SB 1088

RELATING TO SUSTAINABILITY. Reallocates the Environmental Response, Energy, and Food Security Tax to carry out the intended sustainability purposes of section 128D-2, Hawaii Revised Statutes, and Act 73, Session Laws of Hawaii 2010. Repeals the sunset date in Act 73, and provides appropriations of the anticipated additional revenues. Removes the repeal date in Act 253, Session Laws of Hawaii 2007, as amended by Act 151, Session Laws of Hawaii 2012, for the Energy Systems Development Special Fund and periodic evaluation and plan of action requirements of the Energy Systems Development Special Fund.



NEIL ABERCROMBIE GOVERNOR

EXECUTIVE CHAMBERS

Testimony in **support** of SB1088 Relating to Sustainability

Committee on Energy and Environment Senator Mike Gabbard, Chair Senator Russell E. Ruderman, Vice Chair

Committee on Agriculture Senator Clarence K. Nishihara, Chair Senator Ronald D. Kouchi, Vice Chair

Committee on Economic Development, Government Operations and Housing
Senator Donovan M. Dela Cruz, Chair
Senator Sam Slom, Vice Chair

February 4, 2013 3:45 pm Room 016

Chairs Gabbard, Nishihara, and Dela Cruz, Vice-Chairs Ruderman, Kouchi, and Slom, and members of the committees:

The Office of the Governor **supports** Senate Bill 1088, Relating to Sustainability. This measure would reallocate the distribution of Hawaii's Environmental Response, Energy, and Food Security Tax, otherwise known as the Barrel Tax, to help us take several steps forward toward Hawaii's sustainability goals and build self-sufficiency. This measure would also make this law permanent. I'd like to be clear that this measure as introduced by the Administration does not make any changes to the amount of the Barrel Tax – it simply redistributes the funds to go to the initially intended purposes of energy diversification and food safety and security, rather than to the general fund. This adjustment has been accounted for in the Administration's financial plan.

The redistribution of these funds is estimated to add over \$7 million each to the Agricultural Development and Food Security Special Fund and Energy Security Special Fund, and \$1.4 million to the Environmental Response Revolving Fund. These funds would support clean energy, local agricultural production, and environmental response.

We need to look toward the long-term future of Hawaii and address the demands of the 21st century, for the sake of Hawaii's children. We need to take action to protect our land, reduce our reliance on fossil fuels and find alternative energy resources, and grow and sustain local agriculture, so that we may attain the goal of self-sufficiency. This measure will help us do that, at no additional cost, but with a huge positive impact on Hawaii's agricultural, energy, and environmental needs.

The departments of Agriculture, Health, and Business, Economic Development and Tourism, are here to present testimony that will provide additional information on the specific programs that will be supported by the Barrel Tax.

Thank you for the opportunity to testify.



State of Hawaii DEPARTMENT OF AGRICULTURE 1428 South King Street Handlight Hawaii 06814 2512

Honolulu, Hawaii 96814-2512 Phone: (808) 973-9600 FAX: (808) 973-9613

TESTIMONY OF RUSSELL KOKUBUN CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT,
AGRICULTURE, AND ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS
AND HOUSING
February 4, 2013
ROOM 016
3:45 P.M.

SENATE BILL NO. 1088 RELATING TO THE SUSTAINABILITY

Chairpersons Gabbard, Nishihara, and Dela Cruz and Members of the Committees:

Thank you for the opportunity to testify on Senate Bill No. 1088. This measure reallocates the Environmental Response, Energy, and Food Security Tax to carry out the intended sustainability purposes of section 128D-2, Hawaii Revised Statutes, and Act 73, Session Laws of Hawaii 2010. The bill also repeals the sunset date in Act 73, and provides appropriations of the anticipated additional revenues. The Department of Agriculture strongly supports this measure.

There is a growing public sentiment that realizes, as an island state, Hawaii is precariously dependent on imported food and energy. The legislature responded to this movement by passing Act 73, Session Laws of Hawaii 2010. The Department would like to fulfill the intent of that Act by restoring revenues to the Agricultural Development and Food Security special fund and move forward with hiring vital staff and starting key programmatic initiatives to move the state towards greater food self-reliance. Increased revenues provided through the barrel tax will fund positions and programs to preserve agricultural lands, repair irrigation systems, lower the costs of farming, and raise both



the supply and demand of local food. Staffing is needed to make the successful apiary program permanent within the Department as well as restore the Marketing Analysis and News Branch to be able to collate the necessary data to identify our food self-reliance goals. Outreach for food safety protocols and procedures and programs to support our local protein producers are also essential in reaching our goal of an agriculture renaissance in Hawaii.

The Department is also very supportive of the reallocation of funds to the Department of Business, Economic Development, and Tourism and the Department of Health for the intended purposes of the Energy Security Special Fund and the Environmental Response Revolving Fund.

Thank you, again, for this opportunity to present our testimony

NEIL ABERCROMBIE
Governor

SHAN TSUTSUI Lieutenant Governor



HAWAI'I INVASIVE SPECIES COUNCIL

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Co-Chairs: WILLIAM AILA, JR. (DLNR) RUSSELL KOKUBUN (DOA)

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Testimony of the HAWAI'I INVASIVE SPECIES COUNCIL

Before the Senate Committees on ENERGY AND ENVIRONMENT

&

AGRICULTURE

&

ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING

Monday, February 4, 2013 3:45 PM Hawai'i State Capitol, Room 016

In consideration of Senate Bill 1088 RELATING TO SUSTAINABILITY

Senate Bill 1088 restores the intent of the environmental response, energy, and food security tax, to provide funding to relevant programs at the Department of Health, Department of Business, Economic Development and Tourism, and the Department of Agriculture. The Hawai'i Invasive Species Council strongly supports this bill.

