

WRITTEN TESTIMONY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON AGRICULTURE
ON
HOUSE BILL NO. 748

February 7, 2013

PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO AUTHORIZE THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.

House Bill No. 748, proposes to amend Article VII, Section 12, of the Constitution of the State of Hawaii to authorize the State to issue special purpose revenue bonds (SPRBs) and use the proceeds from the bonds to assist agricultural enterprises.

The Department offers the following comments:

In place of adding new Constitutional and statutory provisions for the issuance of SPRBs for agricultural enterprises, the Department recommends amending the current Constitutional and statutory authorization of SPRBs for “Agricultural enterprises serving important agricultural lands”. In particular, the Department recommends deleting the phrase “serving important agricultural lands” from the current Constitutional and statutory provisions which will broaden the authority to issue SPRBs for any type of “Agricultural enterprises”. With regards to the bill, the Department recommends deletion of language at the end of line 16 and all of lines 17 through 18 on page 5 as follows (deleted language lined through):

7. Agricultural enterprises ~~serving important~~

~~— agricultural lands [-]; or~~

~~8. Agricultural enterprises, ...~~

The Department also recommends the insertion of additional language at the end of line 13 on page 6 of the bill in order to clarify the potential assistance to for-profit as well as not-for-profit entities. The insertion is as follows (new language double underlined):

...schools, colleges, ~~and~~ universities, and for-profit and not-for-profit agricultural enterprises,...

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

NEIL ABERCROMBIE
Governor



RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

SCOTT E. ENRIGHT
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
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TESTIMONY OF RUSSELL KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
Thursday, February 7, 2013
Room 312
9:15 A.M.

HOUSE BILL NO. 748
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL
ENTERPRISES

Chairperson Nishihara and Members of the Committee:

Thank you for the opportunity to testify on House Bill No.748 that authorizes the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist an agricultural enterprise in production or processing of crops, vegetables, fruits, livestock, and poultry. The Department of Agriculture supports efforts to allow farmers the opportunity to access funds to produce and process local agricultural products. However, we defer to the Department of Budget and Finance on this measure. Because the Department of Budget & Finance evaluates each applicant for a special purpose revenue bond, they are the lead agency in terms of final approval.

Thank you, again, for the opportunity to testify on this measure.



onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 05, 2013 5:08 PM
To: AGRtestimony
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for HB748 on Feb 7, 2013 09:15AM*

HB748

Submitted on: 2/5/2013

Testimony for AGR on Feb 7, 2013 09:15AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Cattlemen's Council	Support	No

Comments:

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LAND USE RESEARCH
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February 5, 2013

Representative Jessica Wooley, Chair
Representative Richard H.K. Onishi, Vice Chair
House Committee on Agriculture

Testimony in Support of HB 748, Relating to Special Purpose Revenue Bonds; Agricultural Enterprises (Assists agricultural enterprises by authorizing the State to issue special purpose revenue bonds for their benefit.)

Thursday, February 7, 2013, 9:15 a.m., in Conference Room 312

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. 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 748**, and to offer comments.

HB 748. This bill proposes an amendment to the Hawaii Constitution to authorize the State to issue special purpose revenue bonds (SPRBs) and use the proceeds from the SPRBs to assist agricultural enterprises.

LURF's Position. LURF members include private property owners, farmers and ranchers who own, maintain, and engage in agricultural enterprises, and who consider such projects and ventures critical to the conduct of their operations and to help sustain their businesses. These land owners and agricultural stakeholders believe HB 748 will greatly assist with costs which must be incurred in connection with establishing new agricultural projects and activities; expanding and improving their growing and processing facilities, including bringing them to current safety standards as may be required; and with costs which must be incurred for maintenance and upgrade of existing structures and equipment.

As this Committee may already be aware, the unsustainable costs cast upon land owners and agricultural stakeholders by various safety and security standards, programs and regulations are another serious concern, as the enactment of regulations relating to maintenance and operation of water systems, infrastructure, as well as growing and processing machinery and facilities are proving to be potentially counterproductive to the long-term objective of sustainable agriculture.

As potential issues relating to public health, and food safety and security continue to be a significant concern, LURF and its members appreciate this measure being taken to assist agricultural stakeholders.

For the reasons stated above, LURF is in **support of HB 748**, and respectfully urges your favorable consideration of this bill.



