

Honolulu, Hawaii

FEB 12 2015

RE: S.B. No. 358
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committees on Energy and Environment and Agriculture, to which was referred S.B. No. 358 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Increase the amount of the environmental response, energy, and food security tax collections to be deposited into the environmental response revolving fund, energy security special fund, and agricultural development and food security special fund; and
- (2) Apply the environmental response, energy, and food security tax to all fossil fuels.

Your Committees received testimony in support of this measure from the Department of Health, Department of Agriculture, Hawaii Natural Energy Institute, Board of Water Supply, Hawaii Farm Bureau, Renewable Energy Action Coalition of Hawaii, Ulupono Initiative, Nature Conservancy, and Blue Planet Foundation. Your Committees received testimony in opposition to this measure from Hawaiian Electric Company, Inc. Your Committees received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Budget and Finance; Tax Foundation of Hawaii; and Alexander & Baldwin, Inc.



Your Committees find that the State is precariously dependent on imported food and energy. The environmental response, energy, and food security tax, also known as the barrel tax, is a vital revenue source that supports critical investments and initiatives in clean energy, local agricultural production, and environmental response. The implementation of this measure will reduce the State's dependence on imported fossil fuels and further the State's goal of self-reliance.

Your Committees have amended this measure by:


- (1) Amending the definition of "distributor" by replacing "liquid fuel" with "fossil fuel";
- (2) Increasing the environmental response, energy, and food security tax to 17.5 cents per one thousand cubic feet or fractional part of a thousand cubic feet of natural gas or other gaseous fossil fuel and \$3.40 per short ton or fractional part of a short ton of coal or other solid fossil fuel;
- (3) Amending the environmental response, energy, and food security tax collected and deposited into the designated special and revolving funds to apply to units rather than barrels;
- (4) Amending the allocations of the environmental response, energy, and food security tax collected into the designated special and revolving funds to percentages, rather than fixed amounts, of the tax per unit;
- (5) Clarifying that if fossil fuel is distributed and resold one or more times, the initial distributor of the fossil fuel shall pay the environmental response, energy, and food security tax; and
- (6) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Energy and Environment and Agriculture that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 358, as amended herein, and recommend that it pass Second Reading in the form attached hereto

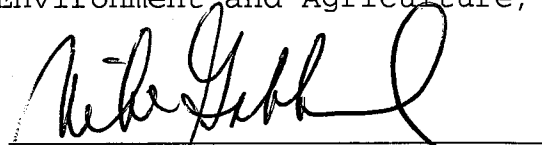


as S.B. No. 358, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Energy and
Environment and Agriculture,



RUSSELL E. RUDERMAN, Chair

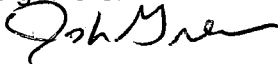


MIKE GABBARD, Chair



The Senate
 Twenty-Eighth Legislature
 State of Hawai'i

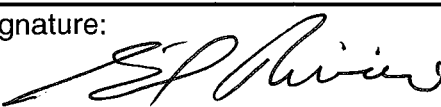
Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 358	ENE/AGL,WAM	2-10-15		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312				
<input checked="" type="checkbox"/> Pass, with amendments 2311				
<input type="checkbox"/> Hold 2310				
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	✓			
GREEN, Josh (VC)	✓			
GALUTERIA, Brickwood				✓
IHARA, Jr., Les	✓			
SLOM, Sam				✓
TOTAL	3	0	0	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes

The Senate
 Twenty-Eighth Legislature
 State of Hawai'i

Record of Votes
Committee on Agriculture
AGL

Bill / Resolution No.:* <i>SB 358</i>	Committee Referral: <i>ENE / AGL</i>	Date: <i>2/5/15</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
RUDERMAN, Russell E. (C)	<i>X</i>			
RIVIERE, Gil (VC)	<i>X</i>			
CHUN OAKLAND, Suzanne	<i>X</i>			
TANIGUCHI, Brian T.	<i>X</i>			
THIELEN, Laura H.	<i>X</i>			
WAKAI, Glenn				<i>X</i>
SLOM, Sam				<i>X</i>
TOTAL	<i>5</i>			<i>2</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes