

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



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**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE & FOOD SYSTEMS

**WEDNESDAY, FEBRUARY 14, 2024
9:15 AM
CONFERENCE ROOM 325 AND VIDEOCONFERENCE**

**HOUSE BILL NO. 2236
RELATING TO NON-GENERAL FUNDS**

Chair Gates, Vice Chair Kahaloa, and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 2236. This bill reclassifies, repeals, or abolishes certain non-general funds of the Department of Agriculture (DOA), pursuant to the recommendations made by the Auditor in Auditor's Report No. 23-13. The DOA respectfully opposes this measure and offers amendment.

DOA strongly supports the development of Hawaii hemp industry and would like to keep the industrial hemp special fund to help support various farming activities of our Hawaii hemp farmers including infrastructure improvements and manufacturing of products (i.e., food, fiber, biofuel, clothing, paper, textiles, building insulation, biodegradable plastics, etc.). Thus, we recommend amending this measure by deleting the entire Section 2, lines 7 to 16 on page 1 and lines 1 to 9 on page 2.

The aquaculture loan reserve fund provides additional funding and helps to build up the aquaculture loan revolving fund through interest and fees collected. The aquaculture loan revolving fund has currently has less than \$950,000 in funds available



to fund new loans. In order to reach the State's goal of doubling local food production, access to affordable capital will be critical to help struggling aquaculture operations and to encourage new entrepreneurs to begin operations. The department would respectfully request that any funds in the aquaculture reserve fund be transferred into aquaculture loan revolving fund to fund future loans and help develop Hawaii's aquaculture industry.

The Department has no objections to the proposals to reclassify the Office of Hawaiian Affairs Ceded Land Proceeds from a trust fund to a trust account or the abolishment of the Producers Settlement Trust Fund proposed in Sections 4 and 5, respectively.

Thank you for the opportunity to testify on this measure.

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Reclassify Funds of Department of Agriculture

BILL NUMBER: HB 2236

INTRODUCED BY: YAMASHITA

EXECUTIVE SUMMARY: Reclassifies, repeals, or abolishes certain non-general funds of the Department of Agriculture, pursuant to the recommendations made by the Auditor in Auditor's Report No. 23-13.

SYNOPSIS: Repeals section 141-14, HRS, which established the Industrial Hemp Special Fund.

Abolishes the aquaculture loan reserve fund, a special fund administratively established in 1972.

Reclassifies to a trust account the Office of Hawaiian Affairs ceded land proceeds account, a trust fund administratively established in 2003.

Abolishes the producer's settlement fund, a trust fund administratively established in 1980.

EFFECTIVE DATE: July 1, 2024.

STAFF COMMENTS: The 1989 Tax Review Commission noted that use of special fund financing is a "departure from Hawaii's sound fiscal policies and should be avoided." It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

Because of the spotlight on monies in special funds, HRS section 23-12 requires the State Auditor to review all existing special, revolving, and trust funds beginning in 2014 and at five-year intervals. This bill was the result of Auditor's Report No. 23-13.

Digested: 2/12/2024