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DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 23, 2024
11:30 a.m.
State Capitol, Room 308

H.B. 2490, H.D. 1
RELATING TO CAPITAL ADVANCEMENT CONTRACTS

House Committee on Transportation

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 \$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, HD1
Before the Committee on Finance
February 23, 2024

Dear Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

Matson Navigation Company, Inc. (Matson) supports HB2490, HD1, which increases the limit of the capital advancement contracts to \$5,000,000 per contract with an annual limit of \$20,000,000 total.

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 to \$5,000,000 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, HD1 Relating to Capital Advancement Contracts

Before the House Committee on Finance

February 23, 2024

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

The Hawaii Harbors Users Group **supports** HB 2490, HD1 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 to \$5,000,000 per contract, recognizing inflation and escalating costs impacting design and construction materials and labor costs for future capital improvements. It sets an aggregate limit at \$20,000,000 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.



February 23, 2024

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
House Committee on Finance

**RE: House Bill 2490 HD1 – RELATING TO CAPITAL ADVANCEMENT
CONTRACTS Hearing date: February 23, 2024, 11:30 a.m.**

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

Thank you for the opportunity to submit testimony on behalf of Young Brothers, LLC (“YB”) offering **STRONG SUPPORT** for House Bill 2490 HD1 – Relating to Capital Advancement Contracts.

YB is a common carrier by water, transporting property by tug and barge between the islands of O’ahu, Hawai’i, Kaua’i, Maui, Moloka’i, and Lāna’i. YB is currently the only water carrier authorized to transport property under Chapter 271G, Hawaii Revised Statutes (“HRS”) (i.e., the Hawaii Water Carrier Act), subject to the regulatory authority of the Public Utilities Commission of the State of Hawaii (“PUC”). Since 1900, customers across Hawaii have relied on YB’s frequent, regular, and universal sailings to serve as the bridge that connects all communities in this island-state.

This measure would increase the annual cap for the total contract value for any single Capital Advancement Contract (“CAC”) from \$2M to \$5M and the annual cap for the total aggregate value of all CACs entered into by the Department of Transportation (“DOT”) from \$5M to \$20M.

YB notes that CACs allow the DOT to enter into an agreement with a private entity for the improvement of State harbor properties or other State-owned waterfront properties in situations where private development is likely to be cheaper, faster, or allows for more readily available funds than any other type of contract. CACs are also required to ensure that public works and procurement laws are followed. These agreements have been capped at \$2M per CAC for over 20 years. This measure would raise this cap to \$5M, recognizing inflation and other design and construction costs that have escalated over time. Increasing the limit will also help support our harbors by strengthening public-private partnership agreements for certain federal grant funding.

For the reasons stated above, YB offers **STRONG SUPPORT** for this measure.

Thank you for your service to the State of Hawaii, and for the opportunity to testify offering comments on this measure.

Sincerely,

Kris Nakagawa
Vice President, External and Legal Affairs