DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM

NEIL ABERCROMBIE
GOVERNOR

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
Tuesday, February 14, 2012
9:00 AM
State Capitol, House Conference Room 325
in consideration of
HB2669
RELATING TO ENERGY.

Chair Coffman, Vice Chair Kawakami, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of HB 2669, but has concerns about DBEDT's proposed role in administering a tax credit program and the lack of resources under this measure to administer the proposed biofuel production facility tax credit program.

We note that three planned biofuels projects identified in the 2011 Biofuels Study (Act 203) could be eligible for the tax credit proposed by HB 2669, although one is currently under construction without the benefit of a state production facility tax credit.

DBEDT defers to the Department of Taxation (DOTAX) regarding the fiscal impacts of this tax credit and asks the Legislature to exercise caution in the creation of an unfunded mandate, and to carefully consider whether DBEDT is the most appropriate agency to administer a tax credit program.

Thank you for the opportunity to offer these comments.

NEIL ABERCROMBIE
GOVERNOR OF HAWAIʻI

GARY L. HOOSER
DIRECTOR

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House Committee on Energy and Environmental Protection

H.B. 2669, Relating to Energy

Testimony of Gary Hooser
Director of the Office of Environmental Quality Control

February 14, 2012

Office's Position: Supports section that relates to Chapter 343 HRS and recommends amendments

Fiscal Implications: None

Purpose and Justification: The Office of Environmental Quality Control supports that portion of HB2669 which amends the definition of oil refinery to include the expansion of an existing oil refinery and recommends the definition not be limited to fossil fuel only and that HB 2669 be further amended to also include bio fuel refining facilities. The OEQC position is that environmental reviews under Chapter 343 HRS should be based upon potential environmental impacts and not on the type of product being produced. The refining of both fossil fuel oil and/or bio fuel oil could result in significant environmental impacts depending on the scope, location and other factors of the proposed operation – and thus warrants an environmental assessment or in some cases an environmental impact statement. Chapter 343 has provisions to allow the exemption of any project that perhaps is small in size and scope and expected to have no or negligible impacts.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

FREDERICK D. PABLO
DIRECTOR OF TAXATION

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To: The Honorable Denny Coffman, Chair
and members of the House Committee on Energy and Environmental Protection

Date: Tuesday, February 14, 2012
Time: 9:00 A.M.
Place: Conference Room 325, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 2669, Relating to Energy

The Department of Taxation appreciates the intent of H.B. No. 2669 and provides the following information and comments for your consideration.

H. B. 2669 creates an income tax credit for development and construction costs for qualifying biofuel production facilities until repealed by its terms on January 1, 2017, and redefines "oil refinery;" clarifying that an environmental assessment is required for an expansion of an existing oil refinery.

This Department defers to the Department of the Attorney General regarding the Constitutionality of the proposed legislation, however the Department notes that Section (d)(1) of the proposed statute may clash with the Commerce Clause of the United States Constitution in that it requires developers of a biofuel facility to purchase locally grown products rather than purchasing products from out of state, in order to qualify for the proposed tax credit.

Subsections (c) and (f) of the proposed legislation refers to the date on which a biofuel facility becomes "commercially operational." The phrase "commercially operational" is not generally used in tax legislation. Changing this term to "placed in service" will bring the proposed measure in line with other tax legislation and thereby make administration of the proposed tax credit more straightforward.

Subsection (j) of the measure refers to "qualified production costs," a term not defined in the legislation. The Department suggests that to ease administration of the proposed credit this language should be changed to "qualified development and construction costs," the term used in subsection (b) and defined in subsection (n).

The Department additionally notes that Subsection (n) of the proposed legislation makes reference to the Internal Revenue Code "as it read on March 1, 2004" for purposes of determining what qualifies as a capital expenditure. To prevent problems implementing this measure, the Department recommends the desired language be included into the statute, rather than reference prior version of the Internal Revenue Code.

Thank you for the opportunity to provide comments.

