



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

IN REPLY REFER TO:

February 18, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 1167

COMMITTEE ON TRANSPORTATION

House Bill 1167 provides the Department of Transportation (DOT) the resources needed to accomplish our primary mission and goals by increasing the state liquid fuel tax, state vehicle registration fee, state vehicle weight tax, and rental motor vehicle surcharge tax upon the improvement in the current economic condition.

The Department supports this bill. We also request correction to the reference in Section 14 that refers to "the economic condition in section 11". The correct reference should be to "section 13" rather than section 11.

On average, 140 lives are lost on Hawaii's roadways each year. Hawaii had the highest fatality rate in the nation in alcohol related fatalities, third highest in the nation in motorcycle related fatalities, and fourth highest in pedestrian related fatalities in 2006, according to the National Highway Traffic Safety Administration (NHTSA). These statistics are not acceptable and immediate and directed action is needed to significantly reduce the number of fatalities on Hawaii's roadways.

There are an estimated 760 bridges in the Statewide Highway System, of which 275 are structurally deficient. In 2006, Hawaii ranked forty-sixth nationally based on the percentage of structurally deficient bridges.

There are currently unacceptable levels of congestion in every county of the State. Both the number of licensed motorists and the number of registered vehicles continues to grow resulting in ever greater and more widespread congestion. There is a significant human cost to congestion, with ten minutes of time spent in traffic, equating to approximately \$600 per person, per year, and \$3,300 per commercial vehicle, per year. The economic cost of congestion is felt by everyone as these costs are passed on to consumers and increases Hawaii's already high cost of living.

The cost for materials and construction costs have increased dramatically. The liquid fuel tax is, however, a fixed assessment per gallon of gas without adjustments for inflation or other factors. More fuel efficient cars and electric cars also mean less gas consumed. While a desirable environmental outcome, it results in less gas taxes collected and thus fewer funds available to

construct, maintain, and operate the very roads needed to travel. The Vehicle Miles Traveled Pilot project is proposed as a possible alternative way to more equitable revenue.

At current funding levels of \$250 million per year, it will take over thirty years to address the estimated \$7 billion in current infrastructure and programmatic needs. And these needs continue to grow. Due to severe resource limitations, the Department has had to make difficult choices, diverting resources to the most critical programs and forgoing basic preservation and preventative maintenance that results in greater long-term cost. We can only stretch our limited resources just so far and our infrastructure system is already showing undesirable signs of this overextension.

Due to the extreme imbalance between programmatic needs and available resources, a significant infusion of funds is required to prevent further degradation of our statewide transportation infrastructure system. 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 Department is very mindful of the current economic downturn that has severely impacted the State and its people. For this reason, this bill seeks increases in taxes and user fees only upon the recovery of Hawaii's economy. Such a recovery would be demonstrated by a resultant one percent growth in Hawaii's statewide non-agricultural wage and salary job growth for two consecutive quarters as compared with the same quarters in the previous year as published by the state department of business and economic development and tourism.

The Department is also committed to a comprehensive transformation of the organization. We are re-evaluating strategic policies, priorities, and our organizational structure to meet the challenges of the twenty-first century. We are developing performance criteria that better meets the public's expectations and reflects what the public values. We will also be more transparent by reporting on the Department's progress in achieving these performance goals that better reflects what the public is demanding.

A sound transportation infrastructure is essential to preserving our unique and precious quality of life. Infrastructure is the backbone of the economy. It is about providing for the safe and efficient movement of people, services, and goods. For these reasons, we respectfully request that this bill be passed.

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
FAX NO: (808) 587-1560

**HOUSE COMMITTEES ON TRANSPORTATION
TESTIMONY REGARDING HB 1167
RELATING TO HIGHWAYS**

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

DATE: FEBRUARY 18, 2009

TIME: 8:30AM

ROOM: 309

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

The Department of Taxation (Department) **supports this 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 tax increases, the Department prefers this legislation's effective date, which only allows the taxes to increase when the State's economy shows sufficient growth to accommodate these increases. However, the Department points out that the tax and fee increase triggers may not necessarily refer to the appropriate triggering section in the bill.

