

**State of Hawai'i
Department of Agriculture and Biosecurity
Agricultural Loan Division**

May 26, 2026

**Board of Agriculture & Biosecurity
Honolulu, Hawai'i**

SUBJECT: Loan Presentation

APPLICANT: Pacific Produce, Inc. DBA Waipoli Greens
P.O. Box 423
Kula, HI 96790

**CLASSIFICATION
& ELIGIBILITY:** Pacific Produce Inc. (PPI) was incorporated with the
Hawai'i Department of Commerce and Consumer Affairs
on June 12, 1997. The corporation is owned by Robert
Cummins (49%) & Mary Cummins (51%). The Cummins
relocated to Hawai'i and purchased the farm in 2023.
Following a transition period under the mentorship of the
prior owner, the purchase finalized March 7th, 2024. The
applicant meets the definition of "Qualified Farmer" of
Chapter 155-1 Hawaii Revised Statutes (HRS). The general
eligibility residency requirement outlined in HRS 155-10
has been waived for Emergency Loans.

COMMODITY: Hydroponic Lettuces, Herbs, Green Onion

CREDIT HISTORY: SEE EXHIBIT A (CONFIDENTIAL)

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**LOAN REQUEST
& PURPOSE:**

<u>Loan Amount</u>	<u>Class D – Emergency Loan</u>
\$100,000	Operating Capital
\$100,000	Total

This request is for \$100,000 class D Emergency Loan to provide operating capital and support infrastructure repairs following the Kona Low events. PPI experienced crop losses of \$142,000 and infrastructure damage and debris clean-up estimated at \$20,000. The proposed funds will be used for necessary repairs and provide operating capital to maintain operations.

TERMS:

Amount: \$100,000
Term: Ten (10) Years
Interest Rate: 3% fixed interest rate
Repayment: Six-months of interest only payments of \$250 followed by full principal & interest payments of \$1,010 until maturity.

SECURITY:

The loan will be secured by a junior financing statement on all equipment, improvements, accounts, inventory, and vehicles. The equipment has an estimated value of \$1,025,000. Equipment includes 5 tractors, Rhino Backhoe, implements such as Rhino flail mower, 4 forklifts, 8 Golf Carts, the nutrient system, generators, pumps, seeding line equipment, tables, etc. The priority positions are held by Hanmi (\$32,000), USDA (\$285,500), and Feed the Hunger Fund (\$200,000) with a combined existing obligation of approximately \$517,500.

Loan to Value Ratio $\frac{\$517,500 \text{ (Existing)} + \$100,000 \text{ (Proposed)}}{\$1,025,000 \text{ (Equipment)}} = 60\%$

The proposed loan will be sufficiently secured by the collateral offered. Although the State's security position will be junior to existing lenders, the collateral coverage is adequate for the size and emergency purpose of the proposed loan.

GUARANTORS:

Robert Cummins	Mary C. Cummins
672 Waipoli Road	672 Waipoli Road
Kula, HI 96790	Kula, HI 96790

**FINANCIAL
CONDITION:**

SEE EXHIBIT A (CONFIDENTIAL)

**REPAYMENT
ABILITY:**

SEE EXHIBIT A (CONFIDENTIAL)

**BACKGROUND/
MANAGEMENT
ABILITY:**

Pacific Produce, Inc. was established by Geoffrey Haines and Paul Singleton, who developed Waipoli Greens into an 11-acre hydroponic farm with strong brand recognition in Hawai'i's local produce market. The operation began with locally grown Dutch varieties of butter lettuce and later expanded into mini romaine, watercress, herbs, green onion, and other leafy greens. Mr. Haines passed away in 2022. The Cummins purchased the farm in 2024 after working under the mentorship of Mr. Singleton during the six-month transition period.

Robert Cummins grew up on a large-scale family farm, Cummins' Farms, until leaving the farm's management to enter a career in Technology in his late twenties. Mary Cummins has a Bachelor of Business Administration in Management and experience in planting, harvest support, recordkeeping, logistics, and operations management. Both completed training in hydroponics and holistic farm finance and relocated to Maui from Idaho to learn the operation before taking on management of day-to-day operations.

The farm uses advanced hydroponic Nutrient Film Technique (NFT) systems. Waipoli Greens' lettuces flourish in nutrient-rich water without soil, ensuring consistently high-quality produce. There are five independent recycling hydroponic units across the farm. These units consist of a nutrient solution tank, pumps, solution composition sensors with controllers, and nutrient concentrate pumping equipment. Plants are grown on 380 benches each with 8-12 PVC raceways, where transplants are placed into a flowing nutrient solution. Total overall capacity of the system is 278,104 planting spaces at any one time.

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Following the purchase, the Cummins made improvements such as implementing tighter controls, right-sized SKUs, and improved cash and labor discipline. The operation was profitable in 2024, the Cummins' first year of ownership. However, the business was impacted by several unusual events in 2025 that temporarily disrupted revenue and reduced cash flow. These events included a customer that defaulted on \$35,000 of received goods, an unexpected tax bill, and labor challenges. Corrective measures have been implemented to reduce likelihood of similar recurring issues.

Over the years, Waipoli Greens has established strong market recognition. The farm produces premium hydroponic leafy greens and supplies a range of wholesale and retail clients across the Hawaiian Islands, including all local Costco locations. Currently demand exceeds production and the Cummins were working to optimize the growing systems and stabilize the farm output to meet the market demand when the Kona Low storms damaged their farm infrastructure and crops.

SUMMARY:

Pacific Produce, Inc. DBA Waipoli Greens, is an established Maui hydroponic greens operation with recognized market demand and experienced owner-operators. The proposed emergency loan is to allow the farm to recover after the Kona Lows by providing operating capital and funds for necessary repair. The request is supported by collateral coverage, personal guarantees, historical production and projected cash flow.

The limited liquidity, existing debts from the farm acquisition, and recent operating disruptions reflect the challenges of entering Hawaii's agricultural landscape while operating at PPI's scale. The storm damage exacerbated the situation and disrupted the operation's cash flow. The proposed loan will provide operational funds needed to maintain operations during recovery. These financial risks are offset by established markets, effective management strategies, adequate collateral coverage, and support from the guarantors.

TURNDOWN:

One credit denial is required prior to loan closing

RECOMMENDATIONS: Approval of this Class D Emergency Loan is recommended based on the applicant's established market demand, management experience, collateral coverage, guarantor support, and projected ability to service the proposed debt.

Loan approval subject to receipt of an acceptable credit denial.

Date

Recommended by:

05/15/2026




Jillian C. Scheibe
Agricultural Loan Officer V

Date

Reviewed and concurred by:

5/15/26



Dean M. Matsukawa
Acting Agricultural Loan Division Administrator

Date

Approved for submission:

5/15/26



Sharon Hurd
Chairperson, Board of Agriculture & Biosecurity

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AG







LP Pacific Produce

Final Audit Report

2026-05-15

Created:	2026-05-15 (Hawaii-Aleutian Standard Time)
By:	Francis Duran (francis.n.duran@hawaii.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAChW2RpRgYekU082RXZM15R8c6c0C_bF
Number of Documents:	1
Document page count:	9
Number of supporting files:	0
Supporting files page count:	0

"LP Pacific Produce" History

-  Document created by Francis Duran (francis.n.duran@hawaii.gov)
2026-05-15 - 12:39:32 PM HST- IP address: 162.221.246.15
-  Document emailed to Jillian Scheibe (jillian.c.scheibe@hawaii.gov) for signature
2026-05-15 - 12:40:12 PM HST
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-  Document e-signed by Jillian Scheibe (jillian.c.scheibe@hawaii.gov)
Signature Date: 2026-05-15 - 12:41:58 PM HST - Time Source: server- IP address: 162.221.246.15 - Signature Appearance Selected: DRAW
-  Agreement completed.
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STATE OF HAWAI'I
DEPARTMENT OF AGRICULTURE AND BIOSECURITY
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAI'I

May 26, 2026

Board of Agriculture and Biosecurity
Honolulu, Hawai'i

Subject: REQUEST FOR APPROVAL TO ISSUE REVOCABLE PERMITS TO GRANT SCHULE; TMKS: (2) 5-2-001:010 & 016, LOT NOS. 1 & 7, MOLOKA'I AGRICULTURAL PARK, ISLAND OF MOLOKA'I, COUNTY OF MAUI, HAWAI'I

Authority: Section 166-9, Hawaii Revised Statutes, and Sections 4-153-3(b)(3) and 13(a)(1), (c) and (d), Hawaii Administrative Rules

Land Area: RP-3158 23.701 gross acres
RP-3159 26.890 gross acres

Tax Map Keys: (2) 5-2-001:010 (Exhibit "A")
(2) 5-2-001:016 (Exhibit "A")

Land Status: Encumbered by Governor's Executive Order No. 3696 on December 27, 1996, to the Department of Agriculture, now known as the Department of Agriculture and Biosecurity ("DAB"), for agricultural purposes

Rental: RP-3158 \$103 per month
RP-3159 \$112 per month

Character of Use: Diversified Agriculture

Lease Term: Month-to-month revocable permits for a term of one year renewable on approval of the Board of Agriculture and Biosecurity ("Board")

BACKGROUND:

On April 7, 1997, the Department of Land and Natural Resources set aside TMKs (2) 5-2-001:010 and 016 for the Moloka'i Agricultural Park, to be under the control and management of the Department of Agriculture, now known as the Department of Agriculture and Biosecurity, by Governor's Executive Order No. 3696. On March 24, 1999, the DAB executed General Lease Nos. S-9000 and S-9008, thirty-five-year leases, to William Pfeil.

Mr. Pfeil produced papaya, mango, and avocados, but left for Thailand and hired managers to take care of and upkeep the farm until he returned. After these relationships were terminated, Mr. Pfeil requested that Grant Schule manage both parcels.

For approximately 10 years, General Leases S-9000 and S-9008 were under the care and management of Grant Schule while leased under William Pfeil. Since managing the parcels, Mr. Schule established successful farming operations on both parcels, brought in equipment for clearing, upgraded the irrigation system, and installed fencing for deer prevention at his expense. Mr. Schule and his business entity, Kumu Farms, LLC, are also leaseholders to five other leases in the Moloka'i Agricultural Park where he grows organic Sunrise papaya, lettuce, corn, kale, beets, beans, eggplant, carrots, bananas, fennel, and various herbs that are sold locally and exported nationwide. Through his thriving operations and farming methods, 6 acres of General Lease S-9000 and the entirety of General Lease S-9008 are declared as fully Certified Organic by Oregon Tilth. Mr. Schule has over 45 years of agricultural experience.

In 2019, DAB Land Branch staff were notified by Mr. Schule that Mr. Pfeil passed away in Thailand. There was no communication from any representatives of Mr. Pfeil's estate to legally act on his behalf, and no probate matters were opened per the Hawai'i State Judiciary website. As a result, the Board approved the cancellation of both leases on November 26, 2024.

Mr. Schule is requesting to continue farming on both parcels in accordance with his already established and successful Plan of Utilization. He has paid all past due rents, irrigation fees, and real property tax accounts for both properties.

Mr. Schule has been advised that the revocable permits would be on a month-to-month basis, with the possibility of annual renewal, subject to Board approval, until such time as DAB enters into long-term lease agreements for the properties through the competitive public notice process.

RECOMMENDATION:

That the Board of Agriculture and Biosecurity approve the issuance of month-to-month revocable permits to Grant Schule for diversified agricultural use, subject to the approval as to form of the revocable permits by the Department of the Attorney General.

Respectfully submitted,



BRIAN KAU
Administrator and Chief Engineer,
Agricultural Resource Management Division

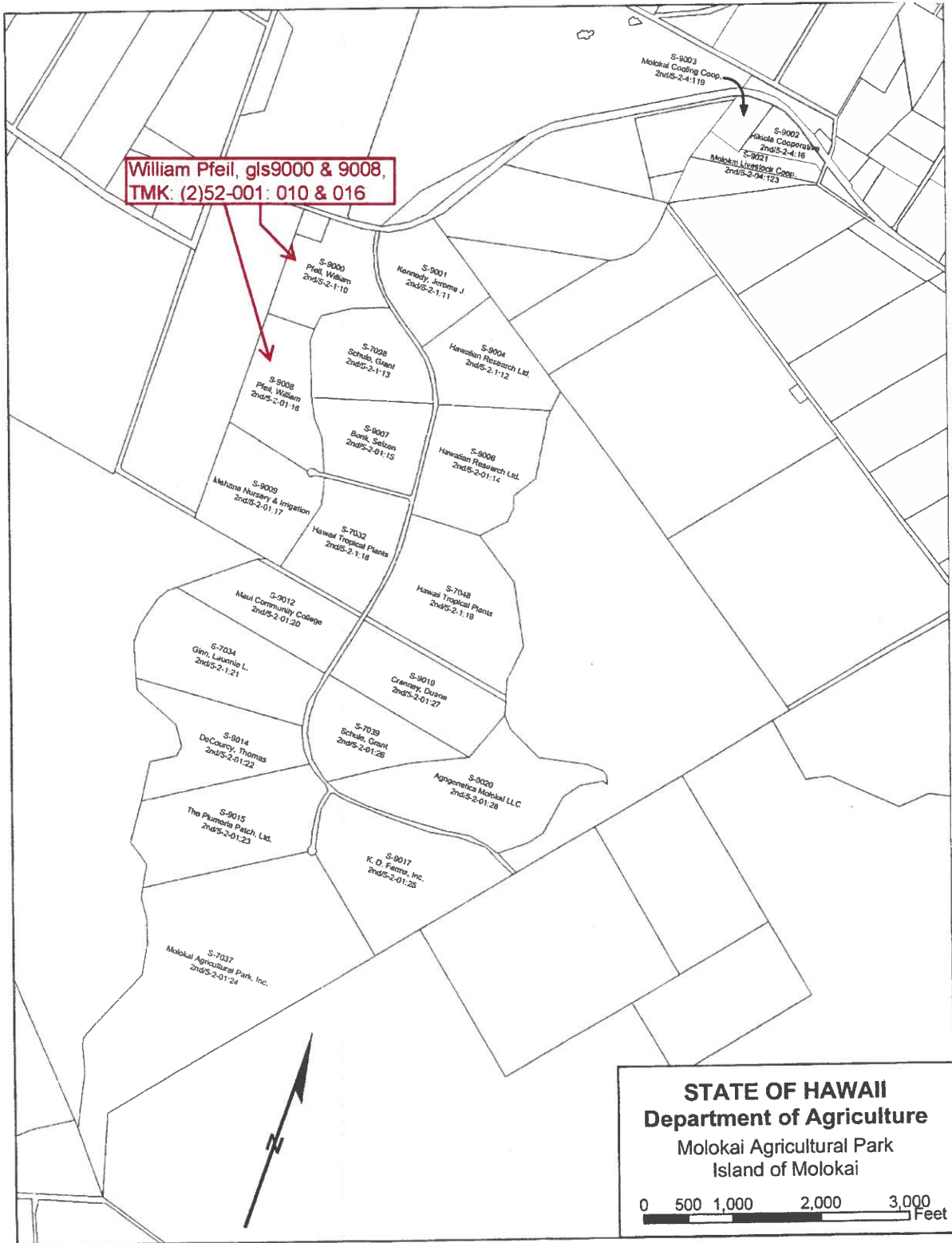
Attachments – Exhibit “A”

APPROVED FOR SUBMISSION:

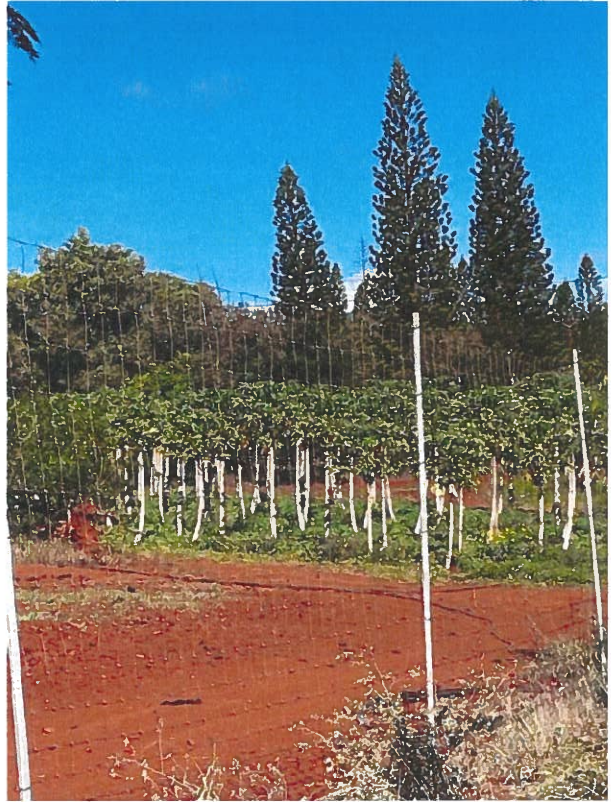


SHARON HURD
Chairperson, Board of Agriculture and Biosecurity

EXHIBIT "A"



