

Honolulu, Hawaii

MAR 14 2008

RE: H.B. No. 3410
H.D. 2
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committees on Energy and Environment and Agriculture and Hawaiian Affairs, to which was referred H.B. No. 3410, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO BIODIESEL,"

beg leave to report as follows:

The purpose of this measure is to provide various market stimulation incentives for the development of biodiesel.

Specifically, this measure:

- (1) Makes state agricultural lands available for biodiesel fuel crops;
- (2) Establishes a state biodiesel feedstock crop and biodiesel fuel purchasing program; and
- (3) Creates tax exemptions for oil seed crushing facilities and lands used for biodiesel feedstock crops.

Testimony in support of this measure was submitted by the Director of Taxation; Hawaiian Electric Company, Maui Electric Company, and Hawaii Electric Light Company; Enterprise Honolulu; BlueEarth Biofuels; and Pacific Biodiesel, Inc. Testimony in opposition to this measure was submitted by the Chairperson of the Board of Agriculture. Comments were submitted by the Chairperson



of the Board of Land and Natural Resources; Tax Foundation of Hawaii; and Life of the Land.

Your Committees find that this measure will, by stimulating the biodiesel industry, be a viable means of minimizing Hawaii's dependency on foreign oil. Furthermore, this measure will help to create jobs and strengthen the State's economy by supporting local farmers and associated agricultural businesses that produce and process biodiesel crops.

The Chairperson of the Board of Agriculture testified that the Department of Agriculture (Department) lacks the funds and specialized personnel to purchase biodiesel feedstock, as required under the measure.

Pacific Biodiesel, Inc. and Enterprise Honolulu suggested to your Committees that language stipulating that an oil seed crushing facility cannot be integrated with a biodiesel production facility should be removed, because:

- (1) It may have the unintended effect of preventing independent producers that form cooperatives which grow both biocrops and produce biodiesel from benefiting from this measure; and
- (2) It would prevent biodiesel production facilities from being co-located with seed crushing facilities, even in situations where it may be advantageous to put these two types of facilities in the same location.

Accordingly, your Committees have amended this measure by:

- (1) Removing the requirement that the Department purchase biodiesel feedstock under the energy feedstock provision of the measure;
- (2) Amending the definition of oil seed crushing facility to remove the requirement that an oil seed crushing facility not be integrated with a biodiesel production facility; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and style.



Your Committees further find that the Chairperson of the Board of Agriculture has raised concerns that the private sector is better positioned to assume the responsibilities proposed for the Department under the measure. Your Committees encourage the Department to engage in a dialogue with related entities in hope of resolving any concerns. Additionally, your Committees suggest that subsequent committees investigate the amount of funding and resources that the Department will require to fulfill its responsibilities under the measure.

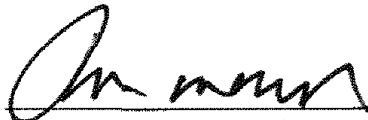
Furthermore, your Committees recognize that the measure's focus on aiding local agricultural interests and requiring a state agency to purchase locally produced products may raise constitutional issues. Your Committees respectfully suggest that these issues be considered by subsequent committees.

As affirmed by the records of votes of the members of your Committees on Energy and Environment and Agriculture and Hawaiian Affairs that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 3410, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 3410, H.D. 2, S.D. 1, and be referred to the Committee on Economic Development and Taxation.

Respectfully submitted on
behalf of the members of the
Committees on Energy and
Environment and Agriculture and
Hawaiian Affairs,



JILL TOKUDA, Chair

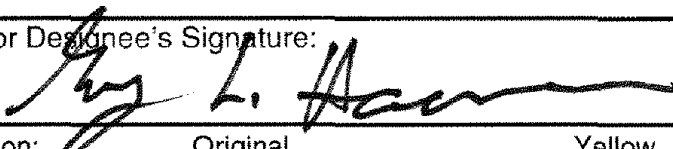


RON MENOR, Chair



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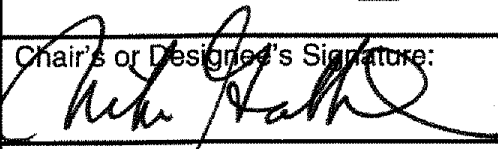
Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:*	Committee Referral:	Date:
HB 3410 HD2	ENE/AHW, EDT, WAM	3/13/08
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____		
The Recommendation is:		
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310
<input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)
Nay	Excused	
MENOR, Ron (C)	✓	
HOOSER, Gary L. (VC)	✓	
IHARA, Jr., Les	✓	
KOKUBUN, Russell S.		
TRIMBLE, Gordon		✓
TOTAL	3	2
Recommendation:		
<input checked="" type="checkbox"/> Adopted	<input type="checkbox"/> Not Adopted	
Chair's or Designee's Signature:		
		
Distribution:	Original	Yellow
	File with Committee Report	Clerk's Office
		Pink
		Drafting Agency

*Only one measure per Record of Votes

The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Agriculture and Hawaiian Affairs
AHW

Bill / Resolution No.:*	Committee Referral:	Date:		
HB3410, HD2	ENE/AHW, EDT, WAM	3-13-08		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	✓			
ENGLISH, J. Kalani (VC)				✓
GABBARD, Mike		✓		
HEE, Clayton		✓		
KOKUBUN, Russell S.	✓			
SLOM, Sam				✓
TOTAL	2	2	-	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

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