

SB 1204

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
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SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

FEBRUARY 13, 2017
1:15 P.M.
CONFERENCE ROOM 224

SENATE BILL NO. 1204
RELATING TO AGRICULTURE

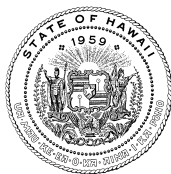
Chairperson Gabbard and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 1204. This bill establishes the agriculture accelerator program to authorize the agribusiness development corporation to provide grants and invest in existing or new agriculture businesses approved by the board of agriculture in return for equity in those agriculture businesses. The Department supports this bill provided it does not impact the Department's priorities listed in the Executive Budget. The work of ADC is critical in moving the State toward food security and self-sufficiency. This program helps Hawaii in its efforts to provide more local products for local consumption.

Thank you for the opportunity to comment on this measure.



DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT
ON
SENATE BILL NO. 1204

February 13, 2017
1:15 p.m.
Room 224

RELATING TO AGRICULTURE

Senate Bill No. 1204 establishes the Agriculture Accelerator Program (AAP) and the Agriculture Accelerator Special Fund (AASF) to authorize the Agribusiness Development Corporation (ADC) to provide grants and invest in existing or new agriculture businesses approved by the Board of Agriculture in return for equity in those agriculture businesses. The AASF will be funded by appropriations from the Legislature, interest earned, any grant or donation, and by an unspecified amount from the tax of each barrel under the Environmental Response, Energy, and Food Security Tax.

While the Department of Budget and Finance (B&F) does not take any position on the establishment of the AAP or the use of its special fund, as a matter of general policy, the department does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users

or beneficiaries or a clear link between the program and the sources of revenue;

3) provide an appropriate means of financing for the program or activity; and

4) demonstrate the capacity to be financially self-sustaining. In regards to Senate Bill No. 1204, it is difficult to determine whether the proposed special fund will be self-sustaining.

Additionally, B&F has concerns with increasing the distribution of the barrel tax beyond what is established in Section 243-3.5, HRS. The current general fund financial plan does not take into account any additional distributions of the barrel tax away from the general fund.

Below is a breakdown of the current and proposed barrel tax distribution under this bill:

<u>Fund</u>	<u>Distribution of Current*</u>	<u>Barrel Tax Proposed</u>
Environmental Response Revolving Fund	\$.05	\$.05
Energy Security Special Fund	\$.15	\$.15
Energy Systems Development Special Fund	\$.10	\$.10
Agricultural Development and Food Security Special Fund	\$.15	\$.15
AASF	\$.00	unspecified

*Current barrel tax is \$1.05.

Due to unspecified distribution to the AASF, it is difficult to determine the loss to the general fund.

Thank you for your consideration of our comments.

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
Honolulu, HI 96813
Phone: (808) 586-0186 Fax: (808) 586-0189

TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

Monday, February 13, 2017
1:15 p.m.

SENATE BILL NO. 1204
RELATING TO AGRICULTURE

Chairperson Gabbard and Members of the Committee:

My name is James Nakatani, Executive Director of the Agribusiness Development Corporation ("ADC"). The ADC strongly supports Senate Bill No. 1204 which establishes an agricultural accelerator program within Chapter 163D, Hawaii Revised Statutes, to provide grants and invest in existing or new agriculture businesses.

The ADC is an agency attached to the Hawaii Department of Agriculture tasked with transitioning former plantation lands and water systems for diversified agriculture and providing solutions to certain bottleneck issues facing today's agriculture industry.

Establishing an agricultural accelerator program under 163D HRS will help move agriculture forward by giving the ADC the ability to provide capital to existing and new agribusiness businesses that engage in farming, aquaculture,

or ranching activities in the State for agriculture-related development and improvements.

In addition, an agriculture accelerator program will: 1) help foster partnerships with local farming operations to facilitate ADC projects; 2) provide the means to float bonds and reinvest its revenues back into the agriculture industry; and 3) attract and retain capital. For these reasons, the ADC supports this bill.

Thank you for the opportunity to testify.



Written Statement of
Robbie Melton
Executive Director & CEO
High Technology Development Corporation
before the
Senate Committee on Agriculture and Environment
Monday, February 13, 2017
1:15 p.m.
State Capitol, Conference Room 224

In consideration of
SB1204
RELATING TO AGRICULTURE.

Chair Gabbardi, Vice Chair Riviere, and Members of the Committee on Agriculture and Environment.

The High Technology Development Corporation (HTDC) **supports** SB1204 that establishes the agriculture accelerator program to authorize the agribusiness development corporation to provide grants and invest in existing or new agriculture businesses approved by the board of agriculture in return for equity in those agriculture businesses.

