

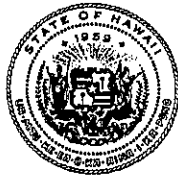
HB 2312, HD2

Measure Title: RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD SECURITY TAX.

Report Title: Environmental Response, Energy, and Food Security Tax

Description: Changes the amount of the barrel tax for the Environmental Response, Energy, and Food Security Tax that shall be deposited into the Environmental Response Revolving Fund from five cents of the tax on each barrel to an unspecified amount to support environmental activities and programs. Effective July 1, 2030. (HB2312 HD2)

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



LINDA ROSEN, M.D., 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:

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

**H.B. 2312 H.D. 2, RELATING TO THE ENVIRONMENTAL RESPONSE,
ENERGY, AND FOOD SECURITY TAX**

**Testimony of Linda Rosen, M.D., M.P.H.
Director of Health**

**March 18, 2014
3:15 p.m.**

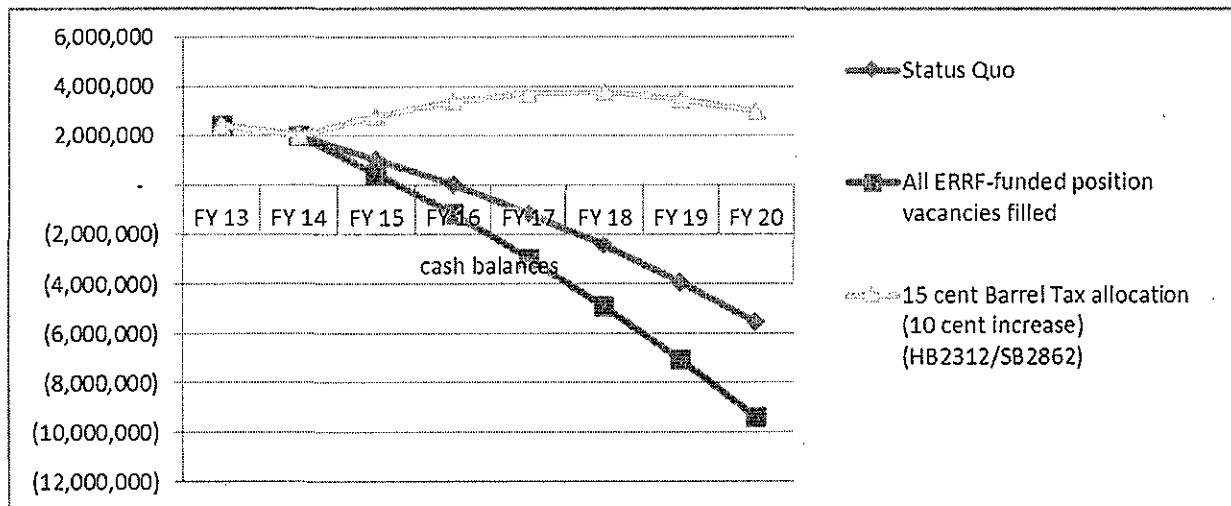
1 **Department's Position:** The Department of Health **STRONGLY SUPPORTS** this administration bill
2 because it will further the State's ability to rapidly respond to hazardous material releases and
3 environmental threats by assuring operational continuity and avoiding significant reductions in staff.

4 **Fiscal Implications:** Decreases in Environmental Response, Energy, and Food Security Tax (Barrel
5 Tax) revenue have eroded the Environmental Response Revolving Fund (ERRF) balance to critical
6 levels. In the past six years, ERRF revenue has decreased by \$500,000, and without an increase in
7 funding it is projected to reach a cash balance deficit of over \$1 million by Fiscal Year 2017. The
8 Department requests an increase in the total per barrel allocation from the Barrel Tax into the ERRF
9 (from 5 to 15 cents per barrel) to secure the Department's ability to quickly, comprehensively, and
10 effectively respond to hazardous material releases and environmental threats to ensure public safety.

11 **Purpose and Justification:** The ERRF assures the State's ability to respond to and protect Hawaii from
12 the devastating impact of oil, chemical, and other potentially dangerous spills, such as molasses, on
13 public health and safety, the environment, and the economy. The ERRF also funds preemptive
14 measures, including the testing of potential or likely contaminated sites, remediation of contaminated

1 sites, testing of state waters, and the regulation and management of solid and hazardous wastes. Barrel
 2 Tax revenues have been declining in recent years due to rising energy costs and growth in alternative
 3 energy resources, as well as a sluggish economy. Combined with the unpredictability of levying
 4 environmental enforcement fines and demands on emergency response due to events such as the Tohoku
 5 earthquake and tsunami, Honolulu Harbor molasses spill, and several ground contaminations, the ERRF
 6 is projected to reach a cash balance deficit of over \$1 million by Fiscal Year 2017.

