
A BILL FOR AN ACT

RELATING TO LOANS FOR AGRICULTURAL AND AQUACULTURE PURPOSES.

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

1 SECTION 1. Section 155-14, Hawaii Revised Statutes, is
2 amended by amending subsection (a) to read as follows:

3 "(a) There is created a special fund to be known as the
4 agricultural loan revolving fund, from which moneys shall be
5 loaned by the department of agriculture under this chapter[-]
6 and chapter 219. [~~The department, by its board of agriculture,~~
7 ~~may transfer moneys from the agricultural loan revolving fund to~~
8 ~~the aquaculture loan revolving fund, from which moneys shall be~~
9 ~~disbursed by the department pursuant to chapter 219, and may~~
10 ~~transfer moneys from that revolving fund to the agricultural~~
11 ~~loan revolving fund for disbursement pursuant to this chapter,~~
12 ~~provided that:~~

13 ~~(1) The amount of moneys transferred shall not exceed~~
14 ~~\$1,000,000 for each revolving fund within the calendar~~
15 ~~year; and~~

16 ~~(2) Twenty days prior to the convening of each regular~~
17 ~~session of the legislature, the department shall~~
18 ~~report to the legislature all transfers that were made~~



1 ~~between the agricultural loan revolving fund and the~~
2 ~~aquaculture loan revolving fund during the preceding~~
3 ~~calendar year and the balance of each revolving fund~~
4 ~~as of December 31 of each year.]"~~

5 SECTION 2. Section 219-2, Hawaii Revised Statutes, is
6 amended as follows:

7 1. By adding two new definitions to be appropriately
8 inserted and to read:

9 "New aquaculturist program" means a new aquaculture loan
10 program for qualified new aquaculturists, including persons or
11 associations of persons who are:

- 12 (1) Displaced from employment in an aquaculture production
13 enterprise;
14 (2) Persons by reason of experience, training, or
15 education who are likely to successfully operate an
16 aquaculture enterprise; or
17 (3) Persons or associations of persons actively engaged in
18 a new aquaculture operation for less than two years.

19 "Private lender" includes banks, savings and loan
20 associations, credit unions, mortgage companies, and other
21 qualified companies whose business includes the making of loans
22 in the state."



1 2. By amending the definition of "qualified aquaculturist"
2 to read:

3 "Qualified aquaculturist" means a person, or association of
4 persons, actively engaged in aquaculture farming, aquacultural
5 produce processing, or aquacultural product development
6 activities[-] for a minimum of two years."

7 SECTION 3. Section 219-4, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "**§219-4 Funds; application of payments.** (a) ~~[There is~~
10 ~~established a special fund to be known as the aquaculture loan~~
11 ~~revolving fund from which moneys shall be loaned by the~~
12 ~~department of agriculture under this chapter. The department,~~
13 ~~by its board of agriculture, may transfer moneys from the~~
14 ~~aquaculture loan revolving fund to the agricultural loan~~
15 ~~revolving fund, from which moneys shall be disbursed by the~~
16 ~~department pursuant to chapter 155, and may transfer moneys from~~
17 ~~that revolving fund to the aquaculture loan revolving fund for~~
18 ~~disbursement pursuant to this chapter; provided that:~~

19 ~~(1) The amount of moneys transferred shall not exceed~~
20 ~~\$1,000,000 for each revolving fund within the calendar~~
21 ~~year; and~~



1 ~~(2) Twenty days prior to the convening of each regular~~
2 ~~session of the legislature, the department shall~~
3 ~~report to the legislature all transfers that were made~~
4 ~~between the aquaculture loan revolving fund and the~~
5 ~~agricultural loan revolving fund during the preceding~~
6 ~~calendar year and the balance of each revolving fund~~
7 ~~as of December 31 of each year.]~~ Loans approved by
8 the department under this chapter and chapter 155 shall be
9 funded by the agricultural loan revolving fund established under
10 section 155-14.

11 (b) All interests and fees collected by the department
12 shall be deposited in [a] the agricultural loan reserve fund to
13 the extent needed to carry on the operations of [~~this program,~~
14 ~~any moneys surplus to these needs shall be transferred to the~~
15 ~~aquaculture loan revolving fund at the discretion of the~~
16 ~~department.]~~ the programs. All payments received on account of
17 principal shall be [~~credited to the]~~ paid into the agricultural
18 loan revolving fund."

