

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. 668, S.D. 1

March 12, 2021
10:00 a.m.
Room 325

RELATING TO AGRICULTURE

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 668, S.D. 1.

S.B. No. 668, S.D. 1, renames the Agricultural Development and Food Security Special Fund to the Land, Aquaculture, Freshwater, or Sea-Based Food Development and Food Security Special Fund (Special Fund); and expands the scope of the special fund to include expenditures related to land, aquaculture, freshwater, or sea-based food production.

As a matter of general policy, B&F does not support the creation or continuance 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. 668, S.D. 1, it is difficult to determine whether the expanded scope of the Special 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

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 12, 2021
10:00 A.M.
VIA VIDEOCONFERENCE

**SENATE BILL NO. 668 SD1
RELATING TO AGRICULTURE**

Chairperson Hashem and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill 668 SD1. This bill would rename the Agricultural Development and Food Security Special Fund (Fund) and would allow that the funds therein to be expended on the commercial fisheries in addition to its current allowable uses in service of farmers, ranchers, and aquaculture. The Department has strong concerns and offers comments on this measure.

The Department notes that expenditures from the Fund in support of aquaculture operations are allowable under existing statute. Thus, the renaming of the Fund does not improve the Fund's mission nor scope in relation to aquaculture. The insertion of commercial fishermen in section c (1) creates confusion and broadens the Fund's stakeholder group beyond the Department's jurisdiction. Pelagic fisheries are under the federal jurisdiction of the National Oceanic and Atmospheric Administration's National Marine Fisheries Service (NOAA-NMFS). Freshwater and recreational fishing are regulated at the state level by the Department of Land and Natural Resources' Division of Aquatic Resources. The various types of allowable projects proposed in this measure involve natural aquatic environments that have different regulatory schemes with which the Department of Agriculture has little experience. Furthermore, the allowable expenditures of Fund monies as prescribed both in current statute and in this measure are tailored and targeted to serve agricultural or aquacultural uses rather than those of



commercial fisheries. For example, it is difficult to imagine a commercial fisherman requiring an irrigation system. Act 73 SLH 2010 clearly contemplated the expansion of agriculture; this measure would significantly change the allowable use of funds. Additionally, the Department has concerns about potential liability associated with extending grants or contracts to entities operating within a federal regulatory framework with which it lacks sufficient expertise.

Agriculture/aquaculture and commercial fisheries are vastly different in their respective operational needs and challenges, and the operational costs of commercial fisheries appear significant. According to NOAA Pacific Islands Fisheries Science Center, in 2015 the [average trip cost](#) in the Hawaii tuna longline fishery was \$25,500. When the Department distributed COVID-19 emergency grants to farmers in early 2020, the maximum to each operation was only \$2,000; this small amount was able to make a difference to farmers, whereas the same amount would not even cover the fuel costs for a single commercial fishing trip. The Department has strong concerns about its ability to effectively serve both the commercial fishing industry and its current agricultural/aquacultural stakeholders with Fund expenditures.

Thank you for the opportunity to testify on this measure.



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 12, 2021

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON SB 668, SD1
RELATING TO AGRICULTURE

Conference Room 325
10:00 AM

Aloha Chair Hashem, Vice-Chair Perusso, 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 668, SD1, which renames the agricultural development and food security special fund as the land, aquaculture, freshwater, or sea-based food development and food security special fund and expands the scope of the special fund to include land, aquaculture, freshwater, or sea-based food production.

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 appreciate that the remaining funds continue to benefit agriculture.

Hawaii's aquaculture industry farm gate value is \$76,400,000, the third-highest contribution to the economy in diversified agriculture. Hawaii's favorable climate and geography allow for inherent advantages benefitting aquaculture production.

The Legislature acknowledged the importance of Hawaii's aquaculture industry by revitalizing the Aquaculture Development Program through Act 63, SLH 2019. However, more investment and research into the aquaculture industry is needed, including investment and research into different types of aquaculture, aquaculture system optimization, economic implications of various methods of aquaculture production, and sustainable scaling methods.

We support the inclusion of aquaculture production as allowable expenses of the barrel tax.

Thank you for this opportunity to testify on this important subject.

House Committee on Agriculture
March 12, 2021 10:00 am

RE: SB 668, SD 1 – Relating to Agriculture

Aloha Chair Hashem, Vice Chair Perusso, & members of the Committee, I'm Brooks Takenaka, General Manager of the United Fishing Agency, Ltd., aka Honolulu Fish Auction.

We support SB 668, SD1, establishing the Land, Aquaculture, Freshwater, or Sea-Based Food Development and Food Security Special Fund.

This measure opens “doors” to participate and improve Hawaii’s food security system.

Hawaii’s residents have access to fresh wild caught fish that our recreational fishers, Hawaii’s commercial fishing fleet, government agencies, nonprofit organizations and citizens work to collaborate on preserving fishing and protecting the fishery resources. Living in the middle of the Pacific Ocean is well worth the health benefits we gain and enjoy.

We ask for your favorable consideration in moving this measure forward. Mahalo for the opportunity in presenting our testimony.