PHOTOS OF TMKS (2) 5-2-001:010 & 016



STATE OF HAWAI'I
DEPARTMENT OF AGRICULTURE AND BIOSECURITY
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAI'I

May 26, 2026

Board of Agriculture and Biosecurity
Honolulu, Hawai'i

Subject: CERTIFICATION OF ACREAGE ASSESSMENTS FOR
THE HONOKA'A-PA'AUILO , KAHUKU, MOLOKA'I,
WAIMĀNALO, AND WAIMEA IRRIGATION SYSTEMS,
2027 FISCAL YEAR

BACKGROUND:

Section 167-19(a), Hawai'i Revised Statutes, states, "The board shall determine and certify on or before June 30 of each year the amount of acreage assessments necessary in that fiscal year for the acquisition, construction, operation, and maintenance of irrigation facilities for each project, and the acreage of agricultural and pastureland of each land occupier within the project." For the 2027 fiscal year, the Agricultural Resource Management Division has determined that acreage assessments for the following irrigation systems are:

Irrigation System	Acreage Assessment
Honoka'a-Pa'auilo	\$104,058.00
Kahuku	\$33,505.00
Moloka'i	\$104,058.00
Waimānalo	\$104,058.00
Waimea	\$104,058.00

The acreage of agricultural and livestock lands of each land occupier within the Irrigation Systems are as follows:

Irrigation System	Agricultural Acreage	Livestock Acreage	Land Occupier Exhibit
Honoka'a-Pa'auilo	736	6,960	A
Kahuku	168	None	B
Moloka'i	3,256	None	C
Waimānalo	960	None	D
Waimea	684	None	E

RECOMMENDATION:

1. That the Board determine and certify that the amount of acreage assessments necessary for annual maintenance of the listed five (5) irrigation systems for fiscal year 2027 are as listed.
2. That the Board determine and certify that the acreage of agricultural and livestock lands of each land occupier within the listed irrigation system is as set forth in attachments A through E.
3. That the Board determine and certify that agricultural lands shall bear 100% of the annual acreage assessments, for the Kahuku, Moloka'i, Waimānalo, and Waimea Irrigation Systems; and
4. That the Board determine and certify that agricultural and pastoral lands shall bear 70% and 30%, respectively, of the annual acreage assessments for the Honoka'a-Pa'auilo Irrigation System.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator
Agricultural Resource Management Division

Attachments

APPROVED FOR SUBMISSION:



SHARON HURD
Chairperson, Board of Agriculture and Biosecurity

Exhibit A – Honoka‘a and Pa‘auilo, Acreage by Account FY2027

<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>
6801 - 7	6905 - 14	68690 - 5	7020 - 163
6803 - 10	6908 - 5	68790 - 3	7021 - 24
6804 - 7	6910 - 6	68910 - 15	7022 - 83
6806 - 13	6911 - 22	68930 - 16	7023 - 199
6810 - 2	6914 - 39	68990 - 3	7024 - 92
6812 - 2	6916 - 2	69311 - 3	7036 - 677
6813 - 5	6917 - 5	69331 - 10	7037 - 125
6822 - 11	6919 - 8	69341 - 5	7038 - 3
6823 - 20	6920 - 5	69360 - 4	7040 - 3
6824 - 5	6921 - 17	69371 - 7	7042 - 311
6828 - 9	6925 - 3	69380 - 2	7043 - 351
6830 - 14	6935 - 1	69410 - 2	7044 - 32
6832 - 6	6940 - 4	69581 - 11	7045 - 716
6833 - 5	6953 - 11	69640 - 13	7047 - 682
6835 - 3	6954 - 13	69650 - 8	7048 - 47
6837 - 4	6955 - 16	69661 - 10	7049 - 32
6841 - 3	6956 - 8	69760 - 10	7050 - 13
6845 - 7	6960 - 12	69830 - 8	7051 - 2
6851 - 5	6962 - 21	6821 - 14	7052 - 4
6853 - 5	6967 - 8	6818 - 9	7053 - 10
6855 - 5	6968 - 4	6819 - 9	7054 - 142
6857 - 5	6969 - 7	6909 - 9	7055 - 140
6859 - 5	6970 - 4	68091 - 5	7056 - 4
6861 - 2	6972 - 3	68381 - 6	7057 - 6
6862 - 4	6975 - 12	68461 - 12	7058 - 594
6863 - 5	6987 - 2	68981 - 6	7059 - 15
6864 - 5	6990 - 5	7000 - 15	7060 - 29
6865 - 5	6991 - 4	7001 - 141	7061 - 1
6867 - 5	6993 - 6	7002 - 625	7062 - 2
6868 - 3	6995 - 6	7005 - 60	7063 - 446
6870 - 5	6996 - 2	7006 - 21	7064 - 17
6871 - 4	6997 - 5	7007 - 4	7066 - 163
6873 - 5	6998 - 14	7008 - 8	7069 - 68
6874 - 5	6999 - 5	7009 - 10	7073 - 100
6875 - 5	68011 - 13	7010 - 192	7078 - 22
6876 - 5	68250 - 3	7011 - 9	7080 - 100
6880 - 3	68260 - 4	7012 - 3	
6892 - 5	68341 - 5	7013 - 34	Total
6894 - 12	68402 - 6	7014 - 6	Acreage:
6897 - 10	68430 - 4	7016 - 57	7696
6901 - 5	68600 - 5	7017 - 27	
6904 - 4	68680 - 4	7018 - 260	

Exhibit B – Kahuku, Acreage by Account FY2027

ACCT - ACRES

3501	-	15
3502	-	7
3503	-	7
3504	-	11
3505	-	4
3506	-	4
3507	-	9
3508	-	7
3509	-	9
3510	-	4
3511	-	4
3512	-	4
3513	-	6
3514	-	5
3515	-	2
3516	-	6
3517	-	8
3518	-	7
3519	-	8
3520	-	9
3521	-	6
3522	-	8
3523	-	8
3524	-	10

Total
Acreage:
168

Exhibit C – Moloka'i, Acreage by Account FY2027

<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>
5000 - 3	5051 - 30	5105 - 19	5165 - 28
5001 - 3	5052 - 2	5107 - 2	5166 - 3
5002 - 9	5053 - 2	5108 - 20	5167 - 2
5003 - 5	5055 - 3	5109 - 2	5168 - 2
5004 - 4	5057 - 23	5110 - 2	5170 - 10
5005 - 2	5058 - 2	5111 - 2	5171 - 31
5006 - 110	5059 - 29	5112 - 2	5172 - 3
5007 - 92	5060 - 39	5113 - 6	5174 - 45
5010 - 4	5061 - 30	5117 - 25	5177 - 3
5011 - 2	5062 - 30	5118 - 2	5178 - 148
5012 - 35	5063 - 2	5119 - 2	5179 - 2
5013 - 3	5064 - 5	5121 - 2	5181 - 5
5014 - 2	5066 - 3	5122 - 6	5182 - 2
5015 - 2	5067 - 2	5124 - 21	5183 - 3
5016 - 2	5068 - 3	5126 - 2	5184 - 2
5017 - 2	5069 - 22	5127 - 2	5185 - 2
5018 - 2	5070 - 26	5128 - 30	5186 - 8
5020 - 2	5072 - 3	5129 - 2	5187 - 7
5022 - 5	5073 - 2	5130 - 2	5189 - 50
5023 - 2	5074 - 2	5131 - 150	5190 - 90
5024 - 26	5076 - 2	5132 - 2	5192 - 314
5025 - 2	5077 - 2	5133 - 3	5193 - 2
5026 - 2	5078 - 2	5134 - 2	5194 - 2
5027 - 2	5079 - 2	5135 - 2	5196 - 2
5028 - 3	5080 - 2	5138 - 3	5197 - 2
5029 - 2	5081 - 3	5139 - 2	5198 - 3
5030 - 2	5082 - 2	5140 - 2	5199 - 2
5031 - 2	5083 - 30	5141 - 12	5200 - 2
5032 - 4	5084 - 2	5142 - 2	5201 - 2
5033 - 2	5085 - 2	5143 - 2	5202 - 2
5034 - 2	5086 - 5	5150 - 2	5203 - 377
5035 - 7	5088 - 2	5151 - 3	5205 - 2
5038 - 10	5089 - 2	5152 - 25	5206 - 2
5039 - 2	5090 - 5	5153 - 30	5207 - 2
5041 - 15	5091 - 2	5155 - 2	5208 - 2
5043 - 3	5092 - 2	5156 - 2	5209 - 2
5044 - 30	5093 - 2	5157 - 2	5210 - 2
5045 - 11	5096 - 2	5159 - 2	5211 - 25
5047 - 2	5097 - 2	5161 - 5	5212 - 2
5048 - 3	5100 - 2	5162 - 2	5213 - 2
5049 - 95	5101 - 2	5163 - 2	5214 - 2
5050 - 46	5103 - 2	5164 - 4	5215 - 2

Exhibit C – Moloka'i, Acreage by Account FY2027, continued

<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>
5216 - 2	5262 - 2
5217 - 2	5271 - 2
5218 - 2	5273 - 20
5219 - 2	5274 - 5
5220 - 2	5276 - 5
5221 - 2	5280 - 5
5222 - 35	5281 - 322
5223 - 98	5282 - 27
5225 - 2	5283 - 16
5227 - 3	5284 - 9
5228 - 2	5285 - 25
5229 - 2	5288 - 16
5230 - 2	50990 - 25
5231 - 2	51770 - 2
5232 - 2	52240 - 30
5233 - 2	
5234 - 2	Total
5235 - 2	Acreage:
5236 - 2	3256
5238 - 4	
5239 - 2	
5240 - 2	
5241 - 2	
5242 - 2	
5243 - 2	
5244 - 2	
5246 - 2	
5247 - 2	
5248 - 2	
5249 - 2	
5250 - 2	
5251 - 2	
5252 - 2	
5253 - 12	
5254 - 2	
5255 - 2	
5256 - 2	
5257 - 2	
5258 - 2	
5259 - 2	
5260 - 2	
5261 - 2	

Exhibit D – Waimānalo, Acreage by Account FY2027

<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>
2000 - 10	2062 - 2	2121 - 12	2190 - 10
2001 - 3	2064 - 9	2122 - 7	2192 - 3
2003 - 8	2065 - 5	2123 - 11	2193 - 2
2004 - 9	2068 - 9	2124 - 11	2196 - 2
2005 - 3	2069 - 2	2125 - 11	2198 - 2
2006 - 11	2070 - 4	2126 - 10	2199 - 2
2007 - 9	2072 - 2	2127 - 11	2200 - 10
2008 - 6	2073 - 3	2128 - 9	2201 - 2
2010 - 9	2074 - 8	2129 - 10	2203 - 2
2012 - 2	2075 - 9	2131 - 8	2204 - 3
2015 - 9	2076 - 6	2132 - 6	2205 - 5
2016 - 6	2079 - 9	2133 - 2	2207 - 2
2018 - 9	2081 - 5	2134 - 2	2208 - 3
2021 - 8	2082 - 14	2137 - 3	
2022 - 10	2083 - 4	2138 - 2	Total
2023 - 6	2084 - 4	2143 - 3	Acreage:
2024 - 2	2085 - 11	2144 - 4	960
2026 - 11	2088 - 6	2147 - 0	
2028 - 3	2089 - 7	2148 - 0	
2029 - 4	2090 - 8	2149 - 0	
2030 - 9	2091 - 9	2150 - 0	
2033 - 6	2092 - 9	2157 - 8	
2034 - 10	2093 - 5	2158 - 8	
2037 - 9	2094 - 2	2159 - 2	
2039 - 2	2095 - 4	2160 - 2	
2040 - 10	2096 - 3	2161 - 2	
2041 - 11	2097 - 5	2162 - 2	
2042 - 7	2098 - 5	2163 - 3	
2043 - 10	2102 - 5	2164 - 5	
2044 - 2	2104 - 2	2165 - 3	
2046 - 7	2105 - 4	2167 - 2	
2047 - 5	2106 - 8	2170 - 0	
2048 - 3	2107 - 128	2171 - 0	
2049 - 10	2109 - 5	2172 - 2	
2050 - 9	2110 - 9	2180 - 9	
2053 - 6	2111 - 5	2182 - 8	
2054 - 9	2112 - 48	2183 - 9	
2055 - 4	2115 - 10	2184 - 4	
2057 - 3	2116 - 5	2186 - 6	
2058 - 6	2117 - 8	2187 - 2	
2060 - 5	2119 - 3	2188 - 3	
2061 - 2	2120 - 11	2189 - 7	

Exhibit E – Waimea, Acreage by Account FY2027

<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>	<u>ACCT - ACRES</u>
1000 - 2	1056 - 2	1105 - 2	1156 - 5
1002 - 11	1057 - 2	1106 - 2	1157 - 3
1003 - 4	1058 - 2	1107 - 2	1158 - 5
1004 - 2	1060 - 2	1108 - 2	1159 - 5
1005 - 17	1061 - 2	1111 - 2	1160 - 2
1006 - 0	1062 - 3	1112 - 2	1161 - 9
1007 - 10	1064 - 2	1113 - 2	1162 - 5
1008 - 10	1066 - 3	1114 - 2	1163 - 5
1009 - 10	1068 - 2	1115 - 5	1166 - 4
1011 - 21	1069 - 2	1116 - 2	10250 - 7
1012 - 8	1070 - 2	1117 - 4	10460 - 7
1013 - 10	1071 - 2	1118 - 5	10470 - 6
1014 - 23	1072 - 7	1119 - 5	10490 - 5
1015 - 11	1073 - 2	1121 - 4	
1016 - 9	1074 - 4	1122 - 2	Total
1017 - 9	1075 - 2	1124 - 6	Acreage: 684
1018 - 19	1076 - 4	1126 - 5	
1019 - 9	1077 - 3	1127 - 2	
1020 - 10	1078 - 2	1128 - 5	
1021 - 2	1079 - 10	1129 - 10	
1022 - 2	1080 - 2	1130 - 6	
1023 - 7	1082 - 4	1131 - 6	
1024 - 3	1083 - 6	1132 - 6	
1026 - 10	1084 - 0	1133 - 6	
1027 - 5	1085 - 2	1134 - 2	
1028 - 9	1086 - 2	1135 - 2	
1029 - 2	1087 - 4	1136 - 5	
1030 - 9	1088 - 2	1137 - 5	
1031 - 11	1089 - 5	1138 - 5	
1032 - 10	1090 - 2	1139 - 2	
1033 - 9	1092 - 2	1140 - 2	
1034 - 9	1093 - 3	1141 - 5	
1035 - 3	1094 - 2	1142 - 6	
1036 - 2	1095 - 2	1143 - 6	
1037 - 12	1096 - 2	1144 - 2	
1040 - 6	1097 - 2	1145 - 5	
1041 - 5	1098 - 2	1146 - 2	
1042 - 4	1099 - 2	1150 - 3	
1043 - 6	1100 - 2	1151 - 2	
1050 - 5	1101 - 2	1153 - 21	
1052 - 2	1102 - 2	1154 - 2	
1053 - 3	1104 - 2	1155 - 4	

STATE OF HAWAI'I
DEPARTMENT OF AGRICULTURE AND BIOSECURITY
AGRICULTURAL RESOURCE MANAGEMENT DIVISION
HONOLULU, HAWAI'I

May 26, 2026

Board of Agriculture and Biosecurity
Honolulu, Hawai'i

Subject: REQUEST FOR APPROVAL TO INCREASE BASE WATER TOLL DELIVERY CHARGE BY NO MORE THAN TWO CENTS PER THOUSAND GALLONS TO ALL SYSTEM IRRIGATION USERS UNDER THE HAWAI'I DEPARTMENT OF AGRICULTURE AND BIOSECURITY IRRIGATION SYSTEMS.

