

Honolulu, Hawaii

Feb 17, 2006

RE: H.B. No. 2179
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committee on Agriculture, to which was referred H.B. No. 2179 entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURE,"

begs leave to report as follows:

The purpose of this bill is to rejuvenate state management of agricultural lands and overhaul aging agricultural infrastructure by:

- (1) Transferring the management and administration of state agricultural parks, non-agricultural park lands, state irrigation systems, and programs relating to the development and promotion of agricultural products and markets, from the Department of Agriculture (DOA) to the Agribusiness Development Corporation (ADC);
- (2) Establishing the Irrigation Repair and Maintenance Special Fund (Special Fund) to fund repair and maintenance of certain irrigation systems throughout the state;
- (3) Establishing a nonrefundable income tax credit equal to the amount of matching funds provided by a taxpayer in obtaining funding from the Special Fund;
- (4) Authorizing \$30,000,000 in general obligation bonds and appropriating the same amount to be deposited into the



Special Fund; provided that \$50,000,000 in federal funds are also deposited into the Special Fund;

- (5) Appropriating \$80,000,000 out of the Special Fund to be used for irrigation repair and maintenance;
- (6) Appropriating \$11,886,000 in general funds for repair and maintenance of certain irrigation systems; and
- (7) Appropriating funds for the operation, management, and administrative costs incurred by the ADC.

C&H Farms supported this bill. DOA, ADC, Hawaii Crop Improvement Association, Pineapple Growers Association of Hawaii, Big Island Farm Bureau, East Kauai Water Users' Cooperative, Hawaii Agriculture Research Center, Hawaii Cattlemen's Council, Hawaii Farm Bureau Federation, Kona County Farm Bureau, Maui County Farm Bureau, Saiva Siddhanta Church, and a concerned individual supported the provisions of the bill related to irrigation, but opposed the transfer of functions from DOA to ADC. Dole Food Company, Inc., supported the intent of the provisions related to irrigation, but opposed the transfer of functions from DOA to ADC. The Department of Taxation, Earthjustice, Hawaii Export Nursery Association, Hawaii Beekeepers' Association, Hawaii Coffee Association, Hawaii Forest Industry Association, Waimanalo Agricultural Association, and two concerned individuals opposed this measure. The Department of Land and Natural Resources, Department of Budget and Finance, Kona Pacific Farmers Cooperative, Land Use Research Foundation of Hawaii, Alexander & Baldwin, Inc., and Hawaiian Commercial & Sugar Company submitted comments.

Your Committee notes that concerns were raised regarding the exclusion of sugarcane and pineapple production from the definition of "diversified agriculture" as it relates to the landowners that are qualified to apply for and receive funding from the Special Fund. In addition, concerns were also raised regarding the requirement for landowners, as a condition of applying for Special Fund moneys, to agree to file petition for declaratory rulings designating all lands within two miles of the water produced by the irrigation system as important agricultural lands. Your Committee recognizes that these conditions may be too restrictive since they may exclude certain irrigation systems from accessing the Special Fund, which may have detrimental effects for the farms and ranches that depend on such irrigation systems.



Your Committee supports future legislative efforts to address these issues.

In addition, your Committee recognizes that while numerous testifiers supported the portions of the bill relating to irrigation repair and maintenance, there was strong opposition to the portions of the bill that transfer management functions from DOA to ADC.

Accordingly, your Committee has amended this bill by:

- (1) Deleting the transfer of management and administrative functions from DOA to ADC contained in this bill as referred to your Committee;
- (2) Specifying that the Special Fund be administered by the Board of Agriculture (BOA) instead of the ADC;
- (3) Changing the expending agency for the:
 - (A) \$80,000,000 Special Fund appropriation for repair and maintenance of irrigation systems; and
 - (B) \$11,886,000 general fund appropriation for repair and maintenance of certain irrigation systems,to BOA instead of ADC;
- (4) Deleting the appropriation for the operational, management, and administrative costs incurred by ADC and replacing it with an appropriation for the operational, management, and administrative costs incurred by BOA in carrying out the provisions of this bill; and
- (5) Making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the record of votes of the members of your Committee on Agriculture that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2179, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2179, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Agriculture,

Felipe P. Abinsay, Jr.

FELIPE P. ABINSAY, JR., Chair



