
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 and other public lands in its control within the Kunia
4 special agricultural district to the corporation; provided that
5 no public lands shall be transferred if the transfer would
6 impair any existing lease between the State and a lessee or
7 impair any covenant between the State or any county and the
8 holders of bonds issued by the State or any county.

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

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

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



1 projects within the Kunia special agricultural
2 district.

3 **§163D-D Hawaii agricultural development revolving fund.**

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

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

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

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

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

21 (b) The director of finance may invest not more than ten
22 per cent of any moneys that are maintained in the custody of the



1 director of finance for investment and reinvestment under
2 section 36-21 in linked investments through agreements with
3 private lenders.

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

7 **§163D-F Linked investments; application; authorization.**

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

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

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

21 **§163D-G Loans.** (a) Each separate loan made through
22 linked investments shall not exceed the amount of \$.



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

7 SECTION 2. Chapter 163D, Hawaii Revised Statutes, is
8 amended by designating sections 163D-1 to 163D-19 as part I,
9 entitled "General Provisions".

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

12 "(a) The director of finance may invest any moneys of the
13 State which in the director's judgment are in excess of the
14 amounts necessary for meeting the immediate requirements of the
15 State and where in the director's judgment the action will not
16 impede or hamper the necessary financial operations of the State
17 in:

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

19 (A) Of the State (including state director of
20 finance's warrant notes issued pursuant to
21 chapter 40);

22 (B) Of the United States;



- 1 (C) For which the faith and credit of the United
2 States are pledged for the payment of principal
3 and interest;
- 4 (2) Federal Farm Credit System notes and bonds;
- 5 (3) Federal Agricultural Mortgage Corporation notes and
6 bonds;
- 7 (4) Federal Home Loan Bank notes and bonds;
- 8 (5) Federal Home Loan Mortgage Corporation bonds;
- 9 (6) Federal National Mortgage Association notes and bonds;
- 10 (7) Student Loan Marketing Association notes and bonds;
- 11 (8) Tennessee Valley Authority notes and bonds;
- 12 (9) Securities of a mutual fund whose portfolio is limited
13 to bonds or securities issued or guaranteed by the
14 United States or an agency thereof or repurchase
15 agreements fully collateralized by any such bonds or
16 securities;
- 17 (10) Securities of a money market mutual fund that is rated
18 AAA, or its equivalent, by a nationally recognized
19 rating agency or whose portfolio consists of
20 securities that are rated as first tier securities by
21 a nationally recognized statistical rating



1 organization as provided in 17 Code of Federal
2 Regulations section 270.2a-7;

3 (11) Federally insured savings accounts;

4 (12) Time certificates of deposit;

5 (13) Certificates of deposit open account;

6 (14) Repurchase agreements with federally insured banks,
7 savings and loan associations, and financial services
8 loan companies;

9 (15) Student loan resource securities including:

10 (A) Student loan auction rate securities;

11 (B) Student loan asset-backed notes;

12 (C) Student loan program revenue notes and bonds; and

13 (D) Securities issued pursuant to Rule 144A of the
14 Securities Act of 1933, including any private
15 placement issues;

16 issued with either bond insurance or over
17 collateralization guaranteed by the United States
18 Department of Education; provided all insurers
19 maintain a triple-A rating by Standard & Poor's,
20 Moody's, Duff & Phelps, Fitch, or any other major
21 national securities rating agency;



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

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

5 (18) Linked investments established pursuant to section
6 163D-E;

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

19 SECTION 4. There is appropriated out of the general
20 revenues of the State of Hawaii the sum of \$50,000,000, or so
21 much thereof as may be necessary for fiscal year 2006-2007, to
22 be deposited into the Hawaii agricultural development revolving



1 fund for the acquisition of land, development of agricultural
2 projects, development of project facilities, and assistance of
3 enterprises engaging in agricultural activities within the Kunia
4 special agricultural district in accordance with this Act.

5 SECTION 5. The sum appropriated shall be expended by the
6 agribusiness development corporation for the purposes of this
7 Act.

8 SECTION 6. In codifying the new sections added by section
9 1 of this Act, the revisor of statutes shall substitute
10 appropriate section numbers for the letters used in designating
11 the new sections in this Act.

12 SECTION 7. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 8. This Act shall take effect upon its approval.
15

INTRODUCED BY:

Jon Nih. Karamator
Polype P. Abinsay, Jr.

D. L. G.
[Signature]

JAN 25 2006



HB 3068

Report Title:

Agriculture; Kunia Special Agricultural District

Description:

Establishes Kunia Special Agriculture District; requires Agribusiness Development Corp. to acquire public and private lands within the district for the development of agricultural projects and project facilities; allows use of funds in the Hawaii agricultural development revolving fund and linked investment loans; makes an appropriation.