The original purpose of the environmental response, energy, and food security tax was provide support for Hawai'i's sources of food and energy, and to provide funding for environmental response. Under this tax, fees collected from the sale of petroleum products would support the development of clean energy and local agriculture, and would thereby decrease Hawai'i's dependence on imported fossil fuels and agricultural goods. Instead of providing revenues from this tax explicitly for those purposes, a large portion of revenues has been directed toward the general fund.

This bill restores the original intent to use the \$1.05/barrel tax specifically for environmental response, energy, and food security programs. As an island state, the ability to support clean energy, local agriculture, and response to environmental threats is critical to maintaining Hawai'i's economy, environmental, and way of life. Therefore, the Hawai'i Invasive Species Council strongly supports this bill.

The Hawai'i Invasive Species Council is an interagency collaboration established by Chapter 194, Hawai'i Revised Statutes, for the purpose of cabinet-level direction on invasive species prevention, control, research, and outreach issues in Hawai'i.



The Nature Conservancy of Hawai'i 923 Nu'uanu Avenue Honolulu, HI 96817

Tel (808) 537-4508 Fax (808) 545-2019 nature.org/hawaii

Testimony of The Nature Conservancy of Hawai'i
Supporting S.B. 1088 Relating to Sustainability
Senate Committee on Energy and Environment
Senate Committee on Agriculture
Senate Committee on Economic Development, Government Operations & Housing
Monday, February 4, 2013, 3:45PM, Room 016

The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 32,000 acres in 10 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.

The Nature Conservancy supports S.B. 1088 and the proposed increased investments from the barrel tax in clean energy and local agriculture to reduce our dependence on imported fossil fuel and imported food, and to improve the State's oil spill response capacity.

Climate change caused by burning fossil fuels is an imminent and unprecedented threat to every person in Hawai'i. It is our responsibility to do what we can and what is necessary reduce our own carbon emissions, however small on a global scale, to contribute to the worldwide effort needed to mitigate the growing effects of climate change.

Even if we drastically reduce CO₂ emissions now, however, we will still feel certain effects of climate change. In Hawai'i, science indicates that this will likely include:

- More frequent and more severe storms that can increase runoff and siltation;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that affect watershed and agricultural health, while being beneficial to invasive species;
- Sea level rise and high waves that will harm coastal areas and groundwater systems:
- Ocean acidification that will inhibit the growth of protective coral reefs.

In response, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems. Protecting and enhancing the health of our forested watersheds as proposed by the Department of Land and Natural Resources is one critically important initiative. Likewise, investing in local energy and agriculture security as proposed by this bill are essential components of building self-reliance and resilience here in the middle of the Pacific ocean.

This bill is a wise investment in our future. We urge your support.

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DEPUTY DIRECTOR

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ECONOMIC DEVELOPMENT & TOURISM

DEPARTMENT OF BUSINESS,

AMENDED 2-2-2013

Statement of RICHARD C. LIM Director

Department of Business, Economic Development, and Tourism before the

SENATE COMMITTEES ON ENERGY AND ENVIRONMENT, AGRICULTURE, AND ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING

Monday, Febuary 4, 2013 3:45 p.m. State Capitol, Conference Room 016

> in consideration of **SB 1088**

RELATING TO SUSTAINABILITY.

Chairs Gabbard, Nishihara, and Dela Cruz; Vice Chairs Ruderman, Kouchi, and Slom; and Members of the Committees.

The Department of Business, Economic Development & Tourism (DBEDT) strongly supports SB 1088, a priority of the Administration to reallocate funding from the Environmental Response, Energy, and Food Security Tax ("barrel tax") to its original intended purposes to build self-sufficiency in energy, food, and environmental response and to establish it as an ongoing source of funding for these areas.

Today, Hawaii is primarily dependent on imported energy and food, which has made our State extremely vulnerable to outside economic forces and environmental disturbances. With these critical issues in mind, the 2010 Hawaii State Legislature had the foresight to enact Act 73 and created the Hawaii Economic Development Task Force. I had the privilege of chairing the Task Force, and two prominent recommendations were: 1) broadly engaging Hawaii communities in shaping goals, projects, and practices in food and fuel security; and 2) increasing funding support to achieve energy and food self-sufficiency through the barrel tax.

However, since its passage in 2010, only 45 cents, or 43%, of the \$1.05 per barrel tax has been allocated to the intended purposes of improving energy and food self-sufficiency and environmental response, with 60 cents going to the general fund. SB 1088 redirects the 60 cents to the original legislative intent by reallocating 27.5 cents to support clean energy, 27.5 cents to support local agriculture and 5 cents to support environmental response. The reallocated clean energy funds will fully support the State Energy Office programs and staff positions to deploy clean energy and execute effective policies.

The public strongly supports this agenda. A survey just released by OmniTrack (copy attached) shows that 78% of Hawaii residents clearly support the re-allocation of barrel tax funds as we have proposed. These dedicated funds for clean energy are the primary source of funding for the Hawaii Clean Energy Initiative, the internationally regarded 70% clean energy goal in 2030 and DBEDT's State Energy Office has been the driving force in engaging Hawaii communities and other stakeholders to implement the Initiative and the Task Force recommendations. Clear evidence of the Initiative's contribution to economic growth is that solar installations accounted for 26% of Hawaii's construction expenditures in 2012.

