
A BILL FOR AN ACT

RELATING TO LOANS TO ASSIST AGRICULTURAL AND AQUACULTURAL
INDUSTRIES.

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

1 SECTION 1. The legislature finds that agriculture and
2 aquaculture are essential industries for the state and that
3 their long term sustainability is vital for the security and
4 well being of the state. The development of renewable and
5 sustainable energy is essential to the sustainability of these
6 industries.

7 Agriculture and aquaculture production areas may have
8 natural resources that are available for the production of on-
9 site energy production for use on the production facility.
10 However, conventional financing at reasonable rates and terms
11 may not be available for these types of projects.

12 The legislature finds that the State should initiate a loan
13 program to assist the agriculture and aquaculture industries in
14 developing sustainable and renewable energy projects for use on
15 their production sites.



1 The purpose of this Act is to establish a loan program to
2 financially assist in the development of sustainable energy for
3 the agriculture and aquaculture industries.

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

7 "Farm sustainable projects" means projects that improve
8 the operations viability but are not directly tied to farm crop
9 production. Projects may include but are not limited to
10 photovoltaic energy, hydroelectricity, wind power generation,
11 methane generation, food safety, product traceability, bio-
12 diesel production, and ethanol production."

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

16 "Aquaculture sustainable projects" means projects that
17 improve the operations viability but are not directly tied to
18 aquaculture production. Projects may include but are not
19 limited to photovoltaic energy, hydroelectricity, wind power
20 generation, methane generation, food safety, product
21 traceability, bio-diesel production, and ethanol production."



1 SECTION 4. Section 155-8, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:
3 "(c) Loans made under this section, shall bear simple
4 interest on the unpaid principal balance, charged on the actual
5 amount disbursed to the borrower. The interest rate on loans of
6 class "A", "B", "C", "E", and "G" shall be at a rate of one per
7 cent below the prime rate or at a rate of seven and one-half per
8 cent a year, whichever is less. For purposes of this
9 subsection, the prime rate shall be determined on January 1 and
10 July 1 of each year, and shall be the prime rate charged by the
11 two largest banks in the [~~State~~] state identified by the
12 department of commerce and consumer affairs. If the prime rates
13 of the two largest banks are different, the lower prime rate of
14 the two shall apply. The interest rate of class "F" loans shall
15 be six per cent a year. The interest rate of class "H" loans
16 shall be three per cent a year. If the money loaned is
17 borrowed[~~r~~] by the department, then the interest on loans of
18 such classes shall be the rate as determined above or one per
19 cent over the cost to the State of borrowing the money,
20 whichever is greater. Interest on class "D" loans shall not be
21 less than three per cent a year."



1 SECTION 5. Section 155-9, Hawaii Revised Statutes, is
2 amended to read as follows:

3 **"§155-9 Classes of loans; purposes, terms, eligibility.**

4 (a) Loans made under this chapter shall be for the purposes and
5 in accordance with the terms specified in classes "A" through
6 [~~"F"~~] "H" in this section and shall be made only to applicants
7 who meet the eligibility requirements specified therein and
8 except as to class "B" loans to associations and class "E"
9 loans, the eligibility requirements specified in section 155-10.
10 The maximum amount of a loan for class "A", "C", "D", and "F"
11 loans to an individual applicant shall also apply to any loan
12 application submitted by a partnership, corporation, or other
13 entity, and for the purpose of determining whether the maximum
14 loan amount to any individual will be exceeded, outstanding
15 loans to any partnership, corporation, or other entity that the
16 individual has a legal or equitable interest in excess of twenty
17 per cent shall be taken into account.

18 (b) Class A: Farm ownership and improvement loans shall
19 provide for:

20 (1) The purchase or improvement of farm land;



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

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

6 The loans shall be for an amount not to exceed \$800,000 and
7 for a term not to exceed forty years. To be eligible, the
8 applicant shall (A) derive, or present an acceptable plan to
9 derive, a major portion of the applicant's income from and
10 devote, or intend to devote, most of the applicant's time to
11 farming operations; and (B) have or be able to obtain the
12 operating capital, including livestock and equipment, needed to
13 successfully operate the applicant's farm.

14 (c) Class B: Soil and water conservation loans shall
15 provide for:

16 (1) Soil conservation practices;

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

18 (3) Drainage; and

19 (4) The liquidation of indebtedness incurred for any of
20 the foregoing purposes.

