

DAVID Y. IGE
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RODERICK K. BECKER
DIRECTOR

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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
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 ECONOMIC DEVELOPMENT & BUSINESS
ON
SENATE BILL NO. 985, S. D. 1

March 13, 2019
10:00 A.M.
Room 309

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

Senate Bill No. 985, S. 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

11 March 2019

COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS

Representative Angus L.K. McKelvey, Chair

Representative Lisa Kitagawa, Vice Chair

Testimony for SB985

DATE: Wednesday, March 13, 2019

TIME: 10:00 a.m.

PLACE: Conference Room 309

State Capitol, 415 South Beretania Street

Dear Representative Angus L.K. McKelvey, Chair; Representative Lisa Kitagawa, Vice Chair; and members of the Economic Development & Business Committee:

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, appearing to read "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

SB-985-SD-1

Submitted on: 3/12/2019 8:10:59 AM

Testimony for EDB on 3/13/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Buelsing	Pacific Marine & Supply, Co.	Support	No

Comments:

SB-985-SD-1

Submitted on: 3/12/2019 8:25:29 AM

Testimony for EDB on 3/13/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Steven Loui	Pacific Marine & Supply	Support	No

Comments:

I strongly support this bill as additional drydocking capability is badly needed for Pearl Harbor. The state of Hawaii faces major economic and job impact of losing major Navy ship repair work over the next 10 years. Without additional drydocking capability, Navy ships would be moved to the West Coast for repair and overhauls. This would devastate the ship repair industry and cause the state the loss of highly skilled and high paying jobs.

Steven Loui, Chairman, Pacific Marine

A & B Electric Co., Inc.

March 11, 2018

To: House Committee on Commerce and Consumer Protection
Rep. Angus L.K. McKelvey, Chair
Rep. Lisa Kitagawa, Vice Chair

From: Malcolm Barcarse, Jr.
Vice President of A & B Electric Co., Inc.

RE: **OPPOSITION** to SB 985 Relating to the Issuance of Special Purpose Revenue Bonds To Assist Pearl Harbor Floating Drydock LLC.

Chair McKelvey, Vice Chair Kitagawa and members of the Committee,

A & B Electric Co., Inc. is an electrical contractor who has been in business since 1986, servicing commercial, industrial, and marine customers. One of the industries that we service is the ship year industry as an electrical subcontractor to the ship repair industry in Hawaii. We stand in **OPPOSITION** to this bill as this bill seems to solely benefit a company would give them a competitive edge in the marketplace with state assistance.

Currently there are 3 private drydocks in the State that provide docking repairs to for Private, State, and military vessels. With the upcoming expiration of the Multi Ship Multiple Option (MSMO) contract, which is currently being held by BAE Hawaii Shipyards. It will give the various companies in the ship repair industry in Hawaii an opportunity to compete for the various repairs to the nine homeported destroyers at Pearl Harbor. Some of these availabilities will require drydock services some of them will not. The availabilities that require drydock services will require the existing ship repair companies to upgrade their drydocks for these future availabilities

We **OPPOSE** this bill as it appears that the legislature is appearing to favor one entity in a competitive local marketplace. Thank you for the opportunity to testify.

SB-985-SD-1

Submitted on: 3/12/2019 9:58:07 AM

Testimony for EDB on 3/13/2019 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
CARL	YAMAMOTO & ICHISHITA CPAS INC	Support	No

Comments:

I am strongly in support of SB985 will provide the Hawaii Ship Repair Industry the opportunity to construct a floating drydock for use in Pearl Harbor Hawaii that will provide significant economic benefits to the people of Hawaii.

Without the floating drydock, the capabilities of the Hawaii Ship Repair Industry will suffer a significant blow and much of the work that would be performed on the floating drydock will be done in other ports.

Please provide the Hawaii Ship Repair Industry and the thousands of people that are affected by the economic impact of the floating drydock, the opportunity to compete against other ports of call.

Aloha,

Carl K. Yamamoto

SB-985-SD-1

Submitted on: 3/9/2019 12:52:36 PM

Testimony for EDB on 3/13/2019 10:00:00 AM

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.

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 13, 2019

TIME: 10:00 a.m.

PLACE: Conference Room 309

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-SD-1

Submitted on: 3/12/2019 8:21:03 AM

Testimony for EDB on 3/13/2019 10:00:00 AM

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

Comments:

March 12, 2019

LATE

To: House Committee on Economic Development & Business
Rep. Angus L.K. McKelvey, Chair
Rep. Lisa Kitagawa, Vice Chair

From: Fred Anawati
President/Owner Marisco Ltd.

RE: **OPPOSITION** to SB 985 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE
REVENUE BONDS TO ASSIST PEARL HARBOR FLOATING DRYDOCK,LLC

Chair McKelvey, Vice Chair Kitagawa and members of the Committee,

Marisco, Ltd is a Ship Repair business that has been in business in Hawaii since 1974, servicing Navy, Army, Air Force, Coast Guard, Commercial and other businesses in Hawaii. Marisco, Ltd. is a member of the Ship Repair Association of Hawaii and continues to serve both Commercial clientele as well as Federal clientele as both a Prime contractor and sub-contractor. Marisco **OPPOSES** SB 985 (as this Bill is a companion to Bill SB 972) as this bill is written with the intensions to provide funding to Pearl Harbor Floating Drydock LLC owned by Pacific Shipyards International LLC (both currently for-profit companies) that will provide a competitive edge in the Hawaii marketplace with State assistance.

Due to changes in the size of the newer submarines being homeported in Pearl Harbor, and the subsequent drydock constraints of Pearl Harbor Naval Shipyard, the Ship Repair Association of Hawaii's intent is to explore options for the Hawaii Ship Repair Industry to provide an avenue to keep homeported Navy's Surface Ships and Submarines Maintenance in Hawaii, however, a separate dialog between the Navy and Ship Repair members has been discussed and is continuing discussion presently. Even if the State funding for construction of a large Floating Drydock is provided, there is no commitment at this time that Pearl Harbor Naval Shipyard will allow the drydock to be moored or operated in Pearl Harbor. If another means of keeping the maintenance in Hawaii is preferred by the Navy, what will any monies spent for design or construction of a Floating Drydock amount to? Where, in what State Harbor would the Floating Drydock be moored? How could the State assisted competitive edge gained by the company that owns and controls the Floating Drydock be mitigated so as to not have a negative and lasting impact to the Hawaii Ship Repair Industry?

Marisco, Ltd. **OPPOSES** this bill as it appears that the legislature is appearing to favor one entity in a competitive local marketplace. We feel that it is in an inappropriate use of tax payer money to construct a Floating Drydock without an agreement from the US Navy that the Drydock will be moored and used in Pearl Harbor Naval Shipyard and that it will solely benefit a non-existing LLC providing it a State assisted competitive edge which may negatively impact the Hawaii Ship Repair Industry.



Chamber of Commerce HAWAII
The Voice of Business

LATE

**Testimony to the House Committee on Economic Development and Business
Wednesday, March 13, 2019 at 10:00 A.M.
Conference Room 309, State Capitol**

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

Chair McKelvey, Vice Chair Kitagawa, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 985 SD1, 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.