

**NEIL ABERCROMBIE**  
Governor



State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
1428 South King Street  
Honolulu, Hawaii 96814-2512

**RUSSELL S. KOKUBUN**  
Chairperson, Board of Agriculture

**JAMES J. NAKATANI**  
Deputy to the Chairperson

**TESTIMONY OF RUSSELL S. KOKUBUN  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEES ON ENERGY AND ENVIRONMENTAL  
PROTECTION AND AGRICULTURE**

**WEDNESDAY, FEBRUARY 9, 2011  
8:30 A.M.  
CONFERENCE ROOM 312**

**HOUSE BILL NO. 1019  
RELATING TO SUSTAINABILITY**

Chairs Morita and Tsuji and Members of the Committees:

Thank you for the opportunity to testify on House Bill No. 1019 which is an Administration measure. The purpose of this bill is to amend Section 243-3.5, the Environmental Response, Energy, and Food Security Tax by allocating an equal share the sixty cents currently deposited into the General Fund to the Department of Business, Economic Development and Tourism's Energy Security Special Fund and the Department of Agriculture's Agricultural Development and Food Security Special Fund.

The Department of Agriculture supports this measure but also realizes that the constraints on the State budget require balancing this request in the context of other priorities. However, should the funds become available for the purposes stated in this bill, the Department of Agriculture is prepared to utilize the revenues for the projects and programs as described in the attachment to our testimony.

The equal distribution of the undistributed sixty cents between the Agriculture and Energy special funds is one of the recommendations made by the Hawaii Economic Development Task Force (HEDTF, created by Act 73, 2010 SLH) as seen in its Interim Report to the 2011 Legislature. The Report did not recommend an increase in the



barrel tax itself. Act 73 also requires the Department of Agriculture to develop a spending plan and listing of all expenditures for existing and new programs and activities for the Agriculture special fund to FY 2015; identification of who is being served using the expenditures; and the objectives and expected outcomes of the expenditures. To meet these reporting requirements, the Department planned and carried out a two-phase process. Phase One was to create awareness of Act 73 and to solicit ideas for programs and concept from agricultural stakeholders which included county agricultural specialists, Hawaii Farm Bureau Federation, Hawaii Cattlemen's Council, Hawaii Coffee Growers Association, Hawaii Florist and Shippers Association, College of Tropical Agriculture and Human Resources, the Hawaii Agriculture Research Center, and Department staff. Phase II was to develop the ideas generated by Phase I into program and activity proposals. A total of three meetings were held with the stakeholders in late 2010 to meet the reporting requirements of Act 73. The stakeholders agreed that equally allocating the undistributed sixty cents to the Energy and Agriculture special funds was desirable. The stakeholders also agreed that the funds from the Agriculture special fund should be used to supplement existing funds for agriculture appropriated by the Legislature and should not supplant current funding. The stakeholders also provided a number of suggested projects by allowable uses for Fiscal Years 2012 to 2015 which we have attached to our testimony in their entirety. Regarding the matrix of projects, we caution that the projects and programs listed are subject to reprioritization and/or expansion as necessary.

Thank you, again, for the opportunity to testify on this measure.

Attachment

**Estimated Cost Per Fiscal Year for All Agricultural Development & Food Security Special Fund Projects Organized by Allowable Uses (HRS Ch. 141)**

Note: Priorities for HDOA operations are shown in bold.

Note: \*\* denotes funding from both the Agricultural Development & Food Security and Energy Security special funds.

Note: Appendix B contains any proposals that were submitted. The numbers in parenthesis in the table below indicate the proposal # in Appendix B.

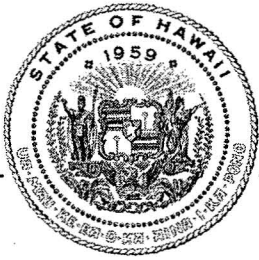
		FY 12	FY 13	FY 14	FY 15	Total
A. The awarding of grants to farmers for agricultural production or processing activity						
	Livestock Feed Reimbursement program (2 yrs)	2,000,000	2,000,000			4,000,000
	Grants to farmers to address pest issues, alternative energy	TBD				TBD
	Irrigated pasture	\$370,000	110,000	110,000	110,000	700,000
B. The acquisition of real property for agricultural production or processing activity						
	Acquire private agriculture lands or ag. easements	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
C. The improvement of real property, irrigation systems and transportation networks necessary to promote agricultural production or processing activity						
	County IAL mapping	200,000	200,000	200,000	200,000	800,000
	Private irrigation systems serving IAL -matching funds for CIP **	\$4,000,000	4,000,000	4,000,000	4,000,000	16,000,000
	Pipe Schofield R-1 wastewater for agriculture use in Kunia	TBD				TBD
	Well infrastructure renovation in Ka'u	TBD				TBD
	Water tunnel renovations and distribution pipelines on Kauai	TBD				TBD
	Assist with costs for dam safety certification	TBD				TBD
	Fund additional irrigation workers for state irrigation systems	TBD				TBD
	Value added facilities, certified kitchens	TBD				TBD
	Consolidation and marshalling facilities at the ports	TBD				TBD
	Improvements to Kula Vacuum Cooling Plant	TBD				TBD
	Subsidize transportation costs	TBD				TBD

