



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

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February 13, 2013

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
HOUSE COMMITTEE ON WATER & LAND

TESTIMONY ON HB 1261
RELATING TO AGRICULTURE

Room 325
8:15 AM

Chair Wooley, Chair Evans, Vice Chair Onishi, Vice Chair Lowen, and Members of the Committees:

I am Dean Okimoto, President of the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,950 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community

HFBF respectfully requests your strong support of HB 1261 expanding the scope of incentives associated with the designation of Important Agricultural Lands.

Since the enactment of the Constitutional Mandate in 1978 to preserve and protect Important Agricultural Lands (IAL), HFBF came before the Legislature every year with proposals of how this measure could be implemented. It was only in 2005 when the standards and criteria to designate IAL was finally passed and in 2008 when the incentives were passed. It was a long road.

We celebrated when the first lands were designated by Alexander and Baldwin in 2009 and today, we have over 90,000 acres that were VOLUNTARILY designated by landowners across the State. Unlike purchase of easements or development rights that are often associated with preservation of agricultural lands, these designations did not involve payments to landowners. Rather, Hawaii's IAL process, provides incentives to landowners for investments into agricultural operations – not just to keep the agricultural

``land designations. They actually are rewarded for contributing towards a farm or ranch operation ..for without that operation all you have is open space ..not ag land, even if it is zoned as agriculture.

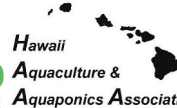
Designation of 90,000 acres in 4 years is no small feat. New Jersey, that was one of the first states to begin farmland preservation has 200,850 acres preserved at a cost of \$1,545,523,768 or \$7,705/acre. Given Hawaii's high land prices, the equivalent value of the 90,000 acres would be significantly more. The New Jersey program started in 1981 – this averages 6,470 acres per year compared to Hawaii's IAL program, designating an average of 22,500 acres per year. These statistics reflect the success of the Hawaii program.

Three years have passed since 2008 and we are now in the phase in which Counties will submit maps to the LUC identifying lands to be designated as IAL. The IAL process enacted in Act 183 (SLH 2005) carefully identified a process involving incentives so the State would not be accused of a "taking". Ultimately, landowners can still voluntarily designate their lands. This makes it even more imperative that the incentive package be attractive to encourage such action.

The measure before this body today addresses some of the needs on IAL lands such as expansion of basic irrigation infrastructure for drought mitigation or development of processing capacity for products grown or raised on the land. These operations are expensive and these incentives will encourage entrepreneurial private investments.

The financial total of the credits proposed does not exceed the amount authorized by the Legislature in 2008. There are no new credits. Rather it is a redistribution of credits to further the viability of operations on IAL.

We humbly request your support in passing this measure. Thank you for this opportunity to provide our opinion on this important matter.



Local Food Coalition

HOUSE COMMITTEE ON WATER & HOUSE COMMITTEE ON AGRICULTURE

Wednesday, February 13, 2013, 8:15 am, Room 325

HB1261 RELATING TO AGRICULTURE

Expanding the scope of incentives associated with the designation of Important Agricultural Lands.

Chair Evans, Chair Wooley, Vice Chair Lowen, Vice Chair Onishi, and Members of the Committees:

My name is Dean Okimoto, and I represent the Local Food Coalition on this matter.

The Local Food Coalition (LFC) brings together farmers, ranchers, livestock producers, investors and other leading organizations, who collectively manage more than 1 million acres of land, and produce the majority of food in our state. Solving our challenge of increasing the local food supply — putting more local food on local plates — can best be accomplished by bringing people and organizations together who can work on the entire food value chain in a systematic way.

The Local Food Coalition strongly supports HB 1261.

Since the enactment of the Constitutional Mandate in 1978 to preserve and protect Important Agricultural Lands (IAL), HFBF came before the Legislature every year with proposals of how this measure could be implemented. It was only in 2005 when the standards and criteria to designate IAL was finally passed and in 2008 when the incentives were passed. It was a long road.