Programs to be funded are focused on high impact solutions to move the needle on Renewable Portfolio Standard and Energy Efficiency Portfolio requirements, transportation goals, and business development opportunities to stimulate clean energy entrepreneurship and test bed investments. Examples of specific programs and strategies to be funded include, but are not limited to, the following:

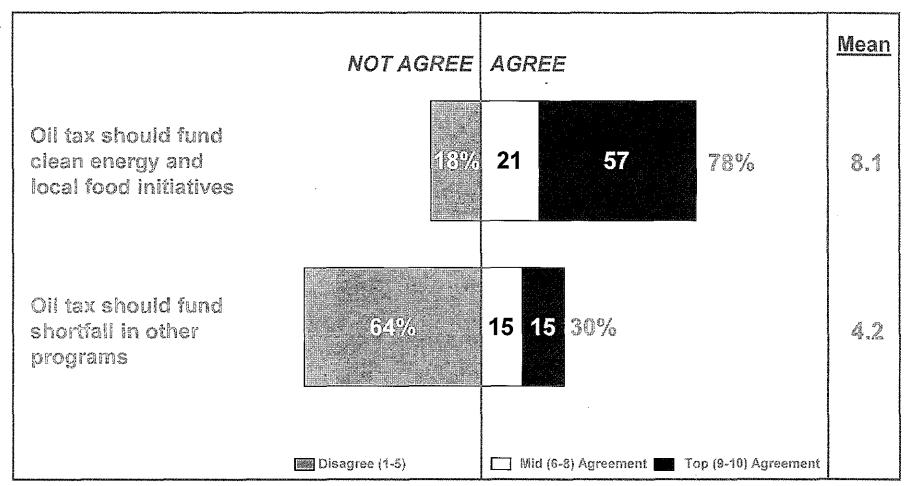
- Permitting assistance, such as upgrades to the Permitting Wizard, additional e-Permitting state and county projects, investigation to clarify rules regarding the issuance of special use permits for A-C agricultural land classifications that can save clean energy developers up to 30% of permit processing time and lower overall project development time and costs.
- Procuring subject matter experts for intermittent and firm renewable energy
 development and transmission projects with the potential for greater than 800 GWh
 annually, and to further build the State's capacity to respond to energy emergencies.

- Procuring counsel and technical consultants to develop clean energy RD&D sector to develop \$100 million in project financing for emerging technologies and adding 400 potential clean energy RD&D jobs between 2011 and 2015.
- Procuring professional technical assistance for benchmarking and certification for Energy Star buildings and developing contract models to extend Hawaii's national leadership in energy savings performance contracting.

The proposed barrel tax funds will replace federal Recovery Act funds that previously served as the primary funding source for DBEDT's clean energy positions and programs. Because of previous funding for these programs, Hawaii is on track to meet its 2015 clean energy goals and the requested funds will ensure that Hawaii is best capable of transforming its energy and economic future to achieve Hawaii's aggressive 70% clean energy goal in 2030.

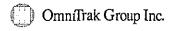
Thank you for the opportunity to offer these comments in support of SB 1088.

Strong Support for Dedicated Funding of Energy and Food Sustainability Initiatives



Q: As you may know, in 2010 the legislature passed a \$1.05 tax on each barrel of oil imported into Hawaii, the purpose being three fold: first, to promote energy independence and clean energy alternatives, secondly, to promote locally-grown food and, third, to address environmental impacts like oil spills. However, most of the oil tax revenue was diverted to fund other state programs; and now some people want the monies from now on to be used for its original purpose. Using a 10-point scale where 10 means Completely Agree and 1 means Do Not Agree At All, how much do you agree or disagree that ..?

²⁾ Most of the oil tax revenues should continue to fund the shortfall in the general state budget to pay for other governmental programs



Source: The People's Pulse (Winter '13)

¹⁾ Having clean energy sources and reducing reliance on imported food and energy are important and the oil tax revenue should go to fund these goals as intended



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

NEIL ABERCROMBIE
GOVERNOR
RICHARD C, LIM
DIRECTOR
MARY ALICE EVANS
DEPUTY DIRECTOR
JESSE K, SOUKI
DIRECTOR
OFFICE OF PLANNING

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OFFICE OF PLANNING

235 South Beretania Street, 6th Floor, Honolulu, Hawaii 96813 Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Statement of JESSE K. SOUKI

Director, Office of Planning
Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT, SENATE COMMITTEE ON AGRICULTURE,

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING

Monday, February 4, 2013 3:45 PM State Capitol, Conference Room 016 in consideration of SB 1088

RELATING TO SUSTAINABILITY.

Chairs Gabbard, Nishihara, and Dela Cruz, Vice Chairs Ruderman, Kouchi, and Slom, and Members of the Senate Committees on Energy and Environment, Agriculture and Economic Development, Government Operations and Housing.

The Office of Planning supports Administration bills SB 1088 and its companion HB 857, which among other things repeals the sunset date in Act 73, Session Laws of Hawaii 2010, and provides appropriations of the anticipated additional revenues.

In Act 73, this legislature stated that "[n]ow is the time for bold action to squarely address Hawaii's energy and food requirements and plan for and address the inevitable effects of climate change." The purpose of Act 73, among other things, was to "[h]elp Hawaii's natural resources and population adapt and be resilient to the inevitable challenges brought on by climate change caused by carbon dioxide and other greenhouse gas emissions from burning fossil fuels."

In 2011, the Office of Planning convened a broad group of stakeholders to develop a statewide climate change adaptation policy. See Final Report Relating to Global Warming, Dec.

2011, available at http://hawaii.gov/dbedt/main/about/annual/2011-reports/2011-global-warming.pdf. The language developed by this group was the basis for the State of Hawaii's first climate change adaptation policy, Act 286 (2012), codified as Hawaii Revised Statutes § 226-109. As a result, climate adaptation is now integrated into the statewide planning and land use framework.

The Office of Planning, state and county agencies, and their partners are working on integrating Act 286 into current policy and planning processes. Additional funding support for these efforts will help protect the health and safety of future generations and avoid the cost (life and treasure) of responding to the effects of climate change, such as drought, sea-level rise, and amplified storm events.