This legislation will result in a revenue gain of \$110 million in Fiscal Year 2011, assuming a triggering date of July 1, 2010, and \$120 million in Fiscal Year 2012 and after to the special fund.

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 12, 2009

The Honorable Joseph M. Souki, Chair
and Committee Members
Committee on Transportation
House of Representatives
State of Hawaii
State Capitol, Room 403
Honolulu, Hawaii 96813

Dear Chair Souki and Committee Members:

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

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

Sections 3 and 4 on pages 24 and 25 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 be amended to delete the weight tax and registration fee increases based on an island's population. As previously stated, our motor vehicle registration computer program is 40+ years old and we would require approximately 6 months notification before implementation of increases to the state motor vehicle weight tax and registration fee.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dennis A. Kamimura".

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: SB 985; HB 1167 (Identical)

INTRODUCED BY: SB by Hanabusa by request; HB by Say by request

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 increase the rental motor vehicle surcharge tax from \$3 to \$5 and repeal the August 31, 2011 sunset date.

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. Any compensation to participants in pilot programs under this act may be administered uniformly or may be administered as a sweepstakes. 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.

The increase in taxes and fees under this measure shall not take effect until the state economy has improved with a 1% growth in Hawaii's statewide non-agricultural wage and salary job growth for two consecutive quarters as compared with the same quarters in the previous year as published by the department of business, economic development, and tourism. The increases in sections 2, 3, 4, and 5 of this act shall be effective six months following the occurrence of the improved economic conditions as delineated. Stipulates that if the tax and fee increases under this act are not triggered by the third year following the effective date of this act, the department of transportation shall return to current operational and priority status, scaling back its efforts to match and appropriately manage available resources.

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: Upon approval

STAFF COMMENTS: This is 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 provides that the tax increases shall not take effect until the state economy has improved by a 1% growth in the state's non-agricultural wage and salary job growth for two consecutive quarters, as compared to the same quarters of the previous year, it is imperative that highway funds need to be bolstered to maintain the state highway system.

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 rather than wait until economic conditions improve. 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.

While the per day rental car surcharge and the tour vehicle surcharge may still be needed to balance the fund, it by no means should be the only source to be tapped as it merely postpones the day of reckoning. It should be remembered that unlike the other resources of the state highway fund, the fortunes of the motor vehicle surcharge are highly dependent on the utilization of rental cars and tour vehicles which, in

turn, are dependent on the fortunes of the visitor industry. Thus, the motor vehicle rental surcharge and the tour vehicle surcharge are the least reliable of the revenue resources available to the state highway fund.

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 2/17/09

Honorable Joseph Souki, Chair
Committee on Transportation
House of Representatives
State of Hawaii

Hearing: February 18, 2009

Re: HB 1167 RELATING TO HIGHWAYS

Chairs Souki and Honorable Committee Members:

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

We support Catrala-Hawaii's opposition and position on this bill.

While the purposes of the bill are understandable this is not a time to raise any taxes relating to our car rental industry and tourist related activities. Our industry is already suffering and we've had to lay off workers 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 current temporary surcharge tax at \$3 daily is already 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. Thus, the legislature last year passed the CFC bill to fund car rental airport facilities. 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 a \$5 daily surcharge tax fee will be devastating 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. Still further, we have contributed over \$30 million each year to the airport special fund and continue to do so without any such monies used to make needed airport improvements. Over \$70 million dollars a year in contributions from our industry is significant and thus we do not believe taxes should be further raised without a fair and comprehensive study as to the use of roadways/highways by all users and a determination as to what their fair contributions should be given their additional contributions, if any by such other users, similar to surcharge taxes, fees and airport special fund fees being paid by the car rental industry.

Please do not unfairly burden our industry. Please do not raise taxes on car rental vehicles as proposed by this bill. Thank you for allowing us to testify.

