

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LORETTA J. FUDDY, A.C.S.W., M.P.H.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

COMMITTEE ON FINANCE

H.B. 451, H.D.1, RELATING TO FOSSIL FUELS

Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Director of Health

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2:00 P.M.

1 **Department's Position:** The Department of Health strongly supports this measure since it will further
2 the State goals of energy and food self-sufficiency and environmental response activities. While the
3 proposed measure expands the Environmental Response, Energy, and Food Security Tax ("barrel tax")
4 to include liquid, gaseous, and solid fossil fuels having an energy equivalent of 5,800,000 British
5 Thermal Units (BTU), DOH believes that the unit of taxation as "barrel" for petroleum products already
6 taxed for clarity should be maintained. The Department recommends that suggested administration
7 amendments be incorporated to maintain existing barrel tax on petroleum products, while adding new
8 paragraphs for liquid natural gas or gaseous fossil fuels and solid fossil fuels taxation and reallocating
9 barrel tax revenues to its original purposes.

10 **Fiscal Implications:** The measure will result in the potential additional revenue to the agricultural
11 development and food security special fund; the energy security special fund; the energy systems
12 development fund and the environmental response revolving fund. H.B. 451, H.D.1 expands the barrel
13 tax to be levied on each barrel equivalent of liquid, gaseous, or solid fossil fuels having an energy
14 content of 5,800,000 BTUs. The Department defers to the Department of Taxation (TAX), Department

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1 of Agriculture (AG), and the Department of Business, Economic Development, and Tourism (DBEDT)
2 to determine more specific details of the potential revenues.

3 **Purpose and Justification:** The Department uses the environmental response revolving fund to
4 respond to and clean up hazardous material releases to the environment which may also affect public
5 health. Other uses of the fund include protection of state waters and regulation of solid and hazardous
6 wastes. Over the last several years, there has been a steady decrease in the environmental response
7 revolving fund revenues due to various factors, such as the global recession, an increase in more fuel
8 efficient and hybrid vehicles, and the trend towards alternative non-petroleum-based energy sources.
9 The current 5 cents per barrel that goes to the environmental response revolving fund will not provide
10 sufficient funding to support the Departments' statutorily mandated mission of protecting human health
11 and the environment given the decline in funding. Therefore, the proposed measure to include imported
12 liquefied natural gas (LNG), other gaseous fossil fuels and solid fossil fuels as part of the environmental
13 response, energy, and food security tax is critical to providing the necessary resources and to reduce the
14 state's dependence on imported energy resources.

15 Thank you for the opportunity to testify on this important measure.