

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Friday, February 5, 2021
3:00 PM
State Capitol, Conference Room #224

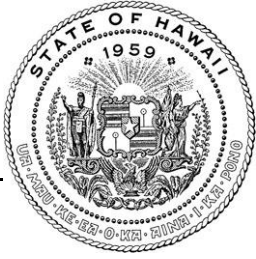
In consideration of
SB 932
**RELATING TO THE DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT AND TOURISM.**

Chair Wakai, Vice Chair Misalucha and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) offers comments on SB 932, which replaces DBEDT with the Hawaii Green Infrastructure Authority (HGIA) as the administering agency for the motion picture, digital media, and film production income tax credit ("film tax credit").

Administration of the film tax credit takes both financial expertise and industry knowledge. DBEDT is taking steps to address both of these important steps in the administration of the tax credit and ask that the committee remove Part II, Section 10, Section 11 (8), and Section 12 and all related descriptions relevant to HGIA administering the film tax credit.

We defer to the Hawaii Green Infrastructure Authority on Part I of the bill.

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
before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
Friday, February 5, 2021
Time: 3:00 P.M.
State Capitol, Conference Room No. 224

In consideration of
SENATE BILL NO. 932
RELATING TO THE DEPARTMENT OF
BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM

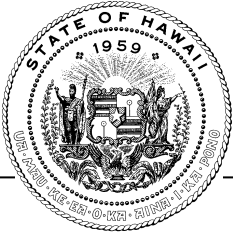
Chair Wakai, Vice Chair Misalucha, and Members of the Committee on Energy, Economic Development, and Tourism:

Thank you for the opportunity to testify and provide comments on Senate Bill 932, relating to the Department of Business, Economic Development and Tourism. 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.

With the state's current fiscal crisis, accessing Federal funds, which can be further leveraged with private capital, will be critical to continue investments in clean energy infrastructure and help kick-start Hawaii's economy. Our collective goal is to reduce energy costs, drive higher paying green job creation/retention and save billions of dollars currently spent on importing petroleum.

This bill would enable HGIA to submit an application to the U.S. Department of Agriculture, under its Rural Energy Savings Program to borrow flexible, low-cost loan capital and facilitate green infrastructure investments in rural areas across the state. Additionally, this bill would also enable both the financing of EV charging stations and the electrification of state vehicles, at no additional cost to the state, by utilizing a new cash flow stream generated from the realized savings of exercising purchase options in existing Power Purchase Agreement(s).

Thank you for this opportunity to testify and provide comments in support of SB 932.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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

Friday, February 5, 2021
3:00 PM
State Capitol, Conference Room 224

In SUPPORT of **SB 932** **RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM.**

Chair Wakai, Vice Chair Misalucha, and Members of the Committee, the Hawaii State Energy Office (HSEO) supports SB 932, which would establish the Clean Energy and Energy Efficiency Revolving Loan Fund under the Hawaii Green Infrastructure Authority (HGIA) and repeal the Building Energy Efficiency Revolving Loan Fund under the HSEO.

HSEO supports the creation of the new revolving loan fund to provide flexible financing and low-cost capital for clean energy infrastructure. Given the new fiscal constraints from COVID-19, enactment of this bill would allow the HGIA to pursue outside funds. The HGIA would then be able 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 while also kick-starting Hawaii's economy.

Given the State's current fiscal shortfall, opportunities to leverage funds from other sources to invest in green infrastructure are appropriate. HSEO supports amending HGIA's statute to allow the authority to borrow funds from the Federal government and other sources.

HSEO supports this bill provided that its passage does not replace or adversely impact priorities in the Executive Budget.

Thank you for the opportunity to testify.

TESTIMONY OF
JAMES P. GRIFFIN, Ph.D.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

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

February 5, 2021
3:00 p.m.

Chair Wakai and Members of the Committee:

MEASURE: S.B. No. 932

TITLE: RELATING TO RENEWABLE ENERGY.

DESCRIPTION: Part I: Establishes the clean energy and energy efficiency revolving loan fund. Repeals the building energy efficiency revolving loan fund. Authorizes moneys in the green infrastructure special fund to be used to finance the option to purchase solar systems and other clean energy equipment, including the purchase or lease of electric vehicles. Appropriates funds out of the clean energy and energy efficiency revolving loan fund. Part II: Replaces the Department of Business, Economic Development, and Tourism with the Hawaii Green Infrastructure Authority as the administering agency for the motion picture, digital media, and film production income tax credit.

POSITION:

The Public Utilities Commission (“Commission”) offers the following comments for consideration.

