

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
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
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

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 HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
ON
HOUSE BILL NO. 1850, H.D. 1

February 12, 2020
10:45 a.m.
Room 309

RELATING TO THE ENERGY SECURITY SPECIAL FUND

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 1850, H.D. 1.

H.B. No. 1850, H.D. 1, increases the allocation of the Environmental Response, Energy, and Food Security Tax (Barrel Tax) to the Energy Security Special Fund (ESSF) from 5 cents per barrel to 15 cents per barrel; and allows the Chief Energy Officer to contract with Hawai'i not-for-profit entities to administer expenditures from the ESSF for the purposes set forth in Section 201-12.8, HRS.

Act 122, SLH 2019, formally established the Hawai'i State Energy Office (HSEO) as an attached agency of the Department of Business, Economic Development and Tourism; shifted the means of financing of the HSEO from special funds from the ESSF to general funds; and reduced the ESSF's allocation of the Barrel Tax from 15 cents per barrel to 5 cents per barrel. The net difference of 10 cents per barrel was redirected for deposit into the State general fund.

B&F notes that while restoring the ESSF's allocation of the Barrel Tax from 5 cents to 15 cents per barrel will result in an increase of special fund revenue to the ESSF, the corresponding loss in general fund revenue will be an estimated \$2,500,000 to \$2,600,000 and may impact the Administration's ability to fund other priorities.

Thank you for your consideration of our comments.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Economic Development & Business
Wednesday, February 12, 2020 at 10:45 a.m.

by

Vassilis L. Syrmos, Vice President for Research and Innovation
University of Hawai'i System

HB 1850 HD1 – RELATING TO THE ENERGY SECURITY SPECIAL FUND

Chair McKelvey, Vice Chair Kitagawa, and Members of the Committee:

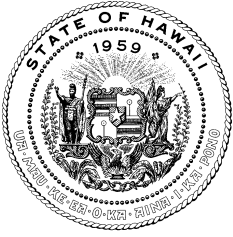
The University of Hawai'i is in support of HB 1850 HD1, which allows the chief energy officer to enter contracts with Hawai'i non-profit organizations to administer expenditures from the energy security special fund for the purposes set forth in section 201-12.8, HRS; and increases the allocation from the state environmental response, energy, and food security tax for deposit to the energy security special fund from 5 cents to 15 cents per barrel or fractional part of a barrel of petroleum product.

The proposed measure will aid the Hawai'i State Energy Office to successfully navigate and lead the state toward its Hawai'i Clean Energy Initiative goals, including the shift to 100 percent renewable energy in the electrical sector by 2045 – by stimulating public-private partnerships that fund innovative clean energy technologies.

An increase in public investment into innovative, clean energy technologies made possible by this measure, will not only contribute to help mitigate the environmental effects of climate change, but at the same time -- will help to attract outside investment in these technologies to boost the state's economy.

As an active proponent and participant in clean energy and climate change mitigation research, as well as research innovation and commercialization, the University of Hawai'i supports HB 1850 HD1.

Thank you for the opportunity to testify on this measure.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

235 South Beretania Street, 5TH Floor, Honolulu, HI 96813 | energy.hawaii.gov

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

(808) 587-3807

Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS
Wednesday, February 12, 2020
10:45 AM
State Capitol, Conference Room 309

In SUPPORT of
HB 1850, HD1
RELATING TO THE ENERGY SECURITY SPECIAL FUND.

Chair McKelvey, Vice Chair Kitagawa and Members of the Committee, the Hawaii State Energy Office (HSEO) supports HB 1850, HD1, which would allow the Chief Energy Officer to contract with Hawaii not-for-profit entities to support the commercialization of technologies that will further Hawaii's clean energy and sustainability goals and benefit Hawaii's economy. HB 1850, HD1 also would increase the allocation from the Environmental Response, Energy, and Food Security Tax (Barrel Tax) for deposit to the Energy Security Special Fund (ESSF).

The HSEO agrees that public-private partnerships could be effective in stimulating the development and commercialization of technologies needed to facilitate the State's progress toward its clean energy and sustainability goals. This type of support is important for innovative technology companies to be successful.

The HSEO also acknowledges that an increase in the allocation of the Barrel Tax to the ESSF would allow funding for such public-private partnerships at a level that would be impactful to Hawaii's economy.

Thank you for the opportunity to testify.



