

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

ISAAC W. CHOY
DIRECTOR OF TAXATION

To: The Honorable Mark J. Hashem, Chair;
The Honorable Amy A. Perruso, Vice Chair;
and Members of the House Committee on Agriculture

From: Isaac W. Choy, Director
Department of Taxation

Date: March 17, 2021
Time: 10:00 A.M.
Place: Via Videoconference, Hawaii State Capitol

Re: S.B. 496, S.D. 2, Relating to Agriculture

The Department of Taxation (Department) offers the following comments regarding S.B. 496, S.D. 2, for your consideration.

S.B. 496, S.D. 2, adds a new section to chapter 235, Hawaii Revised Statutes (HRS), to create a new nonrefundable tax credit to qualified taxpayers engaged in the State in the growing or production of agricultural import replacements. The measure also creates an “agricultural import replacement” task force to identify “the top ten fruit or vegetable imports” that can be “grown in the State and sold for consumption in the State or for use by business entities licensed and registered in the State,” which will constitute this new category of agricultural import replacements. The tax credit is capped at an unspecified amount of qualified expenses, with an aggregate cap of \$5,000,000.

The measure defines “qualified expenses” as “costs for any equipment, materials, or supplies necessary to grow agricultural import replacements[,]” and defines “qualified taxpayers” as “any person, business entity, or cooperative association of such persons engaged in the State in the growing or production of agricultural import replacements.” The Department of Agriculture (DOA) will be responsible for verifying the nature and amount of qualified expenses, certifying the tax credit, and administering the aggregate cap. The measure has a defective effective date of July 1, 2050, with the new tax credit applying to taxable years beginning after December 31, 2022.

The Department notes that the measure as currently drafted is extremely broad. The proposed measure would exempt *all* persons engaged in the growing or production of so-called agricultural import replacements, and would also exempt costs for *any* equipment, materials, or supplies that could be deemed “necessary” to grow these fruits and/or vegetables. The

Department recommends amending this measure to include additional definitions, criteria, and restrictions for the proposed exemption to better effectuate the Legislature's desired policy goals, eliminate major administrative difficulties, and avoid unintended revenue losses.

The Department also notes that there are already several existing tax credits relating to agriculture and recommends this proposed credit be narrowly tailored to avoid duplicative or redundant credits that might lead to unintended losses of revenue. Moreover, restricting a new tax credit to reduce out-of-State imports and only benefit in-State businesses and producers may create an issue with the Commerce Clause of the U.S. Constitution.

Notwithstanding the comments discussed above, the Department is able to administer the measure with Section 2 applying to taxable years beginning after December 31, 2022.

Finally, the Department notes that P.L. 117-2, commonly known as the American Rescue Plan Act of 2021 (ARPA), provides State Coronavirus Fiscal Recovery Funds with certain limitations. Specifically, Section 9901 of the ARPA prohibits these funds from being used to, "either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase." The "covered period" is defined as beginning on March 3, 2021 and ending on the last day of the state's fiscal year in which the State's stimulus funds are completely expended.

If the State fails to comply with this restriction on use of funds, it is required to repay an amount equal to the lesser of: (1) the amount of the applicable reduction to net tax revenue attributable to such violation; and (2) the amount of funds received by such state under Section 9901 of the ARPA.

The Department cautions that the enactment of any tax measure resulting in a revenue loss during the covered period may result in the State having to repay an amount equal to the projected revenue loss from the State Coronavirus Fiscal Recovery Funds that Hawaii receives.

Thank you for the opportunity to provide testimony on this measure.

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
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

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

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

MARCH 17, 2021

10:00 A.M.

VIA VIDEOCONFERENCE

**SENATE BILL NO. 496 S.D. 2
RELATING TO AGRICULTURE**

Chairperson Hashem and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 496 S.D. 2 to establish an agricultural import replacement task force to identify the top ten fruit and vegetable imports to the state that can be commercially grown by local farmers and to establish an income tax credit to incentivize the effort.

The Department appreciates the intent of this measure so long as it does not adversely impact priorities in our Executive budget but defers to the Department of Taxation with respect to establishing a new income tax credit. Additionally, the Department has concerns and offers comments with respect to this measure.

