

STAND. COM. REP. NO. 3156

Honolulu, Hawaii

MAR 20 2008

RE: H.B. No. 3444  
H.D. 2  
S.D. 1

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred H.B. No. 3444, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose of this measure is to provide additional funding for the energy initiatives to carry out Hawaii's long-term energy strategy through expanding the purpose of the existing Environmental Response Tax, renaming it as the Environmental Response and Energy Security Tax, and establishing an Energy Security Special Fund to secure a sustainable energy future for Hawaii.

Testimony in support of this measure was submitted by the University of Hawai'i System, Hawaii Energy Policy Forum, Kauai Island Utility Cooperative, Sierra Club Hawai'i Chapter, Hawaii Renewable Energy Alliance, and Hawaii Solar Energy Association. Testimony in opposition of this measure was submitted by the Department of Taxation, Department of Budget and Finance, and Department of Health. Comments on this measure were submitted by the Department of Business, Economic Development, and Tourism, and Tax Foundation of Hawaii.

Your Committee finds that establishing economical energy sources, promoting energy self-sufficiency, and providing energy security are critical elements of a long-term energy strategy for the State. Your Committee further finds that the federal funds

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that have helped support the State's energy program are diminishing and are expected to be exhausted within the next three to four years. Recent revenue projections for Hawaii indicate additional sources of revenue must be developed in order to continue funding the energy program, as the State's ability to make up the entire shortfall may be limited.

The Department of Taxation expressed strong concerns about the potential regressivity of the increase in gasoline prices that Hawaii taxpayers will pay from the results of this measure. Your Committee is likewise concerned that the impact of the increase may fall disproportionately upon those with the least ability to absorb the fee increase. For example, the Department of Business, Economic Development and Tourism estimated the annual impact to residents to be approximately \$3.80 per year (or, as pointed out by the Sierra Club representative, the equivalent of a tall latte at Starbucks - which might represent small change to fund programs to move Hawai'i towards energy self-sufficiency).

However, your Committee notes that the estimate of the Department of Business, Economic Development and Tourism is based on an average calculated across the State's entire population, whereas the real impact will be on those who drive long distances to work or school.

Although Department of Business, Economic Development and Tourism characterized the offset-mechanism that could be utilized as a rebate, the more appropriate mechanism is likely to be a consumption credit for those who: (1) fall below a specific income threshold, (2) have to commute to school or work over long distances, and (3) have limited alternatives (e.g., bus schedules may not offer reliable alternative due to timetable or routes). Your Committee therefore urges the Department of Taxation to continue to examine the best means of addressing potentially negative impacts of this measure upon low-income residents, and to provide the Legislature with appropriate amendments to correct the inequity.

The Department of Taxation also submitted a fiscal impact statement to your Committee that projected approximate revenues to be received by the State from this measure. It is estimated that an additional \$5,200,000 of revenue will be received by the various special funds each year. Specifically, \$4,400,000 would be deposited into the Energy Security Special Fund and



approximately \$800,000 would be deposited into the Energy Systems Development Special Fund. Their methodology is as follows:

Based upon the Liquid Fuel Tax Base and Collections Report for fiscal year 2007, \$1,700,000 was collected into the Environmental Response Revolving Fund, which is \$0.05 cents per barrel of oil sold. To approximate the number of barrels of oil sold, the Department of Taxation divided the total collections by \$0.05 cents to get 34,800,000 barrels of oil. The Department of Taxation then imposed the additional \$0.15 cent per barrel tax increase to approximate the total revenues generated on top of the existing \$0.05 cent per barrel of oil sold going to the Environmental Response Revolving Fund.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3444, H.D. 2, S.D. 1, and recommends that it be referred to the Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Economic  
Development and Taxation,



CAROL FUKUNAGA, Chair



The Senate  
 Twenty-Fourth Legislature  
 State of Hawaii

**Record of Votes**  
**Committee on Economic Development and Taxation**  
**EDT**

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 3444 HD2 SD1	ENE, EDT, WAM	3/18/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
BAKER, Rosalyn H.				✓
ENGLISH, J. Kalani	✓			
IGE, David Y.	✓			
SLOM, Sam				✓
<b>TOTAL</b>	4			2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Will Espero</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

\*Only one measure per Record of Votes