

SB2876

Measure Title: PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS.

Report Title: Constitutional Amendment; Special Purpose Revenue Bonds; Dams and Reservoirs (ConAm)

Description: Proposes a constitutional amendment to authorize the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist dam and reservoir owners to improve their facilities to protect public safety and provide significant benefits to the general public as important water sources.

Companion: [HB2326](#)

Package: Governor

Current Referral: WTL/JDL, WAM

Introducer(s): KIM (Introduced by request of another party)

Sort by Date		Status Text
1/23/2014	S	Introduced.
1/23/2014	S	Passed First Reading.
1/23/2014	S	Referred to WTL/JDL, WAM.
2/4/2014	S	The committee(s) on WTL/JDL added the measure to the public hearing scheduled on 02-07-14 1:45PM in conference room 225.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

**Testimony of
WILLIAM J. AILA, JR.
Chairperson**

**Before the Senate Committees on
WATER AND LAND
and
JUDICIARY AND LABOR**

**Friday, February 7, 2014
1:45 P.M.
State Capitol, Conference Room 225**

**In consideration of
SENATE BILL 2876
PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII
STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS**

Senate Bill 2876 proposes an amendment to the Hawaii State Constitution, to authorize the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist dam and reservoir owners. **The Department of Land and Natural Resources (Department) strongly supports this Administration measure as it could assist dam and reservoir owners by providing an economic means to bring their facilities up to current safety standards.**

The implementation of the Dam and Reservoir Safety Act of 2007 mandates dam and reservoir owners to bring their dams and reservoirs into compliance. Over 80 per cent of the dams in Hawaii were constructed before 1940 to support the sugarcane plantations. Due to the age of these facilities and deferred maintenance due to demise of the sugar industry, without needed safety improvements, many dams could pose risks to life and property due to dam failures. Depending on the extent of the required improvements, some dam and reservoir owners may not have the resources to fund them.

Dams and reservoirs provide many public benefits as a potential resource for agriculture, water supply, recharge, flood control, hydropower and other beneficial uses. Dams are a critical part of our state infrastructure, providing benefits upon which our communities and industries depend on. One of the alternatives of bringing a dam into compliance would be to remove the structure entirely, which would preempt the many benefits that dams provide.

Thank you for the opportunity to testify on this measure.

WILLIAM J. AILA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ESTHER KIA'AINA
FIRST DEPUTY

WILLIAM M. TAM
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
STATE PARKS

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON WATER AND LAND, AND
JUDICIARY AND LABOR
ON
SENATE BILL NO. 2876

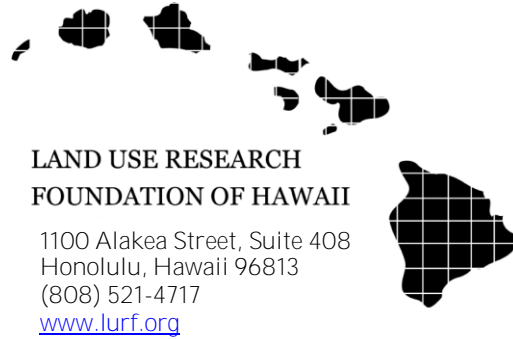
February 7, 2014

PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII
STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS

Senate Bill No. 2876 proposes amendments to Article VII, Section 12 of the Hawaii State Constitution, to authorize the State to issue special purpose revenue bonds to assist dam and reservoir owners.

The Department supports this administration bill as it will provide dam and reservoir owners with a means to enhance dam and reservoir safety. Although this mechanism is offered in order to give some form of financing options and flexibility to property owners, please note that there are significant procedural and compliance requirements that must be met before any special purpose revenue bonds could be structured for any transaction. The compliance requirements would be placed on dam and reservoir owners who will need to, at the very least, be able to generate sufficient revenues in order to support the issuance of special purpose revenue bonds for this purpose.

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



February 5, 2014

Senator Malama Solomon, Chair
Senator Brickwood Galuteria, Vice-Chair
Senate Committee on Water and Land

Senator Clayton Hee, Chair
Senator Maile S.L. Shimabukuro, Vice Chair
Senate Committee on Judiciary and Labor

Support of SB 2876, Relating to Special Purpose Revenue Bonds; Constitutional Amendment; Dams and Reservoirs (Proposes a constitutional amendment to authorize the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist dam and reservoir owners).

Friday, February 7, 2014, 1:45 p.m., in Conference Room 225

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. **LURF's mission 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 SB 2876, and to offer comments.**

SB 2876. The purpose of this bill is to propose an amendment to article VII, section 12, of the Hawaii State Constitution, to authorize the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist dam and reservoir owners to protect public safety and provide significant benefits to the general public as important water resources.

