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FINANCIAL ADMINISTRATION DIVISION
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WRITTEN ONLY

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

March 28, 2025
3:30 P.M.
Room 308 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, H.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 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.



Email: communications@ulupono.com

HOUSE COMMITTEE ON FINANCE
Friday, March 28, 2025 — 3:30 p.m.

Ulupono Initiative supports SB 1547 SD 1 HD 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 Yamashita and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs 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 HD 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,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i



Testimony in **Opposition** to SB 1547

The Libertarian Party of Hawaii is in strong opposition to SB 1547. This measure raises significant concerns about the principles of liberty and governance that are essential to our democratic process.

It overrides existing law, which was established to ensure a transparent and accountable process for the issuance of special purpose revenue bonds. By circumventing the necessary planning, approval, zoning, and timeframe requirements, we remove the checks and balances that protect our community's interests. Any State-funded project of this scale must undergo a thorough evaluation and public scrutiny to uphold the values of transparency and accountability.

It is completely inappropriate to override existing law just to benefit **Aloun Farms, who already admitted to breaking labor laws in the past**. Consideration of this blatant move shows a troubling willingness to put corporate interests ahead of the law and the community's well-being. Such actions damage public trust and create a dangerous precedent for select powerful businesses to bypass rules designed to protect taxpayer funds and support fair governance. When the needs of a few are prioritized over the rights of many, we risk destroying the foundations of our democracy.

SB962 and HB456 would have substantially opened up the dairy market to the benefit of all Hawaii farmers, but those were never even brought up for discussion. It seems our representatives would rather choose nepotism over free market solutions. We should prioritize policies that empower all local producers and promote a diverse agricultural landscape, rather than favoring a questionable and already large corporation at the expense of our community's agricultural integrity.

We urge you to **reject** this measure and uphold the principles of free market, accountability, and community involvement. We must prioritize the rights and liberties of our residents over the interests of a single corporation.

Thank you for considering our testimony.

Abbra Green
LPHIsecretary@gmail.com



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March 28, 2025

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON SB 1547, SD1, HD1

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 308 & Videoconference
3:30 PM

Aloha Chair Yamashita, Vice-Chair Takenouchi, 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, SD1, HD1, 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. 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, HD1 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-HD-1

Submitted on: 3/27/2025 8:15:35 AM

Testimony for FIN on 3/28/2025 3:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Austin "Shiloh" Martin	The Libertarian Party of Hawaii	Oppose	Remotely Via Zoom

Comments:

The Libertarian Party of Hawaii is extremely opposed to this measure.



94-488 Kunia Road, Waipahu, HI 96797

Phone: (808) 688-3245

March 26, 2025

The Honorable Chair Yamashita
Members of the Committee on Finance
Hawaii State Capitol
415 S. Beretania Street, #308
Honolulu, HI 96813

Subject: Testimony in Support of Senate Bill 1547, SD1, HD1

Aloha Chair Yamashita and Members of the Committee:

My name is Alec Sou. I am President of Aloun Farm, Inc. and am testifying on its behalf. We have been actively farming in Hawaii since 1976.

Aloun Farm, Inc. strongly supports Senate Bill 1547, SD1, HD1, which proposes special purpose revenue bonds to support the financing, operation, and maintenance of a project to revitalize Hawaii's dairy industry.

Dairy was once a thriving industry in Hawaii with over 150 dairies, but now is reduced to just one on Hawaii Island. With rising feed costs, mainland competition, mounting production costs, land lost to development and population growth, steep land prices and regulatory costs, it is no surprise the industry is struggling.

SB 1547, SD1, HD1, will enable the revitalization of a dairy operation by integrating feed production, milk processing, and compliance with regulatory requirements, hopefully at competitive prices.

In doing so, programs such as Farm to School and Farm to Table may once again be brought back to the drawing board in another effort to support the agricultural industry.

For these reasons, Aloun Farms strongly supports SB 1547, SD1, HD1 and urge your favorable consideration of this measure.

Thank you for the opportunity to testify.

Sincerely,

Alec Sou,
President & General Manager

SB-1547-HD-1

Submitted on: 3/25/2025 10:05:04 PM

Testimony for FIN on 3/28/2025 3:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Nicholas Zehr	Individual	Oppose	Written Testimony Only

Comments:

Honorable Chair, Vice Chair, and Members of the Committee,

I write in strong opposition to SB1547, which authorizes the issuance of special purpose revenue bonds (SPRBs) to assist Aloun Kauai Farming LLC in building an integrated dairy. While this bill may appear to support agricultural development in Hawai'i, it instead **represents government favoritism, market distortion, and economic inefficiency** at the expense of true free-market competition.

SB1547 allows the state to grant financial privileges to a single private company, **creating an unfair competitive advantage over other farmers and agricultural businesses in Hawai'i**. If Aloun Kauai Farming LLC has a sound business model, it **should secure funding through private investment and lenders** rather than through government-backed bonds that selectively benefit one enterprise.

Government intervention in agriculture often results in **crony capitalism**—where politically connected businesses receive advantages that smaller, independent farmers cannot access. If the state truly wants to support agriculture, it **should focus on deregulation and eliminating barriers to entry rather than subsidizing select corporations**.

Proponents may argue that SPRBs do not impose direct taxpayer liability since they are repaid through project revenues. However, **SPRBs still create indirect risks and economic distortions**:

- If the project fails, the state may face pressure to intervene, either through restructuring, extending financial support, or using taxpayer-funded resources to mitigate economic fallout.
- Government-endorsed bonds send a misleading signal to private investors, who may assume a lower risk of failure due to perceived state backing. This can lead to misallocation of capital that would have otherwise gone to more viable projects.

If the Legislature were truly interested in expanding Hawaii's dairy industry, it would have at least considered SB962 and HB456, which sought to legalize raw milk sales and give local farmers the ability to meet consumer demand without government handouts. Instead, both bills were refused a hearing this session, shutting the door on a free-market approach to increasing dairy supply. Legalizing raw milk would allow small farmers to compete, increase local

production, and expand consumer choice—all without taxpayer-backed bonds or government favoritism. **The fact that lawmakers rejected this simple and voluntary market reform while considering a state-backed financing deal for a single company highlights a deep inconsistency in the Legislature's approach to agricultural policy.**

A common justification for SB1547 is that it supports local food production, enhancing Hawaii's food security. However, **true food security comes from fostering a competitive agricultural sector, not from state-sponsored enterprises.** The best way to improve local food systems is to:

- **Reduce regulatory burdens** on all farmers to allow greater innovation and investment.
- **Encourage free-market solutions**, such as private co-ops, direct-to-consumer models, and competitive access to land and infrastructure.

By contrast, **government-backed financing stifles competition** by making it harder for smaller farms to compete against state-favored enterprises. If Hawai'i wants a more resilient food system, it should empower **all** farmers rather than giving selective benefits to a few.

History is filled with failed government-backed agricultural projects that wasted resources and distorted markets. Similar ventures, such as government-supported biofuel projects and failed agricultural subsidies, have demonstrated that **state intervention does not guarantee success.**

By rejecting SB1547, the Legislature can prioritize fairness, market competition, and responsible governance instead of gambling on a single private entity.

Hawaii's farmers and agricultural businesses deserve an equal playing field, not selective government backing. The best way to promote agriculture is to remove unnecessary restrictions, lower business costs, and encourage private investment—not through state-issued bonds that benefit one company at the expense of others.

The refusal to even hear SB962 and HB456 makes it clear that this Legislature is not interested in expanding dairy through the free market, but instead prefers to subsidize a politically connected company. This is not sound policy, and I urge you to vote NO on SB1547 in favor of real, market-driven solutions that benefit all farmers and consumers in Hawai'i. Mahalo for your time and consideration.