Avis Budget Group
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February 13, 2009

The Honorable Joseph M. Souki, Chair
and Members of the House Transportation Committee
Hawai'i State Capitol, Room 433
Honolulu, Hawai'i 96813

Subject: **In Support of HB 1167 - Relating to Highways**
Hearing 8:30 a.m., February 18, 2009
Capitol Conference Room 309

Dear Chair Souki and Members of the Committee:

Castle & Cooke wishes to express our support for HB 1167 relating to the proposed Highway Modernization Plan. A comprehensive effort, such as proposed by this plan, is necessary to address the long-term safety, maintenance, and expansion of our highway system and to ensure that our State highway infrastructure systems can address the growing needs of the motoring public.

We are pleased to see that in addition to safety and maintenance projects, the proposal calls for substantial congestion relief projects along the main H-1 corridor. While Castle & Cooke strives to incorporate land use and transportation demand management strategies in our new communities, regional traffic congestion is a substantial concern of many residents. The proposed congestion relief projects are necessary to support projected population growth, particularly in Ewa and Central Oahu, and can improve the quality of life of all Oahu residents.

Furthermore, although Castle & Cooke is committed to funding our fair share of transportation improvements for our communities, we feel it must be recognized that the cost of regional transportation improvements that benefit the greater public must be publicly shared. For this reason, we support the financial plan proposed by this bill as it equitably distributes the cost of the proposed regional improvements to users of our highway system.

Again, we fully support the Department of Transportation's effort to implement the proposed Highway Modernization Plan. If there are any questions, please contact Bruce Barrett, Executive Vice-President of Castle & Cooke Homes Hawai'i, at 548-3746.

Sincerely,

Harry A. Saunders
President

HAS:mi

Honorable Joseph Souki, Chair
Committee on Transportation
House of Representatives
State of Hawaii

Hearing : February 18, 2009

Re: HB 1167 Relating to Highways

Chair Souki and Honorable Committee Members:

My name is Michael Oh and I am the legislative chair for Catrala-Hawaii whose membership consists of the major u-drives in Hawaii and the many businesses which support our industry.

While the purposes of bill are admirable, Catrala opposes this bill (and companion SB 1611) which seeks to unfairly target our industry with a tax increase of 150%. As recognized in the conference committee report for SB 2365 passed last session, the daily surcharge tax temporarily increased to \$3 daily is supposed to be \$2 daily. The committee report states that if taxes are to be increased for funding purposes the u-drive vehicle contribution would start from a base of \$2 daily. Thus, a 150% tax increases if raised to \$5 daily as proposed by this bill. This is not right or fair.

Unfair Tax Increase Targeting U-Drive Industry. As stated, this is obviously an unfair tax increase that is targeting our industry and will have a serious negative impact on our businesses. What other tourist-related industry's taxes are being raised by 150%? What other vehicle taxes are being raised by 150%? Why just the u-drive industry which for several years now has been paying a temporary tax increase of 50% at the temporary rate of \$3 daily. Why does this bill propose to increase this to 150%?

Negative Impact On Tourism, Economy and Satisfactory Hawaii Vacation. Further such a tax increase will have a negative impact on tourists that typically visit Hawaii for 5 days or longer and use their vehicles to enjoy the advertised splendors of Hawaii while they also shop and eat at many local restaurants and shops. Such local businesses will suffer. Further, U-drive vehicles give our visitors the freedom to explore and enjoy Hawaii according to their individual schedules and as many times as they want. This significantly increases their satisfaction.

Millions Promoting Tourism But Raising Taxes Targeting Tourists. While Hawaii is spending extra millions of dollars trying to promote tourism. It should not be significantly raising taxes targeting tourists especially during these dire economic times.

Hawaii's U-drive Industry Is Struggling With Bankruptcy, Layoffs and Cutbacks. One major u-drive company in Hawaii recently closed and filed for bankruptcy. Other companies have had to cut-back on staff, inventory of vehicles and other expenses to weather the same economic crises that are being faced by hotels and other sectors of our tourist industry. This is not a time to be raising taxes affecting the u-drive industry to an amount higher than the temporarily existing \$3 daily tax which already is 50% increase over the \$2 daily charge.