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

TESTIMONY BY KALBERT K. YOUNG DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE STATE OF HAWAII TO THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT, AGRICULTURE, AND ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING ON SENATE BILL NO. 1088

February 4, 2013

RELATING TO SUSTAINABILITY

Senate Bill No. 1088 reallocates revenues from the Environmental Response, Energy, and Food Security Tax to carry out the intended sustainability purposes of Section 128D-2, HRS, and Act 73, SLH 2010; repeals the sunset date of Act 73; and removes the repeal date in Act 253, SLH 2007, as amended by Act 151, SLH 2012, for the Energy Systems Development Special Fund.

The Department of Budget and Finance supports this Administration bill. The revenue losses from the reallocation of the Environmental Response, Energy, and Food Security Tax have been accounted for in the Administration's general fund financial plan.

Testimony Presented Before the
Senate Committees on Energy and the Environment, Agriculture, and
Economic Development, Government Operations and Housing
Monday, February 4, 2013 at 3:45pm

bγ

Richard Rocheleau, Director
Hawai'i Natural Energy Institute
School of Ocean and Earth Science and Technology
University of Hawai'i at Mānoa

SB 1088 - RELATING TO SUSTAINABILITY

Chairs Gabbard, Nishihara, and Dela Cruz and Members of the Committees:

My name is Richard Rocheleau, Director of the Hawai'i Natural Energy Institute at the University of Hawai'i at Mānoa. The University of Hawai'i supports SB 1088, which reallocates the portion of the Environmental Response, Energy, and Food Security Tax (Barrel Tax) that currently goes into the general fund to the environmental response revolving fund (Dept. of Health), the energy security special fund (DBEDT), and the agricultural development and food security special fund (Dept. of Ag). The barrel tax was intended to support critical investments in clean energy, local agricultural production, and environmental response, reduce the State's dependence on imported fossil fuels and food products, and support agricultural activities and programs. Reallocating the revenues from the tax to serve its original intent will help Hawai'i achieve both food and energy security and sustainability.

We also support the repeal of the sunset dates of the barrel tax itself and the energy systems development special fund (ESDSF). More specifically, we ask for your support in repealing the sunset date on the ESDSF. If no change is made, that Fund will sunset in less than five months. While the ESDSF is not the largest source of funding for HNEI activities, it plays a crucial role in leveraging federal investment, removing roadblocks in programs critical for the success of HCEI, and contributing to programs likely to spur economic development.

The ESDSF was established under Act 253 and directed that it be managed by HNEI; but initially, no funding was provided. In 2010, ACT 73 established the barrel tax and authorized that 10 cents of the tax on each barrel be deposited into the ESDSF but access to the funds was delayed an additional 12 months due to administrative errors.

Since receiving access to the funds in June 2011, HNEI has worked in close collaboration with DBEDT and other stakeholders to identify and initiate projects with significant near term potential to reduce the use of fossil fuels in Hawai'i. A description

of our current spend plan has been provided in our most recent Annual Report to the Legislature (November 2012).

Activities funded or in process for funding by ESDSF money include:

- A Wave Energy Test Site (WETS). A \$500,000 cost-share from the fund leveraged over \$3.5 million in additional funding from USDOE to support Navy's \$11 million investment to develop a wave energy test site in Kane'ohe Bay. When completed this will be the only grid-connected wave energy test site in the Unites States; providing developers a site where they can test their technology for proof of seaworthiness, functionality, system integrity, and technology viability; and providing significant economic benefit to many Hawai'i small businesses who will be called upon to participate.
- Smart Inverter Deployment. Under this project, a \$400,000 cost share from the
 fund leveraged a \$1.5 million award from USDOE with an additional \$4.5 million
 from USDOE upon successful demonstration of the go/no-go deliverables later
 this year. This project will develop and demonstrate smart grid-enabled PV
 inverters which have the potential to significantly reduce the impacts of high
 penetrations of PV, allowing additional installations without negatively impacting
 utility operation.
- Hawai'i Clean Energy Programmatic Environmental Impact Statement: In July 2012, in coordination with DBEDT, HNEI contracted New West Technologies to conduct a Programmatic Environmental Impact Study for alternative scenarios for deployment of undersea electrical cables for interconnection of O'ahu, Maui, and Hawai'i Counties electrical grids. The PEIS is analyzing, at a programmatic level, the potential environmental impacts of a broad range of clean energy activities and technologies required for completion of this effort. This PEIS is intended to provide federal and local agencies, and policymakers with information and guidance they can use to make decisions about actions to support achieving HCEI goals. (\$1,000,000)
- Sea Water Air Conditioning Monitoring: Seawater air conditioning has the potential to contribute significantly to the state's energy efficiency goals but potential environmental impacts of plume discharges have not been well characterized. This uncertainty can increase project costs, negating possible benefits of this technology. Under this program, \$200,000 from the fund is expected to leverage over \$500,000 of federal funds to conduct studies to reduce this uncertainty. A portion of this funding will be used to establish very sensitive monitoring to insure that environmental impacts are minimal.

These and other HNEI current and planned projects in the areas of renewable technologies, grid integration, smart grid, energy efficiency and support for geothermal development and biofuels will help move Hawai'i toward a more secure and sustainable future.

Thank you.

SENT VIA EMAIL

February 1, 2013

Senator Mike Gabbard
Chair, Committee on Energy and Environment
Senator Clarence Nishihara
Chair, Committee on Agriculture
Senator Donovan M. Dela Cruz
Chair, Committee on Economic Development, Government Operations and Housing
Hearing on Senate Bill 1088 - Relating to Sustainability
State Capitol, Conference Room 016

Aloha Chairs Gabbard, Nishihara and Dela Cruz!

Enterprise Honolulu stands in strong support of Senate Bill 1088.

While reflecting on the recommendations put forth by the Hawaii Economic Development Task Force to the legislature in 2011, it is apparent that the original intent of Act 73 is to serve and care for our home and our people to a healthy future. As we continue to recover from the great recession, our diligence to strengthen our inner core is vital. We must reverse the effects of importing products and services that we can produce here, namely food and energy.

