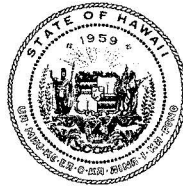


LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
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**HOUSE COMMITTEE ON FINANCE
TESTIMONY REGARDING HB 1271 HD 2
RELATING TO GOVERNMENT**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: MARCH 2, 2009

TIME: 10:30AM

ROOM: 308

This measure, among other things, modifies the current environmental response tax to be the "environmental response and energy and food security tax" and increases the tax from \$0.05 per barrel of imported oil to \$1.

The House Committee on Energy & Environmental Protection amended various provisions of the measure unrelated to the tax increase.

The House Committee on Agriculture defected the measure's effective date.

The Department of Taxation (Department) **opposes the tax provision in this legislation as a substantial tax increase.**

Notwithstanding the merits of this measure, this legislation represents one of the largest tax increases that will eventually impact the gasoline prices all Hawaii drivers pay. This measure effectively increases the tax on a barrel of oil by twenty times and has the potential to drastically slow the economy further due to the economies reliance on fuel for transportation and energy costs.

This legislation runs counter to reducing Hawaii's gas prices. In order to effectively minimize the high price of gasoline at the pump, tax increases such as this legislation, must be avoided.

The Department is also strongly concerned with the timing of this legislation, because the state and nation are in a recession where taxpayers are worried about their finances. This tax is highly regressive and will impact the poor the most.

Assuming a current effective date, this legislation will result in a revenue increase of \$28.5 million in Fiscal Year 2010 and \$31.1 million in Fiscal Year 2011 and after.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Energy and food security tax

BILL NUMBER: HB 1271, HD-2

INTRODUCED BY: House Committee on Agriculture

BRIEF SUMMARY: Amends HRS section 243-3.5 to rename the environmental response tax as the environmental response and energy and food security tax. Increases the rate of tax from 5 cents per barrel to \$1 on each barrel and provides that 5 cents of the tax shall be used to address concerns of drinking water; 2.5 cents shall be deposited into the energy systems development special fund and; _____ cents shall be used as provided by law.

Adds a new chapter to the HRS to establish the Hawaii energy and food security task force whose purpose is to develop and maintain a broad overview of energy and security issues that applies an interdisciplinary approach to ensure that energy and food policy development is integrated within the overall economic, social, environmental and cultural aspects of society.

Requires the task force to submit a report of its findings, recommendations, and proposed legislation to the 2011 legislature. The task force shall cease to exist on June 30, 2012.

Appropriates \$250,000 out of the energy systems development special fund in fiscal 2010 and the same amount in fiscal 2011 to support the work of the Hawaii energy and food security task force.

Makes conforming amendments to HRS section 128D-2.

EFFECTIVE DATE: July 1, 2062

STAFF COMMENTS: This measure proposes to rename the environmental response tax the environmental response and energy and food security tax and increase the tax from 5 cents to \$1 per barrel. The legislature by Act 300, SLH 1993, enacted an environmental response tax of 5 cents per barrel on petroleum products sold by a distributor to any retail dealer or end user. This measure proposes to increase the tax to \$1 and provides that 5 cents of the tax shall be used to address concerns of drinking water; 2.5 cents shall be deposited into the energy systems development special fund and; _____ cents shall be used as provided by law.

It should be remembered that the environmental response tax was initially adopted for the purpose of setting up a reserve should an oil spill occur on the ocean waters that would affect Hawaii's shoreline. The nexus was between the oil importers and the possibility that a spill might occur as the oil product was being imported into the state. Now that the fund has become a cash cow, lawmakers have placed other responsibilities on the fund, including environmental protection and natural resource protection programs, such as energy conservation and alternative energy development, to address concerns related to air quality, global warming, clean water, polluted runoff, solid and hazardous waste, drinking water, and underground storage tanks, including support for the underground storage tank program of the department of health.

It should be noted that the enactment of the barrel tax for the environmental response revolving fund is

the classic effort of getting one's foot in the door with a palatable and acceptable tax rate with the possibility of increasing the tax rate once it is enacted which is being proposed by this measure. Because the tax is imposed at the front end of the product chain, the final consumer does not know that the higher cost of the product is due to the tax. Thus, there is little, if any, accountability between the lawmakers who enacted the tax and the vast majority of the public that ends up paying the tax albeit indirectly. Proponents ought to be ashamed that they are promoting a less than transparent tax increase in the burden on families all in the name of environmental protection and food security. This proposal is nothing more than another bureaucratic boondoggle that merely expands the size of government at the expense of working families and small businesses struggling to survive in this economy and trying to make ends meet.

It should be remembered that the State Auditor has singled out this particular fund as not meeting the criteria established and recommended that it be repealed. The Auditor criticized the use of such funds as they hide various sums of money from policymakers as they are not available for any other use and tend to be tacitly acknowledged in the budget process. More importantly, it should be recognized that it is not only the users of petroleum products who benefit from a cleaner environment, but it is the public who benefits. If this point can be accepted, then the public, as a whole, should be asked to pay for the clean up and preservation of the environment.

Funds deposited into a revolving fund are not subject to close scrutiny as an assumption is made that such funds are self-sustaining. It should be remembered that earmarking of funds for a specific program represents poor public finance policy as it is difficult to determine the adequacy of the revenue source for the purposes of the program. To the extent that earmarking carves out revenues before policymakers can evaluate the appropriateness of the amount earmarked and spent, it removes the accountability for those funds. There is no reason why such a program should not compete for general funds like all other programs which benefit the community as a whole.

Rather than perpetuating the problems of the barrel tax, it should be repealed and all programs that are funded out of the environmental response fund should be funded through the general fund. At least program managers would then have to justify their need for these funds. By continuing to special fund these programs, it makes a statement that such environmental programs are not a high priority for state government. This sort of proliferation of public programs needs to be checked as it appears to be growing out of hand and at the expense of the taxpayer.

If it is a matter that no funds in this fiscal environment have been set aside to address federal environmental mandates, then consideration should be given to first prioritizing how the money that is already in the fund is to be spent and then to set a sunset deadline by which these programs are to be general fund financed and the tax repealed.

Given that this proposal amounts to a tax increase, can its sponsors hold their heads high when they return to their constituents and tell them that while their colleagues rant and rave about the collusive petroleum industry ripping off motorists at the pump that they themselves contribute to not only the high cost of gasoline but also the high cost of electricity to light our homes to the pricey take-out lunch because the cost of that energy will increase even more with this proposal. While lawmakers would like to preen their feathers that they are oh-so eco friendly and environmentally concerned, they do so at a cost to the taxpayer. While tax increases are unacceptable in these difficult times, this proposal is especially reprehensible as it hides behind the skirt of being environmentally concerned and it hides behind the shadow of businesses that will end up with the blame of ripping off the consumer yet again

March 2, 2009

Hawaii State legislature
State Capital
Honolulu, Hawaii 96813



**Support Testimony on
H.B. NO. 1271
Relating To Hawai'i Food & Energy Security**

COMMITTEE ON FINANCE

Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

Monday, March 2, 2009, 10:30 a.m., Conference Room 308

Enterprise Honolulu, the Oahu Economic Development Board, strongly **supports H.B 1271 with amendments contained in proposed HD 3A**, – to create a \$1 per barrel oil tax and the Hawaii Economic Development Corporation to provide direction, governing authority, and funding to accelerate Hawai'i's food and energy security. This legislation gives Hawai'i the ability to turn two of Hawai'i's biggest problems and threats to Hawai'i citizens into two of Hawai'i's most significant new opportunities to achieve food and energy security and real sustainability.

Today there can be no more vulnerable place on earth than Hawai'i with 100% imported oil and 85% imported food dependency. Hawai'i now imports 100% of our oil, (33%) for electricity production, (33%) ground and marine transportation and (33%) aviation.

The Department of Energy and the National Renewable Energy Lab reported that in 2008, the yearly cost of this imported oil to every man, women and child in Hawai'i is over \$2,000 per capita. That's over \$8,000 a year for every household of 4. Hawai'i imports +/- 50 million barrels of oil annually. In 2007 the average cost was \$73 a barrel. That equals \$3.5B a year total or \$7,000 per Hawai'i household. In 2008 the average cost of oil was \$100 a barrel. Imported oil dropped to 41MBY which is about \$8,000 per Hawai'i household (500,000 households). When you add oil at \$4.1 Billion plus food at \$4.5 Billion, Hawaii exported \$8.6 Billion dollars in 2008 that could have been invested here.

HB 1271 provides a \$1.00 a barrel tax on all oil imported to Hawai'i annually. It is estimated this will create a \$40M to \$50M annual fund depending on the amount of oil imported and processed each year.



**ENTERPRISE
HONOLULU**

737 Bishop Street, Suite 2040, Honolulu, Hawaii 96813 • 808-521-3611
Fax: 808-536-2281 • www.EnterpriseHonolulu.com

THE BUSINESS CLIMATE OF PARADISE

With this fund and the Hawaii Economic Development Corporation, Hawai'i will have the capacity, scope and funding to complete renewable energy projects, repair local food production infrastructure and move projects forward that can accelerate Hawai'i's transition to greater food and energy security.

The following projects are necessary to accelerate Hawai'i's transition to renewable energy and food security:

- Build the smart grid including the interisland marine cables.
- Align Hawai'i's land use and water use by designating Important Agriculture Lands, which land is best for food production, which for energy crops and renewable energy projects.
- Align the permitting, licensing and EIS processes to expedite simultaneous development of the smart grid, while siting renewable energy projects and expanding food production.
- Repair water systems and designate water use capacity for energy and food production.
- Support farmers in diversified agriculture to grow both food and energy crops in an integrated system.
- Convert Hawai'i households and businesses to solar hot water heating systems and P.V. (this can reduce Hawai'i's electricity use by 20%) and employ hundreds of workers.
- Expedite the use of smart metering on every Hawai'i home, business, school, university and government building. This can also employ hundreds, perhaps thousands of workers annually with good paying "green collar" jobs.
- Accelerate the infrastructure development and incentives for electric cars.
- Resolve land use access for increased agriculture food production.
- Increase support for growers to lease land and equipment and intensify marketing, transportation, storage and sales of local food purchasing by families, restaurants, hotels, schools and the military.
- Assist growers to develop new production models that integrate renewable energy production with food production for maximum efficient water and land use, creation of fertilizer, silage feed stock and new food products.

