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TO THE HOUSE COMMITTEE ON  
FINANCE

TWENTY-FIFTH STATE LEGISLATURE  
REGULAR SESSION, 2009

Monday, April 6, 2009  
5:00 p.m.

**TESTIMONY ON SENATE BILL NO. 294, S.D. 2, PROPOSED H.D. 1  
RELATING TO STATE DEPARTMENTS**

TO THE HONORABLE MARCUS R. OSHIRO, CHAIR, MARILYN B. LEE, VICE CHAIR,  
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs ("Department") appreciates the opportunity to testify **in opposition** to Senate Bill No. 294, S.D. 2, Proposed H.D. 1, Relating to State Departments. My name is Lawrence M. Reifurth, and I am the Department's Director. Senate Bill No. 294, S.D. 2, Proposed H.D. 1, proposes to reorganize State government by transferring certain executive branch agencies and programs. The Department is particularly concerned about parts I, V, IX, and XIV of the bill.

**Insufficient opportunity to comment.**

The reorganization of State executive agencies proposed by this bill and H.B. No. 200, H.D. 1 (the Budget bill) is extensive and far reaching and should only be entered

into after careful consideration of the comments and concerns of all affected stakeholders in a deliberative process. It should be planned for with the input and active participation of all affected stakeholders—it should not be rushed into. However, we first learned about the proposed reorganization in mid-March, when the House version of the budget was released. We did not have any opportunity to provide comment in a public hearing to the House. Nor were we invited to actively participate in the development of such a proposal that has a considerable impact on the Department.

**Research and Economic Analysis.**

Part I of the bill proposes to transfer from the Department of Business, Economic Development, and Tourism, the Research and Economic Analysis Division (READ), along with its duties. Although READ has important responsibilities and performs its duties with a high-level of excellence, it is not a logical fit within the Department. The Department licenses professions, receives business filings, and helps ensure that consumer interests are protected. READ compiles data and conducts research, analyzes economic data, and develops strategic economic development plans.

However, the bigger concern is funding the activities of READ. The Department is a self-sufficient agency. We exist almost exclusively on what we charge our customers. Also, the Legislature requires that the Department set its fees at a level to maintain a “reasonable relation” between the revenues derived from the fees and the cost or value of the services rendered. In fact, over the past several years, the Legislature has taken a great interest in how the Department’s expenditures are aligned with its special fund revenue collections, and has required reports on that issue. The

Department has submitted those reports to the Legislature and they are available on our website.

Although the proposed draft includes a provision that authorizes the Department to include as part of any other fee, an amount with a "reasonable nexus" to the economic research and analysis activities of READ, READ does not have "customers" per se who have that "reasonable nexus" that we could charge the additional amount.

The Department's other divisions have customers who are obvious and easily identified. For example, the Insurance Division's customers include insurance companies and insurance producers and the Professional and Vocational Licensing Division's customers are licensed professionals such as doctors, contractors, accountants, engineers, veterinarians, et al. Those parties pay fees to those divisions for the services that those divisions render, whether it is processing licensing applications or investigating and prosecuting violations (in the case of the Insurance Division. The Regulated Industries Complaints Office is essentially the enforcement arm of PVLD).

However, READ does not have obvious "customers" who would need to pay for its services. In other words, who would READ charge the additional amount authorized by the bill? Additionally, even if a group of customers were identified (perhaps research institutes), it would likely not be large enough to generate the needed revenues to sustain READ's current budget which exceeds \$1.1 million in "A" funds and \$1.8 million in "U" funds. We would not be able to assess the additional amount on those who do not utilize READ's services, as there would not be a "reasonable nexus".

**Small Business Regulatory Review Board.**

Part V of the proposed draft transfers the Small Business Regulatory Review Board (SBRRB), along with its powers and duties, from the Department of Business, Economic Development, and Tourism (DBEDT) to the Department. We have two major concerns with this proposed transfer.

First, because the Department has numerous rules that have the potential of affecting small business, we appear before the SBRRB on a frequent basis. It could be argued that placing the SBRRB within the Department would have the appearance of having the “fox guarding the henhouse”. In order to maintain the integrity of the SBRRB and the public’s confidence in its decision-making process, it would be prudent not to create a situation where the appearance of a conflict of interest is created. A prime example of a potential conflict between the Department and SBRRB is SBRRB’s April 2, 2009 letter to the Department. Under the auspices of the “small business bill of rights” enacted last year by the Legislature pursuant to Act 230, the SBRRB has requested that the Department appear at its May 2009 meeting to explain its proceedings with regard to disciplinary action taken by the Department against a respondent for unfair and deceptive practices. The SBRRB has also invited the respondent to the same meeting to provide its side of the story. We believe such a situation would result in a clear conflict of interest should the SBRRB be attached to the Department.

Second, although the proposed draft requires the Department to include as part of any of its other fees, an additional amount with a “reasonable nexus” to the activities of the SBRRB, we presently do not have the ability to segregate out “small business” to charge only them the additional amount—we would have to charge **all** business

registrants the additional charge. If we were to include the additional charge for all business registrants, some of those who pay the additional charge would not have that "reasonable nexus", and therefore, would be subsidizing "small business".

### **High Technology Development.**

Part IX proposes to transfer the High Technology Development Corporation (HTDC) and the High Technology Innovation Corporation (HTIC), along with their duties, from DBEDT to the Department. Similar to the READ transfer situation, the HTDC and HTIC do not logically fit in the Department. The Department licenses professions, receives business filings, and helps ensure that consumer interests are protected. The HTDC facilitates the growth and development of the commercial high technology industry by developing and encouraging industrial parks as high technology innovation centers, providing financial and other support and services to Hawaii-based high technology companies, and collecting and analyzing information on the state of commercial high technology activity in Hawaii. Similarly, the HTIC facilitates the growth and development of the commercial high technology industry by managing the assets and resources of the HTDC, planning, creating, and implementing programs and projects of the HTDC, and identifying and obtaining funding and other resources in support of HTIC and HTDC.

Also, as with READ, the customer base of the HTDC and HTIC is not likely large enough to sustain their budgets which exceed \$762,000 in "A" funds, \$3.8 million in "B" funds, \$3.6 million in "N" funds, and \$1.5 million in "W" funds.

**Measurement Standards.**

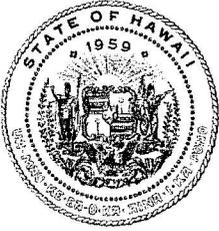
Part XIV proposes to transfer the measurement standards program from the Department of Agriculture to the Department. If the principle reason for the transfer is to save general fund moneys, this proposal will not achieve that goal. The program already charges fees and is in the process of increasing those fees. The fees collected by the program are currently deposited into the general fund. Under the proposed H.D. 1, those fees would now be deposited into the Department's Compliance Resolution Fund. Therefore, although the expenditures for the program would be removed from the general fund ledgers, the revenues from the program's fees would also be removed from the general fund's income stream. This would result in very little to no general fund savings.

Additionally, the Department does not have expertise in the measurement standards area. This would, at least initially, cause some operational disruptions.

**Closing.**

The Department is not adverse to assuming responsibility for additional programs. In 2005, the Department supported the transfer of the Business Action Center from DBEDT to the Department because that transfer was a good fit and we were involved in the early discussions and cooperative planning for the transfer which occurred before the 2005 session. The transfers called for in this bill do not fit as well and we have not been active participants in the planning process.

Based on the foregoing, the Department respectfully urges the Committee to remove the provisions contained in Parts I, V, IX, and XIV of the bill.



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of  
**THEODORE E. LIU**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON FINANCE**

Monday, April 6, 2009  
5:30 pm  
State Capitol, Conference Room 308

in consideration of

**SB 294 SD2 Proposed HD1  
RELATING STATE DEPARTMENTS**

Chair Oshiro, Vice-Chair Lee and members of the House Committee on Finance:

On the basis that –

1. The department's existing programs, both within its core divisions and its attached agencies, are integrated and aligned to meet the State's short-term economic difficulties and to achieve the State's longer-term economic development objectives; and
2. The proposed program transfers will take necessary focus away from addressing the State's short-term economic difficulties without any commensurate or offsetting benefits; and
3. Any necessary and proper periodic reassessment of the State's economic development mission and function should be thorough and thoughtfully made –

I respectfully oppose the proposed measure before you.

**The Department's Programs are Aligned to  
Meet the State's Short-Term Difficulties and Achieve Long-Term Opportunities**

As set forth in the department's testimonies before your Committee on Finance over the past four years, including its testimony on January 7 of this year, the department's core divisions and attached agency programs have been aligned<sup>1</sup> toward achieving the following strategic objectives:

- Lead implementation of the Hawaii 5-Point Economic Plan to stabilize the economy and establish the basis for future growth.
- Lead efforts to transform how Hawaii produces, distributes and uses energy with an objective that 70% of Hawaii's energy to come from locally developed alternative energy sources and energy efficiency and conservation efforts by 2030.
- Align, facilitate and lead public and private resources to develop Hawaii's innovation capacity based on science, technology, engineering, and math skills, creative ideas and lifelong learning resulting in an innovation-driven and globally-competitive economy.
- Increase international trade and international educational opportunities for Hawaii's citizens.
- Support public policy-making and public and private decision-making by providing data, research and analysis; by creating better data standards, reports, and data-sharing protocols with other state entities and Hawaii's educational institutions.
- Advocate open, fair and transparent tax and regulatory policies to provide a competitive business environment for Hawaii's small businesses.
- Increase the supply of workforce or "gap" housing units to support an increasing quality of life in Hawaii.
- Plan and advocate policies, including land-use policies, that promote the efficient use of public and private resources.
- Advocate and achieve, directly and in partnership with other departments, world-class infrastructure.

These strategic objectives and programs' alignment thereto is consistent with the department's statutory obligations under Section 201 HRS. They are also consistent with the necessary response to the current national and state-wide economic crisis.

Specific plans and resulting functional programs, as well as specific measurements of effectiveness<sup>2</sup> and results, were included in the department's written testimony submitted to your Committee on Finance. These plans, functional programs and measures of effectiveness are also

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<sup>1</sup> This alignment was referred to in the budget testimony's Narrative, Attachments and each program's individual program testimonies. "Attachment A" hereto contains one of the attachments provided with the budget testimony.

<sup>2</sup> See Table 1, attached to the department's budget testimony. Column 3 contains measures of effectiveness. Table 1 is also attached as "Attachment B" hereto.

contained in each program's "Yearly Activity Plan", copies of which are on the department's website and have been provided to the Committee on Finance.

The department's current programs are aligned and are functioning and the measure before you is not necessary.

**The Proposed Program Transfers Will Take Necessary Focus Away From Meeting the State's Short-term Economic Difficulties Without any Commensurate or Offsetting Benefits**

Driven by the national and global financial crisis, Hawaii's economy has experienced its severest decline in decades, negatively impacting workers, households and businesses.

The department's current focus, together with its' sister departments and agencies, is on stabilizing the Hawaii economy and forming the basis for an economic recovery.

Within the overarching framework of strategic objectives set forth above, all the department's programs have focused their plans and activities on stabilizing the Hawaii economy. The proposed transfers will shift focus and attention away from these activities at a critical time in these economic stabilization and recovery efforts.

