

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 737 H.D. 2, S.D. 1

March 28, 2014

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.

House Bill No. 737, H.D. 2, S.D. 1, proposes to amend Chapter 39A, Part X, Hawaii Revised Statutes (HRS) to authorize the issuance of special purpose revenue bonds (SPRBs) to assist agricultural enterprises in the State.

The Department offers the following comments:

The amendments proposed in the bill incorporates prior Department of Budget and Finance comments and would allow SPRBs to be issued for any type of agricultural enterprise, rather than for those only serving important agricultural lands. The amendments also provided for consistency with House Bill No. 748, H.D. 2. Amendments to Chapter 39A, Part X is subject to ratification of the constitutional amendment contained in House Bill 748, H.D. 2.

For clarity, the Department recommends including a definition for the term “agricultural enterprise” so as to be independent of similar terms used in other Hawaii laws, such as Section 163D-2, HRS, which defines “Agriculture” and “Enterprise” and Chapter 163D, HRS, which utilizes the term “agricultural enterprise”.

In addition, please note that there are significant procedural and compliance requirements that must be met before any SPRBs could be structured for any SPRB transaction.

Thank you for the opportunity to provide testimony on this measure.

NEIL ABERCROMBIE
Governor



SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

KEN H. KAKESAKO
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
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**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
FRIDAY, MARCH 28, 2014
9:20 A.M.
Room 211**

**HOUSE BILL NO. 737, SENATE DRAFT 1
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL
ENTERPRISES**

Chairperson Ige and Members of the Committee:

Thank you for the opportunity to testify on House Bill No.737, Senate Draft 1 that authorizes the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist agricultural enterprises in production or processing of crops, vegetables, fruits, livestock, and poultry. The Department of Agriculture supports efforts to allow farmers the opportunity to access funds to produce and process local agricultural products. However, we defer to the Department of Budget and Finance on this measure.

Thank you, again, for the opportunity to testify on this measure.





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March 26, 2014

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON HB 737, HD2, SD1
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL
ENTERPRISES

Room 211
9:20 AM

Chair Ige, Vice Chair Kidani, and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,832 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFB strongly supports HB 737, HD2, SD1 which seeks to assist Hawaii's agricultural businesses by authorizing the State to issue special purpose revenue bonds (SPRBs) for their benefit.

Special purpose revenue bonds provide the private sector access to the lower rates available in public finance capital markets. Decaying plantation-era or obsolete infrastructure, record high transportation costs, and regulatory compliance issues are a crushing burden on our producers and processors and combine to threaten the food security and sustainability of our state.

The State of Hawaii has acknowledged that Agriculture is vital to food security, long-term sustainability and is an important contributor to the State's economy. Hawaii's farmers and ranchers need access to affordable capital to implement the many projects that contribute to feeding our citizens. HB 737, HD2, SD1 represents a collaborative effort between broad stakeholders engaged in farming and ranching, not-for profits and Government entities.

Please pass HB 737, HD2, SD1.

Thank you.



March 25, 2014

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair
Senate Committee on Ways and Means

Testimony in Support of HB 737, SD1, Relating to Special Purpose Revenue Bonds; Agricultural Enterprises (Authorizes the Department of Budget and Finance to issue special purpose revenue bonds to assist agricultural enterprises in the State.)

Friday, March 28, 2014, 9:20 a.m., in Conference Room 211

The Land Use Research Foundation of Hawaii (LURF) is 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 appreciates the opportunity to provide testimony in **support of HB 737, SD1**, and to offer comments.

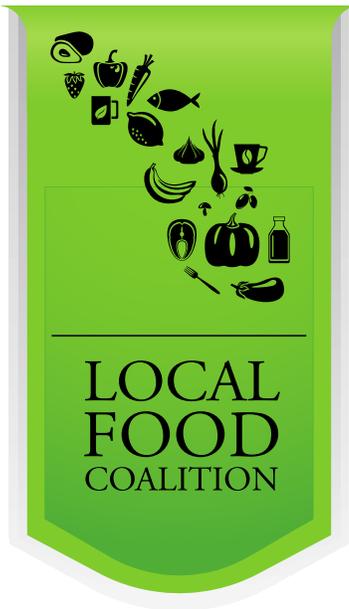
HB 737, SD1. The purpose and intent of this bill is to authorize the Department of Budget and Finance to issue special purpose revenue bonds to assist agricultural enterprises in the State.

