

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

GLORIA CHANG  
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**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 CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2992

**March 3, 2022**  
**10:10 a.m.**  
**Room 211 and Videoconference**

RELATING TO AGRICULTURE

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

Senate Bill (S.B.) No. 2992 adds a new section to Chapter 141, HRS, to:  
establish an Agricultural Investment Special Fund (AISF) within the Department of  
Agriculture (DOA) for the purposes of providing funding to private entities to increase  
agricultural production or processing; provide that the AISF may receive revenues from  
legislative appropriations, private grants or donations, and any interest earned on the  
balance of the fund; and require the DOA to submit annual reports to the Legislature.  
This bill also appropriates an unspecified amount of general funds in FY 23 for deposit  
into the AISF and an unspecified amount of special funds out of the AISF in FY 23 to  
support local agricultural producers, provided that no funds shall be made available  
unless the DOA obtains 50% matching funds from private sources.

As a matter of general policy, B&F 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. Regarding S.B. No. 2992, there does not appear to be any significant source of revenues to support the AISF aside from appropriations from the general fund.

B&F also 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.

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

State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
1428 South King Street  
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**TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS**

**MARCH 3, 2022  
10:10 A.M.  
VIA VIDEOCONFERENCE**

**SENATE BILL NO. 2992  
RELATING TO AGRICULTURE**

Chairperson Dela Cruz and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 2992, which establishes the Agriculture Investment Special Fund to support local agricultural producers and appropriates funds. The Department of Agriculture ("Department") strongly supports this measure provided it does not adversely impact the Department's priorities in the Executive budget and offers supporting comments.

We firmly believe local agriculture is essential to Hawaii and are concerned that the amount of imported food has exceed 85 per cent and is rapidly approaching the 90 per cent of all foods consumed.

In a recent commercial agriculture survey of local farming operators conducted by the USDA-NASS, 58 per cent of participating farms cited the high cost of production as the leading barrier to their commercial expansion. Other challenges mentioned were shortage of labor (41 per cent), cost of shipping or transportation (39 per cent), insufficient access to capital (37 per cent), and insufficient cash flow (37 per cent). All farms surveyed indicated that a \$100,000 grant would improve their total gross sales after one year. 26 per cent of them expect an increase in total gross sales by 0-4.99 per cent and 22 per cent of them anticipate a greater than 25 per cent increase.

Unlike plantation industries (sugarcane and pineapple) in the past, diversified agriculture in the current environment requires public support in production, processing, storage, distribution, product research, and product marketing to attain desirable levels of efficiency, competitiveness, and expansion capacity. Most smaller farmers and ranchers lack the capacity and resources to initiate, participate in, and benefit from



those ancillary support activities on their own. Departmental funding and support for such assistance would provide opportunities for those smaller farmers and ranchers to survive, expand, and thrive, and in turn increase local food production to reduce Hawaii's reliance on food imports.

The Department deeply appreciates the establishment of the Agriculture Investment Special Fund to support diversified agriculture and local agricultural producers in Hawaii. Among the important functions that this measure will enable the Department to resume and enhance are, as follows:

- Issue RFP awards to farmers for agricultural production or processing activities. Such awards are in high demand, especially when agricultural producers are facing difficult hardship in situations, such as the COVID-19 pandemic, severe droughts, and persistent disease infestation.
- Conduct research (data and analytics) and testing of agricultural products and markets. This function includes statistical reporting on production acreage, harvested amounts, yields, utilization, value of sales, and factor inputs of important crops (particularly food crops). Local farmers are reliant on such information to make prudent farming decisions.
- Promotion and marketing of agricultural products grown or raised in the State. This function is crucial to grow export markets and to support the doubling of local food production and the *farm-to-state* program.
- Encourage and support transportation and distribution networks necessary to promote agricultural production or processing activities. Most agricultural activities occur in rural areas on neighbor islands. Many expanding farms are dependent on the Honolulu market to sell their products and to purchase farming inputs. Hence, an affordable, and accessible intra-island shipping service is essential to supporting a viable and thriving diversified agriculture industry, comprised primarily of smaller farms and ranches in rural Hawaii.

The Department has concerns with the use of the term "grants" on Page 2, line 16, without the inclusion of standards for awarding and issuing those funds. Grants require standards set forth in statute per the Hawaii State Constitution. Use of the terms "funds" or "monies" in place of "grants" may address this concern.

Finally, the Department is concerned with the language regarding matching funds on page 4, lines 19-20. This mandate requiring the Department to obtain fifty percent matching funds from private sources may inadvertently empower private interest groups to unduly influence and direct decisions on state agricultural and related public projects and policies through selective funding decisions. The Department suggests lowering the matching threshold to 25 per cent and expanding the source for matching funds by replacing the term "private sources" with "private, federal, or other sources" to diminish the concern.

Thank you for the opportunity to testify on this measure.



**WRITTEN TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
THIRTY-FIRST LEGISLATURE, 2022**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 2992, RELATING TO AGRICULTURE.

**BEFORE THE:**

SENATE COMMITTEE ON WAYS AND MEANS

**DATE:** Thursday, March 3, 2022                      **TIME:** 10:10 a.m.

**LOCATION:** State Capitol, Room 211, Via Videoconference

**TESTIFIER(S):**     **WRITTEN TESTIMONY ONLY.**  
(For more information, contact Jodi K. Yi,  
Deputy Attorney General, at (808) 586-1195)

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Chair Dela Cruz and Members of the Committee:

The Department of the Attorney General provides the following comments regarding this bill.

This bill would establish the agriculture investment special fund to support local agricultural producers and appropriates a currently unspecified amount out of the general revenues of the State of Hawaii for the purpose of this Act. The bill specifies that the fund may be expended by the Department of Agriculture, among many things, for the "awarding of grants to farmers for agricultural production or processing activity." Page 2, lines 16-17.

Article VII, section 4, of the Constitution of the State of Hawaii provides, "[n]o grant of public money or property shall be made except pursuant to standards provided by law." Because this bill does not include sufficient standards for making the grants, the Department of Agriculture will not be able to make the administrative grants intended by this bill. We therefore recommend that this bill be amended to insert sufficient standards for the administrative grants. Examples of statutes that provide standards for existing administrative grant programs are part II of chapter 9 and sections 10-17, 210D-11, and 383-128, Hawaii Revised Statutes.

Thank you for the opportunity to present this testimony.



COMMITTEE ON WAYS AND MEANS  
Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair

**SB2992**  
RELATING TO AGRICULTURE

Thursday, March 3, 2022, 10:10 AM  
VIA VIDEOCONFERENCE

Chair Dela Cruz, Vice Chair Keith-Agaran, 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 SB2992** to establish the agriculture investment special fund to support local agricultural producers. There are many challenges to producing food locally while maintaining a viable business operation. We appreciate this bill that would alleviate economic strains on the sector that farmers and ranchers experience and believe it will help local beef producers by growing capacity within the industry.

We appreciate the opportunity to testify on this measure.

Nicole Galase  
Hawaii Cattlemen's Council  
Managing Director







Email: [communications@ulupono.com](mailto:communications@ulupono.com)

SENATE COMMITTEE ON WAYS & MEANS  
Thursday, March 3, 2022 — 10:10 a.m.

**Ulupono Initiative supports SB 2992 and offers amendments.**

Dear Chair Dela Cruz 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 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 SB 2992**, which establishes the Agriculture Investment Special Fund to support local agricultural producers, and **offers amendments.**

Ulupono supports the State's efforts to invest in local agriculture. We also recognize the many economic difficulties the State faced in 2021. However, the 2021 State Legislative Session saw the Department of Agriculture (DOA) lose millions of dollars due to the elimination of its Agricultural Development and Food Security Special Fund ("Barrel Tax"), which was the DOA's main source of industry funding. These significant cuts have negatively impacted the DOA's ability to support the agricultural industry with funding and resource allocations at a time when the industry needs it most.

With the economy now looking to recover and diversify, agriculture has presented itself as a leading industry for investment. The State must invest in local farmers and ranchers by funding solutions to address the industry's many challenges.

We recommend that this committee consider establishing a formal program named the "Hawai'i Agricultural Investment Program" within the DOA that would allow expenditures to serve local farmers and ranchers with opportunities to scale production. This can include adoption of new technology, operational infrastructure such as fencing and irrigation, food safety and beginning farmer training, production research, market development, on-farm conservation, etc. We recommend making the following amendments to SB 2992 (**Bold** language identifies requested amendments to the current bill):

*Investing in a Sustainable Hawai'i*

SECTION 1. The legislature finds that local agriculture is essential to Hawaii. Eighty-five per cent of all food consumed in the State is imported, leaving Hawaii vulnerable to natural disasters and supply chain disruptions. Increasing the amount of food produced locally is key to reducing the need for imported foods.

The legislature further finds that left dependent on imports, Hawaii residents will experience greater volatility of food prices and food availability because of the impact of climate change on national and global food production. It can no longer be assumed that there will always be an unlimited supply of affordable food from overseas to feed Hawai'i's population.

The legislature further finds, however, that high costs in Hawaii limit the competitiveness of local agriculture and have undermined efforts to expand local food production. Direct support for local agricultural producers can help overcome the high costs faced by Hawaii's agricultural sector.

