

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
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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 HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
ON
HOUSE BILL NO. 1850

January 28, 2020
8:30 a.m.
Room 325

RELATING TO THE ENERGY SECURITY SPECIAL FUND

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

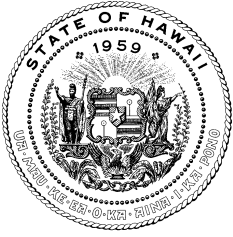
H.B. No. 1850 increases the allocation of the Environmental Response, Energy, and Food Security Tax (Barrel Tax) to the Energy Security Special Fund (ESSF) from 5 cents per barrel to 15 cents per barrel; and allows the Chief Energy Officer to contract with Hawai'i not-for-profit entities to administer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



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 ENERGY & ENVIRONMENTAL PROTECTION

Tuesday, January 28, 2020

8:30 AM

State Capitol, Conference Room 325

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

Chair Lowen, Vice Chair Wildberger and members of the Committee. The Hawaii State Energy Office (HSEO) supports HB 1850, 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 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.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Increase Barrel Tax Earmark for Energy Security Special Fund

BILL NUMBER: HB 1850

INTRODUCED BY: LOWEN, ICHiyAMA, MCKELVEY, MIZUNO, OHNO

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.

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: Upon approval.

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 1/24/2020

HB-1850

Submitted on: 1/27/2020 7:52:35 AM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ted Bohlen	Climate Protectors Coalition	Support	No

Comments:

The Climate Protectors Coalition strongly supports HB1850!

We are a new group inspired by the Mauna Kea Protectors but focused on reversing the climate crisis. As a tropical island State, Hawaii will be among the first places harmed by the global climate crisis, with more intense storms, loss of protective coral reefs, and rising sea levels. We must do all we can to reduce our carbon footprint and become at least carbon neutral as soon as possible.

Increased funding is needed for energy security. Please support this bill. Mahalo!

HB-1850

Submitted on: 1/27/2020 8:39:26 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Devyn	350 Hawaii	Support	No

Comments:

To: The House Committee on Energy & Environmental Protection

From: Devyn

Date: Tuesday, January 28, 2020, 8:30 am

In strong support of HB 1850

LATE

Dear Chair Lowen, Vice Chair Wildberger, and members:

I strongly support HB 1850.

Public-private partnerships (PPPs), if created carefully, can benefit society in many ways. In particular, PPPs can support the commercialization of technologies that will further Hawaii's clean energy and sustainability goals, and benefit Hawaii's economy.

Since 2010, much of the barrel tax revenues have not gone to their intended purpose.

The energy security special fund is specifically for various zero-emission programs, including the greenhouse gas sequestration task force; achieving the zero emissions clean economy target; funding the building energy efficiency revolving loan fund; funding projects and incentives to promote the adoption of clean transportation technologies, develop clean vehicle charging infrastructure, and upgrade infrastructure to support the development of clean vehicle charging infrastructure; and supporting the development of energy conservation state building codes.

Increasing the deposit from the barrel tax into the energy security special fund from 5 cents to 15 cents per barrel would help the PPPs succeed and close the so-called "commercialization valley of death," a widely recognized funding gap that exists between early-stage support offered by angel investors and institutional investors and growth capital support historically provided by venture capital and strategic investors.

Please pass HB 1850 out of committee so barrel tax revenues can meet more of their intended purpose of supporting zero-emission programs.

Devyn



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

To: The House Committee on Energy & Environmental Protection
From: Brodie Lockard, Founder, 350Hawaii.org
Date: Tuesday, January 28, 2020, 8:30 am

In strong support of HB 1850

LATE

Dear Chair Lowen, Vice Chair Wildberger, 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



**Testimony to the House Committee on Energy & Environmental Protection
Tuesday, January 28, 2020 at 8:30 A.M.
Conference Room 325, State Capitol**

LATE

RE: HB 1850, RELATING ENERGY SECURITY SPECIAL FUND

Chair Lowen, Vice Chair Wildberger, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports** HB 1850, 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 adaption 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.

HB-1850

Submitted on: 1/27/2020 11:25:34 AM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	360Hawaii.org	Support	No

Comments:



ELEMENTAL EXCELERATOR

Written Statement of Elemental Excelerator before the House Committee on Energy and Environmental Protection January 28, 2020

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

Aloha Chair Lowen, Vice-Chair Wildberger, and Members of the House Committee on Energy and Environmental Protection:

Elemental Excelerator respectfully submits **strong support** for HB 1850, 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 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 sea 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

HB-1850

Submitted on: 1/26/2020 9:45:11 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
L.M. Holmes	Individual	Support	No

Comments:

HB-1850

Submitted on: 1/27/2020 4:30:31 AM

Testimony for EEP on 1/28/2020 8:30:00 AM

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

Comments:

Hello,

My name is Nanea Lo and I am a lifelong resident and kanaka maoli (Native Hawaiian) of this land. I am writing to say I fully support this bill and I'm asking for you all to do the same.

Me ke aloha 'Ä• ina,

Nanea Lo

HB-1850

Submitted on: 1/27/2020 5:23:40 AM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lynn Aaberg	Individual	Support	No

Comments:

This is another opportunity for Hawai'i to be leaders in addressing the climate emergency.