These are some of the most immediate and essential activities that the Hawaii Economic Development Corporation and the barrel tax proposed in HB 1271 proposed HD3A can accelerate.

Without the capacity, oversight, strategies and implementation of the proposed Hawaii Economic Development Corporation, it is doubtful these tasks will be completed expeditiously in a coordinated and integrated manner that moves Hawai'i as quickly as possible to greater food and energy security.

Other benefits that come from this initiative over time:

- Import substitution reduces the dollars we export and fundamentally improves our state economy. Each import dollar retained in state generates \$2-\$3 in positive local economic impact.
- Abundant, stable, inexpensive surplus renewable energy is created.
- New specialty food products and surpluses for export are created.
- Intellectual property from new renewable energy and organic agriculture, technology and processing designs.
- Millions of dollars of new investment in renewable energy and agriculture enterprises will improve and diversify our economy.
- Hundreds, perhaps thousands of new green collar and clean tech jobs and careers will be created over the next two decades.
- Construction jobs on projects for energy and infrastructure
- New demand and opportunities for support services for these new industries, i.e. legal, accounting, A&E, marketing, communication, advertising, exporting, finance, management consulting, training and education.
- Niche tourism: agriculture, energy, recreation, eco, sports, adventure, health/wellness, education, authentic Native Hawaiian culture experiences will continue to grow if Hawai'i provides organization and structure for visitors desiring these experiences and, if we're cautious and don't homogenize Hawai'i to look and feel like everywhere else. It's Hawai'i's authenticity and uniqueness that is our highest value.

But time is of the essence and without a secure funding source and the knowledgeable resources and a new mechanism to move these projects forward, the people of Hawaii will continue to pay dearly for our own vulnerability. The time for this action is now and we commend the Finance Chair and Committee for taking this bold step.

Enterprise Honolulu, the Oahu Economic Development Board, supports HB 1271 with proposed amendments in HD3A. We are committed to work with you to help make this legislation a reality.

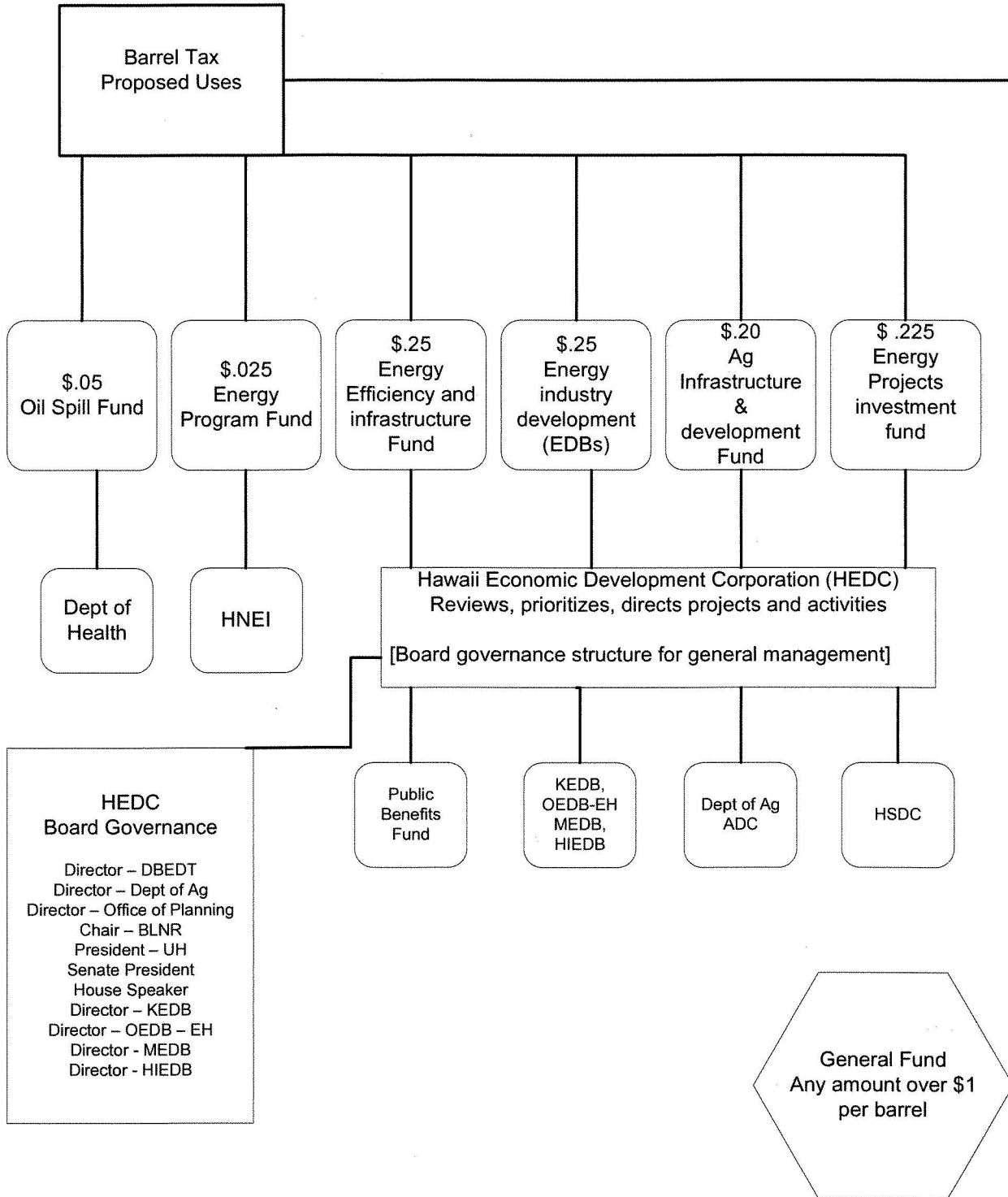
Sincerely,

A handwritten signature in black ink, appearing to read "John R. Strom". The signature is fluid and cursive, with the first name "John" and last name "Strom" clearly distinguishable.

John R. Strom
VP Business Development & Technology

Hawaii Energy and Food Security Act

Proposed Fund uses



Report Title:

Food and Energy Security

Description:

Establishes the Hawaii Energy and Food Security tax Task Force to address Hawaii's energy and food security needs. Increases the tax collected on each barrel of imported oil, and allocates a portion thereof for energy security uses. (HB1271 HD3A)

HOUSE OF REPRESENTATIVES
TWENTY-FIFTH LEGISLATURE, 2009
STATE OF HAWAII

Proposed
1271
H.B. NO. H.D. 3 A

A BILL FOR AN ACT

RELATING TO GOVERNMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

PART I

SECTION 1. Hawaii is at a crossroads. As the most geographically isolated state in the country, we are dangerously dependent on external sources for basic food and energy needs. We import about eighty-five per cent of our food and ninety-five per cent of our energy. Each year, approximately fifty million barrels of crude oil valued at \$7,000,000,000 are imported from foreign countries. The mass consumption of fossil fuels contributes to global warming and the deterioration of the environment. Although Hawaii is home to renewable energy

resources like solar, wind, ocean, and geothermal, we as a community have not taken advantage of alternative energy and energy efficiency solutions to make our State more energy independent. As an example, despite year-round sunshine, only thirty per cent of Hawaii's residents have solar water heaters.

Similarly, the reliance on imported food leaves our citizenry with a fresh supply of produce for no more than ten days. Currently, ninety per cent of the beef, sixty-seven per cent of fresh vegetables, and sixty-five per cent of fresh fruits consumed in this State are imported. In 1984, Hawaii produced one hundred per cent of the milk consumed in the State, but today, local production only meets thirty per cent of our needs. While it may be impracticable or unattainable for Hawaii to produce one hundred per cent of its food, the risks and costs to society cannot be ignored. The rising cost of shipping and transportation associated with the price of oil create a highly inefficient local economy. Comparatively, the production and consumption of local food keeps money in our community, reduces the demand for transportation energy, and decreases the vulnerability to food supply disruptions caused by natural disasters or worldwide economic events.

Now is the time for bold action to squarely address Hawaii's energy and food requirements. It will require the long-term commitment, dedication, and investment of government, the private sector, and Hawaii's citizenry to dramatically shift the course of direction towards a more energy independent and agriculturally sustainable society. As a state and as a people, we must decide whether we will continue to be dependent on external sources for our basic needs, or whether we will build, invest, and develop the capacity to become food and energy independent. The legislature believes that it is in the best interest of Hawaii's citizenry that we build the capacity to become energy and food self-sufficient.

Hawaii has been at a crossroads before. Three decades ago, Hawaii's government, business, and labor leaders chose to bolster our economy by making Hawaii a world-class tourism destination. The Hawaii State Plan and tourism functional plan laid the policy and planning framework to move the State in that direction. Hundreds of millions of dollars were invested in roads, airports, harbors, and infrastructure to develop tourism destinations throughout the State. Lands were urbanized. Government agencies were created. Special funds and taxing authorities were established to provide financial resources to support

marketing and promotional tourism activities that now make Hawaii one of the premier visitor destinations in the world, attracting over seven million visitors per year.

Similarly, when the legislature found the silent invasion of Hawaii by alien invasive species to be a significant threat to Hawaii's economy, natural environment, and the health and lifestyle of Hawaii's people and visitors, the legislature provided the statutory authority to the Hawaii invasive species council to continue its special purpose to focus, foster, and organize coordinated approaches among various executive departments, federal agencies, and international and local initiatives for the prevention and control of invasive species. While that approach did not create any new function of government, the lack of resources has made it difficult for the council and its partners to carry out their duties.

