



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

April 1, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 1611, SD 2, HD 1

COMMITTEE ON FINANCE

Senate Bill 1611, SD 2, HD 1 provides the Department of Transportation (DOT) 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.

The Department cannot support this bill, unless there is a trigger that institutes the user fee and tax increases until the economy has demonstrated a level of recovery. We respectfully request that the tax and user fee increases be made through a trigger that reflects a recovered economy such that the public understands that we are not placing additional financial burdens on them at a time when they can least afford it. The economic trigger reflects an economy that is once again healthy and our understanding is that this condition of economic recovery will occur in about 2 to 3 years.

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 DOT 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 Department does request that Section 9 of the bill, which concerns the proposed pilot program to test alternatives to motor vehicle fuel taxes, be revised to refer to the Department of Transportation (DOT) rather than the Department of Taxation (DOTAX). The DOT should be responsible to refund fuel taxes or otherwise compensate participants in these pilot programs. We also request authorization in Section 9 for the DOT to adopt rules that may be necessary for the implementation of this pilot program.

Finally, the DOT requests minor revision of Sections 11 and 12 of the bill to correctly reference other sections of the bill.

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 COMMITTEE ON FINANCE
TESTIMONY REGARDING SB 1611 SD 2 HD 1
RELATING TO HIGHWAYS**

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

DATE: APRIL 1, 2009

TIME: 12PM

ROOM: 308

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 the intent** of this measure; however **prefers the original version.**

The Department **defers to the Department of Transportation on the implementation and management of this legislation.**

This measure provides for various tax and fee increases relating to motor vehicles and transportation consumables. For example, the fuel tax is increased for most counties. Also, fees for vehicle registration are increased. The Department supports providing the Department of Transportation with the needed revenue for statewide investment in the critical infrastructure of the islands that is long overdue. Equally as important is that for each dollar of increased revenue from state monies deposited into the State Highway Fund, matching federal dollars are yielded to assist in the State's efforts.

The Department prefers financing the State's infrastructure modernization through these sources 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.

The Department strongly 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 revenue gain to the Highways Fund of \$122 million in Fiscal Year 2010 and \$133 million in Fiscal Year 2011, \$145 million in Fiscal Year 2012, and \$149 million in Fiscal Year 2013.

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
DIRECTOR

DENNIS A KAMIMURA
LICENSING ADMINISTRATOR

March 30, 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: S.B. No. 1611 SD2 HD1, Relating to Highways

The City and County of Honolulu takes no position on S.B. No. 1611 SD2 HD1 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, 25 and 26 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, or manual processing by Maui County.

The City and County of Honolulu recommends that S.B. No. 1611 SD2 HD1 be amended to delete the weight tax and registration fee increases based on an island's population.

Finally, we need time to complete programming for the state registration fee and state motor vehicle weight tax increases. We recommend that Sections 3 and 4 of the bill be effective for registration periods beginning October 1, 2009

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis A. Kamimura". The signature is written in a cursive style.

DENNIS A. KAMIMURA
Licensing Administrator



April 1, 2009

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE
ON SB 1611 SD2 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 concerns about this bill. No matter when the intended increases are implemented, it will have a huge impact. Implementing it during such bad economic times tremendously multiplies the impact.

Bear in mind that the federal government is also working on fuel tax increases in the order of 15 cents per gallon on diesel and 10 cents for gasoline. Oahu county is also looking to increase vehicle related taxes and other counties cannot be far behind.

While we support having an adequate highway revenue fund, we have difficulty feeling the same way about having a healthy fund 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 the economy to be able to sustain it.

While implementing the full 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.

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

Hearing: April 1, 2009, 12 noon

Re: SB 1611, HD1 - RELATING TO HIGHWAYS

Chair Oshiro and Honorable Committee Members:

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

We support the HD1 form of this bill at the \$3 permanent daily surcharge for u-drives (highest in U.S. for competing tourist destinations) in spite of the fact that the DOT has repeatedly failed past legislative requests to do a study as to how to fairly generate needed revenues for the highway fund which will be short of revenues in 2011 according to the Hawaii Tax Foundation. A fair study would include use of the highways by all users as well as their role in Hawaii's economy. The DOT has not done such a study and yet it proposes these significant increases in taxes and fees although the Governor has stated she is against raising taxes. The bill also mentions \$1 of federal funding which is not correct.

