

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON WATER, LAND, & OCEAN RESOURCES
ON
SENATE BILL NO. 2857, S.D. 1

March 16, 2012

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

Senate Bill No. 2857, S.D. 1, 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.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

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

GUY H. KAULUKUKUI
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 of
WILLIAM J. AILA, JR.
Chairperson**

**Before the House Committee on
WATER, LAND, & OCEAN RESOURCES**

**Friday, March 16, 2012
9:00 A.M.
State Capitol, Conference Room 325**

**In consideration of
SENATE BILL 2857, SENATE DRAFT 1
RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR
DAM AND RESERVOIR OWNERS**

Senate Bill 2857, Senate Draft 1 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 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. 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.



822 Bishop Street
Honolulu, Hawaii 96813
P.O. Box 3440
Honolulu, HI 96801-3440
www.alexanderbaldwin.com
Tel (808) 525-6611
Fax (808) 525-6652

**SB 2857 SD1
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST DAM AND
RESERVOIR OWNERS**

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

MARCH 16, 2012

Chair Chang and Members of the House Committee on Water, Land & Ocean

Resources:

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 2857 SD1, "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.



Hawaii Cattlemen's Council, Inc.

P O Box 437199 Kamuela HI 96743

Phone (808) 885-5599 • Fax (808) 887-1607

e-mail: HICattlemens@hawaii.rr.com

HOUSE COMMITTEE ON WATER, LAND AND OCEAN

Friday March 16, 2012 9:00 am Room 325

SB 2857 SD 1 RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST DAM AND RESERVOIR OWNERS.

Chairman Chang, Vice Chair Har 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** SB2857 SD 1.

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 16, 2012

HEARING BEFORE THE
HOUSE COMMITTEE ON WATER, LAND, & OCEAN RESOURCES

TESTIMONY ON SB 2857, SD1
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST DAM AND
RESERVOIR OWNERS

Room 325
9:00 AM

Chair Chang, Vice Chair Har, 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 is in strong support of HB 2857, SD1, providing special purpose revenue bonds to assist owners of dams and reservoirs.

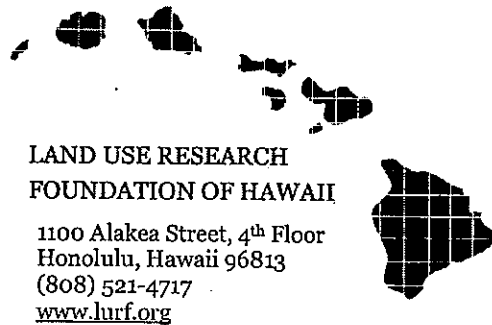
Reliable and affordable water is key to viable farms and ranches. Ranches and irrigated areas across the State depend on reservoirs and dams to carry them through times of little or no rainfall. Since the passage of the Dam and Reservoir Safety law, owners and users of these structures have worked with 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 action 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 reservoirs. Testimonies will be received by this body from farms and ranches across the State providing unique examples of impacts of this measure.

We respectfully request your assistance in passing this measure to protect our critical agricultural water infrastructure while complying with safety requirements.

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



LAND USE RESEARCH
FOUNDATION OF HAWAII

1100 Alakea Street, 4th Floor
Honolulu, Hawaii 96813
(808) 521-4717
www.lurf.org

March 13, 2012

Representative Jerry L. Chang, Chair
Representative Sharon E. Har, Vice Chair
Committee on Water, Land, and Ocean Resources

Support of SB 2857, S.D. 1, Relating to Special Purpose Revenue Bonds to Assist Dam and Reservoir Owners. (Allows the authorization of special purpose revenue bonds to assist dam and reservoir owners.)

Friday, March 13, 2012, 9:00 a.m., in Conference Room 325

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 SB 2857, S.D. 1, and to offer comments.**

SB 2857, S.D. 1. 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 SB 2857, S.D. 1, 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

Committee on Water, Land, and Ocean Resources
March 13, 2012
Page 2

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 2857, S.D. 1**, 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
House Committee on Water, Land, & Ocean
March 16, 2012

**TESTIMONY IN SUPPORT OF
SENATE BILL 2857, SD 1
RELATING TO SPRB TO ASSIST DAM AND
RESERVOIR OWNERS.**

Chair Chang, Vice Chair Har 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 SB 2857, SD 1, 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.