

COUNCIL OF THE COUNTY OF MAUI

**ECONOMIC DEVELOPMENT, ENERGY,
AGRICULTURE, AND RECREATION
COMMITTEE**

February 26, 2016

**Committee
Report No. _____**

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Economic Development, Energy, Agriculture, and Recreation Committee, having met on August 18, 2015, and February 2, 2016, makes reference to a Miscellaneous Communication dated May 28, 2015, from the County Clerk, relating to the matter of the Molokai Diversified Agricultural Revolving Loan Program.

Your Committee notes the Council tasked your Committee with evaluating the feasibility and benefits of implementing the Molokai Diversified Agricultural Revolving Loan Program, established under State of Hawaii Act 387 (1988). The express purpose of Act 387 (1988) was "to establish a revolving loan program to stimulate business development and growth in diversified agriculture on the Island of Molokai."

Your Committee further notes the State appropriated \$250,000 for Fiscal Year 1989 for the revolving loan program.

The Budget Director and a Deputy Corporation Counsel advised your Committee there are legal and practical impediments to using the revolving loan program, which has an available balance of \$244,747.

By correspondence dated January 27, 2016, the Chair of your Committee transmitted a proposed resolution entitled "URGING THE STATE LEGISLATURE TO SUPPORT A BILL TO PROVIDE FOR COST REIMBURSEMENT TO MOLOKAI FARMERS AND RANCHERS TO COMPLY WITH FOOD SAFETY MODERNIZATION ACT REQUIREMENTS."

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The purpose of the proposed resolution is to urge passage of State legislation to assist farmers and ranchers on Molokai in complying with FDA Food Safety Modernization Act, which Congress passed in 2010 and was signed into law by President Barack Obama on January 4, 2011.

Your Committee noted State Representative Lynn DeCoite introduced House Bill 2657 (2016) at the request of the Chair of your Committee. House Bill 2657 (2016) would amend Act 387 (1988) and provide loans from the revolving loan program to Molokai farmers and ranchers to reimburse costs of FDA Food Safety Modernization Act compliance.

Your Committee revised the proposed resolution to attach a copy of House Bill 2657 (2016).

Your Committee recommended adoption of the revised proposed resolution.

Your Committee is in receipt of a revised proposed resolution, incorporating your Committee's recommended revision.

Your Committee voted 5-0 to recommend adoption of the revised proposed resolution and filing of the communication. Committee Chair Guzman, Vice-Chair Cochran, and members Couch, Crivello, and White voted "aye." Committee members Hokama and Victorino were excused.

Your Economic Development, Energy, Agriculture, and Recreation Committee **RECOMMENDS** the following:

1. That Resolution _____, attached hereto, entitled "URGING THE STATE LEGISLATURE TO SUPPORT A BILL TO PROVIDE FOR COST REIMBURSEMENT TO MOLOKAI FARMERS AND RANCHERS TO COMPLY WITH FOOD SAFETY MODERNIZATION ACT REQUIREMENTS," be ADOPTED; and

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2. That the Miscellaneous Communication be FILED.

This report is submitted in accordance with Rule 8 of the Rules of the Council.



DON S. GUZMAN, Chair

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Resolution

No. _____

URGING THE STATE LEGISLATURE TO
SUPPORT A BILL TO PROVIDE FOR COST
REIMBURSEMENT TO MOLOKAI FARMERS
AND RANCHERS TO COMPLY WITH FOOD
SAFETY MODERNIZATION ACT
REQUIREMENTS

WHEREAS, there is legislation pending before the 28th Legislature of the State of Hawaii to amend Act 387, Session Laws of Hawaii 1988, to add to the Molokai Diversified Agricultural Revolving Loan Program a cost-reimbursement provision for farmers and ranchers on the island of Molokai for money spent toward complying with the United States Food and Drug Administration Food Safety Modernization Act of 2010, 21 U.S.C. Section 2201, Pub. L. No. 11-353, 124 Stat. 3885 (2011); and

WHEREAS, Act 387 established a revolving loan program for financing small businesses in diversified agriculture, with the intention of stimulating business development and growth in that area on the island of Molokai; and

WHEREAS, the Hawaii State Legislature appropriated \$250,000 pursuant to Act 387 to loan to the County of Maui for Fiscal Year 1988-1989 for the revolving loan program, but the program was seldom utilized; and

WHEREAS, certain terms of the Act, such as the use of the Department of Agriculture's "Agricultural Loans" interest rates, and the requirement of review by a Molokai task force which no longer exists, render it inappropriate for utilization at this time without amendment; and

WHEREAS, the last payment the County received on loans under the current program was in 2006, and the current balance of the funds in the County account for the revolving loan program is \$244,747; and

WHEREAS, the Food Safety and Modernization Act of 2010 imposes strict new requirements on farmers and ranchers of Molokai, which may be difficult or expensive for them to effect without aid; now, therefore,

Resolution No. _____

BE IT RESOLVED by the Council of the County of Maui:

1. That it hereby supports an amendment to Act 387 to provide for cost reimbursement to Molokai farmers and ranchers to comply with Food Safety Modernization Act requirements;
2. That it hereby urges the 28th Legislature of the State of Hawaii to pass legislation to provide for such cost reimbursement, including the bill attached hereto; and
3. That copies of this resolution be transmitted to the Honorable David Ige, Governor, State of Hawaii; the Honorable Joseph Souki, Speaker, Hawaii State House of Representatives; the Honorable Ronald Kouchi, President, Hawaii State Senate; Maui County's Delegation to the State Legislature; and the Honorable Alan Arakawa, Mayor, County of Maui.

