

LINDA LINGLE  
GOVERNOR



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BRIAN H. SEKIGUCHI  
JIRO A. SUMADA

IN REPLY REFER TO:

STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

February 27, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 1167, HD 1

COMMITTEE ON FINANCE

**We strongly support House Bill 1167, HD 1**, which provides the Department of Transportation additional resources to accomplish our primary mission and goals by increasing the state liquid fuel tax, state vehicle registration fee, and state vehicle weight tax effective on July 1, 2011.

A sound transportation infrastructure system provides for the safe and efficient movement of people, services, and goods. It is the backbone of the economy and is essential to preserving our unique and precious quality of life.

This proposed infusion of funds will aid the Department in reducing the number of fatal accidents on our statewide highway system, preserving our existing infrastructure system, and reducing unacceptable congestion that detrimentally impacts the people of Hawaii and our economy. Without these tax and user fee increases, we make the untenable decision to accept business as usual, to accept our current safety records, to allow our transportation system to continue to deteriorate, and to accept ever greater and more widespread congestion all leading to increased cost of doing business and a diminished quality of life.

The deletion of the two dollar per day increase in the rental car surcharge from the original bill, however, reduces projected revenue generation by an estimated \$32 million annually with a corresponding reduction in additional bonding capacity of \$372 million. Some of the projects and programs identified in this bill as part of this overall modernization program would have to be scaled back and/or eliminated to account for such a \$372 million reduction in resources. The Department of Transportation feels that all the projects and programs identified in this bill are critical and essential.

We also request technical amendments to this bill as noted on the attachment to this testimony.

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
DIRECTOR OF TAXATION

SANDRA L. YAHIRO  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510  
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**HOUSE COMMITTEES ON FINANCE  
TESTIMONY REGARDING HB 1167 HD 1  
RELATING TO HIGHWAYS**

**TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)**

**DATE: FEBRUARY 26, 2009**

**TIME: 10AM**

**ROOM: 308**

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This measure proposes various tax and fee increases in order to accomplish a much-needed comprehensive transportation modernization effort statewide.

The Committee on Transportation amended the bill by reducing the increase on rental motor vehicles; amending the triggering event to provide all fee increases effective July 1, 2011; as well as other technical amendments.

The Department of Taxation (Department) **supports this measure; however prefers the original measure.**

The Department **defers to the Department of Transportation on the implementation and management of this legislation and its incumbent tax and fee increases.**

This measure provides for various tax and fee increases relating to motor vehicles and transportation consumables. For example, the fuel tax is increased by ten cents for most counties. Also, fees for vehicle registration and the rental motor vehicle surcharge tax are increased. The Department supports the intent of these tax increases because the increased revenues reflect a state-wide investment in the critical infrastructure of the islands that is long overdue. Equally as important as the overdue investment is that for each dollar of increased revenue from state monies deposited into the State Highway Fund yields matching federal dollars to assist in the State's efforts.

The Department prefers financing the State's infrastructure modernization through these various tax and fee increases because there is a logical nexus between the tax and the expenditures being made, namely that car owners and drivers benefit from the transportation improvements.

Though this measure reflects fee increases, the Department prefers this legislation's original

effective date, which only allowed the taxes to increase when the State's economy shows sufficient growth to accommodate these increases.

As amended, this legislation will result in a revenue gain of \$144 million in Fiscal Year 2012 and \$159 million in Fiscal Year 2013, \$161 million in Fiscal Year 2014, and \$162 million in Fiscal Year 2015.

DEPARTMENT OF CUSTOMER SERVICES  
**CITY & COUNTY OF HONOLULU**  
DIVISION OF MOTOR VEHICLE, LICENSING AND PERMITS  
ADMINISTRATION  
P.O. BOX 30300  
HONOLULU, HAWAII 96820-0300

MUFI HANNEMANN  
MAYOR



DANA TAKAHARA-DIAS  
ACTING DIRECTOR

DENNIS A. KAMIMURA  
LICENSING ADMINISTRATOR

February 25, 2009

The Honorable Marcus R. Oshiro, Chair  
and Committee Members  
Committee on Finance  
House of Representatives  
State of Hawaii  
State Capitol, Room 306  
Honolulu, Hawaii 96813

Dear Chair Oshiro and Committee Members:

Subject: H.B. No. 1167 H.D.1, Relating to Highways

The City and County of Honolulu takes no position on H.B. No. 1167 HD1 but has concerns relating to implementation of the recommended increases to the state motor vehicle weight taxes and registration fees.

Sections 6 and 7 on pages 32 and 33 of the bill allows for a different state registration fee and state motor vehicle weight tax based on an island's population. Since the county motor vehicle weight tax is determined by each county and not island, the computer file will not be able to determine what island a vehicle is located without extensive reprogramming, if at all possible with our 40+ year old motor vehicle registration computer program.

