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# A BILL FOR AN ACT

RELATING TO AGRICULTURAL LOANS.

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

1 SECTION 1. Section 155-1, Hawaii Revised Statutes, is  
2 amended by adding a new definition to be appropriately inserted  
3 and to read as follows:

4 ""Farm sustainable projects" means projects that improve  
5 the operation's viability but are not directly tied to farm crop  
6 production. Projects may include but are not limited to  
7 photovoltaic energy, hydroelectric, wind power generation,  
8 methane generation, food safety, product traceability, bio-  
9 diesel production, and ethanol production."

10 SECTION 2. Section 155-8, Hawaii Revised Statutes, is  
11 amended by amending subsection (c) to read as follows:

12 "(c) Loans made under this section shall bear simple  
13 interest on the unpaid principal balance, charged on the actual  
14 amount disbursed to the borrower. The interest rate on loans of  
15 class "A", "B", "C", "E", and "G" shall be at a rate of one per  
16 cent below the prime rate or at a rate of seven and one-half per  
17 cent a year, whichever is less. For purposes of this  
18 subsection, the prime rate shall be determined on January 1 and



1 July 1 of each year, and shall be the prime rate charged by the  
2 two largest banks in the State identified by the department of  
3 commerce and consumer affairs. If the prime rates of the two  
4 largest banks are different, the lower prime rate of the two  
5 shall apply. The interest rate on class "F" loans shall be six  
6 per cent a year. The interest rate of class "H" loans shall be  
7 five per cent a year. If the money loaned is borrowed by the  
8 department, then the interest on loans of the classes shall be  
9 the rate as determined above or one per cent over the cost to  
10 the State of borrowing the money, whichever is greater. Interest  
11 on class "D" loans shall not be less than three per cent a  
12 year."

13 SECTION 3. Section 155-9, Hawaii Revised Statutes, is  
14 amended to read as follows:

15 **"§155-9 Classes of loans; purposes, terms, eligibility.**

16 (a) Loans made under this chapter shall be for the purposes and  
17 in accordance with the terms specified in classes "A" through  
18 "F" in this section and shall be made only to applicants who  
19 meet the eligibility requirements specified therein and except  
20 as to class "B" loans to associations and class "E" loans, the  
21 eligibility requirements specified in section 155-10. The  
22 maximum amount of a loan for class "A", "C", "D", and "F" loans



1 to an individual applicant shall also apply to any loan  
2 application submitted by a partnership, corporation, or other  
3 entity, and for the purpose of determining whether the maximum  
4 loan amount to any individual will be exceeded, outstanding  
5 loans to any partnership, corporation, or other entity that the  
6 individual has a legal or equitable interest in excess of twenty  
7 per cent shall be taken into account.

8 (b) Class A: Farm ownership and improvement loans shall  
9 provide for:

- 10 (1) The purchase or improvement of farm land;  
11 (2) The purchase, construction, or improvement of adequate  
12 farm dwellings, and other essential farm buildings;  
13 and  
14 (3) The liquidation of indebtedness incurred for any of  
15 the foregoing purposes.

16 The loans shall be for an amount not to exceed \$800,000 and  
17 for a term not to exceed forty years. To be eligible, the  
18 applicant shall (A) derive, or present an acceptable plan to  
19 derive, a major portion of the applicant's income from and  
20 devote, or intend to devote, most of the applicant's time to  
21 farming operations; and (B) have or be able to obtain the



1 operating capital, including livestock and equipment, needed to  
2 successfully operate the applicant's farm.

3 (c) Class B: Soil and water conservation loans shall  
4 provide for:

5 (1) Soil conservation practices;

6 (2) Water development, conservation, and use;

7 (3) Drainage; and

8 (4) The liquidation of indebtedness incurred for any of  
9 the foregoing purposes.

10 The loans shall be for an amount not to exceed \$35,000 to  
11 an individual or \$200,000 to an association and shall be for a  
12 term not to exceed twenty years for a loan to an individual and  
13 forty years to an association. To be eligible, an individual  
14 applicant shall have sufficient farm and other income to pay for  
15 farm operating and living expenses and to meet payments on the  
16 applicant's existing debts, including the proposed soil and  
17 water conservation loan. An association, to be eligible, shall  
18 be a nonprofit organization primarily engaged in extending  
19 services directly related to the purposes of the loan to its  
20 members, and at least sixty per cent of its membership shall  
21 meet the eligibility requirements specified in section 155-10.



