



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2025**

ON THE FOLLOWING MEASURE:

S.B. NO. 1547, 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.

BEFORE THE:

SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

DATE: Monday, February 10, 2025 **TIME:** 1:01 p.m.

LOCATION: State Capitol, Room 224

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Ian Robertson, Deputy Attorney General

Chair Gabbard and Members of the Committee:

The Department of the Attorney General provides the following comments.

The purpose of this bill is to authorize the issuance of special purpose revenue bonds (SPRBs) pursuant to part X, chapter 39A, Hawaii Revised Statutes (HRS), to assist Aloun Kauai Farming in the planning, design, construction, and maintenance of an integrated dairy industry.

The issuance of SPRBs as proposed by this bill is prohibited by section 3 of Act 262, Session Laws of Hawaii (SLH) 2023, which amended section 4 of Act 182, SLH 2022, to require that "[n]o special purpose revenue bonds requiring an allocation of annual state ceiling under section 39B-2, Hawaii Revised Statutes, shall be authorized after June 30, 2023, and before December 31, 2028."

As a private activity bond under the Internal Revenue Code, this SPRB would necessitate an allocation from the State's private activity bond volume cap ceiling, as specified in section 39B-2, HRS. To avoid confusion as to the allocation restriction, we suggest that an express carve out to the prohibition against SPRB issuance be inserted in this bill.

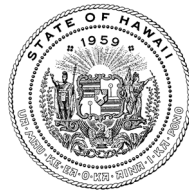
An additional point for the Committee to be aware of is that the named entity "Aloun Kauai Farming" is described as a "Hawaii corporation" on page 1, line 10, of the

bill. There does not appear to be a Hawaii corporation with that name. There is a limited liability company registered with the Business Registration Division of the Department of Commerce and Consumer Affairs with the name "Aloun Kauai Farming LLC". We recommend that the Committee clarify that the bill would authorize the issuance of SPRBs to assist the correct entity.

If the Committee confirms that "Aloun Kauai Farming LLC" is the entity to be assisted by this bill and if the Committee decides to provide a carve out to the SPRB allocation prohibition, then the wording to effectuate such an action should read as follows:

"Notwithstanding the provisions of Act 182, Session Laws of Hawaii 2022, as amended by Act 262, Session Laws of Hawaii 2023, the legislature authorizes the issuance of special purpose revenue bonds to assist Aloun Kauai Farming LLC, in building facilities pursuant to part X, chapter 39A, Hawaii Revised Statutes, relating to the power to issue special purpose revenue bonds to assist industrial enterprises that requires the allocation of the annual state ceiling under section 39B-2, Hawaii Revised Statutes, for the period July 1, 2025, through December 31, 2028."

We respectfully ask the Committee to consider our comments.



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

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

STATE OF HAWAII
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 SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT
ON
SENATE BILL NO. 1547

February 10, 2025
1:01 P.M.
Room 224 and Videoconference

RELATING TO THE ISSUANCE OF 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 which authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist Aloun Kauai Farming, a Hawaii corporation 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 note that that Act 262, SLH 2023 states "No special purpose revenue bonds requiring an allocation of annual state ceiling under section 39B-2, Hawaii Revised Statutes, shall be authorized after June 30, 2023 and before December 31, 2028."

Thank you for your consideration of our comments.



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February 10, 2025

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

TESTIMONY ON SB 1547

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 224 & Videoconference
1:01 PM

Aloha Chair Gabbard, Vice-Chair Richards, and Members of the Committee:

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, 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 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.

SB-1547

Submitted on: 2/8/2025 11:07:53 PM

Testimony for AEN on 2/10/2025 1:01:00 PM

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

Comments:

Hawaii Reef and Ocean Coalition respectfully **OPPOSES** the issuance of special purpose revenue bonds for planning, designing, constructing, and maintaining an integrated dairy industry.

