JOSH GREEN, M.D.

SYLVIA LUKE LIEUTENANT GOVERNOR

OFFICE OF THE PUBLIC DEFENDER

EMPLOYEES' RETIREMENT SYSTEM HAWAI'I EMPLOYER-UNION HEALTH BENEFITS TRUST FUND

STATE OF HAWAI'I

LUIS P. SALAVERIA

SABRINA NASIR DEPUTY DIRECTOR

ADMINISTRATIVE AND RESEARCH OFFICE BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION FINANCIAL ADMINISTRATION DIVISION

OFFICE OF FEDERAL AWARDS MANAGEMENT

DEPARTMENT OF BUDGET AND FINANCE
Ka 'Oihana Mālama Mo'ohelu a Kālā

P.O. BOX 150 HONOLULU, HAWAI'I 96810-0150

WRITTEN ONLY

TESTIMONY BY LUIS P. SALAVERIA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON AGRICULTURE AND FOOD SYSTEMS
ON
HOUSE BILL NO. 776

February 7, 2025 9:30 a.m. Room 325 and Videoconference

RELATING TO AGRICULTURAL SUPPORT

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

House Bill (H.B.) No. 776 adds a new part to Chapter 141, HRS, to: 1) establish the Hawai'i Agricultural Transportation Assistance (HATA) Program (HATAP) within the Department of Agriculture (DOA); 2) establish the Agricultural Transportation Reimbursement Program (ATRP) as part of the HATAP for the purposes of reimbursing transportation costs for disadvantaged farmers and livestock producers; 3) establish the Agricultural Transportation Grant Program (ATGP) as part of the HATAP for the purposes of providing grants to farmers, ranchers, and agricultural producers with transportation-related production and distribution costs; 4) establish the HATA Special Fund (HATASF) to be used for ATRP and ATGP expenses; 5) provide all HATASF expenditures exemption from appropriation and allotment; and 6) require DOA to provide reports to the Legislature on activities relating to ATRP, ATGP, and the HATASF.

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 H.B. No. 776, it is difficult to determine whether the proposed special funds would be self-sustaining.

B&F also does not support the inclusion of language to allow the deposit of federal funds into the HATASF. Federal funds should be kept separate from other types of funds for compliance and reporting purposes. Furthermore, the purpose of a federal grant may not be totally aligned with the statutory uses of the HATASF.

Finally, B&F is concerned with allowing all expenditures from the HATASF to be made without appropriation or allotment since it creates a lack of transparency. While there are statutory exemptions from appropriation and allotment for trust funds in general and certain revolving funds, their scopes are limited to non-administrative expenditures. In the case of trust funds, the expenditure exemption provides the State flexibility to meet its fiduciary responsibilities to care for and use the funds for the designated beneficiaries of the funds. For the revolving funds, they have significant, regular revenues and support large expenditures that can fluctuate widely from year to year. Regarding the HATASF, it does not seem to require the same level of flexibility based on its intended purpose and revenue sources.

Thank you for your consideration of our comments.

JOSH GREEN, M.D. Governor

> SYLVIA LUKE Lt. Governor



SHARON HURD
Chairperson, Board of Agriculture

DEAN M. MATSUKAWADeputy to the Chairperson

State of Hawai'i DEPARTMENT OF AGRICULTURE KA 'OIHANA MAHI'AI 1428 South King Street

Honolulu, Hawai'i 96814-2512 Phone: (808) 973-9600 FAX: (808) 973-9613

TESTIMONY OF SHARON HURD CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE & FOOD SYSTEMS

FRIDAY, FEBRUARY 7, 2025 9:30 AM CONFERENCE ROOM 325

HOUSE BILL NO. 776 RELATING TO AGRICULTURAL SUPPORT

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

Thank you for the opportunity to testify on House Bill 776. This bill aims to establish the Hawai'i Agricultural Transportation Assistance Program within the Department of Agriculture (Department), which will include both a reimbursement program and a grant program. Additionally, this program aims to support eligible farmers and livestock producers by assisting with transportation costs related to agricultural products, inputs, supplies, and the production and distribution of agricultural commodities. Finally, the bill includes provisions for reporting to the Legislature.

