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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, established standards,  
5 criteria, and mechanisms to identify important agricultural  
6 lands and implement the intent and purpose of article XI,  
7 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 guaranty loans relating to agricultural
- 5 projects located on important agricultural lands; and
- 6 (2) Declaring that the substance of this Act establishes
- 7 incentives and protections for important agricultural
- 8 lands as contemplated by section 9 of Act 183, which
- 9 effectuates the land use commission's authorization to
- 10 designate lands as important agricultural lands and
- 11 adopt maps pursuant to section 205-49(d), Hawaii
- 12 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 principle 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, 2050.



**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 HD1)