We ask for your legislative support with this important initiative to act on food, energy, and environmental measures.

Please feel free to contact me directly should you have any questions.

Sincerely,

Pono Shim

President & CEO

Enterprise Honolulu, Oahu Economic Development Board

ENTERPRISE
HONOLULU
THE BUSINISS CLIMATE OF PARADISE



Email: communications@uluponoinitiative.com

SENATE COMMITTEES ON ENERGY AND ENVIRONMENT, AGRICULTURE, ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING Monday, February 4, 2013 — 3:45 p.m. — Room 016

Ulupono Initiative Strongly Supports SB 1088, Relating to Sustainability

Chairs Gabbard, Nishihara, Dela Cruz, Vice Chairs, and Members of the Committee:

My name is Murray Clay, Managing Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste.

Ulupono strongly supports SB 1088, which will redistribute the Environmental Response, Energy and Food Security Tax on barrels of petroleum products to restore the original intent of lawmakers in funding vital sustainability measures to help make our community more self-sufficient.

This tax was designed to support critical investments in clean energy, local agricultural production, and environmental response, reduce the State's dependence on imported fossil fuels and food products, and support environmental activities and programs. During difficult economic times, the fund was diverted temporarily. This measure also removes the scheduled repeal date of the tax to reflect a continuing commitment to this important policy.

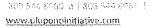
Ulupono has joined with a diverse group of organizations who have come together for the first time as the Local Food Coalition to support proposals designed to help grow more local food. The coalition brings together farmers, ranchers, livestock producers, investors and other organizations. The idea is that putting more local food on local plates can best be accomplished by bringing people and organizations together who can work on the entire food value chain in a systematic way.

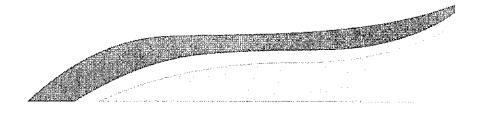
We believe that by working together, we can help produce more local food, and support an economically strong homegrown agriculture industry that strengthens our community with fresh, healthy food. Thank you for the opportunity to testify.

Sincerely,

Murray Clay Managing Partner

Parific Specifica Center, Macha Towar 282 Archep Street, Back 1359, Bondala Te 9681 F

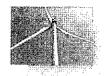












SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING

February 4, 2013, 3:45 P.M.
Room 016
(Testimony is 3 pages long)

TESTIMONY IN STRONG SUPPORT OF SB 1088

Chairs Gabbard, Nishihara, and Dela Cruz and members of the committees:

The Blue Planet Foundation strongly supports SB 1088, reallocating the funds collected through the Environmental Response, Energy, and Food Security Tax to carry out the intended sustainability purposes of the policy. This measure also repeals the sunset date for the tax. We believe that this measure properly amends Hawaii's "fossil fuel fee" to reflect the original intent of the policy. Blue Planet has found that the policy of taxing our fossil fuel imports to fund clean energy solutions has broad support among Hawaii residents.

In addition to SB 1088, Blue Planet requests that the Senate give favorable consideration to SB 17, a measure which would expand Hawaii's fossil fuel fee to include other fossil fuel imports such as industrial methane (LNG) and coal.

Rationale for reallocation of the fossil fuel fee

Hawaii's barrel tax law is keystone clean energy policy that provides a dedicated investment in clean energy, funding the critical planning, development, and implementation of clean energy programs that will foster energy security for Hawaii. Blue Planet believes the best way to provide investment funds is by tapping the source of our problem—imported fossil fuel. We have also found, through three separate surveys commissioned by Blue Planet, that Hawaii residents strongly support this taxing policy.

If we truly want to rapidly transition Hawaii to a clean, sustainable energy future, we have to be prepared to invest in that preferred future today. The reallocation of the fossil energy tax would provide needed funding for clean energy and efficiency research, planning, implementation to

transition to our preferred clean energy future. As we dramatically expand our clean energy capacity in Hawaii, the real economic benefits of this carbon surcharge will far outweigh the additional burden it may present. The majority of these revenues should be directed to clean energy planning, development, integration, incentives, and other activities facilitating Hawaii's energy transformation.

Carbon Tax is Smart Tax Policy

A fossil fuel fee (or "carbon tax") is smart tax-shifting policy that discourages fossil fuel use while providing a source of revenue for clean energy planning and implementation. The concept behind the measure is to help "internalize" the external costs of certain activities; in this case, charge a fee for products that are damaging to the environment and use that money to help mitigate the damage. The link is quite clear between the use of petroleum products and corresponding impacts on our fragile island environments—not only in oil spills, which was the original impetus for the environmental response tax, but also in runoff from the roads our cars drive on, in degraded air quality, and in greenhouse gas emissions and climate change.

Unlike many other taxes, the barrel tax is largely avoidable by most residents. Energy efficiency, conservation, and switching to clean sources of power all reduce the burden of the tax. In fact, most residents could reduce the amount of barrel tax they pay by installing some compact fluorescent light bulbs at home and ensuring that car tires are properly inflated.

Public Support

Blue Planet Foundation conducted market research in December 2009, March 2010, and December 2010 to discern the level of public support for a barrel tax for clean energy investment. The statewide survey of residents found broad support for a barrel tax with roughly 70% supporting a tax of some amount. Each survey had a random sample of 500 residents statewide, providing a margin of error of 4.4% at a 95% confidence level.

