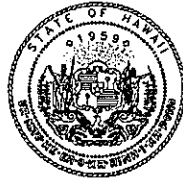


SB 974

Testimony

NEIL ABERCROMBIE
Governor



RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

SCOTT E. ENRIGHT
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
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TESTIMONY OF RUSSELL S. KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEE ON AGRICULTURE
WEDNESDAY, FEBRUARY 5, 2013
2:50 P.M.
Room 229

SENATE BILL NO. 974
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 Senate Bill No.974 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.



WRITTEN TESTIMONY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON AGRICULTURE
ON
SENATE BILL NO. 974

February 5, 2013

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST AGRICULTURAL ENTERPRISES.

Senate Bill No. 974, proposes to amend Chapter 39A, Hawaii Revised Statutes (HRS), by adding a new part to authorize the issuance of special purpose revenue bonds to assist agricultural enterprises in the State.

The Department offers the following comments:

The Department recommends including a definition for the term "agricultural enterprise" so as to be independent of similar terms used in other Hawaii laws, such as Section 163D-2, HRS, which defines "Agriculture" and "Enterprise" and Chapter 163D, HRS, which utilizes the term "agricultural enterprise."

The Department also recommends the insertion of additional language at the end of line 21 on page 23 of the bill in order to be inclusive of tax credit and tax deferral programs. The insertion is as follows (new language underlined):

...may be included in gross income for federal income tax purposes, or which otherwise are tax-advantaged for purposes of federal income taxes.

Please note that there are significant procedural and compliance requirements that must be met before any special purpose revenue bonds (SPRB) could be structured for any SPRB transaction.

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

From: mailinglist@capitol.hawaii.gov
To: [AGL Testimony](#)
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for SB974 on Feb 5, 2013 14:50PM*
Date: Friday, February 01, 2013 5:00:53 PM

SB974

Submitted on: 2/1/2013

Testimony for AGL on Feb 5, 2013 14:50PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Catlemen'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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Simon Russell
Hui 'O Mālama 'Āina
910-A E. Kuiaha Rd
Haiku, HI 96078

Aloha Honorable Senators,

I am writing to support SB. 974 and the issuance of revenue bonds for agriculture purposes. Please make sure that monies go towards Hawaii based companies, so that we grow our agribusiness here, and are not becoming even more dependant on outside entities to feed us.

Respectfully Submitted,
Simon Russell
Owner and Farmer
Hui 'O Mālama 'Āina



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**SB 974
RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST
AGRICULTURAL ENTERPRISES**

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

FEBRUARY 5, 2013

Chair Nishihara 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 SB 974, "A BILL FOR AN ACT RELATING TO 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 statutory provisions 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 bill 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.