Written Testimony before the
House of Representatives Committees on

Energy and Environmental Protection

H.B. 2669

Tuesday, February 14, 2012

9:00 AM, Conference Room 225

By Cecily Barnes
Manager, Biofuels
Hawaiian Electric Company, Inc.

Chair Coffman, Vice-Chair Kawakami, and Members of the Committee:

My name is Cecily Barnes. I am the Manager of Biofuels for Hawaiian Electric Company. I submit this testimony on behalf of Hawaiian Electric Company and its subsidiary utilities, Maui Electric Company and Hawaii Electric Light Company, hereby referred to collectively as the Hawaiian Electric Utilities.

The Hawaiian Electric Utilities support H.B. 2669 creating an income tax credit for development and construction costs for qualifying biofuel production facilities.

The Hawaiian Electric Utilities are committed to exploring and using biofuels in its existing and planned generating units. The use of biofuels can reduce the State's dependence on imported oil and increase the amount of renewable energy from sustainable resources. This commitment by the Hawaiian Electric Utilities is demonstrated by the following initiatives:

- Installed a nominal 120 MW power plant in 2009 at Campbell Industrial Park that has operating on 100% biodiesel since November, 2010;
- Successfully tested biofuels at Maui Electric Company's Ma'alaea Power Plant and Hawaiian Electric's Kahe Power Plant.
    - Maui Electric Company conducted a 1 million gallon biodiesel demonstration project from April through August 2011 at Ma'alaea Power Plant. Results indicate that conversion of Maui Electric's Mitsubishi class diesel generators

from petro-diesel to 100% biodiesel is feasible from operational, maintenance, and air permitting standpoints.
    - Hawaiian Electric successfully co-fired 1.5 million gallons of crude palm oil at Unit 3 of the Kahe Generating Station. This test demonstrated that co-firing biofuel with low sulfur fuel oil at various blends up to 100% biofuel was possible and resulted in lower emissions for Nitrous Oxides (NOx), Sulfur Oxides (SOx), and other pollutants.
- Provided 5 years of seed funding to the Hawaii Agriculture Research Center ("HARC") and the agriculture departments at the University of Hawaii's Manoa and Hilo campuses to conduct biofuel crop research with a 6th year of funding to follow this year; and
- Awarded a 20-year contract to Hawaii BioEnergy to purchase 10 million gallons of biofuel annually, stimulating development of local feedstock and biofuel processing on the Island of Kauai. This contract was filed with the Public Utilities Commission (PUC) on November 30, 2011 and is pending approval.
- Awarded a 3-year contract to Pacific Biodiesel to purchase 250,000 gallons of biodiesel annually on the Island of Oahu, stimulating development of local feedstock and biofuel processing in Hawaii. This contract was filed with the PUC on November 30, 2011 and is pending approval.
- Awarded a pilot contract to Phycal to purchase 100,000 to 150,000 gallons of algal oil for a one-time supply to be delivered in 2014, stimulating development of local feedstock and biofuel processing on the Island of Oahu. Phycal intends to develop larger volumes of algal oil upon successful testing of the pilot.
- Awarded a 20-year contract to Aina Koa Pona to purchase 16 million gallons of biofuel annually, stimulating development of local feedstock and biofuel processing on the Island of Hawaii. This contract was filed with the PUC on January 6, 2011 and denied on September 29, 2011. Hawaiian Electric continues discussions with Aina Koa Pono with the intent of negotiating a new contract.

In conclusion, the Hawaiian Electric Utilities support H.B. 2669 as a way to stimulate biofuel development In Hawaii. Thank you for the opportunity to present this testimony.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Biofuel production facility tax credit

BILL NUMBER: SB 2666; HB 2669 (Identical)

INTRODUCED BY: SB by Dela Cruz; HB Chang, Cabanilla, Cullen, Hashem, Ichiyama, Ito, Manahan, McKelvey, Mizuno, Tokioka and 2 Democrats

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to allow a taxpayer to claim a biofuel production facility income tax credit of 15% of the qualified development and construction costs of the facility. To qualify for the credit, a facility shall: (1) be located in the state and use locally grown feedstock for at least 75% of its production output; (2) meet the definition of a qualified biofuel production facility; (3) have a production capacity of at least 5 million gallons; (4) have qualified development and construction costs totaling at least $10 million; and (5) be in production on or before January 1, 2017. The total credits claimed per qualified biofuel facility shall not exceed $60 million.