I. **Background**

Chapter 4-157-21 of the Hawaii Administrative Rules ("HAR") allows the Board of Agriculture and Biosecurity ("BAB") to establish irrigation system rates and charges. Chapter 4-157-21 states that "effective July 1, 2011, the board may adjust base water toll changes by no more than two cents per thousand gallons of irrigation water delivered once each fiscal year." On May 27, 2025 the BAB approved an increase of water delivery rate charges for all users effective July 1, 2025 from \$0.50/1,000 gallons to \$0.52/1,000 gallons. Previously, the last increase to water delivery charges were during fiscal year period of 2006-2011, when water delivery toll charges were increased from \$0.32/1,000 gallons to \$0.50/1,000 gallons.

Chapter 167-22, Hawaii Revised Statutes ("HRS") requires the Hawai'i Department of Agriculture and Biosecurity ("DAB") to establish an irrigation system revolving fund. The irrigation system revolving fund is used to operate and maintain the irrigation systems. The irrigation system revolving fund should be self-sufficient and is supported by revenue from water delivery fees, acreage assessments, and legislative appropriations. Currently, the irrigation program is not self-sufficient. It is subsidized by the general fund and maintains its balance by deferring necessary purchases. This fund, which carries a portion of the irrigation program labor costs, allows the DAB to keep the irrigation system rates and charges low but does not fulfill the requirements of 167-22, HRS.

The 2025 legislature appropriated \$2,000,000 to the revolving fund to address deferred issues, with the understanding that the Department would implement rate increases until the program became self-sufficient. A previous study conducted by the program proposed the rate be immediately increased to \$1.11/1,000 gallons. The appropriation has given the program the opportunity to implement the increases incrementally instead of one large step.

Board of Agriculture and Biosecurity
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II. **Recommendation**

That the Board approve an increase of water delivery rate charges for all users effective July 1, 2026 from \$0.52/1,000 gallons to \$0.54/1,000 gallons.

Respectfully submitted,



BRIAN KAU, P.E.
Administrator and Chief Engineer
Agricultural Resource Management Division

Attachment - Exhibit "A"

APPROVED FOR SUBMISSION:



SHARON HURD
Chairperson, Board of Agriculture and Biosecurity

DEPARTMENT OF AGRICULTURE

Adoption of Chapter 4-157
Hawaii Administrative Rules

September 27, 2005

SUMMARY

Chapter 4-157, Hawaii Administrative Rules, entitled "Rules Governing Irrigation Water Service to Consumers of Hawaii State Department of Agriculture Irrigation Systems", is adopted.

HAWAII ADMINISTRATIVE RULES

TITLE 4

DEPARTMENT OF AGRICULTURE

SUBTITLE 8

DIVISION OF AGRICULTURAL RESOURCE MANAGEMENT

CHAPTER 157

RULES GOVERNING IRRIGATION WATER SERVICE TO
CONSUMERS OF HAWAII STATE DEPARTMENT OF AGRICULTURE
IRRIGATION SYSTEMS

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- §4-157-2 Definitions
- §4-157-3 General conditions
- §4-157-4 Conservation measures and interruption of
water supply
- §4-157-5 Elevation agreement, pressure condition
- §4-157-6 Application for water service and service
connections
- §4-157-7 New service connections
- §4-157-8 Meter reading and rendering of bill
- §4-157-9 Payment of bills
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- §4-157-12 Discontinuance of service
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- §4-157-15 Damage and accessibility to department's
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- §4-157-17 Responsibility for water receiving
equipment
- §4-157-18 Unauthorized drawing of water
- §4-157-19 Cross-connections
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- §4-157-21 Rate, fee, and charge schedule

§4-157-1

- §4-157-22 Honokaa-Paauilo Irrigation System water user advisory board
- §4-157-23 Severability
- §4-157-24 Interim rules for temporary irrigation systems and districts

Historical Note: Chapter 4-157 is based substantially upon Chapters 4-150, 4-151, and 4-152 [Eff 12/4/89; am 7/6 MAR 17 2006]; Chapter 4-155 [Eff 5/15/00; R MAR 17 2006]; and Chapter 4-156 [Eff 4/24/00; R MAR 17 2006].

§4-157-1 General. (a) These rules establish the practices governing the provision of irrigation water for all department of agriculture irrigation systems and define the obligations of the board to consumers and of the consumers to the board.

(b) It is the policy of the board to render adequate and satisfactory service to all consumers and to encourage courtesy to the public by all its employees. The board desires to cooperate with consumers to eliminate water waste and to minimize charges to the consumer.

(c) Prospective consumers are advised to obtain information from the department on the availability of water, pressure conditions, and other pertinent data. [Eff MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §167-5)

§4-157-2 Definitions. As used in this chapter unless otherwise provided:

"Acreage assessment" means any levy imposed pursuant to this chapter on the agricultural land and pastureland within an irrigation project and any amount charged by the State for the purpose of acquiring, establishing, or maintaining irrigation facilities for an irrigation project.

"Actual need" means the volume of irrigation water consumed by an irrigation customer. The volume of irrigation water shall be actual use as determined by

monthly meter readings or as otherwise provided in these rules.

"Administrator-chief engineer" means the person holding the office of administrator and chief engineer of the division of agricultural resource management of the department acting directly or through authorized assistants including the irrigation district manager.

"Board" means the board of agriculture of the State of Hawaii, which is the governing body of the department of agriculture.

"Consumer" means the person, firm, corporation, partnership, association, or any public or private organization, whether owner, tenant, or lessee, whose name appears on the records of the department as responsible and liable for receiving irrigation water service from the board.

"Consumer's supply pipe" means the pipe extending from the consumer's end of the service connection to the consumer's service areas.

"Cost of service connection" means the sum of the cost of the service connection materials, labor, transportation, equipment, and road repair, if any, and other incidental charges necessary for the complete installation of a service connection.

"Department" means the department of agriculture.

"Irrigation system" or "system" means the intakes, ditches, flumes, weirs, siphons, reservoirs, tunnels, pipelines, valves, pumps, and controls, and other elements comprising an irrigation system operated by the board to serve the lands within an irrigation district as defined by the board.

"Irrigation district manager" means the person holding the office of irrigation district manager for a particular irrigation system of the department acting directly or through authorized assistants.

"Livestock" means any animal which is pastured within the boundaries of the project and uses the system. Not all irrigation systems have pastureland and livestock that are recognized by the department. Therefore, any references to livestock, pastureland, pasturing, pastoral, herds, livestock watering, and livestock drinking water are only applicable and valid

for irrigation systems with pastureland and livestock that are officially recognized within these rules.

"Main" or "main pipe" means the supply or distribution pipe to which service connections are made.

"Measuring device" means a weir, meter, or other suitable means for measuring the amount of water received by the consumer from the irrigation system.

"Pastureland" means agricultural land within an irrigation system that is used for grazing livestock. Only areas identified in section 4-157-3(i) are eligible for pastureland designations.

"Project", "district", "irrigation district", or "irrigation project" means the area, contiguous or noncontiguous, established under chapter 167, Hawaii Revised Statutes, to be served by a unique and specific department of agriculture irrigation system.

"Service connection" means the tap, pipe, fittings, and valves from the mains to and including the meter.

"State" means the State of Hawaii.

"Temporary irrigation system or district" means any irrigation system that is in the process of being constructed by the department.

"Water charges" means the sum of the water tolls and acreage assessments which may include credits as may be applicable.

"Water tolls" means all of the charges established by the board for irrigation water and livestock drinking water supplied by it to consumers.

"Weir" means any device which allows the measurement of a quantity of irrigation water being delivered. [Eff MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §§167-2, 167-5)

§4-157-3 General conditions. (a) Upon proper application, a prospective consumer whose premises are within the service limits established by the board for a specific irrigation system and whose premises are adjacent to the distribution main, where pressure conditions permit, may obtain irrigation water service; provided that there is a sufficient water supply developed to take on new or additional service without

detriment to those already served, and the consumer agrees to abide by these rules.

(b) The water supplied by all irrigation systems is intended to be used only for agricultural and aquaculture activities, as defined in section 166-2, Hawaii Revised Statutes, and may include livestock watering and pastoral irrigation. Consumers may not use water for any other purpose except with the express written consent of the board. The board makes no guarantee, warranty, or representation, expressed or implied, as to the quality, quantity, flow rate, condition, or fitness of the water supplied for any use or purpose.

(c) When an extension of the main is necessary or where large quantities of water are required or a substantial investment is necessary to provide service, the consumer shall be informed by the department as to the conditions and charges to be made for that particular area and situation in question before water service may be approved. Before water service commences, the consumer and the board shall execute an agreement, which will include the specific conditions and charges to be made for that particular area. The board shall have the right to refuse service to a consumer if an agreement cannot be executed.

(d) All water supplied by the department will be measured by means of suitable meters or other means as may be applicable at the discretion of the irrigation district manager. The water tolls shall be in accordance with the rates established by the board. The department through the administrator-chief engineer shall determine the location and size of all meters and service connections to the irrigation system. All service connections shall become the property of the department for operation and maintenance after installation and new connections or disconnections may be made thereto by the department at any time.

(e) Where applicable, the total cultivatable and pastoral area of the consumer shall be levied an acreage assessment in addition to the water delivery charge. The department shall determine the area of each consumer's land subject to this assessment. The unit of area measured shall be the acre and fractional

acres shall be considered to be a full acre. Once an area is levied the acreage assessment, it may not thereafter be withdrawn from this assessment; provided, however, that should the consumer lose the right to cultivate a portion of the consumer's acreage, except by default for nonpayment of water bills, said acreage may be withdrawn from the acreage assessment, with the consent of the board.

(f) To assure the maximum and most efficient use of system water available, no one who owns or occupies less than two acres of agricultural land within the project suitable for irrigation or livestock pasturing or watering will be permitted to become a consumer.

(g) To assure that the irrigation system meets its financial obligations, there shall be levied a minimum acreage assessment equivalent to two acres for those potential consumers who are land occupiers within the boundaries of the irrigation district but do not apply for water service connection.

(h) For the following irrigation systems, no service connection shall be allowed directly from the transmission pipeline prior to the system's reservoir, except upon specific written approval by the board: Waimanalo, Kahuku Agricultural Park, Molokai, Waimea, and Honokaa-Paauilo. Future irrigation systems that have been recognized and established by the board shall be governed under this provision unless specifically exempted by the board.

(i) Pastureland designations may only occur in the Honokaa-Paauilo irrigation system or where otherwise approved by the board. Following approval by the board, pastureland designations for specific consumers must be approved by the administrator-chief engineer. Only consumers with designated and approved pastureland will be responsible for pastureland acreage assessments, fees, and adherence to pastureland rule provisions.

(j) These rules shall apply to all irrigation systems and districts that are officially recognized and established by the board, including Honokaa-Paauilo, Kahuku Agricultural Park, Molokai, Waimanalo, and Waimea. [Eff MAR 17 2006] (Auth: HRS §167-5)
(Imp: HRS §§167-5, 167-6, 167-19)

S4-157-4 Conservation measures and interruption of water supply. (a) The department shall exercise reasonable diligence and care to deliver an adequate supply of water to the consumer and to avoid shortage or interruptions in water service, whenever possible, but shall not be liable for any interruption, shortage, insufficiency of supply, or any loss or damage occasioned thereby.

(b) Whenever, in the administrator-chief engineer's opinion, special conservation measures are deemed necessary to forestall a water shortage and a consequent emergency, the administrator-chief engineer may restrict or ration the use of water by any reasonable method of control. Livestock watering customers shall install an automatic water flow control device to prevent waste or continued overflow from livestock drinking troughs. Each device shall be approved by the irrigation district manager prior to installation and shall be tested periodically to determine its functionality.

(c) To ensure that a continuous water supply is available to livestock, the department may require those consumers with a large herd (more than fifty animals) of animals to install an adequate means of storage for water or reservoir on their property.

(d) The department reserves the right at any and all times to shut off water from the mains with reasonable notice for the purpose of making repairs, extensions, alterations, or for other reasons. Consumers who require a continuous supply of water shall provide, at their own cost, emergency water storage and any check valves or other devices necessary for the protection of equipment or fixtures against failure of the pressure or supply of water in the department's main. Repairs or improvements shall be carried out as rapidly as practicable and at the time or times as will cause the least inconvenience to consumers.

(e) The department will deliver water to the land of each consumer at the ground elevation and at the outlet site as the department may establish upon each consumer's land convenient with the operation of the

department's irrigation system, and it shall be the responsibility of each consumer to provide for the distribution of the water upon the consumer's land by the consumer's own method.

(f) During seasonal drought periods, a shortage of irrigation water within an irrigation system may occur. During these periods, the department shall continue to supply irrigation and livestock drinking water as available. However, the department shall use its best judgment in allocating the available agricultural water in a manner that it deems fair and equitable.

(g) The department reserves the right in times of declared emergency to allow the use of irrigation water for emergency purposes. Charges for the water used shall be established by the board based on the nature of the emergency and attendant circumstances.

(h) The department reserves the right to allocate water use in the following order of priority as it may deem necessary to:

- (1) Preserve crops and harvests on agricultural and aquacultural lands;
- (2) Preserve animal life; and
- (3) Irrigate pasture.

(i) During periods of low rainfall or drought, the department shall develop notices and criteria on the manner in which water will be delivered, restricted, and allocated for the duration of the emergency. Violations of the restrictions or allocations may result in the discontinuance of service, additional water toll surcharges, or the removal of the water connection.

(j) Upon declaration of emergency conditions and implementation of mandatory conservation measures (i.e., ten per cent, twenty per cent, or thirty per cent cutbacks), consumers exceeding the level of mandatory cutback shall be assessed a surcharge as follows:

- (1) Mandatory ten per cent conservation - consumers shall be assessed a surcharge of ten cents per thousand gallons of water consumed in excess of ninety per cent of their average use as calculated by the administrator-chief engineer;

- (2) Mandatory twenty per cent conservation - consumers shall be assessed a surcharge of twenty cents per thousand gallons of water consumed in excess of eighty per cent of their average use as calculated by the administrator-chief engineer; and
- (3) Mandatory thirty per cent conservation - consumers shall be assessed a surcharge of thirty cents per thousand gallons of water consumed in excess of seventy per cent of their average use as calculated by the administrator-chief engineer.

(k) Notwithstanding any provision herein to the contrary, subsection (j) shall not apply to the users of the Molokai Irrigation System who are also lessees of the department of Hawaiian home lands (homesteaders), provided that an actual need is shown and the homesteader's aggregate irrigation water consumption remains at or below two-thirds of the water developed in the first phase of the construction of the Molokai Irrigation System, based on the most current monthly three year average of non-drought years. Should the homesteader's use exceed the homesteader's two-thirds preference, the homesteader shall be subject to the terms and conditions contained in subsection (j). The homesteader shall be subject to subsection (j) until the homesteader's usage falls to a two-thirds to one-third ratio or less, based on the most current monthly three year average of non-drought years, or until the conservation notice for the Molokai Irrigation System is canceled, whichever first occurs. [Eff MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-11, 167-19)

§4-157-5 Elevation agreement, pressure condition.

(a) The department shall make every effort to maintain pressure but shall not be responsible for maintaining pressure in its water main.

(b) Where property is situated at an elevation higher than the irrigation system, the consumer, in consideration of a connection with the department's system, shall agree to accept water service as the

department is able to render it from the department's existing facilities and to install, if necessary, and maintain at the consumer's own expense a tank and pump of suitable design and of sufficient capacity to furnish an adequate and dependable supply of water. When required, the consumer shall install protective devices between the consumer's supply line and the service connection. The consumer shall execute a written release to the department for all claims on account of any inadequacy of the department's system or inadequacy of the water supply to the consumer.

(c) When the pressure from the department's supply is higher than that for which the irrigation equipment or other facilities are designed, the consumer shall protect the consumer's equipment and other facilities by installing and maintaining pressure reducing and relief valves at the consumer's expense. The department shall not be liable for damage due to pressure conditions caused by or arising from the failure or defective condition of the pressure regulators and relief valves or for damage that may occur through their installation, maintenance, or use. [Eff **MAR 19 2006**] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-19)

§4-157-6 Application for water service and service connections. (a) Each prospective consumer shall be required to sign the standard application form for the water service desired. A nonrefundable filing fee shall be required with each water service application. This application fee shall be in accordance with the amount established by the board. By signing the application form, the consumer assumes responsibility for the payment of future water charges at each designated location and to abide by these rules before water is turned on for any use whatsoever. The consumer signing the application form shall be held liable for the payment of all water charges at the designated location. The lessee or owner of the land shall also be liable for the water charges in the event that the consumer fails to pay.

(b) Water charges shall begin when the water service is established and shall continue until due

notification from the consumer or until discontinued by the administrator-chief engineer for failure of the consumer to comply with these rules. It is the responsibility of the landowner to notify the irrigation district manager when there is a change in the occupant of the parcel; otherwise, the property owner will incur additional charges.

(c) When an application for water service is made by a consumer who was responsible for and failed to pay all water bills previously rendered, regardless of location or time incurred, the department may refuse to furnish water service until the outstanding bills are paid.

(d) A prospective consumer taking possession of property and using water without applying to the department for water service to the property shall be held liable for the water charges from the date of the last recorded meter reading as well as a new application fee. If proper application for water service is made and if accumulated bills for water service are not paid upon presentation, the water service shall be subject to discontinuance without further notice.

(e) Consumers are required to notify the irrigation district manager at least forty-eight hours in advance of the time they would like water delivery to begin. The department does not guarantee the start date or time, nor amount of irrigation water delivered but the department will operate in a manner consistent with its responsibilities set forth in these rules. Consumers may be required to receive water on a defined delivery schedule established by the administrator-chief engineer. [Eff MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-19)

§4-157-7 New service connections. (a) The application for a new service connection is subject to approval by the department. After approval, the connection shall be installed by the department or its designee at the expense of the applicant and thereafter shall become the property of the department and maintained by the department at the department's

expense. There shall be one meter for each service connection unless the department, because of operating necessity, installs two or more meters in parallel. After installation, the department will seal all meters and no seal shall be altered or broken except by one of the department's authorized employees. Meters whose seals have been altered or broken shall be replaced at the expense of the consumer.

(b) A standard deposit for installing a service connection shall be required of the applicant before the connection is installed. The standard deposit shall be in accordance with the rates established by the board as shown in the table entitled "Schedule of Rates, Fees, and Charges for Irrigation Water Delivery Services at All DOA Irrigation Systems", dated September 27, 2005, attached as Exhibit "A" at the end of this chapter and made a part of this chapter. If the actual cost of the connection is in excess of the standard deposit, the applicant shall pay for the difference. Arrangement to make payments in monthly or pre-arranged installments shall be at the discretion of the administrator-chief engineer. If the actual cost is less than the standard deposit, the applicant shall be refunded the difference.

(c) The consumer shall install and connect, at the consumer's own expense, the necessary supply pipe to the shut-off valve or outlet installed by the department. The consumer's supply pipe shall at all times remain the sole property of the consumer who shall be responsible for its maintenance and repair. If the consumer's supply pipe exists before the service connection is installed, the department may complete the connection to the consumer's supply pipe, provided it is requested by the consumer prior to installation.

(d) Only employees and designees of the department shall be allowed to connect or disconnect the service connection to or from the department's ditch or main.

(e) Employees and designees of the department are strictly forbidden to demand or accept personal compensation for services rendered.

(f) No service connection or water main shall be installed by the department on any private land until the department is given proper easements for the main

or service connection and vehicular access is available.

(g) All meters or suitable water flow measuring devices shall be installed within the public right-of-way or easements, preferably on the boundary line most nearly perpendicular to the main, unless the department, because of operating necessity, provides otherwise. The valve, which is installed before the meter, is only for the use of employees and designees of the department.

(h) When the proper size of the service connection for any consumer has been determined and the installation has been made, the department has fulfilled its obligations for providing the size of the service connection and the location thereof. If thereafter the consumer desires a change in the size of the service connection or a change in the location, the consumer shall bear all costs of the change.

(i) All work and materials involved with the change in location or elevation of any part of the existing irrigation system made necessary by the new service connection shall be at the expense of the applicant or consumer.

(j) The department shall determine the location and size of all meters and service connections for the consumer's system. [Eff MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-19)

§4-157-8 Meter reading and rendering of bill. (a) Meters or water flow measuring instruments are read and bills are rendered monthly. Special readings will be made when necessary for closing of accounts or when otherwise required. Consumers using the system to water animals or herds of livestock shall be billed in the same manner and at the same rate as agricultural and aquacultural consumers. Irrigation water delivered by ditches to the consumer shall be measured at weirs at the point or points of delivery to the consumer's land. The agents or employees of the board shall take readings from the weirs at least once during the period of delivery of the irrigation water and the readings taken shall be used by the board to determine the amount of irrigation water delivered. If the board

does not deliver the amount of irrigation water requested by the consumer, its agent or employee shall notify the consumer at that time of the amount of water delivered. All protests by the consumer shall be made within seven days of the date of delivery. If no protest is made by the consumer within that period, the amount of irrigation water determined by the board to have been delivered, from its readings pursuant to this section, shall be deemed conclusive.

(b) Closing bills for periods shorter than the standard billing cycle will ordinarily be determined by the amount of water actually used as indicated by the meter reading, plus the acreage assessment for the full billing cycle.

(c) For the purpose of computing charges, all meters serving the consumer's premises shall be considered separately and the readings thereof shall not be combined.

(d) All notices and bills for water charges shall be mailed by the department to the consumer at the address of the consumer stated in the consumer's application until the department is notified in writing by the consumer of a new address. It shall be the responsibility of the consumer to report a change of address or ownership to the department; if the consumer fails to report a change in address or ownership, the consumer shall continue to be liable for all charges and interest that accrue on the account. [Eff

MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-11, 167-19)

§4-157-9 Payment of bills. (a) All bills shall be due and payable when the department deposits the bill in the United States mail, or upon presentation to the consumer, whichever is earlier. Payment shall be made at the office of the irrigation district manager or at the department's option, to duly authorized collectors of the department. If any bill is not paid within thirty days after the department presents the bill directly to the consumer or deposits it in the United States mail for delivery, the water service shall be subject to discontinuance without further notice.

(b) There shall be a service charge for payments made by checks which have been dishonored by the bank for any reason. The service charge shall be as provided in section 40-35.5, Hawaii Revised Statutes, and shall be added to the charges set in section 167-6, Hawaii Revised Statutes.

(c) An interest charge shall be assessed on delinquent balances of more than sixty days and the interest rate shall be consistent with chapter 167, Hawaii Revised Statutes. [Eff MAR 17 2006] (Auth: HRS §§167-5, 167-6, 167-11) (Imp: HRS §§167-5, 167-6, 167-11, 167-19)

§4-157-10 Non-registering meters. If a meter fails to register due to any cause except the non-use of water, an average bill may be rendered. This average bill shall be subject to equitable adjustment, taking into account all factors before, during, and after the period of the bill. [Eff MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-11, 167-19)

§4-157-11 Meter tests and adjustment of bills for inaccuracy of measurement. (a) All meters are tested prior to installation. Any consumer who, for any reason, doubts the accuracy of the meter serving the consumer's premises may request a test of the meter. The requesting consumer will be notified as to the time of the test and may witness the test. There will be a charge for meter tests to defray the cost.

(b) If, as a result of the test, the meter is found to register more than two per cent fast under conditions of normal operation, the department shall refund to the consumer the overcharge based on past consumption for a period not to exceed six months, unless it can be proved that the error was due to some cause for which a specific date can be determined, and the cost of the test. Any overcharge shall be computed back to, but not beyond, the determined date. [Eff MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-11, 167-19)

§4-157-12 Discontinuance of service. (a) Water service may be refused or discontinued by the department for the following reasons:

- (1) If the bill has not been paid within thirty days after the mailing or presentation thereof to the consumer. However, acreage assessments shall continue in spite of the discontinuance of service;
- (2) If the consumer fails to comply with any of these rules, and noncompliance is not corrected within five days after the department so notifies the consumer;
- (3) Without notice by the department, to protect the department against fraud, abuse, or unauthorized use of water;
- (4) Where negligent or wasteful use of water exists on any premises, if the conditions are not corrected within five days after the department gives the consumer written notice of the department's intent to refuse or discontinue service; or
- (5) Where the demands of the consumer will result in inadequate service to others.

(b) A consumer about to vacate any premises supplied with water by the department shall give prior written notice of the consumer's intention to vacate, specifying the date service is desired to be discontinued. In the event of failure to give such written notice, the consumer shall be held responsible for all water service furnished to the premises until the department has received the notice of discontinuance. A consumer may not vacate only a portion of the consumer's assessed acreage.

(c) The department may remove a meter for non-use if there are no water toll charges for a period of one year after the meter is installed. A consumer whose meter is removed for non-use forfeits all previous fees, and reapplication shall be treated as a new service connection with applicable costs. Acreage assessments will continue to accrue.

(d) Any consumer who sells, assigns, conveys, or subleases the lot being served with irrigation water

shall notify the department in writing indicating the name and address or other means of contact for the new consumer together with the notice of discontinuance as provided in subsection (b). [Eff MAR 17 2006]
(Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-19)

§4-157-13 Restoration of water service. If water service is turned off because of failure to pay a bill or violation of any of these rules or for other reasons, all outstanding accounts against the consumer shall be paid or satisfactorily secured before water service shall be restored. [Eff MAR 17 2006]
(Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-19)

§4-157-14 Department's equipment on consumer's premises. All equipment belonging to the department and installed upon the consumer's premises for measurement, test, check, or other purpose, shall continue to be the property of the department and may be repaired, replaced, or removed by the department at any time without the consent of the consumer. The consumer shall exercise reasonable care to prevent damage to meters and other equipment of the department upon the premises and shall in no way interfere with the operation of the meters and other equipment. [Eff MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-19)

§4-157-15 Damage and accessibility to department's property. (a) Any damage to water mains, service connections, valves, standpipes, or other property of the department shall be paid for by the person or organization responsible for the damage.
(b) The consumer shall be liable for any damage to a meter or other equipment or property of the department caused by the consumer or the consumer's tenants, agents, employees, contractors, licensees, or permittees, and the department shall be promptly reimbursed by the consumer for all damages upon demand. In the event settlement for the damage is not promptly

made, the department reserves the right to discontinue water service to the premises.

(c) No obstructions shall be placed upon or around any water meter, valve, or standpipe rendering it inaccessible. If an obstruction is placed so as to interfere with the department's meter, the obstruction may be removed by the department without notification to the consumer. Any costs associated with the removal of the obstruction will be billed to the consumer. The department may confiscate the obstruction and may dispose of it without resource to the consumer.

(d) No animals, livestock, or fowl shall be tethered or tied to any pipe, flume, structure, valve, standpipe, meter, or hydrant of the irrigation system, or be permitted to graze or to wander under any structure, or be put or permitted to go into, over, or upon any ditch, ditch bank, flume, reservoir, tunnel, or other element of the irrigation system. The department may confiscate any animal in violation of this subsection and may dispose of the animal without recourse to the owner.

(e) No grass, bushes, trees, or other windbreak or planting shall be grown or be permitted to grow upon the banks of any ditch or so close thereto as to hang into or over any ditch, reservoir, flume, tunnel, standpipe, valve, meter, or hydrant, or other element of the irrigation system, or to inhibit the free passage of water therein. No dirt, trash, cuttings, rubbish, weed, manure, or drainage water from stables, pens, and pastures, or debris of any nature shall be thrown, dumped, or put into or upon, any ditch, ditch bank, flume, reservoir, tunnel, or other element of the irrigation system. The department may remove or correct such obstructions or violations and bill the consumer for the cost of remediation. [Eff

MAR 17 2008] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-19)

§4-157-16 Ingress to and egress from consumer's premises. Any officer, employee, or designee of the department shall have the right of ingress to and egress from the consumer's premises at all reasonable

hours for any purpose reasonably connected with the furnishing of water or other service to the premises, and the exercise of any and all rights secured to the department by law, including these rules. In case any officer, employee, or designee is refused admittance to the premises or after being admitted is hindered or prevented from making the inspection, the department may cause the water to be turned off from the premises after giving twenty-four hours' notice to the owner or occupant of the premises of the department's intention to do so. [Eff **MAR 17 2006**] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-19)

§4-157-17 Responsibility for water receiving equipment. (a) The consumer shall, at the consumer's own risk and expense, furnish, install, and keep in good and safe condition all equipment that may be required for receiving, controlling, applying, and utilizing water and the board shall not be responsible for any loss or damage caused by the improper installation of the equipment or the negligence, want of proper care, or wrongful act of the consumer, or of any of the consumer's tenants, agents, employees, contractors, licensees, or permittees in installing, maintaining, using, operating, or interfering with any equipment.

(b) The department shall not be responsible for damage to property and losses caused by irrigation equipment, spigots, faucets, valves, and other equipment that may be opened when water is turned on at the meter, either when turned on originally or where turned on after a temporary shutdown.

(c) All of the consumers' valves shall be slow-closing to prevent water hammer. [Eff **MAR 17 2006**] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-19)

§4-157-18 Unauthorized drawing of water. (a) No person or entity shall be permitted to draw water from any part of the system without the written consent of the administrator-chief engineer. No approval shall be granted in cases where, in the opinion of the administrator-chief engineer, the drawing of water may

adversely affect the water service extended by the department to other consumers.

(b) Approvals given by the department under this section are subject to revocation upon thirty days' notice. [Eff. ^{MAR 17 2006}] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-19)

§4-157-19 Cross-connections. (a) No cross-connections shall be made without the written consent of the department.

(b) The department requires the installation of a mechanical or any other methods or devices on the consumer's side of the meter to prevent backflow on all new services at the sole cost and expense of the consumer.

(c) Whenever the consumer maintains a separate pressure system or separate storage facility, or in any way increases the pressure of the water within the premises above the pressure furnished by the department, or has the equipment, devices, or arrangement of piping, storage, or industrial methods or processes that might, under certain circumstances, raise the pressure of the water within the premises above the pressure of the water in the mains of the department, a backflow prevention device shall be specified and approved by the administrator-chief engineer for installation at the sole cost and expense of the consumer.

(d) As a protection to the consumer's water system, a suitable pressure relief valve shall be installed and maintained at the consumer's expense when backflow devices are installed on the consumer's side of the meter.

(e) Any device installed for the prevention of backflow as may be required under these rules shall, unless the department approves otherwise in writing, be located above ground and in a manner safe from flooding or submergence in water or other liquid, properly protected from external damage, freely accessible, and with adequate working room for inspections, testing, and repairing.

(f) All backflow prevention devices, whether mechanical or not, shall be tested and inspected internally not less than once annually. Repairs, replacement of parts, or any other maintenance, shall be made whenever necessary at the expense of the consumer. The annual test and inspection shall be the responsibility of the consumer and shall be made in accordance with methods recommended by the manufacturers and approved by the department. Records of tests and inspections shall be made on forms prescribed by and furnished to the department. Failure of the consumer to properly test and submit the records may, at the option of the department, result in the department making the tests, repairing and replacing any equipment, and charging the cost to the consumer.

(g) Upon request by the department, the consumer shall present an affidavit either certifying to the fact that there are no connections or installations of the type prohibited under this rule on the premises or describing in detail all nonconforming connections or installations.

(h) The several conditions relative to the installation and maintenance of connections referred to in this section shall be subject to change to meet changing requirements of the state and county laws, ordinances, and rules.

(i) Failure on the part of the consumer to comply with the department's requirements relative to cross-connection and backflow protection shall be sufficient reason for discontinuing water service until such time that the department's requirements have been met. [Eff
MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS
§§167-5, 167-6, 167-19)

§4-157-20 Resale of water. Unless specifically agreed upon by the board, the consumer shall not resell any water received from the board. [Eff
MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS
§§167-5, 167-6, 167-19)

§4-157-21 Rate, fee, and charge schedule. The irrigation system rates and charges established by the board are as follows:

- (1) Water tolls, fees, and charges are set at the following rates:
 - (A) Effective October 1, 2005, the irrigation system rates, fees, and charges established by the board shall be as provided in the table entitled "Schedule of Rates, Fees, and Charges for Irrigation Water Delivery Services at All DOA Irrigation Systems", dated September 27, 2005, attached as Exhibit "A" at the end of this chapter and made a part of this chapter. These rates shall apply to all irrigation and livestock drinking water. Effective July 1, 2011, the board may adjust base water toll charges by no more than two cents per thousand gallons of irrigation water delivered once each fiscal year; and
 - (B) (The board may temporarily waive the collection of water tolls or acreage assessments, or both, and may provide credits if the board finds that total irrigation system revenue is sufficient to meet the expenditures necessary to administer the program for the current fiscal year. In the event that a grant is received to offset a system or group water rates, the minimum charge per thousand gallons shall be no less than 25 cents. The board may adjust this minimum charge once each fiscal year. Any excess shall be applied to the subsequent year or until the original grant is exhausted.
- (2) Any irrigation system that, as a whole, uses more than eight hundred fifty million gallons of irrigation water per fiscal year shall be eligible for a volume usage discount that will lower the system's water rate by 5 cents per thousand gallons of irrigation water for

- the following fiscal year. Eligibility for this discount will be based on the previous year's usage;
- (3) A surcharge for system pumping shall be imposed for individual irrigation systems that require the use of pumps for more than four cumulative months out of the fiscal year. The surcharge will be 5 cents per thousand gallons of irrigation water and will be imposed for the following, complete, fiscal year. Eligibility for this surcharge will be based on the previous year's usage;
 - (4) Acreage assessments are set for irrigation use pursuant to section 167-19, Hawaii Revised Statutes;
 - (5) Acreage assessments cover a portion of the cost of maintaining irrigation system infrastructure;
 - (6) From time to time, it may be necessary to stop the flow of irrigation water to conduct proper maintenance and repair on a particular irrigation system. In support of these efforts, the billing and payment of acreage assessments are mandatory even though irrigation water is not being provided. Acreage assessments may be waived by the board for specific time periods due to natural catastrophes and other external factors beyond the department's control that result in the temporary loss of irrigation water availability; and
 - (7) The fee for new service connections shall be charged at cost. [Eff MAR 17 2006]
(Auth: HRS §§167-5, 167-6, 167-11) (Imp: HRS §§167-5, 167-6, 167-11, 167-19)

§4-157-22 Honokaa-Paauilo Irrigation System water user advisory board. (a) The board may allow the formation of a voluntary advisory board ("advisory board") of water users and community-based organizations in accordance with the federal assisted watershed project for the Honokaa-Paauilo Irrigation

System only. This advisory board shall include the following:

- (1) A farmer water user;
- (2) A rancher water user;
- (3) A designee of the Hamakua/North Hilo Agricultural Cooperative;
- (4) A designee of the Hamakua Farm Bureau;
- (5) A designee of the Hamakua Soil and Water Conservation District;
- (6) A representative from Waipio Valley; and
- (7) Any others who may from time to time be designated by this advisory board to be added.

The advisory board shall be voluntary and shall be appointed by the board of agriculture for four-year terms. The members shall serve with no compensation and shall for administrative purposes be placed within the department.

(b) The purpose of the advisory board is to act as a liaison between the users and the irrigation system as a condition of the federal watershed project which includes the irrigation system. In addition to any other duties as may be required by the federal watershed project, the advisory board's duties and responsibilities may include the following:

- (1) Comment on operational matters concerning the irrigation system;
- (2) Provide support for improvements to the irrigation system's facilities;
- (3) Act as a liaison between the water users and the community; and
- (4) Assist the department in community hearings, meetings, legislative hearings, and informational public meetings.

(c) The advisory board shall elect a chairperson from among its members, whose duty is to conduct the meeting; and shall establish bylaws, which will govern its organization. The advisory board shall meet with the department at least twice a year for the purposes of long-range planning for the irrigation system's improvements. [Eff MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §167-5)

§4-157-23 Severability. This chapter shall be deemed to be severable, and in the event a section of this chapter is determined to be invalid, such invalidity shall affect that section only and shall not invalidate this chapter in its entirety. [Eff
 MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §167-5)

§4-157-24 Interim rules for temporary irrigation systems and districts. (a) Boundaries for a temporary irrigation district to be served by new infrastructure shall be defined and set by the administrator-chief engineer. These boundaries will change as necessary, until the temporary irrigation system has been completed and the irrigation district is approved and accepted by the board, at which time the boundaries shall become permanent.

(b) Acreage assessments shall not be assessed for consumers in an irrigation district being administered under the interim rules.

(c) Water tolls shall be assessed a surcharge of 6 cents per thousand gallons of irrigation water in irrigation systems being administered under the interim rules over the rates established in the table entitled "Schedule of Rates, Fees, and Charges for Irrigation Water Delivery Services at All DOA Irrigation Systems", dated September 27, 2005, attached as Exhibit "A" at the end of this chapter.

(d) All conditions in this chapter shall apply to a temporary irrigation district. In addition, interim rules shall apply to temporary irrigation districts as defined in this chapter. Where there is a conflict of rules, the interim rules shall supersede this chapter.

(e) Interim rules shall be in effect until the board officially establishes the irrigation district by specifically including it in this chapter. [Eff

MAR 17 2006] (Auth: HRS §167-5) (Imp: HRS §§167-5, 167-6, 167-11, 167-15, 167-16, 167-17, 167-19)

B44

Exhibit "A"

Chapter 4-157

September 27, 2005

SCHEDULE OF RATES, FEES, AND CHARGES
FOR IRRIGATION WATER DELIVERY SERVICES
AT ALL DOA IRRIGATION SYSTEMS

FY 2006 FY 2007 FY 2008 FY 2009 FY 2010 FY 2011

WATER TOLL CHARGES (CENTS PER 1,000 GALLONS)
36 40 42.5 45 47.5 50

WATER SERVICE AND SERVICE CONNECTION APPLICATION FEE
\$55 \$55 \$60 \$60 \$60 \$65

DISHONORED CHECK SERVICE CHARGE PLUS INTEREST
As provided in section 40-35.5, Hawaii Revised Statutes.

STANDARD DEPOSIT FOR A NEW SERVICE CONNECTION
\$1,000


METER/SERVICE CONNECTION CHARGES
At Cost

COPYING FEES FOR DOCUMENTS OR DRAWINGS REQUESTED FROM THE DEPARTMENT
50 cents per page for pages up to 11" x 17".
All other sizes shall be charged at cost.


DEPARTMENT OF AGRICULTURE

Chapter 4-157, Hawaii Administrative Rules, on the Summary Page dated September 27, 2005, was adopted on September 27, 2005, following public hearings held on September 7 and 8, 2005, after public notice was given in the **Honolulu Star-Bulletin, Hawaii Tribune-Herald, West Hawaii Today, The Maui News, and The Garden Island** on August 3, 2005.

The adoption of chapter 4-157 shall take effect ten days after filing with the Office of the Lieutenant Governor.



Sandra Lee Kunimoto
Chairperson
Board of Agriculture

APPROVED:


Linda Lingle
Governor
State of Hawaii

Dated: 3/6/06

APPROVED AS TO FORM:


Deputy Attorney General

Filed

06 MAR -7 10:47

LIEUTENANT GOVERNOR'S
OFFICE

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson
Board of Agriculture & Biosecurity

DEAN M. MATSUKAWA
Deputy to the Chairperson

State of Hawai'i
DEPARTMENT OF AGRICULTURE & BIOSECURITY
KA 'OIHANA MAHI'AI A KIA'I MEAOLA
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Honolulu, Hawai'i 96814-2512
Phone: (808) 973-9560 FAX: (808) 973-9613

May 26, 2026

Board of Agriculture and Biosecurity
Honolulu, Hawaii

Subject: Request for:

1. Approval of the adoption of proposed Chapter 4-61, Hawaii Administrative Rules, entitled "Food Hub Grant Program" to proceed to Small Business Regulatory Review Board (SBRRB) Public Hearing.
2. Authorization to finalize and post the new rules on the Governor's HARPS portal for final approval of and the Governor's signature on proposed Chapter 4-61, Hawaii Administrative Rules.

I. Background

The Hawaii Department of Agriculture and Biosecurity, Agricultural Development Division (ADD) is proposing the creation and adoption of a new Chapter 4-61 Hawaii Administrative Rules (HAR), entitled "Food Hub Grant Program Rules" to satisfy ACT 313, SLH 2022, which was established on July 13, 2022.

On November 29, 2022, ADD requested for preliminary approval of proposed adoption of Chapter 4-61, HAR, to the Board of Agriculture (BOA), and BOA approved. On March 9, 2026, DAB conducted Public Hearing at DAB Boardroom, 1428 S. King Street, Honolulu, HI in-person and by Zoom. Before ADD proceeds to the SBRRB hearing, ADD is requesting approval of the minor changes on the preliminary approved Chapter 4-61, HAR.

II. Summary of Proposed Changes of Preliminary Approved Chapter 4-61, HAR

Listed below is a summary of the changes:

1. Adds "BIOSECURITY" to the department's name.



2. Adds citations "SLH 2022, Act 313 §2" to each section.

III. Recommendation

That the Board of Agriculture and Biosecurity:

3. Approve of the adoption of proposed Chapter 4-61, Hawaii Administrative Rules, entitled "Food Hub Grant Program" to proceed to Small Business Regulatory Review Board (SBRRB) Public Hearing.
4. Allow the Chairperson to proceed in posting proposed HAR Chapter 4-61, on the Governor's HARPS web portal for Governor's review, approval, and signature.

Respectfully submitted,



Yukashi Smith
Acting Administrator
Agricultural Development Division

APPROVED FOR SUBMISSION



Sharon Hurd
Chairperson, Board of Agriculture and Biosecurity

DEPARTMENT OF AGRICULTURE AND BIOSECURITY

Adoption of Chapter 4-61
Hawaii Administrative Rules

April 16, 2026

1. Chapter 4-61, Hawaii Administrative Rules, entitled "Rules Relating to the Department of Agriculture and Biosecurity, Agricultural Development Division, Chapter 4-61, Hawaii Administrative Rules", is adopted to read as follows:

"HAWAII ADMINISTRATIVE RULES

TITLE 4

DEPARTMENT OF AGRICULTURE AND BIOSECURITY

SUBTITLE 4

AGRICULTURAL DEVELOPMENT DIVISION

CHAPTER 61

FOOD HUB GRANT PROGRAM

SUBCHAPTER 1

RULES OF GENERAL APPLICABILITY

- §4-61-1 Purpose
- §4-61-2 Definitions
- §4-61-3 Purpose of program
- §4-61-4 Grant; purpose; use of

§4-61-1

SUBCHAPTER 2

ELGIBILITY AND SECTION PROCESS

- §4-61-5 Eligibility requirements
- §4-61-6 Application procedure
- §4-61-7 Consideration and review of applications
- §4-61-8 Preferences and priorities in making grants
- §4-61-9 Maximum grant amount; disbursement
- §4-61-10 Acknowledgement

SUBCHAPTER 1

RULES OF GENERAL APPLICABILITY

§4-61-1 Purpose. The purpose of this chapter is to provide rules governing implementation of the Food Hub Grant Program authorized by Act 313, SLH 2022.
[Eff] (Auth: SLH 2022, Act 313 §2)
(Imp: SLH 2022, Act 313 §1)

§4-61-2 Definitions. As used in this chapter, unless a different meaning clearly appears in context:
"Agricultural development division" means the division within the department responsible for this program;

"Auditor" means the state Office of the Auditor;

"Board" means the state Board of Agriculture and Biosecurity;

"Chairperson" means the chairperson of the state Board of Agriculture and Biosecurity;

"Department" means the state department of agriculture and biosecurity;

"Food hub" means the United States Department of Agriculture's working definition of food hub, which means a centrally located facility with a business management structure facilitating the aggregation,

storage, processing, distribution, and/or marketing of locally/regionally produced food products;

"Grant" means financial assistance provided to awardees under the terms and conditions provided in this chapter;

"HRS" means the Hawaii Revised Statutes; "Locally produced food" means food grown, raised or sourced within the state of Hawaii; "Program" means the food hub grant program;

"Recipient" means any awardee receiving a grant under this chapter;

"Small-to very small-sized" means producers with less than \$500,000 and \$250,000 respectively in annual farm sales;

"SLH" means Session Laws of Hawaii; "State" means the State of Hawaii; and

"USDA" means the United States Department of Agriculture;

"USFDA" means the United States Food and Drug Administration. [Eff. _____] (Auth: SLH 2022, Act 313 § 2) (Imp: SLH 2022, Act 313 § 2)

§4-61-3 Purpose of program. The purpose of the food hub grant program is to provide funds to support the establishment of food hubs. By actively coordinating these activities along the value chain, food hubs may provide wider access to institutional and retail markets for small- to very small-sized producers and increase consumer access to fresh healthy food, including those consumers in underserved areas and food deserts. [Eff. _____] (Auth: SLH 2022, Act 313 §2) (Imp: SLH 2022, Act 313 §2)

§4-61-4 Grants; purpose; use of. (a) The department may provide grants in accordance with §141-2, HRS.

(b) Grants may be used by any recipient for any of the following purposes:

- (1) For the construction of critical infrastructure to establish and expand food hubs in each of the counties, including:

Construction or improvement of facilities for aggregation, washing, processing, packaging, cold storage, and other value-additions; and

(A) Provision of technical assistance to develop in state capacity to supply state institutions and other markets.

(B) For the coordination and marketing of match making activities in local or Regional markets.

(c) Grant moneys shall not be used where the direct or indirect purpose or result of the grant would be for any of the following purposes:

- (1) Repay a creditor or creditors of the recipient for any reason; or
- (2) Provide funds as a loan to owners, partners, or shareholders of the recipient;
- (3) Effect a change in ownership of the recipient;
- (4) Provide or make funds available for the acquisition of any kind of real property that is not related to a food hub;
- (5) Travel that is not related to a food hub;
- (6) Costs related to the general operation of The recipient's business that are not related to a food hub;
- (7) Wages, compensation, benefits or allowances for employees of the recipient that are not related to a food hub;
- (8) Insurance costs that are not related to a food hub;
- (9) Costs of vehicles and related vehicle expenses that are not related to a food hub;
- (10) Entertainment or lobbying activities; or
- (11) Payment for goods or services for which moneys were granted under another state or federal program. [Eff.]
(Auth: SLH 2022, Act 313 §2) (Imp: SLH 2022, Act 313 §2)

SUBCHAPTER 2

ELIGIBILITY AND SELECTION PROCESS

§4-61-5 Eligibility requirements. Qualifying applicants shall include corporations, limited liability companies, partnerships, sole proprietorships, non-profit organizations, and agricultural cooperatives. Any applicant shall meet all of the following qualifications:

(a) Meet necessary insurance requirements as determined by the state, including commercial general liability insurance and automobile liability insurance at specified levels, and provide along with the application or as specified by the department, a certificate of vendor compliance with Hawaii Compliance Express (HCE), or other similar requirements;

(b) Agree that if selected as a recipient, it will maintain its principal place of business and conduct a majority portion of its operations in the State;

(c) Either be incorporated under the laws of the State, or be registered to do business in the State, if applicable;

(d) Have bylaws or policies that describe the manner in which the activities or services for which the grant is awarded shall be conducted or provided;

(e) Be licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which the grant is awarded;

(f) If seeking to establish a new food hub where none currently exist, shall first secure a physical location for the food hub and draft a detailed plan for the food hub's operation, including activities in which the applicant intends to engage, such as serving as a marketplace for buying and selling, or providing certified kitchen space in which multiple farmers may share use of facilities for value-added product development;

(g) Explain the applicant's intended actions to increase access to locally produced food;

(h) Comply with all applicable federal, state, and county laws, rules, regulations, and ordinances, including the USFDA Food Safety Modernization Act, P.L. 111-353, and the Act's provisions on supplier

verification, and any applicable tax laws;

(i) Comply with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability and;

(j) Allow the division, department and the auditor full access to its records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and assuring the proper expenditures of the grant.

[Eff.] (Auth: SLH 2022, Act 313 §2)
(Imp: SLH 2022, Act 313 §2)

§4-61-6 Application procedure. Any entity applying for a grant shall, as applicable:

(a) Submit its response to the department's Request for Proposal;

(b) Provide an Internal Revenue Service EIN number, if applicable;

(c) Certify that all information and documents submitted in support of the application are correct and complete to the best of the applicant's knowledge;

(d) For the purchase of new manufacturing equipment, provide cost justification, proof of purchase, and financing documentation;

(e) For the purchase of used manufacturing equipment, provide cost justification, proof of purchase, and financing documentation;

(f) For the training of employees on the use of manufacturing equipment, provide cost justification, training curriculum details, hours, number of employees, third party instructors' biography, resume, or curriculum vitae, and proof of purchase;

(g) For the improvement of existing energy efficiency manufacturing equipment or the purchase of improved energy efficiency equipment in the manufacturing process, provide cost justification, analysis from a third party consultant proving the foregoing, and proof of purchase; or

(h) For studying or planning the implementation of a new manufacturing facility, provide cost justification, contract for services of third party consultant, and proof of purchase; or

(i) Agree to and abide by any cap or maximum amount for equipment purchases required by the Request for Proposals. [Eff. _____] (Auth: SLH 2022, Act 313 § 2) (Imp: SLH 2022, Act 313 § 2)

§4-61-7 Consideration and review of applications.

(a) The department shall cause the review of the application and resolution of any questions relating to the application through contact with the primary grant applicant.

(b) Following such review and resolution, the evaluation committee appointed by the chairperson shall consider and make a recommendation on qualified applications.

(c) The department may submit the proposed awardees to the board for informational purposes, only.

[Eff. _____] (Auth: SLH 2022, Act 313 §2)
(Imp: SLH 2022, Act 313 §2)

§4-61-8 Preferences and priorities in making grants.

(a) Preference shall be given to:

- (1) Organizations having demonstrated experience
- (2) Qualified applicants receiving their first award from the department, over multiple award grantees;

(3) The department shall not grant more than one award in this program to any applicant in a fiscal year unless funding remains available in the last quarter of the fiscal year; and

(4) The department shall be guided by the nature and economic significance of the activity of each grant application, the importance of the grant to the activity's success, and the potential economic advantage or job creation prospects offered to the State in determining the distribution of funds.

[Eff. _____] (Auth: SLH 2022, Act 313 §2) (Imp: SLH 2022, Act 313 §2)

§4-61-9 Maximum grant amount; disbursement. (a) Maximum grant amounts shall be in accordance with the department's Request for Proposal. (b) For awards greater than \$100,000, the grant amount shall be disbursed as payments based on milestones approved by the chairperson. [Eff. _____] (Auth: SLH 2022, Act 313 §2) (Imp: SLH 2022, Act 313 §2)

§4-61-10 Acknowledgement. (a) Recipients shall acknowledge the department in a proper and appropriate manner as a funder in all promotional publications, press releases, and other informational materials relating to the awards for a period of two years following the award. Recipients shall provide such materials to the department prior to their release to the public. [Eff. _____] (Auth: SLH 2022, Act 313 §2) (Imp: SLH 2022, Act 313 §2)

1. The adoption of chapter 4-61, Hawaii Administrative Rules, shall take effect ten days after filing with the Office of the Lieutenant Governor.

I certify that the foregoing are copies of the rules drafted in the Ramseyer format, pursuant to the requirements of section 91-4.1, Hawaii Revised Statutes, which were adopted on _____, 2026 and filed with the Office of the Lieutenant Governor.

Sharon Hurd, Chairperson
Board of Agriculture and
Biosecurity

APPROVED AS TO FORM:

Deputy Attorney General

STATE OF HAWAII
DEPARTMENT OF AGRICULTURE
AGRICULTURAL DEVELOPMENT DIVISION
1428 SOUTH KING STREET
HONOLULU, HAWAII 96814

November 29, 2022

Board of Agriculture
Honolulu, Hawaii

Subject: Request for (1) Preliminary Approval of Proposed Adoption of Chapter 4-61, Hawaii Administrative Rules, entitled "Food Hub Grant Program" Concerning: Rules of General Applicability, and Eligibility and Selection Process; Subchapter 1 Purpose, Definitions, Purpose of program, Grant; purpose; use of; and Subchapter 2 Eligibility requirements, Application procedure, Consideration and review of applications, Preferences and priorities in making grants, Maximum grant amount; disbursement, and Acknowledgement and (2) Authorization of the Chairperson to Schedule Public Hearings and to Appoint One Hearing Officer.

The primary reason for proposed adoption of Chapter 4-61, Hawaii Administrative Rules, is to provide rules governing implementation of the Food Hub Grant Program authorized by Act 313, SLH 2022. This new chapter includes two subchapters to address the program's Rules of General Applicability, and Eligibility and Selection Process.

Proposed Adoption Sections:

Subchapter 1, which addresses the rules and general applicability of the Chapter to adopt four (4) sections.

Section 4-61-1 Purpose is to provide rules governing program implementation.

Section 4-61-2 Definitions to provide clear guidance on how certain words or phrases are to be understood in the chapter.

Section 4-61-3 Purpose of program is to provide funds to support the establishment of food hubs.

Section 4-61-4 Grants; purpose; use of. The department may provide grants for the purposes as follows:

- 1) Construction of critical infrastructure to establish and expand food hubs in each of the counties.
- 2) Coordination and marketing of match-making activities in local or regional markets.

Subchapter 2, which addresses the eligibility and selection process to adopt six (6) sections.

Section 4-61-5 Eligibility requirements. Qualifying applicants shall include corporations, limited liability companies, partnerships, sole proprietorships, non-profit organizations, and agricultural cooperatives.

Section 4-61-6 Application procedure outlines responsibilities and requirements expected of qualifying applicants.

Section 4-61-7 Consideration and review of applications addresses the review and resolution process of grant applications.

Section 4-61-8 Preferences and priorities in making grants provide guidance in awards to organizations having demonstrated experience in aggregation, washing, minimal processing, packaging, cold storage, and other value-additions for delivering local produce to local markets.

Section 4-61-9 Maximum grant amount; disbursement shall be aligned with the department's Request for Proposal.

Section 4-61-10 Acknowledgement outlines recipient responsibilities in acknowledging the department in a proper and appropriate manner as a funder in all promotional publications, press releases, and other informational materials relating to the awards.

Board of Agriculture
Honolulu, Hawaii
November 29, 2022
Page 3

It is recommended that the Board give (1) Preliminary Approval of Proposed Adoption of Chapter 4-61, Hawaii Administrative Rules, entitled "Food Hub Grant Program" Concerning: Rules of General Applicability, and Eligibility and Selection Process; Subchapter 1 Purpose, Definitions, Purpose of program, Grant; purpose; use of; and Subchapter 2 Eligibility requirements, Application procedure, Consideration and review of applications, Preferences and priorities in making grants, Maximum grant amount; disbursement, and Acknowledgement and (2) Authorization of the Chairperson to Schedule Public Hearings and to Appoint One Hearing Officer.

Respectfully submitted,



MATTHEW K. LOKE, Ph.D.
Administrator
Agricultural Development Division

APPROVED FOR SUBMISSION:



PHYLLIS SHIMABUKURO-GEISER
Chairperson, Board of Agriculture

Board of Agriculture
Honolulu, Hawaii
November 29, 2022
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EXHIBIT A

Draft of Chapter 4-61, Hawaii Administrative Rules
Food Hub Grant Program

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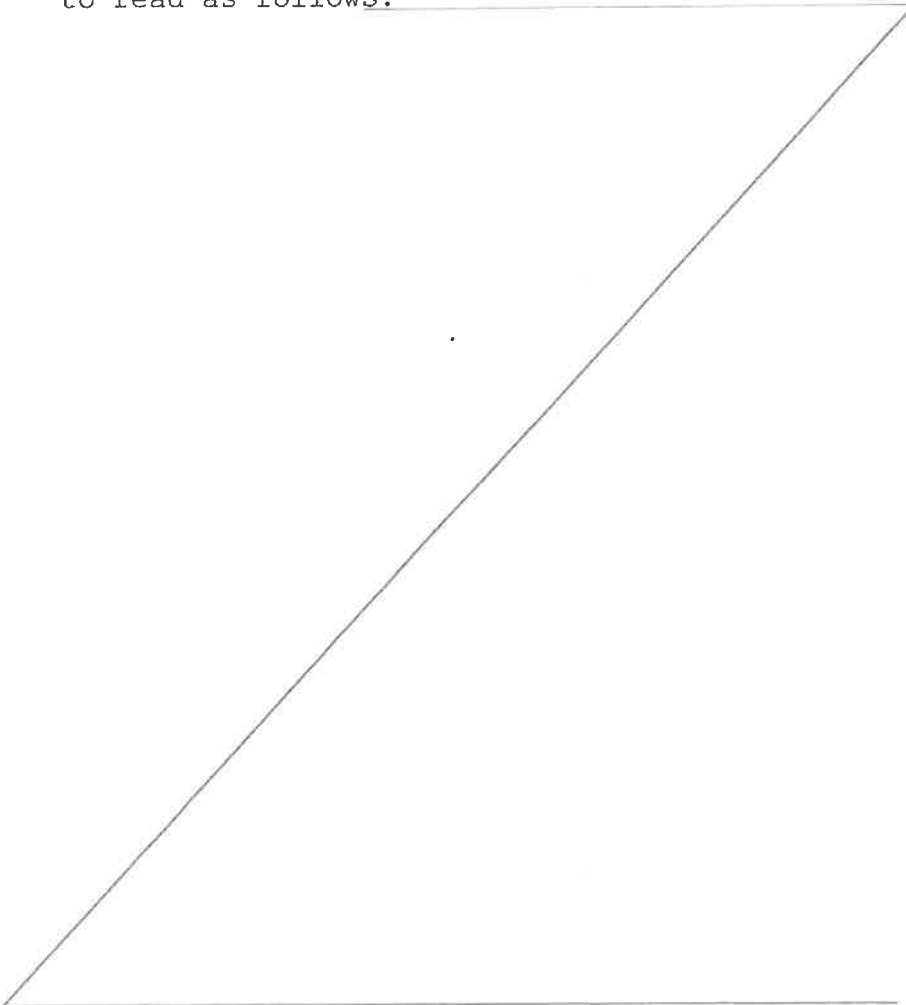
DEPARTMENT OF AGRICULTURE

Proposed Adoption of Chapter 4-61
Hawaii Administrative Rules

November 29, 2022

SUMMARY

1. Chapter 4-61, Hawaii Administrative Rules, entitled "Food Hub Grant Program", as proposed to read as follows:



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HAWAII ADMINISTRATIVE RULES

TITLE 4

DEPARTMENT OF AGRICULTURE

SUBTITLE 4

DIVISION OF MARKETING AND CONSUMER SERVICES

CHAPTER 61

FOOD HUB GRANT PROGRAM

Subchapter 1 Rules of General Applicability

- §4-61-1 Purpose
- §4-61-2 Definitions
- §4-61-3 Purpose of program
- §4-61-4 Grant; purpose; use of

Subchapter 2 Eligibility and Selection Process

- §4-61-5 Eligibility requirements
- §4-61-6 Application procedure
- §4-61-7 Consideration and review of applications
- §4-61-8 Preferences and priorities in making grants
- §4-61-9 Maximum grant amount; disbursement
- §4-61-10 Acknowledgement

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SUBCHAPTER 1

RULES OF GENERAL APPLICABILITY

§4-61-1 Purpose. The purpose of this chapter is to provide rules governing implementation of the Food Hub Grant Program authorized by Act 313, SLH 2022. [Eff. _____] (Auth: HRS §§XXX-XX) (Imp: HRS §§XXX-XX)

§4-61-2 Definitions. As used in this chapter, unless a different meaning clearly appears in context:

“Agricultural development division” means the division within the department responsible for this program;

“Auditor” means the state Office of the Auditor;

“Board” means the state Board of Agriculture;

“Chairperson” means the chairperson of the state Board of Agriculture;

“Department” means the state department of agriculture;

“Food hub” means the United States Department of Agriculture’s working definition of food hub, which means a centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products;

“Grant” means financial assistance provided to awardees under the terms and conditions provided in this chapter;

“HRS” means the Hawaii Revised Statutes;

“Locally produced food” means food grown, raised or sourced within the state of Hawaii;

“Program” means the food hub grant program;

“Recipient” means any awardee receiving a grant under this chapter;

“Small- to very small-sized” means producers with less than \$500,000 and \$250,000 respectively in annual farm sales;

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"SLH" means Session Laws of Hawaii;
"State" means the State of Hawaii; and
"USDA" means the United States Department of
Agriculture;

"USFDA" means the United States Food and Drug
Administration. [Eff. _____]
(Auth: HRS §§ _____) (Imp: HRS §§ _____)

§4-61-3 Purpose of program. The purpose of the
food hub grant program is to provide funds to support
the establishment of food hubs. By actively
coordinating these activities along the value chain,
food hubs may provide wider access to institutional
and retail markets for small- to very small-sized
producers and increase consumer access to fresh
healthy food, including those consumers in
underserved areas and food deserts. [Eff.
_____] (Auth: HRS §§ _____) (Imp: HRS §§ _____)

§4-61-4 Grants; purpose; use of. (a) The
department may provide grants in accordance with
§141-2, HRS.

(b) Grants may be used by any recipient for any
of the following purposes:

- (1) For the construction of critical
infrastructure to establish and expand food
hubs in each of the counties, including:
 - (A) Construction or improvement of
facilities for aggregation, washing,
processing, packaging, cold storage,
and other value-additions; and
 - (B) Provision of technical assistance to
develop in-state capacity to supply
state institutions and other markets.

- (2) For the coordination and marketing of match-
making activities in local or regional
markets.

(c) Grant moneys shall not be used where the
direct or indirect purpose or result of the grant
would be for any of the following purposes:

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- (1) Repay a creditor or creditors of the recipient for any reason; or
- (2) Provide funds as a loan to owners, partners, or shareholders of the recipient;
- (3) Effect a change in ownership of the recipient;
- (4) Provide or make funds available for the acquisition of any kind of real property that is not related to a food hub;
- (5) Travel that is not related to a food hub;
- (6) Costs related to the general operation of the recipient's business that are not related to a food hub;
- (7) Wages, compensation, benefits or allowances for employees of the recipient that are not related to a food hub;
- (8) Insurance costs that are not related to a food hub;
- (9) Costs of vehicles and related vehicle expenses that are not related to a food hub;
- (10) Entertainment or lobbying activities; or
- (11) Payment for goods or services for which moneys were granted under another state or federal program. [Eff.] (Auth: HRS §§) (Imp: HRS §§)

SUBCHAPTER 2

ELIGIBILITY AND SELECTION PROCESS

§4-61-5 Eligibility requirements. Qualifying applicants shall include corporations, limited liability companies, partnerships, sole proprietorships, non-profit organizations, and agricultural cooperatives. Any applicant shall meet all of the following qualifications:

(a) Meet necessary insurance requirements as determined by the state, including commercial general liability insurance and automobile liability insurance at specified levels, and provide along with

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the application or as specified by the department, a certificate of vendor compliance with Hawaii Compliance Express (HCE), or other similar requirements;

(b) Agree that if selected as a recipient, it will maintain its principal place of business and conduct a majority portion of its operations in the State;

(c) Either be incorporated under the laws of the State, or be registered to do business in the State, if applicable;

(d) Have bylaws or policies that describe the manner in which the activities or services for which the grant is awarded shall be conducted or provided;

(e) Be licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which the grant is awarded;

(f) If seeking to establish a new food hub where none currently exist, shall first secure a physical location for the food hub and draft a detailed plan for the food hub's operation, including activities in which the applicant intends to engage, such as serving as a marketplace for buying and selling, or providing certified kitchen space in which multiple farmers may share use of facilities for value-added product development;

(g) Explain the applicant's intended actions to increase access to locally produced food;

(h) Comply with all applicable federal, state, and county laws, rules, regulations, and ordinances, including the USFDA Food Safety Modernization Act, P.L. 111-353, and the Act's provisions on supplier verification, and any applicable tax laws;

(i) Comply with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability; and

(j) Allow the division, department and the auditor full access to its records, reports, files, and other related documents and information for

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purposes of monitoring, measuring the effectiveness, and ensuring the proper expenditures of the grant.
[Eff. _____] (Auth: HRS §§ _____)
(Imp: HRS §§ _____)

§4-61-6 Application procedure. Any entity applying for a grant shall, as applicable:

(a) Submit its response to the department's Request for Proposal;

(b) Provide an Internal Revenue Service EIN number, if applicable;

(c) Certify that all information and documents submitted in support of the application are correct and complete to the best of the applicant's knowledge;

(d) For the purchase of new manufacturing equipment, provide cost justification, proof of purchase, and financing documentation;

(e) For the purchase of used manufacturing equipment, provide cost justification, proof of purchase, and financing documentation;

(f) For the training of employees on the use of manufacturing equipment, provide cost justification, training curriculum details, hours, number of employees, third party instructors' biography, resume, or curriculum vitae, and proof of purchase;

(g) For the improvement of existing energy efficiency manufacturing equipment or the purchase of improved energy efficiency equipment in the manufacturing process, provide cost justification, analysis from a third party consultant proving the foregoing, and proof of purchase; or (h) For studying or planning the implementation of a new manufacturing facility, provide cost justification, contract for services of third party consultant, and proof of purchase; or

(i) Agree to and abide by any cap or maximum amount for equipment purchases required by the Request for Proposals. [Eff.

] (Auth: HRS §§ _____) (Imp: HRS §§ _____)

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§4-61-7 Consideration and review of applications.

(a) The department shall cause the review of the application and resolution of any questions relating to the application through contact with the primary grant applicant.

(b) Following such review and resolution, the evaluation committee appointed by the chairperson shall consider and make a recommendation on qualified applications.

(c) The department may submit the proposed awardees to the board for informational purposes, only. [Eff. _____] (Auth: HRS §§ _____) (Imp: HRS §§ _____)

§4-61-8 Preferences and priorities in making grants.

(a) Preference shall be given to:

- (1) Organizations having demonstrated experience in aggregation, washing, minimal processing, packaging, cold storage, and other value-additions for delivering local produce to local markets;
- (2) Qualified applicants receiving their first award from the department, over multiple award grantees;
- (3) The department shall not grant more than one award in this program to any applicant in a fiscal year unless funding remains available in the last quarter of the fiscal year; and
- (4) The department shall be guided by the nature and economic significance of the activity of each grant application, the importance of the grant to the activity's success, and the potential economic advantage or job creation prospects offered to the State in determining the distribution of funds.

[Eff. _____]
(Auth: HRS §§ _____) (Imp: HRS §§ _____)

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§4-61-9 Maximum grant amount; disbursement.

(a) Maximum grant amounts shall be in accordance with the department's Request for Proposal.

(b) For awards greater than \$100,000, the grant amount shall be disbursed as payments based on milestones approved by the chairperson.

[Eff. _____] (Auth: HRS §§ _____)
(Imp: HRS §§ _____)

§4-61-10 Acknowledgement. (a) Recipients shall acknowledge the department in a proper and appropriate manner as a funder in all promotional publications, press releases, and other informational materials relating to the awards for a period of two years following the award. Recipients shall provide such materials to the department prior to their release to the public. [Eff. _____] (Auth: HRS §§ _____) (Imp: HRS §§ _____)

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DEPARTMENT OF AGRICULTURE

Adoption of chapter 61, title 4, Hawaii Administrative Rules, was adopted on _____, following public hearings held on _____, 2023, _____, 2023, and after public notice was given in the Honolulu Star Advertiser on _____, 2023.

It shall take effect ten days after filing with the Office of Lieutenant Governor.

Chairperson
Board of Agriculture

JOSH GREEN
Governor
State of Hawaii

Dated: _____

APPROVED AS TO FORM:

Deputy Attorney General

FILED



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**Minutes of the Department of Agriculture and Biosecurity (DAB)
Public Hearing
HAR Chapter 4-8 DAB Agricultural Loan Division
HAR Chapter 4-61 DAB Food Hub Grant Program
March 9, 2026**

CALL TO ORDER – The meeting of the Department of Agriculture and Biosecurity Public Hearing was called to order on March 9, 2026, at 6:00 pm by Department of Agriculture and Biosecurity Chairperson, Sharon Hurd. The meeting was conducted virtually via Zoom and in-person from:

*State of Hawaii, Department of Agriculture and Biosecurity Boardroom
1428 S. King Street, Honolulu*

Members Present In-Person:

- Sharon Hurd, Chairperson, Department of Agriculture and Biosecurity
- Wayne Takamine, Agricultural Loan Officer
- Dr. Joey Ooka, Quality Assurance Division
- Jason Azus-Richardson, IT Specialist
- Francis Duran, Administrative Assistant

Virtually Present: Roll call/alone

- Sumin Kim
- Zhan Cacho
- Sheila Ringor
- UA Alencastre-Galimba

INTRODUCTION

Chair Hurd welcomed everyone present and opened the meeting with a brief overview of the content of the meeting.

Meeting was to discuss the rules to add to the Statutes of the state as it involves food hubs and introducing new loan programs.

1 Joey Ooka, Agricultural Marketing Specialist. He is present tonight to answer any
2 questions regarding (HAR Chapter 4-61, Food Hub Grant), and the Food Safety
Modernization Act.

3
4 Wayne Takamine, Agricultural Loan Officer, was introduced.
5 He will share the (HAR Chapter 4-8, Agricultural Loan Division), new rules approved last
6 year and
7 signed by the governor into Act 069 (2025).

8
9 Francis Duran, Administrative Assistant, taking minutes.

10
11 Jason Azus-Richardson, IT, facilitating online participation.

12
13 Chair opened it up for comments about the (HAR Chapter 4-61) Food Hub rules to our
14 online participants.

15
16 There were no comments.

17
18 Wayne shared the changes to the (HAR Chapter 4-8) loan program.

19
20 Agricultural Loan Act 069 (2025) was approved. Basically, updates the rules and statutes
21 for agricultural loans. It makes the loans easier to access for farmers. One of the major
22 changes is basically a flat rate of 4% for most agricultural producers and 3% for new farmers
23 loans and agricultural certified graduates.

24
25 We also have some new additions. The proposed HAR Chapter 4-61 Food Hub Grant
26 program introduces rules that actively manages the aggregation, distribution and marketing
27 agricultural products from local and regional producers and operations.

28
29 A new category of loans – “Import Replacement” loans – which means loans that provide
30 credit for qualified farmers to participate with crop expansion programs initiated by the
31 state on a large-scale basis with the specific intent to compete or replace import crops
32 into the state.

33
34 Instead of importing corn, for example, we start growing our own corn and that
35 eliminates shipping and makes it better for our economy that we have farmers working.

36
37 We also have added a “Line of Credit”: program which means a secure revolving loan
38 with a credit limit for farm operational expenses and improved farm operations.

39
40 These are some of the things we are adding to the (agricultural loan division) rules and
41 statutes.

42
43 Wayne opened it up for questions to our participants. There were no questions.

44
45 As a recap, the statutes were approved by the governor (2025). We’ve gone through the
46 process of having it reviewed by our Department of Agriculture and Biosecurity Board (BAB)
47 and it was approved. We also presented it to the Small Business Regulatory Review
48 Board (SBRRB), which reviewed and approved the rules that were posted vetted on the
49 governor’s HARPS website.

43 And now we are near the end of the rules changing phase. We are in the public hearing process. We now want to take comments from the public so we can further amend the rules as we go forward.

3
4 From there, we'll have it re-reviewed by the Board of Agriculture and Biosecurity (BAB) board, SBRRB, then back to the governor's HARPS office and portal. If it's all approved through this phase, the changes will be established as our new rules.

7
8 One of the major changes in the rules, is interest rates, in the past, to set our interest rate, we would take a prime lending rate of a local bank and discount it by one point. That would be our interest rate for six months. When interest rates were high at say 7 percent or 8 percent, we would be lending out at 6 percent or 7 percent. The new rule sets most of the categories of loans at a flat 4 percent rate. We do have loans for 3 percent for new farmers and selected programs.

13
14 Qualified farmers would have a flat rate of 4 percent. Limits have been raised for asset purchases and operating expenses to 1.5 million. Terms for operational loans are at 10 years, or asset purchases and capital improvement of up to 40 years.

17
18 A requirement for the loans is that you be a state resident for 3 years. In most cases, 3-years of experience is required for most loan programs.

19
20 For new farmer loans, you have a maximum loan amount of \$750,000 with an interest rate of 3 percent, the maximum term is 7, 10, 20 and 30 years depending on the purpose of the loan.

22
23
24 Farm Innovation loans have 3 percent interest and a maximum of \$75,000 with a term of 10 years.

25
26 The Line of Credit loan programs are introduced to help with working capital. One option is to secure the line with assets of the farm, including crops and receivables with a limit of 100,000, 4 percent interest at 5 years terms. The other line of credit option is secured by real estate or comparable, with 4 percent interest at 10 years.

30
31 The Chair commented:

32
33 The Ag Loan team really pushed hard for these changes, because our Ag Loan program was archaic. Credit limits were about 50,000 range, in a sense not really serving the industry, not serving the farmers and ranchers. They worked hard to get the credit limits up, like land purchases, the maximum was 800,000. Land in Hawaii is expensive. The amount now is up to 1.5 million.

38
39 Wayne added:

40
38 "Import Replacement Loans" – these are usually big projects that are able to take advantage of economy of scale. If we wanted to reduce the imports from popular crops like basil and sweet potato, we could loan up to 2.5 million. You'd have to have excellent credit and an excellent business plan, and the state will have to support it.

3

4 Chair commented we import so much of our dairy. Could we do a loan for that?

5

6 Wayne responded, last fiscal year, we did a dairy farm on the Big Island, they were
7 approved for a pretty good sized loan under Act 069.

8

9 Chair commented, this is the intent of that particular (Import Replacement) line-item loans
exists because we import so much of what we eat here, dairy being included, so now we
have this available.

11

12 The other reason to do Import Replacement Loans is because imports bring in bugs and
13 the more we can reduce the number of imports the better job we have of reducing the
14 biosecurity measures and we reduce the number of insects and pests that could
15 possibly be hitch hiking. So that's the intent behind the Import Replacement Loan and
16 the urgency that we should convey that we need more people to take advantage of this
17 because we understand lack of resources, lack of capital is why you go for the high
18 revenue plants and crops that you grow.

19

20 Basil is one. How much basil do we eat? Not much right? We have the best basil in the
21 world. So the basil farmers continually export, export, export. They supply pretty much
22 the whole USA with basil and Canada, where there's a lot of people that enjoy basil but
23 they are so cold for most of the year that they can't grow it. So that's the kind of crop
24 that really we're happy for, we support, we think it's really wonderful but cannot get this
25 loan because there's no need for importing replacement for basil.

26

27 If you're a grower of cucumbers, tomatoes, onions. Go to the supermarket and look
28 around and see which of those crops are from Chile. A lot of fruits come from Chile or
29 New Zealand or places that are not local. I'm not saying they bring in bugs, but the
30 potential is there.

31

32 We don't have to import mangos. We don't have to import lime, We don't have to import
33 oranges. We can grow them using this loan, you could certainly expand your farm
34 production and you have a pretty much guaranteed customer. So guess what, we
35 import it. So we should be buying local cause it matters.

36

37 Wayne continued...

38

39 We do have a lot more options now. We can lend out more money. We can lend out at
40 better interest rates. That are right now, we're better than the commercial prime market
rates.

41

42 Wayne asked Chair about the expansion and the growth of local purchasing. And its
43 there. We're doing a better job buying local probably because we are growing more of

1 the food that we eat. I think the pandemic taught us that you can grow the high revenue
2 stuff and its good. It's good for the farmer. While wild mushrooms are a good thing to
3 grow, not many of us eat mushrooms. Think of the schools. We're trying to get our local
4 produce into schools. There's a law that states that 30% of the food the school system
5 needs to buy should be locally sourced, locally grown by 2030. The DOE right now is
6 around 7%.

7
8 Do we really grow what the kids eat? I would love to replace the apples on the plate with
9 a banana. That would be really good. We don't grow apples enough. The other number
10 is we have to go 50% of what we buy by 2050. So the push to grow local is real. We
11 have to start buying more so we can feed our kids. The program is called "Nourish
12 Hawaii's Future" and we can do that by growing more food, buying local, and feeding
13 our students food that's grown here, that's fresher, healthier, and doesn't carry bugs
14 that might come in on the vessels.

15
16 Zhan Cacho from the Big Island had a question.

17
18 *Was there a target number of how many farmers will benefit from these loans you are*
19 *guys are looking at. Is this, based on the numbers, was it based on a specific model, or*
20 *how did you kind of figure out that these types of loans would get better access to*
21 *farmers?*

21
22 Wayne responded . . .
23 Back when they were creating the bill for these interest rate changes, the interest rate
24 was 6.5% and that is with our discounting of one point from the prime lending rate at the
time. Our program wasn't too popular because the interest rates were high even though we
26 discounted it by one percent. Does that answer your question?

27
28 Zhan responded yes.

29
30 Zhan: *Why did we do this?*

31
32 Chair added...
33 DAB felt the need, we weren't competitive. Very few banks, commercial lenders don't
34 really like to lend to agriculture and farmers because of the risk of a disaster or
35 pestilence or something happening was great in our industry. So we do this loan
36 program to make sure that farmers that are serious about farming get the support that
37 they can to take us to that 2030, double our food production. Is that OK Zhan?

37
38 *Yes. Thank you so much. Thank you for all your great answers and I also appreciate all*
39 *the work that you guys have been doing on this.*

40
41
42
43 Chair: I would like to give the people online a chance to say something.

1 *I have just a general question. So what outreach is being done to insure that food hub*
2 *developers kind of know that these programs exist. And another thing I saw online was*
3 *that this program was meant to be quote unquote lender of last resort. So I'm wondering*
4 *if you guys would work with private lenders to help finance food infrastructure, is that*
5 *something on your radar?*

6
7 Wayne responded.

8
9 We have programs called loan guarantees, insured loans. That's similar to the Small
10 Business Administration's loan guarantee program. For example, a borrower could go to
11 a private lender, such as Feed the Hunger. Feed the Hunger may have a problem
12 lending out money to a particular borrower. DAB would step in and guarantee the loan.
13 We can guarantee up to 90% of the original loan amount. The lender does not have to
14 worry too much about a default or if the loan is foreclosed. We will guarantee that
15 amount.

16
17 We can also do partnerships. For example, if a farmer wants to purchase land that cost
18 1 million dollars, DAB would come in with 500,000 and FSA would come in with the
19 remaining 500,000. We try to work with other lenders to help the farmer achieve their
20 goals to produce more food.

21
22 As a lender of last resort, we reduced the number of loan denials from two to one. The
23 new farmer loan or emergency loans may not require a loan denial.

24
25 Does that answer your question?

26
27 Yes, thank you.

28
29 *My name is Sheila. I do have a question about the food hub. If the farmers do have the*
30 *capability to supply storage, does the department have an expectation or goals that the*
31 *food sold through these hubs can be more affordable to local consumers?*

32
33 Chair replied: The Department of Agriculture and Biosecurity does not get into the
commercial side, but I'm going to say if you have a food hub, you're probably going to be
less expensive only because the supply chain to the supermarket is farmer-wholesaler-
distributor-supermarket. So all those touch points probably add, they say it's 3%. So then, if
you do the food hub, it goes from the farmer to the food hub, to the consumer. It's like
buying something from the farmers' market, you only have the one touch point.

39
40 We don't get into the commercial side of your business because the liability is there.
41 The assumption, however, is that a food hub makes it easier for a farmer to become
42 food safety certified. At the food hub, they might have freezing capability, they might
43 have cut wrap chill, they might have a dehydrator.

1
2 Not to take away from the FPIN which Wayne was talking about. The FPIN is a “Food
3 Product Innovation Network” which is what the Wahiawa food product center is. And that
4 is a really good idea, Sheila. I’m going to say if you work with that chain, if you’re the
5 farmer, and you grow a lot of fruits and vegetables, and you have an excess, you can
6 take it to the FPIN and dehydrate it and you have added value to it. And I can tell you
7 there’s a big market for Hawaiian dried fruits. Not so much for vegetables, but dried
8 fruits is a huge market.

9
10 Chair asks Joey:

11
12 We know there’s food safety produce on the farm. If I buy it and take it to a dehydrator
13 and I dehydrate it, does the original product need to have been food safety certified to
14 add value to it?

15
16 Joey:

17
18 It depends. It really depends on who the buyer is. So if you are entering a traditional
19 distributor channel, the distributor is going to look toward the end result of who your
20 product is going to, who essentially is going to put it on the shelf. The distributor is going
21 to ask the supermarket or large chain what requirements are to get this product on your
22 shelf? And that’s going to get filtered back to the farm. And that is the requirement the
23 farm is going to have to meet.

24
25 It really is up to the end result of who is going to be stocking your product.

26
27 The Chair responds . . .

28
29 So that’s a dotted line answer to you, Sheila, because food hub can be less expensive.
30 The state doesn’t make any guarantee about that.

31
32 You can be a food hub that has food safety certified to the highest level, and you know
33 what, their market is not Hawaii. Their market is export. The export market is hungry for
34 USA products because we are food safety certified.

35
36 The food hub may make your food cheaper but if you really want to satisfy the ultimate
37 process, you would be food safety certified across all your distribution chains because
38 the export market will pay 35% more than anything you can sell here. Of course, the
39 cost is higher too, but that’s the distributor, the importer, that picks up that cost.

40
41 Dubai is like Hawaii where they import 90% of what they eat. They will pay top dollar for
42 dried fruit.

43

1 Joey Ooka spoke about food hubs.

2

3 Farms have different third party audit schemes than distributors and manufacturers. So
4 farms will have good agricultural practices. They grow the food. They harvest, pack and
5 hold.

6

7 For the distributors and manufacturers, its good manufacturing practices, its GMP audit,
8 its what its called. It's a different level. It focuses more like food defense so when chair
9 mentioned food safety all through the line, that is what you will see. If you're going to do
10 USDA Gap, GMP, these are nationally recognized. When you start hitting exports, the
11 international source is GSSI, which is the global food safety initiative, that is what is
12 recognized out of the country. GSSI is the international standard for exports.

13

14 The Chair shares . . .

15

16 One more chance for you, for anybody, to make comments that could possibly be
17 incorporated into the rules. Because the rules are not static until they are approved. So
18 you have that opportunity when these rules go in front of the board of Agriculture and
19 Biosecurity every fourth Tuesday of the month is when we have these board meetings
20 at 9:00am. You're welcome to make comments there. I believe that's pretty much your
21 final opportunity from the public to make testimony changes. Then the Small Business
22 Regulatory Review Board (SBRRB) has the chance to express how these rules would then
impact small business. And then we'll move on to the final stage.

24

25 So after this meeting, if you think I should have asked this question, or I should have
26 said this, a good change would be this, you still have another opportunity. You can
27 submit it as testimony or zoom in again when we have our Board of Ag meeting every
28 4th Tuesday at 9:00am. If you want to show up in person, it is at the Plant Quarantine
29 building on Auiki Street. But the process is really long, but it gives the public every
30 opportunity to tell us what's right and what's wrong before we move forward with the
31 law.

32

33 Wayne invited the listeners to reach out to a loan officer at the Agricultural Loan
34 Division. Their number is 808.973.9460. They can help explain what the process is.

35

36 Joey invited listeners to reach out to him if they have any questions regarding the Food
37 Safety Modernization Act, they can google Hawaii Produce Safety Program. We're here
38 to help the farmers meet Federal compliance standards for the FDA. Their number is:
39 808.832.0685.

40

41 Questions

1 *I have 2 short questions. If it does get approved, does it go into action right away, like*
2 *tonight? Are there any priorities to neighbor islands or is it purely merit based for the*
3 *food hubs program?*
4

5 Act 069 has been approved by the governor, so the revised statutes is active. We've
6 been doing loans and loaned out close to 4.5 million dollars. We've nearly reached our
7 ceiling of revolving credit line for the Agricultural Loan Division. So, we're waiting for this
8 session to conclude and we're hoping the legislature will again renew our revolving line
9 of credit so we can lend more money out.

10
11 Joey addressed the question about neighbor islands.

12
13 According to the permits and priorities, nothing here specifies an outer island preference
14 or non-preference.

15
16 For grant approval:

17
18 Preference shall be given to:

- 19 1) Organizations having demonstrated delivering local produce to local markets.
- 20 2) Qualified applicants that are receiving their first award from the department over
21 multiple award grantees. Department shall now grant more than one award in this
22 program to any applicant in a fiscal year as long as the funding remains available.
- 23 3) Shall be guided by the nature and economic significance of the activity of each
24 grant application. The importance of the grant to the activity success and the
25 potential economic advantage or job creation prospects offered to the state in
26 determining the distribution of funds.

27
28 The chair explains: the total pool of money for grants is 1 million dollars.

29
30 Wayne explained the different categories of loans:

- 31
32 1) Qualified Farmers – they own their own farms. LLC or Corp.
- 33 2) Facility Loans – land purchases, production structures
- 34 3) Operating Loans – fertilizer, pesticides, tractors, equipment
35 Loans upwards of 1.5 million dollars with qualifications
- 36 4) Micro Loans Program – up to 50,000 dollars
- 37 5) Soil & Water Program – up to 750,000 dollars
- 38 6) Emergency Loan Program – Bonafide catastrophe. Emergency proclamation by
39 the governor to activate program.
- 40 7) New Farmer Loans – Farmers who have graduated and certified by Go Farms or
41 have a degree from the University of Hawaii or have worked as a laborer on
42 other farms and have experience to run their own farms. Loans up to 750,000
43 dollars. Interest rate of 3% with no loan denials.

1
2 Trainees and college graduates are eligible for loans up to 100,000 dollars with
3 3% interest with no loan denials.

4
5 8) Farm Innovation Loans – Eligible up to 75,000 dollars at 3% interest, 10 year
6 maximum term. One loan denial required.

7 9) Biosecurity Loans – Eligible up to 1 million dollars at 3% interest, 25 year term,
8 with one loan denial.

9 10) Import Replacement Crops – Eligible up to 2.5 million dollars at 3% interest, loan
10 terms at 10 years.

11 11) Line of Credit

12

13

14

15 Thank you for tuning in. Your input is valuable and the Department of Agriculture and
16 Biosecurity appreciates your attendance.

17

18 I'd like to thank the governor and the legislators for giving us this package and, my real
19 final word is...come work for us. Go to our website. In the upper right hand corner, there
20 is a tab for careers. Open the tab and look at our openings and would love for you to
21 come and check us out.

22

23

23 Respectfully submitted,

25

26

27

28 Francis Duran

Sheila Ringor

March 5, 2026

Chairperson Sharon Hurd
Board of Agriculture and Biosecurity
1478 South King Street
Honolulu, Hawaii 96814

Re: Testimony in Support for Proposed Amendments to HAR Chapter 4-8 and New HAR Chapter 4-61 (Agricultural Loan Program and Food Hub Grant Program).

Aloha Chairperson Hurd and Members of the Board of Agriculture and Biosecurity,

I am writing in support of the proposed amendments to HAR chapter 4-8 and the adoption of HAR chapter 4-61, relating to the Agricultural Loan Program and Food Hub Grant Program.

I believe that amending (HAR) chapter 4-8 is very important given the challenges highlighted by the Board, such as rising land and water costs, labor shortages, and infrastructure needs for farmers and ranchers who are trying to expand their operations. I also believe that increased support for small local farmers and ranchers will benefit Hawai'i in the long run, as our islands continue to face serious food insecurity.

According to a University of Hawai'i at Hilo article titled "Food Sovereignty in Hawai'i," about 85–90% of our food is still imported. Hawai'i is located about 2,506 miles from the continental United States, and any disruption to imported food will greatly affect the people of Hawai'i.

With already high rates of food insecurity, as seen by Hawai'i food banks across the islands, disruptions to imports will only deepen that insecurity if we continue to rely so heavily on imported food. As highlighted in "Hawai'i's Vulnerable Food Supply" by Hawai'i Sea Grant and "Study: Food insecurity remains at 'crisis levels' in Hawai'i" by Maui News, emergencies and disruptions such as COVID-19, the Maui wildfires, SNAP cuts, and government shutdowns have only made us more aware of the importance of local food production. I believe that continued support for our local farmers will benefit not only the farmers themselves, but also the State and its people.

I support the addition of HAR chapter 4-61, which will implement the Food Hub Grant Program, as well as proposed changes such as adding a definition of "food hub," updating the "letters of decline" requirement so that only one credit denial from a private lender, a farm credit system member, or the Farm Service Agency is needed (with no denials required for certain new farmers), and updating interest rates to a flat 4% for most qualified classes and 3% for new

farmers and other specified loan classes. These additional rules and changes will make it easier for small and mid-sized farmers and ranchers to access the capital they need.

Modifying the current agricultural loan program to ensure more equitable access to capital, with a focus on “wider access to institutional and retail markets for small producers and increased consumer access to fresh healthy food,” will help reduce Hawai‘i’s reliance on imported goods by making our local food system more accessible and self-sustaining.

Respectfully submitted,

Sheila Ringor

March 6, 2026

Agricultural Loan Division
Hawai'i Department of Agriculture and Biosecurity
1428 S. King St., Honolulu, HI 96814

RE: Testimony on Proposed Amendments to HAR Chapter 4-8 and Proposed HAR Chapter 4-61

Aloha,

I am a community member on O'ahu submitting written testimony regarding the proposed amendments to Hawai'i Administrative Rules Chapter 4-8 and the creation of Chapter 4-61 governing the Food Hub Grant Program.

I appreciate the Department's efforts to modernize the Agricultural Loan Program in response to the real financial barriers facing local farmers and ranchers. I write today not in opposition, but to ask clarifying questions and raise considerations I hope the Board will address. The underlying themes for most of my concerns and questions are implications that will be put on the new farmers.

Firstly, I would like to address on Interest Rate Changes (§ 4-8-12). I support the intent behind lowering interest rates, particularly the 3% for new farmers. However, I would like to understand how a new farmer will be defined in practice, and whether the Department anticipates sufficient loan fund reserves to sustain these reduced rates long-term without limiting availability.

Additionally, on Reduced Denial letter Requirements (§ 4-8-8), I thought of this as a meaningful step in reducing barriers. I am curious whether the Department has data on how many applicants were previously deterred by multi-denial requirements, and how the exemption for certain new farmers will be applied consistently and equitably.

I truly enjoy this addition of Line of Credit Loans (§ 4-8-20) for farmers managing seasonal cash flow. I would ask the Department to clarify what assets qualify as sufficient collateral for securing a line of credit. Also, what would be the caps on the credit amount by farm size or the loan class?

Lastly, I encourage the Department to share and be transparent on how it will prioritize applications and whether there are extra provisions, if already existing, to support food hubs in rural or underserved communities across neighbor islands, when the Food Hub Grant Program (§ 4-61) is discussed.

Thank you for the opportunity to provide a testimony and for the Department's effort to strengthen Hawai'i's food security and agricultural self-sufficiency. I look forward to hearing the Board's responses to community concerns on March 9, 2026.

Mahalo nui,
Anonymous community member

Ua Alencastre-Galimba
Hawaii Department of Agriculture and Biosecurity Agricultural Loan Division
Re: Amendments to HAR Chapter 4-8 and HAR Chapter 4-61
March 6, 2026

Aloha Chairperson Hurd,

Thank you for the opportunity to testify. I am writing in support of the amendments to (HAR) Chapter 4- 8 and the adoption of (HAR) Chapter 4-61. I believe these are important steps in fulfilling the State's sustainability and agricultural self-sufficiency goals both in the short and long-term.

Having grown up on a ranch in a rural part of Hawai'i Island, I understand the difficulties that are inherent in agriculture in Hawai'i. In particular, the high cost of living here (e.g. transportation, food, land costs) are magnified in the context of farming and ranching operations. Economically and environmentally sustainable agriculture in Hawai'i is especially challenging because, for example, there is significant overlap in the land zoned for agriculture and real property values that make purchasing this land impossible for these small and mid-size farmers and ranchers. Land, of course, is one of, if not, the most expensive resource an agricultural operation must manage and be able to access, but it is certainly not the only obstacle a local agricultural operation faces in Hawai'i.

With this context in mind, these amendments and the implementation of the Food Hub Grant Program are positive steps by the Department of Agriculture and Biosecurity to address the many challenges Hawai'i's small and mid-size farmers and ranchers. The broader goal of these amendments is a positive step towards healthier and more sustainable communities because when farmers and ranchers are provided with improved access to agricultural loans, farmers and ranchers are then better able to continue their operations and sell their products within Hawai'i.

For these reasons, I respectfully urge the adoption of the proposed amendments to HAR Chapter 4-8 and (HAR) Chapter 4-61, as these are important initiatives to ensure Hawai'i can sustain its agriculture industry and therefore a sustainable food supply.

Sincerely,

Ua Alencastre-Galimba

Zhanelyn Joy Cacho

Regarding Hawaii Department of Agriculture and Biosecurity Agricultural Loan Division

March 5, 2026

Dear Hawaii Department of Agriculture and Biosecurity Agricultural Loan Division,

My name is Zhanelyn Joy Cacho, and I am a concerned Hawaii resident. I am testifying in support of the amendments to (HAR) Chapter 4-8 and the adoption of (HAR) Chapter 4-61. I believe these are important first steps in supporting smaller and mid-sized farmers and securing food security for our community.

Growing up on the Big Island of Hawaii, I witnessed firsthand the risks of food insecurity, with over 40% of households facing food insecurity, making it one of the most food-insecure areas in the state. A 2012 study by the Office of Planning, Department of Business, Economic Development & Tourism, found that 85-90% of Hawaii's food is imported, making it vulnerable to disasters. We have already seen this with the COVID-19 crisis, which exposed the vulnerabilities in our food system, raising the risk of shipping disruptions and fears of food shortages.

The proposed amendments would help combat these issues by supporting all our farmers and creating Food Hub Programs, which would improve food security, economic resilience, and self-sufficiency. Specifically, amending (HAR) Chapter 4-8 would provide all farmers and ranchers with equitable access to address rising land and water costs, labor shortages, and infrastructure needs. As such, smaller and mid-sized farmers help them remain viable and feed our communities.

Additionally, adopting (HAR) chapter 4-61 would create the Food Hub Program and ensure that funds support the establishment of food hubs. This not only ensures farm viability but also provides wider access to fresh, healthy, locally produced food for our communities.

For these reasons, I respectfully urge the adoption of the proposed amendments to (HAR) Chapter 4-8 and (HAR) Chapter 4-61, as these are important initiatives to ensure Hawaii can sustain its food supply.

Sincerely,

Zhanelyn Joy Cacho

Department of Agriculture and Biosecurity

Public Hearing: HAR Chapter 4-8 & HAR Chapter 4-61

March 6, 2026

Testimony for HAR Chapter 4-8 Agricultural Loan Division was received from the public on March 10, 2026 by email.

Import Replacement:

"Import replacement loans" means loans that provide credit for qualified farmers intending to farm on large-scale basis with the specific intent to grow crops for the Farm to State program or replace imported crops being brought into the State.

Letters of Decline:

§4-8-8 Letters of decline. a) The statutes specify the number of credit denials that are required for each loan class. Waiver of this requirement means no credit denials are required to qualify for the program. If credit denials are required, they may be accepted from any of the following:

1. Private lending institutions.
2. Members of the Farm Credit System; or
3. Farm Services Agency, United States Department of Agriculture

(b) To be considered for a participation loan, the applicant must receive a credit denial from the participating lender.

Line of Credit:

4-8-20 Line of credit loans. (a) Use of the Account. Line of credit funds shall only be used for authorized agricultural purposes unless written authorization is provided. Written authorization shall only be provided with approval from the Chairperson of the Board of Agriculture and Biosecurity. The program is not required to make advances to borrower under the account and can refuse a request for an advance at any time. The borrower shall not exceed the credit limit and if the credit limit is exceeded the exceeded amount is immediately due and payable. The program at its discretion and with the Chairperson's approval may reduce the credit limit of the line of credit.

(b) Repayment. Line of Credit loans requires monthly interest only payments. If the line of credit has been delinquent for 6 months, the program at its sole discretion may convert the line of credit to an operating loan. The operating loan terms and conditions shall be approved by the Chairperson of the Department of Agriculture and Biosecurity.

(c) Security. Security for line of credit loans shall not exceed 85% of the value of the collateral offered. The program may require additional security to adequately secure line of credit loans or substitute collateral securing the loan provided the substitute collateral offered is of similar value. All changes to collateral securing line of credit loans requires approval by Chairperson of the Department of Agriculture and Biosecurity.

(d) Finance Charges. Interest for line of credit loans shall be based on the amount of outstanding balances on line of credit loans and begins to accrue from the date it is added to the daily balance and continues to accrue until the date the payment is entered into the loan system.

(e) The program shall conduct annual reviews of line of credit borrowers to determine ongoing credit worthiness the review may include personal financial statements, annual tax returns or credit reports.

(f) The program may terminate the line of credit at any time with the approval of the Chairperson of

the Department of Agriculture and Biosecurity. The borrower may terminate the line at any time provided that there is no balance on the account

