

Honolulu, Hawaii

March 20, 2008

RE: S.B. No. 3215
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 Committees on Energy & Environmental Protection and Water, Land, Ocean Resources & Hawaiian Affairs and Agriculture, to which was referred S.B. No. 3215, S.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO BIODIESEL,"

beg leave to report as follows:

The purpose of this bill is to provide incentives for the production of biodiesel in the state. Specifically, this bill, among other things:

- (1) Allows the Board of Land and Natural Resources (BLNR) to lease, by direct negotiation and without recourse to public auction, public agricultural lands to eligible lessees growing crops suitable for conversion into biodiesel fuel;
- (2) Establishes, for use in state vehicles with diesel engines, a preference for biodiesel blends that contain up to 20 percent biodiesel produced in the state from feedstock grown in the state;
- (3) Requires the Department of Agriculture's (DOAs) Energy Feedstock Program to support market development for biodiesel feedstock by:



- (A) Purchasing certain biodiesel feedstock crops grown in the state, capped at an unspecified amount;
 - (B) Purchasing certain biodiesel fuel and biodiesel fuel blends produced in the state, capped at an unspecified amount; and
 - (C) Determining the disposition of biodiesel feedstock crops and biodiesel fuel and biodiesel fuel blends purchased under the feedstock program;
- (4) Specifies that the annual reports to the Legislature required under the feedstock program be submitted at least 20 days prior to the convening of each regular session, and mandates certain information to be included in the reports; and
- (5) Establishes an income tax exclusion of an unspecified amount for income derived from an oil seed crushing facility that processes oil seed produced or grown in the state for biodiesel production in the state.

Pacific Biodiesel, Inc., Hawaiian Electric Company, Maui Electric Company, and Hawaii Electric Light Company supported this bill. DOA opposed this measure. The Department of Taxation, BLNR, and Tax Foundation of Hawaii submitted comments.

In light of concerns raised during the public hearing on this matter, your Committees have amended this measure by deleting its contents and inserting the provisions of H. B. No. 3410, H.D. 2. As amended, this bill differs from the bill as referred to your Committees by:

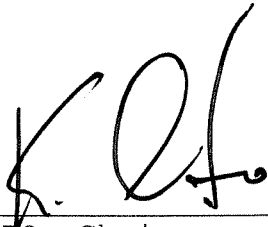
- (1) Establishing an income tax exclusion of 100 percent of the income derived from an oil seed crushing facility that processes oil seed produced or grown in the state for biodiesel production in the state;
- (2) Containing an effective date of July 1, 2020; and
- (3) Incorporating technical, nonsubstantive amendments for style, clarity, and consistency.

Your Committees have further amended this measure by deleting the restriction that an oil seed crushing facility cannot be integrated with a biodiesel production facility.

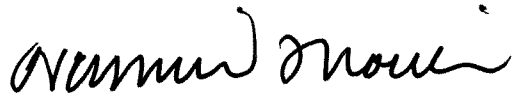


As affirmed by the records of votes of the members of your Committees on Energy & Environmental Protection and Water, Land, Ocean Resources & Hawaiian Affairs and Agriculture that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3215, S.D. 3, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3215, S.D. 3, H.D. 1, and be referred to the Committee on Finance.

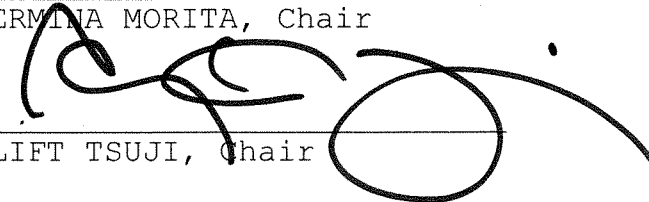
Respectfully submitted on behalf of the members of the Committees on Energy & Environmental Protection and Water, Land, Ocean Resources & Hawaiian Affairs and Agriculture,



KEN ITO, Chair



HERMINA MORITA, Chair



CLIFT TSUJI, Chair