On page 4, lines 3 through 21, and on page 5, line 1, the Department is asked to maintain records, verify qualified expenses, total all qualified and cumulative expenses, and certify the amount of tax credits for qualified taxpayers. While this bill allows the Department to assess and collect fees to offset the costs of certifying tax credits claims, we are facing a challenging deficit in resources and personnel. To administer this program, the department will require additional personnel, and requests that a special fund account be established to receive and expend funds relating to tasks mentioned above. Additionally, we will require an initial appropriation of \$75,000 to be deposited in the special fund to finance setup and initial outlays relating to the program.

Thank you for the opportunity to testify on this bill.



DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
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 CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON AGRICULTURE
ON
SENATE BILL NO. 496, S.D. 2

March 17, 2021
10:00 a.m.
Via Videoconference

RELATING TO AGRICULTURE

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 496, S.D. 2.

S.B. No. 496, S.D. 2, establishes an agricultural import replacement task force to identify the top ten fruit and vegetable imports to the State that may be commercially grown by local farmers; and establishes an agricultural import replacement tax credit for qualified taxpayers engaged in the growing or production of agricultural import replacements in the State. The tax credit would be capped at an unspecified amount of qualified expenditures and have an aggregate cap of \$5,000,000 per taxable year.

B&F is concerned that the proposed tax credit would decrease revenues to the State general fund and impact the State's share of direct federal aid from the American Rescue Plan Act of 2021 (ARPA). Provisions of the ARPA specifically state:

"A state or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net tax revenue of such state or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that

reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase.”

B&F notes that any reduction in State tax revenues could result in reduced ARPA funding. Hawai'i's estimated allocation of ARPA funds is in excess of \$1.6 billion and is critical to mitigating the negative financial impacts the COVID-19 pandemic has had on the State budget.

B&F defers to the Department of Agriculture and the Department of Taxation regarding the implementation of this bill.

Thank you for your consideration of our comments.



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

March 17, 2021

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON SB 496, SD2
RELATING TO AGRICULTURE

Conference Room 325
10:00 AM

Aloha Chair Hashem, Vice-Chair Persusso, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 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 SB 496, SD2, which establishes a task force to identify the top ten fruits or vegetables that are imported into the State but may be commercially grown in the State and creates an income tax credit to incentivize the production of those fruits or vegetables to obviate the need to import them into the State.

About 85-90% of Hawaii's food is imported which makes it particularly vulnerable to disruptions in shipping and the food supply. The "Economic Impacts of Increasing Hawaii's Food Self-Sufficiency".report by Dr, Mathew Loke of HDOA and Dr. PingSung Leong of CTAHR estimates that replacing just 10% of the food we currently import would amount to approximately \$313 million. Assuming a 30% farm share, \$94 million would be realized at the farm-gate which would generate an economy-wide impact of an additional \$188 million in sales, \$47 million in earnings, \$6 million in state tax revenues, and more than 2,300 jobs.

Food import replacement can also have a significant impact on Hawaii's economy by decreasing the risk of introducing harmful invasive pests. These pests could have devastating effects on the island's agricultural economy and its fragile ecosystems. Invasive species such as coqui frogs, red fire ants, CBB, two-line spittlebug, coffee leaf rust, macadamia nut feltid coccid, and varroa mites have severe consequences beyond agriculture and require millions in public dollars to fund eradication or containment programs.

We support efforts to replace agricultural imports with Hawaii-grown products to provide our communities with the fresh fruits and vegetables they want while helping the State's farmers be more successful.

The proposed task force will provide necessary information to help farmers decide what produce they can grow to replace that being brought into Hawaii, and the proposed tax credit will encourage them to undertake the shift to growing these crops.

Thank you for the opportunity to testify on this measure of great importance.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Income Tax Credit for Agricultural Imports Replacement

BILL NUMBER: SB 496, SD2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Establishes a task force to identify the top ten fruits or vegetables that are imported into the State but may be commercially grown in the State. Creates an income tax credit to incentivize the production of those fruits or vegetables to obviate the need to import them into the State.

SYNOPSIS: In a non-HRS provision, establishes an agricultural import replacement task force to identify the top ten fruit and vegetable imports to the State that can be commercially grown by farmers in the State.

Adds a new section to chapter 235, HRS, to establish a nonrefundable tax credit equal to 100% of the qualified expenses of a qualified taxpayer, less any grant money received under section 141-10, up to \$_____ per taxable year.