The City and County of Honolulu recommends that H.B. No. 1167 H.D.1 be amended to delete the weight tax and registration fee increases based on an island's population.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis A. Kamimura", is written over a horizontal line.

DENNIS A. KAMIMURA  
Licensing Administrator

DAK:bk

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** FUEL, COUNTY BUDGETS, TAX FUNDS, MOTOR VEHICLE, RENTAL MOTOR VEHICLE AND TOUR VEHICLE SURCHARGE, Increase tax; disposition for land transportation modernization fund

**BILL NUMBER:** HB 1167, HD-1

**INTRODUCED BY:** House Committee on Transportation

**BRIEF SUMMARY:** Amends HRS section 243-4 to increase the state fuel tax on gasoline by 10 cents, except on any island with a total resident population of less than 20,000 persons.

Amends HRS section 249-31 to increase the state motor vehicle registration fee from \$25 to \$45, except on any island with a total resident population of less than 20,000 persons. Directs the director of transportation to deposit \$20 of the annual motor vehicle registration fees into the land transportation modernization special fund, excluding motor vehicle registrations on any island with a total population of less than 20,000 persons.

Amends HRS section 249-33 to increase the state motor vehicle weight tax from .75 cents a pound to 2.75 cents a pound for motor vehicles weighing up to and including 4,000 pounds; from 1.00 cent a pound to 3.00 cents a pound for motor vehicles weighing over 4,000 pounds and up to 7,000 pounds; from 1.25 cents a pound to 3.25 cents a pound for vehicles weighing over 7,000 pounds and up to 10,000 pounds; from \$150 to \$450 for motor vehicles weighing over 10,000 pounds; provided that these increases in motor vehicle weight taxes shall not be applicable to motor vehicles on any island with a total resident population of less than 20,000 persons.

Amends HRS section 251-2 to provide that the \$3 rental motor vehicle surcharge tax shall be made permanent.

Adds a new section to HRS chapter 248 to provide for the establishment of the land transportation modernization special fund, excluding taxes and fees collected on any island with a total resident population of less than 20,000 persons, into which shall be deposited: (1) a portion of the fuel tax collected due to the fuel tax increase proposed in this measure equal to 10 cents per gallon; (2) a portion of the state registration fee equal to \$20 for each annual motor vehicle registration fee collected; (3) a portion of the state vehicle weight tax equal to 2 cents a pound for vehicles up to and including ten thousand pounds net weight, and a rate of \$300 per vehicle for vehicles over ten thousand pounds net weight; (4) a portion of the rental vehicle surcharge tax equal to \$2 a day; (5) interest from investments; and (6) legislative and county appropriations. The land transportation modernization special fund shall be exempt from the requirements of section 36-27 transfers from special funds for central service expenses, and section 36-30 special fund reimbursements for departmental administrative expenses.

Directs the department of transportation to develop one or more pilot programs to test alternatives to the current state and county system of motor vehicle fuel taxes. The pilot programs may include but are not

limited to programs to test the reliability, ease of use, cost, and public acceptance of technology and methods for: (1) identifying vehicles; (2) collecting and reporting the number of miles traveled by particular vehicles; and (3) collecting payments from or making payments to participants in pilot programs.

The department of taxation may refund motor vehicle fuel taxes paid by participants in the pilot programs under this act. The department of transportation may terminate a pilot program at any time and may terminate participation by any person at any time. Termination from a pilot program under this act shall not entitle any person to additional compensation.

Requires the department of transportation to submit an interim progress report on the status of the land transportation modernization program to the 2011 legislature with annual progress reports to the legislature prior to the convening of each regular session, and a final report to the 2016 legislature. The department of transportation shall submit a final report on the vehicle miles traveled pilot program to the 2012 legislature with findings and recommendations from the proposed pilot program.

Authorizes the department of transportation to expend funds for the programs listed in the measure.

Appropriates \$20,000,000 of highway revenue bonds, and \$1 of federal funds, of which \$6,000,000 may be designated for the execution of a master agreement with a consultant, and \$2,500,000 of highway revenue bonds, and the sum of \$1 of federal funds for the vehicle miles tax pilot program to carry out the purposes of this act, including expenditures for expenses, staff, or consultants. The sums appropriated shall be expended by the department of transportation.

If additional federal funds become available for land transportation infrastructure improvements under the economic stimulus plan or any similar program, the department of transportation is hereby authorized to pursue, apply, and expend federal funds on any of the programs or projects.

EFFECTIVE DATE: July 1, 2011

STAFF COMMENTS: This was an administration measure submitted by the department of transportation TRN-16(09). This measure proposes increases to the state fuel tax, motor vehicle registration fee and weight tax, and the rental motor vehicle surcharge tax and establishes a land transportation special fund into which shall be deposited moneys from the tax increases. Funds in the land transportation special fund shall be used for the department of transportation's modernization program. While this measure acknowledges the highway fund, it establishes the land transportation special fund but does nothing to bolster the ailing highway fund. Rather than establishing a new fund, the additional funds should be placed in the highway fund.

