



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism

Statement of
Gregory P. Barbour
Executive Director
Natural Energy Laboratory of Hawaii Authority
before the

COMMITTEE ON FINANCE

Tuesday, April 7, 2015
2:30 am
State Capitol, Conference Room 308

in consideration of
SB 1295 SD1 HD2
RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY.

The Natural Energy Laboratory of Hawaii Authority (NELHA) strongly supports S.B. 1295 SD1 HD2 that amends Chapter 209E-2, Hawaii Revised Statutes, by adding language that would make businesses producing renewable energy from various sources within research and technology parks established by NELHA eligible for the State's enterprise zone program. This measure would assist NELHA in attracting new projects to our technology park.

This measure will broaden the scope of businesses eligible for EZ benefits within our technology park. We recently adopted a new Master Plan for the Hawaii Ocean Science and Technology Park. Much of the remaining lands available for lease are in zones designated for renewable energy and applied technology. Chapter 209E currently allows businesses engaged in producing wind energy only to be qualified as eligible for EZ benefits. Many new businesses and projects focused on solar, ocean thermal energy conversion and hydrogen renewable

energy production that we are targeting may not qualify for EZ status given the current narrow definition.

We have been successful because the Legislature has given us the “tools” to allow us to succeed. This measure will add an additional tool to help us realize the goals of growing our economic development project and increasing the \$5M in annual State tax revenue that the park already generates.

Thank you for the opportunity to offer these comments.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

Statement of
LUIS P. SALAVERIA
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON FINANCE

Tuesday, April 7, 2015
2:30 PM
State Capitol, Conference Room 308

in consideration of
SB 1295, SD 1, HD 2
RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII
AUTHORITY.

Chair Luke, Vice Chair Nishimoto and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of this bill provided that its passage does not replace or adversely impact priorities indicated in the Executive Budget.

DBEDT defers to the Department of Taxation for the State revenue implications of this bill.

Thank you for the opportunity to provide these comments.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



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MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Tuesday, April 7, 2015
Time: 2:30 P.M.
Place: Conference Room 308, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1295, S.D. 1, H.D. 2, Relating to the Natural Energy Laboratory of Hawaii Authority

The Department of Taxation (Department) provides the following comments regarding S.B. 1295, S.D. 1, H.D. 2 for your consideration.

S.B. 1295, S.D. 1, H.D. 2 changes the definition of "eligible business activity" in Chapter 209E, Hawaii Revised Statutes, to include various types of renewable energy production on land under the control of the Natural Energy Laboratory of Hawaii Authority ("NELHA") and pursuant to a new lease executed on or after July 1, 2015.

The Department notes that its prior recommendations regarding this measure were incorporated into S.B. 1295, S.D. 1, H.D. 2. The current version of this measure would allow various types of renewable energy businesses located on land controlled by NELHA to participate in the Enterprise Zone program, which is administered by the Department of Business, Economic Development, and Tourism. The Department defers to the Department of Business, Economic Development, and Tourism regarding the merits of this measure.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

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SUBJECT: MISCELLANEOUS, Expand enterprise zone eligibility

BILL NUMBER: SB 1295, HD-2

INTRODUCED BY: House Committee on Energy and Environmental Protection

EXECUTIVE SUMMARY: This bill proposes to extend enterprise zone benefits to a business that produces energy under the control of the natural energy laboratory of Hawaii.

BRIEF SUMMARY: Amends HRS section 209E-2 to amend the definition of “eligible business activity” in an enterprise zone to include the production of energy from solar, ocean thermal energy conversion, or hydrogen on real property under the control of the natural energy laboratory of Hawaii and pursuant to a new lease executed on or after July 1, 2015.

EFFECTIVE DATE: February 19, 2025

STAFF COMMENTS: This measure proposes to expand enterprise zone laws to include a business that produces energy from solar, ocean thermal energy conversion, or hydrogen on real property under the control of the natural energy laboratory of Hawaii.

The enterprise zone program was enacted as a cooperative program between the state and the counties to promote jobs in areas of high unemployment. Certain areas are designated as enterprise zones through joint action of the state and counties. In a zone, the state offers an income tax credit for the tax attributable to the eligible business conducted in the zone, which is normally applied on a sliding scale – 80% for the first year, 70% for the second, and so on until the credit is 20% for the seventh and last year in the program. It also offers an unemployment tax credit for the tax attributable to employees doing the eligible business in the zone, on the same sliding scale. Finally, the state offers a general excise tax exemption for the eligible business attributed to the zone. The counties also offer incentives, which vary by county. In return, the business commits to either maintain or increase the number of employees in the zone doing the eligible activity, depending on whether it was already in the zone upon designation or moved to the zone.

As business incentives go, the enterprise zone program is better than most. The incentive applies to a specific activity (here, creating and maintaining employment) targeted to the problem the program seeks to address. The incentive tapers off over time and then stops. It requires accountability, namely required reports to DBEDT, for a business to retain its eligibility. The business itself may need a different kind of assistance, such as financing, but the state is here focusing on creating and maintaining jobs in areas that need them.

One criticism of the program is that the designated eligible activities do not seem to have a common thread running through them except that the various activities seem to have been the Flavor of the Month at one time or other. Eligible activities at present are:

- Agricultural production or processing
- Manufacturing
- Wholesaling/Distribution
- Aviation or maritime repair or maintenance
- Telecommunications switching and delivery systems
- Information technology design and production
- Medical research, clinical trials, and telemedicine
- For-profit training programs in international business management or environmental remediation
- Biotechnology research, development, production, or sales
- Repair or maintenance of assisted technology equipment
- Certain types of call centers
- Wind energy producers

The enterprise zone program has been around since 1986. Has there been a comprehensive evaluation of the program and do lawmakers know exactly how much bang they have gotten for their bucks? If the program works, great; if it doesn't work, scrap it. In either event, concurrent efforts must be made to improve Hawaii's business climate to enhance the economic prospects for all businesses.

Digested 4/6/15

finance1-Kim

From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 06, 2015 10:20 AM
To: FINTestimony
Cc: carl.campagna@kamakagreen.com
Subject: *Submitted testimony for SB1295 on Apr 7, 2015 14:30PM*

SB1295

Submitted on: 4/6/2015

Testimony for FIN on Apr 7, 2015 14:30PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Carl Campagna	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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