

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKAI

JOSH GREEN, M.D.
GOVERNOR

CHRIS J. SADAYASU
DIRECTOR

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Statement of
CHRIS J. SADAYASU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT AND TOURISM

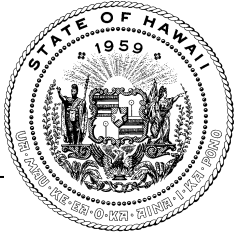
Tuesday, February 7, 2023
1:01 PM
State Capitol, Conference Room 229

In consideration of
SB817
RELATING TO STATE ENTERPRISE ZONES.

Chair DeCoite, Vice Chair Wakai and members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) supports SB817 which amends the definition of "eligible business activity" to include the processing of value-added agricultural products grown within an enterprise zone and the development or production of renewable energy.

It should be noted that DBEDT currently in most cases already accepts value-added agricultural processing companies into the program. This amendment does however add clarity to the statute. DBEDT also supports amending wind energy to renewable energy as defined in section 269-91 HRS. This will increase the pool of eligible companies that can participate in the Enterprise Zone program and support the state's renewable energy goals.

Thank you for the opportunity to testify.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

JOSH GREEN, M.D.
GOVERNOR

MARK B. GLICK
CHIEF ENERGY OFFICER

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Testimony of
MARK B. GLICK, Chief Energy Officer

before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Tuesday, February 7, 2023
1:01 PM
State Capitol, Conference Room 229 & Videoconference

In Support of
SB 817

RELATING TO STATE ENTERPRISE ZONES.

Chair DeCoite, Vice Chair Wakai, and Members of the Committee, the Hawaii State Energy Office (HSEO) supports SB 817, which amends the definition of "eligible business activity" in an enterprise zone to include the development or production of renewable energy. HSEO defers to the Department of Business, Economic Development, and Tourism on implementation.

The addition of renewable energy to the statute will broaden the potential for energy projects in enterprise zones.

Thank you for the opportunity to testify.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson, Board of Agriculture

MORRIS M. ATTA
Deputy to the Chairperson

State of Hawai'i
DEPARTMENT OF AGRICULTURE
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SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

TUESDAY, FEBRUARY 7, 2023
ROOM 229
1:01 P.M.

SENATE BILL NO. 817
RELATING TO STATE ENTERPRISE ZONES

Chairperson DeCoite and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 817 that seeks to amend the definition of “eligible business activity” in State Enterprise Zones. With respect to the inclusion of “value-added agricultural products”, the Department of Agriculture appreciates the intent of increasing opportunity for the expanded use of Hawaii’s agricultural products. The Department comments that other sections in Chapter 209E will need to be amended to incorporate the proposed inclusion.

Thank you for the opportunity to testify on this measure.





**Testimony to
The Committee on Energy, Economic Development and Tourism**

Tuesday, February 7, 2023

1:01 PM

**Conference Room 229 & VIA videoconference
Hawaii State Capitol**

SB 817

Chair Decoite, Vice Chair Wakai, and members of the committee,

Hawaii Gas **supports SB 817**, which amends the definition of “eligible business activity” to include the processing of value-added agricultural products grown within an enterprise zone and the development or production of renewable energy.

Hawaii Gas distributes a blend of gas that ranges from low-carbon to zero-carbon emissions through approximately 1,100 miles of mostly underground utility pipeline statewide. Our main utility system includes a blend of gas that includes Synthetic Natural Gas (SNG), Renewable Natural Gas (RNG), and Hydrogen. Despite representing less than 1% of the greenhouse gases emitted into Hawaii’s atmosphere, we are working to conscientiously reduce our greenhouse gas emissions by pursuing cost-effective, local, renewable energy projects.

As you know, the Enterprise Zone Program was initially established within DBEDT by the legislature to stimulate various business activity and employment in targeted areas of the state. Clean energy and agriculture are two of Hawaii’s top priorities and essential to the state’s sustainability. By expanding the definition of “eligible business activity” to include value-added agriculture products and the development or production of renewable energy, this proposal will bring the advantages of the EZ Program to two of the state’s top priorities and most challenging sectors.

For Hawaii Gas specifically, this will help stimulate and develop local feedstock that can be used to produce local renewable natural gas (RNG). RNG is made by capturing and refining biogases released from decomposing organic waste material. RNG is considered a carbon neutral fuel (and in certain cases carbon negative) and is derived from various biogenic feedstocks, including wastewater sludge, animal manure, food waste, agricultural residues, forest product residues, municipal waste, and energy crops. Hawaii Gas is actively pursuing locally sourced RNG and hydrogen projects as part of our decarbonization strategies to support the state’s goal of carbon neutrality.

We urge the committee to pass SB 817.

Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: Enterprise Zones; Eligibility; Eligible Business Activities; Renewable Energy

BILL NUMBER: SB 817, HB 852

INTRODUCED BY: DELA CRUZ, CHANG, KEITH-AGARAN, MCKELVEY, Kidani, Wakai; HB by HOLT, BELATTI, COCHRAN, HASHIMOTO, KITAGAWA, LAMOSAO, LOWEN, MARTEN, MATAYOSHI, ONISHI, QUINLAN, TAKENOUCI, TODD

EXECUTIVE SUMMARY: Amends the definition of "eligible business activity" to include the processing of value-added agricultural products grown within an enterprise zone and the development or production of renewable energy.

SYNOPSIS: Amends section 209E-2, HRS, to add as an eligible business activity the processing of value-added agricultural products all or some of which were grown within an enterprise zone.

