
A BILL FOR AN ACT

RELATING TO AGRICULTURE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 163D, Hawaii Revised Statutes, is
2 amended by adding a new part to be appropriately designated and
3 to read as follows:

4 **"PART II. KUNIA SPECIAL AGRICULTURAL DISTRICT**

5 **§163D-A Establishment of district; boundaries.** (a) There
6 is established the Kunia special agricultural district.

7 (b) The district shall include all lands in the state land
8 use agricultural district and classified by the land study
9 bureau's detailed land classification as overall (master)
10 productivity rating class A or B within the area generally
11 bounded by Farrington highway to the south, Kipapa gulch and
12 Kamehameha highway to the east, Wheeler Air Force Base and
13 Schofield Barracks to the north, and Makakilo Drive, the
14 Makakilo residential urban district, and the Honouliuli forest
15 reserve to the west.

16 **§163D-B Transfer of public lands and non-agricultural park**
17 **lands; other lands.** (a) In addition to the acquisition of
18 public lands within the Kunia special agricultural district by



1 the corporation pursuant to section 163D-16, the board of land
2 and natural resources shall transfer all non-agricultural park
3 lands, all lands subject to chapter 166E pursuant to that
4 chapter, and other public lands in its control within the Kunia
5 special agricultural district to the corporation; provided that
6 the transfer of non-agricultural park lands pursuant to chapter
7 166E shall not otherwise be affected; and provided further that
8 no public lands shall be transferred if the transfer would
9 impair any existing lease between the State and a lessee or
10 impair any covenant between the State or any county and the
11 holders of bonds issued by the State or any county.

12 (b) The corporation shall further acquire other available
13 lands within the Kunia special agricultural district, with
14 priority to lands contiguous to existing lands it controls and
15 large non-contiguous parcels, with suitable water resources
16 available, capable of producing sustained high agricultural
17 yields.

18 **§163D-C Agricultural projects; project facilities.** In
19 accordance with section 163D-7 and section 163D-8, respectively,
20 the corporation shall:

21 (1) Develop and implement projects on lands it controls
22 within the Kunia special agricultural district; and



1 (2) Identify, plan, and develop project facilities,
2 particularly irrigation facilities, for agricultural
3 projects within the Kunia special agricultural
4 district.

5 **§163D-D Hawaii agricultural development revolving fund.**

6 For purposes of this part, the corporation may use funds in the
7 Hawaii agricultural development revolving fund established
8 pursuant to section 163D-17.

9 **§163D-E Linked investments; limitations.** (a) A linked
10 investment is a certificate of deposit placed with a private
11 lender at an interest rate not more than two per cent below
12 current market rates; provided that the private lender agrees to
13 lend the value of the deposit to an eligible borrower at a rate
14 not more than the prime rate or seven and one-half per cent a
15 year, whichever is lower. A linked investment certificate of
16 deposit shall:

17 (1) Earn a rate of interest of not less than two per cent
18 a year;

19 (2) Not be subject to a penalty for early withdrawal; and

20 (3) Have a maturity of one year for the initial linked
21 investment, which may be renewed for eight additional
22 one-year periods.



1 (b) The director of finance may invest not more than ten
2 per cent of any moneys that are maintained in the custody of the
3 director of finance for investment and reinvestment under
4 section 36-21 in linked investments through agreements with
5 private lenders.

6 (c) As used in this part, an "eligible borrower" means an
7 enterprise that proposes to be engaged in agricultural
8 activities in the Kunia special agricultural district.

9 **§163D-F Linked investments; application; authorization.**

10 (a) A private lender shall accept and review applications for
11 loans, determine that the applicant is an eligible borrower, and
12 prepare a linked investment loan package in the form and manner
13 prescribed by the director of finance. The loan package shall
14 include information on:

- 15 (1) The amount of the loan requested;
16 (2) The purpose of the loan; and
17 (3) The institution's certification that the applicant is
18 an eligible borrower.

19 (b) The director of finance shall accept or reject the
20 linked investment loan package or any portion of the package
21 based on the availability of state funds.



1 (c) Upon acceptance of the linked investment loan package,
2 the director of finance shall place a certificate of deposit for
3 the loan amount with the private lender.

4 **§163D-G Loans.** (a) Each separate loan made through
5 linked investments shall not exceed the amount of \$.

6 (b) Loans made through linked investments may be used for
7 the agricultural projects, project facilities, financing of
8 plant construction or expansion, the purchase of equipment and
9 materials, and working capital by an eligible borrower. Loans
10 made through linked investments shall not be used for the
11 purchase of real property.

12 (c) The State shall have no liability in the event of a
13 loan default."

