

DAVID Y. IGE  
GOVERNOR



WRITTEN ONLY

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DEPARTMENT OF BUDGET AND FINANCE**

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OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2804, S.D. 1**

February 17, 2016  
9:15 A.M.

**AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO  
ASSIST BIG ISLAND DAIRY, LLC**

Senate Bill No. 2804, S.D.1 authorizes the issuance of Special Purpose Revenue Bonds (SPRB) up to \$10,000,000 to assist Big Island Dairy LLC for the planning, design, and construction of a new milking facility pursuant to Part X, Chapter 39A, Hawaii Revised Statutes.

The Department is providing comments only to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of SPRB issuance will require further discussion and satisfactory credit underwriting review of the financing components with respect to any proposed financing.

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

**DAVID Y. IGE**  
Governor

**SHAN S. TSUTSUI**  
Lt. Governor



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**SCOTT E. ENRIGHT**  
Chairperson, Board of Agriculture

**PHYLLIS SHIMABUKURO-GEISER**  
Deputy to the Chairperson

**TESTIMONY OF SCOTT E. ENRIGHT  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS**

February 17, 2016  
9:15 A.M.  
CONFERENCE ROOM 211

**SENATE BILL NO. 2804 SD 1  
RELATING TO AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE  
BONDS TO ASSIST BIG ISLAND DAIRY, LLC**

Chairperson Tokuda and Members of the Committee:

Thank for the opportunity to testify on Senate Bill No. 2804 SD 1, authorizing the issuance of special purpose revenue bonds to assist Big Island Dairy, LLC for the planning, design and construction of a new milking facility. The department supports this administration bill.

Currently, the two remaining local dairies are at the mercy of the only processor in the state where that processor does not have to purchase milk from local producers. The processor can and does purchase milk from California at California prices. This situation places an undue burden on the local producer where they have to accept the price of milk from the processor or risk dumping their unsold milk, neither of which is economically sound or serves the best interest of the dairy industry in Hawaii.

The new milk processing facility proposed by Big Island Dairy will provide them an opportunity to determine their own destiny as a business and provider of the freshest milk possible. The proposed facility will also create free market conditions where other dairies will have the opportunity to choose where to sell their milk for a competitive price.



It is in the best interest of the people of Hawaii that the state maintains its own local food production. The local milk industry is of significant importance to the food sustainability of the State of Hawaii and must be safeguarded and protected in the public interest.

Thank you for the opportunity to testify on this measure.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [brian@hfbf.org](mailto:brian@hfbf.org)  
**Subject:** \*Submitted testimony for SB2804 on Feb 17, 2016 09:15AM\*  
**Date:** Monday, February 15, 2016 10:32:59 AM

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**SB2804**

Submitted on: 2/15/2016

Testimony for WAM on Feb 17, 2016 09:15AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Randy Cabral	Hawaii Farm Bureau	Support	Yes

Comments:

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SENATE COMMITTEE ON WAYS & MEANS  
Wednesday, February 17, 2016 — 9:15 a.m. — Room 211

**Ulupono Initiative Strongly Supports SB 2804 SD 1, Authorizing the Issuance of Special Purpose Revenue Bonds to Assist Big Island Dairy, LLC.**

Dear Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

My name is Kyle Datta and I am General Partner of the Ulupono Initiative, a Hawai'i-based impact investment company that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food; increase affordable, clean, renewable energy; and reduce waste. We believe that self-sufficiency is essential to our future prosperity, and will help shape a future where economic progress and mission-focused impact can work hand in hand.

**Ulupono strongly supports SB 2804 SD 1**, because it aligns with our goal of providing more locally produced food. As Hawai'i's local food issues become more complex and challenging, organizations need additional resources and support to address and overcome them. We appreciate this committee's efforts to look at policies that support local food production.

In 1980, Hawai'i's dairy cow population exceeded 12,000 head and Hawai'i was totally self-sufficient in fluid milk production. Until Hawai'i's Heptachlor incident in 1982, the state was completely self-sufficient in milk. That began to decline as milk began to be imported and local dairies shut down. By 2006, the dairy cow population decreased to about 4,000 head and many of the local dairies had closed. By 2015, the dairy cow population had dwindled to about 2,000 head, just one sixth of the dairy cattle population levels in the 80s. No milk was imported until 1984. Now, less than 15 percent of Hawaii's milk is produced locally.

At its peak, Hawaii's dairy industry provided employment in excess of 170 direct jobs on farms in the rural districts statewide. In 1999, there were six processing plants in production, so there were also many indirect jobs in the market. The two largest processors on Oahu – Foremost Dairies Inc. and Meadow Gold Hawaii Inc. – together hired more than 300 employees in processing and distribution. Since 1999, more than 100 farm level jobs were lost due to the closing of dairy operations. Meadow Gold is the only local processor left in the state, with facilities in Honolulu and Hilo.

*Investing in a Sustainable Hawai'i*

Currently, more than half of all milk sold in Hawai'i is over a week old before it reaches store shelves due to the importation process. In 2006, the University of Hawai'i conducted a study on bacteria levels in Hawai'i's milk. The study found that 90 percent of imported milk sold in Hawai'i had levels of bacteria higher than FDA-mandated standards five days prior to expiration, which means that 9 out of 10 containers of imported milk spoiled five days before the expiration date. Imported milk is currently used in the DOE's school lunch program.

If Big Island Dairy were able to obtain special purpose revenue bond financing, it would be able to build its own processing facility that would allow for locally produced milk to arrive on shelves within days, ensuring a fresher product for local consumers. With only one other milk processor in the state, Big Island Dairy could provide market competition, while making the largest Hawai'i dairy more efficient and profitable. This is a key first step to help Hawai'i secure its remaining dairies and re-develop its local dairy industry.

We believe that by collaborating we can help produce more local food, support an economically strong homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta  
General Partner