
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."



2. By amending the definitions of "aquaculture",

"cooperative", and "qualified aquaculturist" to read:

"Aquaculture" means the propagation, cultivation, or

farming of aquatic plants and animals in controlled or selected

environments for commercial purposes, or authorized stock

enhancement purposes.

"Cooperative" means a nonprofit association of

[+]aquaculturists[+] organized under chapter 421.

"Qualified aquaculturist" means a person, or association of

persons, actively engaged in aquaculture farming, aquacultural

produce processing, or aquacultural product development

activities[+] for a minimum of two years."

SECTION 3. Section 219-4, Hawaii Revised Statutes, is

amended to read as follows:

"§219-4 Funds; application of payments. (a) [There is

established a special fund to be known as the aquaculture loan

revolving fund from which moneys shall be loaned by the

department of aquaculture under this chapter. The department,

by its board of aquaculture, may transfer moneys from the

aquaculture loan revolving fund to the agricultural loan

revolving fund, from which moneys shall be disbursed by the

department pursuant to chapter 155, and may transfer moneys from



1 ~~that revolving fund to the aquaculture loan revolving fund for~~
2 ~~disbursement pursuant to this chapter; provided that:~~

3 ~~(1) The amount of moneys transferred shall not exceed~~
4 ~~\$1,000,000 for each revolving fund within the calendar~~
5 ~~year; and~~

6 ~~(2) Twenty days prior to the convening of each regular~~
7 ~~session of the legislature, the department shall~~
8 ~~report to the legislature all transfers that were made~~
9 ~~between the aquaculture loan revolving fund and the~~
10 ~~agricultural loan revolving fund during the preceding~~
11 ~~calendar year and the balance of each revolving fund~~
12 ~~as of December 31 of each year.] Loans approved by~~

13 the department under this chapter and chapter 155 shall be
14 funded from the agricultural loan revolving fund.

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



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

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

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



- 1 (6) Secure loans by duly recorded first mortgages upon the
- 2 following property within the State:
- 3 (A) Fee simple farm land;
- 4 (B) Leaseholds of farm land where the lease has an
- 5 unexpired term at least two years longer than the
- 6 term of the loan;
- 7 (C) Aquaculture products;
- 8 (D) Other chattels;
- 9 (E) A second mortgage when any prior mortgage does
- 10 not contain provisions that might jeopardize the
- 11 security position of the department or the
- 12 borrower's ability to repay; and
- 13 (F) Written agreements, such as assignments of
- 14 income;
- 15 (7) Administer the Hawaii [~~aquaculture~~] agricultural loan
- 16 revolving fund and deposit into the fund all moneys
- 17 received on account of principal;
- 18 (8) Include in its budget for subsequent fiscal periods
- 19 amounts necessary to effectuate the purposes of this
- 20 chapter;
- 21 (9) Insure loans made to qualified aquaculturists by
- 22 private lenders under sections 219-7 and 219-8;



1 provided that at no time shall the aggregate amount of
2 the State's liability, contingent or otherwise, on
3 these loans exceed \$1,000,000;

4 (10) Participate in loans made to qualified aquaculturists
5 by private lenders under section 219-8;

6 (11) Make direct loans to qualified aquaculturists as
7 provided under section 219-9;

8 (12) Establish interest rates chargeable by the State for
9 direct loans and by private lenders for insured and
10 participation loans; and

11 (13) Maintain a proper reserve in the [~~aquaculture~~]
12 agricultural loan revolving fund to guarantee payment
13 of loans insured under sections 219-7 and 219-8."

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

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



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

3 (A) The purchase or improvement of aquaculture farm
4 land and waters;

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

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

10 Such loans shall be for an amount not to exceed
11 [~~\$400,000~~] \$800,000 and for a term not to exceed forty
12 years. To be eligible the applicant shall:

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

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



- 1 (2) Class B: Aquaculture operating loans. To carry on
2 and improve an aquaculture operation, including:
3 (A) The purchase of aquaculture equipment and
4 fishstock;
5 (B) The payment of production and marketing expenses
6 including materials, labor, and services;
7 (C) The payment of living expenses; and
8 (D) The liquidation of indebtedness incurred for any
9 of the foregoing purposes.

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

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



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

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

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

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

20 (A) In areas stricken by extraordinary rainstorms,
21 windstorms, droughts, tidal waves, earthquakes,



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

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

17 (5) Class E: Loans for new aquaculturists shall provide
18 for costs of a new aquaculture enterprise for
19 qualified new aquaculturists:

20 (A) Initial loans made under this class shall be for
21 purposes and in accordance with the terms
22 specified in class "A" or "B" only. The loans



1 shall be made for an amount not to exceed
2 \$100,000 or eighty-five per cent of the cost of
3 the project, whichever is less;
4 (B) Any subsequent loan shall be made from class "A",
5 "B", or "D", respectively, depending on the
6 purpose for which the loan funds are used; and
7 (C) Borrowers shall comply with special term loan
8 agreements as may be required by the department
9 and shall take special training courses as the
10 department deems necessary."

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

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

- 21 (1) Private lenders;
22 (2) Members of the farm credit system; or



1 (3) The United States Department of Agriculture; provided
2 that the board of agriculture may waive this
3 requirement for emergency loans."

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

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

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

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

22 SECTION 11. This Act shall take effect on July 1, 2007.



Report Title:

Agricultural and Aquaculture Loan Limits

Description:

Increases aquaculture loan limits for Class A & B loans to \$800,000. Makes credit denial requirements identical to the agricultural loan program by eliminating the one loan denial. Creates a "new aquaculturist program". Transfers and incorporates aquaculture funds into the agriculture funds and combines the aquaculture fund expenditure ceiling with the agriculture fund expenditure ceiling. (SD1)

