



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

February 4, 2025
10:00 A.M.
State Capitol, Room 430

H.B. 1157
RELATING TO CAPITAL ADVANCEMENT CONTRACTS

House Committee on Transportation

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

The existing law authorizes DOT 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, DOT can accomplish more in improving port facilities through these contracts. DOT 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.



February 4, 2025

Representative Darius K. Kila, Chair
Representative Tina Nakada Grandinetti, Vice Chair
House Committee on Transportation

RE: House Bill 1157 – RELATING TO CAPITAL ADVANCEMENT CONTRACTS
Hearing date: February 4, 2025, 10:00 a.m.

Aloha Chair Kila, Vice Chair Grandinetti, and Members of the Committee:

Thank you for the opportunity to submit testimony on behalf of Young Brothers, LLC (“YB”)¹ offering **STRONG SUPPORT** for House Bill 1157 – Relating to Capital Advancement Contracts.

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. This measure would also create a new requirement that DOT submit an annual report to the legislature of all executed CACs in the prior year.

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

¹ 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.