It should be remembered that Act 273, SLH 1993, allowed the transfer of 0.3% of fuel tax revenues to the special land and development fund for maintenance of the trails and access program. While the department of land and natural resources (DLNR) requested that the transfer be continued since it provided funds for staff positions as well as to meet matching fund requirements of several federal funds, it would be preferable to appropriate funds rather than to continue to siphon highway fund revenues.

While the proposed measure will take effect on July 1, 2011, it should be noted that the state highway fund is expected to be belly up by fiscal 2010. As an alternative, the legislature should revisit the

transferring of the general excise tax realized from the sale of liquid fuel used in motor vehicles to the highway fund. General excise tax revenues derived from the sale of gasoline are normally receipts of the state general fund. The legislature by Act 159, SLH 1981, realized the need to increase the revenue base of the state highway fund and provided that general excise tax revenues derived from the sale of gasoline were to be deposited into the highway fund until June 30, 1984. This transfer of the general excise tax revenues was further extended through 1987 by Act 163, SLH 1984. The legislature by Act 239, SLH 1985, extended the transfer to June 30, 1991. Rather than extending the transfer of general excise tax revenues to the highway fund, the 1991 legislature established a rental motor vehicle and tour vehicle surcharge as well as increases in the state fuel tax, motor vehicle registration fees and the weight tax. Although some lawmakers are considering an extension of the exemption from the general excise tax alcohol-based fuels currently enjoy, they should allow the exemption to sunset at the end of June this year and reimpose the tax on the sales of gasoline. This would provide an alternative to raising the fuel tax to fund many of these projects.

While the adoption of this measure acknowledges that something has to be done about our ailing highway infrastructure, action needs to be taken now. It should be remembered that prior actions by the legislature to address the highway fund shortfall were lackluster or nil. While Act 258, SLH 2007, mandated that a special joint senate and house task force conduct a review of the financial requirements of the state highway fund, in its final report it acknowledged that the future projections of highway fund revenues are insufficient. The task force report deferred to the department of transportation and the administration to formulate a plan to raise revenue for the highway fund. It is incredible that a task force convened to find a resolution to the ailing highway fund would abdicate any sort of responsibility for bringing forth a resolution to the problems facing the state highway fund. Similarly, a task force convened by the administration likewise walked away without a recommendation on how to solve the financing problems of the state highway fund.

Serious consideration should be given to depositing the receipts of the general excise tax collected on the sale of fuels into the highway fund which would give the highway fund some elasticity such that its resources grow along with the inflation affected costs for maintaining the state highway system.

Again, what is going to happen to the current highway fund if nothing is done to replenish it with the revenues it needs to keep the highway division operating? The administration, in its budget document, forecasts the highway fund to go belly-up by the end of fiscal year 2010 with a deficit of nearly \$54 million. Something needs to be done and that something needs to happen during the 2009 session.

Digested 2/27/09



February 27, 2009

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE  
ON HB 1167 HD1 RELATING TO HIGHWAYS**

Thank you Chair Oshiro, and committee members. I am Gareth Sakakida, Managing Director of the Hawaii Transportation Association (HTA) which has 380 transportation related members throughout the state of Hawaii.

HTA has grave concerns about this bill.

We support having an adequate highway revenue fund, but cannot support a healthy one while the industry's, and the rest of the state's, economy is far from healthy. We appreciate the need for maintenance: this work must be continued. Highway modification and construction projects just need to wait for better times.

To an extent, this bill seems to recognize much of these concerns with the economic trigger. However, no matter when it is implemented, the impact of this package of tax increases is huge. Please note that the federal government is also looking at fuel tax increases: 15 cents a gallon for diesel and 10 cents a gallon for gasoline. Who knows what our counties might now be planning for fuel tax increases.

While it is true that implementing the package now is disastrous, perhaps certain elements can be phased in over the coming years. Recent reductions in prices of some fuels may facilitate a more manageable phased in tax increase.

**However**, there are elements that need to be delayed. For example, any increase in the diesel tax is disastrous in the near future. The diesel pricing profile has been an onerous one. Three years ago diesel was almost \$2 a gallon cheaper than gasoline. Today, it is \$2 a gallon MORE!

Although there are many light commercial transportation applications that use gasoline (e.g. delivery vans, household goods) the majority of commercial applications are heavy, requiring diesel. Gasoline engines just are not capable of producing the power necessary for heavy applications (e.g. delivery trucks, dump truck and container movements, etc.), so we must use diesel.

Finally, tripling the vehicle weight tax is another disaster for the near future.

Thank you.



