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DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON AGRICULTURE & FOOD SYSTEMS
ON
SENATE BILL NO. 1547, S.D. 1

March 7, 2025
10:30 A.M.
Room 325 and Videoconference

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST ALOUN KAUAI
FARMING, AN AGRICULTURAL ENTERPRISE, IN THE FINANCE, OPERATION, AND
MAINTENANCE OF A PROJECT TO REVITALIZE THE DAIRY INDUSTRY.

The Department of Budget and Finance (B&F) offers the following comments on Senate Bill (S.B.) No. 1547, S.D. 1 which authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist Aloun Kauai Farming LLC, a Hawaii limited liability company for the planning design, construction, and maintenance of an integrated dairy industry pursuant to Part X, Chapter 39A, Hawaii Revised Statutes. The amount of the authorization is unspecified.

B&F 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.



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e-mail info@hfbf.org; www.hfbf.org

March 7, 2025

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE & FOOD SYSTEMS

TESTIMONY ON SB 1547, SD1

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST ALOUN KAUAI
FARMING, AN AGRICULTURAL ENTERPRISE, IN THE FINANCE, OPERATION, AND
MAINTENANCE OF A PROJECT TO REVITALIZE THE DAIRY INDUSTRY

Conference Room 325 & Videoconference
10:30 AM

Aloha Chair Kahaloe, Vice-Chair Kusch, and Members of the Committees:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate, and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports SB 1547, SD1, which authorizes the Department of Budget and Finance to issue special purpose revenue bonds to assist Aloun Kauai Farming in the planning, design, construction, and maintenance of an integrated dairy industry. Supporting local dairy production is critical to increasing Hawai'i's food security, reducing reliance on imports, and strengthening the state's agricultural economy.

Hawai'i's dairy industry has faced significant challenges over the years, leading to the closure of nearly all local dairies. Today, only one commercial dairy remains in operation, leaving the state heavily dependent on imported milk and dairy products. This lack of local production makes Hawai'i vulnerable to supply chain disruptions and price fluctuations in the global market.

Rebuilding a sustainable, local dairy industry is essential not only for food security but also for **the Farm to School program**, which aims to increase the procurement of local food for school meals under **Act 175, SLH 2021**. Fresh, locally produced milk is an important part of a nutritious diet for Hawai'i's students, and expanding local dairy production will help the Department of Education meet its goal of sourcing at least 30 percent of school food locally by 2030.

The issuance of special purpose revenue bonds for Aloun Kauai Farming will provide critical financing to establish and modernize dairy facilities, invest in sustainable feed and

pasture management practices, and improve processing and distribution capabilities. A strong local dairy sector will benefit consumers by providing fresher and more sustainable dairy products and create jobs and stimulate economic activity in Hawai'i's agricultural sector.

We urge the committee to pass SB 1547, SD1 to support the revitalization of Hawai'i's dairy industry, promote greater agricultural self-sufficiency, and ensure that local milk production can meet the needs of Hawai'i's schools, families, and communities.

Thank you for the opportunity to testify on this measure.



March 7, 2025

COMMITTEE ON AGRICULTURE & FOOD SYSTEMS

Rep. Kirstin Kahaloa, Chair; Rep. Matthias Kusch, Vice Chair; and Committee Members
Public Hearing, March 7, 2025 , 10:30 a.m. – Conference Room 325, State Capitol

TESTIMONY OF WILLIAM F. ANONSEN

MANAGING PARTNER/PRINCIPAL OF THE MARITIME GROUP

IN SUPPORT OF SB 1547 SD1 (Special Purpose Revenue Bonds - Aloun Kauai Farming)

My name is William F. Anonsen, the Managing Partner/Principal of The Maritime Group, submitting testimony in support of SB 1547 SD1, a bill that represents a meaningful step toward addressing the challenges facing Hawai'i's local dairy industry and offers a practical, sustainable solution to support its long-term viability.