We celebrated when the first lands were designated by Alexander and Baldwin in 2009 and today, we have over 90,000 acres that were VOLUNTARILY designated by landowners across the State. Unlike purchase of easements or development rights that are often associated with preservation of agricultural lands, these designations did not involve payments to landowners. Rather, Hawaii's IAL process, provides incentives to landowners for investments into agricultural operations – not just to keep the agricultural land designations. They actually are rewarded for contributing towards a farm or ranch operation ..for without that operation all you have is open space ..not ag land, even if it is zoned as agriculture.

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We humbly request your support in passing this measure. Thank you for this opportunity to provide our opinion on this important matter.

onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 09, 2013 7:55 AM
To: AGRtestimony
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for HB1261 on Feb 13, 2013 08:15AM*

HB1261

Submitted on: 2/9/2013

Testimony for AGR/WAL on Feb 13, 2013 08:15AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Cattlemen's Council	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov



Email: communications@uluponoinitiative.com

HOUSE COMMITTEES ON WATER & LAND/AGRICULTURE
Wednesday, February 13, 2013 — 8:15 a.m. — Room 325

Ulupono Initiative Supports HB 1261, Relating to Appraisals

Chairs Evans & Wooley, Vice Chairs Lowen & Onishi and Members of the Committees:

My name is Kyle Datta, General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste.

Ulupono Initiative **supports HB 1261**, which amends the Important Agricultural Lands (IAL) qualified agricultural cost tax credit to allow an additional 15 percent credit for drought mitigation from 1/1/2013 to 12/31/2020. It also changes the tax credit cap to \$5 million per year for the 2013 tax year and \$7 million per year for the 2014, 2015, and 2016 tax years and \$7.5 million per year thereafter.

In 2008, the State Legislature enacted incentives associated with Important Agricultural Lands. Unfortunately, other than the income tax credit, other credits have not been implemented. As investors in agriculture, Ulupono believes that enacting these incentives will encourage more landowners to designate more land as IAL, which will keep more land in agriculture in perpetuity and help our community and state ensure a long-term commitment to safeguarding the best agricultural lands for agriculture use.

Ulupono has joined with a diverse group of organizations who have come together for the first time as the Local Food Coalition to support proposals designed to help grow more local food. The coalition brings together farmers, ranchers, livestock producers, investors and other organizations. The idea is that putting more local food on local plates can best be accomplished by bringing people and organizations together who can work on the entire food value chain in a systematic way.

We believe that by working together, we can help produce more local food, and support an economically strong homegrown agriculture industry that strengthens our community with fresh, healthy food. Thank you for the opportunity to testify.

Respectfully,

Kyle Datta
General Partner



TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Tax credit for drought mitigation projects

BILL NUMBER: SB 976; HB 1261 (Identical)

INTRODUCED BY: SB by Nishihara, Chun Oakland and 3 Democrats; HB by Wooley

BRIEF SUMMARY: Amends HRS section 235-110.93 to allow a taxpayer claiming the important agricultural land qualified agricultural cost tax credit to claim an additional refundable tax credit of 15% of the qualified credit amount received for expenditure for drought mitigation projects on important agricultural lands, excluding land classified as conservation lands.

Deletes the stipulation that the amount of the qualified agricultural costs eligible to be claimed under this section shall be reduced by the amount of funds received by the taxpayer during the taxable year from the irrigation repair and maintenance special fund under HRS section 167-24.

Appropriates \$_____ in general funds for fiscal year 2014 to be expended by the department of agriculture for staffing or other expenses necessary to implement the tax credits established by this act effective on July 1, 2013.

Appropriates \$_____ in general funds for fiscal year 2014 to be expended by the department of taxation for staffing or other expenses necessary to implement the tax credits established by this act effective on July 1, 2013.

