

STAND. COM. REP. NO.

267

Honolulu, Hawaii

FEB 14 2007

RE: S.B. No. 662

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 S.B. No. 662 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
Director of Finance to guaranty loans relating to agricultural
projects on important agricultural lands.

Testimony in support of this measure was submitted by the
Department of Agriculture, the Hawaii Farm Bureau Federation, the
Maui County Farm Bureau, and the Hawaii Agriculture Research
Center.

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.
However, incentive and protection programs must be established
before the Land Use Commission can begin to designate lands as
important agricultural lands.

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

2007-1609 SSCR SMA.doc



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 Director of Finance 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.

Your Committee was concerned with the absence of testimony from the Department of Budget and Finance as this measure applies to the Director of Finance. Specifically, your Committee had concerns with the risk and liability this measure may impose on the State and whether a principle amount loan ceiling may be necessary for better implementation of this measure. Thus, your Committee requested that the Hawaii Farm Bureau Federation consult with the Department of Budget and Finance for its input and any recommendations relating to this measure. The Hawaii Farm Bureau Federation was able to consult with the Department of Budget and Finance and provided your Committee with additional information.

Accordingly, your Committee has amended this measure by:

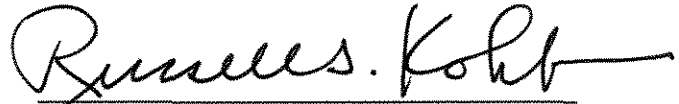
- (1) Deleting language that allows the loan guaranty to be up to one hundred per cent of the principle amount of the loan and replacing it with language that allows the loan guaranty to be up to eighty-five per cent of the principle amount of the loan to encourage private commercial lenders to be more diligent in reviewing and approving agriculture loans;
- (2) Adding language that authorizes the Director of Finance to guaranty a qualified agriculture loan with a principle amount of up to \$2,500,000; and
- (3) Making technical, nonsubstantive amendments for clarity and style.

Your Committee believes that establishing a guaranty loan program will provide an incentive mechanism that will encourage farmers and landowners to designate their lands as important agricultural lands under 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 S.B. No. 662, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 662, 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.:* <i>S.B. 662</i>	Committee Referral: <i>WAH, WAM</i>	Date: <i>2/7/07</i>
--	--	------------------------

The committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312
 Pass, with amendments 2311
 Hold 2310
 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
KOKUBUN, Russell S. (C)	✓			
TOKUDA, Jill N. (VC)	✓			
FUKUNAGA, Carol				✓
HEE, Clayton	✓			
SLOM, Sam	✓			
TOTAL	4			1

Recommendation:
 Adopted
 Not Adopted

Chair's or Designee's Signature:

Distribution:
Original
Yellow
Pink
 File with Committee Report
 Clerk's Office
 Drafting Agency