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HOUSE OF REPRESENTATIVES
TWENTY-EIGHTH LEGISLATURE, 2016
STATE OF HAWAII

H.B. NO. 2657

A BILL FOR AN ACT

RELATING TO AGRICULTURE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Act 387, Session Laws of Hawaii 1988, is amended as follows:

1. By amending section 1 to read:

"SECTION 1. The legislature finds that the economy of the island of Molokai [~~is~~] remains at a critical juncture. [~~The residents have long relied on the pineapple industry as the major provider of jobs, however, since~~] Since the closure of Dole Company's operations in 1976 and the reduction of Del Monte's operations in 1983, hundreds of Molokai residents have been jobless and the island's unemployment rate [~~at over fourteen per cent~~] is more than twice the rate of any other island and the highest in the State. The legislature further finds that the revival of Molokai's economy is contingent on the development and growth of small businesses, especially in diversified agriculture, and that it is the public interest to provide financial support to facilitate such development and growth on Molokai. Further, the legislature finds that the costs that farmers and ranchers must incur to comply with federal and state requirements, including the food safety requirements of the FDA Food Safety Modernization Act, are prohibitive to some farmers and ranchers and will likely result in farm and ranch closures on Molokai. These farmers and ranchers

require assistance with meeting these compliance costs to prevent such closures and the detrimental effect they will have on the diversified agricultural industry on Molokai. The purpose of this Act is to establish a revolving loan program to stimulate business development and growth in diversified agriculture on the Island of Molokai[-] and provide loans to farmers and ranchers on Molokai to cover the costs, including audit costs and other expenses, of complying with the FDA Food Safety Modernization Act and state food safety laws."

2. By amending section 3 to read:

"SECTION 3. (a) The county of Maui shall establish a temporary revolving loan program to provide financing opportunities for small business ventures in diversified agriculture on Molokai[-] and loans to farmers and ranchers on Molokai to help them meet the costs, including audit costs and other expenses, of compliance with the requirements of the FDA Food Safety Modernization Act and state food safety laws. To carry out the loan program, the county shall establish a revolving fund from which moneys shall be loaned in accordance with this Act and into which all payments, interest, and fees collected by the county on such loans shall be deposited.

(b) The program shall provide [~~loans~~] cost reimbursement to qualified applicants with the following terms and conditions:

- (1) No [~~loan~~] cost reimbursement shall be granted unless [~~financial assistance is not otherwise available to the applicant,-~~] money has been spent by the applicant towards complying with the Food Safety Modernization Act or state food safety laws;
- (2) The amount [~~of a loan or loans~~] of cost reimbursement to any one applicant [~~at any one time~~] shall not exceed [~~\$15,000,-~~]

\$5,000; and

(3) The maximum term of [~~a loan~~] the cost reimbursement shall not exceed [~~twenty years;~~] three years.

~~[(4) Each loan shall bear interest conforming to the department of agriculture's "Agricultural Loans" rate, policies, and practices; and~~

~~(5) The commencement date for the repayment of the first installment on the principal and interest of each loan may be deferred by the mayor of the county of Maui for a period not to exceed two years.]~~

(c) The program shall be administered by the county of Maui.

The county of Maui, in consultation with the department of agriculture, shall adopt rules to carry out the program's purpose.

~~[The loan applications shall be reviewed initially by the credit review committee of the Molokai task force. The committee shall make recommendations regarding the suitability of the proposed business concepts. The county of Maui shall make the final decision to approve or disapprove the application.]~~ The cost reimbursement applications shall be reviewed and approved by an administrative staff member within the county of Maui."

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2016-2017 for the Maui office of economic development to review and approve cost reimbursement applications made pursuant to Act 387, Session Laws of Hawaii 1988, as amended.

The sum appropriated shall be expended by the county of Maui for the purposes of this Act.

SECTION 3. Statutory material to be repealed is bracketed and

stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2016.

INTRODUCED BY: _____

Report Title:

Food Safety Loans; Maui County Revolving Loan Program

Description:

Provides loans from the Maui County Revolving Loan Program to Molokai farmers and ranchers to reimburse costs of mandated food safety compliance audits and other related costs. Appropriates moneys to the Maui office of economic development to review and approve applications for the loan program.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.