

DAVID Y. IGE
Governor

DOUGLAS S. CHIN
Lt. Governor



SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

PHYLLIS SHIMABUKURO-GEISER
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
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**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

BEFORE THE SENATE COMMITTEE ON WAYS & MEANS

**APRIL 5, 2018
10:15 A.M.
CONFERENCE ROOM 211**

**HOUSE BILL NO. 1270 HD1 Proposed SD2
RELATING TO LAND ACQUISITION**

Chairperson Dela Cruz and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 1270 HD1 Proposed SD2, which allocates funds to the Agribusiness Development Corporation for the Agricultural Land Acquisition Fund for the acquisition, administration, maintenance, and management of agricultural lands and irrigation systems. The Department supports this bill provided it does not impact the Department's priorities listed in the Executive Budget.

Providing State land to agriculturalists will allow local farmers the opportunity to obtain affordable lease rents and the ability to invest in future operations. The State's goal of food sustainability is directly affected with the ability to offer affordable agricultural lands and a low-cost, reliable water source. This bill will dedicate a funding source for the Agribusiness Development Corporation to do just that.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
Governor

DOUGLAS S. CHIN
Lt. Governor



JAMES J. NAKATANI
Executive Director

STATE OF HAWAII
AGRIBUSINESS DEVELOPMENT CORPORATION
235 S. Beretania Street, Room 205
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TESTIMONY OF JAMES J. NAKATANI
EXECUTIVE DIRECTOR
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE COMMITTEE ON WAYS AND MEANS
Thursday, April 5, 2018
10:15 a.m.

HOUSE BILL NO. 1270 HD1 SD1
PROPOSED SD2
RELATING TO LAND ACQUISITION

Chairperson Dela Cruz and Members of the Committee:

My name is James Nakatani, Executive Director of the Agribusiness Development Corporation ("ADC"). The ADC supports House Bill No. 1270 HD1 SD1 Proposed SD2 that establishes the agricultural land acquisition fund to provide funding for the acquisition, administration, maintenance, and management of agricultural lands and irrigation systems to improve food security. Specifies sources of deposits into the fund. Appropriates funds.

Keeping agricultural lands in agriculture should be considered as a high priority because of the potential benefits it presents for Hawaii's agriculture industry. Since land is a critical component in enhancing the State's food security, obtaining agricultural lands may significantly increase the available agricultural land for food production and may offer many possibilities to boost the economic viability of the entire agriculture industry.

Thank you for the opportunity to testify and for your consideration of this bill.



STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE

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EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY LAUREL A. JOHNSTON
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1270, H.D. 1, S.D. 1, PROPOSED S.D. 2

April 5, 2018
10:15 a.m.
Room 211

RELATING TO LAND ACQUISITION

House Bill (H.B.) No. 1270, H.D. 1, S.D. 1, Proposed S.D. 2, establishes the Agriculture Land Acquisition Fund (ALAF) within the Agribusiness Development Corporation for the acquisition, administration, maintenance and management of agricultural lands and irrigation systems to improve food security. The ALAF would be funded by appropriations from the Legislature, interest earned, any grant or donation and by an unspecified amount from the tax of each barrel of petroleum product and an unspecified percentage of tax on each one million British thermal units (BTU) of fossil fuel under the Environmental Response, Energy and Food Security Tax (Barrel Tax). This bill also appropriates an unspecified amount of general funds in FY 19 to be deposited into the ALAF.

Although this measure does not specify whether the ALAF is a special or revolving fund, as a matter of general policy, the Department of Budget and Finance (B&F) does not support the creation of any special or revolving fund which does not meet the requirements of Sections 37-52.3 and 37-52.4, HRS. Special or revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an

explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to H.B. No. 1270, H.D. 1, S.D. 1, Proposed S.D. 2, it is difficult to determine if the proposed fund would be self-sustaining.

Additionally, B&F has serious concerns with increasing the distribution of the Barrel Tax beyond what is established in Section 243-3.5, HRS. Under its current distribution, \$.60 of the tax on each barrel of petroleum and approximately \$.11 on each one million BTU of fossil fuel go to the general fund. The current general fund financial plan does not take into account any additional distributions of the Barrel Tax away from the general fund. Due to unspecified distributions to the ALAF, it is difficult to determine the loss to the general fund.

Thank you for your consideration of our comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Earmark Barrel Tax to Buy Agricultural Lands

BILL NUMBER: HB 1270, Proposed SD-2

EXECUTIVE SUMMARY: Adds an earmark on the barrel tax to provide a dedicated funding source for the acquisition of agricultural lands. Creates a new special fund, the Agricultural Land Acquisition Fund, to do this.

SYNOPSIS: Adds a new section to chapter 163D, HRS, to establish the Agricultural Land Acquisition Fund. Moneys in the fund are to be expended for the acquisition, administration, maintenance, and management of agricultural lands and irrigation systems to improve food security.