It is not clear how the proposed transfers increase the efficiency and effectiveness of the programs. The proposed transfers seek general fund budgetary savings by changing the method of funding of three programs to the Resolution Compliance Fund of the Department of Commerce and Consumer Affairs (DCCA). We defer to the DCCA on whether such a change is advisable or legal.

Rather, in these difficult times when focus is critically needed on the economic stabilization and recovery and when departments are called on to "do more with less", the transfers will reduce program effectiveness and increase program costs.

Program effectiveness will be reduced as attention will necessarily be diverted to the administrative and logistical requirements of the transfers and the policy, programmatic and administrative integration with the new department. Significant time will also be expended on programmatic alignment with the mission and functions of the new department<sup>3</sup>.

Increased costs would arise due to additional administrative and personnel time and direct expenses, including costs of physical relocations, additional office space, IT and telecommunication services, personnel transfers and disruption of services.

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<sup>3</sup> The most recent program transfer was the transfer of the Hawaii Housing Development & Finance Corporation from the Housing and Community Development Corporation of Hawaii (HCDCH) from the Department of Human Services to DBEDT. That process too two years. Should these transfers take place as proposed by this measure, I expect the transitions to take up to 18 months by which time there may well be a new Director of the department in place.

**Periodic Reassessment of the State's Economic Development Function  
is Necessary and Should be Conducted Thoroughly and Thoughtfully**

Because the economy is a dynamic system and undergoes business cycles, the state's economic development function also needs to be dynamic and adapt to the circumstances presented by a particular cycle. The dynamic macro economic context also requires that the state's economic development function be periodically reviewed and realigned to ensure ability to properly respond.

That periodic review and realignment should be conducted, I believe, thoroughly and with reference to –

- Changes in fundamental national, regional and local economic structures and drivers, with increasing importance of global interdependencies;
- Structural imbalances and inefficiencies caused by these changes;
- New opportunities resulting from these changes;
- Capacity and resource availability to address the imbalances and inefficiencies and to capture the new opportunities;
- Benefits and costs, including the costs of externalities, of allocation of capacity and resources to address the imbalances and inefficiencies and to capture the new opportunities;
- The state's short- and longer-term economic development objectives, including workforce and quality of life; and
- Efficiencies, productivity and effectiveness.

I support a periodic review and realignment of the state's economic development function. However, the transfers proposed in the measure before you is not the product, I believe, of such a review. Consequently, not only are the intended results of the proposed transfers not identified, the transfers will result in many unintended consequences.

One of these unintended consequences, I believe, is the significant narrowing of the state's economic development function, such that it may be rendered ineffective to meet future challenges and interests of the state, regardless of who is serving as the Director of the department.

In order to meet the dynamic national and global economy, the state's economic development function requires a breadth of tools to meet this ever-changing economic environment. On its surface, the department's programs may appear broad, but collectively the programs provide the state's economic development function with all of the tools to meet its statutory obligations under Section 201, HRS.

For example, economic data gathering, research and analysis not only underpin economic "policy determinations" as required by Section 201-2, HRS, but good decision-making across the economy. The technology attached agencies support development of "new industries", as

required by Section 201-3 (1). The development-related attached agencies support “productive use of land” as required by HRS 201-3 (2).

Transferring these programs will serve to narrow the economic development function and will restrict the ability and effectiveness of future administrations to utilize a broad set of tools to deal with new challenges and opportunities as they arise.

### **Conclusion**

The proposed transfers come at a time when the departmental programs are aligned and focused on meeting the state’s short-term economic crisis. The transfers would take focus away from the critical task of stabilizing and growing the economy, would be disruptive and costly and would have no commensurate benefit.

I would support a thorough and thoughtful review of the state’s economic development functions with the objective of any realignment improving the state’s ability to achieve its economic development objectives. The proposed transfers are not based on such a review nor do they accomplish such an improvement.

I respectfully request that you hold this measure.



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

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**PEARL IMADA IBOSHI**  
**Economics Research Administrator**  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Monday, April 6, 2009  
5:00 p.m.  
State Capitol, Conference Room 308

in consideration of  
**SB 294, SD 2, HD 1 Proposed**  
**RELATING TO STATE DEPARTMENTS**

Chair Oshiro, Vice Chair Lee, and members of the House Committee on Finance.

We would like to express our concerns about the transfer of the Research and Economic Analysis Division (READ) to the Department of Commerce and Consumer Affairs (DCCA) as provided for in Section 2 through 6 of this bill.

First, we are concerned that there is no clear nexus between the programs of READ and the Compliance Resolution fund, which will provide operating funds for the division after the transfer. The programs of READ are as much directed at facilitating the policy decisions of State and county agencies as they are to providing economic information to the public and business.

Secondly, READ works very closely with the economic development programs in DBEDT, particularly the energy and technology programs, but also the international development program and industry development activities. We believe that READ would best be able to serve its function within the structure of DBEDT.

For your information we are attaching information on the extent of READ's interaction with other DBEDT programs (Attachment 1) and a compilation of the products and outputs for which READ is responsible (Attachment 2).

Thank you for the opportunity to provide this testimony.

## **ATTACHEMENT 1**

### **READ'S RELATIONSHIP TO OTHER DBEDT PROGRAMS**

READ (BED 130) serves the state as a whole with a wide range of data and information. But much of its program work is directed at supporting the state's economic development programs in DBEDT.

#### **ENERGY**

One of the highest priorities at both the state and federal level is reducing dependence on petroleum and developing alternative energy sources. READ is assisting the department's energy division by developing data sources and products on Hawaii's energy sources and uses. READ's integration with the State's energy program is so important that the Energy Division (BED 120) has physically moved an energy statistician into the READ spaces, to work alongside READ staff to fulfill the data collection and management requirements of the state's energy program.. READ is also researching the companies and industries that make up the energy sector in order to establish a reliable measure for the jobs, earnings and occupations in that sector. This will help the energy program advise the industry and education/workforce training sector about the skills and programs needed if the State is to achieve its goals. Finally the research program is developing performance measures for the statewide clean energy effort to allow policy makers to monitor progress in this program

Specific Tasks READ has been asked to perform with respect to energy:

- Provide research and statistical services and support related to energy programs to the Strategic Industries Division, the Research & Economic Analysis Division, and other organizational units within State government.
- Work with the Public Utilities Commission, oil companies, refineries, energy utilities, and others to acquire, compile, and analyze petroleum and energy data.
- Research, process, and manage energy data from a multitude of sources.
- Provide support to emergency energy planning.
- Collect state agencies' utility consumption information, review for consistency of data and provide the information to state agencies and the public.
- Provide specific information on economic costs and impacts related to the construction and tourism industries. Assists in collecting and interpreting industry data to support operational decisions. .

#### **Specific Deliverables**

- Prepare energy statistics for 2008.
- Prepare and publish a Monthly Energy Trends report.
- Provide statistical support to an energy efficiency working sub group of the Hawaii Clean Energy Initiative.
- Update energy statistics in the Hawaii State Data Book.

- Provide energy data for the annual State Energy Resources Coordinator's Report as required by State law.
- Provide state agency electricity energy consumption and cost information for the annual *Lead by Example Report* to the Legislature.
- Assist in preparing the State Variance Report for the Division.
- Continue on-going maintenance, periodic updates, and improvement of petroleum and energy data.

## **TECHNOLOGY**

READ participated in the effort by the Hawaii Science and Technology Council, along with its consultant to redefine the technology sector. READ is working with the Strategic Industries Division's Technology Branch and HiSciTech to maintain that measure of the technology sector and look more closely at the performance of the individual components the state is seeking to encourage, such as biotechnology. READ uses the Input-Output model to help identify the value chain of technology in the economy and predict the impact of technology sector growth on other parts of the economy. With this information policy makers can monitor the performance of the technology sector and better shape workforce, education and infrastructure policies to support further development. READ also commissioned an update survey of expenditures and employment in Ocean Science and Technology through 2007 and will be compiling the survey results into a report on the industry.

Deliverables:

- Annual report on jobs and output in the technology sector
- Reports on performance of specific industry groups with the technology sector
- Annual report on jobs, growth and performance of targeted industries

## **WORKFORCE TO SUPPORT ECONOMIC DEVELOPMENT**

READ is working with the Strategic Industries division to evaluate occupational needs of targeted and established growth industries and identify the training demand and capacity that will support the supply of those occupations. Through the Input-Output model READ is able to predict other industries that will be stimulated by targeted industry growth and determine their occupational and training needs also. This information will also allow policy makers to better monitor performance of the targeted industries and shape supportive policy for related infrastructure, workforce and education programs.

Deliverables:

- Report on occupational and training needs by targeted industry

## **FOREIGN TRADE SUPPORT**

READ compiles foreign trade data and maintains estimates of Hawaii's imports and exports to support the effort to increase Hawaii's portfolio of exporting companies. READ will soon begin working with staff of the International Branch to better identify companies and products/services in the export sector to establish a better accounting for the jobs and income involved in the foreign trade sector. This will allow the research

program to trace the impact of this activity through the input output model and identify other sectors of the economy that depend on export activity and their jobs and occupations. This information adds an additional dimension for policy makers target areas that are most critical to boosting exports.

Deliverables:

- Report on Hawaii's international trade and impacts

### **CREATIVE INDUSTRIES SUPPORT**

READ has recently worked with the Creative Industries Division (CID) to redefine and measure the creative sector. This is allowing READ to also estimate income, occupations and other characteristics to assist CID in developing the sector. In particular, READ is working with the Film office to better account for the jobs and income in the film/TV/Video production sector. This work serves policy development by identifying the priority areas within the creative sector and what supportive programs in education, training and infrastructure are most important.

Deliverables:

- Report on the industry groups, growth, occupations and performance of the creative sector.

### **STATE ECONOMIC DEVELOPMENT POLICY SUPPORT**

READ is measuring the growth and performance of more than 40 industry groups that have been targeted as prospects for high growth and quality jobs in the state over the last several decades. Initially this is a measurement exercise. However, after initial benchmarking is completed the project will move on to conducting detailed cluster analysis of the targeted industries and what policies and actions the state can engage in to maximize their growth potential

Deliverables:

- Statewide Targeted Industries Benchmark Report
- County Industries Benchmark Report
- Specific target industry cluster reports.

**ATTACHMENT 2**

<b>BED 130 PRODUCTS AND OUTPUTS</b>	
<b>PROUDCT</b>	<b>FREQUENCY</b>
<b>Key Economic And Statistical Reports</b>	
Quarterly Economic Outlook And Forecast	4 per year
Quarterly Statistical & Economic Report	4 per year
Monthly Economic Indicators	12 per year
Monthly Energy Trends	12 per year
State Of Hawaii Data Book	Annual
County Trends Report	Annual
Hawaii Emerging Industries Report <sup>1</sup>	Annual
County Emerging Industries Report <sup>1</sup>	Annual
Innovation Indicators Report	Annual
Quality Of Life Indicators Report <sup>2</sup>	Annual
Long Range Economic And Population Projections Report	At least Every 5 years
Self-Sufficiency Income (Living Wage) Study	Bi Annually
<b>Tourism Reports</b>	
Daily Air Passenger Count:	Daily
Monthly Visitor Highlights	12 per year
Monthly Oahu And Neighbor Island Characteristics	12 per year
Monthly Air Seats Outlook	12 per year
Quarterly Visitor Expenditure Report	4 per year
Quarterly Developing International Markets Report	4 per year
Quarterly Satisfaction Report	4 per year
Annual Visitor Research Report	Annual
Annual Visitor Plant Inventory Report	Annual
Annual Visitor Activity Report	Annual
Hawaii Travel & Tourism Satellite Account Update	Annual

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<sup>1</sup> Benchmark study underway.