19 SECTION 4. Section 219-5, Hawaii Revised Statutes, is
20 amended by amending subsection (a) to read as follows:

21 "(a) The department shall have the necessary powers to
22 carry out the purposes of this chapter, including the following:



- 1 (1) Prescribe the qualifications for eligibility of
2 applicants for loans;
- 3 (2) Establish preferences and priorities in determining
4 eligibility for loans and loan repayment requirements;
- 5 (3) Establish the conditions, consistent with the purpose
6 of this chapter, for the granting or for the
7 continuance of a grant of a loan;
- 8 (4) Provide for inspection at reasonable hours of the
9 plant facilities, books, and records of an enterprise
10 that has applied for or has been granted a loan and
11 require the submission of progress and final reports;
- 12 (5) Make loans for aquacultural products development, such
13 as financing of plant construction, conversion,
14 expansion, the acquisition of land for expansion, the
15 acquisition of equipment, machinery, supplies, or
16 materials or for the supplying of working capital,
17 consistent with section 219-6;
- 18 (6) Secure loans by duly recorded first mortgages upon the
19 following property within the [~~State-~~] state:
20 (A) Fee simple farm land;



- 1 (B) Leaseholds of farm land where the lease has an
- 2 unexpired term at least two years longer than the
- 3 term of the loan;
- 4 (C) Aquaculture products;
- 5 (D) Other chattels;
- 6 (E) A second mortgage when any prior mortgage does
- 7 not contain provisions that might jeopardize the
- 8 security position of the department or the
- 9 borrower's ability to repay; and
- 10 (F) Written agreements, such as assignments of
- 11 income;
- 12 (7) Administer the Hawaii [~~aquaculture~~] agricultural loan
- 13 revolving fund and deposit into the fund all moneys
- 14 received on account of principal;
- 15 (8) Include in its budget for subsequent fiscal periods
- 16 amounts necessary to effectuate the purposes of this
- 17 chapter;
- 18 (9) Insure loans made to qualified aquaculturists by
- 19 private lenders under sections 219-7 and 219-8;
- 20 provided that at no time shall the aggregate amount of
- 21 the State's liability, contingent or otherwise, on
- 22 these loans exceed \$1,000,000;



- 1 (10) Participate in loans made to qualified aquaculturists
2 by private lenders under section 219-8;
- 3 (11) Make direct loans to qualified aquaculturists as
4 provided under section 219-9;
- 5 (12) Establish interest rates chargeable by the State for
6 direct loans and by private lenders for insured and
7 participation loans; and
- 8 (13) Maintain a proper reserve in the [~~aquaculture~~
9 agricultural loan revolving fund to guarantee payment
10 of loans insured under sections 219-7 and 219-8."

11 SECTION 5. Section 219-6, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§219-6 Loan; limitation and terms.** Loans made under this
14 chapter shall be for the purposes and in accordance with the
15 terms specified in classes "A", "B", "C", [~~and~~] "D", and "E" in
16 [~~paragraph~~] paragraphs (1), (2), (3), [~~and~~] (4), and (5)
17 following and shall be made only to applicants who meet the
18 eligibility requirements specified therein:

- 19 (1) Class A: Aquaculture farm ownership and improvement
20 loans. To provide for:
- 21 (A) The purchase or improvement of aquaculture farm
22 land and waters;



1 (B) The purchase, construction, or improvement of
2 adequate aquaculture farm dwellings, and other
3 essential aquaculture farm facilities; and

4 (C) The liquidation of indebtedness incurred for any
5 of the foregoing purposes.

6 Such loans shall be for an amount not to exceed
7 [~~\$400,000~~] \$800,000 and for a term not to exceed forty
8 years. To be eligible the applicant shall:

9 (i) Derive, or present an acceptable plan to
10 derive, a major portion of the applicant's
11 income from and devote, or intend to devote,
12 most of the applicant's time to aquaculture
13 farming operations; and

14 (ii) Have or be able to obtain the operating
15 capital, including fishstock and equipment,
16 needed to successfully operate the
17 applicant's aquaculture farm;

18 (2) Class B: Aquaculture operating loans. To carry on
19 and improve an aquaculture operation, including:

20 (A) The purchase of aquaculture equipment and
21 fishstock;



- 1 (B) The payment of production and marketing expenses
2 including materials, labor, and services;
3 (C) The payment of living expenses; and
4 (D) The liquidation of indebtedness incurred for any
5 of the foregoing purposes.

6 Such loans shall be for an amount not to exceed
7 [~~\$400,000~~] \$800,000 and for a term not to exceed ten
8 years. To be eligible, an applicant shall derive or
9 present an acceptable plan to derive a major portion
10 of the applicant's income from and devote, or intend to
11 devote, most of the applicant's time to aquaculture
12 operations;

13 (3) Class C: Aquaculture cooperative and corporation
14 loans. To provide credit to aquaculturists'
15 cooperative associations and corporations engaged in
16 marketing, purchasing, and processing, and providing
17 farm business services, including:

- 18 (A) Facility loans to purchase or improve land,
19 building, and equipment for an amount not to
20 exceed \$500,000 and a term not to exceed twenty
21 years; and



1 (B) Operating loans to finance inventories of
2 supplies, warehousing, and shipping commodities,
3 extension of consumer credit to justified farmer-
4 members, and other normal operating expenses for
5 an amount not to exceed \$300,000 and a term not
6 to exceed seven years.

