

**REPORT TO THE TWENTY-SIXTH LEGISLATURE
2012 REGULAR SESSION
STATE OF HAWAII**

**ANNUAL REPORT ON THE
AGRICULTURAL DEVELOPMENT AND FOOD SECURITY SPECIAL FUND**

ACT 73, SLH 2010



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HAWAII 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 fractional 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, 2015.

SECTION II

Description of Possible Projects and Activities

Section II contains descriptions of projects and activities that fall in line with Part IV of Act 73, SLH 2010. They are not prioritized.

A. Biosecurity

The unchecked spread of invasive species is the single greatest threat to Hawaii's economy, natural environment, and the health and lifestyle of Hawaii's people. Invasive pests can cause millions of dollars in crop losses, the extinction of native species, the destruction of native forests, the spread of diseases, and the quarantine of exported agricultural crops.

Estimated costs should Brown Tree Snake establish itself in Hawaii are between \$593 million to \$2.14 billion in potential damage. Similarly, if Red Imported Fire Ant made its way to Hawaii there are estimated costs of around \$229 million.

Additionally, the efficient and secure movement of agricultural commodities – whether imported into the State, exported out of the State, or transported between the islands of the State – is critical to the long-term viability of Hawaii's agriculture industry. Inefficiencies in cargo transportation will increase the cost of goods, and the potential for spoilage and loss.

The Biosecurity Program aims to address the problem of preventing the spread of invasives into Hawaii by looking at the issue of biosecurity from pre-entry through port-of-entry and finally through to post-entry. In this manner the entire pathway for potential introduction of invasive species into Hawaii can be viewed in a holistic manner. Funds from the Agricultural Development and Food Security special fund will go towards creating a comprehensive Biosecurity Program.

B. Inspectors and Support Personnel

The reductions in force (RIF) have created hardships for the entire department and has made it difficult for HDOA to carry out its mandated responsibilities. In particular, the loss of vital inspector positions have meant backlogs in inspections that have in turn caused difficulties for those in the agricultural community who are trying to get their products to market. Furthermore, the loss of key support staff have 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 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.

C. Infrastructure

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.

D. Food Safety

With the passage of the Food Safety Modernization Act, the states are encouraged to establish intra-state criteria for safe production, distribution, and handling of food. Buyers of agricultural commodities are also requiring their suppliers to follow good agricultural practice guidelines. Funds from the special fund will provide specialists in the Department to oversee food safety activities such as food safety training and audits. Funds will also be used by the University of Hawaii - College of Tropical Agriculture and Human Resources to conduct research on food safety coaching and education.

SECTION III

Expenditures from the Agricultural Development and Food Security Special Fund

The Agricultural Development and Food Security special fund was established by Act 73, SLH 2010. The Department’s portion of the environmental response and food security tax was deposited into the fund beginning in December 2010 (FY 11). Due to the lack of appropriation language in Act 73, the department was advised by the Department of Budget and Finance to seek advice from the Attorney General’s Office on the legality of making expenditures from the fund. In late FY 11, the Department was notified by the Attorney General that it was allowable to make expenditures from the fund. However, due to the approaching end of the fiscal year, no expenditures were made from the fund.

DEPARTMENT OF AGRICULTURE

NAME OF FUND: Agricultural Development and Food Security Special Fund

STATUTORY ESTABLISHMENT: Ch. 141-10, HRS

ACTUAL	PROJECTED EXPENDITURES			
FY 2011	FY 2012	FY 2013	FY 2014	FY 2015

AGR 122 Plant Pest and Disease Control

BioSecurity Program 2,000,000 1,800,000 1,800,000 1,800,000

AGR 141 Agricultural Resource Management

Irrigation Program Operations 725,000 725,000 800,000 800,000

East Kauai Irrigation O&M (Sec. 5, Act 164, 2011) 75,000 75,000

Kunia Ag Park Irrigation 1,500,000

AGR 151 Commodities

Commodities Inspectors/Food Safety Coordinator 169,859 170,000 170,000

AGR 161 Agribusiness Development

UH-Food Safety Research (Sec. 6, Act 164, 2011) 500,000 500,000

AGR 192 General Administration

Planner/Neighbor Island Support Personnel 136,175 272,350 272,350 272,350

AGR 812 Measurement Standards

Measurement Standards Inspectors/Branch Mgr 350,000 264,000 264,000

TOTAL EXPENDITURES 0 3,436,175 5,392,209 3,306,350 3,306,350