Specifies that the credit is determined at the entity level and may be allocated to partners, S corporation shareholders, or trust beneficiaries following section 704(b) of the Internal Revenue Code.

Caps the tax credits at \$5 million per taxable year. If the cap is reached, any taxpayers who are limited may claim the balance of the credit in the subsequent taxable year.

Creates a process where a qualified taxpayer submits an application to the Department of Agriculture, which will certify eligible expenses. Allows for a user fee. All tax credit claims shall be filed before the end of the 12th month following the close of the taxable year for which the credit may be claimed, upon pain of waiver of the right to claim the credit.

Defines "agricultural import replacements" as the fruits or vegetables grown in the State and sold for consumption in the State or for use by business entities licensed and registered in the State that are the same types of fruits and vegetables identified by the agricultural import replacement task force.

Defines "agricultural imports" as the top ten fruits or vegetables that are imported into the State but may be commercially grown in the State, as identified by the agricultural import replacement task force.

Defines "qualified expenses" as expenses incurred by a qualified taxpayer to produce agricultural import replacements. "Qualified expenses" include costs for any equipment, materials, or supplies necessary to grow agricultural import replacements.

EFFECTIVE DATE: 7/1/2050.

STAFF COMMENTS: The credit as proposed is a 100% credit, meaning, at least for expenses under the limit, the business pays nothing and the Hawaii taxpayers pay everything. There is currently nothing to indicate that the business seeking the credits would have “skin in the game,” and thus does not create any incentive for the business to be efficient.

The tax system is there to raise revenue to keep the government moving. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse, overtaxed by the pandemic?

If lawmakers want to subsidize this activity, then a direct appropriation would be more accountable and transparent. That way lawmakers will be very clear on (1) how much we taxpayers are paying, and (2) what we are getting in return.

We also note that the American Rescue Plan Act of 2021, signed into law by President Biden on March 11, 2021, contains provisions disqualifying or restricting federal aid that otherwise could be available to the State if new or extended tax incentives are enacted after March 3, 2021. Section 9901 of the Act enacts a new section 602(c)(2)(A) in Title VI of the Social Security Act which states:

A State or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase.

Section 602(g)(1) defines the “covered period” as beginning on March 3, 2021 and ending on the last day of the State’s fiscal year in which all federal aid dollars are either spent, returned, or recovered against the State by the Treasury.

The credit proposed by the bill, if enacted, would be a credit enacted within the covered period, and thus subject to federal recovery against the State.

Digested 3/15/2021



Email: communications@ulupono.com

HOUSE COMMITTEE ON AGRICULTURE
Wednesday, March 17, 2021 — 10:00 a.m.

Ulupono Initiative supports the intent of SB 496 SD 2, Relating to Agriculture.

Dear Chair Hashem 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 the intent of SB 496 SD 2, which establishes a task force to identify the top ten fruits or vegetables that are imported into the State that can be commercially grown in the State; and creates an income tax credit to incentivize the production of those fruits and vegetables to obviate the need to import them into the State.

Ulupono supports import replacement efforts to increase local food production for local consumption, which helps bolster our state's food security. By providing tax incentives for certain fruits and vegetables, farmers will be more likely to produce those fruits and vegetables. We believe that the task force membership should include representatives from each county's economic development department.

Thank you for this opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i

SB-496-SD-2

Submitted on: 3/15/2021 11:13:12 PM

Testimony for AGR on 3/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ted Bohlen	Climate Protectors Hawaii	Support	No

Comments:

To: The Honorable Mark Hashem, Chair, The Honorable Amy Perruso, Vice Chair, and Members of the House Committee on Agriculture

From: Climate Protectors Hawaii (by Ted Bohlen)

Re: Hearing **SB496 SD2– RELATING TO AGRICULTURE.**

Hearing: Wednesday, March 17, 2021, 10:00 a.m., by videoconference

Aloha Chair Hashem, Vice Chair Perruso, and members of the House Committee on Agriculture:

The Climate Protectors Hawaii is a group focused on reversing the climate crisis. The Climate Protectors Hawaii **STRONGLY SUPPORTS SB496 SD2!**

As a tropical island State, Hawaii will be among the first places harmed by the global climate crisis, with more intense storms, food insecurity, loss of protective coral reefs, and rising sea levels destroying our shorelines. We must do all we can to reduce our carbon footprint and become carbon negative as soon as possible.

