

# HB737

# Testimony

Assists agricultural enterprises in the State by authorizing the State to issue special purpose revenue bonds for their benefit. Contingent upon ratification of constitutional amendment authorizing the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist agricultural enterprises. Effective July 1, 2030, and upon voter ratification

**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 AGRICULTURE  
TUESDAY, MARCH 11, 2014  
2:45 P.M.  
Room 229**

**HOUSE BILL NO. 737, HOUSE DRAFT 2  
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL  
ENTERPRISES**

Chairperson Nishihara and Members of the Committee:

Thank you for the opportunity to testify on House Bill No.737, House Draft 2 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.



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

March 11, 2014

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.

House Bill No. 737, H.D. 2, proposes to amend Chapter 39A, Hawaii Revised Statutes (HRS), by adding a new part to authorize the issuance of special purpose revenue bonds to assist agricultural enterprises in the State.

The Department offers the following comments:

The Department recommends that Chapter 39A, Part X, be amended to delete all references to “Agricultural Enterprises Serving Important Agricultural Lands” and replaced with “Agricultural Enterprises” to be consistent 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.

The Department also 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”.

Please note that there are significant procedural and compliance requirements that must be met before any special purpose revenue bonds (SPRB) could be structured for any SPRB transaction.

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



## Hawaii Cattlemen's Council, Inc.

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SENATE COMMITTEE ON AGRICULTURE  
Tuesday March 11, 2013 2:45 p.m. Room 29

### **HB 737 HD 2 Relating to Special Purpose Revenue Bonds to Assist Agricultural Enterprises**

Chair Nishihara, Vice Chair Kouchi and Members of the Committees:

My name is Alan Gottlieb, and I am a rancher and the Government Affairs Chairperson of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the five county level Cattlemen's Associations. Our 130+ member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council strongly supports HB 737 HD 2, WITH AMENDMENTS. We suggest that it not be limited to only Important Ag Lands, but be available for all agricultural enterprises.

Special Purpose revenue bonds provide the private sector access to the lower rates available in public finance capital markets. Agricultural projects do not easily qualify under the current definition, which needs to be amended. The capital markets are just beginning to create new funds for agriculture investments at national scale. The historically low rates make it important to act now.

We believe there are many projects that could qualify for SPRBs that would total more than \$150 MM in new investment. Here are some examples:

**Agriculture SPRBs for Water Infrastructure:** These can be made available to public-private partnerships that increase water supply from existing or new water systems, including new water storage systems.

**Agriculture SPRBs for Farmer and Rancher Irrigation Systems:** Irrigation systems require capital to install, and fencing for intensive grazing and crop security.

**Agriculture SPRBs for Processing and Value Added** – currently the production chain and processing capacity in Hawai'i is approximately 9,000 head a year. Even if 20 percent or 10,000 head of the 50,000 head of cattle shipped annually to the mainland were retained, Hawai'i's processing capacity would be overwhelmed. Thus, without increased processing capacity, the local livestock industry cannot expand.

In addition to the processing capacity, value-added processing is needed. The ability to produce increased value products (barbecue-ready cuts, cooked meats, hot dogs, etc.) adds greatly to the value of the cattle and keeps those dollars in our state economy. Similarly, fruit, vegetable, and aquaculture production should be coupled with value-added processing centers located in the centers of food production regions.

**Special Purpose Revenue Bonds for pumped or in-line hydropower** that is integrated with irrigation.

**Special Purpose Revenue Bond for Feed Mills using Local Inputs.** Biofuel crop by-products could be used for feed for cattle or other animals, thereby reducing overall costs for local ranchers.

We appreciate this opportunity to provide testimony on this matter.

**HB 737 HD2  
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST  
AGRICULTURAL ENTERPRISES**

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

**MARCH 11, 2014**

Chair Nishihara and Members of the Senate Committee on Agriculture:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on HB 737 HD2, “A BILL FOR AN ACT RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.” We support 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. Despite the current up tick in sugar prices, 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.

Based on the aforementioned, we respectfully request your favorable consideration on this bill. Thank you for the opportunity to testify.



