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OFFICE OF THE PUBLIC DEFENDER

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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 AGRICULTURE AND ENVIRONMENT
ON
SENATE BILL NO. 2777

February 3, 2020
1:30 p.m.
Room 224

RELATING TO THE ENVIRONMENTAL COUNCIL

The Department of Budget and Finance (B&F) offers comments on the creation of the Environmental Council Special Fund (ECSF).

Senate Bill (S.B.) No. 2777 establishes the ECSF under the administration of the Office of Environmental Quality Control (OEQC) and dedicates a portion of the Environmental Response, Energy, and Food Security Tax (EREFST) to the ECSF. 0.00525 cents of the EREFST on each barrel or fractional part of a barrel of petroleum product that is not aviation fuel and 0.005 per cent of the EREFST on each 1,000,000 British thermal units of fossil fuel sold by a distributor to any retail dealer or end user, other than a refiner, will be deposited into the ECSF. S.B. No. 2777 also appropriates \$50,000 from the Environmental Response Revolving Special Fund for FY 21 for the purposes of the ECSF.

Funds from the ECSF would be used for the functions of the Environmental Council, which include: serving as liaison between the Director of OEQC and the general public; making recommendations concerning ecology and environmental quality

to the Director of OEQC; monitoring the progress of State, county, and federal agencies in achieving the State's environmental goals and policies; and making an annual report with recommendations for improvement to the Governor, the Legislature, and the public.

As a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3, HRS. 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 S.B. No. 2777, it is difficult to determine whether the proposed special fund would be self-sustaining.

Thank you for your consideration of our comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

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SUBJECT: FUEL, Earmarks Barrel Tax for Environmental Council

BILL NUMBER: SB 2777

INTRODUCED BY: GABBARD, Moriwaki, Ruderman

EXECUTIVE SUMMARY: Establishes the Environmental Council Special Fund; dedicates 0.005 per cent of the Environmental Response, Energy, and Food Security Tax to the Environmental Council Special Fund. Appropriates \$50,000 to the Environmental Council Special Fund from the Environmental Response Revolving fund.

SYNOPSIS: Adds a new section to chapter 341, HRS, that would establish the environmental council special fund.

Amends section 243-3.5, HRS, to earmark 0.00525 cent of the tax on each barrel to be deposited into the new special fund.

Appropriates \$50,000 from the Environmental Response Revolving fund to the new special fund.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: Act 300, SLH 1993, enacted an environmental response tax (the “barrel tax”) of 5 cents per barrel on petroleum products sold by a distributor to any retail dealer or end user. The collections of the tax were deposited into the environmental response revolving fund until such time the balance in the fund reached \$7 million at which time the imposition of tax was suspended until the balance in the fund declined.

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 a newly established environmental response revolving fund; 15 cents shall be deposited into a newly established energy security special fund, 10 cents shall be deposited into a newly established energy systems development special fund; 15 cents shall be deposited into the newly established agricultural development and food security special fund; and the residual of 60 cents shall be deposited into the general fund between 7/1/10 and 6/30/15. Act 107, SLH 2014, extended the sunset date of the \$1.05 environmental response, energy, and food security tax from 6/30/15 to 6/30/30. Act 185, SLH 2015, extended the tax to fossil fuels other than petroleum products as well, based on the BTU equivalent.

The environmental response tax was initially adopted to set 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 numerous and sundry other responsibilities on the fund, including environmental protection, food security, and natural resource protection programs, 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.

The basic problem with the barrel tax is that it lacks transparency, and because the funds are earmarked they largely avoid scrutiny by either lawmakers or the public. Rather than perpetuate the problems of the barrel tax, lawmakers should consider repealing it and funding all programs that are funded out of the environmental response fund through appropriations against the general fund. At least program managers would then have to justify their need for these funds. If general funds are insufficient to underwrite all the essential programs and programs such as those funded through the barrel tax, then lawmakers need to justify any increase in taxes which underwrite the general fund or lawmakers will be forced to set priorities for those precious general funds. Currently, lawmakers can sidestep that difficult task by creating these hidden taxes and earmarked funds like the barrel tax. 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 1/29/2020

