

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



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Chairperson, Board of Agriculture

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**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEES ON AGRICULTURE AND ECONOMIC
DEVELOPMENT AND BUSINESS**

February 12, 2015
8:30 A.M.
CONFERENCE ROOM 312

**HOUSE BILL NO. 824
RELATING TO AGRICULTURE**

Chairpersons Tsuji and Kawakami and Members of the Committees:

Thank you for the opportunity to present testimony on House Bill 824. The purpose of this measure is to set aside a portion of the bond funding from the green energy market securitization program to enable qualified Hawaii farmers and ranchers to be used exclusively for the issuance of bonds to qualified agricultural enterprises who wish to invest in alternative energy infrastructure. The Department of Agriculture supports the intent of this measure but otherwise defers to the Department of Business, Economic Development, and Tourism.

The bill states that Act 209, Session Laws of Hawaii 2008, permitted our existing agricultural and aquacultural loan programs to offer low-cost loans to fund construction of renewable energy projects (page 1, lines 9-14). Known as Class H loans, DOA has made 4 loans over the past six years. Three loans totaling about \$566,000 were for photovoltaic facilities and one loan of about \$1.3 million was made for hydroelectric generation. The advantage of DOA's loans is that accommodation can be made for



non-repayment of loans due to factors that adversely affect production and farm income including unfavorable markets, droughts, insects and diseases, floods, and so forth.

Thank you for the opportunity to comment on this measure.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

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Statement of
LUIS P. SALAVERIA
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON AGRICULTURE

Thursday, February 12, 2015
8:30a.m.
State Capitol, Conference Room 312

in consideration of
HB 824

RELATING TO AGRICULTURE.

Chair Tsuji, Vice Chair Onishi, and Members of the Committee.

The Department of Business, Economic Development & Tourism, the department to which the Hawaii Green Infrastructure Authority (HGIA) is administratively attached, respectfully offers comments on HB 824, which authorizes the HGIA to reserve a portion of the Green Infrastructure Special Fund (GISF) to be used to issue bonds to agricultural enterprises.

HB 824 is not necessary to effectuate the intent of this bill to finance alternative energy infrastructure for Hawaii farmers and ranchers. Currently, the GISF-funded Green Energy Market Securitization (GEMS) Program is already able to finance any applicant that meets Program requirements and criteria, including applicants that are farmers and ranchers. These requirements and criteria have been reviewed and approved by the Public Utilities Commission (PUC), which oversaw the regulatory proceedings to create and use a securitized ratepayer fee to issue the bonds that fund the GEMS Program. The GEMS Program has been approved to finance clean energy technologies including PV, PV-related technologies, energy efficiency, and other technologies for ratepayers of the HECO Companies. The approvals granted for the use of the GEMS bond proceeds and the GEMS Program are within regulatory proceedings: Docket No. 2014-0134 and Docket No. 2014-0135.

Additionally, the GEMS Program has a responsibility to utilize GISF revenues prudently and efficiently in order to create a self-sufficient financing program. The HGIA must reserve the right to both be flexible in the allocation of GISF funds and use discretion when evaluating distribution of the funds, in order to quickly distribute money that supports economically viable projects while ensuring portfolio diversification and offsetting sector-specific risk.

Finally, the Department notes that as currently written, HB 824 would result in pledging GEMS bond proceeds in the GISF as debt repayment for new bond issuances. Using the GISF to issue more bonds is not sustainable since it would create the obligation to pay interest on both the GEMS bond issuance and the new bond issuances mentioned in this measure.

Thank you for the opportunity to offer these comments regarding HB 824. The Department respectfully requests that this bill be deferred. The GEMS Program can accept any applications from farmers and ranchers interested in financing their energy infrastructure, and legislation is not needed to effectuate the intent of this bill.



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February 12, 2015

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 824
RELATING TO AGRICULTURE

Room 312
8:30 AM

Aloha Chair Tsuji, Vice Chair Onishi and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau Federation (HFB). Organized since 1948, the HFBF is comprised of 1,932 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

HFB is in strong support of HB 824, which authorizes the Hawaii Green Infrastructure Authority to reserve a portion of the Hawaii Green Infrastructure fund to be used exclusively for the issuance of bonds to qualified agricultural enterprises.

