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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 CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2062, H.D. 1

February 23, 2022
2:30 p.m.
Room 308 and Videoconference

RELATING TO AGRICULTURAL LOANS

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill (H.B.) No. 2062, H.D. 1, Administration Proposal AGR-2(22), adds a new section to Chapter 155, HRS, to establish the Agricultural Emergency Loan Revolving Fund (AELRF) to be administered by the Department of Agriculture for the purposes of providing Class D emergency loans made pursuant to Section 155-9(e), HRS; amends Section 155-14, HRS, to clarify that payments on principal received for agricultural emergency loans shall be deposited into the AELRF and not the existing Agricultural Loan Revolving Fund; appropriates an unspecified amount of general funds in FY 23 to be deposited into the AELRF; and appropriates an unspecified amount of revolving funds out of the AELRF in FY 23.

B&F notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor's Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state's support for elementary and secondary education relative to the state's overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Finally, as a matter of general policy, B&F does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS.

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. Regarding H.B. No. 2062, H.D. 1, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

Thank you for your consideration of our comments.

DAVID Y. IGE
Governor

JOSH GREEN
Lt. Governor



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

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DEPARTMENT OF AGRICULTURE
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TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE

FEBRUARY 23, 2022
2:30 P.M.
CONFERENCE ROOM 325

HOUSE BILL NO. 2062 HD1
RELATING TO AGRICULTURAL LOANS

Chairperson Luke and Members of the Committee:

Thank you for the opportunity to present testimony on House Bill 2062 HD1. This bill creates a revolving fund that will be dedicated to funding agricultural emergency loans. The emergency loan program serves as a safety net to farms during times of emergency and the Department strongly supports this bill.

Climate change and economic disasters are occurring with greater frequency creating much hardship to already struggling farm and ranch operations throughout the State. In the past three years the Agricultural Loan program has made 31 emergency loans totaling \$2.3 million. Emergency loan amounts ranged from \$10,000 to \$500,000 averaging \$74,194 over the three-year period.

The agricultural loan revolving loan fund currently has \$4.25 million available for loans and for the past three fiscal years loans have averaged \$4.2 million annually. Due to the tight funding supply the program has not been able to reserve any funds specifically for emergency loans. Having a dedicated source of funding for agricultural emergencies when it is needed will support farmers and ranchers during times of natural disaster, production and pest blight and economic disasters.

Thank you for the opportunity to testify.



HB-2062-HD-1

Submitted on: 2/22/2022 2:00:24 PM

Testimony for FIN on 2/23/2022 2:30:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
AGR-Matsukawa, Dean	Dept. of Agriculture	Support	Yes

Comments:

Available for comments.



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February 23, 2022

HEARING BEFORE THE
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 2062, HD1
RELATING TO AGRICULTURAL LOANS

Conference Room 309 & Videoconference
2:30 PM

Aloha Chair Luke, Vice-Chair Yamashita, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports HB 2062, HD1, which establishes the agricultural emergency loan revolving fund to be administered by the Department of Agriculture.

Hawai'i farmers and ranchers have and will continually have their operations impacted by natural disasters, global epidemics disease, pests, diseases, high winds, thunderstorms, hurricanes, fires, floods, earthquakes, lava flow, vog or other volcanic activity, droughts, and tidal waves. Supply chain issues and other shipping disruptions are also challenging for agricultural producers. These unexpected disasters can result in devastating economic damage and emergency financial assistance is critical to help our farmers and ranchers recover from production and physical losses.

An Agricultural Emergency Loan Revolving Fund that offers emergency loans would enable HDOA to quickly respond to agricultural emergencies by assisting farmers and ranchers with funding to help repair damaged infrastructure, replant crops, or replace equipment and supplies allowing them to continue farming or ranching.

Thank you for this opportunity to testify in support of this measure.



COMMITTEE ON FINANCE
Rep. Sylvia Luke, Chair
Rep. Kyle T. Yamashita, Vice Chair

HB2062 HD1
Relating to Agricultural Loans

Wednesday, February 23, 2022, 2:30 PM
VIA VIDEOCONFERENCE

Chair Luke, Vice Chair Yamashita, and Members of the Committee,

The Hawaii Cattlemen's Council (HCC) is the Statewide umbrella organization comprised of the five county level Cattlemen's Associations. Our member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of over 750 thousand acres of land in Hawaii, or 20% of the State's total land mass. We represent the interests of Hawaii's cattle producers.

The Hawaii Cattlemen's Council **supports HB2062 HD1** to establish the agricultural emergency loan revolving fund, to be administered by the department of agriculture, to fund class D emergency loans.

Developing this fund is a prudent step to ensuring that agricultural operations will continue to be able to serve the community. Hawaii's agriculture sector must expect that natural disasters will happen, and this loan program will be helpful for accessing capital during emergencies.

Nicole Galase
Hawaii Cattlemen's Council
Managing Director





Email: communications@ulupono.com

HOUSE COMMITTEE ON FINANCE
Wednesday, February 23, 2022 — 2:30 p.m.

Ulupono Initiative supports HB 2062 HD 1, Relating to Agricultural Loans.

Dear Chair Luke and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

Ulupono supports HB 2062 HD 1, which establishes the Agricultural Emergency Loan Revolving Fund to be administered by the Department of Agriculture (DOA) and provides a separate source of funding for emergency agricultural loans.

Ulupono believes that the DOA's Agricultural Loan Division provides critical support to the State's local food production goals. This program allows local farmers and ranchers to receive capital for costs such as land and water resources, farm inputs, equipment and infrastructure, emergency response, marketing, technology, and much more. Due to recent natural disasters, weather events, and the pandemic's economic fallout, the Agricultural Loan Program's revolving fund has been depleted with heightened interest from the agricultural community looking to stay afloat during trying times. Emergency needs tend to vary, depending on the circumstance, but in each instance, a quick, reliable loan process is important to address immediate needs. This bill seeks to establish a timely and streamlined emergency loan process that will benefit local farmers and ranchers seeking to support the state with local products in times of disasters.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i