This is **not a public purpose** that justifies public financial support. The environmental impacts, including pollution and water use, and public disruption outweigh the benefit of local dairy products. The public division over the five-year attempt to site Hawaii Dairy in Mahaulepu and the pollution that led to the closure of Big Island Dairy in O'okala show this.

Please do not pass this bill.

Hawaii Reef and Ocean Coalition (by Ted Bohlen)

SB-1547

Submitted on: 2/8/2025 5:07:23 PM

Testimony for AEN on 2/10/2025 1:01:00 PM

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

Comments:

Dear members of the Committee for SB1547,

I am concerned about the environmental and health implications of the proposed dairy farm on Kauai. Please reconsider allocating funds for this project and explore sustainable, health-conscious alternatives that align with our community's values.

Dairy farms can contribute to pollution through methane emissions and water contamination from manure, antibiotics, and hormones. The proposed site in west Kauai has limited rainfall and faces ongoing issues with water diversions, GMOs, pesticides, and agricultural water pollution (Agribusiness Development Corp).

Precision fermentation offers a way to produce dairy proteins without cows, resulting in hormone-free products. Additionally, various plant-based milks provide nutritional benefits with lower environmental impacts.

By focusing on these alternatives, we can promote a healthier environment and a sustainable future for Kauai.

Sincerely,

Katherine Skow

SB-1547

Submitted on: 2/8/2025 10:21:10 PM

Testimony for AEN on 2/10/2025 1:01:00 PM

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

Comments:

Dear Members of the Committee,

I am writing to express my strong opposition to the proposed bill SB1547 that seeks to fund a dairy on Kauai. Establishing a dairy farm on Kauai would exacerbate pollution, including methane emissions and water contamination from runoff containing manure, antibiotics, and hormones. These pollutants can have detrimental effects on local ecosystems and water supplies, contributing to environmental degradation and public health risks.

In addition, many Asian and Pacific Islander communities are lactose intolerant, making cow's milk a less viable option. I urge you to reconsider supporting a dairy on Kauai. Let's look to alternatives that align with the needs and values of our community.

The future of dairy is precision fermentation dairy, in addition to the plant-based milks which offer not only sustainable, but health-conscious alternatives to traditional dairy farming. Precision fermentation dairy produces proteins without the need for cows, reducing land and water use and eliminating methane emissions.

Thank you for your time and attention to this critical matter.

Sincerely,

Stephanie Skow, MD

Lihue, HI

SB-1547

Submitted on: 2/9/2025 10:38:39 AM

Testimony for AEN on 2/10/2025 1:01:00 PM

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

Comments:

Dear Hon. Chair Gabbard, Hon. Vice Chair Richards, and Hon. AEN Committee Members:

Please do not use my taxpayer dollars to 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. I very much disagree. 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. They 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 use our tax dollars to try again to back a dairy on Kauai!

Mahalo,

Victoria B. Anderson

SENATE COMMITTEE ON AGRICULTURE AND THE ENVIRONMENT'
Hearing on Feb. 10, 2025 at 1:01 pm

OPPOSING SB 1547

My name is John Kawamoto, and I oppose this bill because it encourages dairy farming, which is inefficient.

Dairy farming requires large amounts of resources to produce relatively small amounts of food. Cows need vast amounts of water, land, and feed to produce milk, yet much of the energy from these inputs is lost through the animals' metabolism. For example, an estimated 75% of the nutrients eaten by a dairy cow is lost in the production of milk, according to an article in the [Journal of Dairy Science](#).

Agricultural land in Hawaii is limited, so it should be used efficiently. The space required to raise dairy cows and grow their feed should instead be used to produce plant-based foods that provide more direct nutrition to humans. As demand for food grows, Hawaii should shift away from dairy farming to conserve resources.

I urge the committee to vote “no” on this bill.

Testimony of
ALEC SOU of
Aloun Farms
on
S.B. No. 1547
Monday, February 10, 2025
1:01 p.m.
on
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, 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; and
- Regulatory costs.

S.B. No. 1547 will enable the establishment 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, and urge your favorably consideration of this measure.