**Testimony to the House Committee on Finance  
Friday, February 27, 2009  
11:00 a.m.  
Conference Room 308  
Agenda #2**

Subject: House Bill No. HB 1167 HD1 Relating to Highways

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). The Chamber of Commerce of Hawaii is in strong support of HB 1167 HD1.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber of Commerce of Hawaii is in strong support of H.B. No. 1167 HD1 commonly referred to as the "Highway Modernization Program." The proposed legislation would increase the:

- State liquid fuel tax;
- State vehicle registration fee;
- State vehicle weight fee; and
- Rental motor vehicle surcharge tax.

Funds raised through these increases would provide the funding for a six-year comprehensive highway modernization program.

As the bill correctly points out, traffic, congestion and travel times have become increasing worse over time throughout the state. In many communities, traffic is at the top of problems or issues that communities deal with on a daily basis. The bill provides the funding sources necessary to address the problems and deficiencies in the state highways.

We strongly recommend that H.B. No. 1167 HD1 be approved as soon as possible.

Thank you for the opportunity to provide comments.



## PATH ~ PEOPLES ADVOCACY FOR TRAILS HAWAI`I

PO Box 62 ♦ KAILUA-KONA, HAWAI`I 96745 ♦ 808 -329-9718 ♦ [sharetheroad@pathhawaii.org](mailto:sharetheroad@pathhawaii.org)

February 25, 2009

Testimony **in Support of HB1167**

House Finance Committee  
Representative Marcus Oshiro, Chair  
Representative Marilyn Lee, Vice Chair  
Hearing: Friday, February 27<sup>th</sup>, 2008 11:00AM; Conference Room 308

Aloha Representatives Oshiro, Lee and members of the Committee:

PATH writes in support of HB1167, the Highways Modernization Plan.

The Plan has the potential to provide additional investment in our transportation system to provide the kind of safe, multi-modal and inter-modal transportation system Hawaii needs to remain a strong, productive and resilient player in the global economy.

We support the goal of an increase of 10% in the use of alternative modes and feel that even more could be done within the plan to reach an even greater mode share for bicycling and transit.

We have concerns over logic used to justify building more lanes to allow for higher speeds to reduce green house gas emissions when in fact the additional gas consumed and storm water run off has a much more detrimental effect on the environment.

The tax mechanisms will incent drivers to choose alternative modes of transportation and underscore that driving is a privilege, not a right, and comes with significant costs to our fragile environment, public health and safety and general quality of life.

Mahalo for the opportunity to submit testimony.

### Board of Directors

John Gimmelman  
Jeannette Vidgen  
Jeff McDevitt, MD  
Rick Mersdorf  
Janet Higo Miller  
Michael J. Riehn, AIA  
Frank H. Sayre, DDS  
Robert Ward

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Gery Pott, P  
Daniel Peters, Esq.  
Chris Huber  
Serena Chamberlain

### Executive Director

Laura Dierenfeld

### Education Director

Bob Borns

### Mission

To safely connect the people and places on Hawai'i Island with pathways and bikeways

### Serving

the Island of Hawai'i since 1986

Web-site:

[www.pathhawaii.org](http://www.pathhawaii.org)

**BIA-HAWAII**  
BUILDING INDUSTRY ASSOCIATION

February 27, 2009

Representative Marcus Oshiro, Chair  
Committee on Finance  
Conference Room 308  
State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Representative Oshiro:

Subject: **House Bill No. HB 1167 HD1 Relating to Highways**

I am Karen Nakamura, Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is in strong support of H.B. No. 1167 HD1 commonly referred to as the "Highway Modernization Program." The proposed legislation would increase the:

- State liquid fuel tax;
- State vehicle registration fee;
- State vehicle weight fee; and
- Rental motor vehicle surcharge tax.

Funds raised through these increases would provide the funding for a six-year comprehensive highway modernization program.

As the bill correctly points out, traffic, congestion and travel times have become increasing worse over time throughout the state. In many communities, traffic is at the top of problems or issues that communities deal with on a daily basis. The bill provides the funding sources necessary to address the problems and deficiencies in the state highways.

We strongly recommend that H.B. No. 1167 HD1 be approved as soon as possible.

Thank you for the opportunity to provide comments.



Chief Executive Officer  
BIA-Hawaii

The Pacific Resource  
**PARTNERSHIP**



Testimony of C. Mike Kido  
External Affairs  
Pacific Resource Partnership

Before the House Committee on Finance

Friday, February 27, 2009  
11:00 am  
Conference Room 308

**HB 1167, HD1 – RELATING TO HIGHWAYS**

Aloha Chair Oshiro, Vice Chair Lee and members of the House Committee on Finance:

The Pacific Resource Partnership (PRP) and its member contractors strongly support the State Highways Modernization Plan as embodied in HB 1167, HD1 – Relating to Highways.