Sincerely,
Nicholas Zehr

SB-1547-HD-1

Submitted on: 3/26/2025 2:41:03 PM

Testimony for FIN on 3/28/2025 3:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Master Jedi Shelby "Pikachu" Billionaire	Ohana Unity Party & Kingdom of The Hawaiian Islands	Support	Remotely Via Zoom

Comments:

Subject: Enthusiastic Support for S.B. No. 1547 – Empowering Kauai Communities with a Dairy Lifeline

Aloha Esteemed Lawmakers of the Thirty-Third Legislature,

I write with deep conviction to support Senate Bill No. 1547, authorizing special purpose revenue bonds (SPRBs) to assist Aloun Kauai Farming LLC in revitalizing Kauai’s dairy industry. This bill isn’t just about financing—it’s about breathing life into local communities, teaching them to “fish” for a lifetime, as Matthew 4:19 inspires us: “Follow me, and I will make you fishers of men.” By empowering Aloun Kauai Farming to build an integrated dairy, S.B. No. 1547 plants seeds of self-sufficiency, jobs, and food security for Kauai’s 73,298 residents (Census, 2023). I urge you to pass this bill, effective July 1, 2025—not the placeholder July 1, 3000—unlocking a sustainable future for our ohana.

A Dairy Revival for the Garden Isle

Kauai’s agricultural heritage is at a crossroads. The island’s last dairy closed in 1986 (HDOA, 2023), leaving Hawaii importing 95% of its milk—240 million pounds yearly (UH CTAHR, 2024)—at \$1.2 billion (DBEDT, 2023). Aloun Kauai Farming, a proven ag leader since 1977 (Aloun Farms), aims to reverse this with a modern dairy under S.B. No. 1547. SPRBs (Section 3) fund planning, design, construction, and maintenance, leveraging private capital—Aloun covers principal and interest (HRS 39A)—to produce 5-10 million pounds of milk annually (est. from mid-sized dairy models). That’s 2-4% of Hawaii’s need, cutting imports by \$25-\$50 million (est.) and feeding Kauai for generations.

Teaching Communities to Fish

- Jobs for Life: Kauai’s 7.1% unemployment (DOL, Feb 2025)—highest in the state—hits rural areas like Kalaheo and Koloa hard. A dairy means 50-75 direct jobs (USDA, 2023, 1 job/100 cows) and 100+ indirect roles (multiplier effect, DBEDT), from milking to

trucking. Training locals—40% Native Hawaiian (Census, 2023)—in dairy skills echoes Matthew 4:19's call to equip, not just employ, sustaining 150+ families (est.).

- Food Security: Kauai's 12,000 kids (Census, 2023) deserve local milk—90% of school meals rely on imports (DOE, 2024). A dairy could supply 500,000-1 million pounds to schools (est.), slashing costs (\$1.50/lb local vs. \$2.50/lb imported, HDOA) and teaching self-reliance.
- Economic Ripple: Every \$1 in dairy revenue generates \$1.50 locally (USDA Ag Multiplier, 2023). A \$10M dairy pumps \$15M into Kauai's economy—grocers, feed stores, and families thrive, not just survive.

Why SPRBs Matter

SPRBs (Sections 3-5) are the rod and reel—Aloun Kauai Farming provides the catch. Unlike grants, these bonds cost taxpayers nothing upfront (HRS 39A); Aloun repays via revenue, with bonds refundable past 2030 (Section 5). A \$20M-\$30M issuance (est. for 500-cow dairy, USDA, 2023) builds a facility that's sustainable—solar-powered, water-efficient (Aloun's model)—and scalable. The June 30, 2030, lapse (Section 6) ensures urgency, but the July 1, 3000, effective date (Section 7) must shift to 2025—Kauai can't wait centuries for milk.

Local Voices, Local Victories

Picture a Hanapepe mom, Leilani (hypothetical), once jobless, now a dairy tech earning \$40K/year (DOL avg.), or a Kekaha keiki sipping Kauai milk at lunch—not shipped from 2,500 miles away. This bill empowers 10,000+ rural Kauaians (population split) with work, food, and pride—20% of the island's workforce (DOL, 2025). Aloun's track record—400 acres, 100+ jobs (Aloun Farms)—proves they'll deliver, not just dream.

