

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

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DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND
TOURISM
ON
HOUSE BILL NO. 1844, H.D. 1

March 16, 2020
2:55 p.m.
Room 414

RELATING TO CLEAN ENERGY FINANCING

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 1844, H.D. 1.

H.B. No. 1844, H.D. 1, establishes the Clean Energy and Efficiency Revolving Loan Fund (CEERLF) under the administration of the Hawai'i Green Infrastructure Authority; allocates an unspecified sum of the Environmental Response, Energy, and Food Security Tax (Barrel Tax) for deposit into the CEERLF; appropriates an unspecified sum from the CEERLF; and repeals the Building Energy Efficiency Revolving Loan Fund and replaces it with the CEERLF.

Funds from the CEERLF would be used to provide low-cost loans at below-market rates or other authorized financial assistance to eligible public, private, and non-profit borrowers for clean energy investments or other authorized uses. Revenues would be derived from an unspecified allocation of the Barrel Tax for deposit into the CEERLF; federal, State, county, private, or other funding sources; moneys received as repayment of loans and interest payments, excluding payments advanced

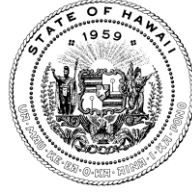
from proceeds of green energy market securitization bonds; and any other fees collected as authorized by this bill.

B&F notes that the language of H.B. No. 1844, H.D. 1, is unclear as to whether the CEERLF is a revolving fund or sub-account of a special fund and recommends the measure be amended to clearly identify the type of fund the CEERLF is intended to be.

As a matter of general policy, B&F does not support the creation of any revolving fund that does not meet the requirements of Section 37-52.4, HRS, nor any special fund that does not meet the requirements of Section 37-52.3, HRS. Both revolving and special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 1844, H.D. 1, it is difficult to determine whether the CEERLF would be self-sustaining.

B&F further notes that earmarking any portion of the Barrel Tax for deposit into the CEERLF would result in a loss of general fund revenue that could impact both the Administration's and the Legislature's ability to fund other priorities and initiatives.

Thank you for your consideration of our comments.



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Energy, Economic Development, and Tourism
Monday, March 16, 2020
2:55 p.m.
State Capitol, Conference Room 414**

**On the following measure:
H.B. 1844, H.D. 1, RELATING TO CLEAN ENERGY FINANCING**

WRITTEN TESTIMONY ONLY

Chair Wakai and Members of the Committee:

My name is Dean Nishina, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Division of Consumer Advocacy. The Department supports the intent of and offers comments on this bill.

The purposes of this bill are to: (1) create the clean energy and energy efficiency revolving loan fund under the administration of the Hawaii Green Infrastructure Authority (Authority); (2) repeal the building energy efficiency revolving loan fund; and (3) allocate a portion of the barrel tax to the clean energy and energy efficiency revolving loan fund.

The Department supports H.D. 1's intent to seek other forms of financing to supplement and/or complement ratepayer-funded programs that finance clean energy technology and infrastructure. Given the State's high energy costs, the ability of ratepayers to support broad areas of the clean energy technology market, especially

technologies that may not be commercially viable or cost-effective, are extremely limited.

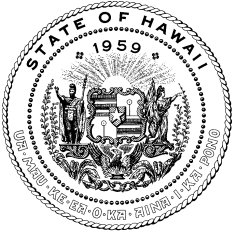
Consistent with the stated intent of this measure, the Department appreciates how H.D. 1 amends proposed HRS section 196-__ (a)(4) to exclude funds collected as payment of loans and interest payments from funds advanced from proceeds of green energy market securitization bonds. However, to more closely match the measure's stated intent to use public funds, the Department believes that additional modifications may be necessary to ensure that ratepayer funds are not used to fund the clean energy and efficiency revolving loan fund. Along those lines, the Department respectfully suggests amending proposed HRS section 196-__ (a)(4) and (5) to read as follows:

(4) Moneys received as repayment of principal and interest payments on loans from the clean energy and energy efficiency revolving loan fund;

(5) Any fees collected by the authority pursuant to this section; provided that no moneys collected pursuant to section 269 shall be used to fund the clean energy and energy efficiency revolving loan fund.

In addition, proposed HRS section 196-64(c)(2), which would allow the Authority to “[u]tilize all repayment mechanisms, including the green energy money saver on-bill repayment mechanism, financing tools, servicing and other arrangements, and sources of capital available to the authority[]” could lead to ratepayer funds being used for unintended purposes. Therefore, the Department recommends deleting this language.

