

Honolulu, Hawaii

March 13, 2008

RE: S.B. No. 2932
S.D. 3
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 2932, S.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO ENVIRONMENTAL RESPONSE TAX,"

begs leave to report as follows:

The purpose of this bill is to increase funding available for energy conservation, alternative energy development, global warming initiatives, and other programs by increasing the Environmental Response Tax on petroleum.

The Conservation Council of Hawaii supported this bill. The Sierra Club - Hawaii Chapter supported this measure with amendments. The Department of Business, Economic Development, and Tourism (DBEDT) and Department of Health submitted comments.

Your Committee believes that the scope of this bill is too limited considering Hawaii's dependence on petroleum and the disastrous consequences that being energy deficient may have on the lives of Hawaii residents. Success in achieving the State's energy policy objectives depends on adequate funding and staff. In light of diminishing federal funds, a significant State financial commitment is necessary to support core energy programs and execute previously established energy mandates.



Accordingly, your Committee has amended this bill by replacing its contents with the substance of H.B. No. 3444, H.D. 2, to provide a more comprehensive approach to ensuring energy security, that, among other things, this bill:

- (1) Establishes an Energy Security Special Fund to fund DBEDT energy programs including those that carry out the State's long-term energy security objectives;
- (2) Makes an appropriation in an unspecified amount into, and out of Energy Security Special Fund;
- (3) Renames the Environmental Response Tax the Environmental Response and Energy Security Tax (ERES Tax) and allows it to be used for energy security programs;
- (4) Increases the ERES Tax by an unspecified amount per barrel of petroleum and distributes an unspecified amount of the tax to various funds, and the balance into the general fund.

Your Committee has further amended this bill by:

- (1) Specifying that the ERES Tax increase is from 5 cents to 20 cents; and
- (2) Specifying that the ERES Tax is to be distributed as follows:
 - (A) 5 cents into the Environmental Response Revolving Fund, with an unspecified amount to address concerns relating to drinking water;
 - (B) 12.5 cents into the Energy Security Special Fund; and
 - (C) 2.5 cents into the Energy Systems Development Special Fund.



As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2932, S.D. 3, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2932, S.D. 3, H.D. 1, and be referred to the Committee on Economic Development & Business Concerns.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,

Hermina Morita

HERMINA MORITA, Chair



