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MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**

TESTIMONY BY RODERICK K. BECKER  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON WATER, LAND, & HAWAIIAN AFFAIRS  
ON  
HOUSE BILL NO. 1413

**February 8, 2019**  
**8:30 A.M.**  
**Room 325**

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO  
ASSIST E OLA MAU NA LEO O KEKAHA.

House Bill No. 1413 authorizes the issuance of Special Purpose Revenue Bonds (SPRB) up to \$10,000 to provide financing to assist E Ola Mau Na Leo O Kekaha, a Hawaii domestic 501(c)(3) entity, with the acquisition, remediation, and development of the old Kekaha Sugar Mill in Kekaha, Kauai, pursuant to Parts III, IV, or V or a combination thereof as the progress of the project may determine, of Chapter 39A, Hawaii Revised Statutes.

The Department has comments on this bill. In particular, the cost to issue the SPRBs (i.e., investment banker fees, bond counsel fees, etc.) will far exceed the \$10,000 currently authorized in this bill.

The Department is also providing comments to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of the SPRB issuance and conduit loan will require further review of the financing proposal to ensure

compliance with all federal, state and credit underwriting requirements. For additional information, please consult our FAQ located at the following link:

<http://budget.hawaii.gov/wp-content/uploads/2012/11/SPRB-FAQ.pdf>.

Thank you for your consideration of our comments.

**HB-1413**

Submitted on: 2/6/2019 11:37:58 PM

Testimony for WLH on 2/8/2019 8:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Melodie Aduja	O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

Representative Ryan I. Yamane, Chair  
Representative Chris Todd, Vice Chair  
Committee on Water and Land, and Hawaiian Affairs

From: Kekaha Strong LLC

Date: Friday, February 8, 2019

Subject: Support for H.B. No. 1413, HB 1413, Relating to the issuance of special purpose revenue bonds with the acquisition, remediation, and development of the old Kekaha Sugar Mill in Kekaha, Kauai, Hawaii.

Kekaha Strong LLC was formed by leaders of Kekaha, Kauai, Hawaii, to meet the immediacy of this request, while proper steps are taken to create a non-profit 501(c)3. The current structure allows the committee to engage in activities related to the acquisition, remediation, and development of the old Kekaha Sugar Mill and the center of the community.

The initiative to acquire, remediate, and develop the Mill brings social, economic and cultural progress to an area suffering from over two decades of instability since the final closure of the mill. With no transition plan to help unemployed workers, families were displaced and forced to find opportunities elsewhere. As a result, the area has no economic base. The youth and children have fallen far behind the State's average in language arts, science, reading and math with approximately half considered low income and receiving assistance. The economic and social environment is clearly depressed while the culture continues to weaken.

An abundance of natural resources surrounds the Kekaha Mill, including rich agricultural soil, a basaltic aquifer filled with deep fresh spring water and a productive marine life along the coast. Centrally located within the small town, the Mill is within walking distance from four schools, with Niihau of Kekaha Charter School located just across the street. Long-standing residents live in homes along the Mill perimeter. Based on recent environmental reports which classify the Mill as Brownfield land, all residents are currently at risk from pesticides, petroleum, and asbestos and lead paint contaminants left behind by historical sugar mill activity. Environmental pollution permeates both soil and water.

With the support of this bond, we can transform the mill and make Kekaha a place for diverse economic opportunity, local culture, and wise living - where residents live, work and play, within a thriving ecosystem.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
THIRTIETH LEGISLATURE, 2019**

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**LATE**

**ON THE FOLLOWING MEASURE:**

H.B. NO. 1413, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST E OLA MAU NA LEO O KEKAHA.

**BEFORE THE:**

HOUSE COMMITTEE ON WATER, LAND & HAWAIIAN AFFAIRS

**DATE:** Friday, February 8, 2019 **TIME:** 8:30 a.m.

**LOCATION:** State Capitol, Room 325

**TESTIFIER(S):** Clare E. Connors, Attorney General, or  
Randall S. Nishiyama, Deputy Attorney General

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Chair Yamane and Members of the Committee:

The Department of the Attorney General provides the following comments regarding this bill.

This bill authorizes the issuance of \$10,000 in special purpose revenue bonds ("SPRBs") pursuant to part III (manufacturing enterprises), part IV (processing enterprises), or part V (industrial enterprises) of chapter 39A, Hawaii Revised Statutes, or a combination thereof, to assist E Ola Mau Na Leo O Kekaha with the acquisition, remediation, and development of the old Kekaha Sugar Mill in Kekaha, Kauai, Hawaii.

Under article VII, section 12 of the Hawaii State Constitution, SPRBs may be used to assist specified identified categories of private entities in raising funds to purchase capital facilities that are expected to generate revenues with which to repay the bondholders. Each SPRB project authorization must be qualified under the appropriate part of chapter 39A. A SPRB authorization cannot be qualified in more than one type, or a multiple type, of SPRB project.

Based on discussions with the State's Public Finance Counsel, Craig Scully, Esq., Katten Muchin Rosenman LLP, we believe that the subject project should be authorized under part V, assisting industrial enterprises, given the project's broad scope. However, Mr. Scully notes that depending on the nature of the project, this SPRB financing may not be accomplished on a tax-exempt basis. We recommend that

the bill's references to the authorizing part of chapter 39A be changed to part V, assisting industrial enterprises.

We also note that E Ola Mau Na Leo O Kekaha only requested a special purpose revenue bond authorization of \$10,000 for this project. We do not know if this amount is correct. We recommend that the amount of the special purpose revenue bond authorization be verified.

We respectfully ask the Committee to pass this bill with the recommended amendments.