D. The purchase of equipment necessary for agricultural production or processing activity						
		FY 12	FY 13	FY 14	FY 15	Total
	Establish Mobile slaughterhouse and processing unit	400,000				400,000
	Fund Kamuela Vacuum Cooling Plant repairs	TBD				TBD
	Funding to renovate aging processing facilities	TBD				TBD
	Fumigation chamber for export crops	TBD				TBD
E. The conduct of research on and testing of agricultural products and markets						
	New Varieties of Coffee (Appendix B #1)	45,000	45,000	45,000	45,000	180,000
	Selection of vegetable varieties (App.B #2)	63,000	53,000	49,000	49,000	214,000
	Coffee flower synchronization (App B #3)	45,000	45,000	45,000	45,000	180,000
	PBARC Coffee research (Appendix B #4)	105,000	105,000	105,000	105,000	420,000
	Rust-resistant coffee cultivars (App B #5)	80,000	80,000	80,000	80,000	320,000
	Coffee processing improvements (App B #6)	30,000	30,000	30,000	30,000	120,000
	Annual research funding for ag and aquaculture	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
	Improvement of food security and reduction of food safety problems (Appendix B #7)	50,000	100,000	100,000	200,000	450,000
	Farm level water and produce testing (Appendix B #8)	35,000	65,000	120,000	220,000	440,000
	Controlling Seasonal Production and Fruit Quality Problems in Pineapple (Appendix B #9)	90,105	89,105	89,105	0	268,315
	Sustainable Tropical Vegetable Production Systems (Appendix B #10)	106,500	106,500	106,500	0	319,500
	Taro Acridity (App B #11)	93,100	82,100	82,100	0	257,300
	Microbial And Pesticide Concerns With Leafy Vegetables (App B #12)	144,500	132,500	132,500	0	409,500



F. The funding of agricultural inspector positions within the department of agriculture. (Statutory language should be expanded to include all biosecurity-related positions and activities in HDOA.)						
		FY 12	FY 13	FY 14	FY 15	Total
	<b>Funding of PQ and commodities inspector positions</b>	<b>1,018,456</b>	<b>1,018,456</b>	<b>1,018,456</b>	<b>1,018,456</b>	<b>4,073,824</b>
	Additional HDOA positions requested by industry	TBD				TBD
	<b>Continue Invicta database development</b>	<b>200,000</b>	<b>200,000</b>			<b>400,000</b>
	Maui Biosecurity harbor infrastructure improvements	TBD				TBD
G. The promotion and marketing of agricultural products grown or raised in the state						
	Developing a Hawaii Grown Tea Industry (Appendix B #13)	114,504	117,654	122,332	128,350	482,840
	Hawaii Coffee Growers Association Trade Shows (Appendix B #14)	40,000	40,000	40,000	40,000	160,000
	Hawaii House in Shanghai	50,000	50,000	50,000	50,000	200,000
	Public education, marketing and promotion	TBD				TBD
	Agricultural Education in schools	TBD				TBD
	Permanent locations to showcase agriculture	TBD				TBD
H. Any other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the state.						
	<b>Funding of Entomologist positions</b>	<b>255,995</b>	<b>255,995</b>	<b>255,995</b>	<b>255,995</b>	<b>1,023,980</b>
	<b>Energy &amp; Food Security Planners **</b>	<b>214,286</b>	<b>214,286</b>	<b>214,286</b>	<b>214,286</b>	<b>857,144</b>
	New Plant Distribution Center (Appendix B #15)	198,675	200,675	200,675	190,675	790,700
	Coffee berry borer fumigation station	50,000	0	0	0	50,000
	Sanitation measures to reduce coffee berry borer (App B #16)	127,000	127,000	127,000	127,000	508,000

H. Any other activity intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the state.						
		FY 12	FY 13	FY 14	FY 15	Total
	Hawaii Master Beef Producers (Appendix B #17)	198,868	198,868	198,868	198,868	795,472
	Farm Food Safety Coaching(Appendix B #18)	237,568	234,618	236,689	238,780	947,655
	Workforce Expansion	12,000	12,000	12,000	12,000	48,000
	State-Level Food Ombudsman	TBD	TBD	TBD	TBD	TBD
	<b>Total Expenditures</b>	<b>12,574,557</b>	<b>11,912,757</b>	<b>9,770,506</b>	<b>9,558,410</b>	<b>43,816,230</b>



NEIL ABERCROMBIE  
GOVERNOR

RICHARD C. LIM  
INTERIM DIRECTOR

## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of  
**RICHARD C. LIM**  
**Interim Director**  
Department of Business, Economic Development, and Tourism  
before the  
**COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION**  
and  
**COMMITTEE ON AGRICULTURE**  
Wednesday, February 9, 2011  
8:30 a.m.  
State Capitol, Conference Room 312  
  
in consideration of  
**HB1019**  
**RELATING TO SUSTAINABILITY.**

Good morning Chair Morita, Chair Tsuji, Vice Chair Coffman, Vice Chair Hashem and Members of the Committees. My name is Richard Lim and I'm the Interim Director of the Department of Business, Economic Development, and Tourism (DBEDT).