DOT is being short sighted in proposing a \$5 permanent daily surcharge for u-drives which are vehemently opposed by u-drives as being devastating to the industry and Hawaii's tourist economy. For purposes of this bill and without doing a study the DOT is proposing tax increases for u-drives up to \$5 daily. This is short sighted and not recognizing the future and what is to come after this Administration leaves office. In particular, CFC u-drive fees to fund needed airport improvements for u-drives as part of the airport modernization program in the near future will likely rise from the present \$1 daily charge to about \$4 daily. This will be necessary to fund the bond for such improvements. These improvements will provide jobs. A \$5 daily surcharge tax plus \$4 CFC fee plus GET tax and other charges will result in a u-drive customer paying about \$12 DAILY IN FEES AND TAXES. This will likely result in Hawaii being painted as a TAX HELL FOR TOURISTS by Hawaii's competitors. You as the policy makers must not allow this to happen.

U-drives although significant contributors to the State's highway fund and economy will be paying \$24 million plus extra under the provisions of HD1 as follows:

1. U-drives will be paying a 50% daily tax increase since this bill makes permanent the temporary \$3 daily increase. No other users of our highways and only u-drives alone have continued to be singled out for a temporary daily increase from \$2 to \$3 which is suppose to sunset back to \$2 in 2011. This permanent 50% increase means the u-drives will be contributing permanently an extra \$14 million plus each year into the State's highway fund;
2. DOT predicts that other taxes and fees set forth in this bill will cost an extra \$170 per

vehicle each year. This will increase the cost to rent u-drive vehicles. This will result in \$10 million plus more u-drive vehicles will be paying each year since there are 50,000 to 75,000 u-drive vehicles in the islands at different periods of time serving Hawaii's visitors and local residents. Local residents are approximately 20% of the u-drive business in Hawaii.

Following are further explanations and 11 compelling reasons to support HD1 with the surcharge tax for u-drives not being higher than \$3 daily:

1)Unfair Tax Increase Targeting U-Drive industry. As stated, the initially proposed \$5 daily increase 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 recommended to raised by 150% on a DAILY BASIS ? Since the \$3 daily tax is already the highest in the United States for competing tourist destinations why is the Administration increasing this tax further? Making the \$3 daily surcharge tax permanent as proposed in HD1 and agreeable to Catrala is a 50% increase of a daily tax generating more than \$14 million a year in extra-long-term revenue for the highway fund plus \$10 million plus for u-drive vehicles at \$170 per vehicle.

2)Negative Impact On Tourism, Economy and Satisfactory Hawaii Vacation. A surcharge tax increase of \$5 daily as proposed by the Administration will have a negative impact on tourists that typically visit Hawaii for 10 days or longer and use their vehicles to enjoy the advertised splendors of Hawaii while they also shop, eat at many local restaurants and visit many local attractions. 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. Having such freedom and economic use of u-drives vehicles during their 10-day stay adds to tourist satisfaction.

3)Millions Promoting Tourism; Thus No Raise 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.

4)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. U-drives have had to control their costs and inventory by reducing the number of available cars that often times sit idle except for peak periods. This has resulted in complaints and concerns by one or more of the Mayors for our county governments. This is not a time to be raising taxes affecting the u-drive industry.

5)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 but permanently \$3 daily by this bill, a 50% DAILY tax increase). 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. To date neither the DOT nor anyone else has provided any study validating such amounts as being applicable for Hawaii. Further, visitors need to travel a minimum of 2,500 miles to visit Hawaii unlike competing destinations such as Florida. Even further as reported in the

news, many tourists given these recessionary times may take vacations closer to home because of expenses and budget constraints. So why are we targeting tourists who want to come to Hawaii with taxes higher than competing tourist destinations?