As an island state, Hawai'i faces unique challenges in maintaining a stable and self-sufficient dairy industry. Our local dairy farmers contend with high operational costs, supply chain disruptions, and intense competition from mainland dairy imports, which often flood the market at lower prices due to economies of scale and subsidies unavailable to Hawai'i's producers. Additionally, the availability and cost of essential resources such as feed, land, and transportation logistics create further obstacles that threaten the sustainability of local dairy operations.

SB 1547 SD1 provides a well-structured approach to alleviating these challenges. By implementing the provisions of the bill, the legislation will provide direct support to dairy farmers, ensuring they have the resources needed to sustain and expand their operations. This measure will also help reduce Hawai'i's reliance on imported dairy products, fostering local food security and enhancing resilience in our agricultural sector.

Beyond economic benefits, supporting local dairy production is crucial for environmental and public health reasons. By strengthening Hawai'i's dairy industry, we can reduce the carbon footprint associated with importing dairy from the mainland and overseas markets while ensuring fresh, higher-quality dairy products for local consumers. Furthermore, a thriving dairy sector contributes to land stewardship, rural job creation, and agricultural education for future generations.

This measure aligns with Hawai'i's broader efforts to promote local food sustainability and economic diversification. It supports the objectives of *Hawai'i's 2050 Sustainability Plan* and initiatives to enhance local food production, reduce dependence on imported goods, and bolster food security. Investing in our dairy industry today will help safeguard its future while fostering a more resilient and sustainable agricultural economy.

1000 Auahi Street, Suite 1509 Honolulu, Hawai'i, 96814
Tel: (808) 589-1223 www.The-Maritime-Group.com

By passing SB 1547 SD1, the Legislature has the opportunity to make a tangible, lasting difference in the lives of local dairy farmers, their 'ohana, and the broader community that relies on fresh, locally produced dairy products. I encourage the committee to advance this measure and help Hawai'i achieve a more sustainable, self-sufficient, and resilient agricultural future.

Mahalo for your time and consideration.

Sincerely,

William F. Anonsen

William F. Anonsen
Managing Partner/Principal

SB-1547-SD-1

Submitted on: 3/5/2025 6:07:11 PM

Testimony for AGR on 3/7/2025 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Gordon LaBedz	Surfrider foundation, Kauai Chapter	Oppose	Written Testimony Only

Comments:

The Surfrider Foundation helped stop the dairy operation on Kauai's South Shore because cattle facilities have huge fecal run off pollution problems that run down to sea level. These are dirty operations that are going out of business all over the US. We don't want them on West Kauai.

Taxpayers should not pay for polluting businesses.

SB-1547-SD-1

Submitted on: 3/5/2025 6:28:49 PM

Testimony for AGR on 3/7/2025 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Ted Bohlen	Hawai'i Reef and Ocean Coalition	Oppose	Written Testimony Only

Comments:

Hawai'i Reef and Ocean Coalition respectfully **OPPOSES** SB1547 SD1.

Dairy farms have polluted the land and ocean and caused divisive siting controversies on several islands. This is not in the public interest as required for special purpose revenue bonds and should not be approved.



Email: communications@ulupono.com

HOUSE COMMITTEE ON AGRICULTURE AND FOOD SYSTEMS
Friday, March 7, 2025 — 10:30 a.m.

UluPono Initiative supports SB 1547 SD 1, Relating to Special Purpose Revenue Bonds to Assist Aloun Kauai Farming, an Agricultural Enterprise, in the Finance, Operation, and Maintenance of a Project to Revitalize the Dairy Industry.

Dear Chair Kahaloa and Members of the Committee:

My name is Mariah Yoshizu, and I am the Government Affairs Associate at UluPono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy and clean transportation choices, and better management of freshwater resources.

UluPono supports SB 1547 SD 1, which authorizes the Department of Budget and Finance to issue special purchase revenue bonds to assist Aloun Kauai Farming, LLC, in the planning, design, construction, and maintenance of an integrated dairy industry.

