

HB2595 HD2

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST DAM
AND RESERVOIR OWNERS.

Allows the State to authorize the issuance of special
purpose revenue bonds to assist dam and reservoir
owners. Effective July 1, 2030. (HB2595 HD2)

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

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

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CONSERVATION AND COASTAL LANDS
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KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Testimony of
WILLIAM J. AILA, JR.
Chairperson

Before the Senate Committee on
WATER, LAND, AND HOUSING

Thursday, March 15, 2012
1:20 P.M.
State Capitol, Conference Room 225

In consideration of
HOUSE BILL 2595, HOUSE DRAFT 2
RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR
DAM AND RESERVOIR OWNERS

House Bill 2595, House Draft 2 seeks 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 Department does however take exception to the revised effective date of July 1, 2030 in the House Draft 2. The Department respectfully asks that this measure be **amended to** restore the original effective date of **"upon its approval."**

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 reservoirs 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. The alternative of bringing a dam into compliance would be to decommission the structure entirely, which would preempt the many benefits that dams provide.

Thank you for the opportunity to comment.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WATER, LAND, AND HOUSING
HOUSE BILL NO. 2595, H.D. 2

March 15, 2012

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST DAM AND RESERVOIR OWNERS.

House Bill No. 2595, H.D. 2, proposes amendments to Chapter 39A, Hawaii Revised Statutes, 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.



March 12, 2012

Senator Donovan Dela Cruz, Chair
Senator Malama Solomon, Vice Chair
Senate Committee on Water, Land, and Housing

Support of HB 2595, H.D. 2, Relating to Special Purpose Revenue Bonds to Assist Dam and Reservoir Owners. (Allows the State to authorize the issuance of special purpose revenue bonds to assist dam and reservoir owners.)

Thursday, March 15, 2012, 1:20 p.m., in Conference Room 225

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), 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 2595, H.D. 2, and to offer comments.**

HB 2595, H.D. 2. The purpose of this bill is to assist dam and reservoir owners by providing an economic means to bring their facilities up to current safety standards.

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 HB 2595, H.D. 2, 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 this Committee 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

Senate Committee on Water, Land, and Housing
March 12, 2012
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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 HB 2595, H.D. 2**, and respectfully urges your favorable consideration of this bill.

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

MONSANTO COMPANY
94-520 KUNIA ROAD
KUNIA, HAWAII 96759

Testimony before the
Senate Committee on Water, Land, and Housing
March 15, 2012

**TESTIMONY IN SUPPORT OF
HOUSE BILL 2595, HD 2
RELATING TO SPRB TO ASSIST DAM AND
RESERVOIR OWNERS.**

Chair Dela Cruz, Vice Chair Solomon and Members of the Committee:

My name is Alan Takemoto, Community Affairs Manager for Monsanto Hawaii. Monsanto Hawaii has farm sites located on the islands of Maui, Molokai, and Oahu and employs about 1,000 employees. We are a seed nursery research farm that primarily grows seed corn and soy beans for U.S. farmers across the nation.

We **support** HB 2595 which provides special purpose revenue bonds to assist owners of dams and reservoirs meet safety requirements. Drought conditions continue to persist in Hawaii and dams and reservoirs are critical to the survival of farmers and ranchers during this time. We understand that the safety of dams and reservoirs are important, but owners of these water storage systems need financial assistance to address additional regulatory requirements. Providing landowners the ability to qualify for special purpose revenue bonds will help both the landowner and those farmers who rely on a steady and reliable water source.

Thank you for the opportunity to submit testimony in support of HB 2595. If you have any questions, please feel free to contact me at 685-8371.

Daniel Wicke

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 13, 2012 11:55 AM
To: WLH Testimony
Cc: dan.nellis@dole.com
Subject: Testimony for HB2595 on 3/15/2012 1:20:00 PM

Testimony for WLH 3/15/2012 1:20:00 PM HB2595

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: Daniel Nellis
Organization: Dole Food Co. Hawaii
E-mail: dan.nellis@dole.com
Submitted on: 3/13/2012

Comments:
Dole Food Company Hawaii strongly supports this bill. Reservoir owners are facing exponentially higher costs to maintain and operate irrigation reservoirs and systems as regulations and government oversight become more restrictive. Agriculture in Hawaii is dependent on affordable available water and this measure can help encourage development of additional water sources while sustaining existing sources at an economically feasible level.



Hawaii Cattlemen's Council, Inc.

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SENATE COMMITTEE ON WATER, LAND & HOUSING
Thursday March 15, 2012 1:20 p.m. Room 225

HB 2595 HD2 RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST DAM AND RESERVOIR OWNERS.

Chair Dela Cruz, Vice Chair Solomon and Members of the Committee:

My name is Alan Gottlieb, and I am a rancher and the Government Affairs Chair for 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 2595 HD2.

After the tragedy at Kaloko, this legislature passed new laws to improve the safety of our State's Dams and Reservoirs. Late last year, the Board of Land & Natural Resources approved new regulations which in part requires dam and reservoir owners to do extensive engineering studies and requires significant upgrades to dams and reservoirs built in the past under best management practices (many over engineered by plantations) and requiring that they be brought up to current engineering standards. No one argues that public safety should be taken lightly, and we agree that protection of life and property be the first priority. While we might argue that many of these dams and reservoirs have met the safety "test of time", some regulators argue that the passage of time has made them unsafe. As an analogy, what would happen if we required all buildings in downtown Honolulu to be retrofitted to today's building standards to withstand a large earthquake, for the safety of the public. Of course that would be impractical and impossible, but this is what is being asked of our States Dams and Reservoirs. Furthermore the new rules and regs use a "one size fits all" mentality, imposing on dams that barely exceed the regulatory threshold the same requirements as for the largest dams in our State (in some cases over 250 times the size).

