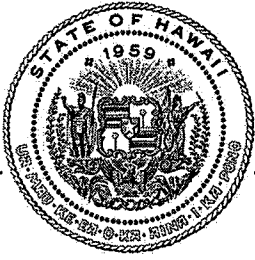


SB 1164



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

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Statement of
RICHARD C. LIM
Interim Director
Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

February 24, 2011
9:00 AM
State Capitol, Conference Room 211

in consideration of
SB 1164, SD1
RELATING TO ENTERPRISE ZONES.

Chair Ige and, Vice Chair Kidani and Committee Members:

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB 1164, SD1, which amends the definition of “eligible business activity” in the Enterprise Zones Program to include the production of renewable energy as defined in section 269-91 and owning, controlling, operating or managing any seawater air conditioning district cooling project.

We defer, however, to the Department of Taxation for the revenue impact of this measure.

Thank you for the opportunity to offer these comments.

TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Renewable energy resources

BILL NUMBER: SB 1164, SD-1

INTRODUCED BY: Senate Committees on Economic Development and Technology and Energy and Environment

BRIEF SUMMARY: Amends HRS section 209E-2 to amend the definition of "eligible business activity" in an enterprise zone to include the: (1) production of electric power from renewable energy from: (a) wind; (b) the sun; (c) falling water; (d) biogas; (e) geothermal; (f) ocean water, currents and waves; (g) biomass; (h) biofuels; and (i) hydrogen for sale to a public utility for resale; and (2) owning, controlling operating, or managing any seawater air conditioning district cooling project.

EFFECTIVE DATE: Upon approval

STAFF COMMENTS: Act 160, SLH 2000, expanded the enterprise zone laws by revising the definition of qualified businesses to include businesses engaged in producing electric power from wind energy which is subsequently sold to a public utility for resale, making the business eligible for enterprise zone benefits. The proposed measure would further extend enterprise zone benefits to the: (1) production of electricity from renewable energy sources; and (2) owning, controlling operating, or managing any seawater air conditioning district cooling project.

In an enterprise zone, businesses are attracted and encouraged to relocate to the zone through tax incentives, bonds, and other appropriate measures. Businesses located in an enterprise zone may claim a credit against taxes paid for a period of seven-years and also allows the sale of items sold by such businesses to be exempt from the general excise tax.

If it is the intent of the legislature to encourage new and existing businesses to expand their employment bases and increase their marketing territories, enterprise zones merely exacerbate what is already considered a poor climate in which to do business. Singling out specific areas of the state merely confers preferences for those businesses located within those geographic areas at the expense of all other taxpayers who are not so favored. It should be remembered that those taxpayers who live and work in the zone will demand the same public services as those who are not as fortunate to be located in the zone. Who then will pay for these services?

The question is why confer enterprise status on this type of activity as it would seem the location and placement of the solar collectors would be more important than the fact that the facility is located in a depressed economic zone. This proposal is counter-intuitive and fails to recognize the forces and factors taken into consideration in establishing a business enterprise. Then again, having much experience doing business is sorely lacking in the policymaking arena today.

SB 1164, SD-1 - Continued

The proposed measure also provides that the owning, controlling operating, or managing of a sea water air conditioning system would be eligible for enterprise zone benefits. While it appears that the legislature wishes to subsidize a project that is already on the drawing boards, the question is whether or not the project has demonstrated a need for such special treatment or is it just a matter that the legislature just wants to look like it is doing something to “revitalize the economy?” Using the back door means of conferring an enterprise zone benefit upon this project implies the legislature knows better what this project needs to become a success. The project may not need all of the exemptions and exclusions from taxes and employment mandates, but instead, it may need financing. Thus, unless the project has identified where it needs assistance, creating an enterprise zone makes absolutely no sense.

Concurrent efforts must be made to improve Hawaii’s business climate to enhance the economic prospects for all businesses. Enterprise zones are merely an abdication of government’s responsibility to create a nurturing and supportive business climate so that all businesses can thrive in Hawaii and provide the jobs the people of Hawaii need.

Digested 2/23/11

HAWAII RENEWABLE ENERGY ALLIANCE

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Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

SB 1164 SD1 RELATING TO RENEWABLE ENERGY

February 24, 2011

Chair Ige, Vice-Chair Kidani and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of HREA's goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of SB 1164 SD1 is to amend the definition of "eligible business activity" in Hawaii's enterprise zone program to include the production of certain electric power from renewable energy, and owning, controlling, operating, or managing a seawater air conditioning district cooling project.

HREA **strongly supports** this measure as it will assist developers of renewable projects in Hawaii and support our state's Clean Energy objectives, as well as help create and sustain green jobs for our economy.

Thank you for this opportunity to provide comments in support of this measure.

Please pass this measure out.

Testimony before the Senate Committee on

Ways and Means

S.B. 1164 S.D. 1 – Relating to Enterprise Zones

**Thursday, February 24, 2011
9:00 am, Conference Room 211**

**By Arthur Seki
Director of Renewable Technology
Hawaiian Electric Company, Inc.**

Chair Ige, Vice Chair Kidani and members of the Committee:

My name is Arthur Seki—I am the Director of Renewable Technology at Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company (HECO) and its subsidiaries, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO) hereinafter collectively referred to as HECO.

HECO strongly supports S.B. 1164 S.D. 1, which amends the state enterprise zone language to include all renewable energy development. Land availability and incentives for renewable energy development continue to be issues.

Thank you for the opportunity to present this testimony.