

HB 423

HD1, SD1

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. 423, H.D. 1, S.D. 1

March 30, 2011

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS

House Bill No. 423, H.D. 1, S.D. 1, authorizes the issuance of up to \$40,000,000 in special purpose revenue bonds to assist Carbon Bio-Engineers, Inc., or a partnership in which Carbon Bio-Engineers Inc., is a general partner, with the establishment of cogeneration and related energy-production facilities at various locations in Hawaii pursuant to Part V, Chapter 39A, Hawaii Revised Statutes.

The Department has a technical comment on this bill. Under Section 144 of the Internal Revenue Code of 1986, as amended, tax exempt financing for industrial projects may be limited to \$10 million. We recommend that the project party consult with a bond counsel firm to determine if the project may qualify, under certain exemptions, for the full amount of tax-exempt financing.

CARBON BIO-ENGINEERS. INC.
94-1221 Ka Uka Blvd., Unit 108-317
Waipahu, HI 96797

HAWAII STATE SENATE - 26TH LEGISLATURE

COMMITTEE ON WAYS AND MEANS
9:30 AM - March 130, 2011 - Conference Rm 211

HB 423, HD1, SB1: RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS

Chair Sen. David Y. Ige, V. C. Chair Sen. Michele Kidani and Members:

Good Morning. My name is Dante Carpenter, Secretary of the Board of Directors of CBEI for nearly 1 1/2 years. I speak in favor of HB 423, HD1, SD1 Relating to the Issuance of Special Purpose Revenue Bonds to help develop and expand operations for Carbon Bio-Engineers, Inc. (CBEI) statewide. CBEI is a local Hawaiian company incorporated on October 23, 2009, to replace a previous enterprise which was victim of a hostile takeover. CBEI has developed a hybrid gasification carbonization process which can reduce various organic feedstock and tires (non-fossil fuel) into carbon, synthetic gas and biofuel products. The CBEI process has a negligible effect on the environment by outperforming the minimum EPA Emission Standards.

The process epitomizes the Hawaiian Culture's respect for the 'aina and principles of caring for the land - Malalma 'Aina - with one of the most sustainable and clean technologies available in the world today. This results in lessened dependency on fossil fuels, landfills, transportation and disposal costs, and can indirectly provide lower priced electrical energy to the grid via local distributed generation.

CBEI continues working directly with its associates and DHHL, to engage in essential projects on the island of Hawai'i. These projects will process a range of organic streams from biomass green-wastes to tires to macadamia nut shells, among others. CBEI principals and associates participated in early 2009 in "Ground-breaking Ceremonies" with other Hawaiian organizations to process the invasive species known as "gorse," to help clear thousands of acres of infested pasture lands in the ahupua'a of Humu'ula on the eastern slopes of Mauna Kea. Further, mobility and portability of the process facility equipment allows for maximum flexibility of operations with the least possible negative environmental impact(s) to the surrounding area(s) in which reduction of the various organic feedstock materials are being processed.

Finally, the use of special purpose revenue bonds is in keeping with the provisions of Part V, Chapter 39A, HRS. We strongly recommend passage of HB 423, HD1, SB1.

Thank You very much.