December 27, 2018

The Honorable Ronald D. Kouchi,
President and Member of the Senate
Thirtieth State Legislature
State Capitol, Room 409
Honolulu, HI 96813

The Honorable Scott K. Saiki,
Speaker and Member of the House of
Representatives
Thirtieth State Legislature
State Capitol, Room 431
Honolulu, HI 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Annual Report on the Agricultural Development and Food Security Special Fund as required by Act 73, SLH 2010. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at http://hdoa.hawaii.gov/.

Sincerely,

Scott E. Enright, Chairperson
Board of Agriculture

Enclosures
REPORT TO THE THIRTIETH LEGISLATURE
2019 REGULAR SESSION
STATE OF HAWAI’I

ANNUAL REPORT ON THE

AGRICULTURAL DEVELOPMENT AND FOOD SECURITY SPECIAL FUND

ACT 73, SLH 2010

PREPARED BY:

HAWAII DEPARTMENT OF AGRICULTURE

December 2018
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   C. The funding of agricultural inspector positions within the department of agriculture.
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SECTION I

Background

A. Act 73, 2010 Session Laws of Hawaii

In an effort to address Hawaii’s over reliance on imported food and energy and the vulnerability that this creates in energy and food security, as well as negative impacts on biosecurity and our economy, the Hawaii State Legislature approved HB 2421, H.D. 2, S.D. 2, C.D. 1, which was enacted as Act 73, 2010 SLH. Act 73 provided for the creation of an energy and food security tax in the amount of $1.05 which is to be levied “on each barrel or factional part of a barrel of imported petroleum product sold by a distributor to a retailer or end user”. Fifteen cents of the tax is to be deposited into a new Agriculture Development and Food Security special fund; fifteen cents is to be deposited into the new Energy Security special fund; ten cents is to be deposited into the new Energy Systems Development special fund; five cents is to be deposited into the existing Environmental Response revolving fund; and sixty cents is to be deposited into the general fund. In addition to the establishment of the new special funds, Act 73 also created the Hawaii Economic Development Task Force whose purpose is to “facilitate the accelerated adoption and completion of renewable-energy projects, energy-efficiency programs, agricultural infrastructure and development, and other measures to meet the purposes of this Act”.

B. Agricultural Development and Food Security Special Fund

Part IV, Section 7 describes the Agricultural Development and Food Security Special Fund and the responsibilities of the Hawaii Department of Agriculture (HDOA).

§141- Agricultural development and food security special fund; establishment. (a) there is established within the state treasury the agricultural development and food security special fund.

(b) The following moneys shall be deposited into the special fund:

(1) The portion of the environmental response, energy, and food security tax specified under section 243-3.5;

(2) Any appropriation by the legislature into the special fund;

(3) Any grant or donation made to the special fund; and

(4) Any interest earned on the balance of the special fund.

(c) Subject to legislative appropriation, moneys in the special fund may be expended for the following purposes:

(1) The awarding of grants to farmers for agricultural production or processing activity;

(2) The acquisition of real property for agricultural production or processing activity;

(3) The improvement of real property, irrigation systems, and transportation networks necessary to promote agricultural production or processing activity;

(4) The purchase of equipment necessary for agricultural production or processing activity;

(5) The conduct of research on and testing of agricultural products and markets;

(6) The funding of agricultural inspector positions within the department of agriculture;

(7) The promotion and marketing of agricultural products grown or raised in the state; and
(8) Any other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the state.

C. Role of the Hawaii Department of Agriculture

(d) The department of agriculture shall submit a report to the legislature no later than twenty days prior to the convening of each regular session on the status and progress of existing programs and activities and the status of new programs and activities funded under the agricultural development and food security special fund. The report shall also include:

1. The spending plan of the agricultural development and food security special fund;
2. All expenditures of agricultural development and food security special fund moneys;
3. The targeted markets of the expenditures, including the reason for selecting those markets;
4. The persons to be served using the expenditures; and
5. The specific objectives of the expenditures, including measurable outcomes.

This report includes a description of the status and progress made in implementing Act 73 as of November 30, 2011 and a plan for new programs and activities proposed through the period ending June 30, 2016.