Surcharge Taxes Higher Than Competing Tourist Destinations. Florida is one of Hawaii's major competing tourist destinations and the surcharge tax in Florida is \$2 daily (Hawaii is temporarily higher at \$3 daily). For a fair comparison of such taxes, one needs to use "competing family leisure destinations with no gambling" such as Florida and not other destinations that have such attractions or are hub cities with many business travelers (typically 1 – 2 day rentals) where expenses are paid for by businesses and taken as a tax deduction. It's important you not compare apples with oranges. Certainly you would not compare Hawaii's sales tax with the sales taxes of other cities which are much higher. Please let's compare apples with apples and not apples with oranges. The daily surcharge tax for competing tourist destinations is not \$7 to \$12 daily as some are reporting to you. Further, visitors need to travel a minimum of 2,500 miles to visit Hawaii unlike competing destinations. Even further as reported in the news, many tourists given these recessionary times are opting to take vacations closer to home because of expenses and budget constraints. So why are we targeting tourists with higher taxes?

U-drives Already Significant Contributors to Highway Fund. At the temporary \$3 daily amount, u-drives have been contributing about \$40 million a year into the highway fund. This is in addition to the taxes and fees also being paid on u-drive vehicles like other owners of vehicles. An extra \$40 million each year beyond standard vehicle payments is certainly significant. Where is the justification that tourists should be paying more to use our roadways and highways each year? Isn't an extra \$40 million a year adequate? Why not?

U-drives Also Significantly Contributing To Our Economy. The u-drive industry pays concession fees in excess of \$30 million a year to Hawaii's public airports but get little or nothing in return. These fees of \$30 million a year have typically gone to pay for airport projects and to keep landing fees low which benefit the airlines and Hawaii's economy by hopefully lower airline tickets. Isn't \$30 million a year significant contribution by the u-drive industry? For your information, u-drives and other airport concession over the years have paid more than 50% of the airports operating revenues and have generated hundreds of millions in surplus funds that have been spent and benefited the airlines (including \$76 million in waiver of airport landing fees for 2 years) and other users of the airports. Do other users of our public roadways contribute \$30 million dollars to our public airports for which they get little or no benefit?

U-drives Have To Pay For Own Airport Improvements. In spite of contributing over \$30 million a year to airport revenues the u-drives requests for airport improvements have not been accommodated. As a result and so Hawaii can service its visitors like many other airports, the u-drive industry had no choice but to ask the legislature last session to pass a CFC measure. The present \$1 daily CFC fee added to airport rentals is expected to rise to \$4 daily or more to pay for airport improvements at our public airports to be constructed in the next few years. Planning and design is already taking place per legislative past approvals. These projects in addition to enhancing Hawaii's image as a major tourist destination with comparable u-drive services, will also serve to stimulate our economy with needed jobs for our construction industry and many related businesses. These CFC projects are no longer overlooked and now a part of our statewide airport improvement program as they should be for planning and other purposes.

Hawaii A Tax Hell For Tourists. With a daily surcharge of \$5 daily as proposed in this bill and with CFC fees of over \$4 daily to pay for airport improvements, the cost to rent a u-drive vehicle at our public airports and payment of airport concession and other fees will likely be in excess of \$12 daily. Yes that is an extra \$12 daily on the daily charge for you u-drive vehicle. This is obviously too much and will give the various promoters of competing tourist destinations arguments that Hawaii is a tax hell that targets tourists. Is this the reputation that Hawaii wants?

Industry Targeted With No Basis. When the surcharge tax was imposed many years ago, it was a tax that apparently came out of conference committee with no basis or study to support such taxes. It was simply imposed on u-drives and tour vans and buses with no justification or explanation. Of the total surcharge dollars collected u-drives contribute an estimated 98% plus of all surcharge tax monies. How was this percentage determined? It is interesting to note that this DOT bill makes no mention of surcharge tax increases to other vehicles. Why not?

Summary. In view of the foregoing we are opposed to increasing the u-drive surcharge taxes. Before such taxes are increased a fair study should be done as to all possible contributors and their usage of our roadways and highways. Further, consideration should be given to the extra \$40 million annually u-drives have paid into the highway fund and the important role u-drives play in our tourist industry given the \$30 million dollars they contribute each year to our public airports. Thank you for considering our views on this matter. Please be fair to our industry by not increasing the surcharge tax above the temporary amount of \$3 daily which is already a 50% increase in taxes.



