

JAN 20 2012

A BILL FOR AN ACT

RELATING TO AGRICULTURE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that for the State of
2 Hawaii to meet its sustainability goals, it must become more
3 self-reliant in food production. To achieve this goal, Hawaii's
4 farmers need more options to obtain much needed working capital
5 to address critical issues such as improvements, food safety,
6 and crop damage.

7 The purpose of this Act is to:

- 8 (1) Require the department of agriculture to guarantee up
9 to eighty per cent of the principal balance of a loan
10 by a private lender made to a qualified farmer,
11 qualified food manufacturer, or cooperative;
- 12 (2) Require the chairperson of the board of agriculture to
13 guarantee loans from commercial lenders and broaden
14 the scope of the guarantee from important agricultural
15 lands to all agricultural lands; and
- 16 (3) Specify the loan application requirements for loan
17 guarantees by the department of agriculture.



1 SECTION 2. Chapter 155, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§155- Loan application requirements. (a) Applicants
5 for loans insured or guaranteed by the department of agriculture
6 pursuant to sections 155-5 and 155-5.5 shall complete an
7 application form as prescribed by the department of agriculture
8 and shall attach the following exhibits to the application:

- 9 (1) A business income statement and balance sheet for the
10 two years prior to the application, if applicable;
- 11 (2) Cash flow projections for the next three years;
- 12 (3) Aging schedules for accounts payable and accounts
13 receivable;
- 14 (4) A personal financial statement if the applicant is a
15 sole proprietor, partner, or guarantor;
- 16 (5) Copies of income tax returns for the three years prior
17 to the application;
- 18 (6) A copy of the deed or lease for the farm, if
19 applicable;
- 20 (7) A resume demonstrating the applicant's agricultural
21 experience and a business plan;



1 (8) A narrative describing the applicant's business,
2 including information on the size and location of the
3 business and the type of crops grown or food
4 manufactured; and

5 (9) The name of any experts, such as an accountant,
6 attorney, or agricultural expert, that the applicant
7 relied upon in creating the applicant's business plan
8 and cash flow projections.

9 (b) The department of agriculture may require additional
10 documentation from the applicant prior to approval of the
11 application for an insured or guaranteed loan."

12 SECTION 3. Section 155-5.5, Hawaii Revised Statutes, is
13 amended by amending subsection (a) to read as follows:

14 "(a) The department of agriculture [~~may~~] shall guarantee
15 up to [~~ninety~~] eighty per cent of the principal balance of a
16 loan, plus interest due thereon, made to a qualified farmer,
17 qualified food manufacturer, or cooperative by a private lender;
18 provided that at no time shall the aggregate amount of the
19 State's liability, contingent or otherwise, on loans guaranteed
20 under this section and sections 155-5, 155-6, and 155-6.5 exceed
21 \$10,000,000."



1 SECTION 4. Section 155-5.6, Hawaii Revised Statutes, is
2 amended by amending its title and subsections (a) to (b) to read
3 as follows:

4 "[+]§155-5.6[+] Loan guaranty; [~~important agricultural~~
5 ~~lands;~~] agricultural and aquacultural loans. (a) [~~From July 1,~~
6 ~~2009, the~~] The chairperson of the board of agriculture [~~may~~]
7 shall guarantee loans made by commercial lenders authorized to
8 do business in this State, to agricultural producers for the
9 purpose of developing and implementing agricultural projects;
10 provided that the chairperson of the board of agriculture shall
11 determine [~~that~~;

12 ~~(1) The agricultural projects are located on lands~~
13 ~~designated as important agricultural lands pursuant to~~
14 ~~part III of chapter 205; and~~

15 ~~(2) The] that the commercial lender has completed its due~~
16 ~~diligence in approving the loan, including ensuring~~
17 ~~adequate collateral.~~

18 The chairperson of the board of agriculture may impose other
19 conditions that the chairperson deems reasonable to implement
20 the loan guaranty.

21 (b) In addition to the conditions that the chairperson of
22 the board of agriculture may impose under subsection (a), any



1 loan guaranty made pursuant to this section shall meet the
2 following conditions:

- 3 (1) For any loan that finances operating costs, the
4 maximum term of the loan shall be ten years;
- 5 (2) For any loan that finances capital improvement costs,
6 the maximum term of the loan shall be twenty years;
- 7 (3) The interest rate charged on any loan shall be one per
8 cent below the commercial lender's prime rate for as
9 long as the loan guaranty is in effect;
- 10 (4) The loan guaranty [~~may~~] shall be up to [~~eighty-five~~]
11 eighty per cent of the outstanding principal amount of
12 any single loan, but shall not include any fees or
13 accrued interest associated with the loan or its
14 collection; and
- 15 (5) The total principal amount of the guaranteed portion
16 of all loans outstanding at any time shall not exceed
17 \$2,500,000."

18 SECTION 5. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

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1 SECTION 6. This Act shall take effect upon its approval.

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INTRODUCED BY:

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S.B. NO. 2352

Report Title:

Agriculture; Loans

Description:

Requires the department of agriculture to guarantee up to eighty per cent of the principal balance of a loan by a private lender made to a qualified farmer, qualified food manufacturer, or cooperative. Requires the chairperson of the board of agriculture to guarantee loans from commercial lenders and broadens the scope of the guarantee from important agricultural lands to all agricultural lands. Specifies the application requirements for loan guarantees by the department of agriculture.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

