
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 aquaculturalist program" means a new aquaculture loan
 10 program for qualified new aquaculturalists, 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
2 aquaculturalist" to read:

3 "Qualified aquaculturalist" 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.

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

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

20 "(a) The department shall have the necessary powers to
21 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:
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
2 aquaculturalists by private lenders under section 219-
3 8;
- 4 (11) Make direct loans to qualified aquaculturalists as
5 provided under section 219-9;
- 6 (12) Establish interest rates chargeable by the State for
7 direct loans and by private lenders for insured and
8 participation loans; and
- 9 (13) Maintain a proper reserve in the [~~aquaculture~~
10 agricultural loan revolving fund to guarantee payment
11 of loans insured under sections 219-7 and 219-8."

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

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

20 (1) Class A: Aquaculture farm ownership and improvement
21 loans. To provide for:



1 (A) The purchase or improvement of aquaculture farm
2 land and waters;

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

6 (C) The liquidation of indebtedness incurred for any
7 of the foregoing purposes.

8 Such loans shall be for an amount not to exceed
9 [~~\$400,000~~] \$800,000 and for a term not to exceed forty
10 years. To be eligible the applicant shall:

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

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

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



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

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

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

- 20 (A) Facility loans to purchase or improve land,
- 21 building, and equipment for an amount not to

1 exceed \$500,000 and a term not to exceed twenty
2 years; and

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

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

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

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

22 (B) On farms stricken by aquatic diseases;



1 (C) On farms seriously affected by prolonged shipping
2 and dock strikes;

3 (D) During economic emergencies such as those caused
4 by overproduction and excessive imports; and

5 (E) During other emergencies as determined by the
6 board.

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

14 (5) Class E: Loans for new aquaculturalists shall provide
15 for costs of a new aquaculture enterprise for
16 qualified new aquaculturalists:

17 (A) Initial loans made under this class shall be for
18 purposes and in accordance with the terms
19 specified in class "A" or "B" only. The loans shall
20 be made for an amount not to exceed \$100,000 or
21 eighty-five per cent of the cost of the project,
22 whichever is less;



- 1 (B) Any subsequent loan shall be made from class "A",
2 "B", or "D", respectively, depending on the purpose
3 for which the loan funds are used; and
- 4 (C) Borrowers shall comply with special term loan
5 agreements as may be required by the department
6 and shall take special training courses as the
7 department deems necessary."

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

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

- 17 (1) Private lenders;
18 (2) Members of the farm credit system; or
19 (3) The United States Department of Agriculture; provided
20 that the board of agriculture may waive this
21 requirement for emergency loans."



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

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

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

17 SECTION 10. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 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 "new aquaculturalist program". 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 HD1)

