



DAVID Y. IGE  
GOVERNOR

GWEN S. YAMAMOTO LAU  
EXECUTIVE DIRECTOR

## HAWAII GREEN INFRASTRUCTURE AUTHORITY

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 587-3868

Testimony of  
**Gwen Yamamoto Lau**  
**Executive Director**  
before the  
**SENATE COMMITTEE ON AGRICULTURE AND ENVIRONMENT**

Friday, February 26, 2021  
9:30 A.M.  
Conference Room 211 & Videoconference

in consideration of  
**SENATE BILL NO. 493, SD1**  
**RELATING TO AGRICULTURE**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee on Ways and Means:

Thank you for the opportunity to testify and provide comments on Senate Bill 493, SD1, relating to agriculture. This bill proposes to establish a Hawaii agriculture and forest carbon positive incentive program, to be administered by the Hawaii Green Infrastructure Authority, in collaboration with the department of agriculture, department of land and natural resources and the Office of Planning. The Hawaii Green Infrastructure Authority (HGIA) **supports** this bill.

Through its work financing clean energy infrastructure, HGIA has been actively contributing to the State's efforts in addressing the problem of climate change. The carbon positive incentive program will enable small farmers and ranchers to reduce its contribution to climate change while increasing local food production.

HGIA defers to the department of agriculture, department of land and natural resources and the Office of Planning regarding their respective sections of the bill.

Thank you for this opportunity to testify and provide comments in support of SB 493, SD1.

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

ISAAC W. CHOY  
DIRECTOR OF TAXATION

To: The Honorable Donovan M. Dela Cruz, Chair;  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;  
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director  
Department of Taxation

Date: Friday, February 26, 2021  
Time: 9:30 A.M.  
Place: Via Videoconference, Hawaii State Capitol

**Re: S.B. 493, S.D. 1, Relating to Agriculture**

The Department of Taxation (Department) offers the following comments regarding S.B. 493, S.D. 1, for your consideration.

S.B. 493, S.D. 1, adds several new sections to chapter 196, Hawaii Revised Statutes (HRS), to establish a Hawaii Agriculture and Forest Carbon Positive Incentive Program. It also amends section 243-3.5, HRS, which governs the barrel tax, directing the Department to deposit an unspecified portion of the \$1.05 tax imposed on each barrel or fractional part of a barrel of petroleum product, except for aviation fuel, into a newly-created special fund for the Incentive Program. The measure is effective upon approval, with certain appropriations provision sections taking effect on January 1, 2022.

The Department notes that this measure would create a new barrel tax allocation to a newly-established fund, which would require the Department to test the new allocation's functioning in conjunction with the Department of Budget & Finance and the Department of Accounting & General Services. As a result, the Department respectfully requests that the effective date of Section 5 also be changed to January 1, 2022, alongside the other appropriations provisions. This will allow sufficient time to ensure proper functioning of the new allocation.

Thank you for the opportunity to provide comments.

DAVID Y. IGE  
GOVERNOR OF  
HAWAII



SUZANNE D. CASE  
CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

ROBERT K. MASUDA  
FIRST DEPUTY

M. KALEO MANUEL  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

Testimony of  
SUZANNE D. CASE  
Chairperson

Before the Senate Committee on  
WAYS AND MEANS

Friday, February 26, 2021  
9:30 AM

State Capital, Via Videoconference, Conference Room 211

In consideration of  
SENATE BILL 493, SENATE DRAFT 1  
RELATING TO AGRICULTURE

Senate Bill 493, Senate Draft 1 proposes to establish a Hawaii agriculture and forest carbon-positive incentive program that will keep forests and working agricultural lands intact and sequester additional carbon on those lands, and will fund the program with a portion of the revenues generated by the Environmental Response, Energy, and Food Security Tax. The bill also proposes to require the Department of Agriculture and the Department of Land and Natural Resources (Department) to coordinate with the Hawaii Green Infrastructure Authority in developing the program. **The Department supports this bill.**

The State of Hawaii's commitment to uphold the Paris Climate Accord and progressive move towards a carbon neutral clean economy by 2045 requires that we actively invest in reducing our emissions and mitigate greenhouse gases (primarily carbon dioxide - CO<sub>2</sub>). Agriculture, Forests and other Land Uses (AFLOU) are currently the State's only carbon sink. Investing in carbon positive actions such as restoring forests through tree planting, forest protection, and improved management, soil carbon sequestration, improved pasture management, and local organic plant food production are the most effective and efficient ways to mitigate our carbon footprint.