This legislative proposal is especially welcomed in light of the growing economic difficulties facing Hawaii. The highway projects will inject \$4.2 billion into our local economy and create thousands of jobs over the six years of the plan. For our member contractors and carpenters, the prospect of local work is especially meaningful. In previous slow economic periods, our contractors could always look to outside markets for work. However this option is no longer available due to the global economic crisis. Our community must come up with our own solutions, and the Highways Modernization Plan will be instrumental to our economic recovery.

The plan will also create long-term benefits. Traffic and traffic-related stress is one of the top issues impacting our quality of life in the islands. With this much-needed reinvestment in our aging infrastructure, the Highways Modernization Plan will increase the capacity of our highways to relieve traffic congestion and improve the safety of our roads at the benefit of residents statewide.

To further reinforce your positive legislative action, the most recent People's Pulse supports PRP's contention that needed infrastructure funding is supported by the general community - "4 in 5 favor expediting infrastructure project funding"<sup>1</sup>.

PRP wishes to thank the Chairs of both Senate and House Finance committees for their foresight in advancing this progressive highways modernization plan. We believe that the plan coupled with the Federal Economic Stimulus monies will help to fill the construction gap that created the stoppage of private projects throughout the State.

PRP respectfully ask for your favorable consideration of this vital piece and essential legislation proposal of HB 1167, HD1 – Relating to Highways.

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<sup>1</sup> The People's Pulse Winter 2009, page 3.



541 Ohia Street  
 Honolulu, HI 96819  
 808-836-0130  
 www.enterprise.com

Honorable Marcus Oshiro, Chair  
 Committee on Finance  
 House of Representatives  
 State of Hawaii

Hearing: February 27, 2009

Re: HB 1167, HD1 - RELATING TO HIGHWAYS

Chairs Oshiro and Honorable Committee Members:

My name is Paul Kopel and I am the Vice President and General Manager for Alamo Rent A Car, Enterprise Rent-A-Car, and National Car Rental.

We join Catrala-Hawaii's support of this bill with comments. This bill in part seeks to permanently raise a "daily tax" by 50% (from the permanent \$2 base to \$3 permanent base). This is agreeable by Catrala as long as other users of our roadways and highways are similarly increased or asked to pay more in taxes if their current contributions are presently understated. Additionally, we respectfully suggest that the GET on fuels presently being waived, be collected and directed to the highway fund. This will achieve the desired result in the user paying for their actual use of the roads and highways.

If the original form of this bill passed with a \$5 daily surcharge tax, its estimated that approximately 1/3 of a renters daily cost of a u-drive vehicle will be for government related fees and taxes as well as other charges. This will not only be harmful to the u-drive industry but also tourism in general.

A tax higher than \$3 daily for u-drive vehicles would simply be devastating for a number of reasons. The car rental industry is already suffering: we've had to lay off workers, reduce the available inventory of vehicles and cut back on expenses like many other tourist-related businesses. A major u-drive company recently filed for bankruptcy. Raising taxes, fees and surcharges for rental vehicles will discourage travel to Hawaii and make it financially difficult for tourists to enjoy the advertised wonders of Hawaii through use of their u-drive vehicles.

Even the proposed permanent \$3 daily tax will be higher than similar competing tourist destinations such as Florida which has a \$2 daily surcharge tax. It is critical that Hawaii is not be publicized as a tourist destination that targets tourists with high fees and taxes.

Although our industry contributes over \$30 million a year to the airport special fund, no monies were being used to build facilities for the industry, most of which were years overdue. This money goes to an airport special fund which is used to reduce airline landing fees. The legislature last year passed a CFC bill to fund u-drive airport facilities. Projects such as these will stimulate our economy through job



*Fueled By Passion*

creation. This fee, which is currently \$1 per day, is expected to rise to \$4 per day to pay for the bonds supporting the construction of CFC facilities at our various public airports. A \$4 per day CFC fee added to the originally proposed \$5 daily surcharge tax fee would be overwhelming to our industry and give Hawaii a bad image for targeting tourists with taxes and fees.

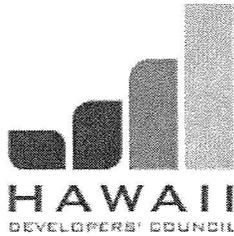
In addition to our contribution as owners of vehicles through weight taxes, registration fees, etc., our industry in the past has annually contributed in excess of \$40 million each year to the highway fund by way of the \$3 daily temporary surcharge tax. We believe this should be more than sufficient.

In conclusion, we believe that the \$70 million dollars per year (\$30 million to airport special fund as mentioned above to keep airline landing fees low and an extra \$40 million to highway fund not paid by other car drivers) is a significant contribution by our industry and we do not believe taxes should be further raised higher than \$3 daily without a fair and comprehensive study of the use of roadways/highways. This study should determine the fair contribution for each user. We are confident such a study will confirm that u-drives are already contributing more than their fair share.

