

STAND. COM. REP. NO. 1121

Honolulu, Hawaii

MAR 21 2007

RE: H.B. No. 401  
H.D. 2  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2007  
State of Hawaii

Madam:

Your Committee on Water, Land, Agriculture, and Hawaiian  
Affairs, to which was referred H.B. No. 401, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO IMPORTANT AGRICULTURAL LANDS  
LOAN GUARANTY,"

begs leave to report as follows:

The purpose of this measure is to establish incentives and  
protections for important agricultural lands pursuant to chapter  
205, part III, Hawaii Revised Statutes, by authorizing the  
Chairperson of the Board of Agriculture to guaranty loans relating  
to agricultural projects on important agricultural lands.

Specifically, this measure:

- (1) Allows the Chairperson of the Board of Agriculture to  
approve guaranty loans relating to agricultural projects  
on important agricultural lands;
- (2) Limits the guaranty loan to a maximum of ten years for  
operating costs and a maximum of twenty years for  
capital improvement costs, and limits the guaranty loan  
to be up to eighty-five per cent of the principal amount  
of the loan;
- (3) Authorizes the Chairperson of the Board of Agriculture  
to guaranty a qualified agriculture loan with a



principal amount of up to \$2,500,000 with an aggregate liability cap for the State of \$40,000,000;

- (4) Requires the Director of Finance to maintain the responsibility for the reserve and funding of any defaults; and
- (5) Appropriates an unspecified amount for the Director of Finance to establish a loan guaranty reserve fund for the guaranty loan program.

Testimony in support of this measure was submitted by the Department of Agriculture; the Hawaii Farm Bureau Federation; the Maui County Farm Bureau; the Hawaiian Electric Company, Inc.; the Maui Electric Company, Ltd.; the Hawaii Electric Light Company, Inc.; the Hawaii Agriculture Research Center; Alexander and Baldwin, Inc.; the Hawaiian Commercial and Sugar Company; the Kauai Coffee Company, Inc.; the Hawaii Crop Improvement Association; and the Land Use Research Foundation. The Department of Budget and Finance submitted comments.

The Legislature enacted Act 183, Session Laws of Hawaii 2005, to establish standards, criteria, and mechanisms to identify important agricultural lands and implement the intent and purpose of Article XI, section 3, of the Hawaii State Constitution.

Financing is a critical component of the long-term viability of farmers to sustain their agricultural businesses. Your Committee finds that establishing a guaranty loan program for agricultural projects on designated important agricultural lands will provide better security for agricultural producers to meet their financial requirements and sustain their businesses. Although agriculture loans are often viewed as high risk ventures, your Committee believes that authorizing the Chairperson of the Board of Agriculture to guaranty agriculture loans for projects on designated important agricultural lands will provide commercial lenders the assurance that their loans will be backed by the State.

The Department of Agriculture and the Department of Budget and Finance indicated to your Committee that since the agricultural loan guaranty program is to be administered by the Department of Agriculture, the responsibility for the reserve and funding for the program should also be placed under the Department of Agriculture instead of the Department of Budget and Finance.



Thus, the Department of Agriculture suggested amendments be made under the appropriation section of this measure to cite the Department of Agriculture as the expending agency and allow it to establish a sub-account within the Agricultural Revolving Fund to maintain a reserve fund for the agricultural guaranty loan program. Your Committee believes that this is an issue that merits further discussion by the Committee on Ways and Means.

Accordingly, your Committee has amended this measure by:

- (1) Adopting the suggestion made by Alexander and Baldwin, Inc. by deleting any references in this measure that may infer that the agricultural loan guaranty program establishes sufficient incentives and protections to authorize the Land Use Commission to start designating lands as important agricultural lands pursuant to section 9, Act 183, Session Laws of Hawaii 2005;
- (2) Changing the effective date of the measure from July 1, 2007, to July 1, 2050, to promote further discussion; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and style.

Your Committee believes that this measure, as amended, fulfills the purpose of this measure, which is to establish incentives and protections for important agricultural lands pursuant to chapter 205, part III, Hawaii Revised Statutes.

As affirmed by the record of votes of the members of your Committee on Water, Land, Agriculture, and Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 401, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 401, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on  
behalf of the members of the  
Committee on Water, Land,  
Agriculture, and Hawaiian  
Affairs,




RUSSELL S. KOKUBUN, Chair



The Senate  
Twenty-Fourth Legislature  
State of Hawaii

**Record of Votes**  
**Committee on Water, Land, Agriculture and Hawaiian Affairs**  
**WAH**

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 401 HD 2	WAH, WAM	08/14/07		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KOKUBUN, Russell S. (C)	X			
TOKUDA, Jill N. (VC)	X			
FUKUNAGA, Carol				X
HEE, Clayton				X
SLOM, Sam	X			
<b>TOTAL</b>	3			2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency		

\*Only one measure per Record of Votes