7 The ERRF cannot be sustained by its current 5 cents per barrel allocation (see graph below).



8
 9 As noted above, in the past six years ERRF revenue has decreased by \$500,000. The projected deficit
 10 would severely impact matching funds for the present Hazardous Waste Management, Leaking
 11 Underground Storage Tank, Water Pollution Control-Surface Water, Public Water System Supervision,
 12 and Hazardous Materials Emergency Preparedness grants. The lack of \$823,168 in matching ERRF
 13 funds would jeopardize a total of \$4,116,906 in federal dollars. This is because many of the
 14 Department's federal grants require non-federal support or commitment to grant purposes in the form of
 15 dollars and/or personnel time, and without state matching funds, federal funds will not be awarded.

16 This growing ERRF deficit would eliminate funding for 42 vital positions throughout
 17 Environmental Health Administration programs. The Department has also requested a one-time

1 appropriation of \$2.6 million in General Funds to the ERRF in Governor's Package bill S.B. 2856,
2 which will bridge the Department's ERRF funding gap for the immediate future but will not provide a
3 permanent solution to the funding problem. To ensure ongoing fund stability, the Department requests
4 an increase in the total per barrel allocation from the Barrel Tax into the ERRF from 5 to 15 cents per
5 barrel, which will allow the Department to continue to quickly and effectively respond to hazardous
6 material releases and environmental threats to protect public safety and the environment.

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



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
RICHARD C. LIM
Director

Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Tuesday, March 18, 2014
3:15 p.m.
State Capitol, Conference Room 225

in consideration of

HB 2312, HD 2
RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND
FOOD SECURITY TAX.

Chair Gabbard, Vice Chair Ruderman, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports with requested amendments to HB 2312, HD 2, an Administration measure, which changes the allocation of the Environmental Response, Energy, and Food Security Tax (“barrel tax”) that shall be deposited into the Environmental Response Revolving Fund from five cents of the tax on each barrel to an unspecified amount to support environmental activities and programs.

We respectfully request amending HB 2312, HD 2, to include amendments to extend the sunset date of the barrel tax to firmly align resources with the State’s established 2030 clean energy mandates. It is critical to ensure this pathway of dedicated funding is continued to commit resources to both short- and long-term initiatives required to achieve Hawaii’s statutory clean energy goals and the other important allocated uses of the Environmental Response, Energy, and Food Security Tax. DBEDT’s requested amendments are on page two.

Thank you for the opportunity to provide testimony on HB 2312, HD 2.

DBEDT's requested amendments:

SECTION 3. Act 73, Session Laws of Hawaii 2010, is amended by amending section 10 to read as follows:

"SECTION 10. Any unexpended or unencumbered funds remaining in the agricultural development and food security special fund established by this Act, as of the close of business on June 30, [~~2015~~] 2030, shall lapse to the credit of the general fund."

SECTION 4. Act 73, Session Laws of Hawaii 2010, is amended by amending section 14 to read as follows:

"SECTION 14. This Act shall take effect on July 1, 2010; provided that sections 2, 3, 4, and 7 of this Act shall be repealed on June 30, [~~2015~~] 2030, and sections 128D-2, 201-12.8, and 243-3.5, Hawaii Revised Statutes, shall be reenacted in the form in which they read on June 30, 2010."



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAII 'I AT MĀNOA

Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, HI Inst. for Public Affairs
Joseph Boivin, Hawai'i Gas
Warren Bollmeier, HI Renewable Energy Alliance
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Lestie Cole-Brooks, HI Solar Energy Assn
Kyle Datta, Uluono Initiative
Laura Dierenfeld, Queen Lili'uokalani Trust
Mitch Ewan, UH HI Natural Energy Institute
Jay Fidell, ThinkTech HI, Inc.
Carl Freedman, Haiku Design & Analysis
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Dan Giovanni, Hawaiian Electric Company
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Darren Kimura, Energy Industries
Kelly King, Sustainable Biodiesel Alliance
Kal Kobayashi, Maui County Energy Ofc
Rep Chris Lee, HI House of Representatives
Cladys Marrone, Building Industry Assn of HI
Doug McLeod, Maui County
Stephen Meder, UH Facilities and Planning
Lauren Montez-Hernandez, Ofc of Sen Mazie Hirono
Hermína Morita, Public Utilities Commission
Sharon Moriwaki, UH So. Sci. Public Policy Ctr
Ron Nelson, U.S. Defense Energy Support Center
Tim O'Connell, U.S. Dept of Agriculture
Jeffrey Ono, Division of Consumer Advocacy, DCCA
Darren Pai, Hawaiian Electric Company
Winteha KT Park, Ofc of US Rep. Colleen Hanabusa
Melissa Pavlicek, Hawaii Public Policy Advocates
Randy Perreira, HI Government Employees Assn
Rick Rocheleau, UH HI Natural Energy Institute
Will Rolston, Hawai'i County
Riley Saito, SunPower Systems Corp
Joelle Simonpietri, U.S. Pacific Com. Energy Ofc
H. Ray Starling, Hawaii Energy
Ben Sullivan, Kaua'i County
Lance Tanaka, Hawaii Independent Energy, LLC
Maria Tome, Public Utilities Commission
Ah Lina Yamane, HI Government Employees Assn