Accordingly, the purpose of this Act is to establish the [an] Hawaii agricultural[e] investment program [fund] to provide a dedicated funding source for the local agricultural sector. Through the program [fund], the department of agriculture will [support] invest in agricultural producers to support the State's economy and alleviate [economie] financial strains on the sector.

SECTION 2. Chapter 141, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

" 141- Hawaii [A]agricultural investment program [fund; establishment]. (a) There is established within the [state treasury] department the Hawaii agricultural investment program [special fund].

~~[(b) The following moneys shall be deposited into the special fund:~~

~~(1) Any appropriation by the legislature into the special fund;~~

~~(2) Any grant or donation made to the special fund; and~~

~~(3) Any interest earned on the balance of the special fund.]~~

([e]b) Subject to legislative appropriation, moneys in the program [special fund] may be awarded [expended] as fifty per cent matching grants for the following purposes:

(1) The increase of [awarding of grants to farmers for] agricultural production or processing capacity;

(2) The acquisition of real property for agricultural production or processing activity;

(3) The improvement of real property, irrigation systems, and transportation networks necessary to promote agricultural production or processing activity;

(4) The purchase of equipment necessary for agricultural production or processing activity;

(5) The conduct of research on and testing of agricultural products and markets;

~~[(6) The funding of agricultural inspector positions within the department of agriculture;]~~

~~[(7)6] The promotion and marketing of agricultural products grown or raised in the state; and~~

~~[(8)7] Any other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the state.~~

~~[(d)c] The department of agriculture shall submit a report to the legislature no later than twenty days prior to the convening of each regular session on the status and progress of existing programs and activities and the status of new programs and activities funded under the Hawaii agricultural investment program ~~[special fund]~~. The report shall also include:~~

~~[(1) The spending plan of the agricultural investment special fund;]~~

~~[(2)1] All expenditures of the Hawaii agricultural investment program ~~[development and food security special fund moneys]~~;~~

~~[(3)2] The targeted markets of the expenditures, including the reason for selecting those markets;~~

~~[(4)3] The persons to be served using the expenditures; and~~

~~[(5)4] The specific objectives of the expenditures, including measurable outcomes."~~

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii ~~[fund]~~ the sum of \$1,000,000 or so much thereof as may be necessary for fiscal year 2022–2023 ~~[to be deposited into the agriculture investment special fund]~~ for the department of agriculture to establish the Hawaii agricultural investment program to support local agricultural producers; provided that no matching grant funds shall be made available under this Act unless the department of agriculture obtains fifty per cent matching funds from the grant recipient or entity.

The sum appropriated shall be expended by the department of agriculture for the purposes of this Act.

SECTION 4. The appropriation made in section 3 of this Act shall not lapse at the end of the fiscal year for which the

~~appropriation is made. [There is appropriated out of the agriculture investment special fund the sum of \$ \_\_\_\_\_ or so much thereof as may be necessary for fiscal year 2022-2023 for the department of agriculture to support local agricultural producers; provided that no funds shall be made available under this Act unless the department of agriculture obtains fifty per cent matching funds from private sources.~~

~~The sum appropriated shall be expended by the department of agriculture for the purposes of this Act.]~~

SECTION 5. New statutory material is underscored.

SECTION 6. This Act shall take effect on July 1, 2022.

It is important to note that various states across the nation have established similar programs to support and invest in agriculturalists with critical needs such as fencing, conservation, irrigation, equipment, soil health, training, market access and development, and much more. Hawai'i should do the same and continue its commitment to our many important sustainability goals.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata  
Director of Government Affairs



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March 3, 2022

HEARING BEFORE THE  
SENATE COMMITTEE ON WAYS AND MEANS

**TESTIMONY ON SB 2992**  
RELATING TO AGRICULTURE

Conference Room 211 & Videoconference  
10:10 AM

Aloha Chair Dela Cruz, Vice-Chair Keith-Agaran, 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 SB 2992**, which establishes the agriculture investment special fund to support local agricultural producers.

Agriculture, like all businesses, requires capital investment. The cost of operating a farm or ranch in Hawai'i can be significant. In many cases, agricultural operations require capital that our local farmers just don't have and many of Hawai'i's farmers and ranchers are finding it difficult to secure the financial support necessary to build capacity. Access to grants can result in increased capacity, new business opportunities, increase employment opportunities, and address Hawai'i's goals of increased self-sufficiency and sustainability.