Amends section 243-3.5, HRS, to earmark __ cents per barrel, or __ % of the tax on each one million BTU, to be deposited in the agricultural land acquisition special fund.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: The barrel tax in section 243-3.5, HRS, is imposed on each barrel of petroleum products. It started off at a nickel per barrel to create a fund for environmental cleanup to be used if a disaster like the Exxon Valdez ever were to take place off our shores.

In 2009, lawmakers raised the nickel to \$1.05, an increase of 2000%. This was to be a temporary increase because the state had fallen upon tough economic times, and it is supposed to disappear on July 1, 2015. It didn't. In 2015, the barrel tax was not only made permanent, but it was extended to all fossil fuels other than petroleum products on a BTU equivalent basis. So we are now looking at higher prices for everything involving fossil fuels, including gasoline and electricity (guess what we burn to generate electricity).

The earmarking of revenues brings with it a loss of transparency and accountability. As with any earmarking of revenues, the legislature will be preapproving each of the initiatives fed by the tax earmark, so expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether too little or too much revenue has been diverted from other priorities in the state budget.

If the legislature deems the programs and purposes funded by this special fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. If the money were appropriated, lawmakers would have to evaluate the real or actual needs of each program.

Digested 4/2/2018



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April 5, 2018

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

TESTIMONY ON HB 1270, HD1, PROPOSED SD2
RELATING TO LAND ACQUISITION

Room 211
10:15 AM

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

The Hawaii Farm Bureau supports HB 1270, HD1, Proposed SD2, establishes the agricultural land acquisition fund to provide funding for the acquisition, administration, maintenance, and management of agricultural lands and irrigation systems to improve food security.

HFB believes that in order for agriculture to flourish in Hawaii and reach their full potential, land availability and long-term leases at affordable and predictable lease rental rates and access to water are critical. The availability of agricultural land under the State's control will provide farmers with long-term leases that will enhance the economic viability of Hawaii's agriculture industry.

ADC was initiated by the agricultural industry as the closure of plantations escalated and there was a need to identify mechanisms that could quickly place farmers on lands that were destined to be idle.

HFB believes that ADC has a tremendous amount of power and has a responsibility in continuing to assist Hawaii's transition from plantation agriculture to smaller diversified agricultural operations.

The barrel tax was intended to support critical investments in clean energy, local agricultural production, and environmental response to reduce the State's dependence on imported fossil fuels and food products. As an organization opposed to new taxes, HFB took an unusual step by supporting the environmental response, energy, and food

security tax, or barrel tax. It was a desperate move by the industry to secure stable funding for Hawaii's agricultural industry.

The barrel tax was originally intended to increase local capacity to grow and produce import replacement products in order to fulfill the State's vision for increased self-sufficiency and sustainability. During the economic downturn, proceeds from this fund were reallocated to balance the budget. We understand that some of the proceeds continued to benefit agriculture.

While we support the intent of this measure to have the State acquire more agricultural lands and to provide funding for ADC to assist with food security, we believe it is time to restore the original intent of the measure to focus on import replacements and to meet new needs of agriculture.

Thank you for this opportunity to testify on this measure.



Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Thursday, April 5, 2018 — 10:15 a.m. — Room 211

Ulupono Initiative Strongly Supports HB 1270 HD 1 SD 1, Relating to Land Acquisition

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

My name is Kyle Datta, and I am General Partner of Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable, clean, renewable energy; and better management of waste and fresh water. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono strongly supports HB 1270 HD 1 SD 1, which establishes the agricultural land acquisition fund, because it aligns with our goal of creating more locally produced food.

Quality agricultural land is one of the main prerequisites for local food production. Yet, living in an island community that faces constant pressure for development, means the amount of quality agricultural land is becoming scarcer for farmers and ranchers to access.

This fund will help keep key lands in agriculture and provide expanded opportunities for farmers and ranchers to obtain access to high-quality land at affordable rates.

As Hawai'i's local food issues become more complex and challenging, organizations need additional resources and support to address and overcome them. We appreciate this committee's efforts to look at policies that support local food production.

We believe that by collaborating, we can help produce more local food and support an economically robust homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta
General Partner

Investing in a Sustainable Hawai'i



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SENATE COMMITTEE ON WAYS AND MEANS
Thursday, April 5, 2018, 10:15 AM, Conference Room 211
House Bill 1270, Proposed SD 2, Relating to Land Acquisition

TESTIMONY

Chair Dela Cruz and Committee Members:

If the Senate passes HB 1270, Proposed SD 2, the subject of the Proposed SD 2 will not have had 3 readings or a public hearing in the State House. Under Article III, Section 15 of the Hawaii Constitution, the Legislature is not authorized to enact a bill whose subject has not had three separate readings in the State House and three separate readings in the State Senate.

Thank you for the opportunity to submit testimony.



STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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EMPLOYEES' RETIREMENT SYSTEM
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