



STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

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

WRITTEN ONLY
TESTIMONY BY LAUREL A. JOHNSTON
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2084

February 28, 2018
10:45 a.m.
Room 211

LATE

RELATING TO AGRICULTURE

Senate Bill (S.B.) No. 2084 establishes the Agriculture Land Acquisition Fund (ALAF) within the Agribusiness Development Corporation for the acquisition, administration, maintenance and management of agricultural lands and irrigation systems to improve food security. The ALAF would be funded by appropriations from the Legislature, interest earned, any grant or donation and by an unspecified amount from the tax of each barrel of petroleum product and an unspecified percentage of tax on each one million British thermal units (BTU) of fossil fuel under the Environmental Response, Energy and Food Security Tax (Barrel Tax). This bill also appropriates an unspecified amount of general funds in FY 19 to be deposited into the ALAF.

Although this measure does not specify whether the ALAF is a special or revolving fund, as a matter of general policy, the Department of Budget and Finance (B&F) does not support the creation of any special or revolving fund which does not meet the requirements of Sections 37-52.3 and 37-52.4, HRS. Special or revolving 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 S.B. No. 2084, it is difficult to determine if the proposed fund would be self-sustaining.

Additionally, B&F has serious concerns with increasing the distribution of the Barrel Tax beyond what is established in Section 243-3.5, HRS. Under its current distribution, \$.60 of the tax on each barrel of petroleum and approximately \$.11 on each one million BTU of fossil fuel go to the general fund. The current general fund financial plan does not take into account any additional distributions of the Barrel Tax away from the general fund. Due to unspecified distributions to the ALAF, it is difficult to determine the loss to the general fund.

Thank you for your consideration of our comments.



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LATE

February 28, 2018

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON SB 2084
RELATING TO AGRICULTURE

Room 211
10:45 AM

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, 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.

The Hawaii Farm Bureau supports the intent of SB 2084, establishes the agricultural land acquisition fund to provide funding for the acquisition, administration, maintenance, and management of agricultural lands and irrigation systems to improve food security.

HFB believes that in order for agriculture to flourish in Hawaii and reach their full potential, land availability and long-term leases at affordable and predictable lease rental rates and access to water are critical. The availability of agricultural land under the State's control will provide farmers with long-term leases that will enhance the economic viability of Hawaii's agriculture industry.

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.

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.

The barrel tax 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 understand that some of the proceeds continued to benefit agriculture.

While we support the intent of this measure to have the State acquire more agricultural lands and to provide funding for ADC to assist with food security, we believe it is time to restore the original intent of the measure to focus on import replacements and to meet new needs of agriculture.

Thank you for this opportunity to testify on this measure.