ELEMENTAL EXCELERATOR

Written Statement of Elemental Excelerator before the House Committee on Economic Development and Business February 12, 2020

In consideration of [HB 1850 HD 1](#) RELATING TO ENERGY SECURITY SPECIAL FUND

Aloha Chair McKelvey, Vice-Chair Kitagawa, and Members of the House Committee on Economic Development and Business:

Elemental Excelerator respectfully submits **strong support** for HB 1850 HD 1, which:

1. Allows the chief energy officer to contract with Hawaii not-for-profit entities to administer expenditures from the energy security special fund for the purposes set forth in section 201-12.8, Hawai'i Revised Statutes; and
2. Increases the allocation from the state environmental response, energy, and food security tax for deposit to the energy security special fund from 5 cents to 15 cents per barrel or fractional part of a barrel of petroleum product.

Elemental Excelerator is a Honolulu-based non-profit organization that supports climate positive startup companies that are helping solve Hawai'i's most urgent environmental problems. Each year, we select 15-20 companies annually that best fit our mission and fund each company up to \$1 million. To date, we have awarded \$36 million to 99 companies resulting in over fifty demonstration projects in Hawai'i & the Asia Pacific.

We strongly support HB 1850 HD 1 for the following reasons:

1. **It aligns with the purpose of the Hawai'i State Energy Office (HSEO):** With new leadership and structure at the helm of the office, this bill provides a foundation for the energy office to realize their vision and mission through public-private partnerships that utilize catalytic funding of innovative technologies to accelerate a clean economy for our state. HSEO's vision and mission, according to their website, "*...will guide our state toward the Hawaii Clean Energy Initiative goals to achieve 100 percent renewable energy in the electricity sector by 2045, reduce electricity consumption by 4,300 gigawatt-hours by 2030, and reduce petroleum use in transportation. To this end, HSEO works toward the deployment of clean energy infrastructure and serves as a catalyst for energy innovation.*"¹
2. **It brings necessary economic investments in climate change mitigation:** According to the 2018 Hawai'i Sea Level Rise Vulnerability and Adaptation Report, Hawai'i, over the next few decades, will have, "*An estimated \$19 billion of economic loss [that] would result from chronic flooding of land and structures located within the seal level-rise of exposure area with 3.2 feet of sea-level rise*"² In our work, we have seen that every \$1 of public funding towards innovation for climate change mitigation and adaptation has shown to produce 20x that amount in follow-on investments. As of 2019, Elemental Excelerator funded \$36 million to our 99 portfolio companies which led

them to raise \$790 million in follow-on funding.³ If the state were to increase public investments in innovation through this legislation, it could mitigate the effects of climate change while simultaneously attracting outside investments that enhance Hawai'i's economy.

Mahalo for the opportunity to provide testimony on this legislation.

Sincerely,



Aki Marceau
Managing Director, Policy & Community

¹ Who We Are, Hawai'i State Energy Office, Retrieved from <https://energy.hawaii.gov/who-we-are>

² Hawai'i Sea Level Rise Vulnerability and Adaptation Report, January 2018, Retrieved from https://climateadaptation.hawaii.gov/wp-content/uploads/2018/01/SLR-Report_-January-2018.pdf

³ Elemental Excelerator 2019 Impact Report



183 Pinana St., Kailua, HI 96734 • 808-262-1285 • info@350Hawaii.org

To: The House Committee on Economic Development & Business
From: Brodie Lockard, Founder, 350Hawaii.org
Date: Wednesday, February 12, 2020, 10:45 am

In strong support of HB 1850 HD1

Dear Chair McKelvey, and members:

350Hawaii.org strongly supports HB 1850.

If created carefully, a public-private partnership (PPP) can both benefit Hawaii's economy, and help bring technologies to market that will move Hawaii closer to being zero-emissions.

The barrel tax was created both to promote clean energy and local food programs, and to discourage oil consumption. But much of its revenues have been diverted to the general fund.

Tripling the deposit from the barrel tax into the energy security special fund would help the PPPs succeed commercially.

The energy security special fund is specifically for various programs that fight the Climate Crisis, like stronger energy conservation state building codes, improved clean vehicle charging infrastructure, the building energy efficiency revolving loan fund, and the greenhouse gas sequestration task force.

Move barrel tax revenues where they belong: into programs that promote zero emissions.