6)U-drives Already Significant Contributors to Highway Fund. At the current \$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 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? Regardless, the \$3 daily amount is already the highest in the United States for competing destinations.

7)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 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 funds that have been spent and benefited the airlines 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?

8)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 travelers 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 for u-drives 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 now a part of our statewide airport improvement program as they should be for planning and other purposes.

9)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 other fees and GET tax will likely be in excess of \$12 daily. Yes that is an extra \$12 daily on the daily rental 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?

10)Industry Targeted With No Basis. When the surcharge tax was imposed many years ago, it was a tax that apparently comes 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? Since about 1991 u-drives were singled out and surcharge was increased temporarily from \$2 daily to \$3 daily and suppose to sunset in 1999 and now extended to 2011. Thus, since 1991 u-drives have contributed an estimated \$150,000,000 extra into the highway fund when other users of the roadway have not contributed anything.

Is this fair? U-drive surcharge taxes should not be raised above the present amount of \$3 daily.

11)Already An Additional \$10 Plus Million Per This Bill. Even if the surcharge tax remains at \$3 daily, per this bill u-drive vehicles will have an extra cost burden of \$10 million annually. DOT estimate's owners of each vehicle will be paying an extra \$170 per year on their vehicles per the DOT's estimate of the increase cost per vehicle by taxes, fees and charges in this bill (other than surcharge taxes not paid by non-udrive owners) In the case of u-drive companies, they have 50,000 to 75,000 vehicles in the islands servicing the needs of travelers at any given time including local residents which represent about 20% of the market. Thus, the added costs to u-drive products on the extra charges for vehicles proposed in the Administration's bill (not counting any increase to the present \$3 daily surcharge tax) will be \$10,000,000 plus per year. This is a heavy burden to our industry even if the \$3 daily surcharge is not increased.

Summary. In view of the foregoing we respectfully ask that you take a look at the big picture and the future planned charges to u-drives when the CFC projects require funding for needed and long-overdue airport improvements. It is with this big picture and future in mind that we are opposed to increasing the u-drive surcharge taxes above the \$3 daily amount which is already the highest in the United States as previously explained.

U-drives are willing to support HD1 although it provides for u-drives paying more than an extra \$24 million a year: 1) \$14 million a year if \$3 temporary daily surcharge made permanent and does not sunset in 2011; and 2) \$10 million plus in extra costs on u-drive vehicles at DOT's estimated \$170 per vehicle for each owner. These would be amounts in addition to: 1) the \$150 million extra u-drives have contributed in the past at the temporary \$1 increase while other drivers contributed nothing; 2) \$30 million plus a year at the extra surcharge tax at \$2 daily (not paid by other highway users; to be permanently increase to \$3 daily by HD1 for permanent amount of \$14 million more annually); 3) \$30 million payment in annual concession fees to our public airports to keep landing fees low. Please be fair and do not further burden our industry and Hawaii's tourist economy by increasing the tax. At the present \$3 daily surcharge rate, the tax already is the highest in the United States among competing tourist destinations that do not require minimum travel of 2,500 miles like Hawaii. As mentioned, Florida's surcharge tax remains at \$2 daily. Please support HD1 and do not raise u-drive surcharge taxes above \$3 daily. Thank you.

The Pacific Resource
PARTNERSHIP



Testimony of C. Mike Kido
External Affairs
Pacific Resource Partnership

Before the Committee on Finance
Representative Marcus Oshiro, Chair
Representative Marilyn Lee, Vice Chair

Wednesday, April 01, 2009
12:00 p.m.
Conference Room 308

SB 1611, SD2, HD1 – RELATING TO HIGHWAYS

The Pacific Resource Partnership (PRP) and its member contractors strongly support the State Highways Modernization Plan as embodied in SB1611, SD2, 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"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 SB1611, SD2, HD1 (09).

¹ The People's Pulse Winter 2009, page 3.

