

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson, Board of Agriculture

DEAN M. MATSUKAWA
Deputy to the Chairperson

State of Hawai'i
DEPARTMENT OF AGRICULTURE
KA 'OIHANA MAHI'AI
1428 South King Street
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**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

**JANUARY 27, 2025
1:00 PM
CONFERENCE ROOM 224**

**SENATE BILL NO. 678
RELATING TO AGRICULTURE**

Chair Gabbard, Vice Chair Richards, and Members of the Committee:

Thank you for the opportunity to testify to Senate Bill 678 that amends Chapter 141, Hawaii Revised Statutes, by adding a new section that establishes the Agricultural Development and Food Security Special Fund, requires a portion of the Environmental Response, Energy, and Food Security Tax to be deposited into the special fund and appropriates funds for the Department of Agriculture (Department) in an amount equal to three percent of the State Budget. The Department supports this bill.

The list of how the moneys in the special fund may be expended align with the Department goal to Buy, Invest and Grow Agriculture for Hawaii farmers and ranchers. The bill provides the resources the Department needs to serve as a change agent for agricultural operators.

The Department will submit a report to the Legislature, as required by the bill, 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 agricultural development and food security special fund.

Thank you for the opportunity to testify on this measure



JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

STATE OF HAWAII'
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII'1 96809

PHONE NO: (808) 587-1540

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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 678, Relating to Agriculture

BEFORE THE:

Senate Committee on Agriculture and Environment

DATE: Monday, January 27, 2025

TIME: 1:00 p.m.

LOCATION: State Capitol, Room 224

Chair Gabbard, Vice-Chair Richards, III, and Members of the Committee:

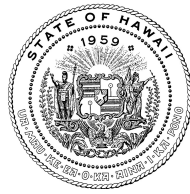
The Department of Taxation ("DOTAX") offers the following comments regarding S.B. 678 for your consideration.

S.B. 678 establishes the Agricultural Development and Food Security Special Fund within the Department of Agriculture. This fund would be financed through deposits from the Environmental Response, Energy, and Food Security Tax, commonly referred to as "the barrel tax," which is administered by DOTAX. The bill specifically amends the Environmental Response, Energy, and Food Security Tax in section 243-3.5, Hawaii Revised Statutes, to allocate an undefined amount of tax revenues to the Food Security Special Fund.

This bill also appropriates funds for the Department of Agriculture to administer the special fund in an amount equal to three percent of the State Budget.

DOTAX can administer this bill as written with the current proposed effective date of July 1, 2025.

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



JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

SABRINA NASIR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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

WRITTEN ONLY
TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT
ON
SENATE BILL NO. 678

**January 27, 2025
1:00 p.m.
Room 224 and Videoconference**

RELATING TO AGRICULTURE

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

Senate Bill (S.B.) No. 678 adds a new section to Chapter 141, HRS, to:

1) re-establish the Agricultural Development and Food Security Special Fund (ADFSSF); 2) provide that ADFSSF funding come from: a portion of environmental response, energy, and food security tax specified under Section 243-3.5, appropriations made by the Legislature, grants or donations made to special fund, and interest earned on the balance in special fund; 3) set ADFSSF uses to include awarding of grants, acquisition of property, improvement of property and performance of associated assessments, purchase of equipment, research and testing of agricultural products and markets, funding of Department Agriculture (DOA) inspector positions, marketing of agricultural products, water testing, and other activities that may lead to reduced importations from outside the State; 4) require DOA to submit a report to the Legislature regarding: the spending plan, expenditures, market data, persons to be served, and objectives of expenditure along with measurable outcomes. SB No. 678 also amends Section 243-3.5, HRS, to: 1) have an undetermined portion of the tax on each barrel or fractional barrel of petroleum be deposited into the ADFSSF; and 2) have an

undetermined portion of the tax on each million British thermal units (MMBtu) of fossil fuel be deposited into the ADFSSF. Finally, S.B. No. 678 appropriates an unspecified amount of general funds to increase DOA's base budget for FY 26 and FY 27 to an amount equal to 3% of the State budget.

B&F notes that the designation of the taxes to ADFSSF on barrels of petroleum and MMBtu of fossil fuel will result in an unspecified general fund loss equivalent to the portion designated for ADFSSF use. According to the Department of Taxation's annual report, fuel taxes generated general funds of around \$22 million in FY 24 and around \$22 million in FY 23.

