

STAND. COM. REP. NO.

3045

Honolulu, Hawaii

APR - 1 2010

RE: H.B. No. 2421
H.D. 2
S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred H.B. No. 2421, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO GOVERNMENT,"

begs leave to report as follows:

The purpose of this measure is to promote economic development for Hawaii's locally-produced food and energy industries, encourage food and energy self sufficiency, and address environmental concerns relating to climate change.

Specifically, this measure:

- (1) Removes the cap on the balance in the environmental response revolving fund;
- (2) Renames the "environmental response tax" the "environmental response, energy, and food security tax" and increases the amount of the tax from 5 cents to \$1.05 per barrel of petroleum product;
- (3) Exempts aviation fuel from the environmental response, energy, and food security tax;
- (4) Allocates moneys collected by the environmental response, energy, and food security tax to the environmental response revolving fund, the energy security special fund, the energy systems development



special fund, and the agricultural development and food security special fund;

- (5) Authorizes expenditures from the energy security special fund to meet objectives of the Hawaii Clean Energy Initiative Program including providing support for the Greenhouse Gas Emissions Reduction Task Force and Climate Change Task Force and funding grants-in-aid to the economic development boards and economic development agencies of each county;
- (6) Requires the Department of Business, Economic Development, and Tourism to report annually to the Legislature on uses of the energy security special fund;
- (7) Establishes the Hawaii Economic Development Task Force to facilitate the adoption and completion of renewable energy projects, energy efficiency programs, and agricultural infrastructure and development and appropriates an unspecified amount from the energy security special fund to support the task force;
- (8) Establishes the agricultural development and food security special fund;
- (9) Appropriates unspecified amounts from the agricultural development and food security special fund for various agricultural development and pest control projects;
- (10) Establishes the Hawaii Clean Energy Initiative Program to manage the State's transition to a clean energy economy, by administering various energy development projects;
- (11) Appropriates an unspecified amount from the energy security special fund for the Climate Change Task Force and the Greenhouse Gas Emissions Reduction Task Force;
- (12) Authorizes the Governor to establish positions necessary to manage energy projects funded by federal grants;
- (13) Authorizes the Director of Finance to make a one-time transfer of \$10,000,000 from the energy security special fund to the general fund, provided that \$1,000,000 of



that amount is used to fund agricultural inspectors at the Department of Agriculture;

- (14) Effective June 30, 2015, repeals amendments made relating to the environmental response revolving fund; energy security special fund; the environmental response, energy, and food security tax per barrel amount, the allocations of the tax, and the exemption of aviation fuel from the tax; and the establishment and uses of the agricultural development and food security special fund; and
- (15) Provides for unexpended moneys remaining in the agricultural development and food security special fund upon its repeal, to lapse to the credit of the general fund.

Comments in support of this measure were submitted by The Nature Conservancy and fourteen concerned individuals. Comments in opposition to this measure were submitted by the Department of Taxation. The Department of Budget and Finance submitted comments. The written comments may be reviewed on the Legislature's website.

Your Committee finds that Hawaii's dependence on imported fuel and food threatens the economy of the State by making it susceptible to unpredictable market fluctuations in the price of these commodities. It is therefore important that Hawaii develop a degree of self sufficiency in both its food and energy supplies. Your Committee finds that increasing the per barrel amount of the environmental response tax and broadening the authorized uses of those revenues can help fund many projects and initiatives that will increase the development of locally produced energy resources and help support the growth of the domestic agriculture industry. Furthermore, your Committee finds that moneys collected by the tax are well spent to defend Hawaii's agriculture and natural environment from invasive species, by funding pest eradication programs and the agriculture inspection program.

Your Committee has amended this measure as follows:

- (1) Increasing the amount of the environmental response, energy, and food security tax to \$1.55 per barrel of petroleum product;



- (2) Allocating portions of the amounts collected by the environmental response, energy, and food security tax as follows:
 - (A) 5 cents to the environmental response revolving fund;
 - (B) 10 cents to the energy security special fund;
 - (C) 10 cents to the energy systems development special fund; and
 - (D) 30 cents to the agricultural development and food security special fund;
- (3) Authorizing the expenditure of moneys from the agricultural development and food security special fund to fund agricultural inspectors at the Department of Agriculture and appropriating an unspecified amount for this purpose;
- (4) Deleting the provision for a one-time transfer of \$10,000,000 from the energy security special fund to the general fund, and the provision of \$1,000,000 of that transfer to be allocated to fund agricultural inspectors within the Department of Agriculture; and
- (5) Authorizing the Department of Business, Economic Development, and Tourism to fund staff positions within its Energy Division using moneys from the energy security special fund.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2421, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2421, H.D. 2, S.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

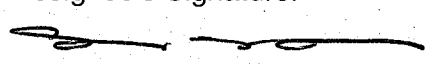


DONNA MERCADO KIM, Chair



The Senate
Twenty-Fifth Legislature
State of Hawaii

Record of Votes
Committee on Ways and Means
WAM

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|--|--|---------------------------|----------|----------|
| Bill / Resolution No.:* HB 2421 HD2 SDI | Committee Referral: WTL/ENE/EDT, WAM | Date: 3/24/2010 | | |
| <input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____ | | | | |
| The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313 | | | | |
| Members | Aye | Aye (WR) | Nay | Excused |
| KIM, Donna Mercado (C) | / | | | |
| TSUTSUI, Shan S. (VC) | / | | | |
| CHUN OAKLAND, Suzanne | / | | | |
| ENGLISH, J. Kalani | / | | | |
| FUKUNAGA, Carol | | | | / |
| GALUTERIA, Brickwood | / | | | |
| HEE, Clayton | / | | | |
| HOOSER, Gary L. | / | | | |
| KIDANI, Michelle N. | / | | | |
| KOKUBUN, Russell S. | / | | | |
| TOKUDA, Jill N. | / | | | |
| HEMMINGS, Fred | | | / | |
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| TOTAL | 10 | 0 | 1 | 1 |
| Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted | | | | |
| Chair's or Designee's Signature:  | | | | |
| Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy | | | | |

*Only one measure per Record of Votes