COMMENTS:

The Commission appreciates the intent of Part I of this measure to strengthen HGIA's ability to support investment in energy efficiency and green energy technology, including solar energy systems and other clean energy equipment, electric vehicles, and electric vehicle charging systems and infrastructure.

The Commission defers to the Hawaii State Energy Office with regard to this measure's policy impacts. It is the Commission's understanding that this measure will not impact

HGIA's obligation to repay proceeds from the green energy market securitization loan program that have been guaranteed and funded by Hawaiian Electric's customers.

Thank you for the opportunity to testify 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

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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 ENERGY, ECONOMIC DEVELOPMENT,
AND TOURISM
ON
SENATE BILL NO. 932

February 5, 2021
3:00 p.m.
Room 224

RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM

The Department of Budget and Finance (B&F) offers comments on Senate Bill (S.B.) No. 932.

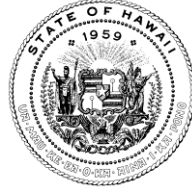
S.B. No. 932 creates a Clean Energy and Efficiency Revolving Loan Fund (CEERLF) within the Hawai'i Green Infrastructure Authority's (HGIA) special fund; allows State agencies to finance their purchase options under existing energy performance contracts and power purchase agreements to further reduce and stabilize future energy costs, with the option to utilize savings to finance the installation of electric vehicle charging systems and lease or purchase electric vehicles; repeals the Building Energy Efficiency Revolving Loan Fund (BEERLF); and appropriates funds out of the CEERLF to make clean energy investment loans or for other approved uses. S.B. No. 932 also replaces the Department of Business, Economic Development and Tourism (DBEDT) with HGIA as the administering agency for the motion picture, digital media, and film production income tax credit.

Whereas the BEERLF restricts the use of funds to energy efficiency improvements in buildings, the CEERLF would expand the objective and use of funds to include clean energy investments in addition to buildings. Funds shall be used 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. The measure provides a loan ceiling of \$50,000,000 for the CEERLF.

As a matter of general policy, B&F does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving 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. 932, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

In addition, the intent of S.B. No. 932 appears similar to language in Act 121, SLH 2018, which created a \$50,000,000 sub-fund within the HGIA's special fund to serve as a revolving line of credit to finance energy efficient measures. While this sub-fund is also special funded, it is unclear if the fund created in this measure is to be another special-funded sub-fund or a separate revolving fund independent of the HGIA's special fund. B&F defers to DBEDT on the merits of Part II of this measure establishing HGIA as the administering agency for the motion picture, digital media, and film production income tax credit.

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
Friday, February 5, 2021
3:00 p.m.
Via Videoconference**

**On the following measure:
S.B. 932, RELATING TO THE DEPARTMENT OF
BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM**

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 offers comments on this bill.

The purposes of Part I are to: (1) establish the clean energy and energy efficiency revolving loan fund; (2) repeal the building energy efficiency revolving loan fund; (3) authorize moneys in the green infrastructure special fund to be used to finance the option to purchase solar systems and other clean energy equipment, including the purchase or lease of electric vehicles; and (4) appropriate funds out of the clean energy and energy efficiency revolving loan fund. The purpose of Part II is to replace the Department of Business, Economic Development, and Tourism with the Hawaii Green Infrastructure Authority as the administering agency for the motion picture, digital media, and film production income tax credit.

The Department appreciates S.B. 932'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. The proposed language appears to address the concern that "[a]ny fees collected by the authority under this section" do not include monies collected as a result of tariffs approved by the Public Utilities Commission or monies meant for repaying the Public Benefits Fund. Otherwise, the depositing of fees or monies collected by the Authority, as described in HRS section 196-65(a), into the clean energy and energy efficiency revolving loan fund would be inconsistent with the stated intent of this measure: to create a source of funding that does not rely on ratepayer funds and that can be used for a broad range of clean energy technology.

Thank you for the opportunity to testify on this bill.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RELATING TO DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

BILL NUMBER: SB 932; HB 1172

INTRODUCED BY: SB by WAKAI, KIDANI, MISALUCHA, Chang, Gabbard, San Buenaventura, Shimabukuro; HB by QUINLAN, HOLT, KAPELA, LOWEN, MARTEN, MCKELVEY, MORIKAWA, Mizuno

EXECUTIVE SUMMARY: Part I establishes the clean energy and energy efficiency revolving loan fund. Repeals the building energy efficiency revolving loan fund. Authorizes moneys in the green infrastructure special fund to be used to finance the option to purchase solar systems and other clean energy equipment, including the purchase or lease of electric vehicles. Appropriates funds out of the clean energy and energy efficiency revolving loan fund. Part II: Replaces the Department of Business, Economic Development, and Tourism with the Hawaii Green Infrastructure Authority as the administering agency for the motion picture, digital media, and film production income tax credit.

SYNOPSIS: Amends section 196-62.5, HRS, authorizing state agencies to apply for financing from the Hawaii Green Infrastructure Authority (HGIA) at a 3.5% interest rate. Provides that the loans shall not adversely affect the sustainability of the sub-fund or Hawaii green infrastructure special fund such that the replenishment of funds requires a higher interest rate in other financing agreements or an appropriation from the general fund. Provides that “an agency shall repay a loan issued pursuant to subsection (a) using general revenue savings that result from reduced energy costs due to financing the purchase of solar systems or other clean energy equipment, implementing energy-efficient lighting and other energy-efficiency measures, as well as operational and fuel cost savings achieved by the conversion of internal combustion vehicles to electric vehicles.

Amends section 196-64, HRS, to restrict the PUC’s oversight of HGIA to the GEMS loan program, and gives HGIA independent authority to administer the clean energy and energy efficiency revolving loan fund (created by this bill), among other things.

Repeals the building energy efficiency revolving loan fund in section 201-20, HRS.

Amends section 196-64 and 235-17, HRS, to swap in HGIA as the administering authority for the motion picture, digital media, and film production tax credit.

EFFECTIVE DATE: 7/1/2021.

STAFF COMMENTS: If HGIA is to be allowed to survive on its own (without taxpayer subsidies), it needs the ability to make its loans at commercially reasonable rates and terms.

HGIA needs to be given the freedom to negotiate commercially reasonable rates that are above the program's actual cost of capital.

We also consider problematic proposed HRS section 196-62.5(d) specifying that "an agency shall repay a loan issued pursuant to subsection (a) using general revenue savings that result from reduced energy costs" That provision must not be interpreted to mean that an agency can refuse to repay the loan if its utility costs go up (perhaps from geopolitical causes affecting energy prices) unrelated to its energy consumption.

We also recommend revisiting the "loan" appropriated to the Department of Education under Act 57, SLH 2017, at zero interest. HGIA must be able to charge a commercially reasonable interest rate, and must be able to make loans on commercially reasonable terms, to the Department of Education the same as any other state agency.

The Foundation takes no position on, but does question the basis for, the conclusion expressed in section 10 in the bill that "the Hawaii green infrastructure authority has better financial expertise than the Hawaii film office to evaluate the paperwork submitted for the motion picture, digital media, and film production income tax credit." Furthermore, we would like to point out that administration of the credit requires not only financial expertise, but also sufficient industry experience to pass on the reasonableness of production costs and to negotiate with industry members regarding such things as qualified Hawaii promotions, reasonable efforts to hire local talent and crew, and competition from other jurisdictions seeking to land production work.

Digested 2/2/2021

SB-932

Submitted on: 2/4/2021 2:55:07 PM

Testimony for EET on 2/5/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Climate Protectors Coalition	Testifying for Climate Protectors Coalition	Support	No

Comments:

To: The Senate Committee on Energy, Economic Development, and Tourism (EET)

From: Climate Protectors Coalition

Hearing Date: Friday, February 5, 2021, 3:00 pm, by videoconference

In support of SB932 RELATING TO DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM

Aloha Chair Wakai, Vice Chair Misalucha and members of the Committee on Energy, Economic Development, and Tourism.

The Climate Protectors Coalition **supports** SB932.

The Climate Protectors Coalition is a 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, food insecurity, and rising sea levels destroying our shorelines.

We must do all we can to reduce our carbon footprint and become at least carbon neutral as soon as possible. **2045 WILL BE TOO LATE!** The planet faces an existential climate crisis and we must act now! Scientists have made clear that we are part of the last generation that can stop or at least mitigate the devastating impacts of climate change. If we are to solve the climate crisis, it will require **all of us** working together. Hawaii can and should be a leader in showing the world the way forward towards a safe and sustainable climate and future. The sooner we inspire others to take action and lead by example, the better off the future will be for our children.

The bill would establish a revolving loan fund for clean energy and energy efficiency. The moneys could be used to purchase solar systems and other clean energy equipment, including electric vehicles. This will help spur the transition to the cleaner energy future that we desperately need!

It is time to act by approving HB932!

Mahalo for the opportunity to testify in **support** of this important legislation.

Climate Protectors Coalition (by Ted Bohlen)