The Department supports this bill, particularly in its efforts to ensure that local agricultural producers, including those in livestock and fresh produce of essential commodities, receive adequate financial assistance. This support is intended to help offset the significant costs of transporting goods to market and acquiring necessary supplies.

Finally, the Department respectfully requests that this committee establish and allocate funding for one full-time equivalent position to administer the proposed program.

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

February 7, 2025

HEARING BEFORE THE HOUSE COMMITTEE ON AGRICULTURE & FOOD SYSTEMS

TESTIMONY ON HB 776 RELATING TO AGRICULTURAL SUPPORT

Conference Room 325 & Videoconference 9:30 AM

Aloha Chair Kahaloa, Vice-Chair Kusch, 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 HB 776, which establishes the Hawai'i Agricultural Transportation Assistance Program within the Department of Agriculture to help farmers and ranchers offset high transportation costs. This bill directly addresses the unique logistical challenges that Hawai'i's agricultural producers face due to the state's geographic isolation and inter-island transport limitations.

The program consists of two components:

- 1. A reimbursement program to assist geographically disadvantaged farmers and ranchers in mitigating transportation expenses related to agricultural products, inputs, and supplies.
- 2. **A grant program** to provide direct financial assistance to small-scale farmers, ranchers, and producers in rural or underserved areas for transportation costs directly tied to production and distribution.

Hawai'i's position as the world's most isolated location and its being a series of islands presents a major challenge to the state's agriculture industry. Transportation options for agriculture are limited to air and sea if one wishes to move commodities off an island. This limits our farmers and ranchers' ability to be competitive in the world market. Hawai'i must find ways to overcome these barriers. Transportation costs are high for both the import and export of agricultural products; inter-island shipping schedules are limited, as is cargo lift capacity in Hawai'i.

Interisland transportation costs are an even greater burden for neighbor island farmers and ranchers. The majority of agricultural lands are located on the neighbor islands, yet the population center and largest consumer market is on Oʻahu. As a result, neighbor island producers face additional transportation costs when bringing in agricultural supplies and shipping their products to market. Each increase in inter-island shipping rates adds to these costs, which farmers and ranchers typically cannot pass on to consumers.

A Hawai'i Agricultural Transportation Assistance Program would provide local farmers and ranchers with the financial relief needed to improve market access and efficiency. Including both a reimbursement program and a grant program broadens the reach of support, ensuring that not only established producers but also small-scale and underserved agricultural operations benefit.

This measure also strengthens intra-island transportation networks, ensuring that rural producers have better access to distribution channels. Farmers in remote areas often struggle to transport their products to aggregation points or processing facilities, adding time and cost to their operations. By addressing both interisland and intra-island transportation challenges, HB 776 will create a more equitable agricultural system that supports producers in all regions of the state.

The USDA Reimbursement Transportation Cost Payment Program (RTCP) has demonstrated the effectiveness of such initiatives in reducing operational costs and increasing market access for Hawai' i producers. Establishing a state-level program modeled after the RTCP would further enhance local agriculture by strengthening the food system and promoting sustainability.

We request the establishment and funding of a dedicated position within the DOA to administer the program, ensuring that reimbursements are processed efficiently, criteria are clearly defined, and outreach is conducted to maximize participation.

We urge your support for HB 776 to help alleviate the financial strain of transportation costs and foster a more resilient and competitive agricultural sector in Hawai' i.

Thank you for the opportunity to testify on this matter.

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Kilia Avelino-Purdy Moloka'i

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Christian Zuckerman Wai'anae, O'ahu

Ted Radovich Waimānalo, Oʻahu

Vincent Kimura Honolulu, Oʻahu

Natalie Urminska Kaua'i



Aloha Chair Kahaloa, Vice Chair Kusch, and Members of the House Agriculture & Food Systems Committee,

The Hawai'i 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. **HFU supports HB776.**

HB776 initiates a transformative approach to enhance the sustainability and economic viability of Hawaii's agricultural sector through its innovative Hawaii Agricultural Transportation Assistance Program. By establishing a reimbursement and grant system to aid farmers and livestock producers with their transportation costs, this bill acknowledges and addresses one of the most formidable barriers facing our agricultural community: the high cost of moving goods across islands and to markets beyond Hawaii. By alleviating these financial burdens, HB776 empowers farmers to focus more on production and innovation, thereby strengthening local food systems, promoting food security, and encouraging the growth of diversified agriculture statewide.