A Call to Act

S.B. No. 1547 is public interest in action (Section 1)—health, safety, and welfare for Kauai's ohana. I urge you to:

1. Fund It: Authorize \$30M in SPRBs (scaled from dairy costs), ample for a 500-cow start.
2. Fix the Date: Set July 1, 2025, effective—2030's bond lapse demands it.
3. Pass It: Approve this session, seeding jobs and milk by 2026.

This isn't a handout—it's a hand up, teaching Kauai to fish for a lifetime. Mahalo for championing our communities—let's make S.B. No. 1547 a beacon of aloha and abundance!

With Profound Respect and Faithful Hope,

Master Shelby "Pikachu" Billionaire, HRM

Ohana Unity Party, Chairman

www.Ohanaunityparty.com

Kingdom of The Hawaiian Islands, H.I.

SB-1547-HD-1

Submitted on: 3/26/2025 7:30:52 PM

Testimony for FIN on 3/28/2025 3:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Ted Bohlen	Individual	Oppose	Written Testimony Only

Comments:

OPPOSE taxpayer support for this project, which will pollute and is not in the public interest as is required for SPRB funding!

SB-1547-HD-1

Submitted on: 3/26/2025 8:00:05 PM

Testimony for FIN on 3/28/2025 3:30:00 PM

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.

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

MANURE RUNOFF: Dairy farms produce large amounts of manure, which 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.

SB-1547-HD-1

Submitted on: 3/27/2025 7:47:48 AM

Testimony for FIN on 3/28/2025 3:30:00 PM

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

Comments:

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

Please do not support Aloun Kauai's dairy project. Bill SB 1547's wording says issuing these bonds serves the public interest, health, safety, and general welfare. That's not true for this planned dairy. As for safety and general welfare: 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. In addition, dairy farms create enormous greenhouse gas emissions, especially of the powerful greenhouse gas methane. They 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. As for health: a large and growing body of medical literature documents that dairy consumption is tied to obesity, heart disease, and cancer (see the Physician's Committee for Responsible Medicine, for a start.)

In a Civil Beat interview, Aloun's Alex Sou conceded that "The last dairy plan wanted to build upwind of Po'ipū — that's Kaua'i's Waikīkī," he said. "So the location was bad." The new location is still bad! But now it's bad for Kekaha.

Kauai suffered enough division in the five years spent trying to site Hawaii Dairy in Maha'ulepu. Like residents and visitors to Maha'ulepu, residents in Kekaha deserve to live free of the stench, abundance of raw manure, and resulting hordes of biting flies that would result from this project. The main product of this dairy will not be milk, but the 110 to 140 pounds of wet manure per day. Per cow!

Mahalo.

Victoria B. Anderson

SB-1547-HD-1

Submitted on: 3/27/2025 10:46:59 AM

Testimony for FIN on 3/28/2025 3:30:00 PM

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

Comments:

I strongly oppose this bill and the state funding of a dairy farm on West Kauai. The environmental impact could be significant. Additionally, dairy products have been linked to various health issues. Lactose intolerance is common among the population of Asian and Pacific Islanders. Funding a dairy farm may not be the best use of taxpayer money due to these environmental and health considerations.

Mahalo,

Katherine Skow

Kapa'a

SB-1547-HD-1

Submitted on: 3/28/2025 11:38:22 AM

Testimony for FIN on 3/28/2025 3:30:00 PM

Submitted By	Organization	Testifier Position	Testify
Gordon LaBedz, MD	Individual	Oppose	Written Testimony Only

Comments:

Strong Opposition

Taxpayers should not support a polluting business that creates a very unhealthful product.

The Surfrider Foundation has been working for decades to clean up dirty agriculture that pollutes our beaches on Kaua'i. Animal Factory Farms are not welcome.