



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE  
GOVERNOR  
THEODORE E. LIU  
DIRECTOR  
MARK K. ANDERSON  
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804  
Web site: [www.hawaii.gov/dbedt](http://www.hawaii.gov/dbedt)

Telephone: (808) 586-2355  
Fax: (808) 586-2377

Statement of  
**THEODORE E. LIU**  
Director

Department of Business, Economic Development, and Tourism  
before the

**HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

Tuesday, March 11, 2008

9:00 a.m.

State Capitol, Conference Room 312

in consideration of

**SB2932, SD3  
RELATING TO ENVIRONMENTAL RESPONSE TAX.**

Chair Morita, Vice Chair Carroll, and Members of the Committee.

SB2932, SD3, Relating to Environmental Response Tax, seeks to increase the Environmental Response Tax to provide needed funding for energy conservation and alternative energy development, global warming initiatives, and other programs pursuant to chapter 128D, Hawaii Revised Statutes.

There have been many good ideas introduced this legislative session that support the State's energy and economic development goals. We defer, however, to the Department of Tax and the Department of Budget and Finance on the fiscal impact of this legislation.

Over the last five years, the annual budgeted General Fund appropriation to the State's energy program has averaged about \$1.2 million. I would, however, say this amount of funding is disproportionate compared to the broad role and responsibilities of the energy program. As you know, over the past several years, legislative measures have increased the scope and breadth

of activity in Hawaii's energy sector. Federal funding has supported the state's energy program at a level twice of the annual state general fund funding, via the federal State Energy Program and competitive grant funding. As the result, two-thirds of the state energy program's staff is federally funded. Federal funding sources are diminishing, and are expected to be practically exhausted within the next 3 to 4 years.

The newly created federal partnership with the State of Hawaii, the Clean Energy Initiative, will bring new sources of funding to energy initiatives in Hawaii, but these will be program-focused, and not designed to replace the federal State Energy Program (SEP) funding that is expiring. Moreover, the partnership will require state matching funds to conduct important work in support of the state's goals for energy security. These opportunities will require staff support and may increase the pressure on limited existing resources.

While the structure of the State's energy program is fairly stable and resilient, the resources that the program has existed on to date are coming to an end, and new sources of funding need to be identified.

Thank you for the opportunity to testify.