
A BILL FOR AN ACT

RELATING TO AGRICULTURAL LOANS.

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

1 SECTION 1. The Hawaii Revised Statutes is amended by
2 adding a new chapter to be appropriately designated and to read
3 as follows:

4 "CHAPTER

5 **HAWAII FARM RENEWABLE SUSTAINABLE ENERGY LOAN PROGRAM**

6 § -1 **Findings and purpose.** The legislature finds that:

- 7 (1) Long-term sustainability of agriculture and
8 aquaculture is vital for the security and well-being
9 of the state;
- 10 (2) Renewable energy is essential for the sustainability
11 of the agricultural and aquacultural industries;
- 12 (3) Agriculture and aquaculture production areas may have
13 natural resources available for the production of on-
14 site energy to be used for the production facility;
- 15 (4) Conventional financing at reasonable rates and terms
16 may not be available for the establishment of farm
17 renewable sustainable energy projects; and



1 (6) The State should initiate a loan program to assist
2 commercial agriculture and aquaculture producers in
3 the development of sustainable, renewable energy for
4 use on the production site.

5 The purpose of this chapter is to establish a loan program
6 to provide financial assistance to farm producers for the
7 production of sustainable energy.

8 § -2 **Definitions.** As used in this chapter:

9 "Agriculture" means the propagation, cultivation, or
10 farming of plants and animals in controlled or selected
11 environments for commercial purposes, or authorized stock
12 enhancement purposes.

13 "Aquaculture" means the propagation, cultivation, or
14 farming of aquatic plants and animals in controlled or selected
15 environments for commercial purposes, or authorized stock
16 enhancement purposes.

17 "Board" means the board of agriculture.

18 "Chairperson" means the chairperson of the board of
19 agriculture.

20 "Department" means the department of agriculture.

21 "Loans" means renewable sustainable energy project loans.



1 "Qualified aquaculturalist" means a person, or associations
2 of persons, actively engaged in aquaculture farming,
3 aquacultural produce processing, or aquacultural product
4 development activities.

5 "Qualified farmer" means a person of proven farming ability
6 who operates the person's own farm on land owned by the person
7 in fee or on land rented or leased from others and who is
8 presently devoting, has recently devoted, or intends to devote
9 most of the person's time or who derives a major portion of the
10 person's net cash income from direct participation in farming in
11 its broadest sense. It includes:

12 (1) Hawaii partnerships controlled by at least seventy-
13 five per cent by persons who would qualify
14 individually and would meet the eligibility
15 requirements of section 155-10;

16 (2) Small corporations where at least seventy-five per
17 cent of each class of stock issued by the corporation
18 is owned by persons who qualify individually and would
19 meet the eligibility requirements of section 155-10,
20 and where seventy five per cent of the directors are
21 qualified farmers; and



- 1 (3) Corporations incorporated in the state primarily for
2 agricultural production purposes; actively engaged in
3 agricultural production for a minimum of two years;
4 and with at least seventy-five percent of each class
5 of stock owned by persons who are residents of this
6 State or entities that are domiciled in this State;
- 7 (4) Trusts with situs in Hawaii in which the trustee or
8 other individual in control of the operations of the
9 trust would qualify and meet the eligibility
10 requirements of section 155-10; and
- 11 (5) Any other legal entity recognized by the State that
12 conducts business in the State and that is capable of
13 acquiring, holding, encumbering, transferring, or
14 otherwise administering property, whether real or
15 personal, or tangible or intangible, and which entity
16 is owned and controlled by persons or other entities,
17 at least seventy-five per cent of which would qualify
18 and would meet the eligibility requirements of section
19 155-10.

20 "Renewable sustainable energy projects" or "projects" means
21 on-farm energy projects that may include but are not limited to
22 photovoltaic energy, hydroelectric, wind power generation,



1 methane generation, bio-diesel production, and ethanol
2 production.

3 § -3 **Hawaii farm renewable sustainable energy loan**
4 **program.** There is established the Hawaii farm renewable
5 sustainable energy loan program to be administered by the board.

6 § -4 **Restriction.** Loans provided for by this chapter
7 shall be authorized only if these loans cannot be made by the
8 applicant's bank of account.