CONTRACTORS ASSOCIATION OF KAUAI4231 Ahukini, Lihue, Kauai, Hawaii 96766
Phone (808) 246 -2662 Fax (808) 246-8642

March 31, 2009

HOUSE OF REPRESENTATIVES
2009 STATE LEGISLATURE**COMMITTEE ON FINANCE****TESTIMONY FROM THE CONTRACTORS ASSOCIATION OF KAUAI ON:****SB 1611, SD2, HD1, (HSCR 1278) -- Relating to Highways**

Chair Oshiro and members of the Finance Committee, the Contractors Association of Kauai (CAK), which represents a hundred member companies, supports SB 1611, SD2, HD1, Relating to Highways.

The plan clearly identifies projects that addresses public safety and highway over-capacity issues on Kauai. Most of the projects identified and prioritized by the State Department of Transportation are aimed at long-standing problems on state highways around Kauai.

First and foremost, implementation of the Highway Modernization Plan will improve commerce. Traffic delays result in lost time and productivity, which ultimately costs the consumers money. Additionally, the amount of time an individual or family sits in traffic contributes negatively to quality of life issues and as many of you have noted repeatedly, these traffic problems contribute to the carbon footprint we leave on this planet.

As an industry that spends considerable time on the road delivering materials and supplies and moving workers from one job-site to another, we cannot over-emphasize the need to bring Kauai's roadways up to a standard to meet today's growing needs. This plan is not even about future needs. This plan is long overdue and we are paying a high price for neglecting our infrastructure. That old adage of pay now, pay more later, but we will pay stands true, except we are paying the price today for long neglected maintenance of our infrastructures.

Thank you very much for allowing the Contractors Association of Kauai this opportunity to provide our *mana'o* of support for this bill.



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

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

Hearing: April 1, 2009

Re: SB 1611, HD1 - RELATING TO HIGHWAYS

Chair Oshiro and Honorable Committee Members:

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

We support this bill and the position of Catrala-Hawaii on this bill.

This bill seeks to make permanent the temporary 50% increase in the \$2 car rental surcharge tax to \$3 per day. At \$3 per day, this tax is currently equivalent to about 10% of revenues collected from each rental in Hawaii, and gives Hawaii one of the highest car rental tax regimes in the country. In fact, it makes it the highest tax regime of its kind among competing tourist destinations in the United States.

Car rental companies are unique in the level of contributions our industry provides to the State's highway and airport funds:

1. Under the provisions of HD 1, the permanent increase in the surcharge tax to \$3 per day will mean a permanent and extra \$14 million in contributions to the highway fund, for total contributions of \$40 million per year. No other users of our highways are singled out for such significant extra taxes;
2. The DOT predicts that other taxes and fees set forth in this bill will cost an extra \$170 per Vehicle, each year. This will result in some \$10 million in additional costs to our industry, at a time when visitor arrivals are declining by 10% annually. Such significant, incremental costs make it increasingly more difficult for our industry to maintain our businesses financially and to continue to employ significant numbers of residents;
3. Car rental companies pay over \$30 million each year in concession fees to our public airports which help to keep landing fees low and for which our industry has not received any airport improvements although requested, for many years; and
4. To help pay for long-overdue airport improvements for our industry's airport operations, the legislature last year passed a CFC fee measure pertaining to u-drives. This will result in tens of millions of dollars more in incremental contributions our industry will be making to the State and the local economies on each island.

Car rental companies and our fleet of vehicles play a major role in Hawaii's transportation infrastructure, tourist satisfaction, and Hawaii's economy. Increasing the costs of renting a car in Hawaii, as well as increasing the cost for car rental companies to do business in Hawaii, will reduce economic output in the State and further diminish tourist satisfaction that reportedly has been declining in Hawaii.

We urge you to support HD1 in its current form and not to increase daily surcharge taxes for above \$3 per day. As indicated, car rental companies are already paying more than their fair share when compared to other users of our highways. Thank you for allowing me to testify.

Respectfully,



Aaron Medina
General Manager, Hawaii



544 Ohohia Street, Ste 7
Honolulu, HI 96819

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

Hearing: April 1, 2009

Re: SB 1611, HD1 - RELATING TO HIGHWAYS

Chair Oshiro and Honorable Committee Members:

My name is Michael Oh and I am the Regional Financial Manager with National Car Rental.