B&F also finds that based on the FB 2025-27 Executive Biennium Budget, an appropriation equivalent to 3% of the proposed FY 26 State general fund budget, \$9,851,706,684, is \$295,551,201. DOA's current proposed FY 26 budget is \$26,928,937. Appropriating the difference between these two amounts would represent an increase of almost ten times the base budget for DOA in FY 26 and FY 27.

Finally, 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. 678, it is difficult to determine whether the proposed special fund would be self-sustaining.

Thank you for your consideration of our comments.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2025**

ON THE FOLLOWING MEASURE:
S.B. NO. 678, RELATING TO AGRICULTURE.

BEFORE THE:
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

DATE: Monday, January 27, 2025 **TIME:** 1:00 p.m.

LOCATION: State Capitol, Room 224 and Videoconference

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Travis T. Moon or Christopher J.I. Leong,
Deputy Attorneys General

Chair Gabbard and Members of the Committee:

The Department of the Attorney General provides the following comments.

The bill establishes the agricultural development and food security special fund, which will be funded, in part, by a tax on petroleum. The moneys in the agricultural development and food security special fund may be expended on various Department of Agriculture functions.

When establishing a new special fund, section 37-52.3(1), Hawaii Revised Statutes, states that the Legislature must ensure that the special fund:

"(1) Serves a need, as demonstrated by:

- (A) The purpose of the program to be supported by the fund;
- (B) The scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and
- (C) An explanation of why the program cannot be implemented successfully under the general fund appropriation process[.]"

The bill does not identify the program that will be supported by the fund, nor the purpose or scope of the program. The bill also does not provide an explanation as to why the program cannot be implemented successfully under the general fund appropriation process.

Additionally, the bill states that the moneys in the special fund may, in part, be expended to award grants to farmers for agricultural production or processing activities (page 2, lines 1 to 4), but provides no standards for those grants to be awarded. Article VII, section 4, of the Constitution of the State of Hawaii requires that "[n]o grant of public money or property shall be made except pursuant to standards provided by law." Therefore, we recommend that this bill be amended to insert appropriate standards. Examples of existing statutes that provide standards for agencies to issue grants are part II of chapter 9 and sections 10-17, 210D-11, and 383-128, Hawaii Revised Statutes. We are happy to work with the Committee on developing more specific grant standards.

In addition, the appropriation on page 6, line 17 through page 7, line 2, does not appear to relate to the agricultural development and food security special fund established in the bill, nor does it appropriate funds into or out of the new special fund.

Thus, we recommend that the bill identify the program that will be supported by the fund, state the purpose and scope of the program, provide grant standards for the awarding of grants to farmers, and clarify the terms and purpose of the appropriation.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Adds Earmark to Feed New Agricultural Development and Food Security Special Fund

BILL NUMBER: SB 678

INTRODUCED BY: GABBARD, CHANG, Fukunaga

EXECUTIVE SUMMARY: Establishes the Agricultural Development and Food Security Special Fund. Requires a portion of the Environmental Response, Energy, and Food Security Tax to be deposited into the special fund.

SYNOPSIS: Adds a new section to chapter 141, HRS, to establish an agricultural development and food security special fund. The Department of Agriculture could expend moneys in the fund, subject to legislative appropriation, for:

- (1) The awarding of grants to farmers for agricultural production or processing activity;
- (2) The acquisition of real property for agricultural production or processing activity;
- (3) The improvement of real property, dams, reservoirs, irrigation systems, and transportation networks necessary to promote agricultural production or processing activity, including investigative studies to identify and assess necessary improvements to dams, reservoirs, irrigation systems, and transportation networks;
- (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) The promotion and marketing of agricultural products grown or raised in the State;
- (8) Water quality testing and improvement; and
- (9) 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.

Amends section 243-3.5, HRS, to add a new earmark of __ cents per barrel of petroleum product, or __ cents on each 1 million BTU of other fossil fuel, to be deposited into the newly established special fund.

EFFECTIVE DATE: July 1, 2025.

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.

Special funds are pots of money that exist for a specific purpose and largely bypass the legislative appropriation process. The existence of hundreds of these special funds has often confounded those who seek answers to simple questions like “How much money does the State have?”

Our Legislature is supposed to be the steward of all state moneys, but special funds make it very easy to lose track of where the money is and how it is being spent. Departments are supposed to tell the Legislature if they have special funds and how much is in them, but let’s just say they don’t always. Recently, in Report No. 20-01, the State Auditor took DBEDT to task for failing to report \$6.5 million in non-general fund moneys. DBEDT’s response? Just that they’ll “take corrective action.” Not even a “Whoops! We screwed up and promise to do better next time!” This followed closely on the heels of Report No. 19-16, where the Auditor found that \$1.04 million in non-general fund moneys administered by the Attorney General wasn’t reported. That department responded that they “shall establish procedures to assure required reports are issued.” Is it any wonder that it’s getting harder and harder to follow the money and rein in government spending?

