

NEIL ABERCROMBIE
Governor



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

RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

JAMES J. NAKATANI
Deputy to the Chairperson

TESTIMONY OF RUSSELL S. KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE
ON
FINANCE

THURSDAY, FEBRUARY 24, 2011
3:30 P.M.
ROOM 308

HOUSE BILL NO. 1483
RELATING TO THE MOLOKAI IRRIGATION SYSTEM

Chairperson Oshiro and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 1483. The purpose of this bill is to direct the Department of Agriculture to provide water to Molokai Irrigation System (MIS) users who lease tracts of land under Section 207 of the Hawaiian Homes Commission Act, 1920, as amended, at a reduced rate. It also requires the Department of Agriculture (DOA) to forgive past due bills for the provision of irrigation water for Molokai homestead farmers. The department respectfully opposes Section 2(b) of the bill requiring the DOA to forgive all amounts owed by any Molokai homestead farmer for the provision of irrigation water that are past due as of the effective date of this Act. We offer comments regarding irrigation water at a reduced rate for homesteaders.

The MIS is part of the State's Irrigation System Revolving fund (Fund). Due to the nature of a revolving fund, this fund is meant to be self-sufficient but a combined effort between the administration, legislature, and board of agriculture resulted in a general fund supplement in order to keep irrigation water rates artificially low to encourage agricultural development. It is only with this supplement that the Fund is able to remain solvent. As an alternative to forgiving the debt and having the department request additional support, the department respectfully



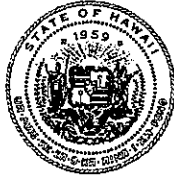
requests that the legislature appropriate additional general funds to the department to specifically cover the outstanding debt.

The outstanding balance owed by the system's homesteaders is over \$350,000 and represents over 80% of the current delinquency balance owed on the MIS. A legislative audit performed on the MIS in 2007 identified the outstanding receivables as a weakness that needed to be addressed. In an acknowledgement of the high outstanding balances, the department has been working with the Molokai Irrigation System Water Users Advisory Board to draft collection procedures and policies that are enforceable and fair. A partial balance waiver has been discussed in recognition that a collection agency would only return a portion of the outstanding balance and keep the rest as payment. For the rest of the outstanding debt, a repayment plan is being proposed for the account holder. The repayment plan, in combination with having a portion of the balance forgiven, would be contingent upon an agreement with the account holder that all usage, from the date the repayment plan is executed, would be paid in full, when due at the end of the month.

An appropriation to reduce the monthly cost for the delivery of irrigation water seems feasible given the language in Section 2(a), combined with Section 3. A maximum percentage of 50% will lower the delivery fee to \$0.25/1,000 gallons for the 2012 fiscal year. We also respectfully recommend that the delivery fee go no lower than \$0.25/1,000 gallons of water delivered as anything less may encourage waste. The Agricultural Resource Management Division estimates that \$55,000 is needed for each fiscal year, 2012 and 2013, to reduce the water delivery fee by 50%. This figure is the minimum amount that must be inserted into the blanks in Section 3. If this bill passes without an appropriation in Section 3, the Fund may become insolvent in subsequent years.

Thank you for the opportunity to testify on this measure.

NEIL ABERCROMBIE
GOVERNOR
STATE OF HAWAII



ALBERT "ALAPAKI" NAHALE-A
CHAIRMAN
HAWAIIAN HOMES COMMISSION

ROBERT J. HALL
DEPUTY TO THE CHAIRMAN

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

P.O. BOX 1879
HONOLULU, HAWAII 96805

TESTIMONY OF ALAPAKI NAHALE-A, CHAIRMAN
HAWAIIAN HOMES COMMISSION
BEFORE THE HOUSE COMMITTEE ON FINANCE
IN SUPPORT OF

HB 1483, RELATING TO THE MOLOKAI IRRIGATION SYSTEM

February 24, 2011

Chair Oshiro, Vice-Chair Lee and Members of the Committee:

The Department of Hawaiian Home Lands supports the purpose and intent of this bill to carry out the objectives of the Hawaiian Homes Commission Act as it relates to our Molokai agricultural lessees and their ability to adequately access the Molokai irrigation system (MIS). This bill restores a benefit to these lessees and we appreciate this, and similar measures, that enable our agricultural lessees to be successful.