Testimony of Sharon Moriwaki
Co-chair, Hawaii Energy Policy Forum
Before the
Senate Committee on Energy & Environment
Tuesday, March 18, 2014 at 3:15 p.m.

**IN SUPPORT OF HB 2312 HD2, Relating to the Environmental Response,
Energy, and Food Security Tax**

Chair Gabbard, Vice Chair Ruderman, and Members,

I am Sharon Moriwaki, Co-chair of the Hawaii Energy Policy Forum (Forum). The Forum, created in 2002, is comprised of 46 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision and mission, and comprehensive "10 Point Action Plan" serves as a guide to move Hawaii toward its preferred energy goals and our support for this bill.

HB 2312, HD2 proposes to amend the allocation to the environmental response revolving fund established under section 128D-2. It maintains the allocations in the other funds, but fails to re-establish the energy systems development special fund (ESDSF). The ESDSF needs funding to continue work on technologies that enable Hawai'i to build the infrastructure for reliable and stable renewable energy for our electrical sector and to explore local production of renewable fuels. Also important is the need to extend the funds through June 30, 2030.

While the Forum defers to the administering agencies regarding the amount of their allocations, it recommends that the bill be amended to include language to: (1) re-establish the ESDSF as provided in Section 2 and (2) extend the special funds through 2030 as provided in Section 10 of a bill previously heard and passed by the Senate – SB 2196, SD2.

Thank you for the opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies or organizations.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Increase earmark to environmental response revolving fund

BILL NUMBER: HB 2312, HD-2

INTRODUCED BY: House Committee on Finance

EXECUTIVE SUMMARY: Initially, the 5 cent per barrel environmental response tax was established to address oil spills in state waters. It was temporarily increased to \$1.05, much of which was earmarked to numerous special funds, and was scheduled to sunset on 6/30/15. The tax has taken on a life of its own and lacks transparency, and the special funds it feeds do not come under close scrutiny by either lawmakers or the public. The barrel tax should be repealed and all programs funded out of the environmental response tax should be funded through the general fund.

BRIEF SUMMARY: Amends HRS section 243-3.5 to increase the amount deposited into the environmental response revolving fund from 5 cents to ___ cents.

EFFECTIVE DATE: July 1, 2030

STAFF COMMENTS: This is an administration measure submitted by the department of health HTH-16 (14). 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. 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 deposited into the general fund between 7/1/10 and 6/30/15. This measure would increase the amount deposited into the environmental response revolving fund from 5 cents to ___ cents.

It should be remembered that when the environmental response tax was initially adopted, it was established 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, 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 remembered that the State Auditor has singled out the environmental response revolving fund as not meeting the criteria established for legitimacy of special funds, 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 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. 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.

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, including moneys deposited into the agricultural development and food security special 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.

Digested 3/17/14



The Nature Conservancy of Hawai'i
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nature.org/hawaii

Testimony of The Nature Conservancy of Hawai'i
Supporting H.B. 2312 HD2 Relating to the Environmental Response,
Energy, and Food Security Tax
Senate Committee on Energy and Environment
Tuesday, March 18, 2014, 3:15PM, Room 225

The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 35,000 acres in 11 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.

The Nature Conservancy supports H.B. 2312 HD2 and its proposal to provide additional barrel tax revenue to the Environmental Response Revolving Fund. We all were already aware that the State Department of Health's oil and chemical emergency response capacity was lacking and in need of increased resources. Last year's molasses spill in Honolulu harbor provided a preview of the problem, albeit with a different substance.

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HB2312

Submitted on: 3/16/2014

Testimony for ENE on Mar 18, 2014 15:15PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Hawaii's Thousand Friends	Hawaii's Thousand Friends	Support	No