LURF's Position. LURF members include private property owners, farmers and ranchers who own, maintain, and utilize dams and reservoirs, and who consider such resources critical to conduct their agricultural operations and to sustain their businesses. These land owners and agricultural stakeholders believe SB 2876 will greatly assist with costs which must be incurred to bring their facilities to current safety standards, including requirements of the dam and reservoir safety program administered by the DLNR, particularly new safety requirements for dams and reservoirs imposed by the program, as well as costs which must be incurred for maintenance and upgrade of structures which are presently considered untenable.

As these Committees may already be aware, the unsustainable costs cast upon land owners and agricultural stakeholders by the safety program are a serious concern, as the enactment of overly burdensome regulations relating to maintenance and operation of dams and reservoirs are proving to be potentially counterproductive to the long-term objective of preserving these facilities as valuable water resources.

As potential issues relating to public health, and food safety and security continue to be a significant concern of agricultural stakeholders, LURF and its members appreciate this measure being taken to assist dam and reservoir owners, and the acknowledgement of dams and reservoirs being vital water resources for the State, and the need for consistent maintenance and operation of the systems in a safe and feasible manner

For the reasons stated above, LURF is in **support of SB 2876**, and respectfully urges your favorable consideration of this bill.

Thank you for the opportunity to present testimony regarding this matter.



P.O. Box 253, Kunia, Hawai'i 96759
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e-mail info@hfbf.org; www.hfbf.org

HEARING BEFORE THE JOINT
COMMITTEE ON WATER AND LAND
AND
COMMITTEE ON JUDICIARY AND LABOR

Testimony on:

SB 2876

PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII
STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS.

Friday, February 07, 2014

1:45 P.M.

Conference Room 225

Aloha Chairs Solomon and Hee, Vice Chairs Galuteria and Shimabukuro, and Members of the Committees:

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 stands in strong support of SB 2876 which authorizes the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist dam and reservoir owners.

While dam and reservoir safety rules represent an important public safety initiative, the rules codified in HRS chapter 179D will have an adverse effect by reducing water storage capacity across the state. At a time when changing weather patterns have demonstrated alternating periods of drought punctuated by significant storm events, coupled with the noble goal of achieving food security for our island state, water storage is more critical than ever. The new rules will discourage new dam and reservoir construction, and in many cases cause dam and reservoir owners and to minimize the capacity or decommission existing storage capability.

Many of the reservoirs – built in an era of plantation agriculture—no longer generate enough revenue to be economically sustainable. But they are needed in ways few people have yet imagined. The issue of how to pay for the upgrading and maintenance of this critical infrastructure is now gaining more attention as the state's budget comes into focus.

Dams and reservoirs are the key not just to a future of sustainable agricultural system in Hawaii, but to the entire water and environmental health of the State. In addition to the conventional benefits of storing and delivering reliable water for agriculture in dry times, flood control during large storms, erosion control and the reduction of sediment loading on our near shore ocean reefs, reservoirs also ensure a supply of potable drinking water (after treatment).

Reservoirs also help recharge our ground water aquifers by capturing storm water (for later release) that would otherwise rush to the ocean. There is growing evidence is that there will be a pattern of fewer, but larger storms separated by longer intervals of drought. If the large rainfall flows are not captured, overall ground water recharge may be significantly reduced. Groundwater is our primary source of drinking water and demand is relentlessly rising. We already face declining groundwater recharge every time we place hard impermeable surfaces (e.g. concrete) over previously open ground (agriculture).

Recent Dam and Reservoir Safety rules will levy an additional burden on reservoir owners and Hawaii farmers. Fuel, labor, equipment, transportation, and other expenses are already higher in Hawaii than on the mainland, placing locally grown products at a competitive disadvantage. Inevitably, increased costs will be passed on to consumers and are counterproductive to efforts to grow more food in Hawaii. Some landowners will simply decommission their dams, abandon their reservoir systems and decide what to do with their now fallow lands when agriculture is no longer viable.

The issuance of Special Purpose Revenue Bonds will help owners and operators comply with the laws without placing undue burden on the state budget. The Constitutional Amendment proposed in this legislation is prerequisite to the issuance of these bonds.

Please lend your support for SB 2876.

Thank you for the opportunity to comment on very important measure.

From: mailinglist@capitol.hawaii.gov
To: [WTLTestimony](#)
Cc: jasonmoniz73@gmail.com
Subject: Submitted testimony for SB2876 on Feb 7, 2014 13:45PM
Date: Thursday, February 06, 2014 12:16:08 PM

SB2876

Submitted on: 2/6/2014

Testimony for WTL/JDL on Feb 7, 2014 13:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Jason Moniz	Hamakua County Farm Bureau	Comments Only	No

Comments: We need to be developing more water storage to support agriculture. Please Support!

