

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 2932
S.D. 2

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

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 2932, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to increase the state environmental response tax on petroleum in order to increase funding available for energy conservation, alternative energy development, global warming initiatives, and other programs pursuant to chapter 128D, Hawaii Revised Statutes.

Testimony in support of the measure was submitted by the Sierra Club, Hawai'i Chapter and the Kona Brewing Company. Testimony in opposition of the measure was submitted by the Department of Health and Aloha Petroleum, Ltd. Comments on the measure were also submitted by the Department of Taxation, the Department of Business, Economic Development, and Tourism, the Tax Foundation of Hawaii, and Life of the Land.

Your Committee finds that both locally and globally, our communities have become overly dependent upon fossil fuel. In Hawaii, renewable energy resources, including wind, solar, and geothermal resources, are readily available and highly underutilized. The State recognizes the need to examine methods to reduce fossil fuel usage and greenhouse gas emissions and to instead utilize clean energy and indigenous energy sources. This measure increases the state environmental response tax on petroleum to provide funding to support energy conservation,



alternative energy development, global warming initiatives, and other programs pursuant to chapter 128D, Hawaii Revised Statutes, the State's environmental response law. Your Committee determines that increased funding will support energy resource conservation and make Hawaii a more energy-secure and environmentally responsible state.

Your Committee received information from the Department of Taxation that the measure will increase the annual revenue of the Environmental Response Revolving Fund by approximately \$7,000,000. In its methodology, the Department of Taxation stated the State's current receipts on the \$.05 per barrel tax total \$1,740,000 annually. As a result, a twenty cent increase in the environmental response tax will result in a \$7,000,000 (\$1,740,000 x 4) increase.

Testimony received raised concern with the amount of the increase, citing that such a substantial increase may lead to greater expenditures for energy-related purposes, thereby straining the State's ability to timely respond to environmental emergency situations. Your Committee determines that the amount of the increase should be more carefully examined to meet the stated objectives without unduly burdening consumers or jeopardizing the State's ability to respond in environmental emergency situations.

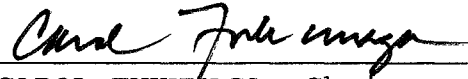
Accordingly, your Committee has amended this measure by:

- (1) Including an unspecified amount for the increase in the environmental response tax; and
- (2) Making technical, nonsubstantive changes for purposes of clarity and style.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2932, S.D. 1, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 2932, S.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