Requires the taxpayer to first prequalify for the credit by registering with the department of business, economic development, and tourism (DBEDT) during the development or construction stage. Failure to comply with this provision may constitute a waiver of the right to claim the credit. Requires every taxpayer claiming the credit to submit a written, sworn statement to DBEDT no later than 90 days following the end of a tax year.

Every taxpayer claiming the credit must submit a written statement to DBEDT within 90 days of the close of the tax year of the qualified costs, amount of tax credits claimed and the number of hires related to the development or construction of the facility in a taxable year. Requires DBEDT to maintain records of the taxpayers claiming the credit, obtain and total the aggregate amounts of the construction costs for each facility and provide a letter to the director of taxation delineating the amount of tax credit for each facility and the cumulative amount claimed for all years.

In the case of a partnership, S corporation, estate, or trust, the tax credit allowable shall be for qualified production costs incurred by the entity with the cost upon which the tax credit is computed shall be at the entity level. Distribution and share of the tax credit shall be determined by rule adopted by the director of taxation. If a deduction is taken under section 179 (with respect to election to expense depreciable business assets) of the Internal Revenue Code, no tax credit shall be allowed for those costs for which the deduction is taken. The basis for eligible property for depreciation of accelerated cost recovery system purposes for state income taxes shall be reduced by the amount of credit allowable and claimed.

Credits in excess of tax liability shall be refunded provided such amounts are in excess of $1. Requires all claims for the credit to be filed before the end of the twelfth month following the end of tax year. The director of taxation shall prepare forms as may be necessary to claim the credit and may adopt rules pursuant to chapter 91.

Defines "qualified biofuel production facility" and "qualified development and construction cost" for purposes of the measure.

The credit shall be applicable to qualified development and construction costs incurred on or after July 1, 2011 and before January 1, 2017. Repeals this credit on January 1, 2017 provided that any qualified cost incurred before January 1, 2017 shall be eligible for the credit in the immediately following tax year if not claimed in a prior taxable year or before the repeal date of this act.

EFFECTIVE DATE: July 1, 2012; applicable to tax year beginning after December 31, 2011

STAFF COMMENTS: The legislature by Act 289, SLH 2000, established an investment tax credit to encourage the construction of an ethanol production facility in the state. The legislature by Act 140, SLH 2004, changed the credit from an investment tax credit to a facility tax credit. This measure proposes a similar credit for the production of biofuels.

While it has been almost ten years since the credit for the construction of an ethanol plant in Hawaii was enacted and ground has not broken yet, it appears that there are other far more efficient biofuels that could be developed and, therefore, the existing credit, which is specific to ethanol, might not be available to assist in the development of these other types of fuels.

While the idea of providing a tax credit to encourage such activities may have been acceptable a few years ago when the economy was on a roll and advocates could point to credits like those to encourage construction and renovation activities, what lawmakers and administrators have learned in these past few months is that unbridled tax incentives, where there is no accountability or limits on how much in credits can be claimed, are indeed irresponsible as the cost of these credits go far beyond what was ever contemplated.

As an alternative, lawmakers should consider repealing the existing ethanol facility tax credit and utilize other strategies to encourage the development and use of alternate energy resources such as a loan program or the issuance of special revenue bonds for this purpose or perhaps even a specific appropriation of taxpayer dollars. At least lawmakers would have a better idea of what is being funded and hold the developers of these alternate forms of energy to a deliberate timetable or else lose the funds altogether. A direct appropriation would be preferable to a tax credit as it would provide some accountability for the taxpayers' funds being utilized to support this effort.