- 1 (d) Class C: Farm operating loans shall be for the  
2 purpose of carrying on and improving a farming operation,  
3 including:
- 4 (1) The purchase of farm equipment and livestock;
  - 5 (2) The payment of production and marketing expenses,  
6 including materials, labor, and services;
  - 7 (3) The payment of living expenses;
  - 8 (4) The liquidation of indebtedness incurred for any of  
9 the foregoing purposes; and
  - 10 (5) The exportation of crops and livestock.

11 The loans shall be for an amount not to exceed \$800,000 and  
12 for a term not to exceed ten years. To be eligible, an  
13 applicant shall derive, or present an acceptable plan to derive,  
14 a major portion of the applicant's income from and devote, or  
15 intend to devote, most of the applicant's time to farming  
16 operations.

17 Qualified farmers affected by state eradication programs  
18 may also be eligible for loans under this subsection. Loans  
19 made for rehabilitation from eradication programs shall be  
20 subject to the terms of class "C" loans; provided that the  
21 interest rate shall be three per cent a year and the



1 requirements in section 155-3 shall be waived and paragraph (4)  
2 shall not apply.

3 (e) Class D: Emergency loans shall be for the purpose of  
4 providing relief and rehabilitation to qualified farmers without  
5 limit as to purpose:

6 (1) In areas stricken by extraordinary rainstorms,  
7 windstorms, droughts, tidal waves, earthquakes,  
8 volcanic eruptions, and other natural catastrophes;

9 (2) On farms stricken by livestock disease epidemics and  
10 crop blights;

11 (3) On farms seriously affected by prolonged shipping and  
12 dock strikes;

13 (4) During economic emergencies caused by overproduction,  
14 excessive imports, and the like; and

15 (5) During other emergencies as determined by the board of  
16 agriculture.

17 The maximum amounts and period for the loans shall be  
18 determined by the board of agriculture; provided that the board  
19 shall require that any settlement or moneys received by  
20 qualified farmers as a result of an emergency declared under  
21 this section shall first be applied to the repayment of an  
22 emergency loan made under this chapter.



1 (f) Class E: Loans to farmers' cooperatives,  
2 corporations, and food manufacturers shall provide credit to  
3 entities engaged in marketing, purchasing, and processing, and  
4 providing farm business services, including:

5 (1) Facility loans to purchase or improve land, building,  
6 and equipment for an amount not to exceed \$500,000 and  
7 a term not to exceed twenty years;

8 (2) Operating loans to finance inventories of supplies and  
9 materials, warehousing, and shipping commodities,  
10 extension of consumer credit to justified farmer-  
11 members, and other normal operating expenses for an  
12 amount not to exceed \$300,000 and a term not to exceed  
13 seven years; and

14 (3) The exportation of crops and livestock.

15 To be eligible, a farmers' cooperative or corporation shall  
16 have a majority of its board of directors and a majority of its  
17 membership as shareholders who meet the eligibility requirements  
18 of section 155-10 and who devote most of their time to farming  
19 operations, and the facility loans shall be for an amount not to  
20 exceed \$500,000 or eighty per cent of the cost of the project,  
21 whichever is the lesser.



1 To be eligible, a food manufacturer shall be licensed to do  
2 business in the [~~State,~~] state, and the controlling interest of  
3 the entity shall possess a minimum of two years of relevant  
4 processing or manufacturing experience as acceptable to the  
5 department of agriculture. The entity shall process Hawaii-  
6 grown agricultural products or use Hawaii-grown agricultural  
7 products as an ingredient in the manufacturing process.

8 Facility loans shall be for an amount not to exceed \$500,000 or  
9 eighty per cent of the cost of the project, whichever is the  
10 lesser. The requirements in section 155-10 shall be waived for  
11 food manufacturing loans; however, the entity shall be a sound  
12 credit risk with the ability to repay the money borrowed.

13 (g) Class F: Loans for new farmer programs shall provide  
14 for costs of a new farm enterprise for qualified new farmers:

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





1 (2) Any subsequent loan shall be made from classes "A" to  
2 "D", respectively, depending upon the purpose for  
3 which the loan funds are used; and

4 (3) Borrowers shall comply with special term loan  
5 agreements as may be required by the department and  
6 shall take special training courses as the department  
7 deems necessary.

8 (h) Class G: Loans to part-time farmers shall be for farm  
9 improvement and operating purposes for carrying on and improving  
10 farming operations, including loans for:

11 (1) The purchase, construction, and improvement of farm  
12 production and growing structures;

13 (2) The purchase of farm equipment or livestock; and

14 (3) The payment of production and marketing expenses,  
15 including materials, labor, and services.