HB-1850

Submitted on: 1/27/2020 9:00:43 AM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Peg Sullivan-Miller	Individual	Support	No

Comments:

HB-1850

Submitted on: 1/26/2020 10:14:32 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

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

Comments:

Anything and everything needs to be done in order to take protect our aina, our keiki, our community during the climate crisis. We must do what it takes, we must lead the way as an island nation that will deal with more problems than the mainland. Problems that only an island nation will have to deal with. There should be no reason for me or anyone to convince legislators to enact laws that will fight to protect the land and do what needs to be done in order to help alleviate and reverse what is happening in our Aloha State.

Mahalo for all the work you have been doing and will be doing, I full-heartedly support all legislation that will work towards climate justice.

HB-1850

Submitted on: 1/26/2020 10:13:18 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
John Nix	Individual	Support	No

Comments:

A;oha all,

Please support HB1850 and lead us into the future away from toxic exposure and away from a dying planet. Support increasing good paying jobs and let us all benefit from doing the right thing,

Mahalo,

Dr. John and Debra Nix

Kihei

HB-1850

Submitted on: 1/26/2020 10:12:27 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Judith A Mick	Individual	Support	No

Comments:

HB-1850

Submitted on: 1/27/2020 12:09:16 AM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
christine trecker	Individual	Support	No

Comments:

HB-1850

Submitted on: 1/26/2020 10:54:20 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joy Silver	Individual	Support	No

Comments:

HB-1850

Submitted on: 1/27/2020 11:16:24 AM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
janice palma-glennie	Individual	Support	No

Comments:

aloha,

please support this measure which backs wise efforts to prevent the looming Climate Crisis.

mahalo and sincerely,

janice palma-glennie

kailua-kona

HB-1850

Submitted on: 1/27/2020 1:17:56 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jesse Brown-Clay	Individual	Support	No

Comments:

HB-1850

Submitted on: 1/27/2020 1:36:11 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Elizabeth Winternitz	Individual	Support	No

Comments:

HB-1850

Submitted on: 1/27/2020 1:45:03 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jonathan Boyne	Individual	Support	No

Comments:

I support HB 1850.

HB-1850

Submitted on: 1/27/2020 2:46:58 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Charles K. Burrows	Individual	Support	No

Comments:

HB-1850

Submitted on: 1/27/2020 6:23:42 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

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

Comments:

Please support HB 1850.

LATE

Mahalo,

Caroline Kunitake

HB-1850

Submitted on: 1/27/2020 7:07:54 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Matthew Geyer	Individual	Support	Yes

Comments:

These small incremental changes are important, but we need to do so much more to fight climate change in order to leave a decent world for our children to thrive in.

LATE

HB-1850

Submitted on: 1/27/2020 7:20:08 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Koohan Paik	Individual	Support	No

Comments:

LATE

HB-1850

Submitted on: 1/27/2020 8:23:14 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Carolynn Bell-Tuttle	Individual	Support	No

Comments:

LATE

LATE

HB-1850

Submitted on: 1/27/2020 8:26:57 PM
Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Bradford Baang	Individual	Support	No

Comments:

Dear Chair Lowen, Vice Chair Wildberger, and members:

I strongly support HB 1850. Its good for our keiki's future, for Hawaii and for our planet.

Public-private partnerships (PPPs), if created carefully, can benefit society in many ways. In particular, PPPs can support the commercialization of technologies that will further Hawaii's clean energy and sustainability goals, and benefit Hawaii's economy.

Since 2010, much of the barrel tax revenues have not gone to their intended purpose.

The energy security special fund is specifically for various zero-emission programs, including the greenhouse gas sequestration task force; achieving the zero emissions clean economy target; funding the building energy efficiency revolving loan fund; funding projects and incentives to promote the adoption of clean transportation technologies, develop clean vehicle charging infrastructure, and upgrade infrastructure to support the development of clean vehicle charging infrastructure; and supporting the development of energy conservation state building codes.

Increasing the deposit from the barrel tax into the energy security special fund from 5 cents to 15 cents per barrel would help the PPPs succeed and close the so-called "commercialization valley of death," a widely recognized funding gap that exists between early-stage support offered by angel investors and institutional investors and growth capital support historically provided by venture capital and strategic investors.

Please pass HB 1850 out of committee so barrel tax revenues can meet more of their intended purpose of supporting zero-emission programs.

Mahalo for your consideration,

Brad Baang, Waianae, HI 96792

HB-1850

Submitted on: 1/27/2020 8:39:34 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
John NAYLOR	Individual	Support	No

Comments:

LATE

HB-1850

Submitted on: 1/27/2020 9:07:00 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
John Grandinetti	Individual	Support	No

Comments:

LATE

HB-1850

Submitted on: 1/28/2020 11:35:19 AM

Testimony for EEP on 1/28/2020 8:30:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Hershey	Individual	Support	No

Comments:

LATE

LATE

HB-1850

Submitted on: 1/28/2020 3:28:37 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

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

Comments:

Please Support HB1850, mahalo!

LATE

LATE

HB-1850

Submitted on: 1/28/2020 6:10:47 PM

Testimony for EEP on 1/28/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mark A. Koppel	Individual	Support	No

Comments:

YOU KNOW THIS IS NECESSARY. PLEASE SUPPORT

LATE