



**HAWAI'I  
STATE  
ENERGY  
OFFICE**



UNIVERSITY of HAWAI'I  
SYSTEM

**Joint Testimony of  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT  
AND TOURISM – HAWAI'I STATE ENERGY OFFICE**

**UNIVERSITY OF HAWAI'I**

**Before the House Committee on  
FINANCE**

**Monday, April 3, 2023  
2:30 PM  
State Capitol, Conference Room 308**

**In consideration of  
SENATE BILL 458, SENATE DRAFT 2, HOUSE DRAFT 2  
RELATING TO GEOTHERMAL ROYALTIES**

Senate Bill 458, Senate Draft 2, House Draft 2 proposes to: (1) establish the geothermal energy resources development special fund; (2) require annual reports to the Legislature; and (3) require that, for royalties from geothermal resources, thirty per cent (30%) be paid to the county where the geothermal mining operations are situated under certain conditions, thirty per cent be paid to the Department of Land and Natural Resources, twenty per cent be paid to the Office of Hawaiian Affairs (OHA), and twenty per cent (20%) be deposited into the Geothermal Energy Resources Development Special Fund. **The Department of Land and Natural Resources (DLNR), the Hawai'i State Energy Office (SEO) of the Department of Business, Economic Development and Tourism, and the University of Hawai'i (UH) jointly offers the following comments, and collectively requests the following amendment.**

DLNR, SEO, and UH (hereinafter referred to as "the Agencies") have come together on Senate Bill 458, Senate Draft 2, House Draft 2 in recognition of the importance of Hawaii Revised Statutes (HRS), Chapter 182 to all entities.

In working together with open and honest dialogue, and an appreciation for the mission and duties of each agency, the Agencies collectively propose the following split of geothermal royalties. Conditioned on the Counties' share being reduced by 7.5% (from the current 30% to 22.5%), DLNR is willing to decrease its share by up to 7.5% (from 50% in the existing HRS Section 182-7 to 42.5%) in the spirit of interagency collaboration and Hawai'i's sustainable future. SEO is willing to seek 15% rather than 20% (from 0% in the existing HRS Section 182-7 to 15%). It is the intent of SEO to transfer the funds to the UH's Hawaii Groundwater and Geothermal Resources Center (HGGRC). The Agencies recognize, respect, and do not seek to change OHA's 20% pro rata share of ceded land revenues, and instead recommend aforesaid reductions to the Counties' and DLNR's shares to meet the 15% share to SEO. We

cannot speak on behalf of any county, and understand Hawai'i County will be submitting its own testimony.

In the alternative, no change could be made to the current HRS Chapter 182, and exploration could be funded by a separate allocation from general funds. The amount of funds needed for geothermal exploration is in the millions and far exceeds what the geothermal royalties could provide. Therefore, if this measure proceeds, and if in future years the Legislature desires to provide higher levels of dedicated geothermal exploration funding to SEO and/or UH, the Agencies recommend creating a new dedicated funded source with a higher annual allocation, and restoring the prior split of 50% to DLNR, 30% to the County, and 20% to OHA.

The Agencies recognize that DLNR, pursuant to HRS Chapter 182, has a statutory obligation to regulate the use of minerals, including geothermal resources, as it is held in public trust. As such, DLNR bears 100% of the costs for processing, regulating, and managing geothermal leases, including oversight and monitoring of well drilling operations for exploration and safe development of the resource. Since Fiscal Year 2008, DLNR's Geothermal Mineral Resources Program costs (not including lease and lease management costs) has roughly equaled DLNR's 50% share of the royalties received during the same period. Decreasing DLNR's share to 42.5% will necessitate DLNR to cover costs by relying on general funds to carry out its mandate.

The Agencies also recognize that where a community is adversely impacted by development, there should be reciprocity, which can happen through county grants and other county or state projects serving the impacted community. Finally, the agencies recognize that UH's HGGRC has the expertise and equipment needed to conduct groundwater and geothermal exploration across the State and has been leading such exploration over past decades.

Mahalo for the opportunity to provide joint testimony with proposed amendments.