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# 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 155-8, Hawaii Revised Statutes, is  
14 amended by amending subsection (c) to read as follows:

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



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

12 SECTION 4. Section 155-9, Hawaii Revised Statutes, is  
13 amended to read as follows:

14 **"§155-9 Classes of loans; purposes, terms, eligibility.**

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



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

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

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

10 (2) The purchase, construction, or improvement of adequate  
11 farm dwellings, and other essential farm buildings;  
12 and

13 (3) The liquidation of indebtedness incurred for any of  
14 the foregoing purposes.

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



1           (c) Class B: Soil and water conservation loans shall  
2 provide for:

- 3           (1) Soil conservation practices;  
4           (2) Water development, conservation, and use;  
5           (3) Drainage; and  
6           (4) The liquidation of indebtedness incurred for any of  
7           the foregoing purposes.

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

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



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

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

14 Qualified farmers affected by state eradication programs  
15 may also be eligible for loans under this subsection. Loans  
16 made for rehabilitation from eradication programs shall be  
17 subject to the terms of class "C" loans; provided that the  
18 interest rate shall be three per cent a year and the  
19 requirements in section 155-3 shall be waived and paragraph (4)  
20 shall not apply.



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

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

7 (2) On farms stricken by livestock disease epidemics and  
8 crop blights;

9 (3) On farms seriously affected by prolonged shipping and  
10 dock strikes;

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

13 (5) During other emergencies as determined by the board of  
14 agriculture.

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

21 (f) Class E: Loans to farmers' cooperatives,  
22 corporations, and food manufacturers shall provide credit to



1 entities engaged in marketing, purchasing, and processing, and  
2 providing farm business services, including:

- 3 (1) Facility loans to purchase or improve land, building,  
4 and equipment for an amount not to exceed \$500,000 and  
5 a term not to exceed twenty years;
- 6 (2) Operating loans to finance inventories of supplies and  
7 materials, warehousing, and shipping commodities,  
8 extension of consumer credit to justified farmer-  
9 members, and other normal operating expenses for an  
10 amount not to exceed \$300,000 and a term not to exceed  
11 seven years; and
- 12 (3) The exportation of crops and livestock.

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

20 To be eligible, a food manufacturer shall be licensed to do  
21 business in the State, and the controlling interest of the  
22 entity shall possess a minimum of two years of relevant





1 processing or manufacturing experience as acceptable to the  
2 department of agriculture. The entity shall process Hawaii-  
3 grown agricultural products or use Hawaii-grown agricultural  
4 products as an ingredient in the manufacturing process.

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

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

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

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

21 (3) Borrowers shall comply with special term loan  
22 agreements as may be required by the department and



1           shall take special training courses as the department  
2           deems necessary.

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

6           (1) The purchase, construction, and improvement of farm  
7           production and growing structures;

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

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

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

15          (i) Class H: Farm sustainable project loans shall provide  
16          for:

17          (1) The purchase, construction, or improvement of  
18          essential farm buildings, including the improvement of  
19          existing farm buildings related to the project;

20          (2) The improvement of land that may be required by the  
21          project;



- 1        (3) The purchase of equipment and payment of any related
- 2            expenses including materials, labor, and services;
- 3        (4) Operating costs associated with the project; and
- 4        (5) The liquidation indebtedness incurred for any of the
- 5            foregoing purposes.

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

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

17       SECTION 5. Section 219-2, Hawaii Revised Statutes, is  
 18       amended by adding a new definition to be appropriately inserted  
 19       and to read as follows:

20       "Aquaculture sustainable projects" means projects that  
 21       improve the operations viability but are not directly tied to  
 22       aquaculture production. Projects may include, but are not



1 limited to, photovoltaic energy, hydroelectricity, wind power  
2 generation, methane generation, food safety, product  
3 traceability, bio-diesel production, and ethanol production."