HB1019 amends the environmental response, energy, and food security tax to require that 45 cents of such tax be deposited into the energy security special fund, and 45 cents be deposited into the agricultural development and food security special fund. The Department of Business, Economic Development, and Tourism strongly supports this Administration-proposed bill. This bill will provide a sustainable funding for the Hawaii State energy program and personnel which is critical in achieving Hawaii's energy security by reducing the state's dependence on imported fossil fuels by at least 70% by 2030.

The Hawaii State Energy Office personnel and programs are currently funded under the Federal State Energy Program Petroleum Violation Escrow Fund (PVE) and the American Recovery and Reinvestment Act of 2009 (ARRA). The PVE and the ARRA funds will run out

by the end of FY 11 (June 2011), and April 2012, respectively. It is critical and imperative that we establish a sustainable funding for the Hawaii energy programs and personnel if we are to continue on our journey towards clean and sustainable energy future.

In the last three short years, the Hawaii energy program has achieved so much and has made a difference in effecting Hawaii's energy transformation. Some of these accomplishments include:

1. The launching of the Hawaii Clean Energy Initiative in partnership with the U.S. Department of Energy, which provided a framework for Hawaii's energy goal of reducing the state's dependence on imported fossil fuel by at least 70% by 2030. The achievement of this goal will greatly benefit Hawaii's economy, environment, energy security and sustainability, in many ways including achieving the following:
  - a. Energy security through reduced reliance on imported oil supplies and exposure to the volatile prices of the world oil market;
  - b. Risk management by increased diversification of the electricity generation portfolio;
  - c. Economic benefits including increased quality job creation, economic development and diversification, and fewer dollars leaving Hawaii's economy;
  - d. Reduced greenhouse gas emissions and the attendant negative impact on climate change, global warming, and Hawaii's environment.
2. The Hawaii State Energy Office's strong partnership with the US Department of Energy (USDOE) as exemplified by the launching of HCEI, has generated a total of USDOE funding of over \$10M for technical studies and planning support for HCEI such as the grid studies for Oahu, Maui, and the Big Island, and the implementation studies for determining the feasibility of integrating the Big Wind projects to the HECO grid.

3. The signing of the Energy Agreement between the State and the HECO Companies which committed the utilities to procure and integrate approximately 1100 MW of renewable energy resources in their generation portfolios.
4. The development, adoption, and implementation of major State energy policies including the enhancement of Hawaii's Renewable Portfolio Standards (Hawaii's RPS Law) increasing the 2020 RPS goal of 20% to 25% and the establishment of an RPS goal of 40% by 2030; and the adoption of the Energy Efficiency Portfolio Standards (EEPS) goal of 4,300 gigawatt-hours by 2030. DBEDT's initial estimates indicate that the achievement of both the RPS and the EEPS goals will reduce our fuel imports used for electricity generation by over 90% by 2030.
5. The adoption of major regulatory transformation including the adoption of a decoupling mechanism for the HECO Companies, and the approval and implementation of the Feed-in Tariffs Tier 1 and Tier 2 programs in the HECO Companies' service territories. There are currently over 30 energy policy related regulatory proceedings before the PUC, and the Hawaii State Energy Office is intervening in seven of the major dockets that would affect the achievement of Hawaii's energy goals.
6. The Hawaii clean energy programs and initiatives have induced and facilitated the creation of approximately 11,145 green jobs in Hawaii by private industry.
7. A DBEDT survey of 161 private and public businesses/institutions indicated that investments for 2009 amounted to \$345 million, and is projected to be \$917 million in 2010 and reach \$1.2 billion in 2011.
8. The Hawaii State Energy Office continues to develop and manage over 40 contracts worth a total of \$36 million. These energy contracts are aimed at helping reduce Hawaii's dependence on imported fuels and encompass key areas of the energy sectors including installation of energy storage batteries in the islands of Maui and Hawaii as mitigation measures to increase the islands' grid's capability to interconnect renewable energy resources; the initiation of the Hawaii EV Ready Program aimed at installing electric vehicle (EV) charging

stations; funding the EIS requirements for the undersea cable to bring the wind resources to where the demand for energy is highest; and several contracts aimed at increasing energy efficiency including some that are specifically targeted to decreasing the state facilities' electricity consumption and electricity costs.

9. The Hawaii State Energy Office also has the statutory duties to facilitate permitting of renewable energy projects.
10. The Hawaii State Energy Office also has the statutory responsibility for the State's energy emergency preparedness planning and maintaining and enhancing the State's emergency response capability.