Thank you for the opportunity to testify on this bill.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

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Testimony of **SCOTT J. GLENN, Chief Energy Officer**

before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
Monday, March 16, 2020
2:55 PM
State Capitol, Conference Room 414

In SUPPORT of **HB 1844, HD1** **RELATING TO CLEAN ENERGY FINANCING.**

Chair Wakai, Vice Chair Taniguchi, and Members of the Committee, the Hawaii State Energy Office (HSEO) supports with amendments HB 1844, HD1, which establishes the Clean Energy and Energy Efficiency Revolving Loan Fund under the Hawaii Green Infrastructure Authority (HGIA) and repeals the Building Energy Efficiency Revolving Loan Fund under the Hawaii State Energy Office. HB 1844, HD1, also allocates a portion of the Environmental Response, Energy, and Food Security Tax (“Barrel Tax”) to the new fund and appropriate funds.

The HSEO supports the creation of the new revolving loan fund to provide flexible financing and low-cost capital for clean energy infrastructure. The HGIA would then be in a position to deploy funds to support a broad range of clean energy technologies and infrastructure more efficiently as compared to using bond financing. Providing affordable energy options for all ratepayers would contribute to reaching the State’s clean energy goals.

To coincide with the measure’s repeal of the Building Energy Efficiency Revolving Loan Fund, Section 201-20, Hawaii Revised Statutes, the HSEO respectfully requests that Section 201-12.8, HRS be amended to amend subsection (b), deleting the following:

“(4) To fund the building efficiency revolving loan fund established in section 201-20;”

This deletion is necessary for consistency in repealing the Building Energy Efficiency Revolving Loan Fund.

We support this bill provided that its passage does not replace or adversely impact priorities in our Executive Budget.

Thank you for the opportunity to testify.



DAVID Y. IGE
GOVERNOR

GWEN S. YAMAMOTO LAU
EXECUTIVE DIRECTOR

HAWAII GREEN INFRASTRUCTURE AUTHORITY

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Testimony of
Gwen Yamamoto Lau, Executive Director
Hawaii Green Infrastructure Authority
before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT & TOURISM
Monday, March 16, 2020
2:55 P.M.
State Capitol, Conference Room 414
in consideration of
HOUSE BILL NO. 1844, H.D.1
RELATING TO CLEAN ENERGY FINANCING

Chair Wakai, Vice Chair Taniguchi and Members of the Committee on Energy, Economic Development, and Tourism:

Thank you for the opportunity to testify and provide comments on House Bill 1844, HD1, relating to clean energy financing. This bill proposes to create a clean energy and energy efficiency revolving loan fund under the administration of the Hawaii Green Infrastructure Authority (HGIA). HGIA **strongly supports** this bill.

Attracting and leveraging private capital with limited public funds in a sustainable manner is critical to support Hawaii's evolving energy market and provide affordable energy options for all ratepayers. Our collective goal is to reduce energy costs, drive higher paying job creation/retention and save billions of dollars currently being spent on importing petroleum.

As stewards of taxpayer dollars, seeking opportunities to leverage expertise within the State increases efficiencies while reducing costly and unnecessary redundancies.

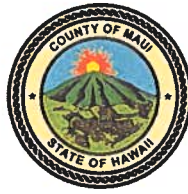
HGIA respectfully requests that Section 2(a)(5) be amended to read: (5) Any fees collected by the authority under this section provided that no moneys collected as a result of the funds advanced from proceeds of the green energy market securitization bonds be intermingled with this clean energy and energy efficiency loan fund.

HGIA also respectfully requests that Section 4(c) be amended to insert a new (2) and renumbering the remaining functions, as follows:

(c) In the performance of, and with respect to the functions, powers, and duties vested in the authority by this part, the authority shall administer the clean energy and energy efficiency revolving loan fund pursuant to section 196-____, and may:

- (1) Make loans and expend funds to finance the purchase or installation of clean energy technology and services;
- (2) Implement and administer loan programs on behalf of other state departments or agencies through a memorandum of agreement, and expend funds appropriated to said department or agency for purposes authorized by the Legislature;
- (23) Utilize all repayment...etc.

Thank you for this opportunity to testify and provide comments in support of HB 1844, HD1.



