

Honolulu, Hawaii

Aj-04 , 2008

RE: S.B. No. 3215  
S.D. 3  
H.D. 2

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fourth State Legislature  
Regular Session of 2008  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred S.B. No. 3215, S.D. 3, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO BIODIESEL,"

begs leave to report as follows:

The purpose of this bill is to provide incentives for the production of biodiesel in the state. This bill, among other things:

- (1) Allows the Board of Land and Natural Resources (BLNR) to lease, by direct negotiation and without recourse to public auction, public agricultural lands to eligible lessees growing crops suitable for conversion into biodiesel fuel;
- (2) Establishes, for use in state vehicles with diesel engines, a preference for biodiesel blends that contain up to 20 percent biodiesel produced in the state from feedstock grown in the state;
- (3) Requires the Department of Agriculture's (DOAs) Energy Feedstock Program to support market development for biodiesel feedstock by:



- (A) Purchasing certain biodiesel feedstock crops grown in the state, capped at an unspecified amount;
  - (B) Purchasing certain biodiesel fuel and biodiesel fuel blends produced in the state, capped at an unspecified amount; and
  - (C) Determining the disposition of biodiesel feedstock crops and biodiesel fuel and biodiesel fuel blends purchased under the feedstock program;
- (4) Specifies that the annual reports to the Legislature required under the Energy Feedstock Program be submitted at least 20 days prior to the convening of each regular session, and mandates certain information to be included in the reports; and
- (5) Establishes an income tax exclusion of an unspecified amount for income derived from an oil seed crushing facility that processes oil seed produced or grown in the state for biodiesel production in the state.

The Hawaiian Electric Company, Maui Electric Company, Hawaii Electric Light Company, Maui Tomorrow Foundation, Inc., and several concerned individuals supported this bill. DOA, Department of Land and Natural Resources, Department of Taxation, Tax Foundation of Hawaii, and Pacific Biodiesel, Inc., submitted comments.

Your Committee has amended this measure by:

- (1) Deleting the provisions that amend the Energy Feedstock Program;
- (2) Revising the biodiesel preference provisions in the Procurement Code by:
  - (A) Expanding the preference for biodiesel blends that contain up to 20 percent biodiesel produced in the state from feedstock grown in the state by deleting the condition that the biodiesel blend be used for state vehicles with diesel engines;
  - (B) Specifying that, when purchasing fuel for use in diesel engines, the preference shall be 50 cents per gallon of 20 percent biodiesel (B20), 25 cents



per gallon of ten percent biodiesel (B10), and 12 1/2 cents per gallon of five percent biodiesel (B5); provided that the preference shall be applied only to the biodiesel portion of the blend; and

- (C) Specifying that, when purchasing fuel for use in boilers, the preference shall be 50 cents per gallon of 20 percent biodiesel (B20), 25 cents per gallon of ten percent biodiesel (B10), and 12 1/2 cents per gallon of five percent biodiesel (B5); provided that the preference shall be applied only to the biofuel portion of the blend;

and

- (3) Making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3215, S.D. 3, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 3215, S.D. 3, H.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Finance,

  
MARCUS R. OSHIRO, Chair



State of Hawaii  
 House of Representatives  
 The Twenty-fourth Legislature

HSCA 1691-08

**Record of Votes of the Committee on Finance**

Bill/Resolution No.: <i>SB 3215, SD3, HD1</i>		Committee Referral: <i>EEP/WLH/AGR, FIN</i>		Date: <i>3-27-2008</i>
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> <del>Pass, with amendments (HD)</del> <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. OSHIRO, Marcus R. (C)	✓			
2. LEE, Marilyn B. (VC)	✓			
3. AWANA, Karen Leinani	✓			
4. BELATTI, Della Au				✓
5. BROWER, Tom	✓			
6. CARROLL, Mele				✓
7. HANOHANO, Faye P.	✓			
8. HAR, Sharon E.	✓			
9. KARAMATSU, Jon Riki	✓			
10. MAGAOAY, Michael Y.				✓
11. MANAHAN, Joey	✓			
12. MIZUNO, John	✓			
13. NAKASONE, Bob				✓
14. RHOADS, Karl	✓			
15. SAGUM, Roland D., III	✓			
16. TOKIOKA, James Kunane	✓			
17. MEYER, Colleen Rose				✓
18. PINE, Kymberly Marcos				✓
19. WARD, Gene, Ph.D.				✓
<b>TOTAL (19)</b>	12	0	0	7
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <u><i>Marilyn B. Lee</i></u>				
Distribution:    Original (White) – Committee    Duplicate (Yellow) – Chief Clerk's Office				