

SB2435

Testimony

Gives preference to moneys deposited in the agricultural development and food security special fund from the environmental response, energy, and food security tax for the acquisition of real property for agricultural production. Increases the allocation of the environmental response, energy, and food security tax to the agricultural development and food security special fund.



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TESTIMONY OF SCOTT E. ENRIGHT
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BEFORE THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT AND
AGRICULTURE
THURSDAY, FEBRUARY 6, 2014
3:30 P.M.
Conference Room 225

SENATE BILL NO. 2435
RELATING TO AGRICULTURE

Chairpersons Gabbard and Nishihara and Members of the Committees,

Thank you for the opportunity to testify on Senate Bill 2435. This bill would allow for the acquisition of real property for agriculture production by the Agricultural Development and Food Security Special Fund and would increase the allocation to the fund. The Department supports the intent of this bill but believes giving preference to the acquisition of real property may come at the expense of staffing and programmatic initiatives.

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. As part of that act, the Agricultural Development and Food Security Special Fund was created with the mandate to fund activities intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the State. The Department has moved forward with this mandate and has funded 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.



Stipulating that monies in the special fund must be used first for the acquisition of real property would adversely affect the staffing and programmatic initiatives that are currently being funded. The Department would also like to point out that the Environmental Response, Energy, and Food Security Tax would sunset on June 30, 2015 and that Senate Bill 2805, may be a better vehicle to continue moving the state towards greater food and energy independence.

We thank you for the opportunity to provide our testimony on this measure.

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SUBJECT: FUEL, Increase earmark to agricultural development and food security special fund

BILL NUMBER: SB 2435

INTRODUCED BY: Dela Cruz, Kidani, Solomon and 3 Democrats

BRIEF SUMMARY: Amends HRS section 243-3.5 to increase the amount deposited into the agricultural development and food security fund from 15 cents to 20 cents.

Amends HRS section 141-10 to give preference to moneys deposited in the agricultural development and food security special fund from the environmental response, energy, and food security tax for the acquisition of real property for agricultural production.

EFFECTIVE DATE: July 1, 2014

STAFF COMMENTS: The legislature by Act 300, SLH 1993, enacted an environmental response tax of 5 cents per barrel on petroleum products sold by a distributor to any retail dealer or end user. The legislature by Act 73, SLH 2010, increased the amount of the tax to \$1.05 per barrel and provided that 5 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. This measure would increase the amount deposited into the agricultural development and food security fund from 15 cents to 20 cents and prioritize moneys in the agricultural development and food security special fund for the acquisition of real property for agricultural production or processing.

When the environmental response tax was initially adopted, it was established 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 and natural resource protection programs, energy conservation and alternative energy development, 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.

It should be remembered that the State Auditor has singled out the environmental response revolving fund as not meeting the criteria established for legitimacy of special funds, and recommended that it be repealed. The Auditor criticized the use of such funds as they hide various sums of money from policymakers as they are not available for any other use and tend to be tacitly acknowledged in the

budget process. More importantly, it is not only the users of petroleum products who benefit from a cleaner environment, but it is the public who benefits. If this point can be accepted, then the public, as a whole, should be asked to pay for the clean up and preservation of the environment.

Funds deposited into a revolving fund are not subject to close scrutiny as an assumption is made that such funds are self-sustaining. Earmarking of funds for a specific program represents poor public finance policy as it is difficult to determine the adequacy of the revenue source for the purposes of the program. To the extent that earmarking carves out revenues before policymakers can evaluate the appropriateness of the amount earmarked and spent, it removes the accountability for those funds. There is no reason why such programs should not compete for general funds like all other programs which benefit the community as a whole.

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, including moneys deposited into the agricultural development and food security special fund, should be funded through the general fund. At least program managers would then have to justify their need for these funds. 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.

Digested 2/5/14