

STAND. COM. REP. NO.

412

Honolulu, Hawaii

FEB 18 2011

RE: S.B. No. 1164  
S.D. 1

Honorable Shan S. Tsutsui  
President of the Senate  
Twenty-Sixth State Legislature  
Regular Session of 2011  
State of Hawaii

Sir:

Your Committees on Economic Development and Technology and Energy and Environment, to which was referred S.B. No. 1164 entitled:

"A BILL FOR AN ACT RELATING TO ENTERPRISE ZONES,"

beg leave to report as follows:

The purpose of this measure is to amend the definition of "eligible business activity" within the state Enterprise Zones Program to include the production of certain electric power from solar energy. The intent of this measure is to support Hawaii's efforts to increase the use of renewable energy.

Your Committees received testimony in support of this measure from Hawaiian Electric Company, Inc.; Sopogy, Inc.; and Blue Planet Foundation. Your Committees received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Taxation; and Tax Foundation of Hawaii.

Your Committees find that this measure would support the State's efforts to develop a renewable energy sector by providing incentives for Hawaii-based renewable energy companies to develop and expand their facilities. Your Committees are in agreement with testifiers who recommended that the existing enterprise zones be open to all renewable energy development, as land availability and incentives for renewable energy development continue to be issues of concern.



Your Committees have sought the assistance of the Departments of Taxation and Business, Economic Development, and Tourism to obtain their estimates of economic growth measures, as well as revenue loss projections for use of enterprise zone tax incentives. At this early juncture, the Department of Business, Economic Development, and Tourism's projections include the following growth measures: for each \$1,000,000 of a renewable energy company's expenditures, approximately 6.9 direct renewable energy jobs are supported (with average annual salaries of \$74,692), \$515,375 in total direct income is generated, \$108,691 in state tax revenues are generated - which includes all direct, indirect, and induced taxes.

As such, from the Department of Business, Economic Development, and Tourism's perspective, the growth level projected for enterprise zone status is roughly comparable to the tax revenue losses associated with economic zone tax incentives. Your Committees note that, if the two departments are also able to estimate the amount of savings obtained from a reduction in fossil fuel expenditures (monies going out of State) in conjunction with the direct growth measures, it is likely that economic growth will far outweigh short-term tax revenue losses. As such, the use of enterprise zone incentives is a relatively straightforward, quantifiable mechanism for new industry development, job growth, and concurrent economic vitality in targeted industries.

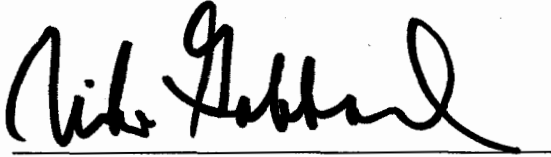
Your Committees have amended this measure accordingly, by expanding the definition of "eligible business activity" to include:

- (1) Production of electric power from renewable energy, rather than only wind and solar energy; and
- (2) Owning, controlling, operating, or managing any seawater air conditioning district cooling project.

As affirmed by the records of votes of the members of your Committees on Economic Development and Technology and Energy and Environment that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1164, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1164, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on  
behalf of the members of the  
Committees on Economic  
Development and Technology and  
Energy and Environment,



MIKE GABBARD, Chair




CAROL FUKUNAGA, Chair



The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

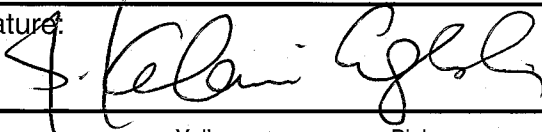
**Record of Votes**  
**Committee on Economic Development and Technology**  
**EDT**

Bill / Resolution No.:* <b>SB1164</b>	Committee Referral: <b>EDT/ENE,WAM</b>	Date: <b>2/11/11</b>		
<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
FUKUNAGA, Carol (C)	✓			
WAKAI, Glenn (VC)	✓			
BAKER, Rosalyn H.	✓			
SOLOMON, Malama	✓			
SLOM, Sam	✓			
<b>TOTAL</b>	<b>5</b>	<del>0</del>	<del>0</del>	<del>0</del>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original             Yellow             Pink             Goldenrod File with Committee Report             Clerk's Office             Drafting Agency             Committee File Copy				

\*Only one measure per Record of Votes

The Senate  
 Twenty-Sixth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Energy and Environment**  
**ENE**

Bill / Resolution No.:* <b>SB 1164</b>	Committee Referral: <b>EDT/ENE, WAM</b>	Date: <b>10 Feb 2011</b>		
<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
GABBARD, Mike (C)	//			
ENGLISH, J. Kalani (VC)	//			
GREEN, M.D., Josh	//			
IHARA, Jr., Les				//
SLOM, Sam				//
<b>TOTAL</b>	<b>3</b>			<b>2</b>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

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