These achievements and responsibilities demonstrate the breadth and depth of the Hawaii State Energy Office's capability in effecting the transformation of Hawaii's energy landscape. Although our team has done so much in such a short period, there is still much to be done, and the need for a sustainable and predictable funding for the energy programs and personnel such as proposed in this bill is critical if we are to move forward in this great journey.

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#### Impact of this HB 1019

The passage of this measure will allow the Hawaii State Energy Office to:

1. Support energy efficiency programs such as updating building codes for increased energy efficiency and promoting sustainable buildings.
2. Assist in the planning and development of more than 45 utility-scale renewable energy projects throughout Hawaii, from project financing to project assessment.
3. Expedite permitting for renewable energy projects and develop a one-stop online permitting portal for projects.
4. Prepare and respond to Hawaii energy emergencies.
5. Coordinate with government agencies and industry to prepare for widespread use of alternative fueled and advanced technology vehicles in Hawaii.
6. Provide guidance and expertise in the development of alternative fuel projects.

7. Intervene in regulatory dockets that facilitate the achievement of the State's energy goals and policies.
8. Support the development of interisland undersea cable project.
9. Participate in energy conferences, workshops, seminars, expos that include presentation and training focused on building standards and codes, LEED, energy efficiency rebates/loans, lighting efficiency, solar energy/PV, ocean thermal and wave energy, wind energy, geothermal energy, biofuels, and electric vehicles/transportation.

Given the State's current economic condition, putting Hawaii's residents back to work is the State's top priority, and we believe the clean energy sector is a vital contributor. From planners, architects, and attorneys developing projects, to carpenters and electricians building them, to energy consumers enjoying more stable energy prices, many sectors of the economy benefit from clean energy.

DBEDT strongly supports this bill as critical to continuing our long-term commitment to reducing our dependence on imported fossil fuels. We respectfully request your committees to support the passage of HB 1019.

Thank you for the opportunity to offer these comments in support of HB 1019.



NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



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FREDERICK D. PABLO  
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR  
DEPUTY DIRECTOR

## HOUSE COMMITTEES ON ENERGY & ENVIRONMENTAL PROTECTION AND AGRICULTURE

### TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 1019 RELATING TO SUSTAINABILITY

\*\*\*WRITTEN TESTIMONY ONLY\*\*\*

**TESTIFIER:** FREDERICK D. PABLO, INTERIM DIRECTOR OF  
TAXATION (OR DESIGNEE)  
**COMMITTEE:** EEP-AGR  
**DATE:** FEBRUARY 9, 2011  
**TIME:** 8:30AM  
**POSITION:** SUPPORT FOR ADMINISTRATION MEASURE

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This measure revises the payout of the Environmental Response, Energy, and Food Security Tax, effective July 1, 2011.

The Department of Taxation (Department) supports this Administration measure.

The purpose of this measure is to ensure consistent funding for two very important State programs—the Energy Security Special Fund and the Agricultural Development & Food Security Special Fund. The Department defers to the Departments of Business, Economic Development & Tourism and Agriculture on the particulars of this funding measure.

This measure will result in the following revenue impacts:

- **General Fund:** Revenue loss of \$13.7 million/year for FY 2012 and thereafter.
- **Special Fund:** Revenue gain of \$6.85 million/year for FY 2012 and thereafter for the Energy System Development Special Fund, and \$6.85 million/year for FY 2012 and thereafter for Agriculture Development and Food Security Special Fund.



## UNIVERSITY OF HAWAII SYSTEM

### Legislative Testimony

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Testimony Presented Before the  
House Committee on Energy and Environmental Protection/Agriculture  
February 9, 2011 at 8:30am

By

Virginia S. Hinshaw, Chancellor  
and

Sylvia Yuen

Interim Dean and Director of the College of Tropical Agriculture and Human Resources  
University of Hawai'i at Mānoa

#### HB 1019 RELATING TO SUSTAINABILITY

Thank you for the opportunity to testify in support of HB 1019, Relating to Sustainability. I am Sylvia Yuen, Interim Dean and Director of the College of Tropical Agriculture and Human Resources (CTAHR).

Agriculture is an important contributor to Hawai'i's economy, but it also preserves green spaces and offers a connection to the culture, history, and lifestyle of our Island communities. There is a symbiotic relationship between agriculture and energy—agricultural products can be a source of energy, as in biofuels, and energy efficiencies in growing and processing food can enable agriculturists to reduce costs and become or remain economically viable. As the Food and Energy Security Act 73 (10) recognized, it is in the best interests of Hawai'i's people to build the state's capacity for self-sufficiency in its energy and food needs, as stated in the *Hawaii 2050 Sustainability Plan* and the *Hawaii Clean Energy Initiative*. There are, however, several longstanding issues that impede progress toward self-sufficiency in agriculture, including land, water, workforce development, public awareness and support, marketing and competitiveness, research and development, transportation and energy, food safety, bio-security, environmental concerns, and financing. All of the aforementioned require a long-term strategy, focused attention and action, consistent resources, and coordination among stakeholders. Unfortunately, progress in many of these areas has been slow or erratic because consistent and sufficient resources have not been available.