The Department recognizes that smaller land managers play a significant role in managing our natural and agricultural resources, but they often survive on small profit margins. The bill will provide an incentive to land managers to make climate-smart changes on their lands to reduce carbon emissions and increase carbon sequestration that meet food security and carbon neutral goals. We believe the bill will complement other assistance programs, and offer incentives not currently found in other programs, allowing lands across Hawaii's ecological and economic systems to participate.

Thank you for the opportunity to comment on this measure.

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 SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 493, S.D. 1

**February 26, 2021**  
**9:30 a.m.**  
**Room 211**

RELATING TO AGRICULTURE

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 493, S.D. 1.

S.B. No. 493, S.D. 1, establishes the Hawai'i Agriculture and Forest Carbon Positive Incentive Program (HAFCEIP); establishes the HAFCEIP Special Fund; appropriates an unspecified amount of general funds for FY 22 and FY 23 to be deposited into the HAFCEIP Special Fund and appropriates an unspecified amount of special funds from the HAFCEIP for FY 22 and FY 23 for HAFCEIP expenditures, which include the establishment of a 1.00 full-time equivalent Program Manager position; and allocates an unspecified amount from the Environmental, Response, Energy, and Food Security "Barrel" Tax to fund the HAFCEIP Special Fund.

The measure provides for the HAFCEIP to be administered by the Hawai'i Green Infrastructure Authority with assistance from the Department of Agriculture and the Department of Land and Natural Resources. The purpose of the fund and program shall be used to keep forests and working agriculture lands intact and sequester additional carbon on those lands by providing owners and lessees of eligible land

financial incentive payments for eligible practices over a designated period, with appropriate crediting for carbon benefits as specified through a carbon incentives contract.

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. 493, S.D. 1, it is difficult to determine whether the proposed special fund would be self-sustaining.

Thank you for your consideration of our comments.

**DAVID Y. IGE**  
Governor

**JOSH GREEN**  
Lt. Governor



**PHYLLIS SHIMABUKURO-GEISER**  
Chairperson, Board of Agriculture

**MORRIS M. ATTA**  
Deputy to the Chairperson

State of Hawaii  
**DEPARTMENT OF AGRICULTURE**  
1428 South King Street  
Honolulu, Hawaii 96814-2512  
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF PHYLLIS SHIMABUKURO-GEISER  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS**

**FRIDAY, FEBRUARY 26, 2021  
9:30 A.M.  
VIA VIDEOCONFERENCE**

**SENATE BILL NO. 493, SD 1  
RELATING TO AGRICULTURE**

Chairperson Dela Cruz and Members of the Committee:

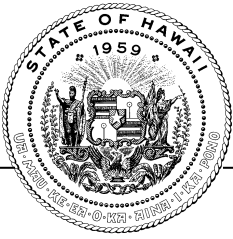
Thank you for the opportunity to testify on Senate Bill No. 493, SD 1 that seeks to establish a Hawaii Agriculture and Forest Carbon Positive Incentive Program that will keep forest and working lands intact and sequester additional carbon on those lands and to fund the Program with a portion of the revenues generated by the Environmental Response, Energy, and Food Security Tax. The Department of Agriculture has concerns.

The Department acknowledges the broad intent and concepts expressed in this measure that is based upon voluntary participation by landowners and farmers. The measure assigns extensive and unfamiliar responsibilities to the Department of Agriculture and, perhaps, the Department of Land and Natural Resources that are enumerated from page 5, line 20 to page 7, line 14. The Department will need substantial assistance to develop compensation rates and carbon incentives contract terms, estimating sequestration rates for priority sequestration activities, develop the technical underpinning of compensation rates for sequestration activities, and doing landowner outreach.



The Department notes that the proposed Program is voluntary for now and the Department is responsible for promoting the Program to qualified landowners/lessees. We recommend that this concept be vetted by landowners and farmers/ranchers to gauge demand as participation may require changes in cultivation practices or crop selection. Of particular interest would be their expectations of “fair compensation” for committing to a carbon incentives contract over a to-be-determined period.

Thank you for the opportunity to comment on this measure



# OFFICE OF PLANNING STATE OF HAWAII

235 South Beretania Street, 6th Floor, Honolulu, Hawaii 96813  
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 587-2846  
Fax: (808) 587-2824  
Web: <http://planning.hawaii.gov/>

DAVID Y. IGE  
GOVERNOR

MARY ALICE EVANS  
DIRECTOR  
OFFICE OF PLANNING

Statement of  
**MARY ALICE EVANS**  
Director, Office of Planning  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**  
Friday, February 26, 2021  
9:30 AM  
State Capitol  
in consideration of  
**SB 493, SD 1**  
**RELATING TO AGRICULTURE.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Senate Committee:

The Office of Planning offers **comments** on SB 493, SD 1. The purpose of SB 493, SD 1 establishes the Hawai'i agriculture and forest carbon positive incentive program within the Hawai'i Green Infrastructure Authority, appropriates funds from the Environmental Response, Energy, and Food Security Tax ("barrel tax") to administer and staff the program, and requires the State's Greenhouse Gas Sequestration Task Force to identify and prioritize carbon positive activities eligible for the Hawai'i agriculture and forest carbon positive program.