HTDC supports local manufacturers through our INNOVATE Hawaii program which was recently awarded \$2.5 million (\$500k a year over 5 years) in federal funding by the U.S. Department of Commerce, National Institute of Standards and Technology's (NIST) to continue the Manufacturing Extension Partnership (MEP) program. A business support program to assist agriculture businesses would strengthen the supply chain for Hawaii food manufacturers.

In 2015, the legislature appropriated \$2 million to establish a manufacturing grant program. In FY16, the first year of the program, HTDC awarded \$1.9 million to 51 companies who invested \$31.4 million of their own money into growing their businesses. 45% of the funding was awarded to food manufacturers, 20% to beverage and tobacco. 29 awards were made in City and County of Honolulu, 7 in Maui County, 6 in Hawaii County, and 9 in Kauai County.

HTDC comments that SB1204 provides funding in exchange for equity in the business which should be referred to as an investment rather than a grant. HTDC comments that the program described in the bill may more accurately be described as an investment program. An accelerator program consists of a cohort of companies that receive investment and enter into an educational business training "boot camp" with a specific start and end date. The companies benefit from the training, peer to peer synergies, and network. The Energy Excelerator is an example of a Hawaii based accelerator program that provides training and investment and may be a good potential partner for the program.

We support this initiative as long as it does not replace our priorities requested in the Executive Budget. Thank you for the opportunity to offer these comments.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 1, 2017 10:30 AM
To: AEN Testimony
Cc: hoonanea@aol.com
Subject: Submitted testimony for SB1204 on Feb 13, 2017 13:15PM

SB1204

Submitted on: 2/1/2017

Testimony for AEN on Feb 13, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Regina Gregory	EcoTipping Points Project	Support	No

Comments: I support this only if your definition of "agriculture" does not include genetically modified seed crops.

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.

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OUR MISSION

HCIA is a Hawaii-based non-profit organization that promotes modern agriculture to help farmers and communities succeed. Through education, collaboration and advocacy, we work to ensure a safe and sustainable food supply, support responsible farming practices and build a healthy economy.

TESTIMONY FROM BENNETTE MISALUCHA, EXECUTIVE DIRECTOR

In Support of SB 1204

Relating to Agriculture

Establish an agriculture accelerator program to stimulate the creation and growth of new and small agricultural and food manufacturing enterprises

SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

February 13, 2017, 1:15 p.m.

Conference Room 224

Chair Gabbard and members of the committee:

The Hawaii Crop Improvement Association (HCIA) is a Hawaii-based non-profit organization that promotes modern agriculture to help farmers and communities succeed. Through education, collaboration, and advocacy, we work to ensure a safe and sustainable food supply, support responsible farming practices, and build a healthy economy.

HCIA **supports SB1204**, which establishes an agriculture accelerator program to stimulate the creation and growth of new and small agricultural and food manufacturing enterprises.

Accelerator programs in the energy sector have secured federal funds for new and small enterprises focused on energy issues in Hawaii, which have helped to grow the state's energy technology business. A similar program for agriculture would be just as effective.

Creating an agriculture accelerator program will support Governor Ige's goal to double local food production by 2020. This bill provides a mechanism to provide flexible capital and creates a self-sustaining funding source for the long-term.

Please prepare for the future now by passing this important bill. Thank you for the opportunity to testify.

Respectfully submitted,

Bennette Misalucha
Executive Director

**LARRY JEFTS FARMS, LLC
PO BOX 27
KUNIA, HAWAII 96759
(808) 688-2892**

SB 1204, Relating to Agriculture
Senate AEN Committee
Monday, February 13, 2017
1:15 pm
Conference Room 224

Testimony by: Larry Jeffs
Position: Support

Chair Gabbard, and Members of the Senate AEN Committee:

I am Larry Jeffs, owner and operator of Larry Jeffs Farms, LLC, which is part of our family-run business of farms on Oahu and Molokai, under the administrative umbrella of Sugarland Growers, Inc. We have more than 35 years of Hawaii farm experience on Molokai and Oahu. I am a volunteer director for the West Oahu Soil and Water Conservation District (SWCD).

SB 1204 will be of benefit to people interested in farming as well as existing farmers struggle with equipment purchases, energy efficiency, researching and constructing new processes and other needs to run a successful farm. A return of 1-6% equity in the grant funded agriculture business is an innovative tool that will supplement funds for the program.

Thank you for the opportunity to present testimony

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 6, 2017 6:20 AM
To: AEN Testimony
Cc: mary@mauivortex.com
Subject: Submitted testimony for SB1204 on Feb 13, 2017 13:15PM

SB1204

Submitted on: 2/6/2017

Testimony for AEN on Feb 13, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Overbay	Individual	Oppose	No

Comments: I will not support the planting of any GMO's. Please, ban all GMO's.

