

## ACT 221

H.B. NO. 1999

A Bill for an Act Relating to Agriculture.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that the Hawaii livestock industry consistently identifies the cost of feed as the most expensive component in operational costs. This concern is in line with the national and global effort to reduce feed costs by replacing high-cost ingredients with lower-cost alternatives. Hawaii's situation is exacerbated by the lack of local feed mills, which necessitates the importation of livestock feed. Years of research and local workshops to encourage and support the development of locally produced feed have not improved the deficient feed stock situation in the State.

The legislature further finds that the department of agriculture is committed to reducing the cost of production for the State's livestock and aquaculture industries by reducing the cost of feed. Hawaii has the potential ingredients for the development and production of local feedstock. The department of agriculture has initiated a feed development process to identify, assess, and validate available local feed ingredients.

The purpose of this Act is to:

- (1) Establish and fund a grant program for qualified feed developers;
- (2) Appropriate funds to reimburse qualified producers of certain products for their cost of feed; and
- (3) Appropriate funds to reimburse feed developers for the costs of feed development.

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

**“§155D- Grants; qualified feed developer.** (a) Applications for grants submitted by qualified feed developers shall be submitted on a form furnished by the department and shall be filed with accompanying documentation of feed development costs; provided that:

- (1) The applicant shall comply with applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
- (2) The applicant shall have applied for or received any applicable licenses or permits;
- (3) The applicant shall indemnify and hold harmless the State and its officers, agents, and employees from all claims arising out of or resulting from the feed sold;
- (4) The grant shall not exceed a total of \$200,000 per qualified feed developer per year; and
- (5) The department may request an applicant to provide any necessary information for the purposes of verifying actual sales to qualified producers.

(b) Documentation of animal feed development costs, as requested by the department, shall be filed for feed sold to qualified producers within the immediately preceding fiscal quarter of the filing and shall be effective for feed development costs incurred after July 1, 2016.

(c) The applicant shall submit a quarterly financial statement of revenues and expenses along with other supporting documents as deemed necessary by the department and filed with the documentation of the feed development costs. An annual financial statement shall be filed with the department within ninety days following the close of the business' fiscal year, for final reconciliation of any reimbursement paid during the previous three quarters within the fiscal year. The financial statement shall be certified as accurate by the applicant and the preparer of the financial statement on forms prepared by the department.

(d) Funds shall be disbursed upon approval by the department to the qualified feed developer for up to fifty per cent of the development costs of feed sold to qualified producers, as verified by a certified public accountant.

(e) In no case shall costs be reimbursed to a qualified feed developer when, after evaluation and verification by the department, the department determines that the amount of reimbursement will result in an annual profit of more than ten per cent.

(f) The department shall aggregate the total grant applications pursuant to this section and divide and distribute the available grant funds on a pro rata basis.”

SECTION 3. Section 155D-1, Hawaii Revised Statutes, is amended by adding a new definition to be appropriately inserted and to read as follows:

““Qualified feed developer” means any person that, at the time of application for and disbursement of funds under this chapter, is in the business of cultivating feed crops or manufacturing feed for qualified producers.”

SECTION 4. Section 155D-2, Hawaii Revised Statutes, is amended by amending subsections (b) and (c) to read as follows:

“(b) Documentation of animal feed costs, as requested by the department, shall be filed for feed purchased within the immediate preceding fiscal quarter of filing [~~and shall be effective for feed costs incurred after July 1, 2013~~].

(c) The applicant shall submit a quarterly financial statement of farm revenues and expenses along with other supporting documents as deemed necessary by the department, and filed with the documentation of the feed costs. An annual financial statement shall be filed with the department within ninety days following the close of the business’ fiscal year [~~after June 28, 2013~~], for final reconciliation of any reimbursement paid during the previous three quarters within the fiscal year. The financial statements shall be certified as accurate by the applicant and the preparer of the financial statement on forms prepared by the department.”

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of \$2,000,000 or so much thereof as may be necessary for fiscal year 2016-2017 for the livestock revitalization program of the department of agriculture that shall be allocated as follows:

- (1) \$1,000,000 to reimburse qualified producers of milk, pork, eggs, poultry, beef, sheep, lamb, goats, and seafood, for the cost of feed for beef cattle, dairy cows or milking goats, goats raised for meat, sheep, hogs, fish, crustaceans, and poultry; and
- (2) \$1,000,000 to reimburse qualified feed developers for the costs of development of feed for sale to qualified producers; provided that from the sum appropriated, the department of agriculture may expend up to \$15,000 to administer and operate the qualified feed developer grant program pursuant to section 155D- , Hawaii Revised Statutes, including support services and general administrative overhead.

The sum appropriated shall be expended by the department of agriculture for the purposes of this Act.

SECTION 6. Funds appropriated or authorized by section 5 of this Act that are not expended or encumbered by June 30, 2017, shall lapse as of that date.

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.<sup>1</sup>

SECTION 8. This Act shall take effect on July 1, 2016.

(Approved July 6, 2016.)

#### Note

1. Edited pursuant to HRS §23G-16.5.