The Office of Planning finds this initiative and proposed program to have similar intentions to the existing Greenhouse Gas Sequestration Task Force, attached to the Office of Planning.

Since 2017, the Office of Planning has provided administrative support to the Carbon Farming Task Force via [Act 33, SLH 2017](#); which evolved one-year later to the State's Greenhouse Gas Sequestration Task Force through the enactment of [Act 15, SLH 2018](#), with initial funding of \$150,000 to fund the Greenhouse Gas Sequestration Task Force's research and project development efforts, now codified as [HRS §225P-4](#).

Act 15, SLH 2018 did not provide the Office of Planning funding to provide staff support, and the OP has struggled providing administrative support to the Greenhouse Gas Sequestration Task Force. Since 2019, the OP has expressed this need for additional staffing and funding with the State Legislature to support the task force's work. Due to this historical lack of funding over the past 3 years to the Greenhouse Gas Sequestration Task Force, the Office of Planning will now provide temporary administrative staff support to the task force with an AmeriCorps VISTA Member. The Office of Planning recently held a [Greenhouse Gas Sequestration Task Force Meeting on February 16, 2020](#), after a year-long hiatus because of these significant funding and staffing challenges.

The Office of Planning notes that the Greenhouse Gas Sequestration Task Force has a reporting requirement to the State Legislature and the State's advisory Climate Change Mitigation and Adaptation Commission in December 2022 to include the following analysis:



- “(A) Types of agricultural and aquacultural practices, public land and marine use policies, and on-farm managing practices that would provide greenhouse gas benefits and result in tangible economic benefits to agricultural and aquacultural operations;
- (B) Short-term and long-term benchmarks that would indicate how effectively agricultural and aquacultural activities have been helping the State to reach greenhouse gas neutrality;
- (C) Appropriate criteria that may be used in a certification program to measure baseline levels and increases in carbon sequestration, improvements in soil health, and other key indicators of greenhouse gas benefits from beneficial agricultural and aquacultural practices;
- (D) Types of incentives, grants, research, and assistance that would promote:
  - (i) Agricultural and aquacultural practices to produce greenhouse gas benefits; and
  - (ii) Land and marine use policies and agricultural policies that would encourage agricultural, aquacultural, and land use practices to provide greenhouse gas benefits and result in tangible economic benefits to agricultural and aquacultural operations; and
- (E) Practices and policies that add trees or vegetation to expand the urban tree canopy in urban areas to reduce ambient temperatures and increase climate resiliency and improve greenhouse gas sequestration in Hawai‘i.” *(Hawai‘i Revised Statutes §225P-4)*

-----

The Office of Planning is committed to supporting the Greenhouse Gas Sequestration Task Force in their important role.

The Office of Planning would appreciate similar Environmental Response, Energy, and Food Security Tax (“barrel tax”) funding as described in this SB 493, SD 1 to help financially support and employ staff support for the Greenhouse Gas Sequestration Task Force and the Office of Planning’s work on sustainability and climate adaptive planning and coordination.

Mahalo for the opportunity to submit testimony on SB 493, SD 1.

**SB-493-SD-1**

Submitted on: 2/24/2021 3:54:54 PM

Testimony for WAM on 2/26/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ted Bohlen	Testifying for Climate Protectors Hawaii	Support	No

Comments:

To: The Honorable Donovan Dela Cruz, Chair, The Honorable Gilbert Keith-Agaran, Vice Chair, and members of the Senate Committee on Ways and Means

From: Climate Protectors Hawaii (by Ted Bohlen)

Re: Hearing SB493 SD1 RELATING TO AGRICULTURE.

Friday February 26, 2021, 9:30 a.m., Rm. 211 and by videoconference

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Senate Committee on Ways and Means:

Position: **STRONG SUPPORT** FOR SB493 SD1!

The Climate Protectors Coalition is a group 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, food insecurity, and rising sea levels destroying our shorelines. We must do all we can to reduce our carbon footprint and become carbon negative as soon as possible.