<sup>2</sup> Interim Report due April 2009; final first annual report due June 2009.

<b>Other Statistical Reports</b>	Annual
Small Area Statistics Study (Income, Employment, Education, Housing)	Annual
Migration Study Update	Annual
Federal Report Update	Annual
Profile Of Hawaii-Based Armed Forces	Annual
Time-Series Data Of Selected Data Book Tables	Annual
U.S. Census Bureau Data On Hawaii Population Estimates	Annual
U.S. Census Bureau, American Community Survey Data On Hawaii	
<b>Other and Special Research Reports</b>	Every 3 years
Hawaii Input Output Model Update	Five per year
Emerging Industry Studies	One time
Sustainable Tourism Study (2006)	One time
Report on the Workers Compensation System (2008)	Annual
Report on DBEDT activities supporting emerging Industries	Annual
Creative Industries in Hawaii <sup>3</sup>	One time
Analysis of Hawaii's Unemployment Insurance System (2007)	One time
Measuring Diversification in Hawaii (2008)	
<b>Other Products And Outputs</b>	Every 10 years
Assistance to Hawaii Census Effort (2009-2010)	At least Annually
Review and comment on Federal Population Estimates and other Federal data programs impacting Hawaii.	Ongoing
Manage Hawaii State Data Center to disseminate Census data and organize census training for county & state agency personnel and public.	Ongoing
Provide Technical Assistance And Data Requests	Approx. 1,350 per year
Provide Assistance To Users Of Visitor Data	Approx. 2,600 per year
Respond To Requests For Assistance And Information	Approx. 80 per year
Respond To Media Requests	On-going
Establish And Maintain Data Warehouse And DBEDT Website	

For further information see: <http://hawaii.gov/dbedt/info/economic>.

<sup>3</sup> New benchmark study underway



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of  
**ABBEY SETH MAYER**  
Director  
Office of Planning  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Monday, April 6, 2009  
5:00 PM  
State Capitol, Conference Room 308

in consideration of  
**SB294 SD2 HD1 PROPOSED**  
**RELATING TO STATE DEPARTMENTS**

Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance.

We have the following comments on SB 294 HD1, SD2. This bill reorganizes certain executive branch agencies to correspond with HB No. 200, HD 1, the General Appropriations Act of 2009. The bill transfers the Office of Planning (OP) to the Department of Land and Natural Resources (DLNR).

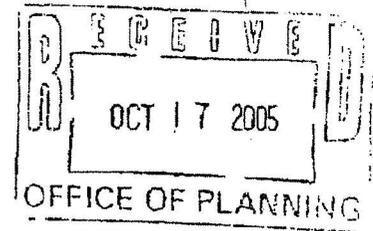
We assume that this proposal calls for OP to remain as an administratively attached agency. Should this measure move forward, maintaining our status as an attached agency is essential to fulfilling the integrity of OP's mission of balancing the environmental, social and economic needs of the State.

The proposed transfer would temporarily disrupt our operations and slow progress on a number of important initiatives that the Office is undertaking.

The proposed transfer has most impact on the Coastal Zone Management (CZM) Program. OP is tasked with the lead role in implementing the CZM Program which includes a network of laws, regulations, objectives and policies relating to Coastal Zone Management. CZM is charged with ensuring and monitoring State and County agency compliance with CZM objectives and policies. DLNR is one of the primary agencies that CZM must monitor and oversee for their compliance with the CZM law. It will be very difficult for CZM to fulfill its role if CZM is placed under the control/administration of the agency which it is supposed to monitor and oversee for compliance.

Further, CZM is Federally approved within the organizational structure of DBEDT. A change in this situation would require remedy in order to preserve Federal funding. See NOAA Evaluation Findings of November 2005 (excerpts attached).

Thank you for the opportunity to testify.



**Evaluation Findings  
for the  
Hawaii Coastal Zone Management Program  
from  
November 2001 through August 2004**

November 2005

Office of Ocean and Coastal Resource Management  
National Ocean Service  
National Oceanic and Atmospheric Administration  
United States Department of Commerce



9. **International Coastal Management.** CZM Hawaii supported a seminar effort with a consortium of Hawaiian companies using USAID funds directed toward the export of product, capabilities, concepts and expertise to Pacific Rim nations, in an effort to bolster a sagging State economy and to build demand for Hawaiian services and products.
10. **Ecological Characterization.** The Waianae Ecological Characterization project is being developed as part of CZM Hawaii's efforts to develop a management framework for the Waianae community in west Oahu. An interactive CD-ROM with information and planning tools for community leaders, educators, researchers, partnering agencies, and other stakeholders and interested parties will be developed.

### C. SUMMARY OF RECOMMENDATIONS

In addition to the significant accomplishments described above, OCRM has identified areas where the program may be improved. These evaluation findings contain two recommendations which take the form of Necessary Actions and are mandatory. Eight (8) recommendations take the form of Program Suggestions and are not mandatory.

**Finding: Program Implementation Leadership.** While CZM Hawaii has taken the forefront in leadership in the overall implementation of the CZM Hawaii Program, this has been on a changing stage under sometimes shifting direction, making coordination more than a simple task, affecting communication within the overall network of the Program, and slowing down progress on requirements of NOAA/OCRM. The result is that a Necessary Action of the previous evaluation was not met (see Appendix D) and that there is some cloud over leadership. The CZM Hawaii Program is Federally approved within the organizational structure of the Office of Planning, Department of Business, Economic Development and Tourism and is tasked with the lead role of overall implementation of the network of laws, regulations and policies that make-up the CZM Hawaii. In May 2003, the Governor issued a letter directing DLNR and CZM Hawaii to work together and the Office of Planning was to report to and consult with DLNR.

1. **NECESSARY ACTION.** The gubernatorial letter of May 2003 directing the Office of Planning to answer to the Chairperson of DLNR is not clearly supported by State law and is inconsistent with the organizational structure of the CZM Hawaii Program approved by NOAA. The State must resolve this issue either by formally submitting a program change, with adequate legal justification to support such a reassignment of responsibility, or the State can appoint a new director of the Office of Planning, who can meet the responsibility of leading the CZM Hawaii Program.
2. **NECESSARY ACTION.** CZM Hawaii needs to complete the necessary action from the previous evaluation, addressing the need to improve the enforcement of local SMA programs, on an expedited schedule. This schedule must be provided to



**DEPARTMENT OF BUSINESS,  
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LINDA LINGLE  
GOVERNOR  
THEODORE E. LIU  
DIRECTOR  
MARK K. ANDERSON  
DEPUTY DIRECTOR

Statement of  
**GREGORY P. BARBOUR**  
**Administrator**  
Hawaii Foreign-Trade Zone No. 9  
before the  
**HOUSE FINANCE COMMITTEE**

Monday, April 6, 2009  
5:00 PM  
State Capitol, Conference Room 308

in consideration of

**SB 294 SD2, HD1 (proposed)**  
**RELATING TO STATE DEPARTMENTS**

The Hawaii Foreign-Trade Zone is pleased to comment on S.B. 294 H.D. 1 (proposed), relating to the reorganization of executive branch agencies. This measure would transfer the Hawaii Foreign-Trade Zone Program and Division to the Department of Transportation. As noted in the Committee Report for HB 200 HD1, the purpose of this transfer is to allow programs to continue to flourish. We understand the intent to this measure and note that together with the steadfast support of the Legislature over the past 43 years, we have flourished and built a program that I believe is quite extraordinary.

Indeed, with your support 2008 was a significant year for the Hawaii Foreign-Trade Zone. We were able to complete a number of important projects at the "Zone" and were able to pass a significant milestone. The total value of merchandise handled in FTZ9 sites in Hawaii was almost \$12 billion. This is the first time we have exceed \$10 billion in our 43 year history. In addition, the total value of exports from FTZ9 sites reached nearly \$900 million this year.

The program continues to service approximately 300 small businesses on a day-to-day basis. FTZ recently reinvented itself and established a "Hub for International Trade" at its Pier 2 site. This hub has been successful, enjoying virtually 100 percent occupancy, and essentially operates as an incubator for small businesses involved in importing and exporting. Recently, new programs to help local businesses with understanding aspects of importing/exporting and understanding e-commerce have been initiated.

However, **we are very concerned regarding the timing of the measure** and the impact it could have on our program over the next several months. There are two main points:

The transfer would put stimulus funds in jeopardy. FTZ9 is on a final short list for American Recovery and Reinvestment Act of 2009 funding for \$6.0 million. These funds would be from the U.S. Department of Commerce and used to double the size of our existing business incubator. It would add approximately 30,000 s.f. to our Pier 2 facility and create over 200 jobs. This federal funding requires a 20 percent match from the State, and the Pier 2 land and building are being used as the match in lieu of funds. Act 165, SLH 2006 transferred this land to DBEDT and Executive Order 4228 was issued in July 2008 giving DBEDT title. Given the extremely competitive nature of this funding, it is very plausible that Hawaii will not be awarded these funds if the FTZ program is in DOT and the land is being used as the match. This is "fast-track" funding and if awarded, the grant would require "shovel in the ground" in 120 days.

In addition, the federal grant of authority from the US Department of Commerce lists DBEDT as designated by the federal government to operate this program in Hawaii. Congress authorized and empowered the U.S. Department of Commerce to grant corporations or agencies the privilege of establishing, operating and maintaining FTZ sites in the United States. The grant from the Department of Commerce specifically designates DBEDT as the instrumentality of the State to establish, operate and maintain FTZ sites in Hawaii. The application for a grant of authority is a fairly complex process and currently requires approximately seven months. This could possibly lead to a disruption in the FTZ benefits on the \$12 billion in merchandise handled by zones in Hawaii. In addition to a 60 day public comment period three separate federal agencies (Homeland Security, Treasury and Commerce) review the application. It is also important to note that FTZ through DBEDT has 20 year operating agreements with six other zone operators in Hawaii which operate under our authority. These agreements would also need to be changed and require approval from the Department of Homeland Security.

Thank you again for your steadfast support over the years and the opportunity to present these comments.