Today, as Hawaii is engulfed by the realities of a global economy, we must take bold steps to control our destiny by ensuring that our basic energy and food security needs are locally produced and met by ensuring a long-term strategy that is well-resourced, coordinated, and focused.

As discussed in the Sustain 2050 Report, and the Hawaii Clean Energy Initiative, Hawaii has all the necessary assets to significantly improve its

sustainability and independence over the next twenty years if appropriate personnel resources and sustainable funding are wisely used to accelerate Hawaii's efforts, identify funding priorities, and maximize the use of existing public and private resources through collaborative work.

SECTION 2. The legislature finds that if Hawaii is to truly realize its vision and desire for an energy independent and agriculturally sustainable society, government must lead the way. A strategic and long-term commitment must be made to invest in infrastructure, incentivize and guide private action, and advance and accelerate energy and food security initiatives.

The purpose of this Act is to create a Hawaii Economic Development Corporation (HEDC) ~~energy and food security task force~~ to implement the recommendations of the sustain 2050 task force, accelerate the adoption of recommendations contained in the Hawaii Clean Energy Initiative, and ~~the~~ advise the legislature on the development of an overall roadmap and action plan to achieve, to the degree possible and practicable, food and energy independence and sustainability for the State. In so doing, the Hawaii Economic Development Corporation (HEDC) ~~task force~~ would also examine economic development, workforce, and consumer

education issues relating to the production of food and energy.

The legislature intends that the corporation task force take an interdisciplinary approach to seeking the most efficient and effective pathways for interagency coordination, working collaboratively with all levels of government and the private and nonprofit sectors to address and balance water, land, regulatory and natural resource issues intertwined with food and fuel production. Such an approach ensures that energy and food policy development is integrated within the overall economic, social, environmental, and cultural aspects of society. With an understanding of these overlapping goals and resources, our State can maximize the opportunities to ensure food and energy security for generations to come. The legislature also intends that the economic development corporation task force maximize public-private partnerships, at both the state and county levels.

The legislature finds that undertaking this important task of energy and food security requires substantial financial resources. An investment and long-term commitment by the State must be made. To that end, this Act also increases the per-barrel tax on imported oil under

the environmental response and energy and food security tax, formerly known as the environmental response tax.

PART II

SECTION 3. Section 128d-2, Hawaii Revised Statutes, is amended to read as follows:

"§128D-2 Environmental response revolving fund; uses. (a) There is created within the state treasury an environmental response revolving fund, which shall consist of moneys appropriated to the fund by the legislature, moneys paid to the fund as a result of departmental compliance proceedings, moneys paid to the fund pursuant to court-ordered awards or judgments, moneys paid to the fund in court-approved or out-of-court settlements, all interest attributable to investment of money deposited in the fund, moneys generated by the environmental response and energy and food security tax established in section 243-3.5, and moneys allotted to the fund from other sources; ~~provided that when the total balance of the fund exceeds \$20,000,000, the department of health shall notify the department of taxation of this fact in writing within ten days. The department of taxation then shall notify all distributors liable for collecting the tax imposed by section 243-3.5 of this fact in writing, and the imposition of the tax shall be discontinued beginning the first day of~~

~~the second month following the month in which notice is given to the department of taxation. If the total balance of the fund thereafter declines to less than \$3,000,000, the department of health shall notify the department of taxation which then shall notify all distributors liable for collecting the tax imposed by section 243-3.5 of this fact in writing, and the imposition of the tax shall be reinstated beginning the first day of the second month following the month in which notice is given to the department of taxation.~~

(b) Moneys from the fund shall be expended by the department of health, the hawaii natural energy institute (HNEI), and the economic development corporation as provided for in "§243-3.5 Environmental response and energy and food security tax; uses, for response actions and preparedness, including removal and remedial actions, consistent with this chapter; provided that the revenues generated by the [~~"environmental response tax"~~] environmental response and energy and food security tax and deposited into the environmental response revolving fund:

(1) Shall also be used:

(A) For oil spill planning, prevention, preparedness, education, research, training, removal, and remediation;

- (B) For direct support for county used oil recycling programs; and
 - (C) For deposit into the energy security special fund, established under section 201-12.8, as may be appropriated by the legislature; and
- (2) May also be used to support environmental protection and natural resource protection programs, including but not limited to energy conservation and alternative energy development, and to address concerns related to air quality, global warming, clean water, polluted runoff, solid and hazardous waste, drinking water, and underground storage tanks, including support for the underground storage tank program of the department and funding for the acquisition by the State of a soil remediation site and facility."

SECTION 4. Section 243-3.5, Hawaii Revised Statutes, is amended as follows:

1. By amending its title and subsection (a) to read:

"§243-3.5 Environmental response and energy and food security tax; uses. (a) In addition to any other taxes provided by law, subject to the exemptions set forth in section 243-7, there is hereby imposed [~~at times provided in section 128D-2~~] a state environmental response and

energy and food security tax of [5-cents] \$1 on each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user, other than a refiner, of petroleum products; provided that:

- (1) 5 cents of the tax on each barrel shall be used pursuant to section 128D-2 to address concerns relating to oil spills, oil recycling programs and drinking water remediation programs[-]; these funds will be administered by the department of health; and
- (2) 2.5 cents of the tax on each barrel shall be used pursuant to section 304A-2169 for the purposes of the energy systems development special fund to be administered by the Hawaii natural energy institute; and
- (3) 25 cents of the tax on each barrel shall be used for the purpose of expanding energy efficiency and smart grid programs. These funds will be prioritized by use by the economic development corporation and administered by the Public Benefits Fund Administrator; and as provided by law.
- (4) 25 cents of the tax on each barrel shall be used for the purpose of economic development

activities relating to renewable energy, biofuels, and food production; including but not limited to creating an implementation strategy, project review and vetting, technology review and assessment, project management, business assistance, business retention and recruitment, and other such elements as shall be necessary to achieve the goals of this act. These funds will be prioritized by the Corporation and administered by the Kauai Economic Development Board (KEDB), Oahu Economic Development Board (OEDB - Enterprise Honolulu), Maui Economic Development Board (MEDB), and the Hawaii Island Economic Development Board (HIEDB) in partnership with the economic development corporation and other appropriate state and county agencies; and

- (5) 22.5 cents of the tax on each barrel shall be used for the purpose of agriculture infrastructure and development activities including but not limited to creating an implementation strategy, building and repairing water systems for agricultural use, marketing and development activities supporting local agriculture and bio-fuels production, development

of integrated agriculture-energy projects,
invasive species control and other such elements
as shall be necessary to achieve the goals of
this act. These funds will be prioritized by the
Corporation and administered by the Department of
Agriculture through collaboration with the
Agribusiness Development Corporation (ADC).

(6) 20 cents of the tax on each barrel shall be used
for the purpose of creating an energy project
investment fund for renewable energy projects,
energy storage and infrastructure projects, and
developing energy and clean technology companies
in Hawaii. These funds will be prioritized by the
Corporation and administered by the Hawaii
Strategic Development Corporation (HSDC) in
collaboration with the economic development
corporation (HEDC).

The tax imposed by this subsection shall be paid by the distributor of the petroleum product."

2. By amending subsection (c) to read:

"(c) Notwithstanding section 248-8 to the contrary, the environmental response and energy and food security tax collected under this section shall be paid over to the director of finance for deposit into the environmental

response revolving fund established by section 128D-2[~~7~~],
the energy systems development special fund established by
section 304A-2169, and other special funds as provided by
"§243-3.5 Environmental response and energy and food
security tax; uses. ~~law.~~"

PART III

SECTION 5. (a) There is established as a body
corporate, the Hawaii Economic Development Corporation
(HEDC) attached to ~~within~~ the department of business,
economic development, and tourism for administrative
purposes. The purpose of the economic development
corporation shall be to facilitate the accelerated adoption
and completion of renewable energy projects, energy
efficiency programs, agricultural infrastructure and
development, and other measures to meet the goals of this
act. The economic development corporation a ~~Hawaii energy~~
and ~~food security task force~~ that shall develop and
maintain a broad overview of energy and food security
issues that applies an interdisciplinary approach to
ensuring that energy and food program and policy
development is integrated within the overall economic,
social, environmental, and cultural aspects of society.
The Hawaii Economic Development Corporation (HEDC) ~~task~~
force shall:

- (1) Identify and review each state and county agency's policy objective, mandates, organizational structure, and resources to address energy and food security issues;
- (2) Identify all federal and private funds available to the State and counties to address energy and food security issues;
- (3) Identify effective measures for interagency cooperation, to coordinate efforts with the counties and bolster public and private sector partnerships to achieve the objective of energy and food security;
- (4) Identify existing programs and agreements addressing energy and food security that may be enhanced through legislation. ~~proposed by the task force;~~
- (5) Investigate alternative institutional mechanisms to promote the efficient execution and implementation of a multi-year strategy to achieve energy and food security;
- (6) Investigate the streamlining of administrative processes to accelerate energy and food security;
- (7) Provide an appropriate forum for all affected or interested parties to address energy and food

security issues, market impacts, environmental permitting, and community - county outreach;

- (8) Recommend appropriate legislation resulting from the economic development corporation's findings to achieve the objective of improving and accelerating energy and food security; and
- (9) Perform any other function necessary to effectuate the purposes of this Act.

