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# 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 authorizing the chairperson of the board of  
5 agriculture to guarantee loans relating to agricultural projects  
6 located on important agricultural lands.

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

10 "§155- Loan guaranty; important agricultural lands;  
11 agricultural and aquacultural loans. (a) The chairperson may  
12 approve guarantees for loans made by commercial lenders,  
13 authorized to do business in this State, to agricultural  
14 producers for the purpose of developing and implementing  
15 agricultural projects; provided that the chairperson determines  
16 that:

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

20 (2) The commercial lender has completed its due diligence  
21 in approving the loan, including ensuring adequate  
22 collateral; and



1       (3) The State possesses sufficient funds to provide an  
2       appropriate reserve for the loan guaranty which, in  
3       the judgment of the director of finance, are in excess  
4       of the amounts necessary to meet the immediate  
5       requirements of the State and such that the loan  
6       guaranty will not impede or hamper the fulfillment of  
7       the financial obligations of the State.

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

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

13       (1) For a loan that finances operating costs, the maximum  
14       term of the loan shall be ten years;

15       (2) For a loan that finances capital improvement costs,  
16       the maximum term of the loan shall be twenty years;

17       (3) The interest rate charged on any loan shall be one per  
18       cent below the commercial lender's prime rate for as  
19       long as the loan guaranty is in effect;

20       (4) The loan guaranty may be up to eighty-five per cent of  
21       the principal amount of the loan, but shall not



1 include any fees or accrued interest associated with  
2 the loan or its collection; and

3 (5) The principal amount of the loan shall not exceed  
4 \$2,500,000; provided that at no time shall the  
5 aggregate amount of the State's liability, contingent  
6 or otherwise under this section exceed \$40,000,000.

7 (c) Subject to chapter 91, the chairperson shall adopt  
8 rules to effectuate the purposes of this section.

9 (d) As used in this section:

10 "Agricultural producer" means a farmer, cooperative,  
11 association, or landowner who derives at least fifty per cent of  
12 its gross income from agricultural or aquacultural activities.

13 "Agricultural projects" means projects relating to  
14 agricultural or aquacultural operations or capital improvements.

15 "Chairperson" means the chairperson of the board of  
16 agriculture."

17 SECTION 3. There is appropriated out of the general  
18 revenues of the State of Hawaii the sum of \$ or so  
19 much thereof as may be necessary for fiscal year 2008-2009 for  
20 the director of finance to create a reserve fund for the  
21 guaranty program under section 2 of this Act. The director of  
22 finance shall monitor the reserve and pursue additional



1 appropriations should additional funds be required to cover  
2 possible defaults or to increase the reserve amount.

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

5       SECTION 4. New statutory material is underscored.

6       SECTION 5. This Act shall take effect upon its approval;  
7 provided that section 3 shall take effect on July 1, 2050.



**Report Title:**

Loan Guaranty for Agriculture; Important Agricultural Lands

**Description:**

Allows the chairperson of the board of agriculture to guarantee loans made to agricultural producers for agricultural projects on important agricultural lands. (SD1)