The average level of support was equivalent to a \$5 per barrel tax. Forty-five percent of residents supported paying an additional \$15 on their monthly energy bills, equivalent to a \$9 per barrel tax. These findings should provide comfort to decision makers wrestling with how to develop funding for Hawaii's clean energy future—Hawaii's residents are willing to pay to wean Hawaii'i from its oil dependence. *Please see chart at end of testimony.*

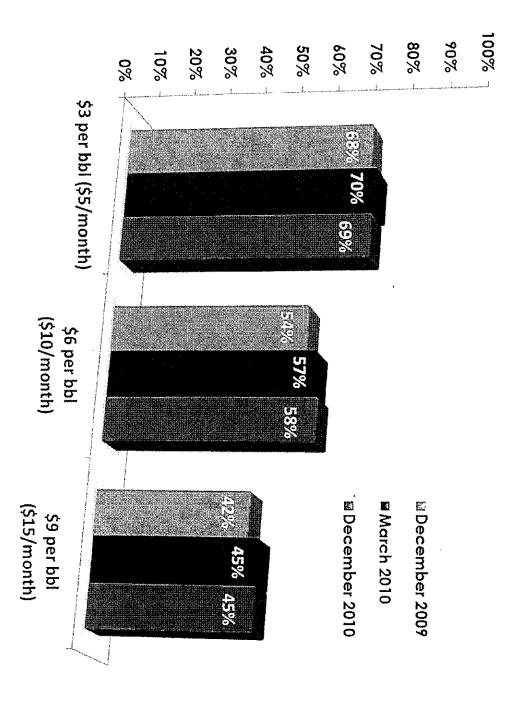
While it's clear that we need to aggressively increase our energy efficiency and clean energy use in Hawai'i to decrease our reliance on imported crude, we cannot do it without adequate funding for development and implementation. We believe with appropriate amendments to SB

Blue Planet Foundation

1088, Hawaii can wisely tap the source of its problem—imported fossil fuel—to fund a food- and energy-secure future.

We respectfully ask these committees to forward SB 1088.

Thank you for the opportunity to testify.



Blue Planet Foundation

SB1088

Submitted on: 2/2/2013

Testimony for ENE/AGL/EGH on Feb 4, 2013 15:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Warren Watanabe	MCFB	Support	No

Comments: Reallocation of funding as suggested is critical to implement important measures that lead to sustainability and self sufficiency.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT:

FUEL, Reallocate environmental response, energy, and food security tax

BILL NUMBER:

SB 1088; HB 857 (Identical)

INTRODUCED BY:

SB by Kim by request; HB by Souki by request

BRIEF SUMMARY: Amends HRS section 243-3.5 to increase the amount deposited into the environmental response revolving fund from 5 cents to 10 cents, increase the amount deposited into the energy security special fund from 15 cents to 42.5 cents, and increase the amount deposited into the agricultural development and food security fund from 15 cents to 42.5 cents.

Amends Act 253, SLH 2007, as amended by Act 151, SLH 2012, to delete the 6/30/13 repeal date of the Energy Systems Development Special Fund and the periodic evaluation and plan of action requirements of the Energy Systems Development Special Fund. This provision shall take effect on June 29, 2013.

Amends Act 73, SLH, 2010, to: (1) delete the 6/30/15 repeal date relating to revenues of the departments of agriculture and business, economic development, and tourism; and (2) delete the provision lapsing any unexpended moneys in the Agricultural Development and Food Security Special Fund moneys to the general fund.

Appropriates \$7,150,000 out of the energy security special fund for FY 2014 and FY 2015 to carry out the purposes of this act. The sums appropriated shall be expended by the department of business, economic development, and tourism.

Appropriates \$7,150,000 out of the agricultural development and food security special fund for FY 2014 and FY 2015 to carry out the purposes of this act. The sums appropriated shall be expended by the department of business, economic development, and tourism.

Appropriates \$1,400,000 out of the environmental response revolving fund for FY 2014 and FY 2015 to carry out the purposes of this act. The sums appropriated shall be expended by the department of health.

EFFECTIVE DATE: July 1, 2013

STAFF COMMENTS: This is an administration measure submitted by the governor's office GOV-06(13). The legislature by Act 300, SLH 1993, enacted an environmental response tax of five cents per barrel on petroleum products sold by a distributor to any retail dealer or end user. The intent of the original nickel per barrel was to build up an emergency fund so that the state would have the financial resources to address an oil spill that threatened to damage the Islands' shorelines. Over the years, the activities for which the funds could be used expanded such that the fund was prevented from ever reaching the \$7 million cap that had been imposed by the original legislation.

The legislature by Act 73, SLH 2010, increased the amount of the tax to \$1.05 per barrel and provided that five cents of the tax shall be deposited into the environmental response revolving fund; 15 cents shall be deposited into the energy security special fund, 10 cents shall be deposited into the energy

systems development special fund; 15 cents shall be deposited into the agricultural development and food security special fund; and the residual of 60 cents shall be deposited into the general fund between 7/1/10 and 6/30/15.

Under the current distribution of the \$1.05, a residual of 60 cents per barrel is deposited into the general fund. This measure proposes to redistribute the \$1.05 to increases the amount deposited into the: (1) environmental response revolving fund; (2) energy security special fund; and (3) agricultural development and food security fund which results in nothing left to be deposited into the general fund.

It should be remembered that the environmental response tax was initially adopted for the purpose of setting up a reserve should an oil spill occur on the ocean waters that would affect Hawaii's shoreline. The nexus was between the oil importers and the possibility that a spill might occur as the oil product was being imported into the state. Now that the fund has become a cash cow, lawmakers have placed other responsibilities on the fund, including environmental protection, food security, and natural resource protection programs, such as energy conservation and alternative energy development, to address concerns related to air quality, global warming, clean water, polluted runoff, solid and hazardous waste, drinking water, and underground storage tanks, including support for the underground storage tank program of the department of health.