(b) Board of Directors; composition. The affairs of the economic development corporation shall be under the general management and control of the Board of Directors. The board shall consist of eleven members. ~~The task force shall consist of the following members:~~

- (1) The director of business, economic development, and tourism, or the director's designee;
- (2) The chairperson of the board of agriculture, or the chairperson's designee;
- (3) The director of the office of planning, or the director's designee;
- ~~(4) A representative from the agribusiness development corporation;~~
- ~~(5)~~(4) The chairperson of the board of land and natural resources, or the chairperson's designee;

- ~~(6)~~ (5) The President of the University of Hawaii System, ~~college of tropical agriculture and human resources,~~ or the President's dean's designee;
- ~~(7)~~ The dean of the University of Hawaii school of ocean and earth science and technology, or the dean's designee;
- ~~(8)~~ (6) The speaker of the house of representatives, or the speaker's designee;
- ~~(9)~~ (7) The president of the senate, or the president's designee;
- ~~(10)~~ One member from each county, appointed by the respective county mayor; and
- ~~(11)~~ (8) A representative from each county economic development board; the Kauai Economic Development Board (KEDB), Oahu Economic Development Board (OEDB-Enterprise Honolulu), Maui Economic Development Board (MEDB), and the Hawaii Island Economic Development Board (HIEDB).

(c) Members of the economic development corporation ~~task force~~ Board of Directors shall serve without compensation but shall be reimbursed for expenses, including travel expenses, necessary for the performance of their duties.

(d) The public policy center of the University of Hawaii shall provide staff support to the corporation, at the request of the corporation ~~task force~~.

(e) The corporation ~~department of business, economic development, and tourism~~ may contract with the University of Hawaii college of social sciences for any services to support the work of the task force.

(f) The corporation ~~task force~~ shall submit a report of its findings and recommendations, including any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2010.
2011.

(g) Annual Report. The corporation shall submit an annual report to the governor, the president of the senate, and the speaker of the house of representatives. The report shall include but not be limited to the corporation's audited financial statement, total amount of payroll and other disbursements made, and progress and accomplishments made during the year.

~~(g) The task force shall cease to exist on June 30, 2012.~~

(h) Assistance by state and county agencies. Every state or county agency may render services to the economic development corporation upon request of the corporation.

(i) Exemption of economic development corporation from taxation and competitive bidding.

(a) All revenues and receipts derived by the economic development corporation from any project or under a project agreement or other agreement pertaining thereto shall be exempt from all state and county taxation. Any right, title, and interest of the development corporation in any project shall also be exempt from all state and county taxation. Except as otherwise provided by law, the interest of a qualified person or other user of a project or under a project agreement or other agreements related to a project shall not be exempt from taxation to a greater extent than it would be if the costs of the project were directly financed by the qualified person or user.

(b) The economic development corporation shall not be subject to any requirement of law for competitive bidding for project agreements, construction contracts, lease and sublease agreements, or other contracts unless a project agreement with respect to a project shall so require.

(c) The economic development corporation shall be granted flexibility in hiring its personnel and in handling and disbursing moneys by being exempt from the following state laws:

(1) Sections 36-27 and 36-30, relating to special fund reimbursements to the state general fund;

(2) Chapter 103D, relating to advertising for bids and purchases to be made in Hawaii whenever public moneys are expended;

(3) Chapter 76, relating to civil service; and

(4) Section 78-1, relating to public employment.

(5) Contracts for services necessary for management and operation of corporation. The corporation may contract with others, public or private persons, for the provision of all or a portion of the services necessary for the management and operation of the corporation. The corporation shall have the power to use all appropriations, grants, contractual reimbursements, and all other funds not appropriated for a designated purpose to pay for the proper general expenses and to carry out the purposes of the corporation.

Section 6. Powers of the economic development corporation. The economic development corporation, under the direction of the board of directors, shall have the following general powers:

(1) To adopt, amend, and repeal bylaws governing the conduct of its business and the exercise of the

powers and performance of duties granted to or imposed upon it by law;

(2) To sell, lease, rent, hold, maintain, use, and operate any property, real, personal, or mixed, tangible or intangible, in accordance with the conditions under which it was received;

(3) To enter into and perform such contracts, leases, cooperative agreements, or other transactions with the university or any other agency or political subdivision of the State, any private person, firm, partnership, association, company, or corporation, only as it may be necessary in the conduct of its business and on such terms as it may deem appropriate; provided that the research corporation shall not obligate any funds of the State except those that have been appropriated to it. Notwithstanding the foregoing, the economic development corporation may enter into and perform such contracts, leases, cooperative agreements, or other transactions with any agency or instrumentality of the United States, a foreign nation, a state, a territory, or a possession, or with any political subdivision thereof, whenever the

donating or granting agency or instrumentality
determines that any other agency of the State
cannot as effectively and efficiently accomplish
the purposes for which such contracts, leases,
cooperative agreements, or other transactions are
being entered into; provided that the research
corporation shall not obligate any funds of the
State except those that have been appropriated to
it;

- (4) To receive by gifts, grants, devises, bequests,
or otherwise from private sources only, any
property, real, personal, or mixed, intangible or
tangible, absolutely or in trust, to be used and
disposed of, either the principal or the income
therefrom, in accordance with the conditions
under which it was received; except that no gift
to the research corporation shall be accepted
unless approved or confirmed by the board of
directors. Notwithstanding the foregoing, the
economic development corporation may receive
gifts, grants, or awards from any agency or
instrumentality of the United States, a foreign
nation, a state, a territory, or a possession, or
from any political subdivision thereof, whenever

the donating or granting agency or instrumentality determines that any other agency of the State cannot as effectively and efficiently accomplish the purposes for which the gifts, grants, or awards are being made, except that no gift to the research corporation shall be accepted unless approved or confirmed by the board of directors;

(5) To have a corporate seal;

(6) To sue and be sued in its own name;

(7) To serve as trustee or beneficiary under terms of any gift, indenture, or will;

(8) To conduct research, studies, experiments, investigations, reviews and tests in all fields of knowledge; to promote and develop the scientific and commercial value of inventions, discoveries, and processes; and to make, publish, and distribute the results thereof;

(9) To coordinate and correlate activities and projects of the economic development corporation with the work of state agencies for the purpose of relating economic development work to the economic development of the State whenever practical or desirable;

(10) To stimulate and promote cooperative economic development projects and activities;

(11) To do any or all other acts reasonably necessary to carry out the objects and purposes of the economic development corporation.

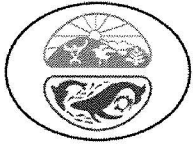
SECTION 7. There is appropriated out of the Environmental Response and Energy and Food Special Fund ~~energy systems development special fund~~ the sum of \$2,000,000 ~~\$250,000~~ or so much thereof as may be necessary for fiscal year 2009-2010 ~~and the same sum or so much thereof as may be necessary for fiscal year 2010-2011~~ for the purpose of supporting the work of the Hawaii Economic Development Corporation ~~energy and food security task force~~. Funding for fiscal year 2010 and beyond will be determined by the amount collected in the newly established special funds in "§243-3.5" for the programs approved by the corporation, its board and the legislature.

The sums appropriated shall be expended by the corporation ~~department of business, economic development, and tourism~~ for the purposes of this Act.

PART IV

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect on July 1,
2009.



Conservation Council for Hawai'i

Testimony Submitted to the House Committee on Agriculture

Hearing: Wednesday, March 2, 2009 10:30 am Room 308

Support for HB 1271 HD 2 Relating to Government

Aloha. My name is Marjorie Ziegler, and I am testifying on behalf of the Conservation Council for Hawai'i and its 6,000 members. We strongly support HB 1271 HD 2, which establishes the Hawai'i an increase in the oil surcharge from \$1 per barrel to \$5 per barrel (generating approximately \$250 million annually). We also recommend the following amendments:

- Increase the oil surcharge to \$5 per barrel (approximately \$250 million annually) and
- Apply the majority of the funding raised through the surcharge to a Clean Energy Investment Fund that is used to:
 1. Vastly increase the capacity of the energy efficiency public benefit funds administrator, including increasing and adding efficiency incentives such as appliance buy-back programs, free home energy audits, solar water heater and compact fluorescent /LED rebates, and other efficiency programs (~\$40 million);
 2. Provide funding to monetize the existing state renewable energy tax credits (i.e., allow investors to tax certain tax credits as direct refunds, administered by DOTAX) (~\$50 million);
 3. Significantly invest in smart grid infrastructure and energy storage, administered by the PUC (cost share with electric utilities) (~\$80 million);
 4. Fund the work of the public utilities commission to expedite the resolution of the many energy dockets currently pending (~\$5 million);
- 5. Offer incentives for electric vehicle purchasers and for those installing public charge spots, administered by DBEDT, DOTAX (~\$10 million);
- 6. Fund the activities of the energy office and greenhouse gas emissions reduction task force, DBEDT, DOH (\$2 million);
- 7. Provide research and development prize money for breakthroughs in commercializing clean, safe, indigenous, and renewable transportation fuels, particularly for jet fuel purposes, administered by UH (\$20 million); and
- 8. Provide funding for other critical projects—including management and oversight of federal stimulus dollars for energy projects—to create Hawai'i's preferred energy future, administered by UH or DBEDT (\$10 million).

Please pass this bill out of committee. Mahalo for the opportunity to testify.



Working Today for the Nature of Tomorrow!

Telephone/Fax 808.593.0235 - email: info@conservehi.org - web: www.conservehi.org

P.O. Box 2923 • Honolulu, HI 96802 • Office: 250 Ward Ave., Suite 212 • Honolulu, HI 96814

Hawai'i Affiliate of the National Wildlife Federation

President: Julie Leialoha • Vice President: Nelson Ho • Secretary: Douglas Lamerson • Treasurer: Kim Ramos

Directors: Maura O'Connor • Melora Purell • George Robertson • Executive Director: Marjorie Ziegler



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.537.9019 hawaii.chapter@sierraclub.org

HOUSE COMMITTEE ON FINANCE

March 2, 2009, 10:30 A.M.

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF HB 1271, HD2

Aloha Chair Oshiro and Members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports HB 1271, HD2, establishing a means to finance smart efforts to ensure Hawai'i's energy and food security security. The bill is a smart tax-shifting policy designed to foster greater energy independence by tapping into the source of our problem so as to fund our preferred future. It has the additional benefit of putting Hawai'i's money to work here on the islands instead of simply sending it off to the Middle East.