Linda Lingle  
GOVERNOR



KAREN SEDDON  
EXECUTIVE DIRECTOR

## STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM  
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION  
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Honolulu, Hawaii 96813  
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of  
**Karen Seddon**  
Hawaii Housing Finance and Development Corporation  
Before the

### HOUSE COMMITTEE ON FINANCE

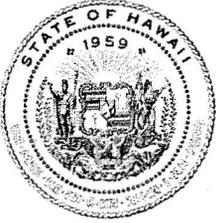
April 6, 2009, 5:00 p.m.  
Room 308, State Capitol

In consideration of  
**S.B. 294, S.D. 2, Proposed H.D. 1**  
**RELATING TO STATE DEPARTMENTS.**

The HHFDC **strongly opposes** Part IV, Sections 14 and 15 which would transfer the HHFDC to the Department of Human Services for administrative purposes. We oppose this part for the following reasons:

- A primary purpose for the bifurcation of the Housing and Community Development Corporation of Hawaii (HCDCH) and the subsequent transfer of HHFDC to DBEDT was for HHFDC to focus on housing finance and development. From July 1, 1998 to June 30, 2006, the HCDCH was attached to the Department of Human Services (DHS) for administrative purposes. Housing-related programs for the homeless and extremely- and very-low income households (e.g., public housing and rent subsidies) fit well with DHS. However, there was not enough focus on housing financing and development programs for the workforce, first-time homebuyers, and other lower and moderate-income households.
- The development of housing is an economic driver that is more closely aligned with DBEDT than DHS.
- HHFDC completed its reorganization only two years ago, in January 2007. This was a time-consuming, extensively coordinated effort which detracted from our mission. We cannot afford to undergo another reorganization, particularly with the short expenditure time frames and other responsibilities of the American Recovery and Reinvestment Act of 2009.

We, therefore, respectfully request that Committee allow HHFDC to remain as an attached agency with DBEDT. Thank you for the opportunity to testify on this measure.



## TOURISM LIAISON

LINDA LINGLE  
GOVERNOR  
MARSHA WIENERT  
TOURISM LIAISON

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Statement of  
**MARSHA WIENERT**  
**Tourism Liaison**  
Department of Business, Economic Development & Tourism  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Monday, April 6, 2009  
5:00 p.m.  
State Capitol, Conference Room 308

in consideration of  
**SB 294 SD2 (Proposed HD1)**  
**RELATING TO STATE DEPARTMENTS.**

Chair Oshiro, Vice Chair Lee and Members of the House Committee on Finance.

Thank you for the opportunity to comment on the proposed HD1 version of SB 294 SD2. When Governor Lingle established the Tourism Liaison position, it was determined that it should be administratively attached to the Department of Business, Economic Development and Tourism (DBEDT), in recognition of the close link between the visitor industry and the economic vitality of our State.

The proposed HD1 language in this bill would statutorily place the Tourism Liaison position within the office of the Governor. If the Legislature determines that it must move the office to become part of the Governor's staff, then it is necessary to also transfer the funding and positions that come with the office.

Thank you for allowing me to comment on the proposed HD1 version of SB 294 SD2.

**LINDA LINGLE**  
Governor



**SANDRA LEE KUNIMOTO**  
Chairperson, Board of Agriculture

**DUANE K. OKAMOTO**  
Deputy to the Chairperson

State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
1428 South King Street  
Honolulu, Hawaii 96814-2512

**TESTIMONY OF SANDRA LEE KUNIMOTO  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEE ON FINANCE  
MONDAY, APRIL 6, 2009  
5:00 P.M.  
ROOM 308**

**SENATE BILL NO. 294, SD2, PROPOSED HD1  
RELATING TO STATE DEPARTMENTS**

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 294, SD2, Proposed HD1. The purpose of this bill is to reorganize certain executive branch agencies by abolishing or transferring various agencies and programs to correspond with HB200, HD1, the general appropriations act of 2009. The Hawaii Department of Agriculture (HDOA) opposes the change to Section 30 regarding the proposed transfer of the Measurement Standards branch (MSB) from the HDOA to the Department of Commerce and Consumer Affairs (DCCA) and questions the need and the benefits of the transfer during this difficult economic period.

HDOA does not see any financial or strategic benefit accruing to the State or the business community by the actions proposed in this bill. Particularly in these difficult economic times, we do not believe that this is a good time to make changes that will degrade the efficiency of both the Measurement Standards branch and DCCA as they are diverted from their primary missions in order to address problems of assimilation and coordination of effort.

The transfer of the branch from the HDOA to the DCCA would impose an additional financial burden on DCCA as Measurement Standard fees do not cover their expenses. It would be financially wasteful and injurious to incur such unnecessary disruption, not only to the departments themselves but also to the business community they serve. In a best case scenario, even with fee increases occurring in FY 09 and FY 14, fees will still not cover expenses.

We wish to note that while there are some measurement tasks performed by the branch that may seem outside of normal agricultural concerns, in thirty-seven of the states, governmental measurement standards operations are housed within departments of agriculture due to the close relationship between labeling, weight and price verification and the agricultural supply chain. Many of the measurement controls required by law, enabled by nation wide National Institute of Standards and Technology (NIST) measurement technology and practiced by the branch, are designed to protect the consumer against deceptive and fraudulent food related practices and to support associated food safety concerns.

In addition, Part X, Section 33 proposes to amend 486-7 to establish rules for a requirement for weighing of coffee. In order to fulfill this requirement, the branch will have to substantially raise fees because for a number of years the branch has not conducted calibration of coffee scales due to a previous legislative cutback in funding. Again, we emphasize that this is not the right time to add additional fees on to an already burdened business community.

LINDA LINGLE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

**Testimony of  
LAURA H. THIELEN  
Chairperson**

**Before the House Committee on  
FINANCE**

**Monday, April 6, 2009  
5:00 PM  
State Capitol, Conference Room 308**

**In consideration of  
SENATE BILL 294, SENATE DRAFT 1, PROPOSED HOUSE DRAFT 1  
RELATING TO STATE DEPARTMENTS**

Senate Bill 294, Senate Draft 1, Proposed House Draft 1, seeks to reorganize certain executive branch agencies by abolishing or transferring various agencies and programs. The Department of Land and Natural Resources' (DLNR) comments are addressed to PARTs VI (Transferring the Land Use Commission (LUC) from the Department of Business, Economic Development, and Tourism (DBEDT) to DLNR), VII (Transferring the Hawaii Community Development Authority (HCDA) to DLNR) and XI (Transferring the Office of Planning (OP) from DBEDT to DLNR) in this measure. DLNR strenuously opposes the transfers of LUC, HCDA, and OP to DLNR as called for in this bill.

DLNR is already challenged with managing 12 line divisions within our department. Adding these unrelated and additional functions will be devastating as; 1) It would divert us from our core mission of natural and cultural resource protection and management – The functions and missions of LUC, HCDA, and OP are unrelated and not consistent, 2) To do so at a time of 20%+ budget cuts imposed by the Administration, will have a catastrophic effect on our operations.

Further, the proposed transfers will have absolutely no cost savings, and amounts to leaving agencies and staff to handle the additional and unjustified administrative duties and responsibilities on top of the aforementioned fiscal reductions. DLNR currently is made up of 808 employees. By comparison there are only 7 positions (5 of which are filled presently) in the Personnel Office, 16 positions (14 of which are filled presently) in the Fiscal Office and 9 positions in Information and Technology Office to service the entire department. The bill fails to

LAURA H. THIELEN  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

RUSSELL Y. TSUJI  
FIRST DEPUTY

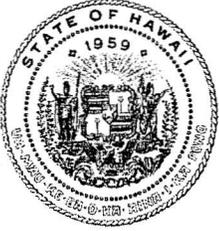
KEN C. KAWAHARA  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING

FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATEPARKS

address the additional burden placed on these service and support offices, further draining our already reduced resources.

DLNR is making a strenuous effort to integrate its myriad of existing divisions and programs. The creation of multiple new programs within DLNR that have little to do with natural or cultural resource protection will be disruptive and counterproductive to our core mission.



## ALOHA TOWER DEVELOPMENT CORPORATION

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Statement of  
**Sandra Pfund**  
Chief Executive Officer  
Aloha Tower Development Corporation  
before the  
Committee on  
**FINANCE**  
Monday, April 6, 2009  
5:00 p.m.  
State Capitol, Conference Room 308  
in consideration of

### **SB 294, SD2 RELATING TO STATE DEPARTMENTS**

Chair Oshiro, Vice-Chair Lee, and Members of the House Committees on Finance.

The Aloha Tower Development Corporation (ATDC) opposes this measure, which proposes to transfer the Aloha Tower Development Corporation from the Department of Business, Economic Development and Tourism (DBEDT) to the Department of Transportation – Harbors Division (DOT-H).

While we can understand the rationale for the proposed transfer of ATDC to become an attached agency to DOT-H, we note that we have made significant progress in achieving our mission, goals and objectives under the current organizational structure and have benefited from the support provided under DBEDT. We are aligned with the economic development focus of DBEDT and are working collaboratively and effectively with the DOT-H on our key initiatives.

For the record, we choose to focus on the substantive progress we have made on the Harbors Modernization Plan and our progress in resolving long-standing issues at the Aloha Tower Complex and Project Area. We strongly feel that our accomplishments to date reveal that the current partnership structure with DOT-H is working well and that DBEDT plays a significant role in providing economic support and guidance. The Harbors Modernization Plan was first conceived based on economic analysis of the importance of our commercial harbor system to the state economy.

It is critical at this time that ATDC maintain its present form and that the focus is not shifted from the crucial work at hand. Some of our accomplishments include:

## HARBORS MODERNIZATION PLAN

In 2005, there was and remains an urgent need to respond on a priority basis to pressing demands for infrastructure improvements in Honolulu Harbor. A partnership between the DOT-H and ATDC was formed to address these concerns. The ATDC was selected to partner with DOT-H due to its compatible mission, statutorily established jurisdiction within Honolulu Harbor, its economic development mission under DBEDT, and experienced staff in the development of state-owned property. This short-term arrangement was strategized as a way to provide focused and prioritized development assistance to DOT-H to alleviate the strong demands for action due to reduced cargo and maritime-related space resulting from sharply increased harbor activity.

In 2007, the Legislature recognized the expedited accomplishments of ATDC and supported the concept of formalizing the partnership as evidenced by the passage of Act 127, Session Laws of Hawaii 2007, which statutorily partnered ATDC and DOT-H for the development of critically needed harbor infrastructure in Honolulu Harbor.

In 2008, Act 200, Session Laws of Hawaii 2008 was passed by the Legislature. The Act expanded the partnership between ATDC and DOT-H to a statewide authorization to implement the development of commercial harbor infrastructure under a comprehensive Harbors Modernization Plan. The legislation is effective from July 1, 2008 to June 30, 2016 and calls for expedited development of critically needed port infrastructure. Appropriations totaling \$144.3 million in DOT-H revenue bond funds were approved for the program in FY09.

It is critical during this economic downturn that the focus of the agency remains on moving the projects forward. Cargo and passenger volumes are down, and it is a good time to implement construction projects when impacts to operations are lessened. Construction projects undertaken during a strong economy often encounter extended project schedules to accommodate work stoppages for operational users of the working harbor. It is also an opportune time to stimulate the economy by having government projects move forward to provide jobs.

