
A BILL FOR AN ACT

RELATING TO PUBLIC-PRIVATE PARTNERSHIPS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the State needs
2 creative mechanisms to generate revenues in order to address
3 increased spending on public services, repairs, maintenance on
4 facilities, and to catch up on the backlog of projects. As
5 demand for public services and the costs for such services
6 continue to increase, proposals to offset these costs include
7 increasing the general excise tax, raiding various funds,
8 discontinuing services, or closure of facilities.

9 Partnerships with the private sector bring enhanced
10 efficiencies to funding, faster and less expensive project
11 implementation, economic development and investment
12 opportunities, and access to private sector expertise, enabling
13 the sustainable management and maintenance of facilities. For
14 example, Houston's NRG Stadium was completed for \$450,000,000 in
15 2002. By creating a public-private partnership, the public
16 sector financed forty-three per cent of the project and the
17 private sector contributed the remaining balance. Today, it is
18 estimated that the Houston Texans football team deliver an



1 annual economic impact of \$250,000,000, which creates thousands
2 of local jobs and small businesses surrounding the stadium.
3 These types of public-private partnerships demonstrate that
4 complete state financing and maintenance is not always the most
5 cost-effective or efficient method of managing a public project.

6 The legislature further finds that there is an alignment of
7 initiatives in the governor's state of the state address, as the
8 administration continues to seek partnerships with the private
9 sector. The Hawaii health systems corporation recently
10 established a public-private partnership with Kaiser Permanente
11 on Maui, and there continues to be discussion on projects for
12 public-private partnerships at the current sites of Aloha
13 stadium and Oahu community correctional center. By leveraging
14 these public assets, the State can create opportunities for
15 economic development and reinvestment to provide better
16 facilities for the greater public good.

17 The legislature also finds that while public-private
18 partnerships are widely encouraged, the State lacks a
19 comprehensive process for all agencies to engage in public-
20 private partnerships. This has led to agencies working in silos
21 to develop their own process.



1 The purpose of this Act is to require the department of
2 business, economic development, and tourism to conduct a study
3 on the feasibility of establishing a public-private partnership
4 resource agency within the department of business, economic
5 development, and tourism, for all state departments, divisions,
6 and agencies to utilize.

7 SECTION 2. (a) The department of business, economic
8 development, and tourism shall conduct a study on the
9 feasibility of establishing a public-private partnership
10 resource agency within the department of business, economic
11 development, and tourism, for all state departments, divisions,
12 and agencies to utilize.

13 (b) The services of the resource agency shall include the
14 following:

15 (1) Providing advice, expertise, guidance, and information
16 to all state departments, divisions, and agencies
17 concerning the formation of public-private
18 partnerships between state government and the private
19 sector;

20 (2) Assisting in the formation of a public-private
21 partnership for any particular project or undertaking;



1 (3) Serving as one of the state's representatives in
2 negotiating a contract for a public-private
3 partnership; and

4 (4) Doing all things necessary in furtherance of this
5 subsection.

6 (c) The department of business, economic development, and
7 tourism shall report its findings and recommendations, including
8 any proposed legislation, to the legislature no later than
9 twenty days prior to the convening of the regular session of
10 2017.

11 SECTION 3. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$ or so much
13 thereof as may be necessary for fiscal year 2016-2017 for a
14 study on the feasibility of establishing a public-private
15 partnership resource agency within the department of business,
16 economic development, and tourism.

17 The sum appropriated shall be expended by the department of
18 business, economic development, and tourism for the purposes of
19 this Act.

20 SECTION 4. This Act shall take effect on July 1, 2050.



Report Title:

Department of Business, Economic Development, and Tourism;
Feasibility Study; Appropriation

Description:

Requires DBEDT to conduct a study on the feasibility of
establishing a public-private partnership resource agency that
all state departments, divisions, and agencies may utilize.
Makes an appropriation. Effective 7/1/2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is
not legislation or evidence of legislative intent.*





DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
LUIS P. SALAVERIA
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Tuesday, March 15, 2016
9:00 A.M.
State Capitol, Room 312

in consideration of
SB 3101, SD1
RELATING TO PUBLIC-PRIVATE PARTNERSHIPS

Chair Kawakami, Vice Chair Kong, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) supports the intent and offers comments on SB3101, SD1 which would require DBEDT to conduct a study on the feasibility of establishing a public-private partnership resource agency within DBEDT for all state departments, divisions, and agencies to utilize. DBEDT supports the overall intent of this bill, but would like to provide the following comments:

- Public-private partnerships are an effective strategy for economic development.
- Hawaii has been implementing public-private partnerships for several industries including tourism, film, agriculture, energy, and innovation.
- New economic development theory indicates that long term economic growth is heavily dependent on the organization of production.
- Harvard Business School has defined cluster development as an effective strategy for economic development. A cluster is a geographic concentrations of industries related by knowledge, skills, inputs, demand, and/or other linkages (Delgado, Porter 2014).
- Public-private partnerships could be the core or leading organization for cluster development.
- DBEDT would need to hire a research firm to collect data using both qualitative and quantitative research methods. We estimate this cost to be \$150,000.

Thank you for the opportunity to provide the above comments.

BIA-HAWAII

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THE VOICE OF THE CONSTRUCTION INDUSTRY

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Testimony to the House Committee on Economic Development and Business

Tuesday, March 15, 2016

9:00 a.m.

State Capitol - Conference Room 312

RE: SB 3101 S.D.1: Relating to the Department of Business, Economic Development, & Tourism.

Dear Chair Kawakami, Vice-Chair Kong, and members of the Committee:

My name is Gladys Marrone, Chief Executive Officer for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

BIA Hawaii is in **strong support** of S.B. 3101, S.D. 1, which would require DBEDT to conduct a study on the feasibility of establishing a public-private partnership resource agency that all state departments, divisions, and agencies may utilize.

Public Private Partnerships or P3's are growing in popularity across the country. The primary reason for this is most States, Counties, and Cities lack sufficient financial resources to improve, expand or renovate public infrastructure. The traditional P3's were "Toll Roads" where a private developer leases or gains control of a section of a roadway and provides its expertise in the design, construction, financing, operation and maintenance of the section of roadway improvement. Users of the road pay a "toll" to the developer and over a period of years, the developer is compensated for its investment and road it turned over to the government entity which will own it and maintain it from that point on.

Recently however, P3's have been used in the privatization of military housing, construction of new dormitory facilities at Universities across the country, and used in the development of transit stations (i.e. Union Station in Denver, Colorado).

We are aware of other states who have taken an active role in implementation of P3's for a variety of their public infrastructure needs. We believe that given our need to invest in infrastructure in Hawaii, and the lack of public funding available at both the State and County levels of government, P3's may provide a viable option for some of the infrastructure projects in the state.

We strongly support the bill as it would have one entity in the State assess the various P3 delivery methods currently being used by other Cities and States and find the appropriate methods that fit Hawaii's unique situation. A coordinated effort would be the most prudent and cost effect way to assess how P3's would work in Hawaii.

We express our strong support for S.B. 3101 S.D. 1, and appreciate the opportunity to express our views on this matter.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Economic Development & Business
Tuesday, March 15, 2016 at 9:00 A.M.
Conference Room 312, State Capitol**

RE: SENATE BILL 3101 SD1 RELATING TO PUBLIC-PRIVATE PARTNERSHIPS

Chair Kawakami, Vice Chair Kong, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **strongly supports** SB 3101 SD1, which would require DBEDT to conduct a study on the feasibility of establishing a public-private partnership resource agency that all state departments, divisions, and agencies may utilize.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

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Thank you for the opportunity to testify.