We do not believe that the intent of the Dam and Reservoir safety law is to put farmers and ranchers out of business or to encourage them to decommission existing water resources. We believe these new rules and fees would lead to the closure of many dams and reservoirs, the opposite of what we need in this State if we want to increase our agricultural self sufficiency and improve our food security.

Issuance of Special Purpose Revenue Bonds to assist dam and reservoir owners is one important step to help assure that they can afford to keep reservoirs open and water flowing to farmers and ranchers.

Thank you for giving me the opportunity to testify in favor of this very important issue.



Hawaii Farm Bureau
F E D E R A T I O N

2343 Rose Street • Honolulu, Hawaii 96819
Phone: (808) 848-2074 • Neighbor-Islands: (800) 482-1272
Fax: (808) 848-1921 • Email: info@hfbf.org
www.hfbf.org

March 15, 2012

HEARING BEFORE THE
SENATE COMMITTEE ON WATER, LAND AND HOUSING

TESTIMONY ON **HB 2595**, HD2
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST DAM AND
RESERVOIR OWNERS.

Room 225
1:20 PM

Chair Dela Cruz, Vice Chair Solomon, and Members of the Committee:

I am Brian Miyamoto, Chief Operating Officer and Government Affairs Liaison for the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,800 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.

HFBF **strongly supports** HB 2595, HD2, which provides special purpose revenue bonds to assist owners of dams and reservoirs.

Reliable and affordable water is the key to viable farms and ranches. Ranches and irrigated areas across the state depend on reservoirs and dams to carry them through times of little or no rainfall. Since the passage of the Dam and Reservoir Safety Law, owners and users of these structures have worked with DLNR to seek practical implementation measures while meeting the goal of safety. While the rules are one issue, the classification of the reservoirs continues to be a concern and we are working with staff to review the current status of the dams and reservoirs. This will determine how much work is needed.

In the case of high risk reservoirs, extensive engineering studies followed by corrective actions are placing extreme economic burdens on our farmers and ranchers. They all want to do the right thing. Safety is of utmost concern. At the same time, it is not the intent of the Dam and Reservoir Safety Law to put farmers and ranchers out of business as they try to comply with the measure. This bill provides a mechanism to reduce the premature decommissioning of dams and reservoirs. Testimony will be received by this bid from farms and ranches across the state providing unique examples of impacts of this measure.

HFBF respectfully requests your assistance in passing this measure to protect our critical agricultural water infrastructure while complying with safety requirements. Thank you for this opportunity to provide our opinion on this important matter.

I can be reached at (808) 848-2074 if you have any questions. Thank you for the opportunity to testify on this matter.

HB 2595 HD2

**RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST DAM AND
RESERVOIR OWNERS**

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

MARCH 15, 2012

Chair Dela Cruz and Members of the Senate Committee on Water, Land & Housing:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and Hawaiian Commercial & Sugar Company (a division of A&B) on HB 2595 HD2, “RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST DAM AND RESERVOIR OWNERS.” We **support** this bill.

Alexander & Baldwin and its agricultural company Hawaiian Commercial & Sugar Company (HC&S) have 30 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.

We understand that DLNR has overseen the implementation of Phase I investigative studies and inspections for all regulated dams and reservoirs in the State of Hawaii. As a result of these Phase I investigative studies and inspections, several additional dam and reservoir safety requirements, many with significant cost implications, may be levied upon owners of dams and reservoirs. These additional requirements include various geotechnical/stability studies, hydraulic/hydrology studies, upstream control valve studies, spillway improvements, and other miscellaneous construction items.

The additional costs required to meet dam and reservoir safety regulatory requirements may create an undue financial burden for dam and reservoir owners, the majority of whom are farmers or agricultural operations that rely on these facilities for their livelihood. Smaller farmers and agricultural operations who utilize water from dams owned by others may be negatively impacted should the dam owner decide to permanently breach their facilities because of the undue increase in operating and capital expenses prompted by regulatory expenses and requirements of DLNR's dam and reservoir safety program. Owners of multiple dams, will be particularly hard hit.

This bill provides statutory authorization to issue 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.

**Ka'u Farm Bureau
PO Box 1109
Naalehu Hawaii 96772
808-929-9550**

COMMITTEE ON WATER, LAND, AND HOUSING

Senator Donovan M. Dela Cruz, Chair
Senator Malama Solomon, Vice Chair

Thursday, March 15, 2012
1:20 P.M.
Conference Room 225

TESTIMONY ON **HB2595 SD2**

"RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST DAM AND
RESERVOIR OWNERS."

Aloha Chair Oshiro, Vice Chair Lee, and Members of the Committee:

Ka'u Farm Bureau supports the aforementioned measure.

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, once enacted, 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).

Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, March 14, 2012 1:19 PM
To: WLH Testimony
Cc: lyon@hawaiiantel.net
Subject: Testimony for HB2595 on 3/15/2012 1:20:00 PM

Testimony for WLH 3/15/2012 1:20:00 PM HB2595

Conference room: 225
Testifier position: Support
Testifier will be present: No
Submitted by: BERT LYON
Organization: Individual
E-mail: lyon@hawaiiantel.net
Submitted on: 3/14/2012

Comments:

I support HB2595 and encourage you to vote in favor of the bill. This is necessary to enable dam & reservoir owners to bring their facilities into compliance with current dam safety standards. This is also necessary to keep these water sources, since their numbers are dwindling.