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SB 2876

**PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII
STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS**

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

FEBRUARY 7, 2014

Chair Solomon, Chair Hee, and Members of the Senate Committees on Water & Land and Judiciary & Labor:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and Hawaiian Commercial & Sugar Company (a division of A&B) on SB 2876, “PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS.” We support this bill.

Alexander & Baldwin and its agricultural company Hawaiian Commercial & Sugar Company (HC&S) have 29 regulated reservoirs on Maui which are in active use by HC&S. Because these dams and reservoirs are a vital part of our agricultural operations, they are operated, monitored, and maintained on an on-going basis. These facilities enable the storage of water so that HC&S can better weather periods of drought. These facilities also enable us to make optimum use of water resources—by capturing waters during heavy rainfall periods, less has to be used from surface water sources and wells during other times. They are absolutely integral to our ability to continue to keep tens of thousands of acres in agriculture in this state.

In addition to serving as a valuable water resource for Hawaii's agricultural industry, dams and reservoirs also provide several other significant benefits to the general public. Many of these facilities also provide drinking water for residential communities, renewable energy by way of hydropower, and flood control and drainage for public safety.

This bill proposes an amendment to the State Constitution to authorize the issuance of special purpose revenue bonds and to use the proceeds from the bonds to assist dam and reservoir owners. We believe that this bill will greatly assist dam and reservoir owners as they grapple with financing the significant additional costs to upgrade their dams and reservoirs so that they can meet regulatory requirements. By providing dam owners with a financial incentive to improve their facilities, the likelihood that more of these facilities will be kept in continued operation, and fewer decommissioned due to the cost of complying with the new regulations, will be increased. We believe that with the assistance of these special purpose revenue bonds, dams and reservoirs can continue to serve as a valuable water resource for Hawaii's agricultural industry and its communities.

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

From: mailinglist@capitol.hawaii.gov
To: [WTLTestimony](#)
Cc: jwayman@hicoffeeco.com
Subject: Submitted testimony for SB2876 on Feb 7, 2014 13:45PM
Date: Thursday, February 06, 2014 8:40:16 AM

SB2876

Submitted on: 2/6/2014

Testimony for WTL/JDL on Feb 7, 2014 13:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Jim Wayman	Hawaii Coffee Association	Support	Yes

Comments: HEARING BEFORE THE JOINT COMMITTEE ON WATER AND LAND AND COMMITTEE ON JUDICIARY AND LABOR Testimony IN STRONG SUPPORT SB 2876 PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS. Friday, February 07, 2014 1:45 P.M. Conference Room 225 Aloha Chairs Solomon and Hee, Vice Chairs Galuteria and Shimabukuro I am in Strong Support of SB of SB 2876 Dams and reservoirs are the key not just to a future of sustainable agricultural system in Hawaii, but to the entire water and environmental health of the State. In addition to the conventional benefits of storing and delivering reliable water for agriculture in dry times, flood control during large storms, erosion control and the reduction of sediment loading on our near shore ocean reefs, reservoirs also ensure a supply of potable drinking water (after treatment). Reservoirs also help recharge our ground water aquifers by capturing storm water (for later release) that would otherwise rush to the ocean. There is growing evidence is that there will be a pattern of fewer, but larger storms separated by longer intervals of drought. If the large rainfall flows are not captured, overall ground water recharge may be significantly reduced. Groundwater is our primary source of drinking water and demand is relentlessly rising. We already face declining groundwater recharge every time we place hard impermeable surfaces (e.g. concrete) over previously open ground (agriculture). Thank you

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From: mailinglist@capitol.hawaii.gov
To: [WTLTestimony](#)
Cc: swhalen@harc-hspa.com
Subject: Submitted testimony for SB2876 on Feb 7, 2014 13:45PM
Date: Thursday, February 06, 2014 8:13:37 AM

SB2876

Submitted on: 2/6/2014

Testimony for WTL/JDL on Feb 7, 2014 13:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Stephanie A Whalen	Hawaii Agriculture Research Center	Support	No

Comments: Dear Senators: storage is one of the primary lacking pieces of infrastructure needed by the agricultural community. As you know many times when it rains it is more than needed to moisten the soil and much runs off. Infrastructure to store it for when it doesn't rain is badly needed; not only for agriculture but for public use if any long term drought affects our ground water supply. Unlined reservoirs actually make the most sense then as you get slow percolation and groundwater recharge which seems to be a poorly understood benefit to the islands water supply. thank you for the opportunity to provide input.