The concept behind this measure is to help "internalize" the external costs of certain activities; in this case, charge a fee for products that are damaging to the environment and use that money to help mitigate the damage. The link is quite clear between the use of petroleum products and corresponding impacts on our fragile island environments—not only in oil spills, which was the original impetus for the environmental response tax, but also in runoff from the roads our cars drive on, in degraded air quality, and in greenhouse gas emissions and climate change. This measure would provide additional funds for their efforts, as well as provide funding for energy efficiency projects and development of renewable energy critical for Hawai'i's long-term future.

While we all likely agree we need to aggressively increase our clean energy use in Hawai'i and decrease our reliance on imported crude, we cannot do it with funding for research, development, and policy implementation. House Bill 1271, HD2, wisely taps the source of our problem—imported oil—to fund clean energy programs. We believe this measure will indirectly provide benefits in excess of the small \$1.00 fee increase through facilitating the transition away from expensive fossil fuels. That should remain be our primary focus if the concern is economics.

To put the larger issue of oil cost in perspective, consider we were recently paying a tax of \$95 per barrel of oil. That's the difference between what oil cost in 2008 and what it costs now. This "tax" went into the hands of foreign countries and oil developers. Wouldn't we rather spend this money here in Hawai'i? Wouldn't we rather ensure our oil and food security for the future and avoid future market volatility?



Robert D. Harris, Director

If cost of living and cost to economy are primary concerns (not to mention climate change), providing funding to accelerate clean energy adoption should be a priority—even if it is a nominal \$1.00 charge to residents. Proper investments in energy efficiency will provide immediate benefits to small businesses and low income residents. For example, creating a loan fund for the installation of solar water heaters will create economic benefits for everyone in excess of the imposition of a \$1.00 in charge.

Of course, we are very open to finding ways to mitigate the regressive nature of any carbon fee. For example, the creation of a floor charge of \$60 or \$75 per barrel of oil would utilize the current low prices of oil to maximum effect, but have minimal effect on consumers if and when oil prices rise above this floor charge.

We acknowledge raising taxes is never a popular move. But the public would accept this proposal if there is a solid commitment towards applying the money for the wise use of the Islands' reservoir of power -- the use of wind, waves, geothermal, and the sun.

House Bill 1271, HD2, is smart tax-shifting policy that encourages resource conservation and increases our ability to protect Hawaii's environment by making the "polluter pay." However, as with any bill, improvements could be made. We suggest:

- Removing the following lines from Haw. Rev. Stat. § 128D-2. "The department of taxation then shall notify all distributors liable for collecting the tax imposed by section 243-3.5 of this fact in writing, and the imposition of the tax shall be discontinued beginning the first day of the second month following the month in which notice is given to the department of taxation. If the total balance of the fund thereafter declines to less than \$3,000,000, the department of health shall notify the department of taxation which then shall notify all distributors liable for collecting the tax imposed by section 243-3.5 of this fact in writing, and the imposition of the tax shall be reinstated beginning the first day of the second month following the month in which notice is given to the department of taxation."
- Adding an additional line on page 11 establishing that the fund can be used to investigate and take reasonable steps necessary to protect native habitat from the impacts of climate change.

As we dramatically expand our clean energy capacity in Hawai'i, the real economic benefits of this carbon surcharge will far outweigh the additional burden it may present. This common sense policy will protect Hawai'i by tapping into the source of our problem to fund our preferred future.

Thank you for the opportunity to testify.



The Nature Conservancy
Hawai'i Program
923 Nu'uuanu Avenue
Honolulu, HI 96817

tel (808) 537-4508
fax (808) 545-2019
www.nature.org/hawaii

Testimony of The Nature Conservancy of Hawai'i
Supporting with Amendments H.B. 1271 HD2 Relating to Government
House Committee on Finance
Monday, March 2, 2009, 10:30am, Rm. 308

The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of Hawaii's native plants, animals, and ecosystems. The Conservancy has helped to protect nearly 200,000 acres of natural lands for native species in Hawai'i. Today, we actively manage more than 32,000 acres in 11 nature preserves on O'ahu, Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.

The Nature Conservancy supports H.B. 1271 HD2, particularly the imposition of a reasonable tax increase on imported petroleum as a smart way to support Hawaii's energy security goals, incentivize innovation and change, get off our addiction to polluting fossil fuels, and help us cope with the inevitable effects of climate change.

We strongly recommend the Committee amend the bill to require that a reasonable portion of the barrel fee revenue be used to plan for and help natural systems and communities cope with the inevitable challenges brought on by climate change caused by CO2 emissions from burning fossil fuels. We do agree that the majority of the revenue from the barrel fee should be used to support our transition to clean energy and CO2 emission reduction.

Climate change is an imminent and unprecedented threat to both natural systems (e.g., forests, coastlines, coral reefs, wetlands) and to every person in Hawai'i that—whether they know it or not—depends on services from the natural environment for their livelihoods, health and welfare. Scientists have examined the evidence and rapid climate change is real; it is clearly caused by human activity; it is already a problem for habitat for plants and animals; and, if sources of CO2 are not dramatically reduced, climate change could well have catastrophic results for people and their relationship with the natural environment.

Even if we drastically reduce CO2 emissions now, we will still feel the effects of climate change. In Hawai'i, science is indicating that this may include:

- More frequent and more severe storms;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that may affect the health of forested watersheds;
- Climatic conditions even more conducive to invasive plants, insects and diseases;
- Sea level rise and high wave events that will harm coastal areas and cause seawater infiltration into groundwater systems; and
- Ocean acidification that will inhibit the growth of coral reefs.

In addition, to achieving energy security through vastly greater energy efficiency, technology and renewable energy development, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems.

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COLLEGE OF SOCIAL SCIENCES
public policy center
UNIVERSITY OF HAWAI'I AT MĀNOA

Testimony of
Sharon Y. Miyashiro
Social Sciences Public Policy Center, University of Hawai'i at Manoa
House Committee on Finance
Monday March 2, 2009, 10:30 a.m.
Conference Room 308

IN SUPPORT OF HB 1271, HD 2- Relating to Government

I am Sharon Miyashiro, Associate Director of the Social Sciences Public Policy Center ("Center") at the University of Hawai'i at Manoa and Co-chair of the Hawai'i Energy Policy Forum ("Forum"). I speak in support of the intent of HB 1271 HD2, which establishes the Hawai'i Energy and Food Security Task Force ("Task Force") to advise the Legislature on the development of a roadmap and action plan to achieve food and energy independence and sustainability for Hawai'i.

The Task Force will take an interdisciplinary approach to seeking the most efficient and effective pathways for interagency, inter-sector, and state-county collaboration on balancing water, land, regulatory, and natural resource issues related to food and fuel production. The goal of the Task Force in maximizing opportunities to ensure food and energy security and sustainability is to develop a roadmap and action plan based on a comprehensive review of state and county agency objectives, mandates, programs, and resources; federal and private funds to address energy and food issues; as well as investigate various mechanisms and measures to achieve the goal of fuel and energy independence and sustainability for Hawaii. The resources needed to address these complex issues and develop recommendations to the Legislature are to be provided via the revenues to be generated by a proposed "environmental response and energy and food security tax" provided in section 243-3.5, HRS.

The Center's mission to enhance the quality of community life through education, policy research, and civic engagement has involved our faculty in significant issues for the State. We know first-hand the importance of interdisciplinary and collaborative work to address significant public issues. Having worked on the Hawai'i 2050 Sustainability Plan and the Hawai'i Energy Policy Forum, the Center strongly supports the interdisciplinary and collaborative approach recommended by HB 1271 HD2; and strongly believes that such an approach is critical to successfully address this most significant and complex challenge for Hawai'i.

Hawai'i is vulnerable, being the most distant island state in the world and heavily reliant on imported fuel and food, thus the work of the Task Force proposed would be a major step forward to ensuring Hawai'i's sustainable future.

For the foregoing reasons, the Center appreciates the opportunity to work with and provide support to the named Task Force members and the Department of Business, Economic Development and Tourism, provided that funds are available to obtain the necessary staffing and other support required to achieve the purpose, goals and objectives of HB 1271 HD2. The Center, however, defers to the appropriate state agency(ies) regarding the funding sources cited in Section 3 of the bill.

Based on the foregoing, the UHM Social Sciences Public Policy Center **supports HB 1271 HD 2**. Thank you for the opportunity to testify.

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TESTIMONY

House Finance Committee

RE: HB1271 HD2 RELATING TO GOVERNMENT

Chair Oshiro and Members of the Committee:

Hawaii Farm Bureau Federation, the State's largest general agriculture advocacy organization provides the following comments on HB1271 HD2 which modifies the Environmental Revolving Fund to provide for long term Energy and Food Security.

Hawaii Farm Bureau Federation agrees with the intent of the measure to identify a stable funding source to provide for long term energy and food security in the State. Today, as everyone faces economic hardships, the balance between cutting costs and providing for the future is critical. Agriculture is just at that tipping point. Our farmers and ranchers are undergoing severe hardships not only due to economic challenges but from other fronts including weather, either droughts or flooding. Many of our larger farmers ...those who make a difference in Hawaii's self sufficiency have quietly faded away as they lost their life savings or are unable to pay loans due to increased costs of production. Energy costs play a significant role in their plight – and not just through direct fuel costs to run their tractors but due to their inputs(fertilizers, drip tubing, crop protection chemicals, tractor tires, etc.) that are fossil fuel based, or their utility bills to process or chill their products.

Before taking a position on this measure it is critical that we understand how the costs associated with this Fund complements other changes to the taxes, exemptions and programs in place at this time as well as the other measures before the legislature. While on the surface, it may appear that the cost to a gallon of gasoline is slight, the combined cost from all sectors, gas used directly together with increased costs to move goods and other services that use fuel must be compared to the benefits that are proposed.

