
A BILL FOR AN ACT

RELATING TO IMPORTANT AGRICULTURAL LANDS LOAN GUARANTY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. In 1978, voters approved Article XI, section 3,
2 of the Constitution of the State of Hawaii. This section laid
3 out the framework for state policies to promote agriculture and
4 conserve productive agricultural lands in the state. Article
5 XI, section 3, reads as follows:

6 "The State shall conserve and protect
7 agricultural lands, promote diversified agriculture,
8 increase agricultural self-sufficiency and assure the
9 availability of agriculturally suitable lands. The
10 legislature shall provide standards and criteria to
11 accomplish the foregoing.

12 Lands identified by the State as important
13 agricultural lands needed to fulfill the purposes
14 above shall not be reclassified by the State or
15 rezoned by its political subdivisions without meeting
16 the standards and criteria established by the
17 legislature and approved by a two-thirds vote of the



1 body responsible for the reclassification or rezoning
2 action."

3 To address the issue of important agricultural lands, Act
4 183, Session Laws of Hawaii 2005 (Act 183), was enacted. Act
5 183 establishes standards, criteria, and mechanisms to identify
6 important agricultural lands and implement the intent and
7 purpose of Article XI, section 3, of the State Constitution.

8 Act 183 also recognized that while maintaining the supply
9 of lands suitable for agriculture is critical, the long-term
10 viability of agriculture depends on other factors as well.

11 These factors include:

- 12 (1) Commodity prices;
- 13 (2) Availability of water and irrigation;
- 14 (3) Agricultural research and outreach;
- 15 (4) Application of production technologies;
- 16 (5) Marketing; and
- 17 (6) Availability and cost of transportation services.

18 Financing is a critical component of the long-term
19 viability of agriculture on important agricultural lands in the
20 state. The legislature finds that it is in the public interest
21 to assist agricultural producers in meeting their financing



1 needs for projects that are located on important agricultural
2 lands.

3 The purpose of this Act is to further the implementation of
4 Act 183 by:

5 (1) Authorizing the chairperson of the board of
6 agriculture to guarantee loans relating to
7 agricultural projects located on important
8 agricultural lands; and

9 (2) Declaring that the substance of this Act establishes
10 incentives and protections for important agricultural
11 lands as contemplated by section 9 of Act 183, which
12 effectuates the land use commission's authorization to
13 designate lands as important agricultural lands and
14 adopt maps therefor pursuant to section 205-49(d),
15 Hawaii Revised Statutes.

16 SECTION 2. Chapter 155, Hawaii Revised Statutes, is
17 amended by adding a new section to be appropriately designated
18 and to read as follows:

19 "§155- _____ **Loan guaranty; important agricultural lands;**
20 **agricultural and aquacultural loans.** (a) The chairperson may
21 approve guarantees for loans made by commercial lenders,
22 authorized to do business in this state, to agricultural



1 producers for the purpose of developing and implementing
2 agricultural projects; provided that the chairperson determines
3 that:

4 (1) The agricultural projects are located on lands
5 designated as important agricultural lands pursuant to
6 part III of chapter 205;

7 (2) The commercial lender has completed its due diligence
8 in approving the loan, including ensuring adequate
9 collateral; and

10 (3) The State possesses sufficient funds to provide an
11 appropriate reserve for the loan guaranty which, in
12 the judgment of the director of finance, are in excess
13 of the amounts necessary to meet the immediate
14 requirements of the state and such that the loan
15 guaranty will not impede or hamper the fulfillment of
16 the financial obligations of the state.

17 The chairperson may impose other conditions as are deemed
18 reasonable to implement the loan guaranty.

19 (b) In addition to the conditions that the chairperson may
20 impose under subsection (a), any loan guaranty made pursuant to
21 this section shall meet the following conditions:



- 1 (1) For a loan that finances operating costs, the maximum
2 term of the loan shall be ten years;
- 3 (2) For a loan that finances capital improvement costs,
4 the maximum term of the loan shall be twenty years;
- 5 (3) The interest rate charged on any loan shall be one per
6 cent below the commercial lender's prime rate for as
7 long as the loan guaranty is in effect;
- 8 (4) The loan guaranty may be up to eighty-five per cent of
9 the principal amount of the loan, but shall not
10 include any fees or accrued interest associated with
11 the loan or its collection; and
- 12 (5) The principal amount of the loan shall not exceed
13 \$2,500,000; provided that at no time shall the
14 aggregate amount of the State's liability, contingent
15 or otherwise under this section exceed \$40,000,000.
- 16 (c) Subject to chapter 91, the chairperson shall adopt
17 rules to effectuate the purposes of this section.
- 18 (d) As used in this section:
- 19 "Agricultural producer" means a farmer, cooperative,
20 association, or landowner who derives at least fifty per cent of
21 its gross income from agricultural or aquacultural activities.



1 "Agricultural projects" means projects relating to
2 agricultural or aquacultural operations or capital improvements.

3 "Chairperson" means the chairperson of the board of
4 agriculture."

5 SECTION 3. There is appropriated out of the general
6 revenues of the State of Hawaii the sum of \$ or so much
7 thereof as may be necessary for fiscal year 2008-2009 for the
8 director of finance to create a reserve fund for the guaranty
9 program under section 2 of this Act. The director of finance
10 shall monitor the reserve and pursue additional appropriations
11 should additional funds be required to cover possible defaults
12 or to increase the reserve amount.

13 The sum appropriated shall be expended by the department of
14 budget and finance for the purposes of this Act.

15 SECTION 4. New statutory material is underscored.

16 SECTION 5. This Act shall take effect upon its approval;
17 provided that section 3 shall take effect on July 1, 2007.



Report Title:

Loan Guaranty for Agriculture; Important Agricultural Lands

Description:

Allows the Director of Finance to guarantee loans made to agricultural producers for agricultural projects on important agricultural lands. (HB401 HD2)