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To: [WTLTestimony](#)
Cc: john@olsontrust.com
Subject: Submitted testimony for SB2876 on Feb 7, 2014 13:45PM
Date: Thursday, February 06, 2014 6:15:38 AM

SB2876

Submitted on: 2/6/2014

Testimony for WTL/JDL on Feb 7, 2014 13:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
John C. Cross	Individual	Support	No

Comments: My name is John C. Cross. I am the Land manager for the Edmund C. Olson Trust II the 18th largest landowner in the State of Hawaii. We have several reservoirs that service our agricultural operations. One of the is the Keaiwa Reservoir,(HA-0049) a Regulated Dam under the rules of the DLNR Engineering Division. We strongly support this bill as it will assist us and other Dam owners in repairing and improving the reservoirs around the State. Reservoirs are a very important part of the health of Hawaii's agricultural industry.

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From: mailinglist@capitol.hawaii.gov
To: [WTLTestimony](#)
Cc: lorie@rustyshawaiian.com
Subject: Submitted testimony for SB2876 on Feb 7, 2014 13:45PM
Date: Wednesday, February 05, 2014 10:42:03 PM

SB2876

Submitted on: 2/5/2014

Testimony for WTL/JDL on Feb 7, 2014 13:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Lorie Obra	Individual	Support	No

Comments: I strongly support SB2876

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From: mailinglist@capitol.hawaii.gov
To: [WTLTestimony](#)
Cc: jonikamiya@gmail.com
Subject: Submitted testimony for SB2876 on Feb 7, 2014 13:45PM
Date: Wednesday, February 05, 2014 9:33:00 PM

SB2876

Submitted on: 2/5/2014

Testimony for WTL/JDL on Feb 7, 2014 13:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Joni Kamiya	Individual	Support	No

Comments: We need to support the infrastructures that help agriculture in Hawaii. Please support this bill so that the basic needs of farming can be met for the future. Mahalo.

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From: mailinglist@capitol.hawaii.gov
To: [WTLTestimony](#)
Cc: coffee@heavenlyhawaiian.com
Subject: Submitted testimony for SB2876 on Feb 7, 2014 13:45PM
Date: Wednesday, February 05, 2014 9:13:39 PM

SB2876

Submitted on: 2/5/2014

Testimony for WTL/JDL on Feb 7, 2014 13:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
David Bateman	Individual	Support	No

Comments: WTL/JUD Members: I testify in strong support of SB2876. As a Kona coffee farmer for about 10 years, I have seen the effects of long term drought on Kona coffee crops. Many farms in West Hawaii and Ka'u are on catchment and have no opportunity to irrigate during drought conditions. Drought conditions affect many other crops also and have constrained efforts toward sustainable ag. SB3876, through a constitutional amendment and the bonding it will allow, provides a significant means of mitigating some of this crop damage and underproduction by allowing state and local bonding for development of reservoirs. The reservoirs will provide necessary sources of water for existing farms. Reservoirs will also be an important source of water for developing heretofore fallow lands that have adequate soils in important ag land zones but inadequate rainfall. This is very important piece of legislation for the future of Hawaii ag. Please pass SB2876 out of committee. Thank you for the opportunity to testify, Dave Bateman Heavenly Hawaiian Farms Holualoa HI

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From: mailinglist@capitol.hawaii.gov
To: [WTLTestimony](#)
Cc: afrancokaupo@gmail.com
Subject: *Submitted testimony for SB2876 on Feb 7, 2014 13:45PM*
Date: Tuesday, February 04, 2014 2:47:30 PM

SB2876

Submitted on: 2/4/2014

Testimony for WTL/JDL on Feb 7, 2014 13:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Alex Franco	Maui Cattle Company	Support	No

Comments:

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To: [WTLTestimony](#)
Cc: Ken_Conklin@yahoo.com
Subject: Submitted testimony for SB2876 on Feb 7, 2014 13:45PM
Date: Tuesday, February 04, 2014 1:26:15 PM

SB2876

Submitted on: 2/4/2014

Testimony for WTL/JDL on Feb 7, 2014 13:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Kenneth R. Conklin, Ph.D.	Individual	Oppose	No

Comments: I oppose this proposed Constitutional amendment for four reasons: (1) Any private individual or corporation which owns a dam or reservoir could take out a bank loan to make improvements for fear of liability for injury or property damage if improvements are not made, but it's unlikely any bank or lender would agree to make such a loan because it is unlikely to ever be repaid, which is the reason why the owners of dams and reservoirs are seeking help from the government; (2) The proposed revenue bonds would almost certainly end up as permanent indebtedness of the State, because it is very unlikely that the revenue generated by a dam or reservoir would be sufficient to pay the interest on the bonds, let alone the principal; (3) The State is already swimming in an ocean of debt as well as unfunded pension liability; (4) If the State becomes involved in underwriting the financing of a dam or reservoir, then it seems likely that anyone suffering injury or property damage from it would add the State as a defendant to a lawsuit, necessitating government expenditures for legal defense and perhaps many millions of dollars for liability.

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