16 The liquidation of indebtedness incurred for any of the  
17 purposes under this subsection and for living expenses shall not  
18 be authorized purposes. Each loan shall be for an amount not to  
19 exceed \$25,000 and for a term not to exceed ten years.

20 (i) Class H: Farm sustainable project loans shall provide

21 for:



- 1       (1) The purchase, construction, or improvement of  
2       essential farm buildings, including the improvement of  
3       existing farm buildings related to the project;  
4       (2) The improvement of land that may be required by the  
5       project;  
6       (3) The purchase of equipment and payment of any related  
7       expenses, including materials, labor, and services;  
8       (4) Operating expenses associated with the project; or  
9       (5) The liquidation of indebtedness incurred for any of  
10       the foregoing purposes.

11       The loans shall be for an amount not to exceed \$1,500,000  
12       or eighty-five per cent of the project cost, whichever is the  
13       lesser, and for a term not to exceed forty years.

14       To be eligible, the applicant shall be a qualified farmer  
15       of sound credit risk with the ability to repay the money  
16       borrowed, as determined by the department. Income from the  
17       applicant's farming activities and any supplemental income that  
18       may be generated from the project shall be the sole criterion  
19       for the department's determination of the applicant's ability to  
20       repay the money borrowed. The department's determination may be  
21       based on projections of income and expenses."



1 SECTION 4. Section 219-2, Hawaii Revised Statutes, is  
2 amended by adding a new definition to be appropriately inserted  
3 and to read as follows:

4 "Aquaculture sustainable projects" means projects that  
5 improve the operation's viability but are not directly tied to  
6 aquaculture production. Projects may include but are not  
7 limited to photovoltaic energy, hydroelectric, wind power  
8 generation, methane generation, food safety, product  
9 traceability, biodiesel production, and ethanol production."

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

12 **"§219-6 Loan; limitation and terms.** Loans made under this  
13 chapter shall be for the purposes and in accordance with the  
14 terms specified in classes "A", "B", "C", [~~and~~] "D", and "H" in  
15 [~~paragraph~~] paragraphs (1), (2), (3), [~~and~~] (4), and (5)  
16 following and shall be made only to applicants who meet the  
17 eligibility requirements specified therein:

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

20 (A) The purchase or improvement of aquaculture farm  
21 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 and for a term not to exceed forty years. To  
8 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 and for a term not to exceed ten years. To  
8 be eligible, an applicant shall derive or present an  
9 acceptable plan to derive a major portion of the  
10 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;

20 (B) On farms stricken by aquatic diseases;

21 (C) On farms seriously affected by prolonged shipping  
22 and dock strikes;



- 1 (D) During economic emergencies such as those caused  
2 by overproduction and excessive imports; and  
3 (E) During other emergencies as determined by the  
4 board.

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

12 (5) Class H: Aquaculture sustainable project loans shall  
13 provide for:

14 (A) The purchase, construction, or improvement of  
15 essential farm building, including the  
16 improvement of existing farm buildings related to  
17 the project;

18 (B) The improvement of land that may be required by  
19 the project;

20 (C) The purchase of equipment and payment of any  
21 related expenses, including materials, labor, and  
22 services;



1           (D) Operating costs associated with the project; or

2           (E) The liquidation of indebtedness incurred for any  
3           of the foregoing purposes.

4           The loans shall be for an amount not to exceed  
5           \$1,500,000 or eighty-five per cent of the project  
6           cost, whichever is the lesser, and for a term not to  
7           exceed forty years.

8           To be eligible, the applicant shall be a  
9           qualified aquaculturist of sound credit risk with the  
10           ability to repay the money borrowed, as determined by  
11           the department. Income from the applicant's  
12           aquacultural activities and any supplemental income  
13           that may be generated from the project shall be the  
14           sole criterion for the department's determination of  
15           the applicant's ability to repay the money borrowed.  
16           The department's determination may be based on  
17           projections of income and expenses."

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

20           "(c) Loans made under this section shall bear simple  
21           interest on the unpaid principal balance, charged on the actual  
22           amount disbursed. The interest rate for class "A", class "B",





1 [~~and~~] class "C", and class "H" loans shall be set by rule,  
2 pursuant to chapter 91."

3 SECTION 7. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.

5 SECTION 8. This Act shall take effect upon its approval.



**Report Title:**

Agriculture and Aquacultural Loans; Sustainability Projects

**Description:**

Includes farm sustainable projects in the existing agricultural loan program, and aquaculture sustainable projects in the existing aquacultural loan program. (HB2261 HD1)

