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**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON HUMAN SERVICES
ON
SENATE BILL NO. 2277**

March 22, 2016
10:00 A.M.

**RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
GOODWILL INDUSTRIES OF HAWAII, INC.**

Senate Bill No. 2277 authorizes the issuance of Special Purpose Revenue Bonds (SPRB) up to \$20,000,000 to assist Goodwill Industries of Hawaii, Inc. with the planning, acquisition, and construction of its facilities pursuant to Part V, Chapter 39A, Hawaii Revised Statutes.

The Department would like to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of the SPRB issuance will require further discussion and satisfactory credit underwriting review of the financing components with respect to any proposed financing.

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

To: Representative Dee Morikawa, Chair
Representative Bertrand Kobayashi, Vice Chair
Members, House Committee on Human Services (HUS)

From: Laura Smith, President/CEO
Goodwill Industries of Hawaii, Inc.

Date: March 22, 2016

Re: **Testimony in SUPPORT of SB 2277 – Relating to the Issuance of Special Purpose Revenue Bonds for Goodwill Industries of Hawaii, Inc.**

Thank you for the opportunity to be here today, I am Laura Smith, President/CEO of Goodwill Industries of Hawaii, Inc. We are a 501(c)3 non-profit organization that serves over 12,000 people statewide who have barriers to employment. Our organization provides employment and training services to a wide variety of people including those who are low income, have a disability, are on public assistance such as TANF, food stamps, are ex-offenders, are youth at risk, or part of the COFA community.

While we have offer a wide range of services, many of the people we serve benefit from our programs by being provided with employment to help them gain work experience and build their work histories. We accomplish this by providing them with a job at Goodwill in such areas as production and processing, retail sales, assembly, and manufacturing as some of our offerings. Often times these jobs provide people with a first paycheck and path to success so that they can move into other employment options outside of Goodwill.

Goodwill Hawaii is seeking approval of a Special Purpose Revenue Bond, which would provide resources for capital improvements at our Beretania Street property. In 2014, after 15 years of tenancy, Goodwill was able to purchase this location. Most of the processing and production space at this location is in renovation to enclose the area from the outdoors, as well as to update it to create efficiencies for our processing operations and provide a better environment to our employees, and clients. While we are in the process of raising funds through a capital campaign, a SPRB would assist our efforts by allowing us to combine funds raised with bond financing to complete our renovations in a more expedient manner.

Goodwill engages in business activities that are considered as manufacturing, or processing which are allowable activities under HRS Chapter 39A. These include:

Production and processing of used textiles and household goods: Collecting over 13 million pounds of used goods annually from the general public, all donations must go through our processing system before being readied for sale. Goods must be sorted into various categories, with each item graded to determine its level of quality. Minor repairs are made, and each item individually priced and merchandised for sale. This extensive processing operation employs almost 150 people statewide, and 60 at our Beretania

DONATE STUFF. CREATE JOBS.



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March 22, 2016

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location alone. As a result, of this process we divert millions of pounds from recyclable merchandise from the landfill.

Manufacturing and Assembly work: Goodwill Hawaii also has a contracts division which provides a variety of services to the community. Some of these services include manufacturing work, such as assembling, packing, and delivery of products for a local business customers like the assembly modem kits for a large local internet services provider, or the sewing of disposable muslin painter's hoods for use by Pearl Harbor Naval Shipyard, and other customers.

All of this work is meant to provide people with entry level employment as a first step in their career path. SPRB financing will help us to modernize our processing and manufacturing, and help us to continue to broaden the services we provide.

SPRBS, have been a financing tools used by many other Goodwill's in the US, as a means to leverage funds for capital improvements, as well as other financing purposes. Our board of directors is in full support of the organization entering into such a financing arrangement, and with our strong financial performance, we feel we have the capacity to be approved for such financing during the underwriting process. Goodwill has retained local counsel experienced in bond issues to work with us throughout the process, and has engaged assistance from Goodwill Industries International.

Thank you for this opportunity to speak with you about our need for a Special Purpose Revenue Bond.

Laura Smith

**Testimony of
Gary M. Slovin
on behalf of
Goodwill Industries of Hawaii, Inc.**

DATE: March 19, 2016

TO: Representative Dee Morikawa
Chair, Committee on Human Services
Submitted Via HUSTestimony@capitol.hawaii.gov

RE: **S.B. 2277– Relating to the Issuance of Special Purpose Revenue Bonds for
Goodwill Industries of Hawaii, Inc.
Hearing Date: Tuesday, March 22, 2016, 10:00 a.m.
Conference Room: 329**

Dear Chair Morikawa and Members of the Committee:

I am the Board Chair of Goodwill Industries of Hawaii testifying in support of S.B. 2277.