SB-2777

Submitted on: 1/30/2020 1:11:54 PM

Testimony for AEN on 2/3/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Robin Kaye	Individual	Support	No

Comments:

I am testifying in strong support of SB2777

The Environmental Council (EC) is a critical component of our State's interwoven web of environmental protections. As described in HRS § 341-6, it was created to : "serve as a liaison between the director of the Office of Environmental Quality Control [OEQC] and the general public by soliciting information, opinions, complaints, recommendations, and advice concerning ecology and environmental quality through public hearings or any other means and by publicizing such matters as requested by the director pursuant to section 341-4(b)(3)."

It is an all volunteer group, composed of representatives from every island (save Niihau and Kahoolawe) that meet in Honolulu once every month. For the past two years, it has worked diligently on revising the administrative rules governing the EIS and EA permitting process, which hadn't been revised since 1996.

It is statutorily mandated to publish an annual report, yet it has no budget under which it can pay for this. It is statutorily mandated to serve as the "ears" for the Office of Environmental Quality (OEQC), yet it has no budget under which it can pay for this. Almost half of its members come from the Neighbor Islands, yet it has no budget under which it can pay for this.

To date, those expenses have been covered by OEQC's funds and donations from several generous volunteer members of the EC. It is time for the EC to have those mandated responsibilities appropriately funded.

Please support SB2777 and allow the Environmental Council to do its work properly.

Mahalo for your consideration,

Robin Kaye



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February 3, 2020

COMMITTEE ON AGRICULTURE AND ENVIRONMENT

Senator Mike Gabbard, Chair
Senator Russell Ruderman, Vice Chair
Committee Members

SB 2777
RELATING TO THE ENVIRONMENTAL COUNCIL

Hawaii's Thousand Friends supports SB 2777, which establishes the Environmental Council Special Fund to provide a funding source for the Environmental Council.

Created under HRS 341-3 the Environmental Council consists of up to fifteen volunteer members who serve as liaisons between the OEQC director and the general public, monitor the progress of state, county and federal agencies in achieving the State's environmental goals, and prepares an annual report with recommendations for improvements to the governor, the legislature and the public.

For the last two plus years Environmental Council members worked on the long overdue revision to Hawai'i's Environmental Statement Rules (HAR Title 11 Chapter 200). The Council held public hearings, reviewed countless public comments, responded to public comments and met up to ten times per year producing three draft versions before the final rules were signed by the Governor on August 9, 2019.

Passage of SB 2777 is critical because it provides dedicated sources of funding to ensure that funds are available for council members to travel from neighbor islands to meetings on Oahu, to prepare the required annual report and continue public out reach and communications.

While the Environmental Council is charged with many responsibilities there has never been a dedicated source of funding.

We urge you to pass SB 2777 to ensure that funding is available so that these dedicated volunteers can continue working to achieve the State's environmental goals.

SB-2777

Submitted on: 1/30/2020 3:38:49 PM

Testimony for AEN on 2/3/2020 1:30:00 PM

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

Comments:

Aloha Senators, I am a volunteer member of the Hawaii State Environmental Council confirmed by this body as a community vounteer with experience in the subject matters before the Council. I have attended Council meetings monthly for over two years and have pariticipated in the full review and "updating" of the Chapter 343 Envrionmental Assessment and Environmental Impact Study rules for our State. This was welcome work and will make a difference in our communities.

I ask you to support this very conservative request for funding to support our efforts to do this work and to provide the outreach information to our communities on how to use these rules and avail themslelves of the process to protect those things we all hold dear and provide for our quality of life and future in Hawaii. This is important work and worth our support. I am doing my part, please help us by doing yours. \$50,000.00 will make an importat difference. Mahalo for your support of this legislation.