Perhaps as the result of the foregoing concerns, the Legislature has itself established criteria for when a special fund may be maintained (HRS section 37-52.3). Those criteria are that the special fund:

- (1) Serves a need, as demonstrated by:
 - (A) The purpose of the program to be supported by the fund;
 - (B) The scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and
 - (C) An explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- (2) Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries or a clear link between the program and the sources of revenue, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;

(3) Provides an appropriate means of financing for the program or activity that is used only when essential to the successful operation of the program or activity; and

(4) Demonstrates the capacity to be financially self-sustaining.

Of these, at least two of the criteria are violated because there is no nexus between the program (agriculture development) and the source of revenue (tax on fossil fuel consumption), and because there is no indication that the proposed fund can be financially self-sustaining. Establishing this special fund is inappropriate, as is the proposed method of financing the fund.

Digested: 1/27/2025



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Kaipo Kekona
State President

Anabella Bruch
Vice-President

Maureen Datta
Secretary

Reba Lopez
Treasurer

Aloha Chair Gabbard, Vice Chair Richards, and Members of the Senate Agriculture and Environment Committee,

Chapter Presidents

Clarence Baber
Kohala, Hawai'i

The Hawaii Farmers Union is a 501(c)(5) agricultural advocacy nonprofit representing a network of over 2,500 family farmers and their supporters across the Hawaiian Islands. **HFUU supports SB678 and seeks amendment.**

Tony Vera
East Hawai'i

The Agricultural Development and Food Security Special Fund will support essential projects and initiatives ranging from grants to farmers for enhancing production and processing, to infrastructure improvements and market development. These efforts will not only enhance food production within our state but also catalyze the economic vitality of our rural communities, bolster sustainable farming practices, and secure a more self-sufficient future for Hawai'i.

Puna, Hawai'i

Andrea Drayer
Ka'u, Hawai'i

Maureen Datta
Kona, Hawai'i

Moreover, **it is imperative to consider including emergency feeding funds within this special fund** to facilitate the acquisition and distribution of local agricultural products during natural disasters or other emergencies. Hawai'i's geographic isolation makes our food systems particularly vulnerable to disruptions. By integrating emergency feeding mechanisms, the fund could ensure quick and efficient distribution of locally sourced food to those in need during crises, thereby reinforcing the resilience of Hawai'i's communities and supporting local farmers during challenging times. This inclusion would not only aid in disaster response but also stimulate the local economy through the purchase of regionally grown products, further solidifying the bond between local producers and consumers.

Fawn Helekahi-Burns
Hāna, Maui

Mason Scharer
Haleakalā, Maui

Kaiea Medeiros
Mauna Kahālāwai,
Maui

Kaipo Kekona
Lahaina, Maui

We seek to add the following to 141 (c):

Kilia Avelino-Purdy
Moloka'i

10) The procurement of locally produced agricultural products during federally declared disasters or state emergencies to address food insecurity and stabilize agricultural markets.

Negus Manna
Lāna'i

Mahalo for the opportunity to testify.

India Clark
North Shore, O'ahu

Kaipo Kekona, President HFUU/HFUF

Christian Zuckerman
Wai'anae, O'ahu

Ted Radovich
Waimānalo, O'ahu

Vincent Kimura
Honolulu, O'ahu

Natalie Urminska
Kaua'i



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January 27, 2025

HEARING BEFORE THE
SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT

TESTIMONY ON SB 678
RELATING TO AGRICULTURE

Conference Room 224 & Videoconference
1:00 PM

Aloha Chair Gabbard, Vice-Chair Richards, and Members of the Committees:

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 678, which establishes the Agricultural Development and Food Security Special Fund, requires a portion of the Environmental Response, Energy, and Food Security Tax to be deposited into the special fund, and appropriates funds for the Department of Agriculture in an amount equal to three per cent of the State Budget.

The Environmental Response, Energy, and Food Security Tax (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 Barrel Tax. It was a desperate move by the industry to secure stable funding for Hawai'i's agricultural sector.