In striving to become carbon negative, it will not be enough to limit greenhouse gas emissions; we must also draw carbon down from the atmosphere. **Substantial sequestration of carbon is needed as well as major greenhouse gas emission controls.**

The purpose of this Act is to establish a Hawaii agriculture and forest carbon positive incentive program that will keep forests and working agriculture lands intact and sequester additional carbon on those lands, and to fund the program with a portion of the revenues generated by the environmental response, energy, and food security tax. This bill would encourage the sequestration of atmospheric carbon gases by facilitating contracts with landowners and farmers engaging in regenerative agriculture and sustainable forest practices. This bill would be a significant step toward reducing atmospheric carbon that is causing the climate crisis

The Climate Protectors Coalition urges you to pass this important bill! Mahalo!

Climate Protectors Coalition (by Ted Bohlen)

# TAX FOUNDATION OF HAWAII

---

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

---

SUBJECT: FUEL, Barrel Tax earmark for Hawaii Agriculture and Forest Carbon Positive Incentive Program

BILL NUMBER: SB 493, SD1

INTRODUCED BY: Senate Committee on Agriculture and Environment

EXECUTIVE SUMMARY: Establishes the Hawaii agriculture and forest carbon positive incentive program, and funds it with an earmark on the barrel tax.

SYNOPSIS: Adds a new part to chapter 196, HRS, to establish the Hawaii agriculture and forest carbon positive incentive program. The idea of the program is for the administering authority, here the Hawaii Green Infrastructure Authority, to “incentivize carbon sequestration activities through carbon incentives contracts that provide for compensation for eligible activities by program participants.” In other words, it would pay people to undertake activities that are good for the environment.

Amends section 243-3.5, HRS, to add an earmark to the environmental response, energy, and food security tax (also known as the “barrel tax”) to fund the program.

Makes other conforming amendments.

EFFECTIVE DATE: Upon approval; appropriations take effect on 1/1/2022..

STAFF COMMENTS: The proposed measure would perpetuate the earmarking of barrel tax revenues. Carbon sequestration activities 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 as well as the economic decimation wrought by COVID-19?

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.

We also question whether the Hawaii Green Infrastructure Authority (HGIA) is the appropriate agency to administer this program. It may be a better fit for the state Energy Office or the Department of Agriculture.

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

Digested 2/24/2021

**SB-493-SD-1**

Submitted on: 2/24/2021 3:20:57 PM

Testimony for WAM on 2/26/2021 9:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Leah Laramee	Individual	Support	No

Comments:

Increasing extreme weather events due to climate change makes the isolated Hawaiian Islands more vulnerable to being cut off from food and water shortages and highlight the importance of food and water security. Hawai'i needs to find a way to both reduce its contribution to climate change and increase local food production. While carbon offset credits pay for carbon positive actions, certification is cost prohibitive to small landowners. Incentivizing carbon positive actions through a payment for services program would allow small farmers, ranchers and landowners to be compensated for taking actions to help Hawai'i reach its climate positive goal.

The purpose of this Agriculture and Forest Incentive Program is to use a portion of the Hawai'i's Environmental Response, Energy, and Food Security Tax to keep forests and working agriculture lands intact and sequester additional carbon on those lands. This will provide benefits to Hawaii communities and lands, increase food and water security in Hawai'i, and further progress to Hawai'i's legislatively-established climate positive goals.

Chair Donavon M. Dela Cruz



Megan Gonsalves

Meganngonsalves3@gmail.com

Friday, February 26, 2021

Support for SB 493, Relating to Agriculture

I am a resident of O'ahu that strongly supports SB 493, Relating to Agriculture, that establishes a carbon incentive program for Hawaii's Natural and Working Lands. I have studied the soils of Hawai'i and am passionate about climate-smart agriculture and land management practices. Incentivizing best management practices is the most equitable and efficient way the State can meet its goals of being Carbon negative by 2045 and increasing local food production.

As the most remote archipelago in the world, climate change adaptation and mitigation is of extreme importance. If the state wants to change our rate of food importation (90%!), it must support local farmers. Hawaii's natural and working lands are crucial to stabilizing watersheds and soils and mitigating flooding that in turn protect coastal and reef systems from pollution and erosion, leaving them more resistant to sea level rise and storms. In Hawai'i, carbon sequestration occurring on agricultural, forested, and other land uses has decreased as our global emissions of CO2 have steadily increased; these lands were sinks for 6.7 MMT CO2 in 1990 and only 6.51 MMT CO2 in 2016.<sup>1</sup> Restoring them and facilitating carbon sequestration on these lands is important to provide resilience from sea level rise, storm surges, and provide food and water security.

The benefits that come from climate-smart land management practices are almost impossible to monetize, but the returns the state will see in the years following the implementation of this program would surely outweigh the cost. Hawai'i has been a state at the forefront of climate change for years. By passing this bill, Hawai'i will continue to inspire other states and countries around the world to act now. Thank you for this opportunity to testify.

---

<sup>1</sup> [HI Green House Gas Emissions Report 2016 \(dated 2019\)](#)