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

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

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

14 (A) The purchase or improvement of aquaculture farm  
15 land and waters;

16 (B) The purchase, construction, or improvement of  
17 adequate aquaculture farm dwellings, and other  
18 essential aquaculture farm facilities; and

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



1           Such loans shall be for an amount not to exceed  
2           \$400,000 and for a term not to exceed forty years. To  
3           be eligible the applicant shall:

4                   (i) Derive, or present an acceptable plan to  
5                   derive, a major portion of the applicant's  
6                   income from and devote, or intend to devote,  
7                   most of the applicant's time to aquaculture  
8                   farming operations; and

9                   (ii) Have or be able to obtain the operating  
10                   capital, including fishstock and equipment,  
11                   needed to successfully operate the  
12                   applicant's aquaculture farm;

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

15           (A) The purchase of aquaculture equipment and  
16           fishstock;

17           (B) The payment of production and marketing expenses  
18           including materials, labor, and services;

19           (C) The payment of living expenses; and

20           (D) The liquidation of indebtedness incurred for any  
21           of the foregoing purposes.



1           Such loans shall be for an amount not to exceed  
2           \$400,000 and for a term not to exceed ten years. To  
3           be eligible, an applicant shall derive or present an  
4           acceptable plan to derive a major portion of the  
5           applicant's income from and devote, or intend to  
6           devote, most of the applicant's time to aquaculture  
7           operations;

8           (3) Class C: Aquaculture cooperative and corporation  
9           loans. To provide credit to aquaculturists'  
10          cooperative associations and corporations engaged in  
11          marketing, purchasing, and processing, and providing  
12          farm business services, including:

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

17          (B) Operating loans to finance inventories of  
18          supplies, warehousing, and shipping commodities,  
19          extension of consumer credit to justified farmer-  
20          members, and other normal operating expenses for  
21          an amount not to exceed \$300,000 and a term not  
22          to exceed seven years.



1 To be eligible, a cooperative or corporation shall  
2 have at least seventy-five per cent of its board of  
3 directors and seventy-five per cent of its membership  
4 as shareholders who meet the eligibility requirements  
5 prescribed by the board and who devote most of their  
6 time to aquaculture operations; [~~and~~]

7 (4) Class D: Emergency loans. To provide relief and  
8 rehabilitation to qualified aquaculturists without  
9 limit as to purpose:

10 (A) In areas stricken by extraordinary rainstorms,  
11 windstorms, droughts, tidal waves, earthquakes,  
12 volcanic eruptions, and other natural  
13 catastrophes;

14 (B) On farms stricken by aquatic diseases;

15 (C) On farms seriously affected by prolonged shipping  
16 and dock strikes;

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

19 (E) During other emergencies as determined by the  
20 board.

21 The maximum amounts and period for the loans shall be  
22 determined by the board; provided that the board shall



1 require that any settlement or moneys received by  
2 qualified aquaculturists as a result of an emergency  
3 declared under this section shall first be applied to  
4 the repayment of an emergency loan made under this  
5 chapter[-]; and

6 (5) Class H: Aquaculture sustainable project loans shall  
7 provide for:

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

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

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

17 (D) Operating costs associated with the project; and

18 (E) The liquidation indebtedness incurred for any of  
19 the foregoing purposes.

20 The loans shall be for an amount not to exceed  
21 \$1,500,000 or eighty-five per cent of the project





1 cost, whichever is the lesser, and for a term not to  
2 exceed forty years.

3 To be eligible the applicant shall be a qualified  
4 aquaculturist, with sound credit rating and the  
5 ability to repay the money borrowed, as determined by  
6 the department. Income from the applicant's  
7 aquaculture activities and any supplemental income  
8 that may be generated from the project shall be the  
9 sole criterion for the department's determination of  
10 the applicant's ability to repay the money borrowed.  
11 The department's determination may be based on  
12 projections of income and expenses."

13 SECTION 7. Section 219-9, Hawaii Revised Statutes, is  
14 amended by amending subsection (c) to read as follows:

15 "(c) Loans made under this section shall bear simple  
16 interest on the unpaid principal balance, charged on the actual  
17 amount disbursed. The interest rate for class "A", class "B",  
18 [~~and~~] class "C", and class "H" loans shall be set by rule,  
19 pursuant to chapter 91."

20 SECTION 8. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.

22 SECTION 9. This Act shall take effect upon its approval.



**Report Title:**

Agriculture and Aquaculture Loans; Sustainable Projects

**Description:**

Establishes classes of loans for farm sustainable projects and aquaculture sustainable projects. (SB2467 SD2)