The ATDC and DOT-H partnership has resulted in the following accomplishments:

### 2005

- In cooperation with the Department of Transportation, Airports Division, a dilapidated warehouse in the Kapalama Military Reservation was demolished and an acre of adjacent land was acquired from the Department of Land and Natural Resources (DLNR) to provide an expansion area of approximately 4 acres for cargo container yard operations.
- Approximately 30 acres of land adjacent to the major cargo terminals on Sand Island were acquired from the DLNR for cargo container yard expansion. Pre-development land entitlements and approvals were pursued.

- At Piers 1 and 2, Honolulu Harbor, design funds were released and design underway, consisting of demolition of a warehouse shed, relocation of existing overhead lines that impede cargo operations and new lighting to provide a cargo yard expansion area of approximately 5.7 acres.
- At Kapalama Military Reservation, \$1 million in planning funds was released by the Governor to establish a development plan for a new cargo container terminal. Three requests for qualified consultants were issued for this state-owned property, which is approximately 70 acres in size. A national solicitation was made for a consultant with expertise in port terminal development and cargo operations. The work included financial proformas and a business plan for development. A consultant was also sought to complete a historic review and documentation of this former military site used during World War II and the Vietnam War. Lastly, a general engineering consultant was brought into the project, focusing on infrastructure, environmental, surveying and subdivision work. The selections are expected to be completed by the first quarter of 2006.

### 2006

- Governor Lingle signed the Executive Order vesting use rights to DOT-H in August for the 30 acres of land adjacent to the major cargo terminals on Sand Island.
- An 8-year lease was negotiated and executed with Matson for a 9.6-acre portion of the Sand Island Expansion Area. Matson constructed site improvements in the first quarter of 2007.
- At Piers 1 and 2, Honolulu Harbor, \$2.7 million in design and construction funds were released for the demolition of the CFS#2 warehouse shed, relocation of existing overhead lines that impede cargo operations and new lighting to provide a cargo yard expansion area of approximately 5.7 acres. Bids for construction were opened in October 2006.
- Relocation of LCL cargo processing at CFS#2 was necessary to expand the foreign cargo yard at Piers 1 and 2. A warehouse at Kapalama Military Reservation was cleared of month-to-month permittees and leased to Island Movers, Inc. who assumed the LCL (“less than container load”) cargo processing for NYK Lines.
- A 5-year lease to Island Movers for its core facility at Kapalama Military Reservation was also negotiated and executed to ensure facilities for the LCL cargo processing.
- Facilitation of the arbitration proceedings for the re-opening of lease rent for Hawaii Stevedores, Inc. at Pier 35 was successfully completed.

- Property descriptions were drafted for the land parcels at Piers 1 and 2 that were included in Act 165, Session Laws of Hawaii 2006, for the return of these lands to DOT-Harbors and the Foreign Trade Zone No. 9 from the Kakaako Community Development District.
- Secured tenant reservations for all parcels at the Fishing Village, Pier 38.
- Three major contracts were procured and executed for the new Kapalama Container Terminal:
  - JWD Group completed development options and financing scenarios for redevelopment;
  - Belt Collins Hawaii, Ltd. was tasked to complete an assessment of the UH Marine Center facilities at the KMR harbor front for the relocation to new facilities. Preparation of cost estimates to identify the cost of the new facilities and relocation costs.
  - Fung Associates to perform a historic architectural survey of KMR in preparation for demolition and redevelopment.
- Planning, design and construction initiated in September 2006 to demolish a warehouse shed at Pier 40 and provide for expansion area on the former Daishowa property to permit Young Brothers to expand its Honolulu inter-island barge operations.

#### 2007

- Matson completed construction of site improvements and is fully utilizing the 9.6-acre Sand Island Expansion Area site.
- Construction was completed at Piers 1 and 2, Honolulu Harbor, for the demolition of the CFS#2 warehouse shed, and new lighting was installed to provide a cargo yard expansion area of approximately 5.7 acres.
- Property descriptions were drafted for the land parcels at Piers 1 and 2 that were included in Act 165, Session Laws of Hawaii 2006, for the return of these lands to DOT-Harbors and the Foreign Trade Zone No. 9 (FTZ) from the Kakaako Community Development District. The Board of Land and Natural Resources (BLNR) granted final approval in December 2007 to revert the lands to DOT-Harbors and FTZ.
- Completion of the development plan for the new Kapalama Container Terminal (redevelopment of the former Kapalama Military Reservation, KMR).
- Belt Collins, Hawaii, Ltd. completed a facilities assessment of the UH Marine Center facilities at the KMR.
- Fung Associates completed the historical architectural survey of KMR, which was accepted by the State Historic Preservation Division.

- A warehouse shed at Pier 40 was demolished to provide expansion area for Young Brothers to load cargo at its Honolulu inter-island barge operations site.
- An agreement in principle was reached with the University of Hawaii for the relocation of the UH Marine Center from KMR. Relocation of the UH Marine Center is essential to start construction of the new Kapalama Container Terminal. Planning of new facilities was initiated in 2007.
- Relocation of Matson rolling stock operations from Pier 29 to Pier 2 clears the way for the relocation of Pacific Shipyard to Piers 27-28. Planning of new facilities was initiated in 2007.
- A Request for Proposals (RFP) is issued for the redevelopment of the Keehi Industrial Lots area, a run-down 20-acre site off Sand Island Access Road, to an industrial park for maritime or maritime-related purposes.

### 2008

- In collaboration with the University of Hawaii, a development plan was initiated in 2008 to relocate UH SOEST to two areas in Honolulu Harbor. A schematic plan was developed to relocate UH SOEST research facilities and ships to Pier 35 and educational programs to land adjacent to the Marine Education Training Center on Sand Island. The development plan will be completed in January 2009.
- Preparation of an Environmental Assessment for the Kapalama Container Terminal was initiated, along with other supporting due diligence studies to prepare for redevelopment actions, including design of the new terminal.
- Initiated the preparation of a development plan for relocation of Pacific Shipyard and other tenants located on pier frontage affecting the development of the Kapalama Container Terminal.
- Initiated the preparation of a development plan for the expansion of the east cargo terminal area at Kahului Harbor.
- Implementation efforts to launch the comprehensive Harbors Modernization Plan began on July 1, 2008, the effective date of the law. A reorganization plan was approved to establish positions; new office space was leased to accommodate additional staff and the Governor appointed two maritime members to the expanded ATDC Board of thirteen members. Various administrative procedures were established with DOT related to approval of projects to be undertaken by the Harbors Modernization Group and the delegation of funds for project expenditures.

## 2009

- Professional Services Contracts in Progress:
  - New Kapalama Container Terminal H.C. 10193
  - General Engineering Services, New Kapalama Container Terminal H.C. 10298
  - Statewide Commercial Harbors Plans and Development Project, Kahului Harbor, Maui H.C. 90032B
  - Rehabilitation of Building and Yard Areas at Piers 34/35, Honolulu, Harbor, H.C. 10368
  - Demolition of Structures at Kapalama Military Reservation, Honolulu Harbor, H.C. 10370
  - Environmental Assessment and other Pre-Development Studies for Renovation of Facilities at Piers 34/35, Honolulu Harbor, H.C. 10371
  - Development Plan for Relocation of Tenants from Kapalama Military Reservation Tenants, Honolulu Harbor H.C. 10372
  - Various Site Improvements at the New Kapalama Container Terminal – Demolition of Building 923 Slab, Honolulu Harbors, H.C. 10320
- Professional Services Contracts Advertised and Selection in Progress
  - Pier 39 Shed Demolition, Honolulu Harbor, HMP 20901
  - Building Improvements at Pier 35, Honolulu Harbor, HMP 20905
  - Development Plan for Hana Harbor, HMP 40901
  - Development Plan for Kawaihae Harbor, HMP 60902
  - Pier 2 Terminal Improvements, Kawaihae Harbor, HMP 60903
  - Pier 4 Interisland Cargo Terminal, Hilo Harbor, HMP 60901

### ALOHA TOWER PROJECT AREA AND COMPLEX

Efforts were made to resolve long-standing litigation involving the area:

- Irwin Park – In May 2001, ATDC filed an application in the Land Court of the State of Hawaii to remove the restrictive covenants in the indenture that conveyed the Irwin Memorial Park property to the State of Hawaii. The matter is being resolved with the Court issuing a Findings of Fact, Conclusions of Law and Order on November 3, 2008. A hearing on a motion to recover attorney's fees is to be resolved in the first-half of 2009.
- Aloha Tower L.P. and AHI Aloha Limited Partnership v. ATDC (including the Dept. of Transportation). In 2002, AHI sued ATDC for failing to fulfill promises it made before it acquired the Aloha Tower Marketplace resulting in financial loss. The suit filed in the federal district court was dismissed with prejudice on December 31, 2008. The ATDC is in mediation with AHI's successor in interest to resolve the state lawsuit. A settlement is in pre-final stage.

- Kenneth H. Hughes v. ATDC – Arbitration. The developer became involved with ATDC in 2002. Hughes claims ATDC breached its covenant of good faith and fair dealing when ATDC refused to agree to Hughes' terms and conditions for a mixed-use development project on Piers 5&6. Formal arbitration proceedings have been concluded and a decision is expected in April or May 2009.

ATDC is close to resolving all past litigation and looks forward to repositioning the project area for future public-private partnerships for development. It is critical that ATDC maintain its present form and that the focus is not shifted from the work at hand.

### CONCLUSION

ATDC respectfully opposes this measure because the current organizational structure is working well and the partnership brings benefits to the project from both departments. A program transfer at this time will take necessary focus away from meeting the State's short-term economic recovery efforts and will detract from the momentum we currently have in meeting project goals.

Thank you for the opportunity to testify on this measure.

FAX to 586-6001 before 4/5/09 5PM

Statement of  
**YUKA NAGASHIMA**  
Executive Director & CEO of the High Technology Development Corporation  
President of the High Technology Innovation Corporation  
before the  
**HOUSE COMMITTEE ON FINANCE**  
Monday, April 6, 2009  
5:00 PM  
State Capitol, Conference Room 308

In consideration of  
**SB 294, SD2, PROPOSED HD 1, RELATING TO STATE DEPARTMENTS.**

Chair Oshiro, Vice Chair Lee, and Members of the House Committee on Finance.

The High Technology Development Corporation (HTDC) sincerely appreciates the time and thought given by committee members and staff to realize HTDC's full potential, and how HTDC can be part of the solution to Hawaii's current economic challenges. In this testimony we will discuss the House's concerns and suggestions reflected in HB200, HD1, and further elaborated in SB 294, HD1. We will put them in relative context with the Senate's position reflected in HB1260, Proposed SD 1. I would also like to take this opportunity to also explore and identify what the organizational obstacles are, so we can assess the proposals at hand and to consider other options.

Please be advised that the comments reflected here are not those of are not those of the HTDC or the High Technology Innovation Corporation (HTIC) Boards. Given the need for adequate notice of meetings per Sunshine Law and time to discuss openly, we were not able to meet with board members to obtain consensus on the contents and impacts of any of the DBEDT reorg bills. In addition, while HTDC is very much interested in synergies with other affected divisions and attached agencies, our comments are restricted to only portions of this bill that relate to HTDC and HTIC.