Hawai'i currently imports more than 90% of its milk, with only one cow dairy operation remaining in the entire state. This extreme dependency on imported dairy not only threatens our food security but also exposes residents to volatile mainland price fluctuations. We've seen how local egg production has helped shield Hawai'i consumers from the dramatic price increases that affected mainland markets; a revitalized dairy industry could provide similar protection against milk price inflation that disproportionately impacts our most vulnerable populations.

Furthermore, milk represents one of the most expensive components of school lunches across the state. By increasing local milk production through projects like the Aloun Kauai Farming initiative, we can help the Department of Education meet its cost benchmarks while providing fresher, more nutritious dairy products to our keiki. Special purpose revenue bonds offer a fiscally responsible approach to supporting this critical agricultural development without burdening taxpayers, while creating new jobs and strengthening our islands' food security.

Thank you for the opportunity to testify.

Respectfully,

Mariah Yoshizu
Government Affairs Associate

Investing in a Sustainable Hawai'i

SB-1547-SD-1

Submitted on: 3/6/2025 11:19:11 AM

Testimony for AGR on 3/7/2025 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Cathy Goeggel	Animal Rights Hawai'i	Oppose	Written Testimony Only

Comments:

SB1547 SD1-We oppose any monies for the livestock industry. It is a gamble for the taxpayers that has failed in the past, and it is imperative that you, our legislators, NOT fund a very iffy project which can have devastating effect on Kaua'i. Mahalo

SB-1547-SD-1

Submitted on: 3/5/2025 5:37:41 PM

Testimony for AGR on 3/7/2025 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
katherine skow	Individual	Oppose	Written Testimony Only

Comments:

I strongly oppose this bill for many reasons:

Dairy farms produce large amounts of manure, which can run off into nearby water bodies during heavy rains. This runoff can carry nutrients like nitrogen and phosphorus into rivers and streams, eventually reaching the ocean. These nutrients can cause algal blooms, which deplete oxygen in the water and harm marine life, including coral reefs.

Fertilizers and pesticides used on dairy farms can also run off into water bodies. These chemicals can be toxic to aquatic life and disrupt ecosystems.

Accidental milk spills can occur during transportation or processing. When milk enters water bodies, it can promote the growth of bacteria, which consume oxygen and create dead zones where marine life cannot survive.

These are just some of the ways that a dairy farm will cause ecological problems for our island and the ocean.

Please reconsider allocating funds for this project.

Katherine Skow

SB-1547-SD-1

Submitted on: 3/5/2025 5:44:09 PM

Testimony for AGR on 3/7/2025 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Stephanie Skow, MD	Individual	Oppose	Written Testimony Only

Comments:

My name is Stephanie Skow, and I am writing to express my strong opposition to the proposed bill SB1547 that seeks to fund a dairy on Kauai.

MANURE RUNOFF: Dairy farms produce large amounts of manure, which can run off into nearby water bodies during heavy rains. This runoff can carry nutrients like nitrogen and phosphorus into rivers and streams, eventually reaching the ocean. These nutrients can cause algal blooms, which deplete oxygen in the water and harm marine life and coral reefs.

CHEMICALS: Fertilizers and pesticides used on dairy farms can also run off into water bodies. These chemicals can be toxic to aquatic life and disrupt ecosystems.

ASIAN & PACIFIC ISLANDER: many Asian and Pacific Islander communities are lactose intolerant, making cow's milk a less viable option for the health of Hawaii's population.

HOUSE COMMITTEE ON AGRICULTURE
Hearing on March 7, 2025 at 10:30

OPPOSING SB 1547 SD 1

My name is John Kawamoto, and I oppose SB 1547 SD 1.

This bill, which is designed to revitalize the dairy industry in Hawaii, is fighting a losing battle.

Nationally, the dairy industry has been declining for decades. In 1970, over 648,000 U.S. dairy farms milked cattle. By 2022, only 24,470 dairy farms remained. Although the remaining farms were larger, the number of dairy farms declined by more than 95% during that period.

