

LINDA LINGLE
Governor



SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

DUANE K. OKAMOTO
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512

**TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
THURSDAY, FEBRUARY 18, 2010
3:00 P.M.
CONFERENCE ROOM 308**

**HOUSE BILL NO. 2293, HD1
RELATING TO DEPARTMENT OF AGRICULTURE**

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to offer comments on House Bill 2293, HD1. The department opposes the bill but understands the reasoning for the bill, which creates an agricultural staffing special fund and eliminates the agricultural loan reserve fund. However, the bill also takes monies from the agriculture revolving fund which will severely impact the farming community.

The Agricultural Loan Program provides direct support to the farming community and provides access to capital which is vital for the agricultural industry to survive and prosper. The program has strong demand for loans as a result of the tightening of credit by commercial lenders. Taking funds from the program's loan or operating fund will jeopardize the program and limit its ability to support farmers.

All of the program's operating costs are funded through the Reserve Fund which comes mainly from interest collections on loans. Interest collection for the program averages \$765,228 annually and is not sufficient to support the existing loan staff and expenses. The program is utilizing its balance in the reserve fund to cover its budget shortfalls. Due to the current poor economic environment, the Division anticipates

Testimony of Sandra Lee Kunimoto
House Bill 2293 HD1
February 18, 2010

difficulties in maintaining its interest collections which would create an even larger annual operating deficit. At this point, the program would not be able to support additional staff.

The Revolving Fund, which funds loans, currently has \$5.8 million in available funds. The program provides for economic development in the State and approved 35 loans to farmers totaling \$4.8 million during the last fiscal year. Principal collections average \$2.5 million per year and taking away of \$1.0 million per year to the agriculture staffing fund will significantly impact the Division's ability to make loans to assist farmers and will deplete the fund.

The proposed legislation will draw a total of \$11.25 million over the 5 year period from a loan portfolio that currently totals only \$18.4 million. The end result will be a program that is ineffective and which will no longer be sustainable leaving no support for the agricultural community.

In addition, the bill only addresses funding of the program's personnel and fringe benefit costs but does not address the other operating expenses for the agricultural loan division. Currently, these expenses are funded out of the program's operating fund known as the reserve fund.



Hawaii Farm Bureau
F E D E R A T I O N

2343 Rose Street, Honolulu, HI 96819
Phone: (808) 848-2074; Neighbor Islands: 1-800-482-1272
Fax: (808) 848-1921; e-mail: info@hbf.org

TESTIMONY

HB 2293 HD1 RELATING TO THE DEPARTMENT OF AGRICULTURE

Chair Oshiro and Members of the Committee:

Hawaii Farm Bureau Federation on behalf of our farmer and ranch families and organizations support HB 2293 requiring the deposit of a portion of the agricultural loan repayments into a special fund.

The industry has recognized the dire state of the State Budget. We believe that an evolution to a true fee for services structure will help ensure protection of public interests while continuing business in a timely manner.

We believe a long term evaluation of the State Ag Loan program is necessary. However, there are loans already in place that need to be serviced and so we see this as an interim solution.

HFBF strongly requests your support of this measure, restoring the effective date along with timely passage of rules and regulations so the measure can be implemented as soon as possible. If there are any questions, please contact Luella Costales at 848 2074. Thank you