SECTION II

Description of Funded Projects and Activities in FY 2017-2018

Section II contains descriptions of projects and activities. The suggestions are organized under the allowable uses found in HRS Chapter 141 establishing the agricultural development and food security special fund. They are not prioritized.

A. Awarding of funds to increase demand in the local, domestic and international markets and increase the production of locally grown foods statewide for consumption or as ingredients for value-added products.

EAT LOCAL promotions -- Year 6

EAT LOCAL Media – This project was awarded to Foodland Super Market, Limited with deliverables that include: 1) Encourage viewers to consume and purchase Hawaii agricultural products, including, but not limited to, beef, eggs, fish, milk and other various dairy, livestock, manufactured/processed and fresh specialty crops as outlined in the Hawaii Seasonality Chart through a media campaign using radio, print, podcasts, and social media posts via at least 20,000 total number of spots during the term of the campaign. 2) Provide at least 75,000,000 impressions statewide to adults 18 years and older during the term of the campaign promoting the EAT LOCAL message via radio, Facebook, Twitter, Instagram, and print. Message should promote a statewide EAT LOCAL call-to-action for consumers to EAT LOCAL at local establishments that support local agriculture and farmers. 3) Create and air :30 and :15 spots over Summit Media Hawaii radio stations including Hawaiian 105 (KINE), Krater 96.3 (KRTR), Power 104.3 (KPHW) and KCCN FM 100(KCCN) and neighbor island stations on Maui, Kauai and Hawaii Island. 4) Conduct a retail EAT LOCAL campaign at Foodland Super Markets that will increase the number of consumers purchasing local products by five percent, increase the number of local products sold
compared to the prior year by six percent and increase sales of local products compared to prior year by three percent.

EAT LOCAL Television – This project was awarded to Hawaii News Now with deliverables that include: 1) Encourage viewers to consume, produce and purchase Hawaii agricultural products, including, but not limited to, beef, eggs, fish, milk and other various dairy, livestock, manufactured/processed and fresh specialty crops as outlined in the Hawaii Seasonality Chart through at least 423,322 total TV and video messages during the term of the campaign.

B. The improvement of real property, dams, reservoirs, irrigation systems, and transportation networks necessary to promote agricultural production or processing activity, including investigative studies to identify and assess necessary improvements to dams, reservoirs, irrigations systems, and transportation networks.

Water is the lifeblood of agriculture. Efficient and reliable irrigation systems transport this resource to where it can be effectively used best. These systems are called upon to provide billions of gallons of agricultural water every year. Many of these systems were originally constructed at the turn of the twentieth century by sugarcane plantations. The decline of the plantations has led to the rapid deterioration of the systems and in order for them to remain effective, they must be maintained daily. This is a time and labor-intensive process that does not have automated alternatives. The funds from the Agricultural Development and Food Security Special Fund provide additional irrigation maintenance workers and operating funds while keeping water prices affordable for agricultural users. Additional funds were used for emergency repairs including Waimanalo Reservoir Emergency Stabilization and base yard improvements and Kahuku Irrigation System improvements.

The Department, through the Agribusiness Development Corporation (ADC), has purchased agricultural lands from the Galbraith Trust Estates. ADC continues to prepare these lands for active agricultural use with small farm irrigation system. Irrigation infrastructure is vital to this important production land.

C. The conduct of research on and testing of agricultural products and markets.

Currently in Hawaii, the choices for accessing clean banana planting material is extremely limited. Importing tissue cultured plants from abroad is not feasible for most small scales growers. Hawaiian traditional cultivars ("canoe varieties"), are particularly sensitive to pests and disease threats. Bananas can be propagated in a high-output, low-tech, and sanitary manner through a series of techniques collectively referred to as macro-propagation. With increased availability of disease and pest free crop, Hawaii farmers will be able to increase local production and provide the local community with fresh bananas. While availability is important, small farmers must find a consistent market in order to remain viable. Without access to markets, most small farms are not able to maximize the growing capacity of their land, instead choosing to produce only what they know they can sell at farmer’s markets or direct-to-consumers. Funds were provided to support these efforts.