**HOUSE COMMITTEE ON TRANSPORTATION
February 18, 2009
Conference Room 309
State Capitol
415 South Beretania Street**

Subject: House Bill No. HB 1167 Relating to Highways

Chair Souki, Vice Chair Awana and members of the committee:

My name is Jim Tollefson, President of the Chamber of Commerce of Hawaii. The Chamber of Commerce of Hawaii works on behalf of its members and the entire business community to:

- Improve the state's economic climate
- Help businesses thrive

The Chamber of Commerce of Hawaii is in strong support of H.B. No. 1167 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 be approved as soon as possible.

Thank you for the opportunity to provide comments.



February 18, 2009

Representative Joseph Souki, Chair
COMMITTEE ON TRANSPORTATION
Conference Room 309
State Capitol
415 South Beretania Street

Representative Souki:

Subject: **House Bill No. HB 1167 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 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
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We strongly recommend that H.B. No. 1167 be approved as soon as possible.

Thank you for the opportunity to provide comments.



February 18, 2009

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

Thank you Chair Souki, 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.



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

Honorable Joseph Souki, Chair
Committee on Transportation
House of Representatives
State of Hawaii

Hearing: February 18, 2009

Re: HB 1167 RELATING TO HIGHWAYS

Chairs Souki and Honorable Committee Members:

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

We support Catrala-Hawaii's opposition and position on this bill.

While the need for the State to raise revenue is understandable during this economic downturn, this is not a time to raise taxes affecting the car rental industry and other tourist related activities, which are core to our State's economy. Our industry is suffering acutely from the steep drop off in visitors, and has lead to significant employee reductions and hours worked, and even to the closing of one car rental company late last year. Raising taxes or surcharges for rental vehicles only discourages travel to Hawaii and makes our destination less competitive with other leisure destinations.

The current temporary surcharge tax of \$3 per day is already higher than similar competing tourist destinations such as Florida which has a \$2 per day tax. It is critical that Hawaii not be publicized as a tourist destination that targets tourists with high fees and taxes.

The car rental industry contributes over \$30 million a year to the airport special fund, from which no monies are being used to build or improve airport facilities for our industry's customers, which are years overdue. In addition to our contribution as owners of vehicles through weight taxes, registration fees, etc., our industry has annually contributed in excess of \$40 million each year to the highway fund by way of the \$3 daily temporary surcharge tax. Raising this surcharge to \$5 a day for general revenue generation will be devastating to our industry and give Hawaii a bad image for targeting tourists with taxes and fees.

A \$5 per day surcharge would be equivalent to about a 15% tax per rental transaction, making it one of the highest car rental taxes for general revenue generation in the nation.

Finally, the car rental industry was singled out when the tax was temporarily raised to \$3. In 2008, the DOT was supposed to complete a study on how to more equitably generate revenues for the highway fund and submit it to this Legislature prior to the start of 2009 Legislative session. To our knowledge this has not been completed.

Please do not raise taxes as proposed by this bill. Thank you for allowing us to testify.

Respectfully,

A handwritten signature in black ink, appearing to read 'A. Medina', with a stylized flourish at the end.

Aaron Medina
General Manager, Hawaii

The Pacific Resource
PARTNERSHIP



Testimony of C. Mike Kido
External Affairs
Pacific Resource Partnership

Before the Committee on Transportation

Wednesday, February 18, 2009
8:30 am
Conference Room 309

HB 1167 – RELATING TO HIGHWAYS

The Pacific Resource Partnership (PRP) and its member contractors strongly support the State Highways Modernization Plan as embodied in HB 1167 – 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"¹.

PRP wishes to thank the Chairs of both Senate and House Transportation 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 (09).

¹ The People's Pulse Winter 2009, page 3



544 Ohohia Street
Honolulu, HI 96819
808-836-0130
www.enterprise.com

Honorable Joseph Souki, Chair
Committee on Transportation
House of Representatives
State of Hawaii

Hearing: February 18, 2009

Re: HB 1167 RELATING TO HIGHWAYS

Chairs Souki and Honorable Committee Members:

My name is Jeff Onouye and I am the Group Rental Manager with Enterprise Rent A Car.