This bill now proposes restoring the funding of the various programs for which the dollar increase was intended as the administration has set its sights on other sources of revenue to fund what should be general fund financed programs. The barrel tax, along with those other proposals, earmarks various specific revenue sources and justifies the imposition of the new fees or taxes on the basis that the fee or tax is being collected to provide a critical program service, a program that should be funded out of general funds if indeed it is of a high priority for the community at large. But many of these programs have small but vocal minorities which if they had to compete for general funds would pale by comparison to much broader concerns such as education, public safety or social services. Thus, the advocates for these specific services seek out hidden taxes and fees and then demand that they be earmarked so that they become the exclusive beneficiaries of these funds and once earmarked no longer have to justify the impost or the use of those funds.

That is the problem with the barrel tax. It lacks transparency, and because the funds are earmarked, do not come under close scrutiny by either lawmakers or the public. Rather than perpetuating the problems of the barrel tax, it should be repealed and all programs that are funded out of the environmental response fund should be funded through the general fund. At least program managers would then have to justify their need for these funds. If general funds are insufficient to underwrite all the essential programs and programs such as those funded through the barrel tax, then lawmakers need to justify any increase in taxes which underwrite the general fund or lawmakers will be forced to set priorities for those precious general funds. Currently, lawmakers are able to side step that difficult task by creating these hidden taxes and earmarked funds like the barrel tax. By continuing to special fund these programs, it makes a statement that such programs are not a high priority for state government. This sort of proliferation of public programs needs to be checked as it appears to be growing out of hand and at the expense of the taxpayer.

For those lawmakers who promoted the dollar increase for energy self-sufficiency and food security, taxpayers should recognize that they deliberately misled the public and should be held accountable for their lack of integrity as the dollar increase went largely for shoring up the state general fund.



SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING

February 4, 2013, 3:45 P.M. (Testimony is 1 page long)

TESTIMONY IN SUPPORT OF SB 1088

Chairs Gabbard, Nishihara, Dela Cruz and members of the Committees:

The Sierra Club, Hawaii Chapter, with over 10,000 dues paying members and supporters statewide, respectfully *supports* SB 1088. The bill is a smart tax-shifting policy designed to foster greater energy and food independence by tapping into the source of our problem so as to fund our preferred future.

The concept behind this measure is to help "internalize" the external costs of certain activities; in this case, charge a fee for products that are damaging to the environment and use that money to help mitigate the damage. This measure would provide additional funds to programs to offset the environmental impacts of oil, provide funding for energy efficiency projects and development of renewable energy, as well as spark greater amounts of local food development critical for Hawai'i's long-term future.

While we all likely agree we need to aggressively increase our clean energy use in Hawai'i and decrease our reliance on imported crude, we cannot do it with funding for research, development, and policy implementation. The Clean Energy office has provided a well-though plan on how to implement Hawaii's aggressive renewable energy and energy efficiency portfolio standards.

While the Club fully supports efforts to increase Hawaii's food self-sufficiency efforts, the Department of Agriculture's spending proposals do not demonstrate the same rigorous detail provided by the Clean Energy office. We encourage this Committee to engage in a dialogue with DOA to ensure funding would be spent on pragmatic efforts with a long-range plan for success. Funding the status quo is *not* enough; we need to be aggressively clever in our efforts to develop true food self-sufficiency.

Mahalo for the opportunity to testify.



2/4/2013

Senate Committee on Energy & Environment, Agriculture, Economic Development, Government Operations & Housing

ENE/AGL/EGH

3:45 p.m.

SB 1088

TESTIMONY IN SUPPORT

Aloha Chairs Gabbard, Nishihara, and Dela Cruz; Vice Chairs Ruderman, Kouchi, and Slom; and Members of the Committees:

The Hawaii PV Coalition supports this measure to reallocate funding from the "Barrel Tax" to its original intended purposes to build self-sufficiency in energy and food, and to establish it as an ongoing source of funding for these areas. Hawaii is primarily dependent on imported energy and food, which has made our State extremely vulnerable to unanticipated outside economic shocks and supply disruptions. This can be seen most clearly in the consequences of the Japanese earthquake tsunami, which, by forcing closure of the country's nuclear facilities, drove Hawaii's utility rates up dramatically, even as the global price of standard crude oil has been more or less flat. This is the case because Japan is burning low sulfur fuel oil in lieu of running its nuclear plants, which has driven the cost up more than 50 percent above the cost of global crude prices. This has increased the price that Hawaii's electric utilities must pay for fuel, and the increase is passed on to Hawaii's energy users on their utility bills.

If properly allocated, the Barrel Tax could help. Yet, since its passage in 2010, only 45 cents, or 43%, of the \$1.05 per barrel tax has been allocated to the intended purposes of improving energy and food self-sufficiency and environmental response, with 60 cents going to the general fund. SB 1088 redirects the 60 cents to the original legislative intent by reallocating 27.5 cents to support clean energy, 27.5 cents to support local agriculture and 5 cents to support environmental response. The reallocated clean energy funds will fully support the State Energy Office programs and staff positions to deploy clean energy and execute effective policies.

In short, the dedicating Barrel Tax monies to energy and agriculture focuses these revenues on some of Hawaii's most broad based and fundamental needs. All Hawaii residents pay for energy and everyone must eat. I urge you to begin reducing our state's vulnerability by supporting this measure.

Thank you for the opportunity to share these thoughts.

Mark Duda President, Hawaii PV Coalition

The Hawaii PV Coalition was formed in 2005 to support the greater use and more rapid diffusion of solar electric applications across the state. Working with business owners, homeowners and local and national stakeholders in the PV industry, the Coalition has been active during the state legislative sessions supporting pro-PV and renewable energy bills and helping inform elected representatives about the benefits of Hawaii-based solar electric applications.