The purpose and intent of this measure is to reduce the State's reliance on imported produce. More specifically, this measure:

- (1) Establishes within the Department of Agriculture a task force to identify the top ten imported fruits and vegetables that may be commercially grown in the State, and invites representatives from private organizations to serve on the task force; and
- (2) Creates an agricultural import replacement tax credit to incentivize local production of these fruits and vegetables.

Facilitating more local food production, as this bill would do, will reduce greenhouse gas emissions released in transporting food to Hawaii, reduce our food insecurity, and help local farmers.

Please pass this bill! Mahalo!

Climate Protectors Hawaii (by Ted Bohlen)

SB-496-SD-2

Submitted on: 3/16/2021 7:42:10 AM

Testimony for AGR on 3/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeff Mcknight	DPH Environmental Caucus	Support	No

Comments:

As a tropical island State, Hawaii will be among the first places harmed by the global climate crisis, with more intense storms, loss of protective coral reefs, food insecurity, and rising sea levels destroying our shorelines. We must do all we can to reduce our carbon footprint and become carbon negative as soon as possible. Growing more food locally is one way to reduce greenhouse gas emissions.

This bill would establish an agricultural import replacement task force to identify the top ten fruits or vegetables that are imported into the State but may be commercially grown in the State; and would create the agricultural import replacement income tax credit to incentivize the production of those fruits or vegetables to obviate the need to import them into the State.

This bill appears to be likely to reduce greenhouse gas emissions while producing more healthy local fruits and vegetables, increasing food security.

Please pass this bill! Mahalo!



P.O.Box 38-4276. WAIKOLOA, HI. 96738
MAIN: (808) 883-9411 CELL: 989-1637
EMAIL: hydrogen@hawaii.rr.com

**TESTIMONY OF JOHN CROUCH ON BEHALF OF ERS,
A HAWAII RENEWABLE ENERGY COMPANY BEFORE THE
HOUSE OF REPRESENTATIVES COMMITTEE ON AGRICULTURE**

In SUPPORT of SB 496, S.D. 2 RELATING TO AGRICULTURE

Wednesday, March 17, 2021 10:00 a.m.

Aloha, Chairman Mark Hashem, and Vice-Chair Amy Perruso and members of the Committee I have been involved in the design and installation of renewable energy projects in Hawaii since the first large unit at Mauna Lani Bay Hotel and Bungalows in 1998 and the first large scale PV project in Hawaii, 2008, on Lana'i composed of 1.5MW of PV to supply 30% of the daytime load as well as the production of Pineapple biomass for the Honolulu Dairy industry and development of pineapple stubble for biomass power generation on Molokai.

This bill creates an energy tax credit to encourage development of products that Hawaii needs to enhance its ability to be self sufficient in food resources.

To encourage the reliance on imported produce is totally in line with the State's need to be as self-reliant on local resources as possible. The bill provides a tax credit that will encourage individuals and businesses to invest in food production.

SB 496 S.D. 2 – Is important as a tool to help us reach our goals of energy and food security sooner than later.

Thank you for allowing me to testify.

John Crouch
hydrogen@hawaii.rr.com



1050 Bishop St. PMB 235 | Honolulu, HI 96813
P: 808-533-1292 | e: info@hawaiiifood.com

Executive Officers

Joe Carter, Coca-Cola Bottling of Hawaii, *Chair*
Charlie Gustafson, Tamura Super Market, *Vice Chair*
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Lauren Zirbel, HFIA, *Executive Director*
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Paul Kosasa, ABC Stores, *Advisor*
Derek Kurisu, KTA Superstores, *Advisor*
Beau Oshiro, C&S Wholesale Grocers, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*

TO:
Committee on Agriculture
Rep. Mark J. Hashem, Chair
Rep. Amy A. Perruso, Vice Chair

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: March 17, 2021
TIME: 10am
PLACE: Via Videoconference

RE: SB496 SB2 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.

Our local agriculture sector has tremendous potential for growth. Increasing local food production has been a goal for a wide range of stakeholders for a long time but making significant progress has proved challenging. By researching and identifying which products can be successfully produced locally, the task force will help focus efforts to increase local food production. The tax credit will incentivize growers to prioritize these fruits and vegetables. This system will maximize these products' potential to be successfully produced in quantities that can minimize or eliminate the need to import them.