HB 1019 proposes to increase the allocated amount from \$0.15 to \$0.45 to both the energy security fund and the agricultural development and food security special fund. This will address the problem of inconsistent and/or lacking resources which has stunted the growth of agriculture in the state. For example, adoption of HB 1019 will make it possible to provide sustained investments and support for retaining and maintaining agriculture infrastructures, such as water storage capacity, conservation, and irrigation systems, as well as for capital improvement of dams and reservoirs. Although the proposed agricultural development and food security special fund will not be sufficient to build and maintain all of the state's water resources and infrastructure, the consistency and increased level of funding will enable considerable advancements to be made.

HB 1019 is critically important to the success of agriculture and moving Hawai'i toward greater food and energy self-sufficiency, and I support its adoption.



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**Statement of Melissa White, Managing Partner of Lumen Solar LLC  
before the  
COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION  
AND  
COMMITTEE ON AGRICULTURE**

Wednesday, February 9, 2011  
8:30 a.m.  
State Capitol, Conference Room 312

in consideration of  
HB1019  
RELATING TO SUSTAINABILITY

Good morning Chairs Morita and Tsuji, Vice Chairs Coffman and Hashem, and Members of the Committees. My name is Melissa White and I'm the Managing Partner of Lumen Solar LLC.

I and my Company strongly support HB 1019, to further move Hawaii towards food and energy security through the intended purpose of Act 73 (2010), which states these goals as a clear public benefit.

The ability of the State to acquire consistent, sustained funding enables building the capacity to meet the State's goals in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative." This in turn will allow Hawaii to measurably achieve food sustainability and to reduce the State's heavy dependence on imported fossil fuels.

Thank you for the opportunity to offer these comments.

Sincerely,

A handwritten signature in cursive script that reads "Melissa M. White".

Melissa White  
Managing Partner, Lumen Solar LLC

\* See proposed H.B. 1019 immediately following



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923 Nu'uuanu Avenue  
Honolulu, Hawai'i 96817

Tel (808) 537-4508  
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nature.org/hawaii

Testimony of The Nature Conservancy of Hawai'i  
Supporting with Amendments H.B. 1019 Relating to Sustainability  
House Committee on Energy and Environmental Protection  
House Committee on Agriculture  
Tuesday, February 9, 2011, 8:30AM, Rm. 312

The Nature Conservancy **supports with the attached amendments** H.B. 1019. In addition to addressing Hawai'i's energy and food security goals, we think the barrel tax revenue should help address the direct affects of climate change caused by burning fossil fuels.

Act 73 (2010) establishing the barrel tax and the subsequent report of the Economic Development Task Force both acknowledge that consumption of fossil fuels contributes to climate change and the deterioration of Hawai'i's environment. Both state their purpose to "[h]elp Hawai'i's natural resources and population adapt and be resilient to the inevitable challenges brought on by climate change caused by...burning fossil fuels." Act 73 further acknowledges that our lives and the economy are intertwined with the health and function of the natural world around us. Yet, surprisingly, neither Act 73 nor the Task Force report take any specific action or make any recommendation to address the direct effects of climate change.

**We recommend this bill be amended (see attached) to require a small portion (5-10%) of the barrel fee be used to actually help communities and our natural resources cope with the inevitable challenges of climate change caused by emissions from burning fossil fuels. A good start would be to fund and implement the Climate Change Task Force (Act 20; 2009) created by the Legislature.**

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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions now, we will still feel the effects of climate change. In Hawai'i, science indicates 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.

**Proposed amendments attached.**

BOARD OF TRUSTEES

S. Haunani Apoliona Christopher J. Benjamin Anne S. Carter Richard A. Cooke III Peter H. Ehrman Kenton T. Eldridge  
Thomas M. Gottlieb Donald G. Horner J. Douglas Ing Mark L. Johnson Dr. Kenneth Y. Kaneshiro Bert A. Kobayashi, Jr.  
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James C. Polk H. Monty Richards Jean E. Rolles Scott C. Rolles Crystal K. Rose Nathan E. Smith Eric K. Yeaman

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# A BILL FOR AN ACT

RELATING TO SUSTAINABILITY.

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

SECTION 1. The Legislature finds that the State needs to direct new revenues towards new priorities and move immediately to drive the clean energy and food sustainability agenda in Hawaii, as well as address the effects of climate change caused by burning fossil fuels. Through Act 73, Session Laws of Hawaii 2010, the legislature recognized that it is in the best interest of Hawaii's people to build the capacity needed to become self-sufficient in our energy and food needs as stated in the "Hawaii 2050 Sustainability Plan" and the "Hawaii Clean Energy Initiative".