D. The funding of agricultural inspector positions within the department of agriculture.
Inspector positions are key in protecting our local agricultural community and also providing support to those who are trying to get their products to market. The lack of key support staff has meant that remaining staff have had to take on more responsibilities in addition to their own daily tasks. This means that inspectors and field staff are sometimes forced to do requisite paperwork that is taking them away from their other required duties. Hiring more inspectors and freeing up key staff by hiring needed support personnel is vital towards increasing agricultural production. Funds from the special fund have gone towards hiring commodities inspectors, key planners and support staff.

E. The promotion and marketing of agricultural products grown or raised in the State

Increasing access to markets both locally and abroad is vital for creating greater economic opportunities for our local farmers to sell their products and remain economically viable. The Agricultural Development Division has initiated many projects aimed at increasing demand for Hawaii agricultural products both here and internationally.

FOODEX JAPAN is the Asia's largest exhibition dedicated on food and drink across Japan and the whole world. Over the 4 days of the exhibition, about 85,000 buyers from food service, distribution, and trading companies attend. Numerous buyers will also be attending from abroad, and business talks will be held with domestic and international manufacturers. The purpose of this project is to continue the increase in export sales of Hawaii agricultural products that are currently in the Japan market and to promote additional products that could include, but are not limited to, pineapples, papayas, dried fruit products, jams, jellies, macadamia nuts, honey, coffee and teas from the State of Hawaii.

IFIA18 is a three-day event in Japan that brings together over 32,000 manufactures and suppliers from all areas of the food industry to explore new opportunities and discover the latest products, techniques, and technology the industry has to offer. The purpose of this project is to continue the increase in export sales of Hawaii agricultural ingredients that are currently in the Japan market and to promote additional products that could include, but are not limited to, algae, dried fruits, fruit puree, frozen fruits, macadamia nuts, honey, mamaki, noni, coffee and teas from the State of Hawaii.

F. Other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the State.

Training new agricultural leaders is an essential component to Hawaii’s food security goals. HDOA is tasked with promoting and protecting the agriculture industry in Hawaii and continues to find ways to increase the number of qualified new farmers. HDOA will work with the Agricultural Leadership Foundation of Hawaii (ALFH) to train new farmers to become our future agricultural leaders. ALFH offers specialized training and education from renowned industry representatives to prepare for a career as an effective leader for agriculture in each perspective business, industry, and community.

The North Shore of Oahu is full of diverse, small farmers who have gained momentum to address varying issues that exist for Hawaii’s farmers and ranchers. With the potential of food hubs and groups interested in opportunities to address food safety, this region serves as a perfect demonstration project with statewide significance. Group GAP certification was identified as a predecessor to the area’s Food Hub that will remove
barriers to the sale of locally grown produce from small farms to large, institutional buyers that require food safety certification/FSMA compliance. The Department of Agriculture will partner with the North Shore Economic Vitality Partnership to develop a Group GAP training and curriculum to serve statewide efforts in addressing food safety issues.

Diversified agriculture and increased marketing/processing opportunities are important when discussing Hawaii’s agricultural future. The Department has provided funds to both the University of Hawaii and the National Tropical Botanical Garden (NTBG) in Kauai to develop a ‘Ulu opportunities for the State. Breadfruit (Artocarpus altilis) or ‘ulu in Hawaiian, a member of the fig family, has been an important staple crop and component of traditional agroforestry systems in the Pacific for several millennia. Breadfruit has a high nutrient value, high cultural value in Polynesia, and high potential to play a critical role in sustainable agriculture and food security in Hawaii as one of the few traditional staples that grow as a tree. Furthermore, over the past 10 years considerable growth in knowledge and technology regarding breadfruit has occurred. Despite the many values associated with breadfruit, the development of commercial value from the crop has been limited. To support the potential for a sustainable breadfruit industry, and to support a cooperative organization that can absorb and benefit new farmers, the University of Hawaii established, with multiple partnerships, a facility that can serve as a core location for breadfruit processing and processing research.