2343 Rose Street • Honolulu, Hawaii 96819 Phone: (808) 848-2074 • Neighbor-Islands: (800) 482-1272 Fax: (808) 848-1921 • Email: <u>info@hfbf.org</u> www.hfbf.org

February 4, 2013

HEARING BEFORE THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON AGRICULTURE SENATE COMMITTEE ON WATER AND LAND

TESTIMONY ON SB 1088 RELATING TO SUSTAINABILITY

Room 016 3:45 pm

Chairs, Vice Chairs and Members of the Committee:

I am Dean Okimoto, President of the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,950 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFBF is in strong opposition of SB 1088, reallocating the proceeds from the barrel tax to its originally intended use.

The Barrel Tax was originally intended to increase local capacity to grow and produce import replacement products that would reduce the need for ocean transportation that current result in risk of oil spills and other environmental hazards. During the economic downturn, proceeds from this fund were reallocated to balance the budget. We understand that some of the proceeds continued to benefit agriculture.

Today, as the economy rebounds, it is timely to restore the original intent of the measure to focus to import replacements. This is consistent with the Governor's New Day initiative as well as statements made during the opening days of the legislature.

HFBF respectfully requests your strong support of this measure to implement the measures needed to fulfill the State's vision for increased self sufficiency and sustainability. Thank you for this opportunity to provide our opinion on this important matter.

NEIL ABERCROMBIE GOVERNOR OF HAWAII



LORETTA J. FUDDY, A.C.S.W.,M. P.H. DIRECTOR OF HEALTH

In reply, please refer to:

COMMITTEE ON ENERGY AND ENVIRONMENT

COMMITTEE ON AGRICULTURE

COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING

S.B. 1088, RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY AND FOOD SECURITY TAX

Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H. Director of Health

February 4, 2013 3:45 P.M.

- 1 Department's Position: The Department of Health strongly supports this administration measure since
- 2 it will further the State goals of energy and food self-sufficiency and environmental response activities.
- 3 Fiscal Implications: The measure will result in the potential additional revenue of \$7,150,000 to the
- 4 agricultural development and food security special fund; \$7,150,000 to the energy security special fund;
- 5 and \$1,400,000 to the environmental response revolving fund.
- 6 Purpose and Justification: The measure reallocates the 60 cents of the \$1.05 barrel tax that is currently
- 7 going to the general fund by providing an additional 5 cents to the environmental response revolving
- 8 fund; 27.5 cents to the energy security special fund; and 27.5 cents to agricultural development and food
- 9 security special fund. The Department uses the environmental response revolving fund to respond to

Promoting Lifelong Health & Wellness

- and clean up hazardous material releases to the environment which may also affect public health. There
- 2 has been a steady decrease in the environmental response revolving fund revenues due to various factors
- 3 such as the global recession, an increase in more fuel efficient and hybrid vehicles, and the trend
- 4 towards alternative non-petroleum based energy sources. The current 5 cents per barrel that goes to the
- 5 environmental response revolving fund will not provide sufficient funding to support the Department's
- 6 statutorily mandated mission of protecting human health and the environment given the decline in
- 7 funding. Therefore, the proposed additional 5 cents per barrel increase is critical to providing the
- 8 necessary resources.
- 9 Thank you for the opportunity to testify on this important measure.





Testimony of the Hawaii Green Growth Initiative In Support of HB 857/SB 1088 Relating to Sustainability

Senate Committee on Energy and Environment
Senate Committee on Agriculture
Committee on Economic Development, Government Operations, and Housing

4 February 2013, 3:45pm Conference Room 016

Audrey Newman Hawaii Green Growth Initiative P.O. Box 535 Hoolehua, Hawai`i 96729

Aloha:

I am writing on behalf of the Hawaii Green Growth Initiative (HGG) in *support of HB 857/SB 1088 on the barrel tax*. HGG brings leaders from the energy, food and environmental sectors together to achieve Hawaii's sustainability goals and to be a model for building a green economy. HGG's members include approximately 40 leaders and 30 advisors from government, private, and non-profit organizations in Hawai'i.

As a multi-sector partnership working towards Hawaii's sustainability, HGG strongly supports removing the sunset date on the barrel tax and redistributing the revenue to the originally intended oil spill response, diversified agriculture, and energy security purposes of this legislation.

Hawaii's dependence on imported oil contributes to climate change, caused by carbon dioxide and other greenhouse gas emissions from burning fossil fuels, and leaves the islands' natural resources and population unprepared for the inevitable challenges it will bring. Hawaii has the opportunity to use the barrel tax law as an innovative and sustainable funding mechanism for the expansion of green job opportunities in environmental response, clean energy, and food security, and to support the necessary development and implementation of actions that will achieve the Hawaii Clean Energy Initiative's goal to reduce the State's dependence on imported fossil fuels by 70% in 2030.

We ask you to support this bill to make critical investments that will allow these sectors to achieve their goals in increasing Hawaii's self-sufficiency. These investments will help build a more diversified economy and a more resilient and sustainable future for everyone in Hawaii.

Mahalo nui for your time and consideration,

Audrey Newman

Hodery Dewman

Senior Advisor, Global Island Partnership (GLISPA)

Promoting action for island conservation and sustainable livelihoods, www.glispa.org

SB1088

Submitted on: 2/3/2013

Testimony for ENE/AGL/EGH on Feb 4, 2013 15:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Cattlemen's Council	Support	No

Comments:

SB1088

Submitted on: 2/4/2013

Testimony for ENE/AGL/EGH on Feb 4, 2013 15:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Jerry Ornellas	Kauai County Farm Bureau	Support	No

Comments: Aloha, Please ensure via this bill that the majority of funds raised by this tax are going to the agriculture and energy as intended by the original legislation. There are many needs to achieve our stated goals to when it comes to food security and self sufficiency, and this is an essential tool to raise some of this revenue. Mahalo for the opportunity to provide comments.

<u>SB1088</u> Submitted on: 2/1/2013

Testimony for ENE/AGL/EGH on Feb 4, 2013 15:45PM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Marjorie Ziegler		Support	No

Comments: