

NEIL ABERCROMBIE
Governor



RUSSELL S. KOKUBUN
Chairperson, Board of Agriculture

JAMES J. NAKATANI
Deputy to the Chairperson

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

**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. 1386
RELATING TO FUEL TAXES**

Chairs Morita and Tsuji and Members of the Committees:

Thank you for the opportunity to testify on House Bill No. 1386. The purpose of this bill is to amend Section 243-3.5, the Environmental Response, Energy, and Food Security Tax by increasing the barrel tax by one dollar to a total of \$2.05, allocating an equal share of this increase 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, and not reallocating the undistributed sixty cents presently going to the General Fund.

The Department of Agriculture supports the intent of this measure but also realizes that the constraints on the State budget and the community 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
	Funding of PQ and commodities inspector positions	1,018,456	1,018,456	1,018,456	1,018,456	4,073,824
	Additional HDOA positions requested by industry	TBD				TBD
	Continue Invicta database development	200,000	200,000			400,000
	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.						
	Funding of Entomologist positions	255,995	255,995	255,995	255,995	1,023,980
	Energy & Food Security Planners **	214,286	214,286	214,286	214,286	857,144
	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
	Total Expenditures	12,574,557	11,912,757	9,770,506	9,558,410	43,816,230



The Nature Conservancy of Hawai'i
923 Nu'uuanu Avenue
Honolulu, Hawai'i 96817

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nature.org/hawaii

* See proposed H.U. 1
immediately following

Testimony of The Nature Conservancy of Hawai'i
Supporting with Amendments H.B. 1386 Relating to Fuel Taxes
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. 1386. 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 CO₂ 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 CO₂ 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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A BILL FOR AN ACT

RELATING TO FUEL TAXES.

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

SECTION 1. The legislature finds that the portion of the environmental response, energy, and food security tax being allocated to support energy security and agricultural development and food security is not adequate to support vital and necessary programs.

The legislature further finds that the funds allocated into the energy security special fund will not be sufficient to fund the energy division staff of the department of business, economic development, and tourism in the fiscal year beginning on July 1, 2012. For the fiscal year ending on June 30, 2011, a majority of the staff funding is being supplied by the remaining balance in the petroleum violation trust fund and funds from the American Recovery and Reinvestment Act.

The legislature further finds that the funds being allocated into the agricultural development and food security special fund must be increased to address increased incidents involving the introduction of invasive species. The recent discovery of the coffee berry borer beetle on the island of Hawaii requires immediate and ongoing action to protect the State's coffee industry.

The legislature reiterates its finding in Act 73 (2010) 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.

The purpose of this Act is to:

- (1) Add funding to increase the State's food self sufficiency and to sustain programs to the maximum extent feasible; and
- (2) Add funding to ensure the staffing levels within the energy division of the department of business, economic development, and tourism needed to support and maintain the policies of Hawaii's clean energy initiative.
- (3) Add funding 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. 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~~] \$2.05 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~~] 60 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~~] 60 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- .

The tax imposed by this subsection shall be paid by the distributor of the petroleum product."

SECTION 3. 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 4. 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 5. There is appropriated out of the climate change resilience and adaptation special fund, the sum of \$ [redacted] 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 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 7. This Act shall take effect on July 1, 2011.

From: Brian Bell [reachbrianbell@yahoo.com]
Sent: Sunday, February 06, 2011 11:38 AM
To: EEPtestimony
Cc: Sen. Les Ihara, Jr.; Rep. Calvin Say
Subject: Testimony is Support of HB 1386

Aloha Chair Morita and Members of the Committee:

I support HB 1386, which would raise the barrel tax and allocate the funds where they were supposed to go in the first place: to the energy security and agricultural development funds.

A tax like this is a very enlightened policy mechanism that has worked well in places around the world. It taxes what you want less of, oil use, and moves these dollars to what you want more of, energy and food independence and security.

Hawaii imports not only most of its energy, but also most its food. If we want to live sustainably and not send out tens of billions of dollars each year to pay for food and energy, we must pass this bill. Just think if those dollars stayed in the economy and turned over a few more times. The tax revenue from this additional economic activity would more than cover this program.

Mahalo for considering my testimony.

Brian Bell
4626 Sierra Dr.
Honolulu, HI 96816
808-227-7087

coffman3 - Sean

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 07, 2011 8:34 PM
To: EEPtestimony
Cc: auntiepualani@gmail.com
Subject: Testimony for HB1386 on 2/9/2011 8:30:00 AM

Testimony for EEP/AGR 2/9/2011 8:30:00 AM HB1386

Conference room: 312
Testifier position: support
Testifier will be present: No
Submitted by: Pualani Ramos
Organization: Na Pualani Learning Ohana
Address: 1361 Nanawale Place Kailau, HI
Phone: 808-262-3253
E-mail: auntiepualani@gmail.com
Submitted on: 2/7/2011

Comments:

Dear Legislators,
Let's use the barrel tax to help make Hawaii self sufficient by allocating the money for renewable energy and local farming.
Mahalo,
Pualani Ramos



February 9, 2011

**TESTIMONY BEFORE THE HOUSE COMMITTEES ON
ENERGY & ENVIRONMENTAL PROTECTION AND ON AGRICULTURE
ON HB 1386 RELATING TO FUEL TAXES**

Thank you Chair Morita, Chair Tsuji and committee members. I am Gareth Sakakida, Managing Director of the Hawaii Transportation Association (HTA) with over 400 transportation related members throughout the state of Hawaii.

Hawaii Transportation Association opposes the increase of the barrel tax, especially in light of legislation to propose increases in the vehicle registration, weight tax, and liquid fuel tax.

In spite of economic forecasts showing some improvement for Hawaii in the coming years, those times are not yet here and the transportation industry still suffers from losing as much as half its activity over the past three years.

The creation of this fund last year added about \$200 per vehicle per year. This bill proposes another \$200 additional expense. The City & County of Honolulu also hit us last year and this year with increases of the vehicle weight tax boosting our per vehicle cost an average of \$400 in 2010 and another \$400 this year.

Add those hits to this year's proposals to increase the per vehicle cost by \$170 (registration and weight proposals), and each penny of fuel tax increase means an average of \$55 in additional cost.

Unlike governments, we do not have the power to mandate price increases so we have been cutting budgets and making do with less. The industry just cannot afford the kind of money everyone is seeking.

Thank you.

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: HB 1386

INTRODUCED BY: Coffman

BRIEF SUMMARY: Amends HRS section 243-3.5 to increase the environmental response, energy and food security tax from \$1.05 to \$2.05 and increase the amount deposited into the energy security special fund from 15 cents to 65 cents, and increase the amount deposited into the agricultural development and food security special fund from 15 cents to 65 cents.

EFFECTIVE DATE: July 1, 2011

STAFF COMMENTS: 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 increases the amount of the tax from \$1.05 to \$2.05 and proposes to increase the amount deposited into the energy security special fund from 15 cents to 65 cents and the agricultural development and food security special fund from 15 to 65 cents. This increase is unacceptable when one remembers that the increase to \$1.05 was predicated on devoting the entire amount to energy self-sufficiency and food security. Taxpayers should feel insulted that the tax is being increased even more this year because the barrel tax is being used to bail out the state general fund, letting lawmakers off the hook from making the cuts to state spending that are so critical if the ship of state is to be righted on its keel. Avoiding making those cuts in spending by raising hidden taxes, like the barrel tax, is less than honest as the tax is imposed on a transaction that is not seen by the average taxpayer. To merely up the tax to do what the original barrel tax proposal should have done is disingenuous and insincere.

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 which benefit the community as a whole.

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.

coffman3 - Sean

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 08, 2011 12:45 PM
To: EEPtestimony
Cc: info@waa-hawaii.org
Subject: Testimony for HB1386 on 2/9/2011 8:30:00 AM

Testimony for EEP/AGR 2/9/2011 8:30:00 AM HB1386

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
Submitted on: 2/8/2011

Comments:

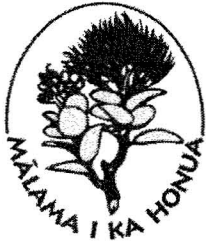
On behalf of the Windward Ahupua`a Alliance, a 501c3 organization which was one of the original sponsors of the "Barrel Tax" bill back in 2009, I support this bill with an amendment.

The purpose of HB 1386 is to raise the "Barrel Tax" by \$1 in order to replace the amount of money taken away last Session to put into the General Fund to help reduce the deficit. By increasing the tax, the food & fuel security, renewable energy, and environmental response programs will be funded with the balance going to the General Fund.

However, I propose that HB 1386 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.



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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 1386

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

The Hawai'i Chapter of the Sierra Club ***strongly supports*** HB 1386, 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.