We support the position of Catrala-Hawaii on this bill. This bill does not unfairly increase the daily surcharge tax for u-drives to higher than \$3 daily. We want to note for you that the \$3 DAILY TAX is already the highest in the United States for competing tourist destinations.

U-drives are significant contributors to the State's highway fund and economy, and will be paying over \$24 million under the provisions of HD1 as follows:

1. U-drives will be paying a 50% daily tax increase since this bill makes permanent the temporary \$3 daily increase. U-drives already have a temporary daily increase from \$2 to \$3, which is supposed to sunset back to \$2 in 2011. This 50% increase in SB 1611, HD1 means that the u-drives will be contributing permanently an extra \$14 million plus each year into the State's highway fund;
2. The Department of Transportation predicts that other taxes and fees set forth in this bill will cost an extra \$170 per vehicle each year. This will increase the cost to rent u-drive vehicles. This will result in an additional \$10 million plus that u-drive vehicles will be paying each year, because there are 50,000 to 75,000 u-drive vehicles in the islands at different periods of time serving Hawaii's visitors and local residents. Local residents are approximately 20% of the u-drive business in Hawaii.

These increases are significant when one considers that u-drives are making significant contributions that other users of our roadways are not paying:

1. In addition to fees and taxes already being paid on their vehicles, u-drives (unlike other vehicle owners) have historically been paying more than \$40 million each year into the State's highway fund by way of daily surcharge taxes; and
2. U-drives pay over \$30 million each year in concession fees to our public airports, which help to keep landing fees low and for which u-drives have not received any airport improvements, although requested; and

3. To help pay for long-overdue airport improvements for u-drives, the legislature last year passed a CFC fee measure pertaining to u-drives. CFC fees are being paid for rental of vehicles at our public airports and in the near future will be increasing to about \$4 daily, which means u-drives will be contributing even more to our public airport system. This \$4 CFC will be in addition to a daily surcharge of \$3 daily, plus other fees and charges.

Given the foregoing and the future increases in the CFC fees, it is extremely important to the u-drive industry and to Hawaii's tourism industry that u-drive surcharge taxes not be unfairly or unreasonably increased. Florida's surcharge taxes are only \$2 daily, and you don't need to fly a minimum 2,500 miles to visit Florida.

U-drive vehicles play a major role in tourist satisfaction and Hawaii's economy. U-drive vehicles allow tourists to enjoy the many advertised splendors of Hawaii on their own schedule during their average 10-day stay in Hawaii. They enhance tourist satisfaction and Hawaii's economy by giving tourists the freedom to experience Hawaii's culture and the many local businesses, shops and attractions. While we understand the importance of improving Hawaii's highways, increasing the costs of u-drive vehicles will eliminate or significantly reduce the rental of u-drive vehicles and tourist satisfaction that reportedly has been diminishing.

As indicated, u-drives vehicles already are paying and will be paying more than fair share when compared to other users of our highways. For these reasons, we cannot support unfair and unreasonable increases to the daily surcharge tax. Thank you for allowing me to testify.



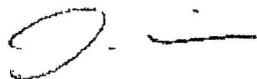
Michael Oh
Regional Financial Manager

3. To help pay for long-overdue airport improvements for u-drives, the legislature last year passed a CFC fee measure pertaining to u-drives. CFC fees are being paid for rental of vehicles at our public airports and in the near future will be increasing to about \$4 daily, which means u-drives will be contributing even more to our public airport system. This \$4 CFC will be in addition to a daily surcharge of \$3 daily, plus other fees and charges.

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As indicated, u-drives vehicles already are paying and will be paying more than fair share when compared to other users of our highways. For these reasons, we cannot support unfair and unreasonable increases to the daily surcharge tax. Thank you for allowing me to testify.