To further bolster the impact of HB776, we propose an amendment to include food hubs as eligible entities within the program. Food hubs serve as vital links in the agricultural supply chain, supporting small to mid-sized producers by aggregating, processing, and distributing local food products. Including food hubs would ensure that the benefits of the program extend to these critical actors who facilitate market access and logistical solutions for farmers. Their inclusion would maximize the reach and efficacy of the transportation assistance, fostering a more integrated and resilient agricultural network in Hawaii. By extending support to both direct producers and the networks that facilitate their success, HB776 can more comprehensively support the agriculture community.

Mahalo for the opportunity to testify.

Hunter Heaivilin Advocacy Director Hawai'i Farmers Union **HB-776**

Submitted on: 2/5/2025 2:11:32 PM

Testimony for AGR on 2/7/2025 9:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Monty Pereira	Watanabe Floral, Inc	Support	Written Testimony Only

Comments:

TESTIMONY BEFORE THE HOUSE COMMITTEE ON AGRICULTURE & FOOD SYSTEMS

REPRESENTATIVE KIRSTIN KAHALOA, CHAIR

REPRESENTATIVE MATTHIAS KUSCH, VICE CHAIR

HB776

Relating to Agricultural Support

Friday, February 7, 2025, at 9:30AM

Via Videoconference

Submitted by Monty Pereira

Dear Chair Kahaloa, Vice Chair Kusch, and Members of the Committee:

I am testifying in support of House Bill 776, Relating to Agricultural Support. HB776 establishes the Hawaii Agricultural Transportation Assistance Program to help local farmers, ranchers, floriculture and food producers offset high transportation costs. By providing reimbursements and grants, this program will ease financial burdens, support business growth, and strengthen Hawaii's food security and floriculture.

Supporting this bill is an investment in Hawaii's agricultural future. Lowering transportation costs will not only strengthen our local food systems but also drive economic growth by enabling

farmers to reinvest in their operations, create jobs, and reduce our dependence on imported goods. I urge legislature to pass this measure to ensure the long-term sustainability of Hawaii's agriculture industry.

As a company that was a grower for our first 60+ years in business, we understand the complexity and costs associated. Hawaii has long been synonymous with floral and floral products and adding floriculture and passing of this bill can help bring hope and growth to a floriculture that has been struggling to stay afloat for over a decade.

I respectfully ask to pass House Bill 776. Thank you for the opportunity to testify.



COMMITTEE ON AGRICULTURE & FOOD SYSTEMS Rep. Kirstin Kahaloa, Chair Rep. Matthias Kusch, Vice Chair

HB776 RELATING TO AGRICULTURAL SUPPORT

Friday, February 7, 2025, 9:30 AM Conference Room 325 & Videoconference

Chair Kahaloa, Vice Chair Kusch, and Members of the Committee,

The Hawaii Cattlemen's Council <u>supports HB776</u> which establishes within the Department of Agriculture the Hawai'i Agricultural Transportation Assistance Program, to consist of a reimbursement program and grant program, to assist certain farmers and livestock producers with transportation costs for agricultural products, inputs, supplies, and production and distribution of agricultural commodities. Requires reports to the Legislature.

As an island state, shipping agricultural goods is necessary for many parts of the supply chain. The rising cost of transportation can be prohibitive for both new and established agricultural operations. While the Reimbursement Transportation Cost Payment Program is a welcome federal program, we have found that the producer cap is too low, so this supplemental state program is a welcome solution.

Over the past couple of years, we have asked our DC Delegates to raise the cap, and it was raised a small amount recently to \$11,200. While we were grateful for that increase, it is still not nearly enough to cover the 25% the program aims to cover.