Farming is a tough business. High production costs are a major driver of narrow profit margins for Hawai'i's farmers. Land, water, labor, taxes, transportation, utilities, inputs, marketing, research, invasive species, and food safety regulations are all costs of doing business that often results in our farmers just being able to break even. HFB supports any initiative that supports agricultural production so that locally produced goods can compete with imported products, strengthening our local economy.

An HDOA Agriculture Investment Special Fund can assist farmers and ranchers to increase capacity to grow and produce import replacement products in order to fulfill the State's vision for increased self-sufficiency and sustainability.

Thank you for the opportunity to comment on this measure.

**SB-2992**

Submitted on: 3/2/2022 8:25:10 AM

Testimony for WAM on 3/3/2022 10:10:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Kelsey Amos	Testifying for Food+ Policy	Support	No

Comments:

SB2992: Agriculture Investment Fund; Department of Agriculture; Appropriation

Aloha e Chair Dela Cruz, Vice Chair Keith-Agaran and Members of the WAM Committee,

We are in full support of SB2992 relating to an agricultural investment fund. The fact that Hawai‘i imports almost 90% of our food is not a new concept. We have known this for almost a decade, yet little funding has been appropriated to this vulnerable sector. We set goals of doubling local food production or making 30% of school meals local, yet we don’t give our local farmers the support to achieve these goals. The ultimate pressure is put on them when we set these ambitious goals but provide no backing. An appropriation of funds to support our agricultural farmers through SB2992 can alleviate this burden and further local agricultural goals.

In a [2021 USDA and HDOA agricultural expansion survey](#), the highest ranked barrier to expanding an operation was cost of production. Everyone knows that the cost of production in Hawai‘i is so much more than if we were to grow the same food on the mainland or elsewhere. Yet, we continue to exploit the labor and land of other places so we can get cheap food. Instead of encouraging this negative feedback loop, we can invest in our local farmers to give them capital to expand their productions, so we no longer have to rely on the “cheapness” of lower quality mainland products.

By supporting an agricultural fund like this, we would not only be supporting the expansion of local agriculture into our economy and our diets, but also creating new jobs as well. Of the 1,062 farms surveyed in that same survey, 63.9% of them said that the most expected result from expanding their operations would be the creation of job opportunities. 944 of those farms surveyed said that the majority of their operations’ current market was local; 417 said the mainland and 120 said international markets. So, it is obvious that the farmers of Hawai‘i currently focus on our local markets, but funding is needed to expand their capabilities and reach to more people.

The ripple effects of creating an agricultural investment fund go on. If we aid our farmers of Hawai‘i with the capital necessary to feed local residents, to meet State local food production goals, and to diversify our economy, then we can win this negative cycle of importing food and diminishing local farmers. As UHWO Sustainable Community Food Systems professor, Albie Miles, said in an article, “if we get food right, we get everything right.” We fully support this SB2992 to create an agricultural investment fund.

Mahalo,

Food+ Policy Team



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#### **Executive Officers**

**Charlie Gustafson**, Tamura Super Market, *Chair*  
**Eddie Asato**, Pint Size Hawaii, *Vice Chair*  
**Gary Okimoto**, Safeway, *Secretary/Treas.*  
**Lauren Zirbel**, HFIA, *Executive Director*  
**John Schliff**, Rainbow Sales and Marketing, *Advisor*  
**Stan Brown**, Acosta Sales & Marketing, *Advisor*  
**Paul Kosasa**, ABC Stores, *Advisor*  
**Derek Kurisu**, KTA Superstores, *Advisor*  
**Toby Taniguchi**, KTA Superstores, *Advisor*  
**Joe Carter**, Coca-Cola Bottling of Hawaii, *Immediate Past Chair*

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TO: Committee on Ways and Means  
Senator Donovan M. Dela Cruz, Chair  
Senator Gilbert S.C. Keith-Agaran, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION  
Lauren Zirbel, Executive Director

DATE: March 3, 2021  
TIME: 10:10am  
PLACE: Via Videoconference

RE: SB2992 Relating to Agriculture

#### **Position: Support**

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, and distributors of food and beverage related products in the State of Hawaii.

HFIA is in support of this measure to establish the agriculture investment special fund to support local agricultural producers. As the text of this measure notes “high costs in Hawaii limit the competitiveness of local agriculture and have undermined efforts to expand local food production.” Hawaii can be a very challenging state for any type of business to operate; labor, fuel, energy, real estate, and supplies are all more expensive here than on the mainland. This can be especially challenging for our local agricultural producers who are competing with imported products grown in places where operating costs for things like labor, fuel, and agricultural land are exponentially cheaper. Direct support for our agricultural producers is the most straightforward way for the State to address these issues and help our local Hawaii farmers increase local food production. We urge you to pass this measure and we thank you for the opportunity to testify.