LURF's Position. LURF members include private property owners, farmers and ranchers who own, maintain, and engage in agricultural enterprises, and who consider such projects and ventures critical to the conduct of their operations and to help sustain their businesses. These land owners and agricultural stakeholders believe HB 737, SD1 will greatly assist with costs which must be incurred in connection with establishing new agricultural projects and activities; expanding and improving their growing and processing facilities, including bringing them to current safety standards as may be required; and with costs which must be incurred for maintenance and upgrade of existing structures and equipment.

As this Committee may already be aware, the unsustainable costs cast upon land owners and agricultural stakeholders by various safety and security standards, programs and regulations are another serious concern, as the enactment of onerous regulations relating to maintenance and operation of water systems, infrastructure, as well as growing and processing machinery and facilities are proving to be potentially counterproductive to the long-term objective of sustainable agriculture.

As potential issues relating to public health, and food safety and security continue to be a significant concern, LURF and its members appreciate this measure being taken to assist agricultural stakeholders.

For the reasons stated above, LURF is in **support of HB 737, SD1**, and respectfully urges your favorable consideration of this bill.



SENATE COMMITTEE ON WAYS AND MEANS
Friday, March 28, 2014 -9:20 a.m. – Room 211

RE: HB 737 HD2 SD1 - Relating to Special Purpose Revenue Bonds to Assist Agricultural Enterprises – In Support; Proposing Amendment

Chair Ige, Vice Chair Kidani and Members of the Committee:

My name is Kyle Datta and I am the General Partner of the Ulupono Initiative, a Honolulu-based impact investment firm, which is working to improve the quality of life for Hawaii residents by investing in projects that create more locally grown food, increase renewable energy and reduce/recycle waste. We are representing on behalf of the Local Food Coalition, which is an organization comprising of farmers, ranchers, livestock producers, investors and other organizations working to provide Hawaii's food supply.

The Local Food Coalition is in strong support of HB 737 HD2 SD1, which assists agricultural enterprises in the State by authorizing the State to issue special purpose revenue bonds for their benefit, contingent upon ratification of a constitutional amendment authorizing the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist agricultural enterprises.

We wish to bring to the Committee's attention that there is a related bill, HB 748 HD2, which would amend Article VII, Section 12 of the Constitution of the State of Hawaii to permit the issuance of special purpose revenue bonds for agricultural enterprises serving all types of agricultural lands.

We need substantial capital investment in agriculture infrastructure, technologies, facilities, agricultural workforce training, and production and growth activities. The special purpose revenue bonds authorized in this bill will stimulate and increase new investment in Hawaii's agricultural industries. Not only will this provide an important source of private financing, it will do so without affecting the State's budget.

For these reasons, we ask for your favorable consideration of HB 737 HD2 SD1 with an amendment to correct the effective date to July 1, 2014. Thank you very much for the opportunity to provide comments.

Kyle Datta
General Partner
Ulupono Initiative

4 Ag Hawai'i

Hawai'i Aquaculture &
Aquaponics Association

Hawai'i Association of
Independent Schools

Hawai'i Cattlemen's Council

Hawai'i Farm Bureau
Federation

Hawai'i Farmers' Union
United

Hawai'i Food Industry
Association

Hawai'i Food
Manufacturers Association

Kohala Center

Malama Kaua'i

Maui School Garden
Network

Ulupono Initiative

**HB 737 SD1
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST
AGRICULTURAL ENTERPRISES**

**PAUL T. OSHIRO
MANAGER – GOVERNMENT RELATIONS
ALEXANDER & BALDWIN, INC.**

MARCH 28, 2014

Chair Ige and Members of the Senate Committee on Ways & Means:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on HB 737 SD1, “A BILL FOR AN ACT RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.” We support the general intent of this bill.

