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EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**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)

**WRITTEN ONLY**

TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT  
ON  
SENATE BILL NO. 2070

**January 31, 2022**  
**1:00 P.M.**  
**Via Videoconference**

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST THE HAWAIIAN  
LEGACY REFORESTATION INITIATIVE TO RESTORE HAWAII'S FORESTS AND  
NATURAL RESOURCES.

The Department of Budget and Finance offers the following comments on Senate Bill No. 2070 which authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist the Hawaiian Legacy Reforestation Initiative LLC, a Hawaii corporation, to generate a sustainable model of endemic reforestation, ecosystem revitalization, endangered species recovery, and carbon credit sequestering by planning, designing, constructing, and equipping private and public land owners with tools for endemic forest development, processing and distribution of forest products, including eco-assets such as tree planting, endangered species management, endemic species propagation, value-added agriculture, advanced materials, sustainable timber, carbon credits, Hawaii cultural practice, fine art, and Hawaii made products pursuant to Part IV, Chapter 39A, Hawaii Revised Statutes.

The Department would like to inform 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.

Aloha e Senators,

SB2070 Proposes to authorize the issuance of special purpose revenue bonds in an amount not to exceed \$50,000,000, for the purpose of assisting Hawaiian Legacy Reforestation Initiative LLC, a Hawaii corporation. **However laudable the proposed outcomes might be** for generating a sustainable model of endemic reforestation, ecosystem revitalization, endangered species recovery, and carbon credit sequestering by planning, designing, constructing, and equipping private and public land owners with the tools for endemic forest development, processing and distribution of forest products, including eco-assets such as tree planting, endangered species management, endemic species propagation, value-added agriculture, advanced materials, sustainable timber, carbon credits, Hawaii cultural practice, fine art, and Hawaii made products, **this company does not have a track record that would** indicate the proposal would be successful, nor does its record indicate any history or expertise in these areas.

Tiffany Potter was listed by Hawaiian Legacy Hardwoods as its “carbon and environmental assets analyst” (in a 2010 newsletter), as one of its “executive officers” (in SEC filings), and as a “senior consultant” (in a 2010 press release). Potter reported in a court filing that although HLH has reported sales of blocks of trees to investors totaling more than \$4 million over the last three and a half years, Potter suggests the operation rests on a precarious footing: “(Jeffery) Dunster’s entities appeared inadequately capitalized or undercapitalized as evidenced by the fact that without receipt of a subsidy payment check from the U.S. Department of Agriculture, Natural Resources Conservation Service, they were not able to pay any of their obligations.”

The company suggests that even though blocks of tree seedlings are sold to investors for the purpose of planting and eventual harvest, the money the company expects to make are generated through carbon-sequestration credits.

Those of us who have watched this company for years see the whole operation as a thinly veiled scam to generate investment money, enjoy the proceeds, and make virtually no impact on the environment of Hawaii, while collecting over \$100 per seedling tree in exchange for a digital certificate. The land area reforested in the last decade reportedly totals 73 acres according the Guidestar website.

Of concern is the governance of the HLRI, which appears to lack the most basic external or internal review. Guidestar reported the following:

GuideStar worked with BoardSource, the national leader in nonprofit board leadership and governance, to create this section.

<b>Board orientation and education</b>	
Does the board conduct a formal orientation for new board members and require all board members to sign a written agreement regarding their roles, responsibilities, and expectations?	<b>Yes</b>
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<b>CEO oversight</b>	
Has the board conducted a formal, written assessment of the chief executive within the past year ?	<b>No</b>
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<b>Ethics and transparency</b>	
Have the board and senior staff reviewed the conflict-of-interest policy and completed and signed disclosure statements in the past year?	<b>Yes</b>
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<b>Board composition</b>	
Does the board ensure an inclusive board member recruitment process that results in diversity of thought and leadership?	<b>Yes</b>
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<b>Board performance</b>	
Has the board conducted a formal, written self-assessment of its performance within the past three years?	<b>No</b>

I oppose SB2070 because I do not believe that a special revenue bond for this company is in the best interest of the State of Hawai'i.

Sincerely,  
Deborah Ward

**SB-2070**

Submitted on: 1/29/2022 3:17:57 PM

Testimony for AEN on 1/31/2022 1:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Victoria Anderson	Individual	Support	No

Comments:

Please pass this important bill.