Combining Energy and Food Security into a comprehensive plan has merits. As renewable energy facilities are considered, many of the lands on which they could be sited are on agricultural lands. It is a no-brainer that the most productive agricultural lands ..flat terrain, easy access to infrastructure, and good sunlight in the case of solar are the same lands that make it most attractive for energy development. To meet Hawaii's long term food and energy security needs, it will be critical that there be a balance between agriculture and energy production. As energy prices have skyrocketed, there is a rush to provide for long term energy self sufficiency. Last year, when there was a tomato contamination issue, every buyer became Hawaii's tomato farmer's best friend. One week later, as the scare subsided and mainland tomatoes were deemed safe, the buyers no long recognized the existence of the local farmer. The same happens during a strike or catastrophic events. Just as renewable energy facilities cannot be constructed overnight, fields of produce or stockyards of cattle cannot happen when the need suddenly appears. It must be nurtured and cultivated everyday. Agriculture has the potential to not only provide for self

sufficiency but bring new monies into Hawaii with export of unique items that may be in demand on the mainland or in foreign destinations. This new money into Hawaii is important to expand Hawaii's financial needs to provide for services for everyone. Providing for self sufficiency alone does not provide for our long term sustainability.

We agree with the concept of working with Economic Development Boards and strongly urge continued discussion on a Comprehensive Food and Energy Security program. Farm Bureau looks forward to participating in the discussions. It is important that all ramifications to all sectors of society is understood as we move forward with this measure.

Thank you for this opportunity to provide comments on this matter.

Maui County Farm Bureau

An Affiliate of the American Farm Bureau Federation and Hawaii Farm Bureau Federation
Serving Maui's Farmers and Ranchers
P.O. Box 148 Kula, Hawaii 96790

TESTIMONY

House Finance Committee

RE: HB 1271 HD2 Relating to Government

Chair Oshiro and Members of the Committee:

Maui County Farm Bureau is Maui's general agriculture advocacy non-profit organization. Affiliated with the Hawaii Farm Bureau and American Farm Bureau Federation, we represent Maui's farm and ranch families and organizations. MCFB provides the following comments to HB1271, HD2, creating a funding mechanism for long term Energy and Food Security. We reserve taking a position until we fully understand the implications of this measure.

While it is commonly recognized that the Hawaii of today was made possible because of the success of large scale agriculture, its' relevance to current society is ignored. As tourism grew in Hawaii, agriculture's significance to Hawaii was largely ignored. It's critical nature never changed, but as people became less dependent upon farming and ranching for a living, they took it for granted. It became easier to believe that someone else was taking care of making sure that there would be food and fiber ...you just did not have to worry about it. Today, most people do not see agriculture as a business but as a lifestyle, with expectations not grounded in reality. Criticism of large scale agriculture abound with praise for garden style plantings which will not put food on the table for the average person living in Hawaii. This will not provide for increasing Hawaii's long term self sufficiency or sustainability. Farming is hard work ...not just a lifestyle. This apathy to agriculture has spread beyond individuals to policymakers and to the majority of people in Hawaii. There are a few stalwarts who believe in the industry and and a few policymakers who strive to do what is right but it is always an uphill battle with competing interests. What is ironic is that during emergencies and catastrophic events, a temporary awareness occurs ...that local agriculture to provide for a remote isolated island State is important. But, as good times return, this awareness disappears. (How many people count on farmer friends for donations for fundraising events but fail to speak up at public hearings to defend their friends' livelihoods?)

The intent of this measure to provide a stable funding mechanism for energy and food self sufficiency has merits. However, it is occurring at a time when farming is already facing high prices and while we agree with the concept, our position must be determined after understanding all of the ramifications it could have on our industry. During this economic down turn, the true farmers ...those who have and are providing for the people of Hawaii, whether it be food on the table, plants for landscaping, or energy for electricity are the ones at most risk. They have imposed a form of tax on to themselves by not passing on many of the increased costs they have faced. Over 300% increases in fertilizer costs, some of which have reduced but many remain high have not been compensated by higher prices paid for the vegetables or products they produced. Transportation costs already challenge our industry, especially those in livestock, where feed is largely import dependent. We have already lost many dairy farms and can count our poultry farms on one hand. Further increases in costs to this fragile industry will be catastrophic. While per unit cost associated with these measures

may be small, many of the supplies our farmers and ranchers use are bulky with significant volume. That small measure multiplied many times can become a large number very quickly.

MCFB has been partnering with the Maui Economic Development Board to grow our agriculture. One of our challenges is to have farmers and ranchers. They are assisting us in increasing agricultural exposure to students and teachers to get students interested in selecting agriculture as a career choice. As entities adept in seeking grants and other sources of extramural funding to complement public funding, involvement of the Economic Development Boards makes sense. The Economic Development Boards are managed by leaders from a very broad background. Their combined social and business backgrounds will provide a sound basis for decisionmaking.

Even as there is an abundance of agriculturally zoned lands that are not in active agriculture, there are increasing incidences of competing interests for actively farmed lands by renewable energy interests. Hawaii needs both renewable energy and food. Balancing of both needs is critical. By having both responsibilities under one umbrella, responsible for a balanced approach is in the long term interest of Hawaii.

We encouraged continued discussion on this matter that can affect us long into the future. We appreciate this opportunity to provide comment.

Respectfully submitted,

Warren K. Watanabe
Executive Director, MCFB



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March 2, 2009

Hawaii State Legislature
State Capitol
Honolulu, HI 96813

Testimony in support of adoption of HB1271, Relating to Hawai'i Food and Energy Security

Committee on Finance
Rep. Marcus R. Oshiro, Chair
Rep. Marilyn B. Lee, Vice Chair

I, Roderick Hinman of Kailua-Kona, Hawai'i, support HB1271 with amendments contained in proposed HD 3A. My background is electrical engineering; I conduct research on solar energy technologies for a company that is a tenant at the Natural Energy Laboratory of Hawai'i Authority (NELHA).

Although we possess abundant natural energy resources, Hawai'i is extremely dependent upon imported energy. We also import approximately 85% of the food consumed in the state while former sugar cane lands lie fallow. This legislation addresses both of these issues by creating the Hawai'i Economic Development Corporation to direct, coordinate, and fund energy and food security efforts.

It also contains a \$1/barrel tax on imported oil to help fund the Corporation and serve as a small disincentive to the use of oil for energy. As we saw this past summer when oil prices exceeded \$140/barrel, people will reduce their consumption as prices increase. We should use the recent reprieve from those high prices as an opportunity to invest in efficiency and other sources of energy.

For these reasons, I urge you to take bold action now to create and fund the Hawaii Economic Development Corporation through HB 1271 with proposed HD3A.

Sincerely,

Roderick T. Hinman, Ph.D.
Principal Member



LIFE OF THE LAND

76 North King Street, Suite 203

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COMMITTEE ON FINANCE

Rep. Marcus Oshiro, Chair

Rep. Marilyn Lee, Vice Chair

Monday, March 02, 2009

10:30 a.m.

AGENDA # 2

HB 1271, HD2 Food & Energy

SUPPORT

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee,

My name is Henry Curtis and I am the Executive Director of Life of the Land, Hawai`i's own energy, environmental and community action group advocating for the people and `aina for almost four decades. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

Hawai`i's economy is overly dependent on outside forces. We export billions of dollars to buy food and energy, and we need tourist revenue and military expenditures to finance this. So we create a State that caters to outside forces, rather than building what we need here.

If we stopped exporting \$5B a year for food and energy, then through the multiplier effect, the money would be spent locally, rippling through the economy, adding \$15-20 billion dollars of local economic power, strengthening the ability of the State to fix our schools, health care, diversify the economy, etc.

Often we get caught up in solving an issue without considering its impacts on other issues.

We need to ask questions

Should we use agricultural land for bioenergy or food crops?

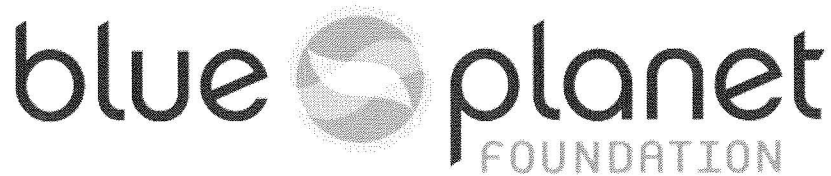
How can we become energy self-sufficient?

How can we become agriculturally self-sufficient?

What policies will lead to both.

We need for the people in government who are pushing for one or the other policies to speak to each other. Please pass the bill.

Mahalo



HOUSE COMMITTEE ON FINANCE

March 2, 2008, 10:30 A.M.

Room 308

(Testimony is 3 pages long)

TESTIMONY IN STRONG SUPPORT OF HB 1271 HD 2, SUGGESTED AMENDMENTS

Chair Oshiro and members of the committee:

The Blue Planet Foundation strongly supports House Bill 1271 HD 2, providing for funding of food and energy security through a surcharge on each barrel of oil imported into Hawai'i. We believe, however, that the best use of the proposed "environmental response and energy and food security" surcharge on oil should be used to accelerate Hawaii's transition to energy independence. Blue Planet proposes the following amendments to HB 1271 HD2:

- Increase the oil surcharge to \$5 per barrel (approximately \$250 million annually); and
- Apply the majority of the funding raised through the surcharge to a Clean Energy Investment Fund that is used to:
 1. Vastly increase the capacity of the energy efficiency public benefit funds administrator, including increasing and adding efficiency incentives such as appliance buy-back programs, free home energy audits, solar water heater and compact fluorescent / LED rebates, and other efficiency programs (~\$40 million);
 2. Provide funding to monetize the existing state renewable energy tax credits (i.e. allow investors to tax certain tax credits as direct refunds, administered by DOTAX) (~\$50 million);
 3. Significantly invest in smart grid infrastructure and energy storage, administered by PUC (cost share with electric utilities) (~\$80 million);
 4. Fund the work of the public utilities commission to expedite the resolution of the many energy dockets currently pending (~\$5 million);
 5. Offer incentives for electric vehicle purchasers and for those installing public charge spots, administered by DBEDT, DOTAX (~\$10 million);

Jeff Mikulina, executive director • jeff@blueplanetfoundation.org

55 Merchant Street 17th Floor • Honolulu, Hawai'i 96813 • 808-954-6142 • blueplanetfoundation.org

6. Fund the activities of the energy office and greenhouse gas emissions reduction task force, DBEDT, DOH (\$2 million);
7. Provide research and development prize money for breakthroughs in commercializing clean, safe, indigenous, and renewable transportation fuels, particularly for jet fuel purposes, administered by UH (\$20 million); and
8. Provide funding for other critical projects—including management and oversight of federal stimulus dollars for energy projects—to create Hawaii’s preferred energy future, administered by UH or DBEDT (\$10 million).