The bills name a different department to which HTDC should be administratively attached. The two options presented by the legislature are Department of Commerce and Consumer Affairs (DCCA) by the House, and the University of Hawaii (UH) by the Senate. If those options were the only ones available to HTDC, UH seems to be a more appropriate option, although there are both operational and ideological concerns.

**Being administratively attached to UH would avoid the following logistical and conceptual problems being attached to DCCA. We offer the following comments and recommendations for changes:**

1. Comment: HTDC has received through the DBEDT Director written comments from the Director of DCCA opposing the attachment of HTDC. The opposing comments were gracious, yet sincere in the belief that a TBED agency does not belong in a regulatory department. Further, DCCA Director believes the available compliance resolution special fund of \$35 million is barely sufficient to meet the department's ongoing operational needs and cannot support HTDC's general fund requirement (which for the upcoming biennium is less than \$800,000 annually, reflecting a 28% cut proposed by DBEDT).
2. Comment: Proposed HD1 names the Director of DCCA as the chairperson of HTDC Board in the absence of a chairperson, among other rights entitled the department director to which an agency is attached. The chairperson would need the vision and leadership to direct and provide oversight for a TBED agency; we don't believe this is inherently resident in a regulatory environment such as DCCA. Further, relocating to a department that is non-supportive of TBED mission is, at best, counterproductive.
3. Recommendation for Change: Current HTDC statutes under current 206M-15, relating to the Small Business Innovation Research (SBIR) matching grant program (matches federal funding from various agencies), require that state grant funds be general funded. As proposed, funding from DCCA's compliance resolution special fund could not legally fund this successful program. Even if special funds were permitted by law for grants (Chapter 42), since funding is proposed through the DCCA, new language will be needed to change the SBIR funding to come from the DCCA's compliance resolution special fund appropriation.
4. Comment: It is not clear how the existing HTDC special fund (see 206M-15, 206M-15.6 and 206M-17) would transfer funds to the proposed DCCA compliance resolution special fund, if 206M-15 were amended to delete it as a "special fund" to become a "special account" in the DCCA compliance resolution special fund. Also, as proposed, the DCCA compliance resolution special fund references these three sections as exceptions. The staff attorneys would need to explore the consequences of such a transfer and if the three sections should remain in statutes. This issue also exists for HB 1260 Proposed SD1.
5. Recommendation for Change: HTDC receives federal funds from various agencies, some are matching programs and some are direct grants. It may be preferred for transparency, accountability, and other purposes to retain the current high technology special fund. This structure would avoid the potential appearance of co-mingling of federal funds requiring State matching funds with revenues of DCCA.

**Being attached to UH raises concerns as well. We would like to share with the House our analysis on Senate's suggestions in HB 1260 Proposed SD1, for your reference:**

1. Comment: We believe the best alignment for HTDC would be with a department that has as one of its core missions to be technology-based economic development (TBED). Further, it should have a strong vision and role for economic development since economic development, especially the growth of commercial technology and innovation-based industries, is a long term proposition. While the University of Hawaii is a land-based institution which means that economic development for the community is part of its mission, we are not certain of their support or priority for TBED, particularly with the potential changes in leadership in key positions. National research shows that

universities (nationwide and internationally) struggle to prioritize TBED programs. Only few which have clearly made TBED a priority with the blessing of all branches of government has been successful.

2. Recommendation for Change: The University in testimony before the legislature last year indicated their desire to take back the Manoa Innovation Center (MIC) facility when HTDC's lease expires in 6 years. As you recall, HTDC with State legislative approval of general obligation bond developed MIC. The University (OTTED) through a land lease arrangement occupies a portion of MIC and the Maui Research & Technology Center rent free. HTDC has requested a lease extension until a new State facility is built to replace the MIC; however, this matter has not yet been resolved with the University. This status represents a serious conflict and we recommend a resolution of this lease since HTDC programs and personnel (60%) costs primarily depend on the revenues received from Manoa Innovation Center.
3. Recommendation for Change: Proposed SD1, Part VII, Section 20, page 20, beginning on lines 8 and 12: As proposed, the HTDC Board will have an appointed member selected from the faculty of the University of Hawaii, in addition to the president of the University of Hawaii. To avoid the duplication in representation, we recommend the appointed board member from the faculty be deleted and replaced with a member appointed from the Senate or House or by the governor.
4. Recommendation for Change: Current statutes under current 206M-15, relating to the Small Business Innovation Research (SBIR) matching grant program (matches federal funding from various agencies), require state grant funds be general funded. As proposed, funding from University of Hawaii high technology special fund could not fund this successful program. Since funding will flow through the University, language will be needed to change the SBIR funding to come from the University's general fund appropriation.
5. Comment: It is not clear how the existing special funds (206M-15.5, 206M-15.6 and 206M-17) would transfer funds to the proposed University high technology special fund, if 206M-15.5 were repealed. As proposed, the University of Hawaii High Technology Special fund in chapter 304A is established, but it is believed that there should be a corresponding section within 206M which specifically authorizes HTDC to use this account. Also, as proposed, the University high technology special fund references these three sections as exceptions. The staff attorneys would need to explore the consequences of such a transfer and if the three sections should remain in statutes. We suspect that the three sections need to remain in the statutes.
6. Recommendation for Change: HTDC receives federal funds from various agencies, some are matching programs and some are direct grants. It may be preferred for transparency, accountability, and other purposes to retain the current high technology special fund. This structure would avoid the potential appearance of co-mingling of federal funds with an even larger entity with numerous federal funding sources.
7. Recommendation for Change: HTDC owns and operates physical assets, such as the Manoa Innovation Center, and transaction documents refer to DBEDT. References to DBEDT should be replaced with the new "parent" to which HTDC will be attached.

In addition to not having an opportunity to meet with the boards of HTDC and HTIC, we have not had an opportunity to complete our review of the proposed SD1 with staff, and would like to offer additional comments and recommendations at a later date, if that is acceptable to the committees.

If HTDC were to remain with the Department of Business, Economic Development and Tourism (DBEDT), certainly as the department charged with economic development and industries development, it would be in alignment with the mission and purpose of HTDC. Perhaps a solution to the concerns raised by both House and Senate might be found in changes to the way departments and agencies define their respective administrative and operational responsibilities and authorities. To this point, we offer the following comments:

1. We believe departments do their best to provide oversight for an attached agency and attached agencies want autonomy to do their best to implement in the more efficient and effective way possible to meet goals. For whatever reasons, HTDC, created by the legislature in 1983, has experienced gradual yet diminished capacity over its budget and operations that was not intended when the agency was originally created under chapter 206M, HRS.
2. To work collaboratively, a department's view of its attached agency should be as different from itself. The agency is there to facilitate programs and projects the department is not prepared to do. Agencies are created to fill a gap, usually to expedite an important mission of the State and do so with powers the department would not have or likely maintain given its larger purpose. For HTDC, it is to move faster or facilitate the development and growth of a technology industry within the State's larger context of industry or economic development.
3. Focused programs require focused management. A department's administrative execution or process related tasks must be streamlined and add value. Once an agency's program budget has been submitted and approved by the administration and legislature, the department and attached agency goals are aligned. The attached agency, supported by the actions of the department, should then be left to implement and accomplish its program objectives.
4. Necessary budget reductions/restrictions should be within the realm of administration and legislature. Once a restriction is determined, the attached agency should be left to use its management discretion and board oversight to operate efficiently and effectively within the available funding resources and with full support of the department. Further, the practice of departments implementing gross administrative budget reductions and restrictions upon agencies, leave little room for priorities and discretion by an agency's board and management.
5. Oversight, transparency, and accountability are critical for success; perhaps, even more so when government is asked to do more with less. Departments maintain administrative support staff that is helpful to attached agencies with smaller and lean staff counts. Personnel, fiscal, purchasing, legal, travel, and related activities require specialized skills which departments can provide attached agencies efficiently. These effective departmental support systems allow an agency to focus on its mission and help to accomplish departmental and agency goals.

The agency accomplished the most and was the most effective in its early years under its enabling legislation. The administration and state departments understood the purpose and mission of HTDC and worked cooperatively and collaboratively to get things done. During these early years the agency was allowed to create programs and projects that have significantly contributed to the growth of the tech industry. Below is a list of a few of these programs and projects:

- **Hawaii Small Business Innovation Research (SBIR) Grant** with assistance from the State Legislature
- **KAITEC**, in partnership with former Hawaiian Telephone Company produced Hawaii's first tech incubator program and facility
- **Maui Research & Technology Center** with assistance from Maui County, Maui Economic Development Board, and the University of Hawaii
- **Manoa Innovation Center** with assistance from the University of Hawaii,
- **Hawaii Ocean Science & Technology Park** with assistance from NELH, Airports Division of DOT and DLNR
- **Center of Excellence for Research in Ocean Sciences and Hawaii Center for Advanced Transportation Technologies (aka Hawaii Electric Vehicle Demonstration Project)** both with assistance from DARPA and Hawaii's congressional delegation

The factors raised by the bills are significant points for discussion that all question the underlying, more fundamental issue. Selection of the appropriate parent entity, while important, is secondary compared to clearly defining the authorities of the parent with respect to the attached entities it manages. As implied in both the Senate and House bills, HTDC believes that the fundamental issue facing an attached agency is the actual interpretation or application of the phrase "administratively attached to", that is, for the attached agency to have a different status than the department's divisions. As an attached agency, HTDC must be able to utilize its independent board to monitor the performance of the executive director, and in turn, for the executive director to be able to carry out the agency's mission. We further believe the real issue at hand is to better define the relationship between the parent department and the attached agency, regardless of which department it may be.

It is important to look to the future with vision, and make changes recognizing that these challenging times really bring opportunities for change. We are grateful to the House and Senate for their vision and leadership to look beyond today's fires and plant the seeds of success for tomorrow, because tech-based economic development is a long term commitment.

Thank you for the opportunity to submit testimony.



HAWAII COMMUNITY  
DEVELOPMENT AUTHORITY



KAKAAKO  
KALAELOA

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Governor

Jonathan W. Y. Lai  
Chairperson

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Executive Director

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WRITTEN STATEMENT OF  
ANTHONY J. H. CHING, EXECUTIVE DIRECTOR  
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE  
HOUSE COMMITTEE ON FINANCE

Monday, April 6, 2009

5:00 P.M.

State Capitol, Conference Room 308

**S. B. 294, S. D. 2, PROPOSED H. D. 1 – RELATING TO STATE  
DEPARTMENTS.**

**Purpose:** Reorganizes certain branch agencies to correspond with H. B. 200, H. D. 1, which is the general appropriations act of 2009.

**Position:** The Hawaii Community Development Authority (“HCDA”) offers comments only as they pertain to the HCDA.

While an attached agency like the HCDA, can be attached to another agency, the purposes for which the HCDA was established are consistent with the mission of the Department of Business, Economic Development, and Tourism (“DBEDT”). The Act proposes to transfer the duties of the HCDA to the Department of Land and Natural Resources. [See Page 40, Line 12.] The mission of DBEDT includes undertaking activities that encourage business and economic development on a statewide basis. The HCDA’s mission, aside from its zoning and regulatory function, is to plan and implement capital improvement projects to upgrade infrastructure and develop public facilities, coordinate the development of mixed-use projects, and to obtain from developers reserved housing units and public facilities dedication, where appropriate. Those activities and projects encourage private sector development and economic activity within the HCDA’s Kakaako and Kalaeloa Community Development Districts.