Goodwill's primary mission is training people with challenges to take their place in the workplace and thereby become productive citizens and fulfilled people. Many of our people receive training in our retail stores, but we have many other programs as well that help challenged individuals take their place in the workforce and the community.

The need in our community is greater than our present resources. The purpose of the Special Purpose Revenue Bond we are seeking is to renovate our facility at Beretania Street. We were fortunate to be able to acquire the property last year but the facility needs renovation for Goodwill to make full use of it. Further, by enlarging the facility we will be able to accept many more of the people who need Goodwill's help that we cannot accommodate today.

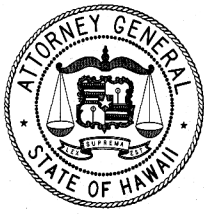
We have an extraordinary and dedicated and able staff that is prepared to continue to provide and expand these critically needed services.

For the foregoing reasons, we respectfully request that the committee pass S.B. 2277.

Thank you for your consideration of this matter.

Gary M. Slovin

999 Bishop Street, Suite 1400
Honolulu, HI 96813
(808) 539-0834



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-EIGHTH LEGISLATURE, 2016**

LATE

ON THE FOLLOWING MEASURE:

S.B. NO. 2277, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR GOODWILL INDUSTRIES OF HAWAII, INC.

BEFORE THE:

HOUSE COMMITTEE ON HUMAN SERVICES

DATE: Tuesday, March 22, 2016

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 329

TESTIFIER(S): Douglas S. Chin, Attorney General, or
Diane Erickson, Deputy Attorney General

Chair Morikawa and Members of the Committee:

The Department of the Attorney General submits comments expressing concerns about this bill.

The bill authorizes the issuance of \$20,000,000 in special purpose revenue bonds to assist Goodwill Industries of Hawaii, Inc. to finance and refinance costs related to the planning, acquisition, and construction of facilities, including, but not limited to, a warehouse, classrooms, administrative offices, a retail outlet, and training facilities, renovation of existing facilities, and acquisition of equipment, furnishings, and apparatus, purchase of tangible assets including land and improvements, acquisition and installation of information technology, and completion of other capital improvement projects. The bill provides that the special purpose revenue bonds are to be issued pursuant to part V of chapter 39A, Hawaii Revised Statutes (HRS). Part V of chapter 39A, at section 39A-151, defines an industrial enterprise project as "any combination of land, buildings, and other improvements thereon, including without limitation parking facilities, for use of, or for, or to assist an industrial enterprise, including, without limiting the generality of the foregoing, machinery, equipment, furnishings, and apparatus which shall be deemed necessary, suitable, or useful to such enterprise."

We are concerned that the project described in the bill may be subject to challenge as not falling within the scope of "industrial enterprise" under article VII, section 12, of the Hawai'i State Constitution, as the State has interpreted that provision. Neither the Constitution nor part V of chapter 39A, HRS, defines what fits within that category, so where words in the Hawai'i State

Constitution or in a Hawai'i statute are undefined, it is presumed that the words are used in their "natural sense" or in "their meaning in common language." Hanabusa v. Lingle, 105 Hawai'i 28, 32 (2004); Schmidt v. AOA of the Marco Polo Apts., 73 Haw. 526, 532 (1992); section 1-14, HRS ("The words of a law are generally to be understood in their most known and usual signification . . . their general or popular use or meaning.") The common or general meaning of an "industrial enterprise" appears to be an organization, venture, undertaking, or business activity, involving a division of productive or profit-making labor, especially one that employs a large personnel and capital, especially in manufacturing. Cf. Webster's Third New International Dictionary (1986) (definition of enterprise, industrial and industry); Black's Law Dictionary, Ninth Edition (2009) (systematic labor for some useful purpose, especially work in manufacturing or production). The State's special deputy for general advice on public finance matters was consulted on this issue and agreed with these concerns that Goodwill Industries of Hawaii, Inc. does not qualify to be an industrial enterprise for the purpose of special purpose revenue bonds.

We understand that Goodwill Industries has indicated in prior testimony that it has received this type of financing from other jurisdictions. However, we do not know whether the laws in those jurisdictions authorizing special purpose revenue bonds are similar to Hawaii's and provide any useful guidance for the State of Hawaii.

Thank you for the opportunity to present our concerns.