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.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 30, 2017 5:15 PM
To: AEN Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB1204 on Feb 13, 2017 13:15PM*

SB1204

Submitted on: 1/30/2017

Testimony for AEN on Feb 13, 2017 13:15PM in Conference Room 224

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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Dr. Cindy Goldstein, Ph.D
Aiea, Hawaii

SB 1204 Relating to Agriculture – Agriculture Accelerator
Senate Committee on Agriculture and Environment
Monday, 02-13-17 1:15 PM in conference room 224

Chair Mike Gabbard, Vice Chair Gil Riviere, and members of the Committee on Agriculture and Environment,

Position: Support

New opportunities for agriculture businesses are limited. Establishing and funding an agriculture accelerator program provides an innovative means to support both new and existing agriculture businesses. Grants and investment that boost agriculture businesses are needed to expand and strengthen the agriculture sector and increase local food production.

Funding of the Agribusiness Development Corporation provides direct support for new and existing agriculture operations and businesses. Farming, ranching, and aquaculture operations have the potential to benefit from an appropriation of funds for the accelerator grant and investment program. Securing funds through collection of tax on each barrel for an accelerator special fund is a recommended path forward for stable funding for expansion of opportunities in agriculture.

Thank you for the opportunity to provide testimony in support of SB 1204.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Earmarks Barrel Tax for Agriculture Accelerator Special Fund

BILL NUMBER: SB 1204

INTRODUCED BY: DELA CRUZ, GALUTERIA, INOUYE, KIDANI, K. Kahele, Wakai

EXECUTIVE SUMMARY: Establishes an agriculture accelerator program and an attached special fund. Feeds the fund by an earmark off the barrel tax. Earmarks and special funds decrease transparency and accountability.

SYNOPSIS: Adds a new section to HRS chapter 163D to establish an agriculture accelerator grant program, and a related special fund. The fund is to be expended at the sole discretion of the Board of Agriculture to assist agriculture businesses that engage in farming, aquaculture, or ranching activities in the State.

Amends HRS section 243-3.5 to provide that ___ cents per barrel shall be deposited into the agriculture accelerator special fund.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The proposed measure would add another siphon of revenues and would perpetuate the earmarking of barrel tax revenues. An agriculture accelerator program may provide some benefit to the State. But does that justify grabbing a pot of barrel tax money without going through the normal budgeting process that also considers sweltering primary schools, underfunded state pensions, or the costs of intercollegiate athletics?

Rather than the continual earmarking of revenues, a direct appropriation of general funds would be preferable. Earmarking revenues from any tax type for a particular purpose decreases transparency and accountability.

Next, it should be remembered that revenues diverted for a special purpose, in this case to fund agriculture programs, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 2/10/2017



LATE

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e-mail info@hfbf.org; www.hfbf.org

February 13, 2017

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

TESTIMONY ON SB 1204
RELATING TO

Room 224
1:15 PM

Aloha Chair Gabbard, Vice Chair Riviere, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

HFB support the intent of SB 1204, which establishes the agriculture accelerator program to authorize the agribusiness development corporation to provide grants and invest in existing or new agriculture businesses approved by the board of agriculture in return for equity in those agriculture businesses and collects an unspecified amount from the tax of each barrel under environmental response, energy, and food security tax to be deposited into the agriculture accelerator special fund.

The barrel tax was intended to support critical investments in clean energy, local agricultural production, and environmental response to reduce the State's dependence on imported fossil fuels and food products. As an organization opposed to new taxes, HFB took an unusual step by supporting the environmental response, energy, and food security tax, or barrel tax. It was a desperate move by the industry to secure stable funding for Hawaii's agricultural industry. It was originally intended to increase local capacity to grow and produce import replacement products in order to fulfill the State's vision for increased self-sufficiency and sustainability. During the economic downturn, proceeds from this fund were reallocated to balance the budget. We recognize that some of the proceeds continued to benefit agriculture.

ADC was initiated by the agricultural industry as the closure of plantations escalated and there was a need to identify mechanisms that could quickly place farmers on lands that were destined to be idle.

HFB believes that ADC has a tremendous amount of power and has a responsibility in continuing to assist Hawaii's transition from plantation agriculture to smaller diversified agricultural operations.

Hawaii's farmers and ranchers are finding it difficult to secure the financial support necessary to build capacity. The agriculture accelerator program can result in increased capacity, new business opportunities, increase employment opportunities and address Hawaii's goals of increased self-sufficiency and sustainability.

Thank you for this opportunity to testify on this measure.