Dave Wilson
Regional Fleet Manager



544 Chinhe Street
Honolulu, HI 96819
808-839-0130

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

Hearing: April 1, 2009

Re: SB 1611, HD1 - RELATING TO HIGHWAYS

Chair Oshiro and Honorable Committee Members:

My name is Paul Kopel and I am the V.P. /General Manager with Enterprise Rent A Car.

We support the position of Catrala-Hawaii on this bill. This bill does not unfairly increase the daily surcharge tax for u-drives to higher than \$3 daily. We want to note for you that the \$3 DAILY TAX is already the highest in the United States for competing tourist destinations.

U-drives are significant contributors to the State's highway fund and economy, and will be paying over \$24 million under the provisions of HD1 as follows:

1. U-drives will be paying a 50% daily tax increase since this bill makes permanent the temporary \$3 daily increase. U-drives already have a temporary daily increase from \$2 to \$3, which is supposed to sunset back to \$2 in 2011. This 50% increase in SB 1611, HD1 means that the u-drives will be contributing permanently an extra \$14 million plus each year into the State's highway fund;
2. The Department of Transportation predicts that other taxes and fees set forth in this bill will cost an extra \$170 per vehicle each year. This will increase the cost to rent u-drive vehicles. This will result in an additional \$10 million plus that u-drive vehicles will be paying each year, because there are 50,000 to 75,000 u-drive vehicles in the islands at different periods of time serving Hawaii's visitors and local residents. Local residents are approximately 20% of the u-drive business in Hawaii.

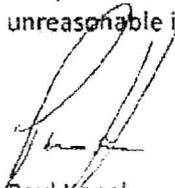
These increases are significant when one considers that u-drives are making significant contributions that other users of our roadways are not paying:

1. In addition to fees and taxes already being paid on their vehicles, u-drives (unlike other vehicle owners) have historically been paying more than \$40 million each year into the State's highway fund by way of daily surcharge taxes; and
2. U-drives pay over \$30 million each year in concession fees to our public airports, which help to keep landing fees low and for which u-drives have not received any airport improvements, although requested; and
3. To help pay for long-overdue airport improvements for u-drives, the legislature last year passed a CFC fee measure pertaining to u-drives. CFC fees are being paid for rental of vehicles at our public airports and in the near future will be increasing to about \$4 daily, which means u-drives will be contributing even more to our public airport system. This \$4 CFC will be in addition to a daily surcharge of \$3 daily, plus other fees and charges.

Given the foregoing and the future increases in the CFC fees, it is extremely important to the u-drive industry and to Hawaii's tourism industry that u-drive surcharge taxes not be unfairly or unreasonably increased. Florida's surcharge taxes are only \$2 daily, and you don't need to fly a minimum 2,500 miles to visit Florida.

U-drive vehicles play a major role in tourist satisfaction and Hawaii's economy. U-drive vehicles allow tourists to enjoy the many advertised splendors of Hawaii on their own schedule during their average 10-day stay in Hawaii. They enhance tourist satisfaction and Hawaii's economy by giving tourists the freedom to experience Hawaii's culture and the many local businesses, shops and attractions. While we understand the importance of improving Hawaii's highways, increasing the costs of u-drive vehicles will eliminate or significantly reduce the rental of u-drive vehicles and tourist satisfaction that reportedly has been diminishing.

As indicated, u-drives vehicles already are paying and will be paying more than fair share when compared to other users of our highways. For these reasons, we cannot support unfair and unreasonable increases to the daily surcharge tax. Thank you for allowing me to testify.



Paul Kopel
V.P./General Manager



2009 MAR 31 P 1:26

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

Hearing: April 1, 2009

Re: SB 1611, HD1 - RELATING TO HIGHWAYS

Chair Oshiro and Honorable Committee Members:

My name is Thomas Tang and I am the Area Manager in Maui with Enterprise Rent A Car.

We support this bill and the position of Catrala-Hawaii on this bill. This bill is fair and reasonable since it does not unfairly increase the daily surcharge tax for u-drives to higher than \$3 daily. The \$3 DAILY TAX is already the highest in the United States for competing tourist destinations.