The complementary nature of our respective missions has resulted in a mutually beneficial relationship over the years between our agencies and we look forward to continuing that relationship in the future.

Thank you for the opportunity to submit our testimony.



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## TESTIMONY

### **Re: SB294 SD2, HD 1 (proposed) Relating to Government**

Chair Oshiro, and Members of the Committees:

Hawaii Farm Bureau Federation, on behalf of our commercial farm and ranch families and organizations, provides the following comments on HB1260 SD1, proposing transfer of DBEDT responsibilities to other agencies within government.

HFBF recognizes that the extreme fiscal challenges facing us today require us to take unconventional steps to provide for Hawaii today and tomorrow. The Office of State Planning and the Land Use Commission provide services that critically impact the agricultural industry. Therefore, their future is of interest to the industry.

While we feel it is best that an entity such as DBEDT is available to administer these divisions, we also recognize that the fiscal conditions may require the changes proposed in this measure. DLNR, the proposed agency to which OSP and LUC would be transferred has a mission statement that says its role is to:

"Enhance, protect, conserve and manage Hawaii's unique and limited natural, cultural and historic resources held in public trust for current and future generations of visitors and the people of Hawaii nei in partnership with others from the public and private sectors."

At the same time, the directive within the DBEDT's responsibilities relative to Land Development (HRS201-3(2)) is not being incorporated within DLNR. HFBF is very concerned that DLNR, an agency focused on conservation and protection will find economic development pursuits to be in conflict and may find difficulties balancing the two interests of the State.

In turn, the Department of Budget and Finance, "administers the State budget, develops near- and long-term financial plans and strategies for the State, and provides programs for the improvement of management and financial management of State agencies". Their mission to develop near and long term financial plans and strategies for the State is complementary to the goals of the Office of State Planning and the Land Use Commission. Both of these entities reported to DBEDT for administrative purposes only and were not actually part of the Department. For this reason, as part of the streamlining purposes, it would appear to be appropriate to move these two areas to the Department of Budget and Finance again, for administrative purposes. However, as part of DB&F, the linkage between the long term financial plans and strategies and land use planning would make sense. The land use planning would provide economic indicators of the direction the State.

We appreciate the leadership the Legislature is providing to address fiscal shortfalls and are willing to do our part to address these situations. We do so, looking forward with insight to minimize unintended consequences to actions that may be taken. We respectfully request that consideration be given to

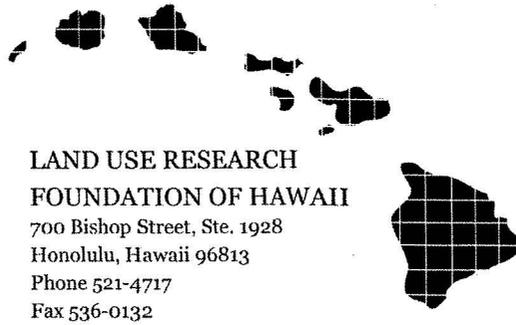


Hawaii Farm Bureau

F E D E R A T I O N

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moving the administrative responsibilities of oversight of the OSP and LUC to the Department of Budget and Finance instead of the Department of Land and Natural Resources. Thank you.



LAND USE RESEARCH  
FOUNDATION OF HAWAII  
700 Bishop Street, Ste. 1928  
Honolulu, Hawaii 96813  
Phone 521-4717  
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Via Capitol Website

April 6, 2009

**House Committee on Finance**  
**Hearing Date: Monday, April 06, 2009 at 5:00 PM. in CR 308**

**Comments regarding SB 294 SD2, PROPOSED HD1**  
**Relating to State Departments**  
**(Reorganizing Executive Branch to correspond with HB 200, HD1)**

Honorable Chair Marcus Oshiro, Vice Chair Marilyn Lee, and House Committee  
on Finance Members:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF is writing to submit **comments** regarding **SB 294, SD2, PROPOSED HD1** which is proposing to reorganize a select number of executive branch agencies to correspond with HB 200, HD1, the General Appropriations Act of 2009.

**SB 294 SD2, PROPOSED HD1.** The proposed HD1 version proposes to reorganize certain state executive branch departments to reflect the provisions of the General Appropriations Act of 2009, which is being proposed in HB 200, HD1.

The PROPOSED HD1 version proposes to reorganize a number of departments within the executive branch, as follows:

- (1) Transfers the research and economic analysis division to the department of commerce and consumer affairs from the department of business, economic development, and tourism (DBEDT);
- (2) Transfers the creative media division to the foundation on culture and the arts from the department of business, economic development, and tourism;
- (3) Transfers the special advisor for tourism to the office of the governor from the department of business, economic development, and tourism;

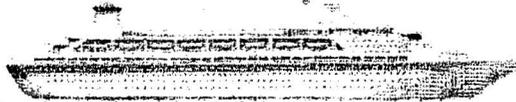
- (4) Transfers the small business regulatory review board to the department of commerce and consumer affairs from the department of business, economic development, and tourism;
- (5) Transfers the Hawaii housing finance and development corporation to the department of human services from the department of business, economic development, and tourism;
- (6) Transfers the land use commission to the department of land and natural resources (DLNR) from the department of business, economic development, and tourism;
- (7) Transfers the Hawaii community development authority to the department of land and natural resources from the department of business, economic development, and tourism;
- (8) Transfers the Aloha tower development corporation to the department of transportation from the department of business, economic development, and tourism;
- (9) Transfers the high technology development corporation and high technology innovation corporation to the department of commerce and consumer affairs from the department of business, economic development, and tourism;
- (10) Transfers the foreign-trade zone program to the department of transportation from the department of business, economic development, and tourism;
- (11) Transfers the office of planning to the department of land and natural resources from the department of business, economic development, and tourism;
- (12) Transfers the natural energy laboratory of Hawaii authority to the university of Hawaii from the department of business, economic development, and tourism;
- (13) Transfers the state health planning and development program to the department of health proper from the state health planning and development agency, which is administratively placed within the department of health; and
- (14) Transfers the measurement standards program to the department of commerce and consumer affairs from the department of agriculture.

**LURF's Position.** LURF is particularly concerned with the following sections of this bill:

- **Section 18.** Transfers the State Land Use Commission (SLUC) from DBEDT to the Department of Land and Natural Resources (DLNR).
- **Section 34.** Transfers the State Office of Planning (SOP) from DBEDT to DLNR.

This bill may be a good vehicle for discussion, however we do not believe that it would be prudent to place SLUC or SOP in DLNR because the LUC and SOP deals with long range planning and DLNR's emphasis is primarily on day to day operations. Perhaps SLUC and SOP would be better suited in the Department of Budget and Finance.

Thank you for the opportunity to express our **comments** regarding to **SB 294 SD2, Proposed HD1.**



## *Hawai'i Ship Agents Association*

April 5, 2009

### **HOUSE COMMITTEE ON FINANCE**

Chair - Rep. Marcus Oshiro, Vice Chair - Rep. Marilyn Lee, and Committee Members  
Public Hearing, April 6, 2009, 5:00 p.m. Conference Room 308

**TESTIMONY OF WILLIAM F. ANONSEN, PRESIDENT**  
**HAWAII SHIP AGENTS ASSOCIATION**  
**SUPPORT THE INTENT WITH CONCERNS, S. B. 294 SD1 (Proposed HD1)**

My name is William Anonsen and I am the President of the Hawai'i Ship Agents Association (HSAA) and respectfully submit this testimony on behalf of our membership. We commend the House for their fiduciary initiative and efforts with this proposed HD1 which seeks to identify state executive branch departments and their respective division's roles and responsibilities' to determine if they are most appropriately aligned and structured to fulfill their statutory mandates.

The HSAA supports the intent of this bill, however in view of the critical importance of undertaking such a comprehensive reorganization program, we respectfully request additional time to better understand and discuss the potential impact this may have on impending statewide projects for the commercial harbors modernization plan with effected harbor users and stakeholders. We have been working with the DOT-Harbors Division and the maritime industry on a myriad of critically needed infrastructure improvements and are concerned about their implementation and/or if they may be in jeopardy.

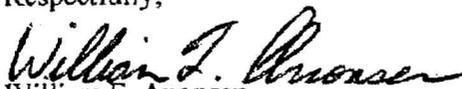
To ensure we optimize the maritime commercial utilization of our limited and constrained port facilities, we must have cohesive management that creates an efficient, productive, and accessible environment that is responsive in meeting our multi-island state's future ocean transportation requirements. Our statewide harbor system is a major economic asset that will only be successful and benefit from deliberate and coordinated planning in order to maximize appropriate economic development opportunities.

Cooperatively, we should and must continue our collaborative efforts in advancing the idea of a transportation agenda that strengthens Hawai'i's transportation system. We are living in a new world that requires new thinking and approaches to transportation that should be characterized by changed behaviors and measureable results.

As a multi-island state that is largely dependant on waterborne transportation, we must remain vigilant to preserve our finite maritime lands. Our island infrastructure is not disposable; it is a strategic asset that must be properly planned, maintained, renewed and protected. The impact of doing nothing and maintaining the status quo is longer prudent or acceptable and a consequential disservice to Hawai'i's residents and visitors. We would be pleased to work with the legislature, stakeholders and other effected parties in any dialogue related to this proposed reorganization program.

*Mahalo for the opportunity to offer this commentary on this proposed amendment*

Respectfully,

  
William F. Anonsen  
President

**1240 Ala Moana Blvd. Suite 323, Honolulu, Hawai'i, 96814**  
**Tele: (808) 589-1223 Fax: (808) 532-85987**



# WINDWARD AHUPUA`A ALLIANCE

From the Peaks of *Na Ko'olau* to the Outer Reefs

*Community-Based Planning  
Sustainable Economic Development  
Restoration, Preservation, Protection & Public Access  
Educational & Cultural Programs*

## COMMITTEE ON FINANCE

*Rep. Marcus Oshiro, Chair*

*Rep. Marilyn Lee, Vice Chair*

5 pm

Monday, April 6, 2009

Conference Room 308

### SB 294 SD2 HD1(Proposed) - RELATING TO GOVERNMENT

Oppose With Amendments

My name is Shannon Wood, speaking on behalf of the *Windward Ahupua`a Alliance*, a 501c3 Hawai`i non-profit corporation founded in July, 2002.

We oppose SB 294 SD2 HD1 (Proposed) - RELATING TO GOVERNMENT because of the shortness of time to examine in detail the entire bill.

The *Ways And Means Committee & Judiciary and Government Operations Committees* heard the *House's* version of the bill earlier today. We said the same thing there as we're saying here: With only three days notice on two huge pieces of legislation, we urge that the bill be deferred pending further study over the interim.

This is not to say that there is no merit to the suggested changes; however, a quick analysis of just two of them - shifting the *Land Use Commission* and the *Office of Planning* from the *Department of Business, Economic Development & Tourism* to the *Department of Land & Natural Resources*- have significant flaws in them. That makes me wonder about the rest of the proposed changes.

