

LATE TESTIMONY

HAWAII FARM BUREAU FEDERATION
2343 ROSE STREET
HONOLULU, HI 96819

JANUARY 29, 2008

HEARING BEFORE THE
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT &
BUSINESS CONCERNS AND
COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 2739
RELATING TO STATE ENTERPRISE ZONES

Chairs Yamashita and Tsuji and committee members:

My name is Alan Takemoto, Executive Director, of the Hawaii Farm Bureau Federation, which is the largest non-profit general agriculture organization representing approximately 1,600 farm and ranch family members statewide.

The Hawaii Farm Bureau Federation supports HB 2739. We support the provision that allows agricultural businesses to continue to be qualified in the event of any natural disaster. Agricultural businesses can be completely out of production for weeks and sometimes for months with strong winds, rain, and flooding. Also allowing value added agricultural products grown in the zone may also take advantage of these tax credits provided. This will encourage more value added production and help farmers to diversify their operation.

Thank you.

LATE TESTIMONY

Testimony of Thomas J. Smyth, CEcD
Before the
House Committee on Economic Development & Business Concerns
Tuesday, January 29, 2008
8:30 am Room 325
on
HB2739 Relating to State Enterprise Zones

Chair Yamashita, Chair Tsuji, Vice Chair Wakai, Vice Chair Brower and
Committee Members:

I recently retired from the Department of Business, Economic
Development & Tourism but my testimony today as an individual is based on
over 20 years as the manager of the Hawaii Enterprise Zone partnership.

**I strongly support the purpose and intent of HB 2739 that provides
criteria for continued Enterprise Zone eligibility for farmers who suffer
short term losses due to natural disasters and allows their on-farm retail
sales to be counted as an eligibility EZ activity. The bill also recognizes that
modern employment practices include the used of leased employees and those
working under joint employment agreements.**

I am concerned that this bill, unlike very similar bills drafted jointly by the
Hawaii Farm Bureau Federation and DBEDT over the last five years, does not
include a very important provision that will help all farmers in the EZ Partnership,
but especially the smallest farmers. That is the allowance of growth in earnings to
substitute for workforce growth as a condition of annual EZ qualification. Many
farmers operate on a seasonal basis or in some cases just can not find workers to
handle their successful growth.


**In addition, I oppose the provision in HB2739 requiring all businesses
to grow their workforce by 15% rather than 10%, in the last four years of
their seven-year EZ participation.** Many firms cannot comply with the 10%
job gain requirement now due to lack of qualified workers. Increasing that burden
in the face of continued workforce shortages, especially on the Neighbor Islands,
will greatly reduce the number of firms participating and could eventually lead to
the end of an effective program.

**Please look at the provisions of HB 1923, HD2 SD1 that you passed
last year and which is still alive in the Senate. I have met with the WAM
Chair and expect this bill to pass the Senate and go to conference by the end
of this session. It contains the omissions to help farmers that I mentioned,
along with important housekeeping amendments that will help reduce the
complexity of this important program.**

Thank you for the opportunity to provide this testimony.

HB 1923 HD 2 SD 1

*REMOVED FROM JANUARY 2008 REFERENCE TO WAINI,
and Carried over to 2008 Regular Session*



**Hawaii
Aquaculture
Association**

To:

HOUSE OF REPRESENTATIVES
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS CONCERNS

The Honorable Kyle T. Yamashita, Chair
The Honorable Glenn Wakai, Vice Chair

COMMITTEE ON AGRICULTURE

The Honorable Clift Tsuji, Chair
The Honorable Tom Brower, Vice Chair

HEARING

DATE: Tuesday, January 29, 2008
TIME: 8:30a.m.
PLACE: Conference Room 325, State Capitol
415 South Beretania Street

From: Ronald P. Weidenbach, President, Hawaii Aquaculture Association
Cell: 429-3147, Email: hawaiiifish@gmail.com

Re: **HB 2739** - RELATING TO STATE ENTERPRISE ZONES

Chairs Yamashita and Tsuji, Vice-Chairs Wakai and Brower, and Members of the Committees:

The Hawaii Aquaculture Association (HAA) strongly supports the intent of HB 2739 to qualify agricultural businesses for enterprise zones, to allow them to receive benefits in case of force majeure, to count leased employees and joint employment workers in hiring formulas, and to qualify certain value-added agricultural sales towards certification for income tax credit purposes.

However, in its present form, HB 2739 fails to provide for the immediate needs of agriculture operations affected by one or more of the force majeure events of the last fifteen months that are currently seeking to maintain Enterprise Zone (EZ) eligibility, and, fails to address the needs of small agriculture operations and micro-enterprises in initially meeting and subsequently maintaining eligibility under current hiring requirements.

HAA therefore respectfully requests that HB 2739 be amended to address these two concerns, as follows:

1. In Section 1. or elsewhere as appropriate, it should be stated that the effective date of eligible force majeure events extend back to the start of the 40 days of rain in November/December 2006 so as to cover EZ agriculture operations severely affected by these rains and/or by subsequent wind and fire disasters. This amendment is particularly important for agribusinesses producing crops that take one or more years to grow, such as aquaculture products, fruit trees, and forestry products, where losses in 2006 and subsequently will affect the agribusinesses' ability to maintain eligibility in 2008 and beyond.
2. In Section 4. (b), an agribusiness firm should be eligible to be designated a qualified business if the business increases its average annual number of full-time employees, or, if it increases its average gross sales of agricultural crops or products produced within the enterprise zone, as specified in last year's HB1923 HD2SD1 Relating to Enterprise Zones for Agriculture that was passed by EDB, AGR, and FIN. To make employment the only measure of initial and annual eligibility favors larger businesses whereas EZ start-ups are often small "Mom and Pop" micro-enterprise operations, many initially without employees. The inequity of this current situation is demonstrated in the following example:

A business with 10 existing employees that is located within or moving into an EZ could be immediately eligible to be designated as a qualified business and would have to increase its average annual number of full-time employees by one (1) to meet the 10% annual increase requirement.

In comparison, a micro-enterprise without employees would have to add one (1) employee just to become eligible for EZ designation, and this hire would not count towards the 10% annual increase requirement (under DBEDT's interpretation of the current EZ eligibility requirements). Therefore, once EZ designation is obtained, the micro-enterprise would then have to hire a second full-time employee to count towards the 10% annual increase requirement. However, if this second employee were hired two or three months after EZ designation, which is likely given the current shortage of available agricultural employees, then the micro-enterprise would have to hire a third employee at least two or three months before the end of the year in order to have 12 months of FTE new-hire employment to meet the 10% annual increase requirement and maintain eligibility.

The inequity of this situation for a micro-enterprise is clearly apparent with the micro-enterprise without employees having to hire three (3) employees in one year to meet EZ eligibility qualification requirements while the 10-employee business only has to hire one (1). This inequity could be corrected by adding the alternative eligibility criteria of increasing average annual gross sales as defined in last year's HB 1923 HD2SD1.

The HAA strongly supports the EZ program but urges these two additional amendments to address the eligibility crisis for EZ agribusinesses affected by force majeure events over the past fifteen months and to make the program equitable for micro-enterprises and agribusinesses with fewer than 10 employees.

Thank you for the opportunity to testify.

3) Increase its average annual number of full-time employees provided that if an agricultural business is unable to achieve the required increase in its average annual number of full-time employees, the requirement to increase employment shall be replaced by a requirement to increase its cumulative average annual gross revenues by at least two percent by the end of the first tax year of participation; and

4) During each subsequent year at least maintain that higher level of employment or gross revenues.