Hawaii Farm Bureau
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February 7, 2013

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 748
PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO AUTHORIZE
THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST
AGRICULTURAL ENTERPRISES

Room 312
9:00 AM

Chair Wooley, Vice Chair Onishi, and Members of the Committee:

I am Dean Okimoto, President of the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,950 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 747 which Proposes an amendment to the Hawaii constitution to authorize the State to issue special purpose revenue bonds (SPRBs) and use the proceeds from the bonds to assist agricultural enterprises.

Special purpose revenue bonds provide the private sector access to the lower rates available in public finance capital markets. Decaying plantation-era or obsolete infrastructure, record high transportation costs, and regulatory compliance issues are a crushing burden on our producers and processors and combine to threaten the food security and sustainability of our state.

The State of Hawaii has acknowledged that Agriculture is vital to food security, long-term sustainability and is an important contributor to the State's economy. Hawaii's farmers and ranchers need access to affordable capital to implement the many projects that contribute to feeding our citizens. HB 737 represents a collaborative effort between broad stakeholders engaged in farming and ranching, not-for profits and Government entities.

Some examples of Agricultural Projects that could benefit from SPRBs are water infrastructure including source development, storage, distribution and irrigation systems, local feed and fertilizer mills, processing and value-added facilities that will create jobs, benefit our local economy and expand Hawaii's brand worldwide, including creation of cross promotion opportunities for food, flowers, foliage and tourism, as well as a host of renewable energy systems, including bio, solar, wind and hydro-electric energy systems that compliment agricultural production.

Please support this vitally important measure.

We appreciate this opportunity to provide testimony on this matter.

HB 748

**PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO AUTHORIZE
THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST
AGRICULTURAL ENTERPRISES**

**JOEL K. MATSUNAGA
CHIEF OPERATING OFFICER & EXECUTIVE VP
HAWAII BIOENERGY, LLC**

FEBRUARY 7, 2013

Chair Wooley and Members of the House Committee on Agriculture:

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy, LLC, in support of HB 748, "Proposing an Amendment to the Hawaii Constitution to Authorize the Issuance of Special Purpose Revenue Bonds to Assist Agricultural Enterprises."

SUMMARY

Hawaii BioEnergy, LLC ("HBE") supports HB 748, which proposes an amendment to the Hawaii constitution to authorize the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist agricultural enterprises. However, HBE proposes that the measure explicitly include a definition of 'agricultural enterprise' and that definition include 'bioenergy feedstock production and cultivation.' Special purpose revenue bonds for agricultural enterprises, including those engaged in feedstock cultivation for bioenergy production, could help to reduce upstream financing costs and the associated risks, which have, to date, limited the development Hawaii's nascent bio-based economy. Special purpose revenue bonds issued for agricultural activities would support the public good as they would help to stimulate needed investment in the agricultural sector and foster the development of Hawaii's budding biofuel industry.

HAWAII BENEFITS FROM LOCAL BIOFUELS PRODUCTION

Hawaii BioEnergy is a local company dedicated to strengthening the state's energy future through sustainable biofuel production from locally grown feedstocks.

Among its partners are three of the larger landowners in Hawaii. HBE and its partners would like to use significant portions of our land to address Hawaii's existing and growing energy needs.

Understanding the urgency of these needs and anticipating growing demand, HBE has dedicated the last several years to feedstock trials, extensive technology evaluation and detail financial modeling of various production pathways in an effort to ensure HBE's ultimate production is as productive, efficient and sustainable as possible. HBE's own research, development and demonstration (RD&D) efforts have been accelerated by funding from the US government's Defense Advanced Research Projects Agency (DARPA), Office of Naval Research, as well as a Congressional Appropriation administered through the Air Force Research Laboratory. Collectively, this analysis has enabled HBE to clearly understand the production potential and challenges associated with Hawaii's unique natural resource base, geography, climate, market and infrastructure.

While Hawaii holds tremendous potential to produce a range of advanced, high-density biofuels from locally produced feedstocks and innovative next generation technologies, the industry is still in its infancy and faces a myriad of cost and development challenges including project financing. Many of these challenges are attributed to the fact that Hawaii's agricultural and otherwise productive lands are relatively small, non-contiguous parcels with varying microclimates and other conditions which limit scale and increase operational costs. Such limitations and cost impacts are particularly pronounced in Hawaii where the cost of doing business is already disproportionately high relative to the mainland. These challenges, as well as the economic climate generally, have dimmed prospects for agricultural enterprises to secure cost-competitive financing. Authorizing the issuance of special purpose revenue bonds for agricultural enterprises, including those dedicated to bioenergy feedstock

production and cultivation, could carry manifold benefits including: helping to offset the financing costs, improving the competitiveness of production, and attracting investment into the agricultural sector, diversifying the state's energy resources and helping the state achieve its goals under the Renewable Energy Initiative.

