

Honolulu, Hawaii

MAR 14 2008

RE: H.B. No. 3444
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 Committee on Energy and Environment, to which was referred H.B. No. 3444, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose of this measure is to provide additional funding for the energy initiatives to carry out Hawaii's long-term energy strategy through the environmental response and energy security tax and Energy Security Special Fund to secure a sustainable energy future for Hawaii.

Specifically, this measure:

- (1) Establishes the Energy Security Special Fund for the purpose of funding the energy program within the Department of Business, Economic Development, and Tourism; and
- (2) Expands the environment response tax to include an energy security tax to be paid by distributors of petroleum products on each barrel of petroleum product sold in the State.

Testimony in support of this measure was received from the Hawaii Energy Policy Forum, the Hawaii Solar Energy Association, Hawaii Renewable Energy Alliance, and the Sierra Club Hawai'i Chapter. The Department of Taxation submitted testimony in



opposition. The Department of Business, Economic Development, and Tourism; the Department of Budget and Finance; the Department of Health; and the Tax Foundation of Hawaii submitted comments.

Your Committee finds that establishing economical energy sources, promoting energy self-sufficiency, and providing energy security are critical elements of a long-term energy strategy for the State. Your Committee further finds that the federal funds that have helped support the State's energy program are diminishing and are expected to be exhausted within the next three to four years. Recent revenue projections for Hawaii indicate additional sources of revenue must be developed in order to continue funding the energy program, as the State's ability to make up the entire shortfall may be limited.

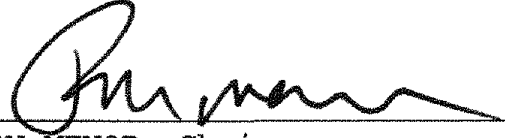
Your Committee has amended this measure by:

- (1) Allocating environmental response and energy security tax revenues collected from each barrel of petroleum product as follows:
 - (A) 5 cents per barrel to be deposited into the Environmental Response Revolving Fund;
 - (B) 12.5 cents per barrel to be deposited into the Energy Security Special Fund; and
 - (C) 2.5 cents per barrel to be deposited into the Energy Systems Development Special Fund; and
- (2) Making the effective date July 1, 2050, for the purposes of further discussion.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3444, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 3444, 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
Committee on Energy and
Environment,

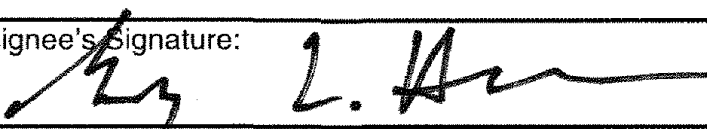


RON MENOR, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii

Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:* HB 3444 HD2	Committee Referral: ENE, EDT, WAM	Date: 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 Pink File with Committee Report Clerk's Office Drafting Agency				

*Only one measure per Record of Votes