7 To be eligible, a cooperative or corporation shall
8 have at least seventy-five per cent of its board of
9 directors and seventy-five per cent of its membership
10 as shareholders who meet the eligibility requirements
11 prescribed by the board and who devote most of their
12 time to aquaculture operations; [~~and~~]

13 (4) Class D: Emergency loans. To provide relief and
14 rehabilitation to qualified aquaculturists without
15 limit as to purpose:

16 (A) In areas stricken by extraordinary rainstorms,
17 windstorms, droughts, tidal waves, earthquakes,
18 volcanic eruptions, and other natural
19 catastrophes;



- 1 (B) On farms stricken by aquatic diseases;
- 2 (C) On farms seriously affected by prolonged shipping
- 3 and dock strikes;
- 4 (D) During economic emergencies such as those caused
- 5 by overproduction and excessive imports; and
- 6 (E) During other emergencies as determined by the
- 7 board.

8 The maximum amounts and period for the loans shall be
 9 determined by the board; provided that the board shall
 10 require that any settlement or moneys received by
 11 qualified aquaculturists as a result of an emergency
 12 declared under this section shall be first applied to
 13 the repayment of an emergency loan made under this
 14 chapter[-]; and

15 (5) Class E: New aquaculturist loans. To provide for the
 16 costs of a new aquaculture enterprise for qualified
 17 new aquaculturists:

18 (A) Initial loans made under this class shall be for
 19 purposes and in accordance with the terms
 20 specified in class "A" or "B" only; provided that
 21 loans under this subparagraph shall be made for
 22 an amount not to exceed \$100,000 or eighty-five



1 per cent of the cost of the project, whichever is
2 less;

3 (B) Any subsequent loan shall be made from class "A",
4 "B", or "D", respectively, depending upon the
5 purpose for which the loan funds are used; and

6 (C) Borrowers shall comply with special term loan
7 agreements as may be required by the department
8 and shall take special training courses as the
9 department deems necessary."

10 SECTION 6. Section 219-9, Hawaii Revised Statutes, is
11 amended by amending subsection (a) to read as follows:

12 "(a) The department of agriculture may make loans directly
13 to qualified aquaculturists who are unable to obtain sufficient
14 funds at reasonable rates from private lenders either
15 independently or under section 219-7 or 219-8. Loans made under
16 this section shall be authorized only if loans cannot be
17 obtained from [~~the relevant farm credit lender and~~] two [~~other~~]
18 private lenders[~~],~~ which may include any of the following:

- 19 (1) Private lenders;
- 20 (2) Members of the farm credit system; or
- 21 (3) The United States Department of Agriculture;



1 provided that the board of agriculture may waive this
2 requirement for emergency loans."

3 SECTION 7. On July 1, 2007, the director of finance shall
4 transfer all unexpended and unencumbered balances remaining in
5 the aquaculture loan revolving fund as of June 30, 2007, to the
6 credit of the agricultural loan revolving fund established by
7 section 155-14, Hawaii Revised Statutes.

8 SECTION 8. On July 1, 2007, the director of finance shall
9 transfer all unexpended and unencumbered balances remaining in
10 the aquaculture loan reserve fund as of June 30, 2007, to the
11 credit of the agricultural loan revolving fund established by
12 section 155-14, Hawaii Revised Statutes.

13 SECTION 9. The director of finance shall increase the
14 budget expenditure ceiling of the agricultural loan revolving
15 fund by the amount of the budget expenditure ceiling of the
16 aquaculture loan revolving fund; however, in no event shall the
17 increase be more than the current combined budget expenditure
18 ceiling for both funds.

19 SECTION 10. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.

21 SECTION 11. This Act shall take effect on July 1, 2050.



Report Title:

Aquaculture Loans; Revolving Funds

Description:

Increases aquaculture loan limits for Class A & B loans to \$800,000. Reduces credit denial requirements of the aquacultural loan program to more closely conform to the agricultural loan program. Creates a Class E loan program for new aquaculturists. Repeals the aquaculture loan revolving fund and makes the agricultural loan revolving fund the funding source for aquaculture loans. Combines the existing aquaculture loan revolving fund expenditure ceiling with the agricultural loan revolving fund expenditure ceiling. (HB1222 HD2)