The Hawaii shrimp broodstock industry needs a reliable U.S. Department of Agriculture (USDA)-approved diagnostic laboratory to conduct testing to meet export requirements. Last year, Hawaii producers exported more than half a million live broodstock shrimp, valued at ~$13 million, primarily to Asian countries such as China, Vietnam, India, and Indonesia. These countries require pre-shipment testing to prove that the shrimp are not infected with World Organization for Animal Health (OIE)-listed pathogens. Hawaii producers spend over $100,000 annually on PCR testing to meet those requirements and need their test results to be reliable and timely. There is inherent risk of harm to the industry when all testing is performed by a single mainland laboratory. Therefore, in response to industry's request, CTAHR and HDOA must create a diagnostic laboratory to ensure consistent, accurate, and timely PCR testing that satisfies the requirements for exporting live shrimp.

The organic sector of agriculture is a burgeoning industry that has seen significant growth over the past few years. While still a small part of the overall picture of agriculture, the demand for organically grown agricultural commodities can mean that those farmers able to produce organically can command premium prices in the marketplace. As a result, the department plans to partner with the University of Hawaii to further promote the growth of the organics industry and continue to provide support for this industry.

Agricultural theft and agricultural vandalism are a constant worry for farmers and ranchers. Given the broad acreage that many farming operations encompass in Hawaii, it is often difficult for farmers to police their entire operations at all times. Furthermore, vigilance at night after work hours may be challenging because not all farmers and ranchers are able to live on or near the fields where they work. Current police department staffing does not permit a full-time officer to investigate agriculture-related crimes. All of these factors make agricultural operations easy prey for theft or vandalism and increases the cost of production and makes it more difficult for farming operations to be successful. HDOA funded a pilot program with the County of Hawaii that has the capability to increase the safety and sustainability of the island’s farming and agricultural industry by allowing farmers to focus less on the security of their crops and more on high-quality products and safe
farming techniques. By having a committed investigator when crime, vandalism, or contamination of agricultural products occur, the County will be able to act swiftly and decisively to tackle the issues.

The recent 2012 Agricultural Census highlighted the “graying” of our agricultural workforce as a problem facing agriculture nationwide. This issue is especially significant in Hawaii where we saw an increase in the average age of our farmers to above 63 years old. Without new, younger farmers willing to join the industry, agriculture is facing a difficult road. The Department is partnering with the University of Hawaii to fund an effort to increase opportunities for new farmers to gain the needed education and experience to begin a successful career in agriculture. This includes funding for the 4-H Livestock Program and the GoFarm Hawaii Program. The goal of these efforts is to reverse the trend of our aging agricultural workforce and revitalize the industry to ensure continued success in to the future.

The Farm to School Pilot Program in Kohala presents an opportunity for that region with continued youth education and connection to local agriculture. With the groundwork that has been laid in this region, Kohala served as a perfect demonstration project with statewide significance to show how local agricultural production can provide increased youth education and consumption of fresh, local foods. Increasing school educational instruction opportunities and production capacity, with increased infrastructure and associated support systems, directly supports the State efforts to increase local food production and consumption. Increase students’ knowledge of sustainable farming and production and prepare them for career opportunities within the agriculture industry in the State of Hawaii.

Through a partnership with the HTDC, the Department of Agriculture supported the AGathon in 2018. This project’s purpose was to spark innovation and advancement within the Hawaii agricultural industry through the creativity and talents in Hawai‘i’s growing startup, technology, and developer community. New applications and systems were developed to spark innovative technologies for the local agricultural industry.

The April 2018 floods affected the State drastically, especially on the islands of Kauai and Oahu. Farmers on Kauai suffered significant losses. To respond to the emergency needs of farmers on Kauai’s East Side after these devastating floods, there was an immediate need to provide support to Kauai farmers with cleaning up flood debris, repairing farm access roads and irrigation, farm labor, and fixing or replacing tools and small equipment essential so that these farmers could replant and safely pursue their livelihoods as soon as possible. The HDOA provided funds to support farmers as they recover from the effects of the April floods.

SECTION III

Proposed Projects and Activities for FY18

A. The improvement of real property, dams, reservoirs, irrigation systems, and transportation networks necessary to promote agricultural production or processing activity, including investigative studies to identify and assess necessary improvements to dams, reservoirs, irrigations systems, and transportation networks.