Also expands the existing eligible activity of production of electric power from wind to development or production of renewable energy for sale primarily to a public utility.

EFFECTIVE DATE: Upon Approval.

STAFF COMMENTS: The enterprise zone program was enacted as a cooperative program between the state and the counties to promote jobs in areas of high unemployment. Certain areas are designated as enterprise zones through joint action of the state and counties. In a zone, the state offers an income tax credit for the tax attributable to the eligible business conducted in the zone, which is normally applied on a sliding scale – 80% for the first year, 70% for the second, and so on until the credit is 20% for the seventh and last year in the program. It also offers an unemployment tax credit for the tax attributable to employees doing the eligible business in the zone, on the same sliding scale. Finally, the state offers a general excise tax exemption for the eligible business attributed to the zone. The counties also offer incentives, which vary by county. In return, the business commits to either maintain or increase the number of employees in the zone doing the eligible activity, depending on whether it was already in the zone upon designation or moved to the zone.

As business incentives go, the enterprise zone program is better than most. The incentive applies to a specific activity (here, creating and maintaining employment) targeted to the problem the program seeks to address. The incentive tapers off over time and then stops. It requires accountability, namely required reports to DBEDT for a business to retain its eligibility. The business itself may need a different kind of assistance, such as financing, but the state is here focusing on creating and maintaining jobs in areas that need them.

One criticism of the program is that the designated eligible activities do not seem to have a common thread running through them except that the various activities seem to have been the Flavor of the Month at one time or other. Eligible activities at present are:

- Agricultural production or processing
- Manufacturing
- Wholesaling/Distribution
- Aviation or maritime repair or maintenance
- Telecommunications switching and delivery systems
- Information technology design and production
- Medical research, clinical trials, and telemedicine
- For-profit training programs in international business management or environmental remediation
- Biotechnology research, development, production, or sales
- Repair or maintenance of assisted technology equipment
- Certain types of call centers
- Wind energy producers

The enterprise zone program has been around since 1986. Has there been a comprehensive evaluation of the program and do lawmakers know exactly how much bang they have gotten for their bucks? If the program works, great; if it doesn't work, scrap it. In either event, concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses.

Digested: 2/5/2023



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February 7, 2023

HEARING BEFORE THE
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

TESTIMONY ON SB 817
RELATING TO STATE ENTERPRISE ZONES

Conference Room 229 & Videoconference
1:01 PM

Aloha Chair DeCoite, Vice-Chair Wakai, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau supports SB 817, which amends the definition of "eligible business activity" to include the processing of value-added agricultural products grown within an enterprise zone and the development or production of renewable energy.

The Hawai'i Enterprise Zone Program (EZ) was established to stimulate certain types of business activity and increase employment in targeted areas of the State via tax and other incentives. The EZ program is one of the few State programs which incentivizes economic development in the most rural and distressed communities where agriculture is often the main business activity. Agricultural-related businesses account for roughly half of all businesses in the EZ program.

Farmers can increase their revenues and profits by "adding value" to raw agricultural crops. Currently, off-grade and excess production is sometimes wasted due to market conditions. Converting them into value-added products will not only increase farm revenue but also provide new business opportunities, increase employment opportunities, and help address Hawai'i's goals of increased self-sufficiency and sustainability.

Including the processing of value-added agricultural products that are grown within an enterprise zone as an eligible business activity under that EZ program will support the production of value-added products which can help farmers increase their income while allowing locally produced value-added goods to compete with imported products, and expand into new export markets, strengthening our local economy.

The strength of Hawai'i's economy is dependent upon a diversity in commerce that is resilient to economic downturns and aggressive in creating new growth opportunities.

Thank you for the opportunity to testify on this measure.



**Testimony to the Committee on Energy, Economic Development and Tourism
Tuesday, February 7, 2023, 1:01 PM
VIA Video Conference & Conference
Room 325, Hawaii State Capitol
SB 817**

Chair DeCoite, Vice Chair Wakai, and members of the committee,

Hawaii Clean Power Alliance (HCPA) **supports** SB 817, which proposes to amend the definition of “eligible business activity” to include the processing of value-added agricultural products grown within an enterprise zone and the development or production of renewable energy.

Hawaii Clean Power Alliance is a nonprofit alliance organized to advance and sustain the development of clean energy in Hawaii. Our goal is to support the state’s policy goal of 100 percent renewable energy by 2045. We advocate for utility-scale renewable energy, which is critical to meeting the state’s clean energy and carbon reduction goals.

The Enterprise Zone program is a powerful economic development tool established by the state in 1986 in conjunction with the counties build stronger communities by bringing economic development and mandatory job growth to targeted economically challenged areas within the state. Expanding this definition to include value-added agriculture products and development and production of renewable energy brings heightened opportunity within two of the state’s most vital - and most at risk - policy priorities.

For farmers, these proposed amendments may help boost local farmers’ ability to grow crops that will provide them steady market commerce for multiple years.

This expanded definition opens opportunity for greater clean energy development or production, essential to meet the state’s clean energy goals. With the recent Inflation Reduction Act (IRA) federal incentives that provide for up to 50% investment tax credit for certain renewable energy development projects, this small incentive will prove to be beneficial in attracting these projects to Hawaii instead of the other 49 states, which are all vying for these IRA subsidized projects. These cost reductions available through tax incentives would be passed on to ratepayers.

We ask the committee to pass this bill.

SB-817

Submitted on: 2/4/2023 11:33:37 AM

Testimony for EET on 2/7/2023 1:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Caroline Azelski	Individual	Support	Written Testimony Only

Comments:

Stong support. Thank you.