14 SECTION 2. Chapter 163D, Hawaii Revised Statutes, is
15 amended by designating sections 163D-1 to 163D-19 as part I and
16 inserting a title before section 163-D-1 to read as follows:

17 **"PART I. GENERAL PROVISIONS"**

18 SECTION 3. Section 36-21, Hawaii Revised Statutes, is
19 amended by amending subsection (a) to read as follows:

20 "(a) The director of finance may invest any moneys of the
21 State which in the director's judgment are in excess of the
22 amounts necessary for meeting the immediate requirements of the



1 State and where in the director's judgment the action will not
2 impede or hamper the necessary financial operations of the State
3 in:

4 (1) Any bonds or interest-bearing notes or obligations:

5 (A) Of the State (including state director of
6 finance's warrant notes issued pursuant to
7 chapter 40);

8 (B) Of the United States;

9 (C) For which the faith and credit of the United
10 States are pledged for the payment of principal
11 and interest;

12 (2) Federal Farm Credit System notes and bonds;

13 (3) Federal Agricultural Mortgage Corporation notes and
14 bonds;

15 (4) Federal Home Loan Bank notes and bonds;

16 (5) Federal Home Loan Mortgage Corporation bonds;

17 (6) Federal National Mortgage Association notes and bonds;

18 (7) Student Loan Marketing Association notes and bonds;

19 (8) Tennessee Valley Authority notes and bonds;

20 (9) Securities of a mutual fund whose portfolio is limited
21 to bonds or securities issued or guaranteed by the
22 United States or an agency thereof or repurchase



- 1 agreements fully collateralized by any such bonds or
2 securities;
- 3 (10) Securities of a money market mutual fund that is rated
4 AAA, or its equivalent, by a nationally recognized
5 rating agency or whose portfolio consists of
6 securities that are rated as first tier securities by
7 a nationally recognized statistical rating
8 organization as provided in 17 Code of Federal
9 Regulations section 270.2a-7;
- 10 (11) Federally insured savings accounts;
- 11 (12) Time certificates of deposit;
- 12 (13) Certificates of deposit open account;
- 13 (14) Repurchase agreements with federally insured banks,
14 savings and loan associations, and financial services
15 loan companies;
- 16 (15) Student loan resource securities including:
- 17 (A) Student loan auction rate securities;
- 18 (B) Student loan asset-backed notes;
- 19 (C) Student loan program revenue notes and bonds; and
- 20 (D) Securities issued pursuant to Rule 144A of the
21 Securities Act of 1933, including any private
22 placement issues;



1 issued with either bond insurance or over
2 collateralization guaranteed by the United States
3 Department of Education; provided all insurers
4 maintain a triple-A rating by Standard & Poor's,
5 Moody's, Duff & Phelps, Fitch, or any other major
6 national securities rating agency;

7 (16) Commercial paper with an A1/P1 or equivalent rating by
8 any national securities rating service; ~~and~~

9 (17) Bankers' acceptances with an A1/P1 or equivalent
10 rating by any national securities rating service; and

11 (18) Linked investments established pursuant to section
12 163D-E;

13 provided that the investments are due to mature not more than
14 five years from the date of investment. Income derived from
15 those investments shall be a realization of the general fund;
16 provided that income earned from moneys invested by the general
17 funds, special funds, bond funds, and trust and agency funds on
18 an investment pool basis shall be paid into and credited to the
19 respective funds based on the contribution of moneys into the
20 investment pool by each fund. As used in this section,
21 "investment pool" means the aggregate of state treasury moneys
22 that are maintained in the custody of the director of finance



1 for investment and reinvestment without regard to fund
2 designation."

3 SECTION 4. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$50,000,000 or so
5 much thereof as may be necessary for fiscal year 2006-2007 to be
6 deposited into the Hawaii agricultural development revolving
7 fund for the acquisition of land, development of agricultural
8 projects, development of project facilities, and assistance of
9 enterprises engaging in agricultural activities within the Kunia
10 special agricultural district, and the hiring of staff for these
11 projects.

12 The sum appropriated shall be expended by the agribusiness
13 development corporation for the purposes of this Act.

14 SECTION 5. This Act does not affect rights and duties that
15 matured, penalties that were incurred, and proceedings that were
16 begun, before its effective date.

17 SECTION 6. In codifying the new sections added by section
18 1 of this Act, the revisor of statutes shall substitute
19 appropriate section numbers for the letters used in designating
20 the new sections in this Act.

21 SECTION 7. Statutory material to be repealed is bracketed
22 and stricken. New statutory material is underscored.



1 SECTION 8. This Act shall take effect upon its approval.



Report Title:

Agriculture; Kunia Special Agricultural District

Description:

Establishes the Kunia Special Agricultural District. Requires Agribusiness Development Corporation (ADC) to acquire public and private lands within the district for the development of agricultural projects and project facilities. Allows ADC to use funds from the Hawaii Agricultural Development Revolving Fund and linked investment loans. Appropriates funds into the revolving fund for activities relating to the district. (HB3068 HD1)