The Barrel Tax was initially envisioned 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. However, agriculture lost its share when their portion of the Barrel Tax, the Agricultural Development and Food Security Special Fund, was repealed in 2021. At that time, the State found itself in a budget crisis due to a reduction in the general fund due to the COVID-19 pandemic, and funds from the repealed agricultural development and food security special fund were used to fortify the general fund.

Agriculture and food security are critical to Hawai'i's future. We believe the Agricultural Development and Food Security Special Fund should be reenacted to meet the new needs of agriculture.

Thank you for this opportunity to testify on this measure.



Hawaii Cattlemen's Council, Inc.

COMMITTEE ON AGRICULTURE AND ENVIRONMENT

Senator Mike Gabbard, Chair

Senator Herbert M. "Tim" Richards, III, Vice Chair

SB678

RELATING TO AGRICULTURE

Monday, January 27, 2025, 1:00PM
Conference Room 224 & Videoconference

Chair Gabbard, Vice Chair Richards, and Members of the Committee,

The Hawaii Cattlemen's Council **supports SB678** which establishes the Agricultural Development and Food Security Special Fund. Requires a portion of the Environmental Response, Energy, and Food Security Tax to be deposited into the special fund and appropriates funds for the Department of Agriculture in an amount equal to three per cent of the State Budget.

Farmers and ranchers are key to Hawaii reaching food security. Doubling local food production has been a focus for many years, yet the budget of the Department of Agriculture has not reflected that priority, even when food is vital to community, health, and the economy. This bill will help to fund the necessary pieces of the process for agriculture to thrive: direct grant support to producers, access to land, improvement of water systems, equipment, research, agricultural inspectors, etc.

We appreciate the opportunity to testify on this measure. The Hawaii Cattlemen's Council (HCC) is the Statewide umbrella organization comprised of the four 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.

Nicole Galase
Hawaii Cattlemen's Council
Managing Director





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Joe Carter, Coca-Cola Bottling of Hawaii, *Advisor*
Eddie Asato, Pint Size Hawaii, *Advisor*
Gary Okimoto, Safeway, *Immediate Past Chair*

TO: Committee on Agriculture and Environment

FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: January 27, 2025
TIME: 1pm

RE: SB678 Relating to Agriculture
Position: Support

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

HFIA is in support of this measure. We believe that increasing local food production increases food security, makes our state more resilient, and diversifies our economy. However, producing food in Hawaii is challenging. Our farmers and food producers face a high regulatory burden and tax burden. These businesses need the support of our state government to grow and thrive and feed our state more locally grown and manufactured food.

The establishment of the Agricultural development and food security special fund as outlined in this measure is a step in the right direction. Direct government support in the form of grants for things like buying equipment and increasing production and processing capacity is a logical and straightforward way to help increase local food production. We urge the committee to pass this measure.

SB-678

Submitted on: 1/24/2025 1:52:37 PM

Testimony for AEN on 1/27/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
John Kawamoto	Individual	Support	Written Testimony Only

Comments:

I support this bill because it re-establishes a special fund that was repealed during the Covid pandemic, when the State's revenues declined precipitously. At that time the Legislature had to find new sources of funding for the multitude of State programs and projects. State revenues have since increased because Hawaii's economy has rebounded and stabilized. There's even a budget surplus. This special fund should be re-established because it agriculture and food security, making Hawaii less vulnerable to national and global disruptions.

SB-678

Submitted on: 1/26/2025 8:16:22 AM

Testimony for AEN on 1/27/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Theresa M Thompson	Individual	Support	Written Testimony Only

Comments:

I support 678 SB RELATING TO AGRICULTURE.

Thank you,

Theresa

SB-678

Submitted on: 1/26/2025 7:13:02 AM

Testimony for AEN on 1/27/2025 1:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Paul Bernstein	Individual	Support	Written Testimony Only

Comments:

Aloha Senator Gabbard and members of the AEN committee:

I support this bill (SB678) because it addresses Hawai'i's need to be more resilient because it will help us become less dependent on imported food. It's consistent with the barrel tax which helps with resiliency in encouraging us to be less dependent on imported fossil fuels.

This bill re-establishes a special fund that was repealed during the Covid pandemic, when the State's revenues declined precipitously. At that time the Legislature had to find new sources of funding for the multitude of State programs and projects. State revenues have since increased because Hawai'i's economy has rebounded and stabilized. There's even a budget surplus. This special fund should be re-established because it promotes agriculture and food security, making Hawai'i less vulnerable to national and global disruptions.

Please pass this bill out of your committee.

Mahalo,

Paul Bernstein