Please do not unfairly burden our industry or hurt Hawaii's tourism economy during these unprecedented economic times. Please support this bill with a daily surcharge fee by u-drives of not more than \$3 daily on a permanent basis and review the process for increases and contributions by all users. Thank you for allowing us to testify.



Paul Kopel  
V.P./General Manager



February 27, 2009

Representative Marcus Oshiro, Chair  
Committee on Finance  
Conference Room 308  
State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Representative Oshiro:

Subject: **House Bill No. HB 1167 HD1 Relating to Highways**

My name is Dean Uchida, Vice President of the Hawaii Developers' Council (HDC). We represent over 200 members and associates in development-related industries. The mission of Hawaii Developers' Council (HDC) is to educate developers and the public regarding land, construction and development issues through public forums, seminars and publications.

It is also the goal of HDC to promote high ethics and community responsibility in real estate development and related trades and professions.

The HDC is in strong support of H.B. No. 1167 HD1 commonly referred to as the "Highway Modernization Program." The proposed legislation would increase the:

- State liquid fuel tax;
- State vehicle registration fee;
- State vehicle weight fee; and
- Rental motor vehicle surcharge tax.

Funds raised through these increases would provide the funding for a six-year comprehensive highway modernization program.

As the bill correctly points out, traffic, congestion and travel times have become increasing worse over time throughout the state. In many communities, traffic is at the top of problems or issues that communities deal with on a daily basis. The bill provides the funding sources necessary to address the problems and deficiencies in the state highways.

We strongly recommend that H.B. No. 1167 HD1 be approved as soon as possible.

Thank you for the opportunity to provide comments.



The Hertz Corporation  
577 Ala Moana Blvd., STE# 916  
Honolulu, HI 96813

Honorable Marcus Oshiro, Chair  
Committee on Finance  
House of Representatives  
State of Hawaii

Hearing: February 27, 2009

Re: HB 1167, HD1 - RELATING TO HIGHWAYS

Chair Oshiro and Honorable Committee Members:

My name is Aaron Medina and I am the General Manager for Hawaii, with The Hertz Corporation.

We join Catrala-Hawaii's support of this bill with comments. This bill in part seeks to raise the daily car rental surcharge tax from the permanent base of \$2, taking the currently temporary \$3 surcharge and making it permanent.

The car rental industry recognizes the need of the State to raise additional revenues in these hard times, and believes in a fair distribution of such a burden. Currently, this surcharge alone represents a tax of about 10% on the average rental in Hawaii, already making it one of the highest taxes of its kind in the nation. Thus, this permanent increase can be supported by Catrala and our industry, as long as the taxes on other users of our roadways and highways are similarly increased to insure their tax rates and contributions are fair given their use. In addition, and given the dire need of revenues for our roadways and highways, Catrala respectfully suggests that the GET on fuels presently being waived be collected and directed to the highway fund. Thus, the more you use the roadways/highways the more you pay in taxes as a direct link to your use.

The DOT has argued that this surcharge tax should be raised to \$5 per day, stating that "it is only another \$1-\$2." It is not just \$1 or \$2. Every dollar this surcharge tax is raised, represents approximately a 3% tax increase per rental transaction in Hawaii. This is neither fair nor equitable. What other industries or consumers in Hawaii get taxed at such high levels?

A tax higher than \$3 daily is not acceptable for a number of other reasons as well. Our industry is already suffering and we've had to lay off workers, cut back on available vehicles, and cut back on expenses like many tourist-related businesses. A major car rental company recently filed for bankruptcy. Further, the proposed permanent \$3 daily tax will be higher than similar competing tourist destinations such as Florida, which has a \$2 daily surcharge tax. It is critical that Hawaii not be publicized as a tourist destination that targets tourists with high fees and taxes.

Even further, although the industry contributes over \$30 million a year to the airport special fund, no monies are being used to build facilities for the industry which are years overdue. The airport is using the \$30 million a year to help the airlines keep landing fees low and for other purposes.

In addition to our contribution to the airports and as owners of vehicles, through weight taxes, registration fees, etc. , our industry is contributing in excess of \$40 million each year to the highway fund by way of the \$3 daily temporary surcharge tax. Why isn't this enough from our industry?

Over \$70 million dollars a year (\$30 million to airport special fund and an extra \$40 million to the highway fund not paid by other car drivers) are significant contributions by our industry and thus we do not believe taxes should be further raised higher than \$3 daily without a fair and comprehensive study as to the use of roadways/highways by all users and a determination as to what different users' fair contributions should be. We are confident such a study will confirm that the car rental industry is already contributing more than its fair share and to raise such taxes and fees higher will significantly hurt Hawaii's tourism industry as a whole.

Please do not unfairly burden our industry or hurt Hawaii's tourism economy during these dire economic times. Please support this bill with a daily surcharge fee of not more than \$3 daily on a permanent basis, and Catrala's position as to fair increases and contribution by all users.