EFFECTIVE DATE: January 1, 2013; applicable to tax years beginning after December 31, 2012

STAFF COMMENTS: This measure would allow taxpayers that qualify for the important agricultural land qualified agricultural cost tax credit under HRS section 235-110.93 to be eligible to claim an additional tax credit of 15% of such amount if they have expenditures for drought mitigation projects which provide water for important agricultural lands. While Act 233, SLH 2008, adopted various incentives to encourage the agricultural use of lands which qualify as important agricultural lands, it should be remembered that the tax system is not an efficient method to accomplish such social goals. Since the proposed measure would grant preferential treatment to an even more select group of taxpayers at the expense of other taxpayers who are ineligible for the exemption, its enactment cannot be justified.

Unfortunately like many of the other targeted business tax credits, this proposal extends the credits without any maximum amount that can be given out for this purpose. As a result, lawmakers can only guess how much this program will cost the state treasury. To give certainty to the cost, a maximum dollar amount should be set as a ceiling as to the aggregate amount of the credits that can be claimed in any one year.

Digested 1/30/13

Testimony of The Nature Conservancy of Hawai'i
Supporting H.B. 1261 Relating to Agriculture
House Committee on Agriculture
House Committee on Water and Land
Wednesday, February 13, 2013, 8:15AM, Room 229

The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 32,000 acres in 10 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.

The Nature Conservancy of Hawai'i supports H.B. 1261 to allow an additional tax credits for drought mitigation projects on important agricultural lands.

Fresh water in Hawai'i is not a limitless resource that can forever be tapped to support all of our municipal, agricultural, cultural, and natural resource needs. We must invest in the natural systems that are the source of our water and in systems that ensure that we capture, use and re-use water most efficiently.

Furthermore, climate change is an imminent and unprecedented threat to every person in Hawai'i that—whether they know it or not—depends on services from the natural environment for their livelihoods, health and welfare. Even if we drastically reduce CO2 emissions now, we will still feel the effects of climate change. In Hawai'i, science indicates that this will likely include:

- More frequent and more severe storms that can increase runoff and siltation;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that affect watershed and agricultural health, while being beneficial to invasive species;
- Sea level rise and high waves that will harm coastal areas and groundwater systems;
- Ocean acidification that will inhibit the growth of protective coral reefs.

In response, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and agricultural systems. Protecting and enhancing the health of our forested watersheds as proposed by the Department of Land and Natural Resources is one critically important initiative. Likewise, supporting drought mitigation on important agricultural lands—including enhanced water recharge, as well as water capture, retention, storage and delivery systems—is another essential component of preparing ourselves for the very likely effects of climate change here in the middle of the Pacific.

This bill is a wise investment in our future. We urge your support.

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Governor



RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

SCOTT E. ENRIGHT
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
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TESTIMONY OF RUSSELL S. KOKUBUN
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE/WATER AND LAND
Wednesday, February 13, 2013
8:15 A.M.
Room 325

HOUSE BILL NO. 1261
RELATING TO AGRICULTURE

Chairpersons Wooley and Evans and Members of the Committees,

Thank you for this opportunity to provide testimony on HB 1261. The Department of Agriculture supports this measure with amendments. This measure amends Section 235-110.93, Hawaii Revised Statutes to allow an additional fifteen percent credit for drought mitigation projects providing water for lands the majority of which are designated important agricultural lands. There are two appropriations from the general fund for staffing and other expenses necessary to implement the tax credits established by this measure.

Our proposed amendments are as follows:

Page 2, line 19 to Page 3, line 1 (amendment is bold and double underscored)

“(b) Each taxpayer claiming a credit under subsection (a) may receive an additional tax credit for expenditures for drought mitigation projects providing water for lands, ~~the majority of which,~~ excluding lands classified as conservation lands, ~~that~~ are **designated** important agricultural lands.”

