

A Bill for an Act Relating to the Issuance of Special Purpose Revenue Bonds to Assist an Industrial Enterprise.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that although fuel-grade ethanol, produced from the fermentation of agricultural or municipal solid waste by-products, has demonstrated its value as a clean, safe, and economical alternative to petroleum, Hawaii continues to depend almost entirely upon imported petroleum-based fuels to fulfill its transportation and electrical energy needs. The legislature further finds that with the decline of the sugar industry in the State, vast areas of agricultural land along with an experienced agricultural work force will, in all likelihood, become severely underutilized in the near future. Provided with the necessary financial assistance to establish a facility to demonstrate the viability of the technology, the ethanol production industry will provide the State with an alternative energy product which would reduce Hawaii's dependence upon imported petroleum, as well as assist in the revival of the State's agricultural economy. For the foregoing reasons, the legislature finds and declares that the issuance of special purpose revenue bonds and refunding special purpose revenue bonds under this Act is in the public interest and is beneficial to the public's health, safety, and general welfare.

Energy Associates of Hawaii, Inc., proposes that all public and private parties and organizations involved cooperate in expediting the building of a demonstration plant for the production of fuel-grade ethanol using the hemicellulose portion of bagasse as feedstock. Energy Associates of Hawaii, Inc., through its association with BioEnergy International, L.C. (a Quadrex Company) of Florida, will manage the ethanol facilities and provide the technology required. The legislature finds that Energy Associates of Hawaii, Inc., is an industrial enterprise meeting the qualifications for special purpose revenue bond assistance under chapter 39A, part V, Hawaii Revised Statutes. The special purpose revenue bonds authorized under this Act will provide low interest-rate bond financing for the construction of a demonstration fuel-grade ethanol production plant in Hamakua, Hawaii, or in Kau, Hawaii, or in Waialua, Oahu, or in any other appropriate location in the State.

SECTION 2. Pursuant to part V, chapter 39A, Hawaii Revised Statutes, the department of budget and finance, with the approval of the governor, is authorized to issue special purpose revenue bonds in one or more series in a total amount not to exceed \$25,000,000, for the construction of a demonstration fuel-grade ethanol production plant in Hamakua, Hawaii, or in Kau, Hawaii, or in Waialua, Oahu, or in any other appropriate location in the State.

SECTION 3. The department of budget and finance shall submit an annual report to the legislature of the progress made under this Act in reducing the financial costs of the construction of a demonstration fuel-grade ethanol production plant in Hamakua, Hawaii, or in Kau, Hawaii, or in Waialua, Oahu, or in any other appropriate location in the State. The report shall include:

- (1) The cost of the bonds at the time of issuance as compared to the cost of the undertaking if the undertaking was financed through other means;

- (2) The estimated benefits derived from the use of the special purpose revenue bonds; and
- (3) A description of the undertaking to be funded by the special purpose revenue bonds.

SECTION 4. The department of budget and finance is authorized to issue from time to time, refunding special purpose revenue bonds in whatever principal amounts the department shall determine to be necessary to refund the special purpose revenue bonds authorized in section 2, and any refunding special purpose revenue bonds authorized in this section, regardless of whether the outstanding special purpose revenue bonds or refunding special purpose revenue bonds have matured or are the subject of redemption, and the refunding special purpose revenue bonds shall be bonds for the multi-project programs described in section 2. In making this determination, the department shall comply with federal law relating to the exemption from federal income taxation of the interest on bonds of the nature authorized under this Act.

SECTION 5. The special purpose revenue bonds and the refunding special purpose revenue bonds issued under this Act shall be issued pursuant to chapter 39A, part V, Hawaii Revised Statutes, pertaining to the power to issue special purpose revenue bonds and refunding special purpose revenue bonds to assist industrial enterprises serving the general public.

SECTION 6. The authorization to issue special purpose revenue bonds under this Act shall lapse on June 30, 1997.

SECTION 7. This Act shall take effect upon its approval.

(Approved June 22, 1994.)