

Honolulu, Hawaii

MAR 18 2013

RE: H.B. No. 1264
H.D. 2
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Agriculture, to which was referred H.B. No. 1264, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO AGRICULTURAL LOANS,"

begs leave to report as follows:

The purpose and intent of this measure is to expand the Department of Agriculture's agricultural loan program by, among other things:

- (1) Specifying that infrastructure and infrastructure improvement costs are qualifying purposes for certain classes of agricultural loans;
- (2) Expanding the availability of new farmer program loans through actions such as the waiver of credit denial requirements for certain borrowers, inclusion of graduates of farm training programs in the definition of "new farmer", and creation of a new farm innovation loan available to fund practical research in crop development and production; and
- (3) Adding a new class of loans for biosecurity projects that, among other things, seek to protect the health of livestock, poultry, and humans from diseases, pests, and pathogens that may originate on a farm, and specifying applicable qualifying purposes, a maximum loan amount, loan terms, and borrower eligibility requirements.



Your Committee received testimony in support of this measure from the Hawaii Farm Bureau Federation, Land Use Research Foundation, and two individuals. Your Committee received comments on this measure from the Department of Agriculture.

Your Committee finds that this measure as currently written may be confusing as it classifies the purchase, construction, or improvement of farm land as "infrastructure improvements" for Class "A" loans under the agriculture loan program. This may be in conflict with the lending industry's standard language and terminology. More specifically, loans to purchase lands are considered to be in a separate category than buildings or other capital improvements because land tends to appreciate in value while buildings and other capital improvements tend to depreciate in value. As such, the terms of loans for farm land tend to be longer than those for buildings and other capital improvements.

Your Committee further finds that the contents of S.B. No. 992, S.D. 2, and S.B. No. 993, S.D. 2, more clearly and accurately reflect the statutory changes necessary to expand the Department of Agriculture's ability to provide loans for livestock infrastructure and new farmers.

Your Committee has amended this measure by:

- (1) Deleting its contents and inserting the contents of:
 - (A) S.B. No. 992, S.D. 2, which:
 - (i) Establishes a low interest biosecurity loan program to assist the livestock industry and provides for loans for an amount not to exceed \$1,000,000 or eighty-five percent of the project costs, whichever is less at an interest rate of three percent per year; and
 - (ii) Subjects loans insured under section 155-5, Hawaii Revised Statutes; loans guaranteed under section 155-5.5, Hawaii Revised Statutes; and participating loans under section 155-6, Hawaii Revised Statutes, for purposes of Class "A" through Class "I", to terms; conditions; and eligibility, security, repayment, and refinancing requirements



pursuant to sections 155-9 through 155-13,
Hawaii Revised Statutes; and

- (B) S.B. No. 993, S.D. 2, which enhances the new farmer loan program to provided needed capital to new farmers and incentives to enter into and continue farming, such as waiving the requirement for two credit denials for certain new farm loans up to \$100,000, and allowing farm innovation loans up to \$75,000;
- (2) Inserting an effective date of July 1, 2013; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Agriculture that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1264, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1264, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Agriculture,

Clarence K. Nishihara

CLARENCE K. NISHIHARA, Chair



