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WRITTEN ONLY

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**TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON WATER AND LAND
ON
HOUSE BILL NO. 2055**

February 12, 2016
9:30 A.M.

**RELATING TO A WASTEWATER TREATMENT FACILITY FOR THE NATURAL
ENERGY LABORATORY OF HAWAII AUTHORITY**

House Bill No. 2055 authorizes the issuance of general obligation bonds and appropriates funds for a wastewater treatment facility for the Natural Energy Laboratory of Hawaii Authority.

The Department has technical comments on this bill. Federal tax law requires, among other things, that tax-exempt general obligation bond proceeds be used to finance projects/programs that serve public purposes. As it appears that private entities may derive the benefit from this legislation, tax-exempt general obligation bonds cannot be used for this purpose. The State would need to issue taxable general obligation bonds at a higher cost in order to allow the department of business, economic development, and tourism to construct the facility.

In addition, as funding for this project is not in the proposed Executive Budget, should this bill proceed or pass the Legislature, an amount for the corresponding annual debt service will need to be included in the Legislature's version of the budget.

Thank you for the opportunity to provide our testimony on this bill.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism



Written Testimony Only

Statement of
Gregory P. Barbour
Executive Director
Natural Energy Laboratory of Hawaii Authority
before the

COMMITTEE ON WATER AND LAND

Tuesday, February 12, 2016
9:30 am
State Capitol, Conference Room 325

in consideration of
H.B. 2055
RELATING TO A WASTEWATER TREATMENT FACILITY
FOR THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY.

The Natural Energy Laboratory of Hawaii Authority (NELHA) is pleased to comment on H.B. 2055 which authorizes the issuance of general obligation bonds and appropriates funds for a wastewater treatment facility at the Hawaii Ocean Science and Technology Park (HOST Park) which is administered by NELHA. NELHA operates a seawater delivery system in HOST Park that provides an excellent environment for ocean related research, aquaculture, and education.

NELHA delivers high volumes of both warm and cold seawater to over 40 businesses at HOST Park. At this time, there is currently no centralized seawater disposal system. As part of its lease agreement each business is responsible for disposal of its seawater on site. This is typically completed through a drywell or trench. As the disposal system is normally a permanent land improvement, businesses are provided with tenant improvement credits and

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can deduct costs for these systems from their percentage rent due in conjunction with their land lease. Accordingly, we do not believe a centralized disposal system is warranted at this time.

It is important to note that over the years, NELHA has completed several environmental impact statements and several supplemental impact statements that have all addressed the disposal of seawater. Due to the very high permeability of the recent Hualalai lava flow (1801), the current disposal methods have been extensively reviewed and all new seawater disposal systems are required to be approved by the Department of Health (DOH). In addition, NELHA has its own water quality laboratory and tests 120 individual sites both within HOST Park and offshore every 90 days. This monitoring program has been in place for almost 30 years and no impacts to the offshore waters have been identified.

In terms of human effluent, the businesses at NELHA employ approximately 400 people and this is spread out over approximately 300 acres in the technology park. As such, the densities are very low. As part of their lease agreement, businesses are required to install DOH permitted septic systems in conjunction with their office space. Residential housing or overnight living facilities are prohibited at HOST Park.

Thank you for the opportunity to offer these comments.