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OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 985, S.D. 1, H.D. 1

March 27, 2019
2:30 P.M.
Room 308

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST PEARL HARBOR FLOATING DRYDOCK, LLC.

Senate Bill No. 985, S.D. 1, H.D. 1, authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist Pearl Harbor Floating Drydock, LLC, to fund the construction of a purpose-built floating drydock at Pearl Harbor to service submarines and surface ships pursuant to Part V, Chapter 39A, Hawaii Revised Statutes.

The Department is providing comments only to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of the SPRB issuance and conduit loan will require further review of the financing proposal to ensure compliance with all federal, state and credit underwriting requirements. For additional information, please consult our FAQ located at the following link:

<http://budget.hawaii.gov/wp-content/uploads/2012/11/SPRB-FAQ.pdf>.

Thank you for your consideration of our comments.



Ship Repair Association of Hawaii

P.O. Box 29001, Honolulu HI 96820
Ph# (808) 848-6211 Fax# (808) 848-6279

26 March 2019

COMMITTEE ON FINANCE

Representative Sylvia Luke, Chair

Representative Ty J.K. Cullen, Vice Chair

Testimony for SB985

DATE: Wednesday, March 27, 2019

TIME: 2:30 P.M.

PLACE: Conference Room 308

State Capitol

415 South Beretania Street

Dear Representative Sylvia Luke, Chair; Representative Ty J.K. Cullen, Vice Chair; and members of the Committee on Finance:

The Ship Repair Association of Hawaii (SRAH) strongly supports the need for special purpose revenue bonds to support the construction of a purpose-built floating drydock at Pearl Harbor to service submarines and surface ships. The ship repair industry is a vital part of the Hawaii industrial base and economy. The special purpose revenue bonds will facilitate the construction of a new dry dock and solidify the ship repair industrial base in Hawaii.

Respectfully yours,

A handwritten signature in black ink that reads "Iain S. Wood".

Iain S. Wood, President

Ship Repair Association of Hawaii

Page 1 of 1
Member Firms

Aerotek - Airgas Gaspro – AMP United - Anawati & Associates - BAE Hawaii Shipyards - C & S Services - CB Tech Service - Dresser-Rand - EMS Ice Epsilon Systems – Fortior Solutions - Hawaii Marine Cleaning - HSI-Electric Boat - HSI Mechanical, Inc. - IMIA, LLC. - Inspec Testing - Jo-Kell, Inc. Leeward Marine, Inc. - Marisco, LTD. - Oceaneering International, Inc. - Pacific Shipyards International - PCE Hawaii, LLC. - Penco - Phoenix International Q.E.D. Systems, Inc. - Regal Service Co. - Safway Services, LLC. – Signal – SureID – The American Equity Underwriters, Inc. Trident Maritime Systems TY Realty Hawaii - UTS Maritime Services - Wardlaw Maritime

TESTIMONY FROM William F Clifford, CDR USN (ret)

FOR SB985 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST PEARL HARBOR FLOATING DRYDOCK, LLC.

COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Rep. Angus L.K. McKelvey, Chair

Rep. Lisa Kitagawa, Vice Chair

DATE: Wednesday, March 27, 2019

TIME: 1430

PLACE: Conference Room 308

I STRONGLY SUPPORT SB985. As a retired Naval Engineering Duty Officer stationed in Pearl Harbor for 7 years, and as a private sector shipyard senior manager for 26 years responsible for managing shipyards across the United States, including Hawaii, I am keenly aware of the critical strategic and economic importance of Pearl Harbor Naval Shipyard (PHNSY). As one of four Naval shipyards in the U.S., PHNSY is a significant part of the federal military value-added equation comprising 6 percent of Hawaii GDP. While the submarine footprint in Pearl Harbor will continue to grow slightly by 2025, the surface combatant fleet currently homeported in Pearl Harbor is planned to be significantly reduced and surface ships will be relocated to San Diego for deep maintenance, and most are at risk for not returning.

Surface vessel repairs are typically outsourced to private-sector ship repair companies, a major part of the estimated \$180-200 million in civilian ship repair activities in Hawaii during 2018.

The impact of losing surface vessel repair work would be far-reaching, well beyond the loss of direct military jobs associated with surface ships leaving the area. The Navy's drydock capacity shortfalls will refocus nearly 100% of the current PH drydock capacity on submarine maintenance and displace nearly all surface ship drydock maintenance and modernization to the west coast. **THE LOSS OF NAVY SURFACE SHIP DRYDOCK MAINTENANCE TO THE PEARL HARBOR PRIVATE-SECTOR SHIP REPAIR INDUSTRY WOULD SIGNIFICANTLY SHRINK THE LOCAL INDUSTRY AND BE UNRECOVERABLE.**

There will be drastic adverse economic and industrial impacts to the State of Hawaii as a result of the U.S. Navy's current plan to move surface fleet maintenance from Pearl Harbor to the West Coast. A mitigation strategy is needed that avoids the adverse economic impacts of displaced ship repair activities over the next seven years: **LOSS OF NEARLY 1.31 BILLION IN HAWAII GDP, \$351 MILLION IN LABOR EARNINGS, AND AN ANNUAL AVERAGE OF NEARLY 1000 JOBS EACH YEAR.**

The construction of a purpose-built floating drydock capable of accommodating any of the submarines and surface ships currently in and planned for at Pearl Harbor represents the best mitigating solution for the State of Hawaii. This floating drydock will not only protect private-sector maritime jobs that are expected to be lost, but will stimulate overall job growth of this sector, prevent the erosion of Hawaii's private ship repair capability and provide greater strength and stability to the Navy's Mid-Pacific Surface Force. This offers a shared solution for the industry, State of Hawaii, and Navy that results in a fifth drydock; a new, mobile, floating asset in place by 2022. Given its 50+ year life cycle, this additional Pearl Harbor drydocking capacity will provide economic gains well into the future.

I strongly urge you to pass this very critical bill.

SB-985-HD-1

Submitted on: 3/25/2019 9:19:36 PM

Testimony for FIN on 3/27/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Alan S. Hayashi	Individual	Support	Yes

Comments:

SHIP REPAIR ASSOCIATION HAWAII (SRAH)

SB985 SD1 HD1 TESTIMONY MARCH 27, 2019

Chair Luke, Vice Chair Cullen, and members of the Committee on Finance

Thank you for the opportunity to rise in strong support as a member of the SHIP REPAIR ASSOCIATION HAWAII (SRAH), its 33- member companies, and 7,000 plus Maritime sector employees.

My name is Alan S. Hayashi and I am here representing the Ship Repair Association Hawaii (SRAH). The SRAH member Companies are listed below:

Aerotek â™ Airgas Gaspro â™ AMP United â™ Anawati & Associates â™ BAE Systems Hawaii Shipyards â™ C&S Services â™ CB Tech Service Inc. â™ Dresser-Rand â™ EMS ICE â™ Epsilon Systems â™ Hawaii Marine Cleaning â™ HSI Electric Boat â™ HSI Mechanical â™ Inspec Testing â™ International Marine & Industrial App â™ Jo-Kell Inc. â™ Leeward Marine Inc. â™ Marisco Ltd. â™ Oceaneering International, Inc. – Marine Services Division â™ Pacific Shipyards International â™ Phoenix International â™ PCE Hawaii, LLC â™ QED Systems Inc. â™ Safway Services, LLC â™ Signal Mutual Indemnity â™ SureID, Inc. â™ The American Equity Underwriters â™ Tradesmen International LLC â™ Trident Maritime Systems US Joiner â™ Ty Realty, Inc. â™ UTS Maritime Services

Last year’s Legislative Session saw the need for a Grant in Aid funded study to determine the adequacy of Pearl Harbor Navy Ship Yard (PHSNY) facilities to retain Navy Surface ship repair in Hawaii, rather than send the surface ships to the US West Coast for repair. I will summarize the findings as follows:

“This study addresses the anticipated economic and industrial impacts to the State of Hawaii as a result of the U.S. Navy’s current plan to move surface fleet maintenance from Pearl Harbor to the West Coast. The Ship Repair Association of

Hawaii (SRAH) offers a mitigation strategy that avoids the adverse economic impacts of displaced ship repair activities over the next seven years: loss of nearly \$1.31 billion in Hawaii GDP, \$351 million in labor earnings, and an annual average of 900 jobs each year. (Paul Brewbaker). The proposed strategy will not only protect private-sector maritime jobs that are expected to be lost, but will stimulate overall job growth of this sector, prevent the erosion of Hawaii's private ship repair capability and provide greater strength and stability to the Navy's Mid-Pacific Surface Force. This study offers a shared solution for the industry, State of Hawai'i, and Navy that results in a fifth drydock; a new, mobile, floating asset in place by 2022. Given its 50+ year life cycle, this additional Pearl Harbor drydocking capacity will provide economic gains well beyond the outyears projected in this study."

The conclusion of this study is loss of a major portion of the Hawaii Ship Repair industry.

"The loss of nearly \$1.31 billion in Hawaii GDP, \$351 million in labor earnings, and an annual average of 900 jobs each year." (Paul Brewbaker).

- **This study concludes that the impact of losing surface vessel repair work would be far-reaching, well beyond the loss of direct military jobs associated with surface ships leaving the area.**
- **The loss of Navy surface ship drydock maintenance to the mainland would severely impact the Pearl Harbor private-sector ship repair community, and would significantly shrink the local industry and become unrecoverable. Hawaii will lose its heavy industrial repair capability.**
- **This study confirms the need and requirement for this floating drydock asset. The analysis demonstrates that constructing a purpose-built floating drydock capable of accommodating any of the submarines and surface ships currently in and planned for at Pearl Harbor represents the best mitigating solution for the State of Hawai'i and the U.S. Navy.**

We respectfully request this Legislature pass this measure to further the progress toward acquiring the floating dry dock asset, prior to the urgent need in 2022. This measure is about saving a critical industry and many jobs!

SB-985-HD-1

Submitted on: 3/26/2019 12:01:04 PM

Testimony for FIN on 3/27/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ann Chung	Individual	Support	Yes

Comments:

We STRONGLY SUPPORT SB985. Pearl Harbor Naval Shipyard, one of four Naval shipyards in the U.S., is a significant part of federal military value-added comprising 6 percent of Hawaii GDP. While the submarine footprint in Pearl Harbor will continue to grow slightly by 2025, the surface combatant fleet currently homeported in Pearl Harbor is planned to be significantly reduced and surface ships will be relocated to San Diego for deep maintenance, and most are at risk for not returning.

Surface vessel repairs are typically outsourced to private-sector ship repair companies, a major part of the estimated \$180-200 million in civilian ship repair activities in Hawaii during 2018.

The impact of losing surface vessel repair work would be far-reaching, well beyond the loss of direct military jobs associated with surface ships leaving the area. The Navy's drydock capacity shortfalls will refocus nearly 100% of the current PH drydock capacity on submarine maintenance and displace nearly all surface ship drydock maintenance and modernization to the west coast. **THE LOSS OF NAVY SURFACE SHIP DRYDOCK MAINTENANCE TO THE PH PRIVATE-SECTOR SHIP REPAIR COMMUNITY WOULD SIGNIFICANTLY SHRINK THE LOCAL INDUSTRY AND BE UNRECOVERABLE.**

There will be drastic adverse economic and industrial impacts to the State of Hawaii as a result of the U.S. Navy's current plan to move surface fleet maintenance from Pearl Harbor to the West Coast. A mitigation strategy is needed that avoids the adverse economic impacts of displaced ship repair activities over the next seven years: **LOSS OF NEARLY 1.31 BILLION IN HAWAII GDP, \$351 MILLION IN LABOR EARNINGS, AND AN ANNUAL AVERAGE OF NEARLY 1000 JOBS EACH YEAR.**

The construction of a purpose-built floating drydock capable of accommodating any of the submarines and surface ships currently in and planned for at Pearl Harbor represents the best mitigating solution for the State of Hawaii. This floating drydock will not only protect private-sector maritime jobs that are expected to be lost, but will stimulate overall job growth of this sector, prevent the erosion of Hawaii's private ship repair capability and provide greater strength and stability to the Navy's Mid-Pacific Surface Force. This offers a shared solution for the industry, State of Hawaii, and Navy that results in a fifth drydock; a new, mobile, floating asset in place by 2022. Given its

50+ year life cycle, this additional Pearl Harbor drydocking capacity will provide economic gains well into the future.

We urge you to pass this bill.

SB-985-HD-1

Submitted on: 3/25/2019 6:11:50 PM

Testimony for FIN on 3/27/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan P. Armstrong	Individual	Support	No

Comments:

SB-985-HD-1

Submitted on: 3/26/2019 7:33:57 AM

Testimony for FIN on 3/27/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Buelsing	Individual	Support	No

Comments:

SB-985-HD-1

Submitted on: 3/26/2019 7:38:35 AM

Testimony for FIN on 3/27/2019 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ken Loui	Individual	Support	No

Comments:



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Wednesday, March 27, 2019 at 2:30 P.M.
Conference Room 308, State Capitol**

LATE

RE: SB 985 SD1 HD1, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST PEARL HARBOR FLOATING DRYDOCK, LLC.

Chair Luke, Vice Chair Cullen, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 985 SD1 HD1, which authorizes the issuance of special purpose revenue bonds to assist Pearl Harbor Floating Drydock, LLC, for the construction of a purpose-built floating drydock at Pearl Harbor to service submarines and surface ships.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ 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.

Hawaii's ship repair industry is critical for providing cost-effective, high-quality services to all commercial and government customers and maintaining the state's industrial base and preserving its industrial workforce. Additionally, the industry complements the capabilities and capacity of the Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility, Hawaii's largest industrial employer, by serving as a ready resource that is able to respond to surge and peak loading demands. As such, the ship repair industry plays a significant role in supporting the U.S. military fleet, so that it can respond to crisis anywhere in the Indo-Pacific region.

Unlike its counterparts in the continental U.S., such as California, Hawaii's ship repair industry is unable to benefit from the mobility of expertise and desired skills from across state lines due to the high cost of living and the state's remoteness. As such, it is a challenge for the industry to remain globally competitive, and the loss of work to off-island competitors, along with an inability to maintain ship repair capability, is a constant risk.

For the reasons above, the construction of a floating drydock is essential for this industry and our state. Thank you for this opportunity to testify.