Finally, this proposal verifies what has been said all along about legislators latching onto the fad of the month without doing very serious research. While ethanol was the panacea of yesterday, lawmakers have learned that there are more down sides to the use of ethanol than there are pluses. Ethanol production demands more energy to produce than using a traditional petroleum product to produce the same amount of energy and the feedstock that is used to produce ethanol basically redirects demand for that feedstock away from traditional uses, causing those other products to substantially increase in price. Even algae, which was once thought of as a great alternative fuel, has been reported to consume more energy and resources than the energy that is produced from the substance. Lawmakers have a wealth of resource information at their finger tips through the Hawaii Natural Energy Institute upon which to draw and learn more about cutting edge research in this area.

Digested 2/8/12

HB 2669

RELATING TO ENERGY

JOEL K. MATSUNAGA
CHIEF OPERATING OFFICER & EXECUTIVE VP
HAWAII BIOENERGY, LLC

FEBRUARY 14, 2012

Chair Coffman and Members of the House Committee on Energy & Environmental Protection

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy in support of HB 2669, "Relating to Energy."

SUMMARY

Hawaii BioEnergy, LLC ("HBE") supports HB 2669, which creates an income tax credit for the development and construction costs for qualifying biofuel production facilities. The proposed measure would help to offset a portion of the upfront costs associated with bioenergy development, which have to date limited the development Hawaii's nascent bio-based economy. This bill would help mitigate the upstream and downstream costs of biomass production and conversion, helping to accelerate the development of Hawaii's biofuel industry while stimulating needed investment in the agricultural, construction and industrial sectors.

HAWAII BENEFITS FROM LOCAL BIOFUELS PRODUCTION

Hawaii BioEnergy is a local company dedicated to strengthening the state's energy future through sustainable biofuel production from locally grown feedstocks. Among its partners are three of the larger landowners in Hawaii. HBE and its partners would like to use significant portions of our land to address Hawaii's existing and growing energy needs.

Understanding the urgency of these needs and anticipating growing demand, HBE has dedicated the last several years to feedstock trials, extensive technology evaluation and detail financial modeling of various production pathways in an effort to ensure HBE's ultimate production is as productive, efficient and sustainable as possible. HBE's own research, development and demonstration (RD&D) efforts have been accelerated by funding from the US government's Defense Advanced Research Projects Agency (DARPA), Office of Naval Research, as well as a Congressional Appropriation administered through the Air Force Research Laboratory. Collectively, this analysis has enabled HBE to clearly understand the production potential and challenges associated with Hawaii's unique natural resource base, geography, climate, market and infrastructure.

While Hawaii holds tremendous potential to produce a range of advanced, high-density biofuels from locally produced feedstocks and innovative next generation technologies, the industry is still in its infancy and faces a myriad of cost and development challenges. Many of these challenges are attributed to the fact that Hawaii's agricultural and otherwise productive lands are relatively small, non-contiguous parcels with varying microclimates and other conditions that limit scale and increase operational costs. Such limitations and cost impacts are particularly pronounced in Hawaii where the cost of doing business is already disproportionately high relative to the mainland. Providing a tax credit for biofuels facilities that utilize locally produced feedstocks would help to offset these costs, improve the competitiveness of production, and attract investment to the agriculture, construction, and industrial sectors while producing renewable fuels that diversify the state's energy resources and help the state achieve its goals under the Renewable Energy Initiative.

Understanding that the state's resources are limited, HBE would also like to underscore that tax incentives such as those proposed by HB 2669 would help to spur needed agro-industrial investment that would create jobs, stimulate economic growth, and generate additional tax revenue for the state.

CONCLUDING REMARKS

HBE is moving forward with advanced, bio-based energy projects from locally grown feedstocks that will help provide a local, renewable source of energy for Hawaii. HBE believes that HB 2669 will help to accelerate and expand Hawaii's bio-based renewable energy economy and help to reinvigorate the state's agricultural sector more broadly. Based on the aforementioned, Hawaii BioEnergy respectfully requests your support for HB 2669.

Thank you for the opportunity to testify.