March 7, 2014

Senator Clarence K. Nishihara, Chair  
Senator Ronald D. Kouchi, Vice Chair  
Senate Committee on Agriculture

**Testimony in Support of HB 737, HD2, Relating to Special Purpose Revenue Bonds; Agricultural Enterprises (Assists agricultural enterprises by authorizing the State to issue special purpose revenue bonds for their benefit.)**

**Tuesday, March 11, 2014, 2:45 p.m., in Conference Room 229**

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, HD2**, and to offer comments.

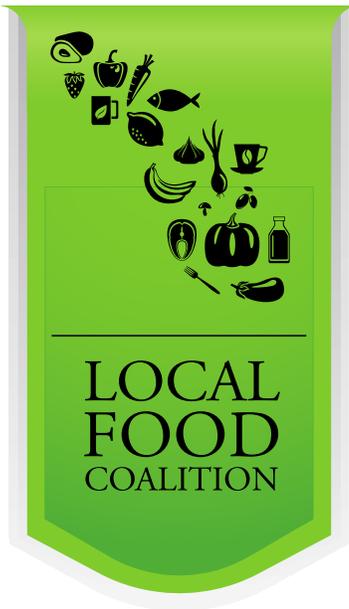
**HB 737, HD2.** The purpose of this bill is to assist agricultural enterprises in the State by authorizing the issuance of special purpose revenue bonds for their benefit.

**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, HD2 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, HD2**, and respectfully urges your favorable consideration of this bill.



SENATE COMMITTEE ON AGRICULTURE  
Tuesday, March 11, 2014 -2:45 p.m. - Room 229

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

Chair Nishihara, Vice Chair Kouchi 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. I would also like to introduce Gerald Sumida, a partner with Carlsmith Ball LLP and our legal counsel on this matter, who will also be available to respond to any questions that you may have for me and him. We are pleased to appear before you 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 the basic purpose of HB 737 HD2, 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.

However, we wish to bring to the Committee's attention that there is a related bill, HB 748 HD2, which is legislation that 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. HB 748 HD2 proposes to accomplish this by amending the present Constitutional provision by deleting the phrase "serving important agricultural lands", which as it now reads limits the use of special revenue bonds only to such agricultural lands.

As a result, if HB 748 HD2 is enacted by the Legislature and signed into law and if Article VII, Section 12 of the State Constitution is so amended, then we will need a related statute to set forth the procedure for the issuance of special purpose revenue bonds to an

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

agricultural enterprise. This can now readily be accomplished by amending the existing statutory provision codified in Hawaii Revised Statutes (“HRS”) Chapter 39A, Part X, §§ 39A-311 to 39A -332 by deleting the references in HRS § 39A-311 to “important agricultural lands”. No further legislation would thus be needed to provide for the procedures to issue such special purpose revenue bonds to an agricultural enterprise. We therefore respectfully suggest that (i) the current provisions of HB 737 HD2 be deleted and (ii) the amendments set forth in the attachment with our testimony be inserted into HB 737 HD2. The adoption of these amendments would then make HRS Chapter 39A, Part X fully consistent with HB 748 HD2 [the State Constitutional amendment referred to earlier].

Let us conclude, by way of background, that our group’s members came together last year with one common goal: to promote the local production of food in a sustainable and economically sound manner to benefit Hawaii’s people through the revitalization and expansion of our state’s agricultural sector. The Coalition is continuing to pursue this comprehensive approach as it is the most effective way for Hawaii to develop its resources for diversified food production, as well as lessen its dependence on importing that which can be grown, raised and processed locally.

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 our respectfully proposed amendments to HB 737 HD2 and for your support of that bill as amended as proposed. This will have the important result of making HB 737 HD2, as hopefully amended, consistent with, and supportive of, HB 748 HD2. Thank you very much for the opportunity to testify.