Brodie Lockard
Founder, 350Hawaii.org

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL; Increase Earmark to Energy Security Special Fund

BILL NUMBER: HB 1850, HD-1

INTRODUCED BY: House Committee on Energy & Environmental Protection

EXECUTIVE SUMMARY: Allows the chief energy officer to contract with Hawaii not-for-profit entities to administer expenditures from the energy security special fund for the purposes set forth in section 201-12.8, HRS. Increases the allocation from the state environmental response, energy, and food security tax for deposit to the energy security special fund from 5 cents to 15 cents per barrel or fractional part of a barrel of petroleum product. Effective 7/1/2050

SYNOPSIS: Amends section 201-12.8, HRS, to allow the chief energy officer, subject to the approval of the governor, to enter into public-private partnerships with certain not-for-profit entities to create a plan and administer expenditures from the energy security special fund,

Amends section 243-3.5, HRS, to increase the earmark on the barrel tax from 5 to 15 cents per barrel for the energy security special fund. Does not increase the tax imposed.

EFFECTIVE DATE: 7/1/2050.

STAFF COMMENTS: The proposed measure would perpetuate the earmarking of barrel tax revenues. Public-private partnerships in furtherance of clean energy 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.

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

Digested 2/11/2020



**Testimony to the House Committee on Economic Development and Business
Wednesday, February 12, 2020 at 10:45 A.M.
Conference Room 309, State Capitol**

RE: HB 1850 HD1, RELATING TO THE ENERGY SECURITY SPECIAL FUND

Chair McKelvey, Vice Chair Kitagawa, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 1850 HD1, which allows the chief energy officer to contract with Hawaii not-for-profit entities to administer expenditures from the energy security fund for the purpose outlined in section 201-12.8, Hawaii Revised Statutes. The bill also increases the allocation from the state environmental response, energy, and food security tax for deposit to the energy security special fund from 5 cents to 15 cents per barrel or fractional part of a barrel of petroleum product.

The Chamber is Hawaii's leading statewide business advocacy organization, representing 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Hawaii continues to play a leading role in protecting our environment and increasing energy efficiency. We believe in the benefits of a sustainable future, but we must ensure that solutions that would affect the business community do not impede or create unintended burdens on entrepreneurs. Policies need to be shaped to create common ground, especially so that businesses can have the flexibility to develop and create practical, reasonable and rational solutions to address these important issues. Furthermore, rather than mandates, we encourage innovation and technology to finding solutions.

This bill would assist the Hawaii State Energy Office (HSEO) in its mission to guide the state toward its renewable energy goals through public-private partnerships. Achieving these goals would also allow HSEO to grow the clean energy sector and generate more quality jobs.

The Chamber recognizes the need to find solutions to address climate change. In the coming years, Hawaii's economy faces the threat of economic loss due to effects of climate change. Public funding towards innovation for climate change mitigation and adaptation has been shown to produce follow-on investments. With an increase in public investments, the state could promote innovation that could help mitigate the effects of climate change while at the same time work to attract outside investments that will strengthen Hawaii's economy.

Thank you for this opportunity to provide testimony in support of HB 1850 HD1.

HB-1850-HD-1

Submitted on: 2/11/2020 3:54:47 AM

Testimony for EDB on 2/12/2020 10:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Nanea Lo	Individual	Support	No

Comments:

Dear Chair McKelvey, and members:

I strongly support HB 1850.

If created carefully, a public-private partnership (PPP) can both benefit Hawaii's economy, and help bring technologies to market that will move Hawaii closer to being zero-emissions.

The barrel tax was created both to promote clean energy and local food programs, and to discourage oil consumption. But much of its revenues have been diverted to the general fund.

Tripling the deposit from the barrel tax into the energy security special fund would help the PPPs succeed commercially.

The energy security special fund is specifically for various programs that fight the Climate Crisis, like stronger energy conservation state building codes, improved clean vehicle charging infrastructure, the building energy efficiency revolving loan fund, and the greenhouse gas sequestration task force.

Move barrel tax revenues where they belong: into programs that promote zero emissions.

me ke aloha 'Ä• ina,

Nanea Lo

HB-1850-HD-1

Submitted on: 2/11/2020 5:24:16 AM

Testimony for EDB on 2/12/2020 10:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Caroline Kunitake	Individual	Support	No

Comments:

Dear Chair Kelvey and Members of the Committee on Economic Development and Business,

I am writing in support of HB1850 which allows the chief energy officer to contract with Hawaii not-for-profit entities to administer expenditures from the energy security special fund for the purposes set forth in section 201-12.8, HRS. Increases the allocation from the state environmental response, energy, and food security tax for deposit to the energy security special fund from 5 cents to 15 cents per barrel or fractional part of a barrel of petroleum product. Effective 7/1/2050. (HD1)

If created carefully, a public-private partnership (PPP) can both benefit Hawaii's economy, and help bring technologies to market that will move Hawaii closer to being zero-emissions.