Michael P. Victorino
Mayor

Sananda K. Baz
Managing Director

Kay Fukumoto
Economic Development Director

COUNTY OF MAUI
OFFICE OF ECONOMIC DEVELOPMENT

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March 15, 2020

TESTIMONY OF KAY FUKUMOTO
ECONOMIC DEVELOPMENT DIRECTOR
COUNTY OF MAUI

BEFORE THE SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND
TOURISM

Monday, March 16, 2020 at 2:55PM
Conference Room 414

HB 1844 HD1 RELATING TO CLEAN ENERGY

Honorable Glenn Chair, Wakai
Honorable Brian Taniguchi, Vice Chair
Honorable Committee Members

The County of Maui **supports HB 1844 HD1**, which:

- creates the clean energy and energy efficiency revolving loan fund under the administration of the Hawaii Green Infrastructure Authority (HGIA);
- repeals the building energy efficiency revolving loan fund; and
- allocates a portion of the barrel tax to the clean energy and energy efficiency revolving loan fund.

This measure would strengthen and expand efforts to ensure an equitable and just transition towards the Statewide goal of 100% clean energy by 2045.

The County of Maui believes this bill will help to accelerate the adoption of renewable energy and energy efficiency, particularly by low- and moderate income historically underserved segments of our population. This legislation will also ensure that the intent of the Green Energy Market Securitization (GEMS) loan program will be able to continue under a new revolving loan fund structure, that will ensure its long term sustainability.

The County of Maui finds that this would be an appropriate use of revenues from the fossil fuel barrel tax. Moreover, the ability for this program to leverage private sector and foundation funding will help to increase the impact of this revolving loan fund and allow our State to more effectively achieve its clean energy goals.

Mahalo for the opportunity to provide testimony in **support** of this measure.

March 15, 2020
Page 2

I strongly urge you to pass this measure, HB1844 HD1.

Sincerely,

A handwritten signature in cursive script that reads "Kay Fukumoto".

Kay Fukumoto
Economic Development Director



OFFICE OF ECONOMIC DEVELOPMENT
THE COUNTY OF KAUA'I

DEREK S. K. KAWAKAMI, MAYOR
MICHAEL A. DAHLIG, MANAGING DIRECTOR

Testimony of Ben Sullivan
Energy & Sustainability Coordinator, Office of Economic Development

Before the
House Committee on Finance
March 16, 2020 2:55 pm
Conference Room 414

In consideration of
House Bill 1844 HD1 Relating to Clean Energy Financing

Honorable Chair Wakai, Vice Chair Taniguchi, and Members of the committee,

The County of Kauai **supports** HB 1844 HD1, which creates the clean energy and energy efficiency revolving loan fund under the administration of the Hawaii Green Infrastructure Authority, and repeals the building energy efficiency revolving loan fund.

The County of Kauai recognizes the need for alternative financing options for clean energy and energy efficiency projects for our residents and businesses. We also see the benefits of loan programs that leverage a combination of public and private funds to address market risk and provide greater flexibility to borrowers. This bill addresses three key issues for Kauai:

1. **Access for Kauai Residents:** By decoupling from the Public Benefits Fund (PBF) the program is opened up to participation from Kauai residents and businesses who have been excluded to date because of KIUC's election to not to be included in the PBF.
2. **Alternative borrowing options:** By allowing the use of both public and private funds, the program can more easily be sustained while still meeting the unique needs of low and moderate income residents as well as small businesses who may have viable projects but no way to finance them through conventional means.
3. **Future growth:** Any good program takes time to implement, refine, and mature. Without a strategy for maintaining operations, it is difficult for the maturation process to take place. The GEMS program expires when the current tranch of funding is exhausted. By converting to a revolving fund and a establishing a means of incorporating private capital, this legislation opens the door for alternative clean energy financing to be available in perpetuity.

Kauai is too small to administer complex efficiency programs alone, without a larger base of utility customers. This means that our residents are too often excluded from participating in opportunities to help them reduce their energy use and costs. Although our utility cooperative is a leader in many ways, it simply cannot carry the administrative costs to implement programs such as this. By passing this legislation, we can create needed access to alternative financing for the many NGOs, small businesses, and struggling households on Kauai.