We join Catrala-Hawaii's opposition and position as to this bill.

While the purposes of the bill are understandable this is not a time to raise any taxes relating to our u-drive industry and tourist related activities. Our industry is already suffering and we've had to lay off workers 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 current temporary surcharge tax at \$3 daily is already 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. Thus, the legislature last year passed the CFC bill to fund u-drive airport facilities. 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 a \$5 daily surcharge tax fee will be devastating 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. Still further, we have contributed over \$30 million each year to the airport special fund and continue to do so without any such monies used to make needed airport improvements. Over \$70 million dollars a year in contributions from our industry is significant and thus we do not believe taxes should be further raised without a fair and comprehensive study as to the use of roadways/highways by all users and a determination as to what their fair contributions should be given their additional contributions, if any by such other users, similar to surcharge taxes, fees and airport special fund fees being paid by the u-drive industry.

Please do not unfairly burden our industry. Please do not raise taxes on u-drive vehicles as proposed by this bill. Thank you for allowing us to testify.

Jeff Onouye

Group Rental Manager



Fueled By Passion



3103 North Nimitz Highway
Honolulu, HI 96819

Honorable Joseph Souki, Chair
Committee on Transportation
House of Representatives
State of Hawaii

Hearing: February 18, 2009

Re: HB 1167 RELATING TO HIGHWAYS

Chairs Souki and Honorable Committee Members:

My name is Dave Wilson and I am the Regional Fleet Manager with Alamo Rent A Car.

We join Catrala-Hawaii's opposition and position as to this bill.

While the purposes of the bill are understandable this is not a time to raise any taxes relating to our u-drive industry and tourist related activities. Our industry is already suffering and we've had to lay off workers 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.

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Please do not unfairly burden our industry. Please do not raise taxes on u-drive vehicles as proposed by this bill. Thank you for allowing us to testify.

Dave Wilson

Regional Fleet Manager



3108 N. Nimitz Highway, Ste 4

Honolulu, HI 96818

Honorable Joseph Souki, Chair
Committee on Transportation
House of Representatives
State of Hawaii

Hearing: February 18, 2009

Re: HB 1167 RELATING TO HIGHWAYS

Chairs Souki and Honorable Committee Members:

My name is Chris Sbarbaro and I am the V.P. of Rental with National Car Rental.

We join Catrala-Hawaii's opposition and position as to this bill.

While the purposes of the bill are understandable this is not a time to raise any taxes relating to our u-drive industry and tourist related activities. Our industry is already suffering and we've had to lay off workers 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.

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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. Still further, we have contributed over \$30 million each year to the airport special fund and continue to do so without any such monies used to make needed airport improvements. Over \$70 million dollars a year in contributions from our industry is significant and thus we do not believe taxes should be further raised without a fair and comprehensive study as to the use of roadways/highways by all users and a determination as to what their fair contributions should be given their additional contributions, if any by such other users, similar to surcharge taxes, fees and airport special fund fees being paid by the u-drive industry.

Please do not unfairly burden our industry. Please do not raise taxes on u-drive vehicles as proposed by this bill. Thank you for allowing us to testify.

A handwritten signature in black ink, appearing to read "Chris Sbarbaro".

Chris Sbarbaro

Vice President of Rental



Via Capitol Website

February 18, 2009

**House Committee on Transportation
Hearing Date: Wednesday, February 18, 2009 at 8:30 AM in CR 309**

**Testimony in Support of HB 1167; Relating to Highways
(Authorizes the State Department of Transportation to raise select taxes for
6-Year Highway Modernization Program)**

Honorable Chair Joe Souki Vice-Chair Karen Awana and TRN Committee Members:

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawai'i's significant natural and cultural resources and public health and safety.

LURF is writing **in general support** of **HB 1167**, which will amend the state liquid fuel tax, state vehicle registration fee, state vehicle weight fee, and rental motor vehicle surcharge tax through increases of the various taxes and flat rate amount in select sections via the economic conditions trigger mechanism to pursue a comprehensive six-year highway modernization program.

