Capital advancement contracts also must ensure that public works and procurement laws are followed. These agreements have been capped at \$2,000,000 per contract for over twenty years. This measure raises the limit per contract, recognizing inflation and escalating costs impacting design and construction materials and labor costs for future capital improvements. It sets an aggregate limit per fiscal year. Increasing the limit will help support our harbors by strengthening private-public partnership agreements for federal grant funding.

As an island state, Hawaii is very dependent upon our commercial harbors to ensure the continued and unimpeded flow of cargo in and out of our State. It is estimated that over 90 percent of Hawaii's imported goods pass through our commercial harbors, including consumer goods, motor vehicles, construction materials, and fuel. Given the critical role of our commercial harbors, it is imperative that the State support dependable and efficient cargo transportation and handling to service our residents and businesses.

Thank you for considering our testimony in support.