

HB1509 HD3

TESTIMONY

Measure Title: RELATING TO ENERGY.

Report Title: University of Hawaii; Energy (\$)

Description: Requires UH to establish collective goal of becoming net-zero with respect to energy use by January 1, 2035. Establishes the University of Hawaii Net-zero Special Fund. Appropriates funds for capital improvement projects and for staff. (HB1509 HD3)

Companion:

Package: None

Current Referral: HEA/ENE, WAM

Introducer(s): C. LEE, LUKE

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON HIGHER EDUCATION AND THE ARTS
AND ENERGY AND ENVIRONMENT
ON
HOUSE BILL NO. 1509, H.D. 3

March 24, 2015

RELATING TO ENERGY

House Bill No. 1509, H.D. 3, requires the University of Hawaii (UH) to establish a goal of becoming net-zero regarding energy use by January 1, 2035. It is the intent of the bill to maximize tax payer savings by reducing energy use at UH. The bill creates the UH Net-Zero Special Fund that would generate revenues through legislative appropriations, energy consumption savings, and other sources. The special fund would be used for net-zero related capital improvements program projects and in conjunction with approved financing mechanisms. The bill appropriates unspecified sums of general funds for FY 16 and FY 17 for deposit into the special fund and an unspecified sum of special funds for FY 16 for energy retrofit projects at UH Manoa and UH Hilo. The bill authorizes the issuance of general obligation bonds from the Director of Finance for net-zero related projects, and provides an unspecified appropriation for this purpose for FY 16. The bill also appropriates unspecified sums of general funds for FY 16 and FY 17 to pay for two positions to provide financial and technical support for UH's net-zero efforts.

While the Department of Budget and Finance understands the importance of becoming energy efficient, as a matter of general policy, the department does not support the creation of special funds which do not meet the requirements of

Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to this bill, it is difficult to determine whether the proposed special fund will be self-sustaining.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
LUIS P. SALAVERIA
Director

Department of Business, Economic Development, and Tourism
before the

**SENATE COMMITTEES ON HIGHER EDUCATION AND THE ARTS
AND
ENERGY AND ENVIRONMENT**

Tuesday, March 24, 2015
1:15 p.m.
State Capitol, Conference Room 224

in consideration of
HB 1509, HD3
RELATING TO ENERGY.

Chairs Taniguchi and Gabbard, Vice Chairs Inouye and Green, and Members of the Committees.

The Department of Business, Economic Development & Tourism (DBEDT) offers testimony in support of HB 1509, HD3, which establishes a University of Hawaii (UH) collective goal of becoming Net-Zero with respect to energy use by 2035, and establishes a Special Fund for the purpose. It further appropriates from the Special Fund monies for capital improvement projects and supporting staff to fulfill the goal.

DBEDT supports this legislation as it is consistent with the State's overall clean energy objectives. The Department is also supportive of partially financing the upgrades toward the achievement of UH's Net Zero objectives through matching funds, such as from the Green Infrastructure Loan Program (GEMS Program), where appropriate, and within GEMS Program parameters. The GEMS Program has a responsibility to utilize GEMS Program funds prudently and efficiently in order to create a self-sufficient financing program. The GEMS Program must reserve the right to both be flexible in the allocation of funds and use discretion when evaluating distribution of the funds, in order to quickly distribute money that supports economically viable projects while

ensuring portfolio diversification and offsetting risk. Therefore, DBEDT appreciates the language in the measure that allows the GEMS Program to continue to take a market-based approach to approving financing for projects.

DBEDT encourages UH to discuss business plans for energy upgrades with the staff of the Hawaii Green Infrastructure Authority and the Hawaii State Energy Office in order to determine the most appropriate and economical use of GEMS funds. DBEDT defers to the University of Hawaii on the implementation of this measure.

Thank you for the opportunity to offer this testimony in support of HB 1509, HD3.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Higher Education and the Arts
and
Senate Committee on Energy and Environment
Tuesday, March 24, 2015 at 1:15 p.m.

By
Robert Bley-Vroman, Chancellor
and
Stephen Meder
Interim Assistant Vice Chancellor for Planning and Facilities
University of Hawai'i at Mānoa

HB 1509 HD3 – RELATING TO ENERGY

Chairs Taniguchi and Gabbard, Vice Chairs Inouye and Green, and Members of the Committees:

The University of Hawai'i strongly supports HB 1509 HD3 with the changes noted below because it seeks to establish a special fund to support both net-zero energy efficiency projects and deferred maintenance projects throughout the University system, and because HB 1509 HD3 provides needed general fund capital to partly address some of the deferred maintenance projects on our campuses.

Since UHM has current funding to support the design of Klum gym we offer the suggested changes:

Section 7.(1), read: \$___ for ~~plans, design,~~ construction, and equipment for the retrofit of Klum gym, with new athletics-support functions and for other campus small energy efficiency projects with high return on investment; provided that \$___ of this sum shall be funded through financing mechanisms in section 304A-B(b) (3), Hawai'i Revised Statutes.

The University appreciates that this bill appropriates an initial amount of general funds and authorizes the University to secure third-party financing to design and construct specific deferred maintenance projects that have energy efficiency and renewable energy opportunities at its Mānoa and Hilo campuses and that any energy savings associated with these projects gets deposited into the net-zero special fund, to support energy efficiency projects and pay the debt service. The bill specifically provides that any debt service incurred by the University for these projects shall not exceed the projected energy savings. Management and accountability for the revenues and expenditures of this fund will be reported annually.