Thank you for allowing us to testify.

Respectfully,



Aaron Medina  
General Manager, Hawaii

Honorable Marcus Oshiro, Chair  
Committee on Finance  
House of Representatives  
State of Hawaii

Hearing: February 27, 2009

Re: HB 1167, HD1 - RELATING TO HIGHWAYS

Chairs Oshiro and Honorable Committee Members:

My name is Martin Mylott and I am the Hawaii Regional Manager with Avis Rent A Car and Budget Rent A Car.

We join CATRALA-Hawaii's support of this bill with comments. This bill in part seeks to permanently raise a "daily tax" by 50% (from the permanent \$2 base to \$3 permanent base). This is agreeable by CATRALA as long as other users of our roadways and highways are similarly increased or perhaps asked to pay more in taxes if their contributions are presently understated and not fair given their use. In addition, and given the dire need of revenues for our roadways and highways, CATRALA respectfully suggests that the GET on fuels presently being waived be collected and directed to the highway fund. Thus, the more you use the roadways/highways the more you pay in taxes as a direct link to your use.

A tax higher than \$3 daily for car rental vehicles is not acceptable for a number of reasons. Our industry is already suffering and we've had to lay off workers, cut back on available vehicles and cut back on expense like many tourist-related businesses. As you know a major car rental company recently filed for bankruptcy. Raising taxes and fees and surcharges for rental vehicles only discourages travel to Hawaii and makes it more difficult for tourists to enjoy the advertised wonders of Hawaii through use of their car rental vehicles.

Further, the proposed permanent \$3 daily tax will be higher than similar competing tourist destinations such as Florida which has a \$2 daily surcharge tax. It is critical that Hawaii not be publicized as a tourist destination that targets tourists with high fees and taxes, a tax hell for tourists.

Even further, although the industry contributes over \$30 million a year to the airport special fund no monies are being used to build facilities for the industry which are years overdue. Thus, the legislature last year passed the CFC bill to fund car rental airport facilities. Such projects will stimulate our economy. This fee while presently \$1 a day is expected to rise to \$4 daily or more to pay for the bonds supporting the construction of CFC facilities at our various public airports. A \$4 or more CFC fee added to the originally proposed \$5 daily surcharge tax fee will be devastating to our industry and give Hawaii a bad image for targeting tourists with taxes and fees. Thus, the airport is using the \$30 million a year to help the airlines keep landing fees low and for other purposes.

# avis budget group

If the original form of this bill passed with a \$5 daily surcharge tax, its estimated that approximately 1/3 of a renters daily cost of a car rental vehicle will be for government related fees and taxes as well as other charges. This will not only be devastating to the car rental industry but also tourism in general in our opinion.

Car rental Vehicles Already Paying An Extra \$40 Million A Year. In addition to our contribution as owners of vehicles through weight taxes, registration fees, etc. our industry in the past has annually contributed in excess of \$40 million each year to the highway fund by way of the \$3 daily temporary surcharge tax. Why isn't this enough?

Over \$70 million dollars a year (\$30 million to airport special fund as mentioned to keep airline landing fees low and an extra \$40 million to highway fund not paid by other car drivers) are significant contributions by our industry and thus we do not believe taxes should be further raised higher than \$3 daily without a fair and comprehensive study as to the use of roadways/highways by all users and a determination as to what different users fair contributions should be given their other contributions, if any by such other users, similar to surcharge taxes, fees and airport special fund fees being paid by the car rental industry. We are confident such a study will confirm that car rentals are already contributing more than their fair share and to raise such taxes and fees higher will significantly hurt Hawaii's tourism industry as well as its car rental industry.

Please do not unfairly burden our industry our hurt Hawaii's tourism economy during this dire economic times. Please support this bill with a daily surcharge fee by car rentals of not more then \$3 daily on a permanent basis and CATRALA's position as to fair increases and contribution by all users. Thank you for allowing us to testify.

Honorable Marcus Oshiro, Chair  
Committee on Finance  
House of Representatives  
State of Hawaii

Hearing: February 27, 2009

Re: HB 1167, HD1 - RELATING TO HIGHWAYS

Chairs Oshiro and Honorable Committee Members:

My name is Michael Oh and I am the chair of the legislative committee for Catrala-Hawaii. Catrala's membership consists of the major u-drive companies in Hawaii and the many business which support our industry.

Catrala's supports this bill which in part caps the daily surcharge tax at \$3 permanently, a 50% increase from the \$2 permanent base. An increase higher than that amount would be a severe hardship on the u-drive industry and tourism economy.

