

Honolulu, Hawaii

March 21, 2014

RE: S.B. No. 3066

S.D. 2

H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Seventh State Legislature  
Regular Session of 2014  
State of Hawaii

Sir:

Your Committees on Economic Development & Business and Water  
& Land, to which was referred S.B. No. 3066, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE PUBLIC-PRIVATE FINANCE  
INITIATIVE,"

beg leave to report as follows:

The purpose of this measure is to assist the State in addressing the economic challenges in developing infrastructure to meet the growing demand for public services by establishing the Public-Private Finance Initiative. The Initiative would identify suitable infrastructure projects, carry out appropriate analyses, enter into public-private agreements, and provide leadership for the facilitation of financing, improvement, or enhancement of appropriate facilities, operations, and property.

In addition, this bill:

- (1) Requires the Initiative to initiate a pilot project on specific state lands in Wahiawa (Pilot Project);
- (2) Requires the Initiative to submit a report on the status of the Pilot Project;
- (3) Prohibits the Initiative from planning or implementing any other projects other than the Pilot Project in Wahiawa; and



- (4) Appropriates unspecified funds for the establishment and operations of the Initiative, including the hiring of staff.

The Department of Business, Economic Development, and Tourism, Department of Accounting and General Services, and State Procurement Office testified in support of the intent of this bill. Hawaii's Thousand Friends and numerous concerned individuals testified in opposition to this measure. The Department of Budget and Finance and Office of Hawaiian Affairs provided comments.

An increasing need for public services, due in part to an increasing population, has put pressure on revenue resources for all levels of government. This was evident during the recent economic downturn faced by Hawaii and the rest of the nation. As a result, the State faces the challenge of balancing its budget while addressing escalating infrastructure and service needs. Creating a partnership agency to collaborate with all state agencies and private sector entities may help deliver these services and facilities more effectively, efficiently, and in a manner that is cost beneficial to the State. As such, the Initiative deserves further consideration.

However, your Committees note that many concerns were raised in testimony and during discussion on this bill including concerns that:

- (1) The State Procurement Office, the central authority on procurement statutes and rules for all government bodies of the State and its counties, does not have a designee on the Board of Directors of the Public-Private Finance Initiative as a voting member and that such a member should be included on the Board;
- (2) The Department of Business, Economic Development, and Tourism estimated that it would need approximately \$500,000 for fiscal year 2015, and the same sum each fiscal year thereafter, to establish and carry out the Public-Private Finance Initiative, which is not included in the Department's current budget request;
- (3) There is no clarity as to whether the State would be allowed to enter into debt with respect to the Public-Private Finance Initiative Program;



- (4) If the State would be allowed to enter into debt with respect to the Public-Private Finance Initiative program, the State's liability needs to be limited, as well as be reflected in the State's debt limit calculation;
- (5) The Aha Moku member of the Board of Directors of the Public-Private Finance Initiative be granted voting rights; the Initiative be narrowed in scope and required to adopt rules under Chapter 91, Hawaii Revised Statutes, if the Initiative is extended beyond its repeal date; and the Initiative be required to comply with pro-rata share requirements of public land trust lands if such lands are used by the Initiative; and
- (6) The legislation is vague in its specific purpose as to what it is exactly trying to accomplish with the use of lands in Wahiawa, although transit oriented development projects have been mentioned.

Accordingly, while your Committees note that this measure deserves further consideration and discussion, it is the intent of your Committees that the Public-Private Finance Initiative Program be authorized to establish only a single pilot project at a non-specific site. As such, your Committees have amended this measure by:

- (1) Specifying that the Public-Private Finance Initiative program is authorized to develop plans and implement one project on behalf of a public agency; and
- (2) Deleting the requirement that the Public-Private Finance Initiative initiate a pilot project on specific state lands in Wahiawa and instead leaving the project site unspecified.


Technical, nonsubstantive amendments were also made for clarity, consistency and style.

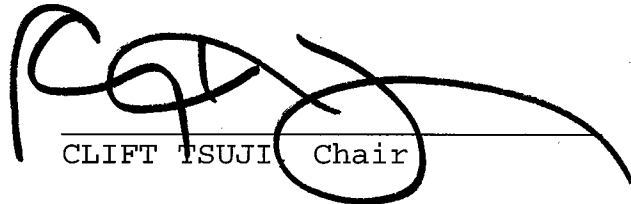
Finally, your Committees note that the Pilot Project established in this measure is scheduled to be terminated on October 1, 2017, which will provide the Legislature with a good opportunity to reevaluate the entire Public-Private Finance Initiative and identify opportunities for improvement or the necessity for repealing the Initiative altogether.



As affirmed by the records of votes of the members of your Committees on Economic Development & Business and Water & Land that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3066, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3066, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committees on Economic  
Development & Business and  
Water & Land,

  
CINDY EVANS, Chair

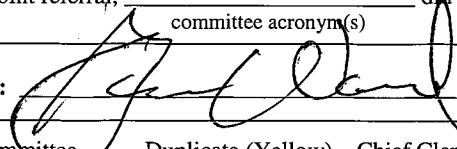
  
CLIFT TSUJI, Chair



State of Hawaii  
House of Representatives  
The Twenty-seventh Legislature

HSCR 1181-14

Record of Votes of the Committee on Economic Development & Business

Bill/Resolution No.: SB3066, SD2	Committee Referral: EDB/WAL, FIN	Date: 3/18/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EDB Members	Ayes	Ayes (WR)	Nays	Excused
1. TSUJI, Clift (C)	/			
2. WARD, Gene (VC)		/		
3. AWANA, Karen		/		
4. BROWER, Tom	/			
5. CACHOLA, Romy M.	/			
6. ITO, Ken				/
7. CHOY, Isaac W.	/			
8. OHNO, Takashi	/			
9. ONISHI, Richard H.K.		/		
10. TOKIOKA, James Kunane	/			
11. WOOLEY, Jessica	/			
TOTAL (11)	7	3		1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				

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House of Representatives  
The Twenty-seventh Legislature

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**Record of Votes of the Committee on Water & Land**

<b>Bill/Resolution No.:</b> <u>SB 3066, SD2</u>	<b>Committee Referral:</b> <u>EDB/Wal, FIN</u>	<b>Date:</b> <u>3/18/14</u>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
<b>The recommendation is to:</b> <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
WAL Members	Ayes	Ayes (WR)	Nays	Excused
1. EVANS, Cindy (C)	✓			
2. LOWEN, Nicole E. (VC)		✓		
3. CULLEN, Ty J.K.		✓		
4. HANO HANO, Faye P.		✓		
5. KAWAKAMI, Derek S.K.	✓			
6. LEE, Chris	✓			
7. SAY, Calvin K.Y.	✓			
8. NISHIMOTO, Scott Y.				✓
9. FALE, Richard Lee		✓		
10. THIELEN, Cynthia			✓	
<b>TOTAL (10)</b>	<u>4</u>	<u>4</u>	<u>1</u>	<u>1</u>
<b>The recommendation is:</b> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
<b>Vice Chair's or designee's signature:</b> <u>Nicole E. Lowen</u>				
<b>Distribution:</b> Original (White) – Committee      Duplicate (Yellow) – Chief Clerk's Office      Duplicate (Pink) – HMSO				