Hawaii's agriculture industry is vital to the State's economy. Once viewed as a driving force with the plantation era, Hawaii's agriculture has dwindled and suffered many setbacks with rising overhead production costs that threaten the entire industry. The fluctuating nature of fuel prices and electrical rates create intense strains upon Hawaii's farmers and ranchers.

Increased self-sufficiency is a priority in the State. Containment of expenses is a basic requirement to enable our farmers and ranchers to be viable and provide food, fiber and energy that is a cornerstone of self-sufficiency.

During the economic downturn of 2008, one of the most significant expenditures causing hardships to agriculture was electrical expenses. The enormous fluctuations in cost that could not be directly passed on to customers caused many farms to falter, and in some cases go out of business. Pumping and refrigeration are among the major uses of power. Electricity costs create an overhead cost that many farmers struggle to address.

There is a need to provide more economic incentives in Hawaii agriculture in order to promote agriculture sustainability and food security. The State has dedicated itself to provide alternative forms of clean energy. The Hawaii Clean Energy Initiative is leading the way in relieving our dependence on oil by setting goals and a roadmap to achieve 70% clean energy by 2030 with 30% from efficiency measures, and 40% coming from locally generated renewable sources.

The Green Energy Market Securitization (GEMS) program was created in 2013 can be utilized to aid Hawaii's agricultural industry. This sustainable green infrastructure financing initiative headed by the Hawaii State Energy Office seeks to provide photovoltaic systems at a more affordable rate to a wider underserved consumer market. The Hawaii Green Infrastructure Authority administers the program to allow those who once could not afford initial alternative infrastructure costs the ability to take advantage of a private capital and investment program supporting clean energy systems. The GEMS program was created to assist the underserved, and the opportunity to reach this goal can be highlighted with a concentrated effort to address green energy initiatives in the State's agricultural industry.

Thank you for the opportunity to testify in support of HB 824.



February 10, 2015

Representative Clift Tsuji, Chair
Representative Richard H.K. Onishi, Vice-Chair
House Committee on Agriculture

Representative Derek S.K. Kawakami, Chair
Representative Sam Satoru Kong, Vice Chair
House Committee on Economic Development & Business

Support of HB 824 – Authorizes the Hawaii Green Infrastructure Authority to Reserve a Portion of Fund to be used Exclusively for Issuance of Bonds to Qualified Agricultural Enterprises.

Thursday, February 12, 2015, 8:30 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. 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 express its **support of HB 824**.

HB 824. The purpose of this bill is to authorize the Hawaii green infrastructure authority to set aside bond funding from the green energy market securitization program to enable Hawaii's farmers and ranchers to invest in alternate energy infrastructure.

LURF's Position. LURF members include private property owners, farmers and ranchers who own, maintain, and engage in agricultural enterprises, and who consider such funding assistance and initiatives very helpful, if not critical to the conduct of their operations and to help sustain their businesses. These land owners and agricultural stakeholders believe SB1198 will greatly assist with alternative infrastructure costs, enabling them to establish new agricultural projects and activities; expand and improve their growing and processing facilities, including bringing them to current standards as may be required; and with costs which must be incurred for maintenance and upgrade of existing structures and equipment.

As these Committees 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 onerous 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.

LURF further supports HB 824 because this bill furthers the underlying intent and objectives of the IAL laws (Hawaii Revised Statutes [HRS], Sections 205-41 to 52), which were enacted to fulfill the mandate in Article XI, Section 3, of the Hawaii State Constitution, “to conserve and protect agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands.” The IAL laws established a new paradigm which avoids requirements and mandates, and instead focuses on promoting agricultural viability by providing incentives for farmers and landowners to designate lands as IAL, and to build necessary infrastructure, including irrigation systems.

As noted in HRS Section 205-41, the intent of Act 183 (2005) was to develop agricultural incentive programs to promote agricultural viability, sustained growth of the agricultural industry, and the long-term use and protection of important agricultural lands for agricultural use in Hawaii concurrently with the process of identifying important agricultural lands as required under the Act.

LURF therefore appreciates the effort made by HB 824 to help enable Hawaii’s farmers and ranchers to invest in alternative energy infrastructure, thereby supporting agriculture and aiding agriculture-related businesses. Passage of the long-awaited IAL legislation would be meaningless without proper implementation of these incentives.

For the reasons stated above, LURF is in **support of SB 824**, and respectfully urges your favorable consideration of this bill.

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