Young Brothers just recently proposed to increase interisland shipping rates substantially. This income tax credit could help to alleviate the burden of the steep proposed increase.

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











February 6, 2025

To: Chair Kirstin Kahaloa, Vice Chair Matthias Kusch and the House Committee on Agriculture and Food Systems

Subject: **HB 776**, Relating to Agricultural Support

Aloha,

I am writing in **support** of **HB 776**, which establishes a reimbursement and grant program to assist farmers and livestock-producers with agriculture-related transportation costs.

Hawai'i's farmers and ranchers face exorbitant shipping costs for necessary farm inputs, from machinery, fence, and fertilizers to seeds and irrigation supplies. USDA-NASS has reported shipping costs as a <u>leading factor limiting the growth</u> of farm businesses which further lower profit margins. Because the vast majority of farms in Hawai'i are <u>less than 10 acres</u> and unable to benefit from economies of scale when purchasing needed products, they are put at a disadvantage when competing with cheaper, imported food. Furthermore, farmers and ranchers often face sudden and crushing financial pressure with constantly changing market prices..

USDA's Farm Service Agency has a popular <u>Reimbursement Transportation Cost Program</u>, but funds are limited, and the program is in high demand. Hawai'i's farmers and ranchers deserve for the state to recognize the critical role they play in supporting our local food system, and the challenges they face with small-scale farming in our unique island geography.

The Food+ Policy internship develops student advocates who learn work skills while increasing civic engagement to become emerging leaders. We focus on good food systems policy because we see the importance and potential of the food system in combating climate change and increasing the health, equity, and resiliency of Hawai'i communities.

In 2025, the cohort of interns are undergraduate and graduate students and young professionals working in the food system. They are a mix of traditional and nontraditional students, including parents and veterans, who have backgrounds in education, farming, public health, nutrition, and Hawaiian culture.

https://hdoa.hawaii.gov/add/files/2022/02/HI-Commercial-Ag-Expansion_Shipping-Cost-Low-Profit-Barriers-2020_02.28.2022.pdf

https://www.nass.usda.gov/Publications/AgCensus/2022/Full_Report/Volume_1,_Chapter_1_State_Level/ Hawaii/st15_1_009_010.pdf

https://www.fsa.usda.gov/programs-and-services/price-support/RTCP-Program



I urge the committee to pass this measure. Thank you for the opportunity to testify on this issue.

Mahalo, Lea Iaea & the Food+ Policy Team #fixourfoodsystem

The Food+ Policy internship develops student advocates who learn work skills while increasing civic engagement to become emerging leaders. We focus on good food systems policy because we see the importance and potential of the food system in combating climate change and increasing the health, equity, and resiliency of Hawai'i communities.

In 2025, the cohort of interns are undergraduate and graduate students and young professionals working in the food system. They are a mix of traditional and nontraditional students, including parents and veterans, who have backgrounds in education, farming, public health, nutrition, and Hawaiian culture.

https://hdoa.hawaii.gov/add/files/2022/02/HI-Commercial-Ag-Expansion_Shipping-Cost-Low-Profit-Barriers-2020_02.28.2022.pdf

https://www.nass.usda.gov/Publications/AgCensus/2022/Full_Report/Volume_1,_Chapter_1_State_Level/Hawaii/st15_1_009_010.pdf

https://www.fsa.usda.gov/programs-and-services/price-support/RTCP-Program



The Molokai Farm Bureau serves as Molokai's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community. We are an arm of the Hawaii Farm Bureau Federation, organized in 1948 and comprised of 1800 farm families statewide.

HEARING BEFORE THE HOUSE COMMITTEE ON AGRICULTURE & FOOD SYSTEMS

February 7, 2025, 9:30am Conference Room 325 & Videoconference Hawaii State Capitol, 415 South Beretania Street

HB776 - SUPPORT

February 6, 2025

Aloha Chair Kahaloa, Vice Chair Kusch, and Respected Committee Members,

HB776: Establishes within the Department of Agriculture the Hawai'i Agricultural Transportation Assistance Program, to consist of a reimbursement program and grant program, to assist certain farmers and livestock producers with transportation costs for agricultural products, inputs, supplies, and production and distribution of agricultural commodities. Requires reports to the Legislature.