Makaala Kaaumoana

Hanalei

SB-2777

Submitted on: 1/27/2020 8:08:53 PM

Testimony for AEN on 2/3/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Benton Kealii Pang, Ph.D.	Individual	Support	No

Comments:

Puananionaona Patria Thoene

onaona.thoene@gmail.com

Testimony of Puananionaona P. Thoene before
the **SENATE COMMITTEE ON AGRICULTURE
AND ENVIRONMENT**

Monday, February 3, 2020
1:30 pm
State Capitol, Conference Room 224

in **SUPPORT** of
SB 2777 ESTABLISHING THE ENVIRONMENTAL
COUNCIL SPECIAL FUND

February 1, 2020

Aloha e Chair Gabbard, Vice Chair Ruderman, and the Members of the Senate
Committee on Agriculture and Environment,

I support SB 2777 which proposes to establish the Environmental Council Special Fund.

I am the current Chair of the Environmental Council (Council), however, I submit this testimony in support of SB 2777 in my individual capacity. First and foremost, thank you very much to Senator Gabbard, Senator Moriwaki, and Senator Ruderman for preparing and introducing SB 2777. The continued support of the Council is very much appreciated.

As you may know, the Council is composed of fifteen volunteer members from across the State. We currently have members from the islands of Kaua'i, O'ahu, Moloka'i, Maui, Lana'i and Hawai'i with more than half of the members not being from O'ahu. As described in HRS § 341-6, the Council was created to "serve as a liaison between the director of the Office of Environmental Quality Control and the general public by soliciting information, opinions, complaints, recommendations, and advice concerning ecology and environmental quality through public hearings or any other means and by publicizing such matters as requested by the director pursuant to section 341-4(b)(3)." The Council is also tasked with monitoring the progress of state, county, and federal agencies in achieving the State's environmental goals and policies, and preparing an annual report with recommendations for improvement to the Governor, the Legislature, and the public.

In addition, the Council is responsible for rulemaking. Last year, the Council, working with the Office of Environmental Quality and Control (OEQC), completed rulemaking to update the Environmental Impact Statement (EIS) rules, Hawai'i Administrative Rules Title 11, Chapter 200.1. The process took almost three years. The Council meets monthly throughout the year, and all members serve as volunteers without compensation save for travel reimbursements for neighbor island members.

The Council is administratively housed within OEQC which itself is within the State Department of Health. Cognizant of the OEQC's already strained budget, the Council requested that \$50,000 be appropriated for Council use on an annual basis so that OEQC's funds do not have to be used for Council business. This request is based on the costs to fund (1) members' travel expenses for Council meetings (12 meetings annually); (2) preparation of the Council's annual report; and (3) Council participation in information and outreach presentations, workshops, and conferences.

I understand that there are many competing needs for funding each year and appreciate this Committee's consideration of SB 2777 so that the Council can continue to fulfill its statutory mandates.

Mahalo for this opportunity to testify on this matter and for your consideration,

A handwritten signature in black ink, appearing to read "Puananiona P. Thoene". The signature is fluid and cursive, with a long horizontal stroke at the end.

Puananiona P. Thoene

SB-2777

Submitted on: 2/2/2020 10:47:24 AM

Testimony for AEN on 2/3/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mahina Tuteur	Individual	Support	No

Comments:

Dear Chair Gabbard and members of the Committee on Agriculture and Environment,

I am writing in STRONG SUPPORT of SB2777, which would authorize an annual contribution to the Environmental Council (EC). The EC currently includes representation from Kaua'i, Maui, LĀ• na'i, Moloka'i, and Hawai'i Island, in addition to O'ahu, which assures broad and balanced representation of educational, business, and other disciplines and professions across Ka Pae'Ā• ina. This requires neighbor island travel, for which there is currently no budget. I currently serve on the Environmental Council as an O'ahu member and strongly believe that neighbor island representation is absolutely critical to the success of the Council's work. The EC's statutory mandates include the completion of an Annual Report and outreach and information gathering on environmental issues, both of which require the expenditure of funds - for which there is no budget. Please consider this bill and that an annual contribution to the EC from the Environmental Response, Energy, and Food Security Tax would better enable the EC to fulfill its kuleana, both under the statute and to the communities we serve.

Mahalo for your consideration of my mana'o,

Mahina Tuteur