Water is the lifeblood of agriculture. Efficient and reliable irrigation systems transport this resource to where it can be effectively used best. These systems are called upon to provide billions of gallons of
agricultural water every year. Many of these systems were originally constructed at the turn of the twentieth century by sugarcane plantations. The decline of the plantations has led to the rapid deterioration of the systems and in order for them to remain effective, they must be maintained daily. This is a time and labor-intensive process that does not have automated alternatives. The funds from the Agricultural Development and Food Security Special Fund will provide for additional irrigation maintenance workers and operating funds while keeping water prices affordable for agricultural users.

The Department of Agriculture is working with the County of Kauai in order to provide critical irrigation infrastructure needs for the Kilauea Agricultural Park and the East Kauai Irrigation System. These projects provide the State with a great opportunity to develop necessary infrastructure to increase agricultural production for Hawaii and sustain current local producer operations.

Hurricane Lane hit Hawaii in August 2018 and brought with it massive rainfall and winds. Because of the emergency on the island of Hawaii, flooding of the Waipio valley’s streams and river threatened taro lo‘i, farm improvements, and valley residents, jeopardizing the agricultural tradition and production in the Waipio River. The Department of Agriculture funded a project to address the river maintenance and management and flooding issues affecting farmers and residents in Waipio Valley, and promote Hawaii’s agricultural industry, environment, economy, and community health.

B. The conduct of research on and testing of agricultural products and markets.

Act 53, Session Laws of Hawaii 2018, identified specific dollar amounts to fund various projects from the agricultural development and food security special fund. The Act identified dollar amounts that exceed current appropriation ceilings and in turn the Department was unable to address every identified project.

The appropriation from the agricultural development and food security special fund for AGR 122 will directly support the efforts of the University of Hawaii, College of tropical Agriculture and Human Resources through projects that include: 1) Papaya seed development; 2) greenhouse trials to determine crop yield, quality, and pest issues; and 3) farmer training and development.

The appropriation from the agricultural development and food security special fund for AGR 171 will be utilized to support National Agriculture Statistics Service surveys to include aquaculture, farm equipment, and vegetables. Funds will also go to support the Eat Local campaign, highlighting commodity products throughout the State.

Increasing sales through export markets will continue through projects like FOODEX and IFIA. With an export market available, local producers will be able to increase sales and find new market demands.

C. The funding of agricultural inspector positions within the department of agriculture.

Inspector positions are vital in helping those in the agricultural community who are trying to get their products to market. Support staff allow inspectors to stay focus on their required duties. This means that inspectors and field staff are free from doing requisite paperwork that would take them away from their other required duties. Hiring more inspectors and freeing up key staff by hiring needed support personnel is vital in
order to increase agricultural production. Funds from the special fund will go towards hiring commodities inspectors and key planners and support staff.

Inspectors are not only charged with overseeing agricultural commodities, but they are also tasked with ensuring that all scales of measurement statewide are calibrated correctly. The Measurement Standards Branch is charged with the express purpose of maintaining state measurement standards and governing the use and application of measurement standards, measuring devices, and equitable transactions. Without the accuracy of measurement devices, inefficiencies would occur that would potentially decrease the processing and production of agricultural commodities. The Measurement Standards Branch would use funds from the special fund to ensure they can carry out their mandated duties.

D. The promotion and marketing of agricultural products grown or raised in the State

Promotion and marketing of Hawaii agricultural products to local, domestic and international markets creates greater economic opportunities for local farmers to maintain their current market share and to increase sales to new markets. The Agricultural Development Division has many projects in FY 2018-2019 aimed at increasing demand for Hawaii agricultural products both in Hawaii and globally.

The Department has partnered with the Office of Community Services in the Department of Labor and Industrial Relations to support the Senior Farmers’ Market Nutrition Program. This program is important to both Hawaii’s low-income seniors and the local farming community as it provides seniors with fresh local produce and farmers with an open market for their homegrown fresh fruits and vegetables.