CONCLUDING REMARKS

HBE is moving forward with advanced, bio-based energy projects from locally grown feedstocks that will help provide a local, renewable source of energy for Hawaii. HBE believes that HB 748, with an explicit definition of 'agricultural enterprises' that includes feedstock production and cultivation, will help to reinvigorate the state's agricultural sector and stimulate Hawaii's bio-based renewable energy economy. Based on the aforementioned, Hawaii BioEnergy respectfully requests your support for HB 748, with the proposed amendment.

Thank you for the opportunity to testify.

**HB 748
PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO AUTHORIZE
THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST
AGRICULTURAL ENTERPRISES**

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

FEBRUARY 7, 2013

Chair Wooley and Members of the House Committee on Agriculture:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on HB 748, “A BILL FOR AN ACT PROPOSING AN AMENDMENT TO THE HAWAII CONSTITUTION TO AUTHORIZE THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.” We support this bill.

Hawaiian Commercial & Sugar Company (HC&S) has been in operation for over 140 years and is Hawaii’s last remaining sugar plantation. HC&S has approximately 36,000 acres in active sugar cane cultivation and employs about 800 Maui residents. While all of Hawaii’s other sugar companies have shut down over the years, HC&S has been fortunate, through significant investments in our agricultural infrastructure and operations, to have sustained our operations and continue as a major employer in the State of Hawaii. Despite the current up tick in sugar prices, history has proven that commodity sugar prices will remain relatively flat, as they have over the last few decades, despite increasing production costs. Thus, HC&S has for a number of years been pursuing, and investing in, a transition from a primary producer of commodity

sugar to the production of specialty sugar and renewable energy. In addition to being the main supplier of Sugar In The Raw, the little brown packets of sugar seen at restaurants and coffee shops across the nation, HC&S is also expanding production and sales of our specialty Maui Brand Sugar.

HC&S generates biomass produced electricity for its sugar milling, irrigation pumping, and other internal operations and provides electricity to Maui Electric Company (MECO) for general community use. The source of fuel for this biomass electricity is bagasse, the residual fiber of the sugar cane plant. Not only does HC&S provide approximately 6% of MECO's total electricity, HC&S is a firm power source to MECO (i.e. committed power delivery, not on an 'as available' basis), and has played a significant role in the restoration of MECO's electrical service during power outages.

In addition, HC&S is currently participating in significant new Hawaii-based research initiatives on bio-energy, closely working with the University of Hawaii and various Federal agencies on energy crop development, energy conversion technologies, and long term resource requirements for biomass production. HC&S also provides water (through the County) to approximately 35,000 Upcountry Maui residents and to the Kula Agricultural Park.

This bill proposes an amendment to the State Constitution to authorize the issuance of special purpose revenue bonds to assist agricultural enterprises. Major infrastructure requirements such as irrigation systems, roads and utilities, and agricultural processing facilities play a critical role in the survival of many agricultural businesses. The special purpose revenue bonds authorized in this constitutional amendment will provide important financial support for Hawaii's agricultural operations.

In addition to assisting these agricultural operations with their current infrastructure needs, this additional means of financing will also serve as a stimulus to encourage these entities to expand their operations or to enhance their operating efficiencies through the installation of new agricultural infrastructure, equipment, and other related improvements to service their farming operations.

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



Email: communications@uluponoinitiative.com

HOUSE COMMITTEE ON AGRICULTURE
Thursday, February 7, 2013 — 9:15 a.m. — Room 312

Ulupono Initiative Strongly Supports HB 748, Proposing an Amendment to the Hawai'i Constitution to Authorize Issuance of Special Purpose Revenue Bonds to Assist Agricultural Enterprises

Dear Chair Wooley, Vice Chair Onishi 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 firm 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 renewable energy, and reduce/recycle waste.