Thank you for the opportunity to provide testimony. For the following reasons, the Molokai Farm Bureau **SUPPORTS HB776:**

Transportation costs are unavoidably higher for Molokai agriculture.

Molokai (and Lanai) farmers are at a marked disadvantage when it comes to transportation costs. As with all islands the majority of agricultural inputs must be imported to facilitate ag production, but for Molokai farmers, we also must export the majority of all products to reach markets of adequate scale. Passing on these unavoidable transportation costs have essentially priced most of Molokai's agriculture out of many existing markets, resulting in our island's struggling ag industry that we're experiencing.

The similar USDA Reimbursement Transportation Cost Payment Program (RTCP) has provided some needed relief to our farmers, but with inter-island transportation costs steadily increasing, those increased costs have quickly outpaced the RTCP program's effectiveness. This state program would help to address this.

Limited modes of Transportation and Carrying Capacities

Air freight transport challenges

The Molokai Airport runway is federally prohibited to receive larger planes unlike other state airports, like larger cargo planes that could be more cost effective. As a result, this compounds our transportation costs by <u>limiting air transport capacities in and out of Molokai.</u>

Farmers face the inability to ship an entire harvest to off-island markets due to outbound capacity limits. This is a unique problem for Molokai farmers, imposing the need for multiple

shipments over multiple days, risking yield freshness, product stability, optimal market pricing, and increasing our transportation costs exponentially with each additional flight.

Ocean transport challenges

Unlike other island ports, the State does not mandate *inter-state* ocean freight companies to service Molokai's port. Therefore, Molokai is solely dependent on *inter-island* ocean freight for ALL freight, no matter its origin. In other words, any mainland freight we receive includes an added surcharge, sometimes referred to as a "terminal handling charge" which can average \$1500 per ocean container. Thus, Molokai incurs those unavoidable additional costs on all ocean freight, which are consequential to our small margins when trying to compete in the market.

Compounding this is the continuous jump in *inter-island* ocean freight prices over the last couple of years, as we must then export our products to be able to reach those markets of adequate scale.

As farmers, it is hard to carry needed working capital, and any way we can help to facility quick reimbursements would greatly enhance the impact of this program.

Respectfully, the Molokai Farm Bureau is in SUPPORT of HB776.

Thank you for the opportunity to provide testimony.

Submitted with Aloha,

Nate Oswald

Nathaniel (Nate) Oswald President, Molokai Farm Bureau



Hawai'i Island Chamber of Commerce

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Executive Officer
Carla Kuo

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Tracie Yoshimoto

TESTIMONY BEFORE THE HOUSE COMMITTEE ON AGRICULTURE & FOOD SYSTEMS HB776 - Relating to Agricultural Support—IN SUPPORT

Friday, February 7, 2025 9:30 AM

Aloha Chair Kahaloa, Vice Chair Kusch, and Members of the Committee,

On behalf of the Hawai'i Island Chamber of Commerce, representing over 300 businesses and individual members primarily located on the East side of Hawai'i Island, we **strongly support HB776**, which establishes the Hawai'i Agricultural Transportation Assistance Program. This essential initiative will help local farmers, ranchers, and food producers offset the high costs of transportation, ensuring they can continue to thrive and contribute to our local economy.

By providing reimbursements and grants, this program will:

- -Ease financial burdens on farmers and ranchers, making it more viable to distribute their products across the islands.
- -Support business growth by allowing producers to reinvest in their operations and expand their markets.
- -Strengthen Hawai'i's food security by making local food more accessible and reducing reliance on imported goods.

Supporting this bill is an investment in the future of Hawai'i's agriculture industry. Lowering transportation costs will directly contribute to economic growth by enabling local producers to scale their businesses, create jobs, and build a more resilient food system.

We respectfully urge the legislature to pass HB776 to ensure the long-term sustainability of Hawai'i's agriculture sector. Mahalo for the opportunity to testify and for your continued support of our local agricultural community. Sincerely,

Carla Kuo

Executive Officer

Hawai'i Island Chamber of Commerce