21 The loans shall be for an amount not to exceed \$35,000 to
22 an individual or \$200,000 to an association and shall be for a



1 term not to exceed twenty years for a loan to an individual and
2 forty years to an association. To be eligible, an individual
3 applicant shall have sufficient farm and other income to pay for
4 farm operating and living expenses and to meet payments on the
5 applicant's existing debts, including the proposed soil and
6 water conservation loan. An association, to be eligible, shall
7 be a nonprofit organization primarily engaged in extending
8 services directly related to the purposes of the loan to its
9 members, and at least sixty per cent of its membership shall
10 meet the eligibility requirements specified in section 155-10.

11 (d) Class C: Farm operating loans shall be for the
12 purpose of carrying on and improving a farming operation,
13 including:

- 14 (1) The purchase of farm equipment and livestock;
- 15 (2) The payment of production and marketing expenses,
16 including materials, labor, and services;
- 17 (3) The payment of living expenses;
- 18 (4) The liquidation of indebtedness incurred for any of
19 the foregoing purposes; and
- 20 (5) The exportation of crops and livestock.

21 The loans shall be for an amount not to exceed \$800,000 and
22 for a term not to exceed ten years. To be eligible, an



1 applicant shall derive, or present an acceptable plan to derive,
2 a major portion of the applicant's income from and devote, or
3 intend to devote, most of the applicant's time to farming
4 operations.

5 Qualified farmers affected by state eradication programs
6 may also be eligible for loans under this subsection. Loans
7 made for rehabilitation from eradication programs shall be
8 subject to the terms of class "C" loans; provided that the
9 interest rate shall be three per cent a year and the
10 requirements in section 155-3 shall be waived and paragraph (4)
11 shall not apply.

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

- 15 (1) In areas stricken by extraordinary rainstorms,
16 windstorms, droughts, tidal waves, earthquakes,
17 volcanic eruptions, and other natural catastrophes;
18 (2) On farms stricken by livestock disease epidemics and
19 crop blights;
20 (3) On farms seriously affected by prolonged shipping and
21 dock strikes;



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

3 (5) During other emergencies as determined by the board of
4 agriculture.

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

11 (f) Class E: Loans to farmers' cooperatives,
12 corporations, and food manufacturers shall provide credit to
13 entities engaged in marketing, purchasing, and processing, and
14 providing farm business services, including:

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

18 (2) Operating loans to finance inventories of supplies and
19 materials, warehousing, and shipping commodities,
20 extension of consumer credit to justified farmer-
21 members, and other normal operating expenses for an



1 amount not to exceed \$300,000 and a term not to exceed
2 seven years; and

3 (3) The exportation of crops and livestock.

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

11 To be eligible, a food manufacturer shall be licensed to do
12 business in the [~~State,~~] state, and the controlling interest of
13 the entity shall possess a minimum of two years of relevant
14 processing or manufacturing experience as acceptable to the
15 department of agriculture. The entity shall process Hawaii-
16 grown agricultural products or use Hawaii-grown agricultural
17 products as an ingredient in the manufacturing process.

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



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

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

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

12 (3) Borrowers shall comply with special term loan
13 agreements as may be required by the department and
14 shall take special training courses as the department
15 deems necessary.

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

19 (1) The purchase, construction, and improvement of farm
20 production and growing structures;

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



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

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

7 (i) Class H: Farm sustainable project loans shall provide
8 for:

9 (1) The purchase, construction, or improvement of
10 essential farm buildings, including the improvement of
11 existing farm buildings related to the project;

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

14 (3) The purchase of equipment and payment of any related
15 expenses, including materials, labor, and services;

16 (4) Operating costs associated with the project; and

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

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



1 To be eligible, the applicant shall be a qualified farmer,
2 with sound credit rating and the ability to repay the money
3 borrowed, as determined by the department. Income from the
4 applicant's farming activities and any supplemental income that
5 may be generated from the project shall be the only criteria
6 used for the department's determination of the applicant's
7 ability to repay the money borrowed. The department's
8 determination may be based on projections of income and
9 expenses."

10 SECTION 6. 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 (1), (2), (3), [~~and~~] (4), and (5) following and shall
16 be made only to applicants who meet the eligibility requirements
17 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 buildings, 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; and

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 qualified
9 aquaculturist, with sound credit rating and the
10 ability to repay the money borrowed, as determined by
11 the department. Income from the applicant's
12 aquaculture activities and any supplemental income
13 that may be generated from the project shall be the
14 only criteria used for the department's determination
15 of the applicant's ability to repay the money
16 borrowed. The department's determination may be based
17 on projections of income and expenses."

18 SECTION 7. 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 8. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 9. This Act shall take effect on July 1, 2050.



S.B. NO. 2467
S.D. 2
H.D. 1

Report Title:

Agriculture and Aquaculture Loans; Farm Sustainable Projects

Description:

Establishes classes of loans for farm sustainable projects and aquaculture sustainable projects. (SB2467 HD1)

SB2467 HD1 HMS 2008-3079

