



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

**H.B. NO. 1572, RELATING TO THE HAWAI'I COMMERCIAL HARBORS
AUTHORITY**

Hearing: Wednesday, February 6, 2019, 11:30 a.m.

The Office of the Auditor has **no position** regarding H.B. No. 1572, which establishes the Hawai'i Commercial Harbors Authority and amends the Hawai'i Revised Statutes (HRS) to add a new Chapter relating to the Authority. **However, with respect to proposed Section 10 of the new Chapter, we have concerns about our ability to perform certain of the work and offer other suggestions.**

H.B. No. 1572 establishes the Hawai'i Commercial Harbors Authority, which is vested with the responsibility to:

1. Develop and implement management structures, policies, and procedures based on commercial harbors industry best practices;
2. Efficiently develop, manage, operate, and maintain the State's commercial harbors and maritime facilities; and
3. Administer the provisions of Chapters 102, 266, and 268, HRS, that are applicable to commercial harbors and maritime facilities.

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. We currently are statutorily mandated to regularly audit the Office of Hawaiian Affairs, the Hawai'i Tourism Authority, and the Deposit Beverage Container Program; to review departments' special funds, revolving funds, trust funds, and trust accounts; to assess proposed special and revolving funds; and to analyze the State's tax incentives. We also receive requests for audits and other studies each legislative session.

If tasked with performing the management and financial audits of the authority every other year, we likely will retain a contractor to perform all or some of the 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. 1572.



TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTIETH LEGISLATURE, 2019

LATE

ON THE FOLLOWING MEASURE:

H.B. No. 1572, RELATING TO THE HAWAII COMMERCIAL HARBORS AUTHORITY.

BEFORE THE:

SENATE COMMITTEE ON TRANSPORTATION

DATE: Wednesday, February 6, 2019 **TIME:** 11:30 a.m.

LOCATION: State Capitol, Room 423

TESTIFIER(S): Clare E. Connors, Attorney General, or
Marjorie A. Lau, Deputy Attorney General

Chair Aquino and Members of the Committee:

The Department of the Attorney General provides the following comments on this measure.

The purpose of this bill is to establish the Hawaii Commercial Harbors Authority (Authority). The Authority would be placed within the Department of Transportation (DOT) for administrative purposes. The Authority would assume all of the authority, powers, functions, duties, and responsibilities of the DOT relating to commercial maritime and harbors. The bill provides that the act shall take effect on July 1, 2019, and that the transfer completion date shall be no later than December 31, 2022.

1. Subsection (b) on page 5, at lines 17-18, provides that the powers of the Authority shall be vested in and exercised by a board of directors (Board). However, subsection (h) on page 7, at lines 19-21, provides that the Authority shall be headed by a single executive to be known as the chief executive officer (CEO) of the Authority. To make clear that the head of the Authority is its Board, not its CEO, subsection (h) on page 7, at lines 19-21, should be revised to read:

(h) The board of directors of the authority shall appoint a single executive to be known as the chief executive officer of the Hawaii commercial harbors authority, who shall:

2. To exempt (but not necessarily require that) up to two members of the Authority's Board from the requirements in section 78-1(b), Hawaii Revised Statutes,

that appointed officers of the State, including members of boards and commissions be residents of the State, subsection (d) on page 7, at lines 4-8, should be revised to read:

(d) The governor may appoint up to two members without regard to the requirement in section 78-1(b) that appointive officers be residents of the State at the time of their appointment; provided that no more than two nonresidents may serve as members of the board at any time.

Thank you for the opportunity to comment on this bill.

Testimony of Ku'uhaku Park
On Behalf of Matson
Support of HB1572
Before the House Committee on Transportation
February 6, 2019

Dear Chair Aquino, Vice Chair Hashimoto, and Members,

Matson strongly supports HB1572, 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.

The Thirtieth Legislature
Regular Session of 2019

THE HOUSE

Committee on Transportation
Representative Henry J.C. Aquino, Chair
Representative Troy N. Hashimoto, Vice Chair
State Capitol, Conference Room 423
Wednesday, February 6, 2019; 11:30 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1572
RELATING TO THE HAWAII COMMERCIAL HARBORS AUTHORITY**

The ILWU Local 142 **opposes** H.B. 1572, which Establishes the Hawaii Commercial Harbors Authority, transfers jurisdiction and functions relating to commercial harbors and commercial maritime operations from the Department of Transportation to the Hawaii Commercial Harbors Authority and appropriates funds.

The ILWU has strong reservations regarding the establishment of a Hawaii Commercial Harbors Authority in Hawaii, and we recommend further discussion on this issue with all the stakeholders to determine the best outcome for Hawaii's harbors and ports. We suggest the formation of a working group with the appropriate stakeholders to determine the best solution.

As a result, the ILWU Local 142 urges H.B. 1572 be deferred and/or amended to include a working group. Thank you for the opportunity to offer testimony on this measure.