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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:
S.B. No. 1379, Relating to Emergency Preparedness.

BEFORE THE:
Senate Committee on Public Safety and Military Affairs

DATE: Friday, January 31, 2025
TIME: 3:10 p.m.
LOCATION: State Capitol, Room 225

Chair Elefante, Vice-Chair Wakai, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 1379, an Administration measure, for your consideration.

Section 2 establishes the Community Readiness Centers Program by adding two new sections to chapter 127A, Hawaii Revised Statutes (HRS). The proposed program is to be administered by the Hawaii Emergency Management Agency and funded by a proposed Community Readiness Centers Special Fund.

Section 5 of the bill renames the tax in section 243-3.5, HRS, to the "environmental response, energy, food security, and resilience tax." Section 5 then allocates to the Community Readiness Centers Special Fund proposed for section 127A-B, HRS, the following amounts from the environmental response, energy, food security, and resilience tax:

- 5 cents of the tax on each barrel of petroleum product sold by a distributor to any retail dealer or end user of petroleum product, other than a refiner; and
- 11.4 percent of the tax on each million British thermal units (Btus) of fossil fuel sold by a distributor to any retail dealer or end user, other than a refiner, of fossil fuel.

DOTAX can administer the measure as written with the current proposed effective date of July 1, 2025.

Thank you for the opportunity to provide comments on this measure.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STEPHEN F. LOGAN
MAJOR GENERAL
ADJUTANT GENERAL
KA 'AKUKANA KENELALA

PHILLIP L. MALLORY
BRIGADIER GENERAL
DEPUTY ADJUTANT GENERAL
KA HOPE 'AKUKANA KENELALA

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF DEFENSE
KA 'OIHANA PILI KAUA
OFFICE OF THE ADJUTANT GENERAL
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STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON SENATE BILL 1379
RELATING TO EMERGENCY MANAGEMENT

BEFORE THE SENATE COMMITTEE ON
PUBLIC SAFETY AND MILITARY AFFAIRS

BY

MAJOR GENERAL STEPHEN F. LOGAN
ADJUTANT GENERAL AND
DIRECTOR OF
THE HAWAI'I EMERGENCY MANAGEMENT AGENCY

JANUARY 30, 2025

Aloha Chair Elefante, Vice-Chair Wakai, and members of the committees:

I am Major General Stephen Logan, Adjutant General and Director of the Hawaii Emergency Management Agency (HIEMA), State of Hawaii, Department of Defense.

The Department of Defense provides written testimony in **SUPPORT** of SB1379.

I stand in support of the legislation to establish Community Readiness Centers through the HIEMA Hawai'i Hazard Awareness and Resilience Program. In an era marked by increasing natural disasters, it is critical that we create centralized locations where our communities can access essential support, health and medical services, and education during and after emergencies.

Community Readiness Centers will serve as vital lifelines, offering immediate assistance to those affected while also empowering residents with the knowledge and resources needed to prepare for future emergencies. By emphasizing the importance of preparedness, HIEMA can enhance community resilience and ensure that our residents are not left to navigate crises alone.

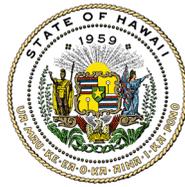
These Community Readiness Centers will strengthen collaboration among local agencies, businesses, and organizations, streamline response efforts, and maximize available resources. This collective approach will reinforce HIEMA's emergency response framework and enable them to act quickly when and where it matters most.

I ask for your support in championing this initiative. Investing in Community Readiness Centers is an investment in the safety and well-being of all residents of the State of Hawai'i, and together Hawai'i can build stronger and more prepared communities.

Thank you for the opportunity to testify.

MG Stephen F. Logan, Stephen.f.logan@hawaii.gov; 808-672-1001

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STEPHEN F. LOGAN
MAJOR GENERAL
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JAMES DS. BARROS
ADMINISTRATOR OF
EMERGENCY MANAGEMENT
KAHU HO'OMALU PŪLIA

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STATE OF HAWAI'I
DEPARTMENT OF DEFENSE
HAWAI'I EMERGENCY MANAGEMENT AGENCY

TESTIMONY ON SENATE BILL 1379,
RELATING TO EMERGENCY PREPAREDNESS

BEFORE THE SENATE COMMITTEE ON
PUBLIC SAFETY AND MILITARY AFFAIRS

BY

JAMES DS. BARROS
ADMINISTRATOR
HAWAI'I EMERGENCY MANAGEMENT AGENCY

JANUARY 31, 2025

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

Thank you for the opportunity to submit testimony to **SUPPORT** Senate Bill 1379.

We strongly support the legislation to create Community Readiness Centers, which the Hawai'i Emergency Management Agency's Hawai'i Hazards Awareness and Resilience Program (HHARP) is helping to implement. As natural disasters become more frequent, it's critical to have centralized locations where our communities have the capability to access essential support during and post disasters or emergencies.

HIEMA is currently engaging with community members to incorporate a comprehensive training program and implement educational workshops at these centers, which will enhance community resilience by equipping individuals with the knowledge and skill set necessary to prepare for, respond to, and recover from emergencies effectively.

These Community Readiness Centers will foster collaboration among local agencies, improving the response efforts and resource management in each community. The centers will have the ability to store emergency communications equipment, the capability to provide back-up power, store food and water – so that communities can re-establish themselves in the aftermath of any disaster.

I encourage you to advocate for this initiative, as investing in the long-term resiliency of our state means prioritizing in the safety and welfare of our kama'āina. This legislative bill will help us build much stronger and more resilient communities.

Thank you for the opportunity to provide testimony on Senate Bill 1379.

James Barros: james.barros@hawaii.gov; 808-733-4300

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Adds Earmark to Feed New Community Readiness Centers Special Fund

BILL NUMBER: HB 1060; SB 1379

INTRODUCED BY: HB by NAKAMURA by request, SB by KOUCHI by request (Governor's Package)

EXECUTIVE SUMMARY: Establishes the Community Readiness Centers Program to be implemented and administered by the Hawai'i Emergency Management Agency. Establishes the Community Readiness Centers Special Fund to fund the Community Readiness Centers Program. Renames the Environmental Response, Energy, and Food Security Tax to the Environmental Response, Energy, Food Security, and Resilience Tax and directs a portion of the tax into the Community Readiness Centers Special Fund.

SYNOPSIS: Adds two new sections to chapter 127A, HRS. One would establish a "Community readiness centers program" to be implemented and administered by the Hawaii Emergency Management Agency ("Agency"). The program will set up community readiness centers in various communities to ensure emergency preparedness by providing training and emergency information, supplies, and basic medical care during and after an emergency event, store and refrigerate medical supplies and provide a place for residents to charge electrical devices and access the internet.

The Agency shall:

- 1) Identify potential sites for the establishment of community readiness center facilities,
- 2) Negotiate and arrange for purchase or lease of suitable sites,
- 3) Contract to design and construct facilities,
- 4) Install a solar and back-up battery storage system, multiple electrical charging stations, internet access, and the capability to refrigerate medical supplies at each site; and
- 5) Obtain suitable emergency supplies, including non-perishable food.

The other new section would establish a community readiness centers special fund. The monies in the fund shall be used for:

- 1) Purchase or lease of suitable community readiness centers sites,
- 2) Design and construction of community readiness centers facilities,
- 3) Installation of solar panels and back-up battery storage systems,
- 4) Installation of electrical charging stations, internet access, and capability to refrigerate medical supplies,
- 5) Purchase of suitable emergency supplies, and
- 6) administration and maintenance of community readiness centers.

Amends section 243-3.5, HRS, by adding “resilience” to the title of the Environmental response, energy and food security tax. Makes conforming changes to section 128D-2(a), 201-12.8(a), and 304A-2169.1(b), HRS.

Amends section 243-3.5(a)(6), HRS, to deposit 5 cents of the \$1.10 per barrel petroleum product tax to be deposited into the community readiness centers special fund.

Amends section 243-3.5(b)(4), HRS, to deposit 11.4 percent of the 19 cents on each one million British thermal units of fossil fuel sold by fossil fuel distributors to the community readiness centers special fund.

EFFECTIVE DATE: July 1, 2025.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Defense and designated DEF-03 (25).

The 1989 Tax Review Commission noted that use of special fund financing is a “departure from Hawaii’s sound fiscal policies and should be avoided.” It also noted that special funds are appropriate where the revenues to the funds maintain some direct connection between a public service and the beneficiary of that service. The Commission found that special funds which merely set aside general funds cannot be justified as such actions restrict budget flexibility, create inefficiencies, and lessen accountability. It recommended that such programs can be given priority under the normal budget process without having to resort to this type of financing.

This bill creates a new special fund to implement and administer a new Community Readiness Centers program. The fund is fed by new earmarks on the barrel tax (HRS section 243-3.5). The program is to be administered by the Hawaii Emergency Management Agency.

Special funds are pots of money that exist for a specific purpose and largely bypass the legislative appropriation process. The existence of hundreds of these special funds has often confounded those who seek answers to simple questions like “How much money does the State have?”

Our Legislature is supposed to be the steward of all state moneys, but special funds make it very easy to lose track of where the money is and how it is being spent. Departments are supposed to tell the Legislature if they have special funds and how much is in them, but let’s just say they don’t always. Recently, in Report No. 20-01, the State Auditor took DBEDT to task for failing to report \$6.5 million in non-general fund moneys. DBEDT’s response? Just that they’ll “take corrective action.” Not even a “Whoops! We screwed up and promise to do better next time!” This followed closely on the heels of Report No. 19-16, where the Auditor found that \$1.04 million in non-general fund moneys administered by the Attorney General wasn’t reported. That department responded that they “shall establish procedures to assure required reports are issued.” Is it any wonder that it’s getting harder and harder to follow the money and rein in government spending?

Perhaps as the result of the foregoing concerns, the Legislature has itself established criteria for when a special fund may be maintained (HRS section 37-52.3). Those criteria are that the special fund:

- (1) Serves a need, as demonstrated by:
 - (A) The purpose of the program to be supported by the fund;
 - (B) The scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and
 - (C) An explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- (2) Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries or a clear link between the program and the sources of revenue, as opposed to serving primarily as a means to provide the program or users with an automatic means of support that is removed from the normal budget and appropriation process;
- (3) Provides an appropriate means of financing for the program or activity that is used only when essential to the successful operation of the program or activity; and
- (4) Demonstrates the capacity to be financially self-sustaining.

Of these, at least two of the criteria are violated because there is no nexus between the program (community resilience centers) and the source of revenue (tax on fossil fuel consumption), and because there is no indication that the proposed fund can be financially self-sustaining. Establishing this special fund is inappropriate, as is the proposed method of financing the fund.

SB-1379

Submitted on: 1/28/2025 3:55:15 PM

Testimony for PSM on 1/31/2025 3:10:00 PM

Submitted By	Organization	Testifier Position	Testify
Victor K. Ramos	Individual	Oppose	Written Testimony Only

Comments:

This measure is not needed and it will be a waste of taxpayers dollars.