Thank you for the opportunity to testify in support of this measure.

www.kauai.gov

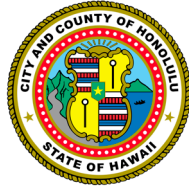
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OFFICE OF CLIMATE CHANGE, SUSTAINABILITY AND RESILIENCY

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KIRK CALDWELL
MAYOR

JOSHUA W. STANBRO
EXECUTIVE DIRECTOR &
CHIEF RESILIENCE OFFICER

MONDAY, MARCH 16, 2020, 2:55 PM

STATE OF HAWAII
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT,
AND TOURISM

**TESTIMONY ON HOUSE BILL 1844, HD1
A BILL RELATING TO CLEAN ENERGY FINANCING**

BY,

JOSHUA STANBRO
EXECUTIVE DIRECTOR AND CHIEF RESILIENCE OFFICER
OFFICE OF CLIMATE CHANGE, SUSTAINABILITY AND RESILIENCY

Dear Chair Wakai and Members of the Committee:

The City and County of Honolulu Office of Climate Change, Sustainability and Resiliency (Resilience Office) **supports** House Bill 1844, HD1, which creates the clean energy and energy efficiency revolving loan fund under the administration of the Hawai'i Green Infrastructure Authority (HGIA).

A revolving loan fund has the potential to become a powerful tool to finance energy efficiency, renewable energy, and other projects critical to achieving Hawai'i's sustainability and resilience goals; and could act as a powerful economic stimulus and job creation engine in response to the ongoing COVID-19 (coronavirus) pandemic. By providing the ability to attract and leverage private sources of capital, a revolving loan fund can lower overall costs and provide access to clean energy technologies for underserved and disadvantaged communities that have not yet been able to afford them. Passage of this bill will enhance Hawai'i's ability to address climate change and protect its citizens from the impact of global heating in an equitable, efficacious, and cost-effective manner. In addition, the bill would empower HGIA to implement and administer loan programs on behalf of other agencies thereby reducing administrative burden and cost of deployment.

Thank you for the opportunity to testify in support of this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Barrel Tax Earmark for Clean Energy Financing

BILL NUMBER: HB 1844, HD-1

INTRODUCED BY: House Committee on Energy & Environmental Protection

EXECUTIVE SUMMARY: Creates the clean energy and energy efficiency revolving loan fund under the administration of the Hawaii Green Infrastructure Authority. Repeals the building energy efficiency revolving loan fund. Allocates a portion of the barrel tax to the clean energy and energy efficiency revolving loan fund.

SYNOPSIS: Adds a new section to chapter 196, HRS, to establish the clean energy and energy efficiency revolving loan fund. The stated purpose of the money in the fund is to provide low-cost loans at below-market rates or other authorized financial assistance to eligible public, private, and nonprofit borrowers for clean energy investments or other authorized uses, or both, on terms approved by the authority. Moneys from the fund may be used to cover administrative and legal costs of fund management and management associated with individual loans, to include personnel, services, technical assistance, data collection and reporting, materials, equipment, and travel.

Adds several new definitions to section 196-61, HRS.

Amends section 243-3.5, HRS, to add a new earmark to the barrel tax of ___ cents per barrel to be deposited into the clean energy and energy efficiency revolving loan fund.

Repeals section 201-20, HRS, which had established the building energy efficiency revolving loan fund.

Makes technical and conforming amendments.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: The proposed measure would perpetuate the earmarking of barrel tax revenues. Below-market loans to fund energy infrastructure may provide some benefit to the State. But does that justify grabbing a pot of barrel tax money without going through the normal budgeting process that also considers sweltering primary schools, underfunded state pensions, or disaster relief for rain-flooded or lava-burnt counties?

Rather than the continual earmarking of revenues, a direct appropriation of general funds would be preferable. Earmarking revenues from any tax type for a particular purpose decreases transparency and accountability.

Apparently, the bill supporters want the Hawaii Green Infrastructure Authority (HGIA) to administer a program that includes making below-market loans. As the Public Utilities

Commission has ruled before, however, HGIA needs to be able to support itself; if it does not, the PUC can and will make orders restricting HGIA's activities. Requiring it to make loans on other than commercially reasonable terms is counter to this goal and will breach either HGIA's or the PUC's fiduciary duties, or the bond covenants under which HGIA borrowed the lion's share of the capital it now has.

Next, it should be remembered that revenues diverted for a special purpose, in this case to fund a questionable loan program, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

Digested 2/24/2020