TESTIMONY OF DR. MELVIN H. CHIOGIOJI OF AINA KOA PONO BEFORE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENT ON HB2669
FEBRUARY 14, 2012

Mr. Chairman and members of the Committees on Energy and Environment.

Thank you for allowing Aina Koa Pono to provide testimony on HB2669. Aina Koa Pono supports strongly all provisions of HB2669. The following are our comments and rationale for support of HB2669.

<u>New Biofuel Production Facilities Will Help the State</u>

- **Job Growth** - Large-scale biofuel production facilities will provide hundreds of high-paying permanent jobs for the state. Aina Koa Pono estimates that its planned Ka`u facility will create 400 construction jobs during construction and up to 200 permanent jobs for the next 20 to 30 years. If 5 of the same size plants could be built in the next 3 years, we could create 2000 construction jobs and potentially 1000 permanent jobs.
- **Agricultural Land Use** - Biofuel will return thousands of acres of currently-fallow land to agricultural production. This will help reinvigorate Hawai`i's agricultural economy. There are currently at least 500,000 acres of fallow land suitable for use for biofeedstock production.
- **Clean Energy** - Large biofuel production facilities can be an integral part of Hawai`i's clean energy future.
- **Economic Development and Increased Tax Revenues** - Will create immediate economic development and produce increased tax revenues.
- **Economic Impact** - Hawaii currently imports about 2,000,000,000 gallons equivalent of liquid fuel per day at a cost of approximately $5,000,000,000 per year. If 25% of that fuel could be produced in Hawaii, the direct economic impact would be $1,250,000,000 feeding directly back into the Hawaiian economy with a total economic impact of approximately $4,000,000,000 per year.
- **Curb Energy Costs** - Energy costs have escalated by 50% over the past year. In January of last year, for example, HECO was paying $90 per barrel for Low Sulfur Fuel Oil and they are currently paying $135 per barrel. This has translated into electricity prices in Honolulu going from 27 cents per KWH in January 2011 to approximately 35 cents per KWH today. With world politics as it is, particularly in Iran, there are projections of oil going to $200 per barrel this year. Hawaii cannot afford this and must develop local resources quickly.

<u>A Biofuel Investment Incentive Tax Credit is Needed</u>

- **Investment Incentive Needed** - Large-scale biofuel production facilities will not be built in the near future without an investment incentive tax credit. The technology is too new and the location too remote to attract the large amounts of Mainland capital that are needed.
- **Production Subsidy Not Sufficient** - The biofuel production subsidy proposed in HB2262 is not a sufficient investment incentive. Although helpful, it will not attract enough new capital

to Hawai`i for the construction of new large-scale production facilities which are needed for energy self sufficiency.

Investment Incentive Tax Credit Will Not Cost the State

- **No Payment Until 2015 -** Under the proposed investment incentive tax credit, the state will pay no money until 2015 at earliest.
- **No Payment Until Plant Operational -** In addition, the production facility will have to be fully operational before the State is required to pay any money. The jobs will already have been created and the State will have already benefitted before any credits can be taken.
- **Bill is revenue positive -** Over the life of the project, when considering GET and income tax revenues, the bill is revenue positive. Approximately ½ of the tax credit will be received by the State prior to having to pay the credit. The bill is revenue positive by 2019.

The Senate Committees on Energy and Environment and Economic Development and Technology has passed an identical bill SB2666 on February 9, 2012. They added an amendment to the bill which we support and suggest that it be added to HB2669 as follows:

Add a new paragraph in Section S235-:

(o) Upon receipt of the tax credit provided in this legislation, the recipient will reimburse the State of Hawaii the amount of the tax credit received in a lump sum on the tenth anniversary of the receipt of the credit.

This will provide that whoever takes advantage of the tax credit will reimburse the State of Hawaii for the credit after a period of ten years. This will make the revenue impact of the tax credit substantially more revenue positive.

Thank you for allowing us to testify on this important bill for the State of Hawaii in enhancing economic development, creating jobs, and moving towards energy independence.