Kyle Datta  
General Partner  
Ulupono Initiative

Gerald Sumida  
Partner  
Carlsmith Ball LLP

Email: [communications@ulupono.com](mailto:communications@ulupono.com)

**PROPOSED SUBSTITUTE AMENDMENT TO H.B. NO. 737, H.D.2**

**[DELETE EXISTING CONTENTS AND SUBSTITUTE THE FOLLOWING]**

SECTION 1. Chapter 39A-311, Hawaii Revised Statutes, is amended to read as follows:

**"PART . ASSISTING AGRICULTURAL ENTERPRISES [~~SERVING IMPORTANT AGRICULTURAL LANDS~~]**

**§39A-311 Definitions.** Whenever used in this part, unless a different meaning clearly appears from the context:

"Department" means the department of budget and finance.

~~["Important agricultural lands" means those lands designated as such pursuant to part III of chapter 205.]~~

"Project" means any combination of land, buildings, and other improvements thereon, including without limitation irrigation systems and infrastructure, for use of, or for, or to assist an agricultural enterprise [~~servicing important agricultural lands~~], including without limiting the generality of the foregoing, machinery, equipment, furnishings, and apparatus that are deemed necessary, suitable, or useful to the enterprise.

"Project agreement" means any agreement entered into under this part by the department with a project party to finance, construct, operate, or maintain a project from the proceeds of special purpose revenue bonds, or to lend the proceeds of special purpose revenue bonds to assist an agricultural enterprise [~~servicing important agricultural lands~~], including without limitation any loan agreement.

"Project party" means a person, firm, or corporation qualified to do business in this State and conducting or proposing to conduct an agricultural enterprise [~~servicing important agricultural lands~~].

"Special purpose revenue bonds" or "bonds" means bonds, notes, or other evidences of indebtedness of the State issued pursuant to this part. purposes of this part."

SECTION 2. Material to be repeated is bracketed and stricken. New material is underscored.

SECTION 3. This amendment shall take effect on July 1, 2014, and upon ratification of constitutional amendments authorizing the State to issue special purpose revenue bonds and

to use the proceeds from the bonds to assist agricultural enterprises.



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March 11, 2014

HEARING BEFORE THE  
SENATE COMMITTEE ON AGRICULTURE

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

Room 229  
2:45 PM

Chair Nishihara, Vice Chair Kouchi, 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 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 represents a collaborative effort between broad stakeholders engaged in farming and ranching, not-for profits and Government entities.

We appreciate this opportunity to provide testimony on this matter.



1768 Kalawi Place  
Wailuku (Maui), Hawaii 96793

March 10, 2014

**Email Testimony**

The Honorable Clarence Nishihara  
Chairman Senate Agriculture Committee  
[sennishihara@capitol.hawaii.gov](mailto:sennishihara@capitol.hawaii.gov)  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

## Senate Agriculture Committee hearing for House Bill 737

Vincent Mina  
President  
Maui

Simon Russell  
Vice-President  
Maui

David Case  
Secretary  
Kona

Ray Maki  
Treasurer  
Kauai

Pamela Boyar  
Member  
Oahu

David Fisher  
Member  
Maui

Steve Sakala  
Member  
Kona

Aloha Chair Nishihara, Vice-Chair Kouchi, and honorable committee members.

HFUU is **in Strong Support of HB 737**; a Constitutional Amendment to allow special purpose revenue Bonds for agriculture.

Currently agricultural enterprises in Hawaii and farmers are not privy to the same type of capital other sectors of the economy are. These government underwritten bonds will have the capability to give our budding agriculture industry the fiscal stimulus it needs to become the foundation for a food secure Hawaii.

Respectfully submitted,

Hawaii Farmers Union United

Simon Russell  
Simon Russell

Vice-President and Legislative Chair

*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.*

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**Cc:** [nredfeather@kohalacenter.org](mailto:nredfeather@kohalacenter.org)  
**Subject:** \*Submitted testimony for HB737 on Mar 11, 2014 14:45PM\*  
**Date:** Monday, March 10, 2014 10:36:14 PM

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**HB737**

Submitted on: 3/10/2014

Testimony for AGL on Mar 11, 2014 14:45PM in Conference Room 229

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Nancy Redfeather	The Kohala Center	Support	No

Comments:

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