Finally, from a technical standpoint, we will need to ensure that the creation of a special fund will meet the self-sustaining criteria as defined in Hawai'i Revised Statutes, Section 37-52.3(4). We are confident that the energy fund concept is viable when addressing stand-alone energy projects. The University has not yet been able to establish that this financial approach ensures that the fund will be self-sustaining over time.

In closing, the University supports the purpose and intent of HB 1509 HD3. We look forward to working out the details of the financing model and any related project figures with the committee.

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SENATE COMMITTEE ON HIGHER EDUCATION & THE ARTS
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
TUESDAY, MARCH 24, 2015, 1:15PM
(Testimony is 2 pages long)

TESTIMONY IN STRONG SUPPORT OF HB 1509

Aloha Chair Taniguchi and Chair Gabbard and Members of the Committees:

HB 1509 is a forward thinking, pro-Hawai'i bill that will require the University of Hawai'i to establish the collective goal of becoming net-zero with respect to energy use by January 1, 2035. This bill will also establish the University of Hawai'i Net-zero Special Fund and appropriate funds for capital improvement projects and for staff.

By addressing energy usage at UH, this policy will solve a long standing problem that has handicapped the university budget, its student body and employees, and the ability of the university of contribute to the community to its full potential. The legislature finds that taxpayers paid \$34,900,000 last year for the University of Hawaii's annual electric bill. Together with the rest of the University of Hawaii system, the energy expenses for university facilities exceed \$40,000,000 per year. The rising cost of energy has resulted in increasing costs and repeated tuition increases for students. The legislature also finds that the University of Hawaii system has many crumbling buildings and a deferred maintenance backlog nearing \$1,000,000,000, which has left many facilities long out-of-date and, in some cases, unusable, hindering the university community from moving forward.

For reasons spanning from fiscal to environmental, global to local, a true commitment to the future of Hawai'i means untangling our dependence on fossil fuels immediately. Hawai'i is especially vulnerable to climate change and sea level rise. Climate change directly impacts the survival of native species in Hawai'i, as well as the frequency and intensity of damaging tropical storms and hurricanes that cause economic damage. The impact of sea level rise on a coastal community and culture, with an economy dependent on the ocean for food, recreation, and tourism, is self-explanatory. Hawai'i is currently the most fossil fuel dependent state in the country, and recognition and adoption of clean and sustainable energy alternatives has been rapidly growing in the state. Moving away from fossil fuels and dependence on the grid is not a choice but an inevitable action in the near future. Indeed, the sooner we act, the greater the benefits and the lesser the detriments.

In recognition of the importance of energy independence and addressing climate change, there are already net-zero commitments worldwide, for example, there is a project to make the Belgian city Leuven climate-neutral in 2030, as well as the city of Lancaster, CA- in fact Lancaster is already 97% off of the grid. Many net-zero initiatives, buildings and facilities already exist or are being built around the world, including in Denmark, Singapore, Norway, the UK, Germany and throughout the US, as well as in several other countries.

While this forward-thinking bill provides 20 years for these important goals to be met, the decision and initiative to take action must be taken today to keep in step with current worldwide momentum. Thank you very much for your leadership in protecting our energy security and the future of the unique environment of our islands.

Mahalo for the opportunity to testify,

A handwritten signature in black ink, appearing to read "Joy Shih", with a stylized flourish extending to the right.

Joy Leilei Shih

Committees of HEA & ENE,

My name is Elliot Van Wie, I am an alumnus of UHM, a member of the Executive Committee of the Sierra Club's, Oahu Group, and I am in strong support of HB1509.

During my time spent at UHM, in studying Future Studies and Urban Regional Planning, I always had a keen focus on sustainability and closed loops systems; with respect to this and in terms of energy, this means UH being net-zero.

Touting energy goals at every level of government is popular these days, as it should be, but it always seemed natural to me that the State university system might play a key role as leaders in this as they are charged with preparing our workforce and the people of our state for the challenges of tomorrow, to be cutting edge and to be an innovative bastion where the newest challenges are met, putting us ahead of the curve as a people, prepared to face the future.

These days, talking about being more sustainable and energy independent *does not* make you forward leaning - if you're not actively engaging and doing real world work, then you're actually falling progressively further behind as information on the rapidity of climate changes effects on our world come in, coupled with the very real struggles of adapting to a world with increasingly expensive and eventually nonexistent fossil fuels.

As the most energy dependent state in the union, situated in the middle of the Pacific, as one of the State's greatest consumers of energy and in a place where we have long desired to be cutting edge in tech, it all makes sense. The planet needs this; the islands need this and the people need this!

Let our university system lead the way, as an intuition of higher learning and as a community leader, which should be held to the very highest standards as a model of what is most necessary and intelligent to be prepared in the world's challenges; because if we are not addressing energy as an intellectual, environmental and cost saving issue of paramount concern in 2015, then we are sending the wrong message about what is of the utmost concern to global citizens in this day and age, while sending delusional fools into our communities after having left an institution meant to instill knowledge.

Set the goal for 2035 and actively achieve it so that no one might say we are falling behind, we didn't do enough or that we lead at our place of highest learning, poorly.

With aloha,

Elliot Van Wie