

STAND. COM. REP. NO. 11
Honolulu, Hawaii

RE: S.B. No. 496
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii
Sir:

Your Committee on Agriculture and Environment, to which was referred S.B. No. 496 entitled:
"A BILL FOR AN ACT RELATING TO AGRICULTURE,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish an agricultural import replacement task force to identify the top ten fruits or vegetables that are imported into the State but may be commercially grown in the State; and
- (2) Create the agricultural import replacement income tax credit to incentivize the production of those fruits or vegetables to obviate the need to import them into the State.

Your Committee received testimony in support of this measure from the Department of Agriculture; Hawaii Food Industry Association; Ulupono Initiative LLC; Hawai'i Farm Bureau, and Supersistence. Your Committee received comments on this measure from the Department of Taxation, University of Hawai'i System, and Tax Foundation of Hawaii.

Your Committee finds that the House of Representatives' COVID Subcommittee on Agriculture and Foodstream reported that about eighty-five to ninety percent of Hawaii's food is imported, which makes the State particularly vulnerable to disruptions in shipping and the food supply. Replacing just ten percent of the food imported into the State would amount to approximately \$313,000,000, or \$94,000,000 at the farmgate, assuming a thirty percent farm share. Considering the multiplier effects, the \$313,000,000 would generate an estimated economywide impact of \$188,000,000 in sales, \$47,000,000 in earnings, \$6,000,000 in state tax revenue, and more than two thousand three hundred jobs.

Your Committee further finds that food import replacement can also have a significant impact on Hawaii's economy by decreasing the risk of introducing harmful invasive pests, which could have devastating effects on the State's agricultural economy and its fragile ecosystems and require millions in public dollars to fund eradication or containment. Therefore, your Committee finds that identification of new food crops and creating incentives to grow such crops are necessary to improve Hawaii's economy, food security, and assist in reaching the State's local food production goals.

Your Committee has amended this measure by:

- (1) Amending the membership of the task force by:
 - (A) Removing a representative from the University of Hawaii Economic Research Office;
 - (B) Adding a representative from the University of Hawaii College of Tropical Agriculture and Human Resources;
 - (C) Adding a representative from the Hawaii Farmers Union United; and
 - (D) Adding a representative from the local food distribution industry; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Agriculture and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 496, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 496, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committee on
Agriculture and Environment,

MIKE GABBARD, Chair