The department supports this measure provided that sufficient funding is made available to the Department of Agriculture to cover the operational costs of the MIS. We recommend thorough discussion and consultation with the Department of Agriculture (the lead agency) and the MIS users to ensure this reduced rate is pragmatic and sustainable.

Thank you for the opportunity to testify.

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Wednesday, February 23, 2011 5:50 AM
To: FINTestimony
Cc: info@schha.org
Subject: Testimony for HB1483 on 2/24/2011 3:30:00 PM

Testimony for FIN 2/24/2011 3:30:00 PM HB1483

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Michael Kahikina
Organization: Sovereign Councils of the Hawaiian Homelands Assembly
Address:
Phone:
E-mail: info@schha.org
Submitted on: 2/23/2011

Comments:
Please contact Annie Auhoon at #529-1627 for any questions.

FINTestimony

From: sweet potato [ldrd@wave.hicv.net]
Sent: Wednesday, February 23, 2011 3:37 PM
To: FINTestimony; Rep. Mele Carroll
Cc: Faith Tuipulotu; 'Viola Mundrick-Wichman'; boswellj@hawaii.edu; 'Jose Faraon'
Subject: TESTIMONY FOR HB 1483

HOUSE OF REPRESENTATIVES
THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2011

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair
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Rep. Linda Ichiyama	Rep. Gene Ward
Rep. Jo Jordan	

NOTICE OF HEARING

DATE: Thursday, February 24, 2011
TIME: 3:30 P.M.
PLACE: Conference Room 308
State Capitol
415 South Beretania Street

Testimony of Support with **RESERVATIONS**

Aloha Representative Oshiro,

I support HB 1483 with reservations I am a third generation sweet potato farmer on the island of Molokai and I have been farming for over 30 years. Each individual needs to be responsible for the use water. It is not fair to those who have paid there bills, if you set that precedent now it will encourage others not to pay their bills.

I DO SUPPORT: (1) A reduction in rate and
(2) Appropriating funds to cover the operational cost of the Molokai irrigation system.

But I DO NOT SUPPORT: (1) Forgiving loans to Molokai homesteaders or anyone else for that matter.

Thank you for allowing me to give testimony.

Mahalo,

Lynn DeCoite, Homestead Farmer

FINTestimony

m: Viola Mundrick-Wichman [tippy711@live.com]
Sent: Wednesday, February 23, 2011 7:17 PM
To: FINTestimony; Rep. Mele Carroll
Subject: HB 1483

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Testimony of Support with **RESERVATIONS**

Aloha Representative Oshiro,

I support HB 1483 with reservations. I am homestead farmer on 5 acres in Hoolehua on the island of Molokai and I have been farming for 13 years. It has been a struggle as all new businesses are and each individual needs to be responsible for the use of water. It is not fair to those who have paid there bills, if you set this precedent now it will encourage others not to pay their bills. Molokai as received a federal grant to help new farmers over the next three years. There are 11 signed up this year, what kind of business responsibility will this bill impart to them - water is a business expense.

I DO SUPPORT: (1) A reduction in rate and
(2) Appropriating funds to cover the operational cost of the Molokai irrigation system.

But I DO NOT SUPPORT: (1) Forgiving loans to Molokai homesteaders or anyone else for that matter.

Thank you for allowing me to give testimony.

Mahalo,
Viola K. Mundrick-Wichman, Homestead Farmer

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THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2011

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Testimony of Support with **RESERVATIONS**

Aloha Representative Oshiro,

My name is James A. Boswell. I teach agriculture classes for UH Maui College here on Molokai (for 23 years) and have been farming with my son for the past five years. I support HB1483 on the following points (1) provide a reduction in rate to Hawaiian Homestead Users, and (2) appropriating funds to

cover operational costs of the Molokai Irrigation System. However, I don't support that portion of the bill (as it is written) that would forgive delinquent amounts for Hawaiian Homestead Users, or anyone else for that matter. Recently, the Molokai Irrigation System Water Users Advisory Board gave a recommendation to the Department of Agriculture that would forgive delinquent accounts for those "users of record" that are diseased. This, I feel is fair. All others should be held accountable for water usage.

Thank you for allowing me to give testimony.

Mahalo,

James A. Boswell, Assistant Professor/Farmer