Furthermore, the average person consumes 45% less milk compared with 50 years ago. Among the reasons for the decline in milk consumption are the following:

- Dietary Changes: Shifts in dietary habits, including reduced consumption of traditional breakfast cereals, have led to decreased milk intake.
- Beverage Alternatives: The availability and popularity of alternative beverages, such as plant-based milk substitutes and flavored drinks, have provided consumers with more choices, leading many to opt for these over traditional cow's milk.
- Health Perceptions: Changing perceptions about health and nutrition have influenced consumer choices, with some individuals reducing dairy consumption due to dietary preferences or lactose intolerance concerns.

In Hawaii the decline in dairy farms is largely due to cheaper milk from the mainland. Although milk from the mainland incurs shipping costs, it is still cheaper than locally produced milk due to lower mainland costs of production that cannot be matched in Hawaii.

When compared with dairy, other industries have a greater upside potential. Those are the industries that the State should consider subsidizing instead of dairy.

For the foregoing reasons, I urge the committee to hold this bill.

SB-1547-SD-1

Submitted on: 3/5/2025 9:59:20 PM

Testimony for AGR on 3/7/2025 10:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Victoria Anderson	Individual	Oppose	Written Testimony Only

Comments:

Dear Hon. Chair, Hon. Vice Chair, and Hon. AGR Committee Members:

Please do not support Aloun Kauai Farming's dairy industry project. Bill SB 1547's wording declares that issuing these bonds serves the public interest, health, safety, and general welfare, but this is not true in this case. As for health: there is a large and growing body of medical literature (that is not funded by the dairy industry) documenting that dairy consumption is tied to obesity, heart disease, and cancer (cf Physician's Committee for Responsible Medicine.) As for safety and general welfare, of both humans and the environment: Dairy farms create massive water pollution, algal blooms, and ocean dead zones from manure runoff. Not only does this kill fish, affecting local fisherman, but it kills entire ecosystems of coral reefs protecting our shoreline. Hawaii's indescribable beauty and our way of life depend on healthy reefs and oceans. Moreover, dairy farms create huge greenhouse gas emissions, especially of the powerful greenhouse gas methane. They deforest our lands due to land conversion to pasture, and degrade our soils due to intensive grazing. They reduce soil fertility and cause biodiversity loss due to habitat alteration and pollution. They are very intensive in water usage on our freshwater-poor islands.

Kauai already suffered enough division in the five years spent trying to site Hawaii Dairy in Mahaulepu. Please do not try again to back a dairy on Kauai!

Mahalo,

Victoria B. Anderson

Testimony of
ALEC SOU of
Aloun Farms

Committee on Agriculture & Food Systems

Friday, March 7, 2025

10:30 a.m.

on

S.B. No. 1547, S.D.1

Relating to Special Purpose Revenue Bonds to Assist Aloun Farming, an Agricultural Enterprise, in the Finance, Operation, and Maintenance of a Project to Revitalize the Dairy Industry

Aloun Farms strongly supports S.B. No. 1547, S.D.1, which proposes special purpose revenue bonds to support the financing, operation, and maintenance of a project to revitalize Hawaii's dairy industry.

Hawaii's dairy industry, which previously had over 150 dairies, has been reduced to one dairy on Hawaii Island. Now nearly all of Hawaii's milk is imported.

Many factors have contributed to the decline of dairy operations in Hawaii, including:

- Rising feed costs;
- Mainland competition;
- Increased production costs;
- The cost of land;
- Low price margins for agricultural products; and
- Regulatory costs.

Programs have been proposed to attempt to support the agricultural industry like to Farm to School and Farm to Table, but the dilemma is how do we keep prices low enough for schools but high enough for farmers to make a living. Can farmers provide enough product for agricultural food programs at a reasonable price that is sustainable for the agricultural operation?

S.B. No. 1547, S.D.1, will enable the revitalization of a dairy operation that integrates feed production and milk processing, and complies with regulatory requirements, hopefully at competitive prices.

For these reasons, we strongly support S.B. No. 1547, S.D.1, and urge your favorably consideration of this measure.