If we truly want to rapidly transition Hawai‘i to energy independence, we have to be prepared to invest in that preferred future today. We cannot afford to wait until the economy recovers and the price of oil returns to triple-digits as it did last summer. The low oil price today presents a perfect opportunity to tap the source of our energy problem to fund our solutions.

Hawai‘i is the most dependent state in the nation on imported oil. Some 50 million barrels are imported annually, nearly 80% of which originate from foreign sources¹. In addition, over 805,000 tons of coal are imported into our state². These sources provide power for over 92% of Hawaii’s electricity generation. The combustion of these resources also contributes over 23 million tons of climate changing greenhouse gas into our atmosphere annually³. Hawaii’s economic, environmental, and energy security demand that we reduce the amount of fossil fuel imported and consumed in Hawai‘i. To that end, new policies and sources of funding are critically needed that will dramatically increase energy efficiency, build our smart energy infrastructure with storage, and develop clean, renewable, and indigenous energy sources

Blue Planet generally supports the establishment of an “energy and food security task force” to be tasked with examining areas of energy security planning and implementation. We have no position at this time on coupling those duties with food security issues, although we understand and appreciate the motivation behind joining those issues. Blue Planet does, however, strongly support levying an additional surcharge on each barrel of oil imported to Hawai‘i and applying

¹ The State of Hawaii Data Book, 2007

² *Ibid.*

³ ICF International. Inventory of Greenhouse Gas Emissions and Sinks in Hawaii: 1990 and 2007. December 2008.

those funds to energy efficiency and clean energy investments. **We believe a \$5 surcharge should be levied on each barrel of oil imported into Hawai'i for these purposes.**

Expanding the per-barrel surcharge, as HB 1271 HD2 does, is smart tax-shifting policy to foster greater energy independence by tapping into the source of our problem to fund our preferred future. The concept behind the measure is to help “internalize” the external costs of certain activities; in this case, charge a fee for products that are damaging to the environment and use that money to help mitigate the damage. The link is quite clear between the use of petroleum products and corresponding impacts on our fragile island environments—not only in oil spills, which was the original impetus for the environmental response tax, but also in runoff from the roads our cars drive on, in degraded air quality, and in greenhouse gas emissions and climate change.

A “clean energy” surcharge on a barrel of oil of \$5 is approximately the same as a carbon tax of \$10.45 per ton of carbon dioxide (CO₂)⁴. It would have a marginal impact on petroleum users, yet significantly increase the state’s ability to deliver energy efficiency investments and clean energy project funding. A \$10.35 “carbon fee” is average. Many European countries have carbon taxes that exceed \$10.00 per ton. Last year, the Canadian province of British Columbia enacted a carbon fee that started at approximately \$8.00 per ton (English) in July, 2008, and increases to \$24 per ton by 2012.

The impact of CO₂ emissions alone from one barrel oil is much greater than the proposed tax. The Gas Company, in their Integrated Resource Plan, attempted to quantify the externalities (impacts not reflected in the market costs of an activity) per ton of pollutant. They examined environmental, energy security, macroeconomic and employment, and social and cultural externalities. Their results are shocking: the low estimate was \$10/ton CO₂, the mid-range was \$27/ton CO₂, and the high was \$77/ton CO₂⁵. Again, the approximate carbon tax equivalent of this measure is \$10.35.

⁴ At 23 lbs CO₂ produced per gallon oil and 42 gallons per barrel.

⁵ The Gas Company, 1999. The Gas Company Integrated Resource Plan Report, Jan 28, 1999 Draft, Honolulu.

While we all likely agree that we need to aggressively increase our clean energy use in Hawai'i and decrease our reliance on imported crude, we cannot do it with funding for planning, implementation, development, and funding. House Bill 1271 HD2 wisely taps the source of our problem—imported oil—to fund clean energy programs.

House Bill 1271 HD2 can be a smart tax-shifting policy that encourages energy conservation while providing critical funding for a diversity of clean energy and energy efficiency investments statewide. It works by making the “polluter pay.” As we dramatically expand our clean energy capacity in Hawai'i, the real economic benefits of this carbon surcharge will far outweigh the additional burden it may present. This common sense policy will foster greater energy independence by tapping into the source of our problem to fund our preferred future.

We ask that the Committee on Agriculture forward an amended HB 1271 HD2 that contains a \$5 per barrel surcharge with funding being allocated to the clean energy and energy efficiency programs as described on page 1 of this testimony. Blue Planet is happy to work with the Committee to develop appropriate language to accomplish that outcome.

Thank you for the opportunity to testify.

Testimony in Support of HB1271

COMMITTEE ON FINANCE

Monday, March 02, 2009

10:30 a.m. Conference Room 308

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee,

I am writing to encourage your support of HB1271. My family runs Inter-Island Solar Supply and for the past year I was employed by Hawaii SEED working to promote sustainable agriculture and educate about the risks of genetic engineering, thus I have a solid background in both our energy and food security issues. This bill would help provide an economic foundation to do the work that we all agree needs to get done- by facilitating our State's transition to being more 'sustainable'.

I hope to see testimony in support of this measure from both DBEDT as well as DOA as both cite lack of staff (funding) to appropriately do their job of accelerating our energy and food security. I have long been curious why Hawaii doesn't have a Department of the Environment (like San Francisco's- sfenvironment.org) and although creating new department or agencies is time consuming and costly, sustainability crosses departmental jurisdictions. The advent of complex issues like GMOs, biofuels and large scale renewable energy projects result in the realms of energy and agriculture interfacing and require increased collaboration between these sectors.

Capitol is necessary to do research and integrate necessary infrastructure, and your support of HB1271 will help serve this need.

Mahalo for your attention.

Meleana Judd
Honolulu/Haleiwa
meleanajudd@gmail.com

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Sunday, March 01, 2009 7:55 AM
To: FINTestimony
Cc: bking@biodiesel.com
Subject: Testimony for HB1271 on 3/2/2009 10:30:00 AM

Testimony for FIN 3/2/2009 10:30:00 AM HB1271

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Robert King
Organization: Individual
Address: 72 Kalola Place HI
Phone: 808 8745703
E-mail: bking@biodiesel.com
Submitted on: 3/1/2009

Comments:

The State must move aggressively to mitigate the risks of our dependence on imported energy and food. This cost should be borne by the products being imported, not by the general fund.

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 28, 2009 10:20 PM
To: FINTestimony
Cc: tracey@kauaioutcallmassage.com
Subject: Testimony for HB1271 on 3/2/2009 10:30:00 AM

Testimony for FIN 3/2/2009 10:30:00 AM HB1271

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Tracey Schavone
Organization: Individual
Address: POBox 676 Anahola, HI
Phone: 808-822-4465
E-mail: tracey@kauaioutcallmassage.com
Submitted on: 2/28/2009

Comments:

This bill recognizes that energy and food are linked, and that in order for Hawai'i to become self-sufficient, we must come up with a solution that addresses them both, together, rather than working separately on each. Should Hawai'i be using our precious agricultural lands to grow energy crops or food? Since Hawai'i imports 90% of our food, wouldn't promoting food security and feeding our people be a more prudent use of these lands? Food Security: Large-scale production of biofuels should not jeopardize food security. Biofuel production should not be the cause either directly or indirectly of the displacement of land used for growing critical food crops.

Please pass this bill.

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Saturday, February 28, 2009 9:02 PM
fo: FINTestimony
Cc: icec002@hawaii.rr.com
Subject: Testimony for HB1271 on 3/2/2009 10:30:00 AM

Testimony for FIN 3/2/2009 10:30:00 AM HB1271

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Charles Ice
Organization: Individual
Address: 98-633 Kilinoe Aiea
Phone: 487-9634
E-mail: icec002@hawaii.rr.com
Submitted on: 2/28/2009

Comments:

Chairs Marcus Oshiro, Vice-Chair Marilyn Lee, And Members, House Committee on Finance

Re: HB 1271 HD2 and proposed HD3
For: Monday, March 2 , 2009 hearing, Room 308

I strongly support this bill.

It has been pointed out too often not to be common understanding nowadays that a major cost of commercial food is subsidized oil inputs in the form of fertilizers, pesticides, mechanization, processing, and shipping. Moreover, the corporate structure of global energy and food corporations are notoriously intertwined, with foreign and economic policy unsurprisingly favoring the predatory practices of both, causing poverty and hunger in producing countries around the planet, leading to resistance and instability. We know these global corporations are literally making a killing while bringing energy and food products that taxpayers generously subsidize to our cars and tables, which we waste in the name of convenience. Please support this bill.

With the collapse of financial markets, the frustration of more predatory rounds of global market negotiations, the arrival of "peak oil" conditions, and the incipient hazards of declining water supplies worldwide, there has never been a better time to strategize how to end the stranglehold global corporations have on our energy and food supplies. Hawaii is blessed with ample resources in land, water, and energy to be far more self-reliant than most of the rest of the world. It is time to end the prejudice for taxpayer subsidies of a global corporate structure that undermines our ability to manage our own affairs. Please support this bill.

