

Honolulu, Hawaii

March 23, 2006

RE: S.B. No. 2954  
S.D. 2  
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 S.B. No. 2954, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURE,"

begs leave to report as follows:

The purpose of this bill is to overhaul Hawaii's aging agricultural infrastructure by:

- (1) Establishing the Irrigation Repair and Maintenance Special Fund (Special Fund) to fund repair and maintenance of certain irrigation systems statewide;
- (2) Establishing the Irrigation Repair and Maintenance Special Fund Tax Credit (Tax Credit) for landowners who provide matching funds required to obtain funding from the Special Fund;
- (3) Authorizing and appropriating an unspecified amount of general obligation (GO) bonds to be deposited into and used for the purposes of the Special Fund; provided that the GO bonds are matched by an unspecified amount of federal funds;
- (4) Appropriating an unspecified amount of general funds for repair and maintenance of certain irrigation systems;  
and



- (5) Appropriating general funds for the Agribusiness Development Corporation (ADC) to pay for the operational, management, and administrative costs incurred by ADC.

The College of Tropical Agriculture and Human Resources of the University of Hawaii, Hawaii Farm Bureau Federation, Big Island Farm Bureau, East Kauai Water Users' Cooperative, Hawaii Cattlemen's Council, Meadow Gold Dairies, and C&H Farms supported this bill. The Maui County Farm Bureau, Alexander & Baldwin, Inc., Hawaiian Commercial & Sugar Company, and Pineapple Growers Association of Hawaii supported this measure with amendments. The Department of Taxation, Department of Agriculture, Office of Hawaiian Affairs, ADC, Hawaii Agriculture Research Center, and Land Use Research Foundation of Hawaii supported the intent of this bill. The Hawaii Coffee Association and Dole Food Company, Inc., supported the intent of this measure with amendments. The City and County of Honolulu Department of Planning and Permitting opposed this bill. The Department of Budget and Finance and Tax Foundation of Hawaii submitted comments.

Your Committee notes that although there is widespread support for the intent of this measure, numerous concerns have been raised regarding some of the specific provisions contained in this bill.

In light of these concerns, your Committee has amended this measure by:

- (1) Establishing that the Special Fund be administered by the Board of Agriculture (BOA) instead of the ADC;
- (2) Including the Wahiawa Reservoir and Ditch System in the list of specific irrigation systems that may receive funding from the Special Fund;
- (3) Increasing the number of irrigation systems that may receive funding from the Special Fund by removing the condition that other privately-owned irrigation systems be located on former sugarcane and pineapple plantation lands converted to diversified agriculture;
- (4) With respect to two of the requirements that a landowner must fulfill to apply for assistance from the Special Fund, clarifying that the landowner shall:



- (A) Agree to file a petition for declaratory ruling designating a majority of all lands served by the water produced by the irrigation system as important agricultural lands; and
  - (B) Agree to use or provide for the use of a majority of all lands the landowner controls or owns that are served by the water produced by the irrigation system for agricultural production;
- (5) Broadening the scope of this measure by deleting references to "diversified agriculture" and replacing it with "agriculture" and defining "agriculture" to include sugarcane, pineapple, and silviculture;
- (6) Changing the expending agency for the Special Fund appropriation for repair and maintenance of irrigation systems to BOA instead of ADC;
- (7) With respect to the unspecified general fund appropriation for the repair and maintenance of certain irrigation systems:
- (A) Changing the means of financing from general funds to GO bonds;
  - (B) Inserting a GO bond authorization and appropriation of \$11,886,000 while leaving the appropriation amounts for specified irrigation system blank;
  - (C) Changing the expending agency for this appropriation to BOA instead of ADC; and
  - (D) Specifying that this appropriation is needed for federal aid financing and/or reimbursement;
- (8) 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
- (9) 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 S.B. No. 2954, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2954, S.D. 2, 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