Therefore, *WAA* proposes that this bill be deferred until the 2010 Session to allow a task force/working group made up of members from the *House* & the *Senate*, the heads of the impacted departments along with their key staff currently involved in the programs to be transferred or abolished, and members from the for-profit & non-profit sectors who utilize these governmental services.

Moving this bill through without giving everyone adequate time to read and analyze it is not good government. The *Windward Ahupua`a Alliance* urges you to defer further action on SB 294 SD2 HD1 (Proposed) until the 2010 session.

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**FINTestimony**

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**From:** rawcohi@cs.com

**Sent:** Saturday, April 04, 2009 4:28 PM

**To:** FINTestimony

**Subject:** Testimony in support of SB 294, SD 2, HD 1 with a small suggested change - Monday 6 April 2009 at 1700 in 308, House Finance Committee

**TESTIMONY IN SUPPORT OF SB 294, SD2, HD1 WITH A SMALL SUGGESTED CHANGE**

House Committee on Finance

Monday 6 April 2009 at 1700 in room 308

Chair Oshiro and respected members of the Committee;

This bill as amended seeks to streamline government and make many of our agencies more responsible and sensitive to the sectors that they are designed to serve while at the same time improving efficiency. To this end, please consider a small addition to the language on page 40, line 16, regarding the transfer of HCDA to DLNR. After the word "resources" please insert: except for Kewalo Basin, it's submerged lands and it's immediately surrounding fast lands out to the first street in the ewa and mauka directions, to the ewa wall of Ala Moana Park in the diamond head direction, and to the ocean in the makai direction, which shall be returned to the department of transportation.

The oversight of HCDA on Kewalo Basin has been a disaster for the past seventeen years and it has retarded the future of the basin and it's resident small businesses due to a complete lack of expertise in maritime matters. This is the very essence of the department of transportation and makes this a fine fit. Please modify the bill to effect this small change and then pass it so we can all go forward to a better future.

Respectfully,

Reg White  
Vice president, project development  
Stars of Paradise Tours and Attractions  
Paradise Cruise, Ltd.  
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**HOUSE COMMITTEE ON FINANCE**  
Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

**Monday April 6, 2009**  
**House Conference Room 308**  
**5:00 PM**

**SENATE BILL 294, SD2, PROPOSED HD1**  
**RELATING TO STATE DEPARTMENTS**

Aloha Chair Oshiro, Vice Chair Lee and Finance Committee Members:

This testimony is in FULL SUPPORT of Senate Bill 294, Proposed House Draft 1. This long overdue measure demonstrates a studied and reasoned restructuring of state administrative functions for the purpose of **sound planning practices and policies**. Senate Bill 294, Proposed HD1, provides the means with which to rein in a public agency, the Department of Business, Economic Development and Tourism (**DBEDT**), which has perceptibly become a land use monopoly with increasing latitude and autonomous actions by its land use authorities.

Senate Bill 294, Proposed HD1, transfers several land use planning and development functions from DBEDT to the State Department of Land and Natural Resources (**DLNR**). As its name suggests, the DLNR is by far the most appropriate agency to oversee state land use planning matters from the wider perspective, i.e., **balancing** protection and preservation of fragile natural and historic resources with ensuring sound planning practices for each island's finite developable lands, including sustainable agricultural and coastal zone resources.

In the recent past, serious challenges and costly difficulties have arisen from the formation of development authorities and their autonomous structure:

- Ten years ago the Aloha Tower Development Authority (**ATDC**) learned a hard lesson head-on when the State Circuit Court ruled that the ATDC had no right to insist on taking land for a multi-level parking garage which had been historically **entrusted to the State** as a public park and landscaped gateway on the Honolulu Waterfront.
- Three years ago the Hawaii Community Development Authority (**HCDA**) was strongly advised by the State Legislature to form a public working group to **ensure public guidance** on the future planning and development public lands on the Kaka'ako shoreline. Not long afterward, the ATDC wisely followed this example by forming a quasi-professional public advisory group to guide their planning efforts for the Downtown Honolulu waterfront.

The State's **Office of Planning** and the **Land Use Commission** will be important assets and additions to the DLNR's functions. Joining these functions with the Historic Preservation Division, Division of State Parks and other **Hawaii land use values** under the protective mission of the DLNR will help ensure sound planning practices and, it is hoped, far more **comprehensive planning policies** to conserve Hawaii's fragile resources and finite developable lands, including calculated **sustainability** for agricultural and coastal zone resources as well as emerging recognition and understanding of carrying capacity, rehabilitation, reuse and renewable resources. Clearly these values have been alien to and absent from the DBEDT's often exploitative practices.

Coupled with this important transition would reasonably be the addition of the DBEDT's offspring HCDA and ATDC planning functions for the respective areas of Kaka'ako, Kalaeloa and the Downtown Honolulu Waterfront apart from the working harbors. Further, with these transitions would properly belong the recently established **public advisory group functions** of

the Aloha Tower Public Advisory Group and the Kaka'ako Makai Community Planning Advisory Council. Senate Bill 294, SD2, HD1, should respectively ensure the continuation of these professional and diverse community-based planning groups in advancing toward truly comprehensive State land use planning.

The directives of Senate Bill 294, Proposed HD1, are **in the greater public interest**. These directives require attention to the ultimate dissolution of top-down directives and special-interest influences in land use planning by public agencies, as most recently demonstrated by the HCDA during their approval process for the highly speculative General Growth Properties redevelopment application flying in the face of the Kaka'ako Mauka community-based plan. These directives also require attention to preventing the **potential transfer** of omnipresent back-room policies and practices exhibited over the years by the DBEDT and its attendant development authorities. The public does not forget, and curing old habits begins with a slate of dedicated and **knowledgeable planning professionals** untainted by back-room politics and special interest influence.

Please pass the Proposed HD1 for Senate Bill 294 with the constructive amendments suggested above. Comprehensive land use planning at the State level is long overdue, and the people of the State of Hawaii and its future deserve no less.

Sincerely,

Michelle Spalding Matson  
Concerned Citizen

Committee on Finance  
Monday April 6, 2009, 5:00 pm  
Conference Room 308, Hawaii State Capitol

Thank you for this opportunity to express my concerns regarding SB 294, SD2 which corresponds with HB 200.

**As a civil service employee, I extremely oppose any measures of layoffs.**

I do understand that we are in the midst of economic downturn, and extreme measures must be taken in order to balance the budget.

However, other alternatives must be explored first before resorting to layoffs in HHSC. Legislature must consider the following alternatives to prevent layoffs:

HR: Impose a hiring freeze on non-direct patient care positions, eliminate overtime, use "in-house" resources; offer voluntary furlough or reduction in FTE; suspend any pay increases of non-civil employees

Expenses: Limit travel expenses, temporary assignments, suspend any conferences/meetings/projects

Benefits: reduce benefits, ie, number of leaves; reduce any bonuses, salary allowances of non-civil service employees.

Full disclosure of cost savings of the above measures.

If layoffs are inevitable, **non-civil service positions and appointments** must be identified first for layoffs before considering civil service positions.

Again, thank you for this opportunity.

Respectfully,

Joanne S. Agnes, PHR  
Honolulu, Hawaii

**HOUSE COMMITTEE ON FINANCE**  
Representative Marcus R. Oshiro, Chair  
Representative Marilyn B. Lee, Vice Chair

**Monday April 6, 2009**  
**House Conference Room 308**  
**5:00 PM**

**SENATE BILL 294, SD2, PROPOSED HD1**  
**RELATING TO STATE DEPARTMENTS**

Aloha Chair Oshiro, Vice Chair Lee and Finance Committee Members:

This testimony is in FULL SUPPORT of Senate Bill 294, Proposed House Draft 1.

In recent years agencies under the Department of Business and Economic Development and Tourism (DBEDT) such as the Hawaii Community Development Authority (HCDA) and the Aloha Tower Development Authority (ATDC) have operated with a lacked of transparency and public input. Transferring land use planning, development and preservation to the Department of Land and Natural Resources (DLNR) would allow for more community based development planning and oversight over lands in Kalaeloa and Kaka'ako including Kaka'ako Makai and the Kewalo Basin.

In the recent past, serious challenges and costly difficulties have arisen from the formation of these development authorities and their autonomous structure:

- Ten years ago the Aloha Tower Development Authority (**ATDC**) learned a hard lesson head-on when the State Circuit Court ruled that the ATDC had no right to insist on taking land for a multi-level parking garage, which had been historically entrusted, **to the State** as a public park and landscaped gateway on the Honolulu Waterfront.
- Three years ago the Hawaii Community Development Authority (**HCDA**) was strongly advised by the State Legislature to form a public working group to **ensure public guidance** on the future planning and development public lands on the Kaka'ako shoreline.

Senate Bill 294, SD2, HD1, should respectively ensure the continuation of professional and diverse community-based planning groups including the Aloha Tower Public Advisory Group and the Kaka'ako Makai Community Planning Advisory Council in advancing toward comprehensive State land use planning.

The State's **Office of Planning** and the **Land Use Commission** will be important additions to the DLNR's functions. Joining these functions with the Historic Preservation Division, Division of State Parks and other **Hawaii land use values** under the protective mission of the DLNR will help ensure sound planning practices for more **comprehensive planning policies** for economic sustainability and to conserve Hawaii's fragile resources and finite developable lands.

Comprehensive land use planning at the State level is long overdue, and will prove to be a benefit to the State of Hawaii. The directives of Senate Bill 294, Proposed HD1, are **in the greater public interest**.

Please pass the Proposed HD1 for Senate Bill 294 with the constructive amendments suggested above.

Sincerely,

Wayne Takamine  
Honolulu

## FINTestimony

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**From:** Cwhite808@cs.com

**Sent:** Saturday, April 04, 2009 5:31 PM

**To:** FINTestimony

**Subject:** TESTIMONY IN SUPPORT OF SB 294, SD2, HD1 WITH A SMALL SUGGESTED CHANGE

TESTIMONY IN SUPPORT OF SB 294, SD2, HD1 WITH A SMALL SUGGESTED CHANGE

House Committee on Finance  
Monday 6 April 2009 at 1700 in room 308

Chair Oshiro and respected members of the Committee;

This bill as amended seeks to streamline government and make many of our agencies more responsible and sensitive to the sectors that they are designed to serve while at the same time improving efficiency. To this end, please consider a small addition to the language on page 40, line 16, regarding the transfer of HCDA to DLNR. After the word "resources" please insert: except for Kewalo Basin, its submerged lands and its immediately surrounding fast lands out to the first street in the ewa and mauka directions, to the ewa wall of Ala Moana Park in the diamond head direction, and to the ocean in the makai direction, which shall be returned to the department of transportation.

The oversight of HCDA on Kewalo Basin has been a disaster for the past seventeen years and it has retarded the future of the basin and it's resident small businesses due to a complete lack of expertise in maritime matters.

This is the very essence of the department of transportation and makes this a fine fit. Please modify the bill to effect this small change and then pass it so we can all go forward to a better future.

Respectfully,  
Connie White  
1540 S. King Street  
Honolulu, HI. 96826