

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON AGRICULTURE
ON
HOUSE BILL NO. 2011

February 6, 2014

RELATING TO AGRICULTURAL LANDS

House Bill No. 2011 creates a special fund to be administered by the Agribusiness Development Corporation (ADC), authorizes the ADC to subdivide agricultural lands and requires establishment of an agriculture subdivision code, and authorizes ADC to issue revenue bonds to acquire certain agricultural lands.

The Department has comments on this bill. The bill establishes the Agribusiness Land and Facilities special fund within the ADC with the intent of supporting food sustainability and self-sufficiency. While the Department does not take any position on the policy to allow the ADC the authority to subdivide agricultural lands, as a matter of general policy, the Department does not support the creation of special funds which do not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to this bill, it is difficult to determine whether the special fund will be self-sustaining. I encourage the Legislature to scrutinize the fiscal and operational plan for this program to ensure that it does conform to the requirements of Section 37-52.3, HRS.

The Department would also like to note that the issuance of revenue bonds require, among other things, the project to generate sufficient revenues to pay debt service on the bonds.

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



STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-189

TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE HOUSE
COMMITTEE ON AGRICULTURE

February 06, 2014
9:40 a.m.
Conference Room 312

HOUSE BILL NO. 2011
RELATING TO AGRICULTURAL LANDS

Chairperson Wooley and Members of the Committee:

Thank you for the opportunity to submit testimony on House Bill No. 2011.

This measure seeks to create the Agribusiness land and facilities special fund. In addition, this bill authorizes the Agribusiness Development Corporation (ADC) to subdivide agricultural lands and requires the establishment of an agriculture subdivision code. Further, this measure appropriates funds to acquire certain agricultural lands. ADC supports this measure with amendments.

ADC's primary mission is to transition former plantation land and water systems for diversified agriculture. The corporation was established during the downsizing of the sugar and pineapple industries to generate revenue and assist the state address

ongoing issues. Today, ADC is on the cusp of establishing an agricultural operations hub utilizing existing agricultural land and infrastructure in Central Oahu.

H.B. 2011 as written not only reduces ADC's flexibility when licensing land under its jurisdiction, it complicates the bond language and creates uncertainty as to whether the bond may be approved. Specifically, the language on page 3 lines 3-20 which establishes a new section under chapter 163D HRS pertaining to agricultural leases is not necessary and may hinder ADC's progress. The special purpose revenue bond must be paid back by the revenues generated by the activities derived from ADC's lands. Any additional restrictions may inhibit the corporation's ability to generate revenue. In addition, ADC believes the bond language should be kept separate due to the sensitivity of the bond approval process.

ADC recommends keeping the language in this bill specifically relating to the revenue bond and removing any ambiguity not relating to the revenue bond similar to H.B. 747 proposed draft from the 2013 session.

Thank you for the opportunity to testify.

THE TRUST *for* PUBLIC LAND

CONSERVING LAND FOR PEOPLE

**THE TRUST FOR PUBLIC LAND'S TESTIMONY
IN SUPPORT OF HB 2011 RELATING TO AGRICULTURAL LANDS
House Committee on Agriculture
Thursday, February 6, 9:40 a.m., Room 312**

The Trust for Public Land strongly supports HB 2011 relating to agricultural lands. This bill attempts to increase Hawai'i's food security by creating a special fund for the operation, maintenance, and management of agricultural lands by the State Agribusiness Development Corporation (ADC), facilitate the long term lease of lands to farmers by giving the ADC greater flexibility in subdividing lands and contracting with financial institutions or non-profits to manage leases of the land, and authorize the issuance of special revenue bonds for the purchase of nearly 20,000 acres of land owned by Dole Foods LLC in the North Shore of O'ahu. The Dole lands include prime agricultural land, watershed lands that produce our drinking water, lands that are the scenic gateway to the North Shore, and lands that are important habitat for dozens of endangered and threatened plant and animal species.

The Trust for Public Land is currently working with one of the largest renewable energy companies in the world to purchase the Dole lands and give the State time (3-5 years) to raise funds to purchase the Dole lands for agriculture and conservation of important watershed lands that produce our drinking water. The renewable energy company does not yet have a contract or deal with Dole, but hopes to have a tentative deal or letter of intent with Dole before the end of session. The Trust for Public Land is working with ADC and the Department of Land and Natural Resource to raise other sources of funding (e.g., federal, private) so that the burden is not entirely on the State. Purchasing the Dole land (listed at over \$200 million) will be a complex and difficult transaction. ADC and the State need flexibility and alternatives to achieve their goal of conserving all of the Dole lands and this bill attempts to provide such flexibility.

Although the Trust for Public Land strongly supports this bill, I will not be able to appear in person to testify because I will be on the mainland on business.

Mahalo for this opportunity to testify -



Lea Hong
Hawaiian Islands State Director
1136 Union Mall, Suite 202
524-8563 (office), 783-3653 (cell)