



From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 03, 2011 9:11 AM
To: WLOtestimony
Cc: Tracy.S.Oshiro@hawaii.gov
Subject: Testimony for HB1256 on 2/4/2011 10:00:00 AM
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Categories: Red Category

Testimony for WLO/EEP 2/4/2011 10:00:00 AM HB1256

Conference room: 325
Testifier position: oppose
Testifier will be present: Yes
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Comments:



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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**Testimony of
WILLIAM J. AILA, JR.
Chairperson**

**Before the House Committee on
WATER, LAND, & OCEAN RESOURCES**

**Friday, February 4, 2011
10:00 AM
State Capitol, Conference Room 325**

**In consideration of
HOUSE BILL 1256
RELATING TO GEOTHERMAL ROYALTIES**

House Bill 1256 would require that the State's share of the geothermal royalties be expended exclusively for projects and expenses located in the county in which the geothermal resource was produced. The Department of Land and Natural Resources (Department) opposes this bill.

At present, the Department receives 50% of the geothermal royalties generated from the use of geothermal resources, which the Department deposits to its Special Land and Development Fund (SLDF). The remaining 50% of royalties is split between the county in which the resource was produced (30%) and the Office of Hawaiian Affairs (20%). The Department relies on the SLDF to help financially support in part the Department in fulfilling its mission. The Department is responsible for managing approximately 1.3 million acres of public lands and the State's natural and cultural resources, including State's coastal lands and waters, water resources, geothermal resources, conservation and forestry lands, historical sites, small boat harbors, parks, and other recreational facilities; performing public safety duties (e.g., flood and rock fall prevention); issuing and managing leases of public lands; maintaining unencumbered public lands; and enforcing Departmental rules and regulations.

The Department generates the primary source of revenues for the SLDF through the issuance and management of leases, permits, mining licenses, land licenses (e.g., timber, quarrying activities, etc.), water licenses, easements and other dispositions. The SLDF covers 100% of the payroll, fringes, operating and maintenance expenses for the Department's geothermal program staff, Land Division, the Office of Conservation and Coastal Lands, and most recently, the Dam Safety Program as mandated by the 2009 Legislature. The SLDF also covers the payroll and fringes of certain staff from the Commission on Water Resource Management, and has been relied upon by most Divisions and Offices within the Department to cover emergency response, hazard

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AQUATIC RESOURCES
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BUREAU OF CONVEYANCES
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CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

mitigation and budgetary shortfalls in program funding. Over the years, the importance of the SLDF to the Department has correspondingly increased, especially during declining economies and tight budgets.

Due in part to numerous "special fund" raids, and most recently a decline in tenant revenues, the SLDF's current revenue stream is now barely sufficient to cover the Land Division's basic payroll obligations, and ordinary operating expenses. Additionally, the revenues from geothermal energy production are tied to rates utility companies charge for power production, and are therefore tied to the cost of oil and diesel fuel. When fuel prices fell after their highs in 2008, revenues from geothermal energy production and the royalties payable on those revenues likewise fell dramatically (about an 80% decline in total royalties paid from fiscal year 2009 to fiscal year 2010).

It is imperative that the Department be productive to generate as much revenues as possible in order to support the Department's programs and operations for the sake and survival of the Department. It is equally important that the funds generated by the Department, including geothermal royalties, stay to support the Department for the reasons noted above. The Department therefore opposes House Bill 1256.