The State of Hawaii relies on imports for approximately ninety per cent of our energy and food needs. This dependency is economically and environmentally unsustainable, and undertaking the important task of energy and food security requires a long-term commitment and investment of substantial financial resources. Act 73 was therefore enacted to increase the per-barrel tax on petroleum products under the environmental response, energy, and food security tax, formerly known as the environmental response tax.

In addition, one of five goals of the Hawaii 2050 Sustainability Plan is that our natural resources are responsibly and respectfully used, replenished and preserved for future generations. Act 73 states that the mass consumption of fossil fuels, driven by our dependence on food and energy imports, contributes to climate change and the deterioration of the environment, including severe storm events, less rainfall, warmer temperatures that favor invasive species, a rise in sea levels, and ocean acidification that hampers coral growth. These climate changes will likely impose major, but not fully understood, costs and other impacts on Hawaii's people and the natural capital we depend upon to support our lives in the



middle of the Pacific Ocean. Nowhere is it more obvious than in remote islands like Hawaii that our lives and economy are intertwined with the health and function of the natural world around us. For these reasons, Act 73 specifically includes in its purposes to help Hawaii's natural resources and population adapt and be resilient to the inevitable challenges brought on by climate change caused by burning fossil fuels.

SECTION 2. The legislature further finds and declares that the environmental response, energy, and food security tax was intended to support critical investments in clean energy and local agricultural production in order to reduce the State's dependence on imported fossil fuels and food products, as well as to help Hawaii address the likely effects of climate change caused by burning fossil fuels. As currently apportioned, only a combined \$0.30 of the \$1.05 per-barrel tax is being allocated to the energy security fund and the agricultural development and food security special fund, with just \$0.15 ~~is~~ going to each fund. ~~Nothing is being allocated to address the effects of climate change on communities and Hawaii's environment.;~~ ~~while t~~ The majority of the funds, \$0.60 per barrel, is going directly to the General Fund. This was clearly not the intent of the aforementioned Act. Increasing the allocated amount from \$0.15 to \$0.405 to the energy security fund and the agricultural development and food security special fund, respectively, as well as allocating \$0.10 to a climate change resilience and adaptation special fund, will support the intended purposes of Act 73 of 2010 and is a clear public benefit.

SECTION 3. Section 243-3.5, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) In addition to any other taxes provided by law, subject to the exemptions set forth in section 243-7, there is hereby imposed a state environmental response, energy, and food security tax on each barrel or fractional part of a barrel of petroleum product sold by a distributor to any retail dealer or end user of petroleum product, other than a refiner. The tax shall be \$1.05 on each barrel or fractional part of a barrel of petroleum product that is not aviation fuel; provided that of the tax collected pursuant to this subsection:

- (1) 5 cents of the tax on each barrel shall be deposited into the environmental response revolving fund established under section 128D-2;
- (2) ~~[15]~~ 40 cents of the tax on each barrel shall be deposited into the energy security special fund established under section 201-12.8;



- (3) 10 cents of the tax on each barrel shall be deposited into the energy systems development special fund established under section 304A-2169; and
- (4) [15] 40 cents of the tax on each barrel shall be deposited into the agricultural development and food security special fund established under section 141-10.
- (5) 10 cents of the tax on each barrel shall be deposited into the climate change resilience and adaptation special fund established under section 195D- ."

**SECTION 4.** Section 128D-2, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) Moneys from the fund shall be expended by the department for response actions and preparedness, including removal and remedial actions, consistent with this chapter; provided that the revenues generated by the environmental response, energy, and food security tax deposited into the environmental response revolving fund:

- (1) Shall be used:
  - (A) For oil spill planning, prevention, preparedness, education, research, training, removal, and remediation; and
  - (B) For direct support for county used oil recycling programs; and
- (2) May also be used to support environmental protection and natural resource protection programs, including energy conservation and alternative energy development, and to address concerns related to air quality, global warming climate change, 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 5. Chapter 195D, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§195D- Climate change resilience and adaptation special fund; establishment. (a) There is established within the state treasury the climate change resilience and adaptation special fund.

(b) The following shall be deposited into the special fund:

- (1) The portion of the environmental response, energy and food security tax specified under section 243-3.5;
- (2) Any appropriation by the legislature into the special fund;
- (3) Any grant or donation made to the special fund; and
- (4) Any interest earned on the balance of the special fund.

(c) Subject to legislative appropriation, moneys in the special fund may be expended to promote the resilience and adaptation of indigenous plants, animals, aquatic life, and their associated ecosystems to ensure their ongoing health, function and ability to deliver public services such as fresh water, sediment control, shoreline protection, and food in the face of the effects of global climate change, including but not limited to the following:

- (1) The awarding of grants to governmental and non-governmental entities and individuals;
- (2) The acquisition of real property;
- (3) The protection, management and restoration of forests, watersheds, coastal resources, and fresh water and marine ecosystems;
- (4) Addressing threats posed by invasive species;
- (5) The restoration of forests for the purposes of carbon sequestration and other ecosystem services;
- (6) The purchase of necessary equipment;
- (7) The conduct of necessary research and planning;
- (8) To fund, to the extent possible, the climate change task force; and

Any other activity intended to preserve the function and health of natural systems to adapt and be resilient to the effects of climate change.

