

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2876, S.D. 2, H.D. 2

March 31, 2014

PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII
STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS

Senate Bill No. 2876, S.D. 2, H.D. 2, proposes amendments to Article VII, Section 12 of the Hawaii State Constitution, 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

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Testimony of
WILLIAM J. AILA, JR.
Chairperson

Before the House Committee on
FINANCE

Monday, March 31, 2014
2:00 P.M.
State Capitol, Conference Room 308

In consideration of
SENATE BILL 2876, SENATE DRAFT 2, HOUSE DRAFT 2
PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII
STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS

Senate Bill 2876, Senate Draft 2, House Draft 2 proposes an amendment to the Hawaii State Constitution, 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 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 on. One of the alternatives of bringing a dam into compliance would be to remove the structure entirely, which would preempt the many benefits that dams provide.

Thank you for the opportunity to testify on this measure.

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

JESSE K. SOUKI
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



LAND USE RESEARCH
FOUNDATION OF HAWAII

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March 28, 2014

Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair
House Committee on Finance

Support of SB 2876, SD2, HD2, Relating to Special Purpose Revenue Bonds; Constitutional Amendment; Dams and Reservoirs (Proposes a constitutional amendment to authorize the State to issue special purpose revenue bonds and use the proceeds from the bonds to offer loans to assist dam and reservoir owners).

Monday, March 31, 2014, 2:00 p.m., in Conference Room 308

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. LURF's mission 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 2876, SD2, HD2, and to offer comments.**

SB 2876, SD2, HD2. The purpose of this bill is to propose an amendment to Article VII, Section 12, of the Hawaii State Constitution, to authorize the State to issue special purpose revenue bonds and use the proceeds from the bonds to offer loans to assist dam and reservoir owners to improve their facilities to protect public safety and provide significant benefits to the general public as important water sources.

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 2876, SD2, HD2 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 sources.

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 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 2876, SD2, HD2**, and respectfully urges your favorable consideration of this bill.

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

finance8-Danyl

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 29, 2014 6:34 PM
To: FINTestimony
Cc: warrenmcfb@gmail.com
Subject: *Submitted testimony for SB2876 on Mar 31, 2014 14:00PM*

SB2876

Submitted on: 3/29/2014

Testimony for FIN on Mar 31, 2014 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Warren Watanabe	Maui County Farm Bureau	Support	No

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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March 31, 2014

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON SB 2876, SD2, HD2
PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII
STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS.

Room 308
2:00 PM

Aloha Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson, and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,832 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.

HFB stands in strong support of SB 2876, SD2, HD2 which authorizes the State to issue special purpose revenue bonds and use the proceeds from the bonds to assist dam and reservoir owners.

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 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 sharper focus.

Dams and reservoirs are key not just to a future of a 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).

Recent Dam and Reservoir Safety rules will levy an additional burden on reservoir owners and Hawaii's farmers and ranchers. Fuel, labor, equipment, transportation, and other expenses are already higher in Hawaii than on the mainland, placing locally grown products at a competitive disadvantage. Inevitably, increased costs will be passed on to consumers and are counterproductive to efforts to grow more food in Hawaii. Some landowners will simply decommission their dams, abandon their reservoir systems and decide what to do with their now fallow lands when agriculture is no longer viable.

The issuance of Special Purpose Revenue Bonds will help owners and operators comply with the laws without placing undue burden on the state budget. The Constitutional Amendment proposed in this legislation is prerequisite to the issuance of these bonds.

Please lend your support to SB 2876, SD2, HD2.

Thank you for the opportunity to comment on very important measure



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Monday, March 31, 2014 at 2:00 P.M.
Conference Room 308, State Capitol**

RE: SENATE BILL 2876 SD2 HD2 PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 2876 SD2 HD2 which proposes a constitutional amendment to authorize the State to issue special purpose revenue bonds and use the proceeds from the bonds to offer loans to assist dam and reservoir owners to improve their facilities to protect public safety and provide significant benefits to the general public as important water sources.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Water storage is critical to achieve our island state's goal for food security. The new rules will discourage new dam and reservoir construction and cause dam and reservoir owners to minimize the capacity or decommission existing storage capability. These reservoirs are crucial to Hawaii's agricultural community, yet it is difficult to maintain due to high costs. Many of the reservoirs no longer generate enough revenue to be economically sustainable. 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.

Thank you for the opportunity to testify.

SB 2876 HD2

**PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII
STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS**

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

MARCH 31, 2014

Chair Luke and Members of the House Committee on Finance:

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 2876 HD2, “PROPOSING AN AMENDMENT TO ARTICLE VII, SECTION 12, OF THE HAWAII STATE CONSTITUTION TO ASSIST DAM AND RESERVOIR OWNERS.” We support this bill.

Alexander & Baldwin and its agricultural company Hawaiian Commercial & Sugar Company (HC&S) have 29 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.

This bill proposes an amendment to the State Constitution to authorize the issuance of 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.

finance1

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 31, 2014 6:13 AM
To: FINTestimony
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for SB2876 on Mar 31, 2014 14:00PM*

SB2876

Submitted on: 3/31/2014

Testimony for FIN on Mar 31, 2014 14:00PM in Conference Room 308

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

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 30, 2014 9:08 PM
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SB2876

Submitted on: 3/30/2014

Testimony for FIN on Mar 31, 2014 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Owen Miyamoto	American Society of Civil Engineers	Support	No

Comments: The Hawaii Section of the American Society of Civil Engineers support the Constitutional Amendment which would provide means for the financing of repairs and improvements to the dams which provide drainage control and irrigation storage. Dams are among the many public and private facilities that need maintenance and rehabilitation to preserve the investment made in their original construction.

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