9 § -5 **Powers and duties of the department.** (a) The
10 department shall have the necessary powers to carry out the
11 purposes of this chapter, including the following:

- 12 (1) Prescribing the qualifications for eligibility of
13 applicants for loans;
- 14 (2) Establishing preferences and priorities in determining
15 eligibility for loans and loan repayment requirements;
- 16 (3) Establishing conditions consistent with the purpose of
17 this chapter, for the granting or for the continuance
18 of a grant of a loan;
- 19 (4) Providing for inspection at reasonable hours of the
20 plant facilities, books, and records of an enterprise
21 that has applied for or has been granted a loan and



- 1 requiring the submission of progress and final
2 reports;
- 3 (5) Making loans to qualified farmers or qualified
4 aquaculturists for renewable sustainable energy
5 projects;
- 6 (6) Securing loans through duly recorded first mortgages
7 upon the following property within the state:
- 8 (A) Fee simple farm land;
- 9 (B) Leaseholds of farm land where the lease has an
10 unexpired term of at least two years longer than
11 the term of the loan;
- 12 (C) Agriculture products, aquaculture products, or
13 power generation revenue sold to the local
14 utility; and
- 15 (D) Other chattels and written agreements, such as
16 assignment of income;
- 17 provided that junior mortgages may secure the loans
18 when any prior mortgage does not contain provisions
19 which might jeopardize the security position of the
20 department or the borrower's ability to repay;
- 21 (7) Administering the Hawaii farm renewable sustainable
22 energy loan revolving fund; and



1 (8) Including in its budget amounts necessary to
2 effectuate the purposes of this chapter.

3 The department shall adopt rules pursuant to chapter 91 to
4 effectuate this section.

5 **S -6 Renewable sustainable energy project loan**
6 **limitations and terms.** Renewable sustainable energy project
7 loans shall provide for:

8 (1) The purchase, financing, construction, or improvement
9 of essential farm buildings related to the project,
10 including plant construction, conversion, and
11 expansion;

12 (2) The acquisition and improvement of land as may be
13 required by the project;

14 (3) The acquisition of equipment, machinery, supplies, or
15 materials, and payment of project expenses, including
16 materials, labor and services; and

17 (4) The liquidation of indebtedness for any of the
18 foregoing purposes.

19 The loans shall be for a term not to exceed _____ years;
20 provided that loans shall not exceed \$1,500,000 or eighty-five
21 per cent of the project cost, whichever is the lesser. The
22 interest charged on these loans shall be fixed at _____ per



1 cent per year. The chairperson shall not approve loans where
2 the requested loan amount, plus any principal balance on
3 existing loans to the applicant, exceeds \$75,000 of state funds.
4 No loans shall be made for any type of power plant generation
5 projects.

6 **S -7 Hawaii farm renewable sustainable energy loan**
7 **revolving fund; loan reserve fund; application of payments.** (a)

8 There is established a revolving fund to be known as the Hawaii
9 farm renewable sustainable energy loan revolving fund from which
10 moneys shall be loaned by the department pursuant to this
11 chapter.

12 (b) All interest and fees collected by the department from
13 loans made under this chapter shall be deposited in a separate
14 loan reserve fund to the extent needed to carry on the operation
15 of the program; provided that any moneys surplus to those needs
16 shall be transferred to the Hawaii farm renewable sustainable
17 energy revolving fund at the discretion of the department. All
18 payments received on account of principal shall be credited to
19 the Hawaii farm renewable sustainable energy loan revolving
20 fund."

21 SECTION 2. There is appropriated out of the general
22 revenues of the State of Hawaii the sum of \$ or so much



1 thereof as may be necessary for fiscal year 2008-2009 to be
2 deposited into the Hawaii farm renewable sustainable energy loan
3 revolving fund.

4 The sum appropriated shall be expended by the department of
5 agriculture for the purposes of this Act.

6 SECTION 3. There is appropriated out of the Hawaii farm
7 renewable sustainable energy loan revolving fund the sum of
8 \$ or so much thereof as may be necessary for fiscal year
9 2008-2009 to be used for the Hawaii farm renewable sustainable
10 energy loan program.

11 The sum appropriated shall be expended by the department of
12 agriculture for the purposes of this Act.

13 SECTION 4. This Act shall take effect upon its approval;
14 provided that sections 2 and 3 shall take effect on July 1,
15 2008.

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INTRODUCED BY:

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Report Title:

Agriculture Loans; Sustainable Energy

Description:

Establishes a loan program to provide financial assistance to farm producers involved in sustainable energy production.