HB 1167. HB 1167 will increase certain taxes in order to fund a Highway Modernization Program, which will alleviate traffic congestion, improve mobility, and help stimulate Hawai'i's economy. The purpose of this bill is to provide the Department of Transportation (DOT) the resources needed to accomplish their primary mission and goals by amending the state liquid fuel tax, state vehicle registration fee, state vehicle weight tax, and rental motor vehicle surcharge tax through increases of the various taxes and fees effective upon the occurrence of a specific economic condition. This bill will also test alternatives to the current state and county system of motor vehicle fuel taxes.

Through this bill, DOT has developed a \$4,000,000,000 comprehensive six-year work plan and financial plan to implement critical programs and projects. As a part of this effort, the DOT seeks a one-time, extraordinary infusion of \$2,000,000,000 in capital to aid in rectifying critical deficiencies by pursuing those programs and projects that have

the greatest potential to improve the performance categories relating to safety, congestion, system preservation, and other programs and initiatives.

HB 1167 lays out the overall six-year work program, which will be broken down by performance category, by county, and transportation corridors to better manage, monitor, and inform the public on the progress being made in improving performance. By accelerating the implementation of the identified programs and projects, DOT seeks major improvements in the identified performance categories.

HB 1167 will amend sections 36-27, 36-320, 243-4(a), 249-31, 349-33(a), and 251-2(a), HRS and add a new section in Chapter 248 for Land Transportation Modernization Special Fund. HB 1167 will authorize a six year program that includes the execution of a master consultant agreement.

DOT's proposal is justified to meet the economic needs of the State and preserve the unique quality of life of its residents and visitors. The goal is for the DOT to provide a safe, efficient, and effective land transportation system for the movement of people and goods.

Some of the tax implications upon the public include, but are not limited to:

- Ten cents per gallon increase on liquid fuel tax, estimated to cost an additional \$80 annually;
- \$20 state vehicle registration fee increase to annual flat rate fee; and
- Two cents per pound increase in state vehicle weight tax will cost an additional \$70 for an average 3500 pound vehicle.

HB 1167 includes a list of projects that the DOT is authorized to expend funds for. HB 1167 also permits the DOT to pursue any additional federal funds that may become available for land transportation infrastructure improvements under the federal economic stimulus plan or similar program in Section 18.

LURF's Position. We generally support HB 1167 because it could be one of the vehicles necessary to kick start Hawaii's economy. Although the increase in fuel taxes may not be favored by island residents, especially those living in West Oahu and Central Oahu, the long term savings and improvements outweigh the benefits to the state and our island residents.

As noted in a January 23, 2009 article in Honolulu Star Bulletin by Alexandre Da Silva, the bill "calls for intersections, guardrails and shoulder improvements, rockfall prevention, bridge rehabilitation, road widenings and addition of contra-flow lanes, bicycle and pedestrian projects — also would help create jobs, said House Transportation Chairman Joe Souki. Other services include roadside alerts to motorists about traffic conditions, safe-driving education programs and a Freeway Service Patrol that would respond to accidents." In the article, Representative Souki went on to say, "We expect this to be quite a stimulus for the recovery of the state." The massive repairs to Hawaii highways would include 183 projects across the state, which are noted in SB 1611.

DOT recognizes that due to the extreme imbalance between programmatic needs and available resources, it is committed to undertaking a comprehensive transformation,

re-evaluating its strategic policies, priorities, and organizational structure to meet the challenges of the twenty-first century. A major initiative of this comprehensive transformation is the development of clear performance criteria to properly drive investment decisions to ensure that the greatest public benefit will be achieved through the responsible management and expenditure of public funds.

Overall, HB 1167 will not only help create jobs, but will alleviate traffic and help reduce congestion from West Oahu, make improvements to major roadways on the outer islands, initiate shoreline protection, improve bikeway and pedestrian walkways and address some drainage issues on all islands.

Based on the above, we respectfully request your favorable consideration of HB 1167.

Thank you for the opportunity to express our **support** for HB 1167.