(d) The department shall manage the special fund, including any expenditures from the fund, in consultation with the division of forestry and wildlife, the division of aquatic resources, the natural area reserve system commission, the forest stewardship commission, and the University of Hawaii Center for Island Climate Adaptation and Policy."

(e) The department shall submit a report to the legislature no later than twenty days prior to the convening of each regular session on the status and progress of existing programs and activities, and the status of new programs and activities funded under the climate change resilience and adaptation special fund. The report shall also include the spending plan of the climate change resilience and adaptation special fund, all expenditures of climate change resilience and adaptation special fund moneys, the specific objectives of the expenditures, and measurable outcomes."

SECTION 6. There is appropriated out of the climate change resilience and adaptation special fund, the sum of \$ or so much thereof as may be necessary for each of fiscal years 2011-2012 and 2012-2013 for the climate change task force established pursuant to Act 20, Session Laws of Hawaii 2009.

The sum appropriated shall be expended by the office of planning within the department of business, economic development, and tourism for the purposes of this part.

SECTION 7. This Act does not affect the rights and duties that matured, penalties that were incurred, and proceedings that were begun, before its effective date.

SECTION 8. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 9. This Act shall take effect on July 1, 2011.



February 7, 2011

Representative Hermina Morita  
Chair, EEP  
Representative Clift Tsuji  
Chair, AGR  
Hearing on HB1019  
State Capitol, Conference Room 312

Aloha Chairs Morita and Tsuji,

Vice Chairs Coffman and Hashem, I am writing to express my strong support for House Bill 1019. As a lead economic development organization in the State of Hawaii, Enterprise Honolulu is actively engaged in activities to revitalize our Agriculture industry (towards food security) and continue to move our state towards the objectives of Energy Self reliance and the Hawaii Clean Energy Initiative.

Enterprise Honolulu assisted in drafting Act 73, the voice of the community which was polled was overwhelmingly weighted towards the request to use the monies being taken for the intent so that Hawaii will realize a shift from our current dependency of imported food and fuel.

The task is large and requires a consistent and endured commitment of financial resources.

I ask for your consideration to support HB1019 as we do our part to work with all parties for a better future for our keiki.

Please feel free to contact me directly should you have any questions.

Sincerely,

Pono Shim  
President & CEO  
Enterprise Honolulu, Oahu Economic Development Board



**ENTERPRISE**  
HONOLULU

THE BUSINESS CLIMATE OF PARADISE

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# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** FUEL, Environmental response, energy and food security tax

**BILL NUMBER:** SB 1246; HB 1019 (Identical)

**INTRODUCED BY:** SB by Tsutsui by request; HB by Say by request

**BRIEF SUMMARY:** Amends HRS section 243-3.5 to increase the amount deposited into the energy security special fund from 15 cents to 45 cents. Also increases the amount deposited into the agricultural development and food security special fund from 15 cents to 45 cents.

**EFFECTIVE DATE:** July 1, 2011

**STAFF COMMENTS:** This is an administration measure submitted by the department of business, economic development and tourism BED-12(11). 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. Last year, the legislature by Act 73, SLH 2010, increased the amount of the tax to \$1.05 per barrel and provided that 5 cents of the tax shall be deposited into the environmental response revolving fund; 15 cents shall be deposited into the energy security special fund, 10 cents shall be deposited into the energy systems development special fund; 15 cents shall be deposited into the agricultural development and food security special fund; and the residual of 60 cents shall be deposited into the general fund between 7/1/10 and 6/30/15.

This measure proposes to increase the amount deposited into the energy security special fund from 15 cents to 45 cents and the agricultural development and food security special fund from 15 to 45 cents. This will result in no residual funds deposited into the general fund.

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 as it was initially enacted with a palatable and acceptable tax rate of 5 cents and subsequently increasing the tax rate once it was enacted which is what it has morphed into as evidenced by the \$1.05 tax rate. 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.

It should be remembered that the State Auditor has singled out the environmental response revolving 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 programs should not compete for general funds like all other programs that benefit the community as a whole.

This measure was approved last year on the basis that it would insure energy self-sufficiency and food security, but instead of devoting the proceeds from the entire dollar increase to these purposes the legislature instead used 60 cents of every dollar to shore up the state general fund. This measure now proposes to restore that amount to the various programs it was supposed to have funded. If nothing else, this is a demonstration of expediency, if not a disingenuous act on the part of lawmakers. Taxpayers should demand on-going accountability of how this money will be used and whether or not the expenditure of these funds undergoes the same close scrutiny of other taxpayer dollars.