Hawaiian Commercial & Sugar Company (HC&S) has been in operation for over 125 years and is Hawaii’s last remaining sugar plantation. HC&S has approximately 36,000 acres in active sugar cane cultivation and employs about 800 Maui residents. While all of Hawaii’s other sugar companies have shut down over the years, HC&S has been fortunate, through significant investments in our agricultural infrastructure and operations, to have sustained our operations and continue as a major employer in the State of Hawaii. History has proven that commodity sugar prices will remain relatively flat, as they have over the last few decades, despite increasing production costs. Thus, HC&S has for a number of years been pursuing, and investing in, a transition from a primary producer of commodity sugar to the production of specialty sugar and renewable energy. In addition to being the main supplier of Sugar In The Raw, the little

brown packets of sugar seen at restaurants and coffee shops across the nation, HC&S is also expanding production and sales of our specialty Maui Brand Sugar.

HC&S generates biomass produced electricity for its sugar milling, irrigation pumping, and other internal operations and provides electricity to Maui Electric Company (MECO) for general community use. The source of fuel for this biomass electricity is bagasse, the residual fiber of the sugar cane plant. Not only does HC&S provide approximately 6% of MECO's total electricity, HC&S is a firm power source to MECO (i.e. committed power delivery, not on an 'as available' basis), and has played a significant role in the restoration of MECO's electrical service during power outages.

In addition, HC&S is currently participating in significant new Hawaii-based research initiatives on bio-energy, closely working with the University of Hawaii and various Federal agencies on energy crop development, energy conversion technologies, and long term resource requirements for biomass production. HC&S also provides water (through the County) to approximately 35,000 Upcountry Maui residents and to the Kula Agricultural Park.

This bill proposes statutory provisions to authorize the issuance of special purpose revenue bonds to assist agricultural enterprises. Major infrastructure requirements such as irrigation systems, roads and utilities, and agricultural processing facilities play a critical role in the survival of many agricultural businesses. The special purpose revenue bonds authorized in this bill will provide important financial support for Hawaii's agricultural operations. In addition to assisting these agricultural operations with their current infrastructure needs, this additional means of financing will also serve as a stimulus to encourage these entities to expand their operations or to enhance their

operating efficiencies through the installation of new agricultural infrastructure, equipment, and other related improvements to service their farming operations.

Thank you for the opportunity to testify.



1768 Kalawi Place
Wailuku (Maui), Hawaii 96793

March 26, 2014

Email Testimony

The Honorable David Ige
Chairman Senate Ways and Means
Sendige@capitol.hawaii.gov

Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Vincent Mina
President
Maui

Senate Committee on Ways and Means Hearing on HB 737 HD2 SD 1

Simon Russell
Vice-President
Maui

Aloha Chair Ige, Honorable Committee Members,

HFUU is in Strong Support of HB 737 HD2 SD1;

David Case
Secretary
Kona

The large scale, integrated infrastructure to support robust regional food systems is non-existent in Hawaii. In order to secure the financing for this scale of food production, storage and distribution, farmers must have equal access to capital markets. Special Purpose Revenue Bonds are an important tool to help our food producers and distributors make food self sufficiency a reality.

Ray Maki
Treasurer
Kauai

Please advance this measure,

Respectfully submitted,

Pamela Boyar
Member
Oahu

HAWAII FARMERS UNION UNITED

Simon Russell
Simon Russell, Vice-President & Legislative Chairman

David Fisher
Member
Maui

The Hawaii Farmers Union and its Chapters is a nonprofit corporation formed under Hawaii law. It advocates for the sovereign right of farmers to create and sustain vibrant and prosperous agricultural communities for the benefit of all Hawaii through cooperation, education and legislation.

Steve Sakala
Member
Kona