We urge you to pass this measure and we thank you for the opportunity to testify.

SB-496-SD-2

Submitted on: 3/15/2021 4:05:42 PM

Testimony for AGR on 3/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Victoria Anderson	Individual	Support	No

Comments:

Please pass this bill!

SB-496-SD-2

Submitted on: 3/15/2021 11:08:58 PM

Testimony for AGR on 3/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Janet Pappas	Individual	Support	No

Comments:

Dear AGR Chair Hashem, AGR Vice Chair Perruso and AGR Committee members,

I strongly support SB496 SD2.

It is a worthwhile endeavor to determine the top 10 fruits or vegetables imported to Hawaii and then incentivize local farmers to grow what people most want to buy. Local produce will be fresher and therefore more eye-appealing and healthier than imported produce. Fewer food imports mean greater food sustainability for Hawaii and fewer greenhouse gases emitted because less food is delivered to our state using fossil fuels.

I also support the financial incentive (an income tax credit) for farmers who choose to grow the most popular produce.

One caveat: The success of this measure (SB496) may be greatly dependent on passage of the food hub bill (SB338). These two bills, working in tandem, should help alleviate any food distribution issues that currently exist.

Please pass SB496 SD2 and SB338 SD1.

Thank you for the listening and for the opportunity to testify.

Sincerely,

Jan Pappas - Aiea, Hawaii

SB-496-SD-2

Submitted on: 3/15/2021 11:22:12 PM

Testimony for AGR on 3/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dana Keawe	Individual	Support	No

Comments:

I support sb496 sd2

SB-496-SD-2

Submitted on: 3/16/2021 1:56:35 AM

Testimony for AGR on 3/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jennifer Azuma Chrupalyk	Individual	Support	No

Comments:

This should be done immediately, as it relates to the efficient growth, production and positive impact to both or economy as well as environment. At some point we are going to have to let go of our dependancy on crude oil. Experts worldwide are predicting that the entire planet will be completely out of fuel within the next 43 years, according to www.worldometers.info

If we don't start preparing now, we're talking about the possibility of people starving while waiting for food to grow. If SB 137 passes, we won't even have enough land to grow food on. This is very concerning and could allude to our growing old while watching our children and grandchildren suffer the effects of SB 137, while waiting for scare resources to grow in the few natural crevices that will be left for them.

SB-496-SD-2

Submitted on: 3/16/2021 1:34:35 PM

Testimony for AGR on 3/17/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Hunter Heavilin	Individual	Support	No

Comments:

Aloha Chair Hashem, Vice Chair Perruso, and Members of the Committee,

The considerable economic opportunity for import substitution has long held allure as a rationale to increase local productivity and food self-sufficiency.

I support the intent of SB496 and offer the following comments: During 2016, HDOA produced reports on top imports by weight (<http://hdoa.hawaii.gov/add/main/top10imports/>) which provide a ready means to understand viable crops for import substitution. Of the 23 crops appearing in top monthly imports (apple, avocado, banana, bell pepper, berries, broccoli, cabbage, carrot, cherries, cucumber, grape, lettuce, mango, melon, mushrooms, onion, orange, peppers, potato, roots, spinach, squash, and tomato) most are already produced in the islands, while some others are not well suited to our climate. This listing may somewhat obviate the need for a task force. However, an effort to revive the study efforts by HDOA would be a worthwhile endeavor.

More importantly, this form of subsidy should not be a blanket for any organization that produces a heavily imported good, instead it should be targeted to diversify beneficiaries of state subsidy and facilitate more agricultural livelihoods by bringing producers at the margins of the marketplace into greater production. As written this bill would provide a considerable subsidy for large agribusiness as well as small family farms. However, as expenses of large operations and their capacity to engage with state reimbursement programs, the likely outcome is that the majority of the total funds would be utilized by large agribusiness operations. These large firms are the minority in overall farms across the state, yet this bill as written will do little to address inequities in access and use of state programs by larger firms. Without careful targeting the state risks subsidizing well capitalized operations just because of the crop they happen to produce. In doing so, the state will be complicit in making it further difficult for smallholders to participate meaningfully in the state economy.

Mahalo for the opportunity to testify.

-Hunter Heavilin