E. Other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the State.

Training new agricultural leaders is an essential component to Hawaii’s food security goals. HDOA is tasked with promoting and protecting the agriculture industry in Hawaii and continues to find ways to increase the number of qualified new farmers. HDOA will work with the Agricultural Leadership Foundation of Hawaii (ALFH) to train new farmers to become our future agricultural leaders. ALFH offers specialized training and education from renowned industry representatives to prepare for a career as an effective leader for agriculture in each perspective business, industry, and community.

Through a partnership with the HTDC, the Department of Agriculture will support the AGathon in 2018 which is now partnered with the Hackathon. This project’s purpose is to spark innovation and advancement within the Hawaii agricultural industry through the creativity and talents in Hawaii’s growing startup, technology, and developer community. New applications and systems will be developed to spark innovative technologies for the local agricultural industry.

Ulu (Breadfruit) is a specialty crop that local farmers in the State are showing more and more interest in. Ulu is a versatile crop and the fruit has many culinary uses at all stages of maturity. It is an important staple food in Hawaii as a subsistence crop in home gardens or small farms. It is an excellent dietary staple and compares favorably with other starchy staple crops commonly eaten in the tropics, such as taro, plantain,
cassava, sweet potato and white rice. The Department will support efforts to develop commercial scale ‘ulu production and processing systems.

Just in the past year, natural disasters have had lasting negative impacts statewide. Of notable concern, Hawaii Island has been subjected to heavy rainfall, high winds, and devastating lava, impacting the local community in drastic ways. The agricultural industry on Hawaii island has seen harsh realities in which many local farmers may decide to close shop for good. The difficult truth of farming in Hawaii is that many local producers struggle to make profits and at times break even. With a developed workforce, through educational resources and training, local farmers may be able to recover from such disasters and find ways to succeed even in the toughest of times. The Department will support efforts to develop educational, on-farm training to support local producers on the island of Hawaii.

Hawaii continues to make strides in providing locally grown products to communities island wide. Efforts include investments in new businesses throughout the State as well as additional markets for local producers. Increasing consumer demand for locally raised foods like pasture raised beef, is reflected in increased retail shelf space, featured menu items and the popularity of local beef at farmers’ markets. While labels that identify meat as “Grass-Fed Beef” do exist, there is a lack of quality standards to protect the integrity of the Hawaii brand. Beef tenderness and palatability are important through each segment of the beef industry. From production to consumption, quality standards for local pasture-raised beef will provide a consistent Hawaii brand eating experience. The Department will support efforts to develop quality standards for local grass-fed beef supporting Hawaii’s cattle industry.

SECTION IV

Expenditures from the Agricultural Development and Food Security Special Fund

<table>
<thead>
<tr>
<th>AGRICULTURAL DEVELOPMENT AND FOOD SECURITY SPECIAL FUND</th>
<th>Actual</th>
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<td>FY 2018</td>
<td>FY 2019</td>
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<tr>
<td>BEGINNING FUND BALANCE</td>
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<td>REVENUES</td>
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<td>1. Environmental Response, Energy, and Food Security Tax</td>
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<td>2. Investment Pool Interest</td>
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<td>3. Other</td>
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<td>TOTAL REVENUES</td>
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<tr>
<td><strong>AGR 122 PLANT PEST AND DISEASE CONTROL</strong></td>
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<td>Pest Control/Biosecurity Projects</td>
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<td><strong>AGR 141 AGRICULTURAL RESOURCE MANAGEMENT</strong></td>
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<td><strong>AGR 151 QUALITY AND PRICE ASSURANCE</strong></td>
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<td>Commodities Inspectors/Food Safety Coordinator</td>
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<td><strong>AGR 192 GENERAL ADMINISTRATION FOR AGRICULTURE</strong></td>
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<td>Planner/Neighbor Island Support</td>
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<td>Farm to School Program</td>
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<td>Department Support (Deputy AG)</td>
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<td>Research/ Studies</td>
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<td><strong>AGR 812 MEASUREMENT STANDARDS</strong></td>
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<td>Measurement Standards Inspectors/Branch Mgr</td>
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<td><strong>TOTAL EXPENDITURES</strong></td>
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<td><strong>BALANCE</strong></td>
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