STAND. COM. REP. NO. 1304 -08

Honolulu, Hawaii

Meah 20, 2008

RE: S.B. No. 3215

S.D. 3 H.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fourth State Legislature Regular Session of 2008 State of Hawaii

#### Sir:

Your Committees on Energy & Environmental Protection and Water, Land, Ocean Resources & Hawaiian Affairs and Agriculture, to which was referred S.B. No. 3215, S.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO BIODIESEL,"

beg leave to report as follows:

The purpose of this bill is to provide incentives for the production of biodiesel in the state. Specifically, this bill, among other things:

- (1) Allows the Board of Land and Natural Resources (BLNR) to lease, by direct negotiation and without recourse to public auction, public agricultural lands to eligible lessees growing crops suitable for conversion into biodiesel fuel;
- (2) Establishes, for use in state vehicles with diesel engines, a preference for biodiesel blends that contain up to 20 percent biodiesel produced in the state from feedstock grown in the state;
- (3) Requires the Department of Agriculture's (DOAs) Energy Feedstock Program to support market development for biodiesel feedstock by:

- (A) Purchasing certain biodiesel feedstock crops grown in the state, capped at an unspecified amount;
- (B) Purchasing certain biodiesel fuel and biodiesel fuel blends produced in the state, capped at an unspecified amount; and
- (C) Determining the disposition of biodiesel feedstock crops and biodiesel fuel and biodiesel fuel blends purchased under the feedstock program;
- (4) Specifies that the annual reports to the Legislature required under the feedstock program be submitted at least 20 days prior to the convening of each regular session, and mandates certain information to be included in the reports; and
- (5) Establishes an income tax exclusion of an unspecified amount for income derived from an oil seed crushing facility that processes oil seed produced or grown in the state for biodiesel production in the state.

Pacific Biodiesel, Inc., Hawaiian Electric Company, Maui Electric Company, and Hawaii Electric Light Company supported this bill. DOA opposed this measure. The Department of Taxation, BLNR, and Tax Foundation of Hawaii submitted comments.

In light of concerns raised during the public hearing on this matter, your Committees have amended this measure by deleting its contents and inserting the provisions of H. B. No. 3410, H.D. 2. As amended, this bill differs from the bill as referred to your Committees by:

- (1) Establishing an income tax exclusion of 100 percent of the income derived from an oil seed crushing facility that processes oil seed produced or grown in the state for biodiesel production in the state;
- (2) Containing an effective date of July 1, 2020; and
- (3) Incorporating technical, nonsubstantive amendments for style, clarity, and consistency.

Your Committees have further amended this measure by deleting the restriction that an oil seed crushing facility cannot be integrated with a biodiesel production facility.

SB3215 HD1 HSCR EEP-WLH-AGR HMS 2008-3269



As affirmed by the records of votes of the members of your Committees on Energy & Environmental Protection and Water, Land, Ocean Resources & Hawaiian Affairs and Agriculture that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3215, S.D. 3, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3215, S.D. 3, H.D. 1, and be referred to the Committee on Finance.

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Respectfully submitted on behalf of the members of the Committees on Energy & Environmental Protection and Water, Land, Ocean Resources & Hawaiian Affairs and Agriculture,

HERMINA MORITA, Chair

CLIFT TSUJI. Chair

### State of Hawaii House of Representatives The Twenty-fourth Legislature

# Record of Votes of the Committee on Energy & Environmental Protection

SB 3215 SD3	Committee Referral: EEP/WLH/AGR, FIN	Date: 3/13/08					
☐ The committee is reconsidering its previous decision on the measure.							
The recommendation is to:  Pass, unamended (as is)  Pass, with amendments (HD)  Hold  Pass short form bill with HD to recommit for future public hearing (recommit)							
EEP Members	Ayes Aye	es (WR) Nays	Excused				
1. MORITA, Hermina M. (C)							
2. CARROLL, Mele (VC)	V		7				
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3. ITO, Ken	V						
4. KARAMATSU, Jon Riki							
4. KAKAMATSU, JULKKI							
5. MAGAOAY, Michael Y.			<b>-</b>				
6. SAGUM, Roland D., III	<b>✓</b>						
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7. SAIKI, Scott K.			V				
8. THIELEN, Cynthia	-Ane						
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8. THIELEN, Cynthia							
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8. THIELEN, Cynthia  TOTAL (8)  The recommendation is:	pted  Not Adopted referral,	lid not support recommendation.	× 3				

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# Record of Votes of the Committee on Water, Land, Ocean Resources & Hawaiian Affairs

Bill/Resolution No.:	Committee Referral:	Date	3/12/	.4				
SB 3215 SD 3	EEP/WLH/AGR, FIN		JIVI	U U				
The committee is reconsidering its previous decision on the measure.								
The recommendation is to:  Pass, unamended (as is)  Pass, with amendments (HD)  Hold  Pass short form bill with HD to recommit for future public hearing (recommit)								
WLH Members	Ayes	Ayes (WR)	Nays	Excused				
1. ITO, Ken (C)								
2. KARAMATSU, Jon Riki (VC)								
3. CARROLL, Mele								
5. CARROLL, Meie			10 - <b>33</b>					
4. MAGAOAY, Michael Y.	D100 7	11-						
5. MORITA, Hermina M.	<b>/</b>	-						
6. SAGUM, Roland D., III				an selvening of the self-				
7. SAIKI, Scott K.			***					
8. THIELEN, Cynthia								
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TOTAL (8)	Č	0	0	5				
The recommendation is:  Adopted  If joint referral, did not support recommendation.								
Vice Chair's or designee's signature:								
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office								

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## **Record of Votes of the Committee on Agriculture**

Bill/Resolution No.:	ommittee Referral:	Da	ite: 01.21				
SB 3215, SD3	EEP/WLH/AGR, F	TH/AGR, FIN 3/13/08					
☐ The committee is reconsidering its previous decision on the measure.							
The recommendation is to: ☐ Pass, unamended (as is) ☐ Pass, with amendments (HD) ☐ Hold ☐ Pass short form bill with HD to recommit for future public hearing (recommit)							
AGR Members	Ayes	Ayes (WR)	Nays	Excused			
1. TSUJI, Clift (C)							
2. BROWER, Tom (VC)							
3. BERG, Lyla B., Ph.D.							
J. BERG, Eym D., Timb.							
4. CHANG, Jerry L.							
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5. HANOHANO, Faye P.							
6. HERKES, Robert N.							
o. HERRES, Robert IV.							
7. MANAHAN, Joey							
8. WAKAI, Glenn							
O NAMANE Days I							
9. YAMANE, Ryan I.							
10. YAMASHITA, Kyle T.							
11. CHING, Corinne W.L.							
12. MEYER, Colleen Rose							
TOTAL (12)	8	Ø	8	4			
The recommendation is:  Adopted  If joint referral, did not support recommendation.  committee acronym(s)							
Vice Chair's or designee's signature: Tow Brown							
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office							