
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), established
5 standards, criteria, and mechanisms to identify important
6 agricultural lands and implement the intent and purpose of
7 article XI, section 3, of the State Constitution.

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

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

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



1 The purpose of this Act is to further the implementation of
2 Act 183 by:

- 3 (1) Authorizing the chairperson of the board of
4 agriculture to guarantee loans relating to
5 agricultural projects located on important
6 agricultural lands; and
- 7 (2) Declaring that the substance of this Act establishes
8 the incentives and protections for important
9 agricultural lands required by section 9 of Act 183
10 before the land use commission may designate lands as
11 important agricultural lands and adopt maps pursuant
12 to section 205-49(d), Hawaii Revised Statutes.

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

16 **"§155- Loan guaranty; important agricultural lands;**
 17 **agricultural and aquacultural loans.** (a) The chairperson of
 18 the board of agriculture may guarantee loans made by commercial
 19 lenders, authorized to do business in this state, to
 20 agricultural producers for the purpose of developing and
 21 implementing agricultural projects; provided that the
 22 chairperson of the board of agriculture determines that:



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

4 (2) The commercial lender has completed its due diligence
5 in approving the loan, including ensuring adequate
6 collateral; and

7 (3) After consultation with the director of finance, the
8 State possesses sufficient funds to provide an
9 appropriate reserve for the loan guaranty and which,
10 in the director of finance's judgment, are in excess
11 of the amounts necessary for meeting the immediate
12 requirements of the State and will not impede or
13 hamper the fulfillment of the financial obligations of
14 the State.

15 The chairperson of the board of agriculture may impose other
16 conditions that the chairperson deems reasonable to implement
17 the loan guaranty.

18 (b) In addition to the conditions that the chairperson of
19 the board of agriculture may impose under subsection (a), any
20 loan guaranty made pursuant to this section shall meet the
21 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 the 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 outstanding principal amount of the loan, but
10 shall not include any fees or accrued interest
11 associated with the loan or its collection; and
- 12 (5) The principal amount of the loan shall not exceed
13 \$2,500,000.
- 14 (c) Pursuant to chapter 91 and in consultation with the
15 director of finance, the chairperson of the board of agriculture
16 shall adopt rules to effectuate the purposes of this section.
- 17 (d) As used in this section:
- 18 "Agricultural producer" means a farmer, cooperative,
19 association, or landowner who derives at least fifty per cent of
20 its gross income from agricultural or aquacultural activities.



1 "Agricultural project" means a project relating to
2 agricultural or aquacultural operations or capital
3 improvements."

4 SECTION 3. New statutory material is underscored.

5 SECTION 4. This Act shall take effect on July 1, 2020.



S.B. NO. 662
S.D. 2
H.D. 2

Report Title:

Loan Guaranty for Agriculture; Important Agricultural Land

Description:

Allows the Chairperson of the Board of Agriculture to guarantee loans made to agricultural producers for agricultural projects on important agricultural lands. (SB662 HD2)

SB662 HD2 HMS 2007-3572