Further, this bill is agreeable by Catrala as long as other users of our roadways and highways are similarly increased or perhaps asked to pay more in taxes if their contributions are presently understated and not fair given their use. In addition, and given the dire need of revenues for our roadways and highways, Catrala respectfully suggests that the GET on fuels presently being waived be collected and directed to the highway fund. Thus, the more you use the roadways/highways the more you pay in taxes as a direct link to your use.

A tax higher than \$3 daily for u-drive vehicles is not acceptable for a number of reasons. Our industry is already suffering and we've had to lay off workers, cut back on available vehicles, and cut back on expense like many tourist-related businesses. As you know a major u-drive company recently filed for bankruptcy. Raising taxes and fees and surcharges for rental vehicles only discourages travel to Hawaii and makes it more difficult for tourists to enjoy the advertised wonders of Hawaii through use of their u-drive vehicles.

Further, the proposed permanent \$3 daily tax will be higher than similar competing tourist destinations such as Florida which has a \$2 daily surcharge tax. It is critical that Hawaii not be publicized as a tourist destination that targets tourists with high fees and taxes, a tax hell for tourists.

Even further, although the industry contributes over \$30 million a year to the airport special fund no monies are being used to build facilities for the industry which are years overdue. Thus, the legislature last year passed the CFC bill to fund u-drive airport facilities. Such projects will stimulate our economy. This fee while presently \$1 a day is expected to rise to \$4 daily or more to pay for the bonds supporting the construction of CFC facilities at our various public airports. A \$4 or more CFC fee added to the originally proposed \$5 daily surcharge tax fee will be devastating to our industry and give Hawaii a bad image for targeting tourists with taxes and fees. Thus, the airport is using the \$30 million a year to help the airlines keep landing fees low and for other purposes.

if the original form of this bill passed with a \$5 daily surcharge tax, its estimated that approximately 1/3 of a renters daily cost of a u-drive vehicle will be for government related fees and taxes as well as other charges. This will not only be devastating to the u-drive industry but also tourism in general in our opinion.

U-drive Vehicles Already Paying An Extra \$40 Million A Year. In addition to our contribution as owners of vehicles through weight taxes, registration fees, etc. our industry in the past has annually contributed in excess of \$40 million each year to the highway fund by way of the \$3 daily temporary surcharge tax. Why isn't this enough?

Over \$70 million dollars a year (\$30 million to airport special fund as mentioned to keep airline landing fees low and an extra \$40 million to highway fund not paid by other car drivers) are significant contributions by our industry and thus we do not believe taxes should be further raised higher than \$3 daily without a fair and comprehensive study as to the use of roadways/highways by all users and a determination as to what different users fair contributions should be given their other contributions, if any by such other users, similar to surcharge taxes, fees and airport special fund fees being paid by the u-drive industry. We are confident such a study will confirm that u-drives are already contributing more than their fair share and to raise such taxes and fees higher will significantly hurt Hawaii's tourism industry as well as its u-drive industry.

Please do not unfairly burden our industry our hurt Hawaii's tourism economy during this dire economic times. Please support this bill with a daily surcharge fee by u-drives of not more than \$3 daily on a permanent basis. Thank you for allowing us to testify.

## **FINTestimony**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 3:57 PM  
**To:** FINTestimony  
**Cc:** Maile.bryan@hawaiiantel.net  
**Subject:** Testimony for HB1167 on 2/27/2009 11:00:00 AM

Testimony for FIN 2/27/2009 11:00:00 AM HB1167

Conference room: 308  
Testifier position: support  
Testifier will be present: No  
Submitted by: Maile Bryan  
Organization: Faith Painting Inc.  
Address: PO Box 1575 Hanalei, HI 96714  
Phone: 808-639-3974  
E-mail: [Maile.bryan@hawaiiantel.net](mailto:Maile.bryan@hawaiiantel.net)  
Submitted on: 2/26/2009

**Comments:**

The Highway Modernization Plan for Kauai is a must! This is needed to provided better safety for our families. The price to pay for this plan now will be much less than in the future. These repairs are way over due and should have been done years ago. Please use your common sense and approve this bill. We need to get our families back to work!

## FINTestimony

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, February 26, 2009 4:12 PM  
**To:** FINTestimony  
**Cc:** mbi1@hawaiiantel.net  
**Subject:** Testimony for HB1167 on 2/27/2009 11:00:00 AM

Testimony for FIN 2/27/2009 11:00:00 AM HB1167

Conference room: 308  
Testifier position: support  
Testifier will be present: No  
Submitted by: Alice Bryan  
Organization: Individual  
Address: 4875G Kapaka St. Princeville, Hi  
Phone: 826-9719  
E-mail: [mbi1@hawaiiantel.net](mailto:mbi1@hawaiiantel.net)  
Submitted on: 2/26/2009

**Comments:**

This bill would make our North Shore roads a lot safer - they are in terrible shape and dangerous, especially in the area of the rock slides. This would also create jobs. \$170.00 per year / person is not too much to spend to save lives.