It should be noted that the measure to increase the environmental response, energy, and food security tax was vetoed by the governor and subsequently overridden by the legislature. The governor's message stated that the measure was vetoed "because it raises taxes on Hawaii residents and businesses by an estimated \$22 million per year at a time when the community cannot afford these taxes, and deceptively implies these funds will be used to address the state's dependence on imported fuel and food. This tax will impact virtually everything we do or use in Hawaii including electricity, gasoline, trucking, shipping, retail goods, food, and even the propane for our backyard barbeques. The impacts will ripple through our entire economic system. I am particularly concerned that the tax increase occurs at a precarious moment when the State economy is beginning to stabilize and progress out of the slump created by the global recession."

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 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. Unfortunately, it will be the poor who bear the brunt of this additional tax burden as nearly all of their income will be spent on goods and services that will be affected by the barrel tax. So much for caring for the poor in our community.

## coffman3 - Sean

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 08, 2011 12:48 PM  
**To:** EEPtestimony  
**Cc:** info@waa-hawaii.org  
**Subject:** Testimony for HB1019 on 2/9/2011 8:30:00 AM

Testimony for EEP/AGR 2/9/2011 8:30:00 AM HB1019

Conference room: 312  
Testifier position: support  
Testifier will be present: Yes  
Submitted by: Shannon Wood  
Organization: Windward Ahupua`a Alliance  
Address: PO Box 6366 Kane`ohe, HI 96744  
Phone: 808/247-6366  
E-mail: [info@waa-hawaii.org](mailto:info@waa-hawaii.org)  
Submitted on: 2/8/2011

### Comments:

On behalf of the Windward Ahupua`a Alliance, a 501c3 organization which was one of the original sponsors of the "Barrel Tax" bill back in 2009, I support this bill with an amendment.

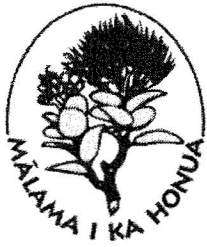
The purpose of HB 1019 is to restore the amount of money taken away during the final hours last Session from the original "Barrel Tax" bill to put into the General Fund to help reduce the deficit. Funding for all of the programs - food & fuel security, renewable energy, and environmental response programs - will be fully funded. No funds would go into the General Fund.

However, I propose that HB 1019 be amended to shift three to five cents per barrel to underwrite the work of the Climate Change Task Force which was never funded after former Governor Linda Lingle's veto was overridden in July, 2009. Legislation to re-establish the Climate Change Task Force is working its way through the Senate and will be heard on Thursday, February 10, at 4:15 pm.

Funding the Task Force from the sales of fossil fuels makes more sense than doing so from the General Fund.

Mahalo for the opportunity to testify on this bill.





# Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803

808.538.6616 hawaii.chapter@sierraclub.org

## HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION HOUSE COMMITTEE ON AGRICULTURE

February 9, 2011, 8:30 A.M.  
(Testimony is 1 page long)

### TESTIMONY IN STRONG SUPPORT OF HB 1019

Aloha Chair Morita, Chair Tsuji, and Members of the Committees:

The Hawai'i Chapter of the Sierra Club *strongly supports* HB 1019, which re-establishes financing to ensure Hawai'i's energy and food security security. The bill is a smart and needed improvement to last year's historic policy.

We suggest, however, consider funding:

1. **Public Benefit Funds.** Contributions to the existing energy efficiency Public Benefit Funds Administrator (regulated by the Public Utilities Commission), which would directly increase and add efficiency incentives (such as appliance buy-back programs, free home energy audits, solar water heater and compact fluorescent/LED rebates, and other efficiency programs). In addition, contributions could be made into direct incentive programs that are designed to maximize small, local renewable energy sources.
2. **Agricultural land use planning.** It's apparent we need a long term plan that lays out Hawai'i's food security future. Where are we going to grow our own food? A small amount of funding to plan our future could go a long way to adopting real and necessary policy changes
3. **Climate change/adaptation planning.** Two years ago, this Legislature passed a Climate Change task force. We suggest allocating a small portion to ensure this task force may proceed.

Mahalo for the opportunity to testify.

**coffman3 - Sean**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 08, 2011 2:59 PM  
**To:** EEPtestimony  
**Cc:** janey@hawaii.rr.com  
**Subject:** Testimony for HB1019 on 2/9/2011 8:30:00 AM

Testimony for EEP/AGR 2/9/2011 8:30:00 AM HB1019

Conference room: 312  
Testifier position: support  
Testifier will be present: No  
Submitted by: Jane Yamashiro  
Organization: Ola Hawii 2020  
Address: 6770 Hawaii Kai Drive #1205 Honolulu, hawaii 96825  
Phone: 808-394-1025  
E-mail: [janey@hawaii.rr.com](mailto:janey@hawaii.rr.com)  
Submitted on: 2/8/2011

**Comments:**

I support the reallocation of funds to support agriculture and energy