Ulupono is testifying in strong support of HB 748, which proposes an amendment to the Hawai'i Constitution for the issuance of special purpose revenue bonds (SPRBs) to assist agricultural enterprises in Hawai'i. I would also mention a related bill — HB 737 — which provides for the issuance of special purpose revenue bonds (SPRBs) to assist agricultural enterprises in Hawai'i. My testimony here is primarily in support of HB 748.

Ulupono Initiative seeks to promote and invest in innovative sustainability ideas and business models that have the potential to make a significant difference for Hawai'i. We work with, and invest in, businesses that show this potential for innovation, have local leadership, striving to develop businesses from ideas and inspiration born in Hawai'i to reach the needs of Hawai'i, and use technologies and models that can be replicated and have potential global applicability.

Ulupono is very pleased to have joined with a diverse group of organizations who have come together for the first time as the Local Food Coalition to support proposals designed to help grow more local food. The coalition brings together farmers, ranchers, livestock producers, investors and other organizations. These key and strategic organizations come together with one common goal: to promote the local production of food in a sustainable and economically sound manner to benefit Hawai'i's people through the revitalization and expansion of Hawai'i's agricultural sector. The Coalition pursues this comprehensive approach because only in this manner can Hawai'i effectively develop its own resources for diversified food production, and lessen our dependence on importing what can be grown and raised and processed locally.

The coalition includes the Hawai'i Farm Bureau Federation, the Hawai'i Cattlemen's Council, Inc., the Hawai'i Livestock Farmers Coalition, 4 Ag Hawai'i, the Hawai'i Aquaculture and Aquaponics Association, the Kohala Center.

One major persistent and formidable obstacle to expanding, diversifying and ensuring the sustainability of Hawai'i's food production resources is the need for substantial capital investment in agriculture infrastructure, technologies, facilities, agricultural workforce training, and production and growth activities. We recognize

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that the State has been supporting many facets of agriculture in Hawai'i over the years. However, there are increasingly severe limits to what the State can continue to support and finance. We need to prudently manage those public resources very carefully.

In addition to State financial resources, there is also the very real availability of private capital for those required investments. Indeed, the State enables the raising of private capital through the use of SPRBs, none of which affects the State's debt ceiling, because SPRB financing does not involve the State's full faith and credit. Thus, this avenue of obtaining private financing has been used to support non-profit healthcare facilities; schools and educational institutions; manufacturing, processing and industrial enterprises; public utilities providing electricity or gas; low and moderate income housing, and agricultural enterprises serving important agricultural lands.

However, the range of agricultural activities that are essential parts of Hawai'i's agricultural sector is much broader than what is now available under the existing SPRB provisions. These activities range from growing and processing of food crops and vegetables; growing and processing of poultry and poultry products; raising and processing of livestock and livestock products, including cattle, pigs, goats and sheep; growing, processing and packaging of fruits and juices; developing and operating irrigation and water systems, including irrigation ditches, small dams and reservoirs and related control systems; construction and maintenance of shelters and other facilities to grow, raise and process food crops and livestock; and similar essential agricultural activities.

HB 748 is grounded in the recognition of these real, immediate and critical needs, and will enable agricultural enterprises to obtain authorization for SPRBs and to use such financing in their businesses, all for the broader immediate and long-term benefit of Hawai'i and its people and economy. Not only will this provide an important source of private financing, but it will not impact the State's public financial situation, and instead will enhance the State's resources.

The authorization of the issuance of SPRBs to assist agricultural enterprises will require an amendment to the Hawai'i Constitution to add agricultural enterprises as eligible for SPRBs. HB 748 is therefore the first step required in this initiative. Thus, the other bill that I noted, HB 737, will, by its terms, become effective only after the Hawai'i Constitution is amended by Hawai'i's voters to permit the authorization of SPRBs to assist agricultural enterprises. This HB 748 provides for the Hawai'i voters to decide on such an amendment to the Hawai'i Constitution.

Madame Chair and Members of the Committee, we greatly appreciate the opportunity to present this testimony in support of HB 748 and ask your favorable consideration of this bill. I would be pleased to respond to any questions that you may have.

Thank you very much,

Kyle Datta
General Partner

onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 06, 2013 1:42 PM
To: AGRtestimony
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for HB748 on Feb 7, 2013 09:15AM*



HB748

Submitted on: 2/6/2013

Testimony for AGR on Feb 7, 2013 09:15AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Cattlemen's Council	Support	Yes

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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