The industrial model is going the way of the dinosaurs. Technologies on the shelf can bring us conservation savings, alternative energies, and plentiful local food. Our society is eager for and capable of innovation in how to decentralize these technologies, giving local families more options in bringing costs under control. A kick-start from subsidizing ourselves for a change is a good way to start. Please support this bill.

While there are many tough problems in pursuit of greater self-reliance, we should not be scared off by corporate propaganda that keeps us, childlike, in a state of dependency. Local farmers meet grocery buyers in open markets all during the week here in Hawaii, and supply hotels with fresh food for a cuisine that is justly famous. As shipping costs are sure to threaten our chain of supply, it is time to plan the replacement of subsidized corporate structures with local production of both energy and food. We have a great opportunity to redesign the Honolulu urban transportation fabric and begin the conversion to renewable fuels. We can expand the self-reliance of food production at the same time, bringing both energy and food closer to home. Please support this bill.

Hawaii can establish leadership in these areas that are attracting so much attention, but

we need to take initial steps, show willpower and commitment. HB 1271 HD 2 and HD3 is a simple step in this direction. Let's roll !

Thank you for hearing this bill,

Harley Ice, 'Aiea

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 28, 2009 8:33 PM
To: FINTestimony
Cc: andrea@malamakauai.org
Subject: Testimony for HB1271 on 3/2/2009 10:30:00 AM

Testimony for FIN 3/2/2009 10:30:00 AM HB1271

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Andrea Brower and Keone Kealoha
Organization: Malama Kaua`i
Address: 4900 Kuawa Road Kilauea, HI.
Phone: 808-828-0685
E-mail: andrea@malamakauai.org
Submitted on: 2/28/2009

Comments:

Malama Kaua`i STRONGLY supports this bill. In order for Hawai`i to move towards true sustainability, we must immediately and swiftly address our gross over-dependence on imported food and fossil fuels. This is the first bill in the Hawai`i State Legislature to recognize the connection between our energy and food systems, and it has not come a moment too soon. These systems cannot be understood in isolation, and, in this day of global warming and energy insecurity, policies will only be successful if they are based on a holistic understanding of issues.

FINTestimony

From: mailinglist@capitol.hawaii.gov
ent: Saturday, February 28, 2009 8:02 PM
To: FINTestimony
Cc: mark@marksheehan.com
Subject: Testimony for HB1271 on 3/2/2009 10:30:00 AM

Testimony for FIN 3/2/2009 10:30:00 AM HB1271

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Mark Sheehan
Organization: Maui Tomorrow
Address: 630 E. Kuiaha Rd. Haiku, HI
Phone: 808/573-0111
E-mail: mark@marksheehan.com
Submitted on: 2/28/2009

Comments:

HB1271 is a vital bill for our time. Just as 30 years ago we funded the expansion of tourism, now we must take action to feed ourselves. Every country in the world is studying food security and what to do in the event of a supply disruption. We are a dock strike away from being Amish. Fund this study group and invest in training farmers, leasing lands, homestead opportunities. Sugar and pine are gone; let's use the lands to feed our people. It's nut to spend most tourism revenue on imported food/fuel. TAKE BOLD ACTION NOW TO FEED OUR PEOPLE TOMORROW.
This is a no brainer. Imua!

FINTestimony

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 01, 2009 2:47 PM
To: FINTestimony
Cc: jadamesq@aol.com
Subject: Testimony for HB1271 on 3/2/2009 10:30:00 AM

Testimony for FIN 3/2/2009 10:30:00 AM HB1271

Conference room: 308
Testifier position: support
Testifier will be present: No
Submitted by: Jo-Ann M. Adams, Esq.
Organization: Individual
Address: 411 Hobron Ln #801 Honolulu
Phone: 4797857
E-mail: jadamesq@aol.com
Submitted on: 3/1/2009

Comments:

I strongly support HB1271 HD2

HB 1271 HD 2 establishes the Hawaii Energy and Food Security Task Force to address Hawaii's energy and food security needs by imposing a tax on barrels of imported oil.

Hawaii is dangerously dependent on imported fuel and food. As we try to solve the problem of imported fuel through use of biofuels, we may be exacerbating the toll on the environment. For example, United Nations expert has condemned the growing use of crops to produce biofuels as a replacement for petrol as a crime against humanity. The UN special rapporteur on the right to food, Jean Ziegler, said he feared biofuels would bring more hunger. The growth in the production of biofuels has helped to push the price of some crops to record levels.

Both energy and agricultural policies and affect climate change:

* Climate change occurs through emissions associated with the use of Fossil Fuels;

* Climate change occurs through Land Use Changes that occur when native ecosystems are converted into industrial agriculture.

Biofuel production competes with food products for resources. In the US, corn that could be used to feed people and animals is siphoned off for fuel. In Brazil ethanol production displaces other crops which are then grown in newly decimated Amazon rain forests. The most productive source of biodiesel is palm oil. Most of the world's biodiesel is grown in Indonesia and Malaysia on recently destroyed rain forests. Indonesia ranks third in the world in greenhouse gas emissions from the carbon emitted by burning forests and peat soils to make room for mono-cropped palm oil plantations. In essence, we are substituting the greatest source of global warming - the burning of fossil fuels - for the second greatest contributor - deforestation.

Large-scale production of biofuels should not jeopardize food security. Biofuel production should not be the cause either directly or indirectly of the displacement of land used for growing critical food crops.

Should Hawai'i be using our precious agricultural lands to grow energy crops or food? Since Hawai'i imports 90% of our food, wouldn't promoting food security and feeding our people be a more prudent use of these lands? Can we keep our food supply secure?

These are major policy questions which could be and should be addressed by a Hawaii Energy and Food Security Task Force.



WINDWARD AHUPUA'A ALLIANCE

From the Peaks of *Na Ko'olau* to the Outer Reefs

*Community-Based Planning
Sustainable Economic Development
Restoration, Preservation, Protection & Public Access
Educational & Cultural Programs*

COMMITTEE ON FINANCE

Rep. Marcus Oshiro, Chair

Rep. Marilyn Lee, Vice Chair

PUBLIC HEARING

10:30 am

Monday, March 2, 2009

Conference Room 308

HB 1271 HD2 - RELATING TO GOVERNMENT

Support in Principle + Comments & Amendments

My name is Shannon Wood speaking on behalf of the *Windward Ahupua'a Alliance*, a 501c3 Hawai'i non-profit corporation, established in July, 2002.

WAA works to educate & inform residents, visitors, businesses, policymakers & the media all across Hawai'i about using Smart Growth planning principles.

One of our legislative priorities this session is to establish food and fuel security policies to address both environmental & economic concerns. Land planted with palm trees or soybeans or corn or sugar to be converted into biofuels cannot be turned into food at the same time.

Still, we shouldn't have to be forced to choose between the two. That's why working on these issues in the same room, so to speak, is necessary.

Another issue *WAA* focuses on is directly tied to energy issues - the reduction of greenhouse gas emissions which cause global warming & sea level rise.

WAA is committed to making sure that Hawai'i becomes *energy independent*. By that I mean, we must reduce our consumption of fossil fuels such as oil & coal and start tapping into the wealth of natural energy resources which surround us here in the middle of the Pacific Ocean.

Still, I still have some concerns about this bill. For example, it only addresses imported oil & not coal or any of the so-called green fuels imported into the state.

Second, the \$500,000 allocated to run the Hawai'i Energy & Food Security Task Force over two years is not enough. We must look for creative ways to get the money.

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Voice: 808/247-6366
Cellular: 808/223-4481
Website: <http://www.waa-hawaii.org>

While doing research about Hawai'i's coal usage, I was startled to see that we consume nearly 900,000 short tons a year here. Why don't we add a tax of \$5 a ton to that figure to generate about \$4,500,000 which would be used to support the costs of the *Task Force* and to educate the public about switching to truly green energy resources.

WAA is also adamantly opposed to bringing in biofuels from other parts of the world. We destroy other peoples' lands and use fossil fuels to transport the products across the ocean. My colleague Henry Curtis from *Life of the Land* powerfully addresses these concerns in his testimony.

Another concern we have is that the Hawai'i Energy and Food Security Task Force will be made up of policy wonks with little in the way of real-world experience in running a successful agricultural operation.

On the other hand, task forces with many members such as have been suggested in other bills working their way through the *Legislature* are terribly inefficient. Therefore, I urge the Committee to reconsider some of the appointees to include at least one or two individuals with real-life experiences.

Still another concern deals with the ongoing national debates as to whether we should institute CAP & TRADE policies or a CARBON TAX or both in our collective energy policies to reduce greenhouse gas emissions and to reduce our dependence upon foreign oil.

We have to be very careful that we do not support policies which will work against the interests of folks often left out of the decision-making process - poor people, people of color, people with limited education, people with little or no access to decision-makers.

Economic justice - or its lack - is what concerns me about increasing the surcharge on oil. We must make any carbon tax revenue-neutral. Therefore, if you plan to consider any form of tax to make it financially less attractive to use fossil fuels to power up our homes, businesses & vehicles, then you need to create a tax credit to help offset the higher percentage of total income that many folks will pay for being "green" without any choice in the matter.

The *Carbon Tax Center*, established in January 2007, to give voice to Americans who believe that taxing emissions of carbon dioxide - the primary greenhouse gas - is imperative to reduce global warming, argues that a permanent and increasing U.S. carbon tax is essential to reduce GHG emissions. However, *CTC* also says that a carbon tax should be revenue-neutral and that the government can soften the impacts of added costs by paying back the tax revenues or reducing other taxes.

To summarize - although I support the purpose of this bill, it still needs tweaking in three areas: The makeup of the Task Force, the failure to add coal to the list of fo taxed fossil fuels, and the economic impacts of a regressive carbon tax of people with few options.

Mahalo for the opportunity to testify on HB 1271 HD2.