Page 3, lines 1 to 18 (amendments are bold, struck through, and double underscored)

“~~Expenditures for drought mitigation projects shall include but are not limited to:~~

- ~~(1) Expansion or improvements of capacity to capture storm water for use on designated important agricultural lands during droughts, including engineering plans and permit costs; and~~
- ~~(2) Expansion or improvement of capacity to increase infiltration of storm water to encourage groundwater recharge of aquifers, including engineering plans and permit costs;~~
- ~~(3) (2) Design and implementation of practices such as terracing and other water retention measures on designated important agricultural lands that will sustain the growth of crops including pasture grasses during droughts, including engineering plans and permit costs; and~~
- ~~(4) Expansion or improvement of water delivery systems to drought prone areas, including engineering plans and permit costs."~~

The Department of Agriculture believes expenditures for drought mitigation projects that may receive an additional 15 percent credit should be limited to those in direct support of providing irrigation water only to designated important agricultural lands. The other drought mitigation projects we propose to be deleted may be covered under other existing "Qualified agricultural costs" listed on page 9, line 15 to page 11, line 16 of this measure.

The Department appreciates the two appropriations from the general fund, we defer to the Department of Budget and Finance regarding any fiscal impacts and to the Department of Taxation on taxation matters contained in this bill that are under their jurisdiction.

Thank you for this opportunity to testify.



February 13, 2013

TESTIMONY
HOUSE COMMITTEE ON WATER & LAND
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 1261
RELATING TO AGRICULTURE

Room 325
8:15 AM

Chair Evans, Vice Chair Lowen, Chair Wooley, Vice Chair Onishi , and Members of the Committees:

Maui County Farm Bureau on behalf of our commercial farm and ranch families and organizations working to increase Hawaii's level of self sufficiency, **STRONGLY SUPPORTS** HB 1261 expanding the scope of incentives associated with Important Agricultural Lands.

A robust incentive package is important to encourage landowners to willingly designate their lands as IAL and to continue investments into farm and ranch operations. This measure provides such an incentive.

MCFB respectfully requests your support of this measure. Thank you for this opportunity to provide our opinion on this matter. If there are questions, please contact Warren Watanabe at 2819718. Thank you.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

WILLIAM J. AILA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ESTHER KIA'AINA
FIRST DEPUTY

WILLIAM M. TAM
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KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Testimony of
WILLIAM J. AILA, JR.
Chairperson

Before the House Committees on
AGRICULTURE
and
WATER & LAND

Wednesday, February 13, 2013
8:15 AM
State Capitol, Conference Room 325

HOUSE BILL 1261
RELATING TO AGRICULTURE

House Bill 1261 proposes to provide an additional 15% tax credit to landowners for drought mitigation project expenditures on designated "Important Agricultural Lands" ("IAL"). **The Department of Land and Natural Resources (Department) strongly opposes this bill (as it did a similar bill in 2012), not because the goal is unworthy, but because the means are structured to provide direct cash payment support to the 6-10 largest landowners in the State and to no one else.**

The proposal was not part of the Governor's biennium budget request. It will adversely impact existing programs. It will deprive Counties of scarce drought mitigation funds for their priority needs.

House Bill 1261 provides an additional 15% tax credit for drought mitigation projects the IAL landowner (and the landowner alone) selects. There is no question about the need to mitigate the effects of drought and the associated financial costs to agricultural operators to implement water supply projects for drought mitigation. Droughts have severely affected Hawai'i in the past, and as part of a natural climate cycle, droughts will impact the State in the future.

The Department notes that a more equitable form of drought mitigation can be found in House Bill 281, Relating To Agriculture. House Bill 281 appropriates drought mitigation funding to the counties for drought mitigation projects identified by the respective local county drought committees.

Tax credits are a very poor tool to accomplish targeted projects. They do nothing for small farmers who do not have large tax payments to shelter. More importantly, if tax dollars are paid

to IAL landowners for whatever projects they select, the limited public drought money is not directed towards the County's plans or priorities. Furthermore, there is no oversight or reporting on the use of tax credits. Tax returns remain confidential. The Department of Taxation is in no position to judge the benefits of any particular project's overall drought mitigation value versus some other project in the county.

House Bill 1261 should be rejected. There are no amendments that will save it.

Thank you for the opportunity to comment.