

Honolulu, Hawaii

Fc 412 , 2010

RE: H.B. No. 2421

H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committees on Energy & Environmental Protection and
Agriculture, to which was referred H.B. No. 2421 entitled:

"A BILL FOR AN ACT RELATING TO GOVERNMENT,"

beg leave to report as follows:

The purpose of this measure is to establish initiatives and
appropriate funds to increase Hawaii's environmental security and
food and energy self-sufficiency. Specifically, this measure:

- (1) Removes the cap on the environmental response revolving
fund;
- (2) Renames the "environmental response tax" the
"environmental response, energy, and food security tax"
and increases the tax to \$1.05 per barrel of petroleum
product, except for aviation fuel, which will be taxed
at 5 cents per barrel;
- (3) Allocates moneys collected by the environmental
response, energy, and food security tax to the energy
security special fund, energy systems development
special fund, and the agricultural development and food
security special fund;
- (4) Authorizes expenditures from the energy security special
fund for various purposes to meet the objectives of the



Hawaii clean energy initiative program and requires annual reporting on use of the funds;

- (5) Exempts from the State's fuel tax sales of petroleum product used by a provider of commercial air transportation to transport persons or property;
- (6) Establishes the Hawaii economic development task force;
- (7) Creates the agricultural development and food security special fund, makes unspecified appropriations from the fund for various agricultural projects and requires annual reporting on the use of the funds;
- (8) Establishes the Hawaii clean energy initiative program to plan the transition to a clean energy economy;
- (9) Appropriates an unspecified amount from the energy security special fund to fund seven positions within the Hawaii clean energy initiative program;
- (10) Establishes the renewable energy branch within the Department of Business, Economic Development, and Tourism;
- (11) Changes the existing position of the renewable energy facilitator to a permanent position and appropriates an unspecified amount from the energy security special fund to fund the position;
- (12) Creates the position of the energy program administrator as a full-time, exempt position within the Department of Business, Economic Development, and Tourism and appropriates an unspecified amount from the energy security special fund to fund the position;
- (13) Establishes seven full-time temporary, exempt positions within the Department of Business, Economic Development, and Tourism to support various planning and renewable projects and appropriates an unspecified amount from the energy security special fund to fund the positions;
- (14) Authorizes the Governor to establish positions necessary to manage renewable energy projects funded by federal grants;



(15) Appropriates an unspecified amount from the energy security special fund to fund the greenhouse gas emissions reduction task force; and

(16) Takes effect on July 1, 2010.

Testimony in support of this measure was submitted by Chamber of Commerce of Hawaii, Hawaiian Airlines, Airlines Committee of Hawaii, Blue Planet Foundation, Life of the Land, The Nature Conservancy, Sierra Club - Hawaii Chapter, Conservation Council for Hawaii, Hawaii Solar Energy Association, Enterprise Honolulu, and Hawaii Farm Bureau. Testimony in opposition to this measure was submitted by the Department of Health, Department of Taxation, and Department of Budget and Finance. Comments were submitted by the Tax Foundation of Hawaii.

Your Committee finds that it is in the best interests of Hawaii's people to develop the capacity to become energy and food self-sufficient and protect human health and the function of Hawaii's natural environment. Your Committee recognizes the frequently expressed concern that the application of the environmental response, energy, and food security tax to aviation fuel may be prohibited by federal law if the revenue from the tax is not used for airport-related purposes. Your Committee requests that future Committees hearing this measure address this concern and consider whether the entire amount of the tax would be a legitimate assessment on aviation fuel if that revenue were then separated and used exclusively to fund agricultural inspection programs at the State's airports.

Your Committee has amended this measure by:

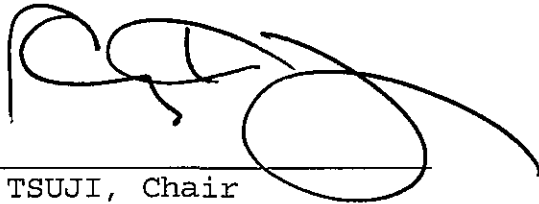
- (1) Clarifying that the environmental response, energy, and food security tax is:
 - (A) \$1.05 with respect to petroleum product that is not aviation fuel; and
 - (B) 5 cents with respect to petroleum product that is aviation fuel; and
- (2) Making technical non-substantive amendments for the purposes of conformity, clarity, and style.

As affirmed by the records of votes of the members of your Committees on Energy & Environmental Protection and Agriculture

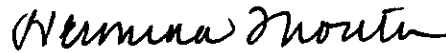


that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2421, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2421, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on behalf of the members of the Committees on Energy & Environmental Protection and Agriculture,



CLIFT TSUJI, Chair



HERMINA MORITA, Chair



State of Hawaii
House of Representatives
The Twenty-fifth Legislature

HSCR 340-10

Record of Votes of the Committee on Energy & Environmental Protection

Bill/Resolution No.: HB 2421	Committee Referral: EEP / AGR, FIN	Date: 2-9-2010 2-4-10 <i>DE</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. MORITA, Hermina M. (C)	✓			
2. COFFMAN, Denny (VC)	✓			
3. CABANILLA, Rida	✓			
4. CHANG, Jerry L.	✓			
5. CHONG, Pono	✓			
6. HAR, Sharon E.	✓			
7. HERKES, Robert N.	✓			
8. ITO, Ken	✓			
9. LEE, Chris	✓			
10. LUKE, Sylvia	✓			
11. SAGUM, Roland D., III	✓			
12. CHING, Corinne W.L.	.			✓
13. THIELEN, Cynthia	✓			
TOTAL (13)	12	0	0	1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <i>Denny Coffman</i>				
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