The barrel tax was created both to promote clean energy and local food programs, and to discourage oil consumption. But much of its revenues have been diverted to the general fund.

Tripling the deposit from the barrel tax into the energy security special fund would help the PPPs succeed commercially.

The energy security special fund is specifically for various programs that fight the Climate Crisis, like stronger energy conservation state building codes, improved clean vehicle charging infrastructure, the building energy efficiency revolving loan fund, and the greenhouse gas sequestration task force.

Please pass this bill.

Mahalo,

Caroline Kunitake

HB-1850-HD-1

Submitted on: 2/11/2020 8:30:15 AM

Testimony for EDB on 2/12/2020 10:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
helen raine	Individual	Support	No

Comments:

Date: Wednesday, February 11, 2020, 10:45 am

In strong support of HB 1850 HD1

Dear Chair McKelvey, and members:

I strongly support HB 1850.

If created carefully, a public-private partnership (PPP) can both benefit Hawaii's economy, and help bring technologies to market that will move Hawaii closer to being zero-emissions.

The barrel tax was created both to promote clean energy and local food programs, and to discourage oil consumption. But much of its revenues have been diverted to the general fund.

Tripling the deposit from the barrel tax into the energy security special fund would help the PPPs succeed commercially.

The energy security special fund is specifically for various programs that fight the Climate Crisis, like stronger energy conservation state building codes, improved clean vehicle charging infrastructure, the building energy efficiency revolving loan fund, and the greenhouse gas sequestration task force.

Move barrel tax revenues where they belong: into programs that promote zero emissions.

Many thanks for your consideration and for helping to mitigate climate change impacts.

Helen Raine

LATE

HB-1850-HD-1

Submitted on: 2/11/2020 3:37:00 PM

Testimony for EDB on 2/12/2020 10:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Phaethon Keeney	Individual	Support	No

Comments:

LATE

HB-1850-HD-1

Submitted on: 2/11/2020 4:56:35 PM

Testimony for EDB on 2/12/2020 10:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Nathan A Sparks	Individual	Support	No

Comments:

To: The House Committee on Economic Development & Business

From: **Nathan Sparks**

Date: Wednesday, February 12, 2020, 10:45 am

In strong support of HB 1850 HD1

Dear Chair McKelvey, and members:

I strongly support HB 1850.

If created carefully, a public-private partnership (PPP) can both benefit Hawaii's economy, and help bring technologies to market that will move Hawaii closer to being zero-emissions.

The barrel tax was created both to promote clean energy and local food programs, and to discourage oil consumption. But much of its revenues have been diverted to the general fund.

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Move barrel tax revenues where they belong: into programs that promote zero emissions.

Nathan Sparks

LATE

HB-1850-HD-1

Submitted on: 2/11/2020 8:51:44 PM

Testimony for EDB on 2/12/2020 10:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Sherry Pollack	Individual	Support	No

Comments:

LATE

HB-1850-HD-1

Submitted on: 2/12/2020 12:38:23 AM

Testimony for EDB on 2/12/2020 10:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Severine Busquet	Individual	Support	No

Comments:

Dear Chair McKelvey, and members:

The barrel tax was created both to promote clean energy and local food programs, and to discourage oil consumption. But much of its revenues have been diverted to the general fund. Barrel tax revenues should be used into programs that promote zero emissions.

For this reason, I strongly support HB1850 HD1.

Thanks for your attention

Severine Busquet

Hawaii Kai, Honolulu

LATE

HB-1850-HD-1

Submitted on: 2/12/2020 9:09:30 AM

Testimony for EDB on 2/12/2020 10:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Zoe Malia Ozoa Loos	Individual	Support	No

Comments:

To: The House Committee on Economic Development & Business

From: ZOE LOOS

Date: Wednesday, February 12, 2020, 10:45 am

In strong support of HB 1850 HD1

Dear Chair McKelvey, and members:

I strongly support HB 1850.

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ZOE LOOS