The Twenty-Sixth Legislature
Regular Session of 2012

HOUSE OF REPRESENTATIVES
Committee on Energy and Environmental Protection
Rep. Denny Coffman, Chair
Rep. Derek S.K. Kawakami, Vice Chair
State Capitol, Conference Room 325
Tuesday, February 14, 2012; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2669
RELATING TO ENERGY**

The ILWU Local 142 supports H.B. 2669, which creates an income tax credit for development and construction costs for qualifying biofuel production facilities.

Hawaii has an energy goal of generating 40% of its electricity needs from renewable energy sources by 2030. To achieve this goal, we will need to develop as many renewable energy resources as possible, including biofuel.

The tax credit proposed in this bill will facilitate development of biofuel as a resource as well as provide a viable use for feedstock that can be grown on currently fallow agricultural land. This not only would provide jobs in the construction and operation of the facility but also in agriculture, helping to sustain the community in rural areas.

The ILWU urges passage of H.B. 2669. Thank you for the opportunity to testify on this measure.

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February 13, 2012

TESTIMONY ON HB 2669 – Relating to Energy

House Committee on Energy and Environmental Protection
Chair Coffman, Vice Chair Kawakami and members of the Committee

From: Robert King
Pacific Biodiesel

Pacific Biodiesel supports the intent of HB 2669, but feels that as written it will not provide significant encouragement for the expanded *production* of biofuels to meet the Hawaii Clean Energy Initiative 2030 goals. The tax incentive is for a relatively small percentage (15%) of the costs of building a biofuel facility and does not extend past the construction phase of the biofuel facility into the actual production phase.

Please consider revising the bill to provide greater encouragement to the local biofuels industry.

Thank you,

Robert King
President
Pacific Biodiesel
bking@biodiesel.com

HAWAII RENEWABLE ENERGY ALLIANCE
46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON ENERGY AND THE ENVIRONMENT

HB 2669, RELATING TO ENERGY

February 14, 2012

Chair Coffman, Vice-Chair Kawakami and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of HB 2669 are to: (i) create an income tax credit for development and construction costs for qualifying biofuel production facilities, (ii) define "oil refinery," and (iii) clarify that an environmental assessment is required for an action proposing the expansion of an existing oil refinery.

HREA **supports the intent of Section 2 (biofuel production facility)** and does not take a position Sections 3 and 4 (Chapter 343 issues), and offers the following comments for the Committee's consideration:

1) Elements of Biofuels Facility Tax Credit. We support a measure that will leverage private investment in biofuel production facilities. Last year's SB 772 SD2 HD2 (CONF) would do that for liquid biofuels; the subject measure would expand the credit to gaseous biofuels, which we can support. However, there are some issues with the measure.

2) Issue 1 (No Production Requirement). This is strictly an investment credit, which we see as a major flaw, as it only incentivizes construction and not long term production as does SB 772. And if there were, the details of how payment for gaseous fuels would need to be worked out.

3) Issue 2 (Weak Market Pull Mechanism). Even with a production requirement (such as in SB 772), was added to this measure, we do not believe a credit level of 15% will be attractive to investors. Specifically, wind and solar projects (20% and 35% credits), are less risky to develop than biofuel facilities, which must meet permitting challenges, incorporate feedstocks from local growers at reasonable prices, and be up and operating by 2017. The credit should be at least 50%.

4) Issue 3 (Where's the Market). If the ethanol mandate is repealed, it is not likely that we will see ethanol production, unless the oil companies seek local suppliers for ethanol in their gasoline blends. In the case of biodiesel, a local supply is already in the transportation market; and given the utility's interest via their RFPs, that helps creates certainty for biodiesel to generate electricity. Likewise, utility or other RFPs could also provide certainty for biomass-to-electricity from anaerobic digestion, gasification, pyrolysis or other processes. However, without a viable path to the market for all biofuels, this measure will fall short.

5) Recommendations. Given the major problems we see with this measure, we recommend that a working group be formed to prepare a proposed HD1 for the committee's consideration. HREA stands ready to participate in said working group.

Thank you for this opportunity to testify.