
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 . KUNIA SPECIAL AGRICULTURAL DISTRICT**

5 **§163D-A Establishment of district.** (a) There is
6 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.

11 **§163D-B Transfer of public lands and non-agricultural park**
12 **lands; other lands.** (a) In addition to the acquisition of
13 public lands within the Kunia special agricultural district by
14 the corporation pursuant to section 163D-16, the board of land
15 and natural resources shall transfer all non-agricultural park
16 lands, all lands subject to chapter 166E pursuant to that
17 chapter, and other public lands in its control within the Kunia
18 special agricultural district to the corporation; provided that



1 the transfer of non-agricultural park lands pursuant to chapter
2 166E shall not otherwise be affected; and provided further that
3 no public lands shall be transferred if the transfer would
4 impair any existing lease between the State and a lessee or
5 impair any covenant between the State or any county and the
6 holders of bonds issued by the State or any county.

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

13 **§163D-C Agricultural projects; project facilities.** In
14 accordance with sections 163D-7 and 163D-8, respectively, the
15 corporation shall:

- 16 (1) Develop and implement projects on lands it controls
17 within the Kunia special agricultural district; and
18 (2) Identify, plan, and develop project facilities,
19 particularly irrigation facilities, for agricultural
20 projects within the Kunia special agricultural
21 district.



1 **§163D-D Hawaii agricultural development revolving fund.**

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

5 **§163D-E Linked investments; limitations.** (a) A linked
6 investment is a certificate of deposit placed with a private
7 lender at an interest rate not more than two per cent below
8 current market rates; provided that the private lender agrees to
9 lend the value of the deposit to an eligible borrower at a rate
10 not more than the prime rate or seven and one-half per cent a
11 year, whichever is lower. A linked investment certificate of
12 deposit shall:

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

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

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

19 (b) The director of finance may invest not more than ten
20 per cent of any moneys that are maintained in the custody of the
21 director of finance for investment and reinvestment under



1 section 36-21 in linked investments through agreements with
2 private lenders.

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

6 **§163D-F Linked investments; application; authorization.**

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

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

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

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



1 **§163D-G Loans.** (a) No loan made through linked
2 investments shall exceed \$.

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

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

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

14 **"PART I. GENERAL PROVISIONS"**

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

17 "(a) The director of finance may invest any moneys of the
18 State which in the director's judgment are in excess of the
19 amounts necessary for meeting the immediate requirements of the
20 State and where in the director's judgment the action will not
21 impede or hamper the necessary financial operations of the State
22 in:

- 1 (1) Any bonds or interest-bearing notes or obligations:
2 (A) Of the State (including state director of
3 finance's warrant notes issued pursuant to
4 chapter 40);
5 (B) Of the United States;
6 (C) For which the faith and credit of the United
7 States are pledged for the payment of principal
8 and interest;
- 9 (2) Federal Farm Credit System notes and bonds;
10 (3) Federal Agricultural Mortgage Corporation notes and
11 bonds;
12 (4) Federal Home Loan Bank notes and bonds;
13 (5) Federal Home Loan Mortgage Corporation bonds;
14 (6) Federal National Mortgage Association notes and bonds;
15 (7) Student Loan Marketing Association notes and bonds;
16 (8) Tennessee Valley Authority notes and bonds;
17 (9) Securities of a mutual fund whose portfolio is limited
18 to bonds or securities issued or guaranteed by the
19 United States or an agency thereof or repurchase
20 agreements fully collateralized by any such bonds or
21 securities;



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



1 Department of Education; provided all insurers
2 maintain a triple-A rating by Standard & Poor's,
3 Moody's, Duff & Phelps, Fitch, or any other major
4 national securities rating agency;

5 (16) Commercial paper with an A1/P1 or equivalent rating by
6 any national securities rating service; [~~and~~]

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

9 (18) Linked investments established pursuant to section
10 163D-E;

11 provided that the investments are due to mature not more than
12 five years from the date of investment. Income derived from
13 those investments shall be a realization of the general fund;
14 provided that income earned from moneys invested by the general
15 funds, special funds, bond funds, and trust and agency funds on
16 an investment pool basis shall be paid into and credited to the
17 respective funds based on the contribution of moneys into the
18 investment pool by each fund. As used in this section,
19 "investment pool" means the aggregate of state treasury moneys
20 that are maintained in the custody of the director of finance
21 for investment and reinvestment without regard to fund
22 designation."



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

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

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

15 SECTION 6. In codifying the new part added to chapter
16 163D, Hawaii Revised Statutes, by section 1 of this Act, the
17 revisor of statutes shall substitute appropriate section numbers
18 for the letters used in designating the new sections in this
19 Act.

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

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



H. B. 3068 H. D. 2

Report Title:

Agriculture; Kunia Special Agricultural District

Description:

Establishes the Kunia Special Agricultural District (District). Requires Agribusiness Development Corporation (ADC) to acquire public and private lands within the District for the development of agricultural projects and project facilities. Establishes linked investment loans for agricultural enterprises in the District. Appropriates funds into the Hawaii Agricultural Development Revolving Fund for activities relating to the District. (HB3068 HD2)