U-drives although significant contributors to the State's highway fund and economy will be paying \$24 million plus extra under the provisions of HD1 as follows:

1. U-drives will be paying a 50% daily tax increase since this bill makes permanent the temporary \$3 daily increase. No other users of our highways and only u-drives alone have continued to be singled out for a temporary daily increase from \$2 to \$3 which is suppose to sunset back to \$2 in 2011. This permanent 50% increase means the u-drives will be contributing permanently an extra \$14 million plus each year into the State's highway fund;

2. DOT predicts that other taxes and fees set forth in this bill will cost an extra \$170 per vehicle each year. This will increase the cost to rent u-drive vehicles. This will result in \$10 million plus more u-drive vehicles will be paying each year since there are 50,000 to 75,000 u-drive vehicles in the islands at different periods of time serving Hawaii's visitors and local residents. Local residents are approximately 20% of the u-drive business in Hawaii.

These increases are significant when one considers that u-drives are making significant contributions that other users of our roadways are not paying:

1. In addition to fees and taxes already being paid on their vehicles u-drives like other vehicle owners, u-drives have historically been paying more than \$40 million each year into the State's highway fund by way of daily surcharge taxes; and

2. U-drives pay over \$30 million each year in concession fees to our public airports which help to keep landing fees lows and for which u-drives have not received any airport improvements although requested; and

3. To help pay for long-overdue airport improvements for u-drives, the legislature last year passed a CFC fee measure pertaining to u-drives. CFC fees are being paid for rental of vehicles at our public airports and in the near future will be increasing to about \$4 daily which means u-drives will be

contributing even more to our public airport system. This \$4 CFC will be in addition to a daily surcharge of \$3 daily plus other fees and charges.

Given the foregoing and future increases in the CFC fees it is extremely important to the industry as well as Hawaii's tourism that u-drive surcharge taxes not be raised above \$3 daily. Florida's surcharge taxes are only \$2 daily and you don't need to fly a minimum 2,500 miles to visit Florida.

U-drive vehicles play a major role in tourist satisfaction and Hawaii's economy. U-drive vehicles allow tourists to enjoy the many advertised splendors of Hawaii on their own schedule during their average 10-day stay in Hawaii. They enhance tourist satisfaction and Hawaii's economy by given tourists the freedom to experience Hawaii's culture and the many local businesses, shops and attractions. Increasing the costs of u-drive vehicles will eliminate or reduce the rental of u-drive vehicles and tourist satisfaction that reportedly has been diminishing.

We urge you to support HD1 in its current form and not to increase daily surcharge taxes for u-drives to above \$3 daily. As indicated, u-drives vehicles already are paying and will be paying more than fair share when compared to other users of our highways. Thank you for allowing me to testify.

FINTestimony

From: mailinglist@capitol.hawaii.gov
sent: Monday, March 30, 2009 2:31 PM
To: FINTestimony
Cc: tina500@juno.com
Subject: Testimony for SB1611 on 4/1/2009 12:00:00 PM

Testimony for FIN 4/1/2009 12:00:00 PM SB1611

Conference room: 308
Testifier position: comments only
Testifier will be present: Yes
Submitted by: Lowell Kalapa
Organization: Tax Foundation of Hawaii
Address:
Phone: 536-4587
E-mail: tina500@juno.com
Submitted on: 3/30/2009

Comments:
TRANSMISSION OF TESTIMONY

Date: Monday, March 30, 2009

To: House Finance Committee

From: Tax Foundation of Hawaii

TOTAL PAGES: 3

For: Rep. Marcus Oshiro, Chair

Testifier: Lowell L. Kalapa, President - Tax Foundation of Hawaii

hearing) (Mr. Kalapa will appear in person at the

Date of Hearing: April 1, 2009

Time of Hearing: 12:00 pm

SB 1611, HD-1 - Relating to Highways (3 pages)

Number of Copies: 2

Thank you.



LATE

LAND USE RESEARCH
FOUNDATION OF HAWAII
700 Bishop Street, Ste. 1928
Honolulu, Hawaii 96813
Phone 521-4717
Fax 536-0132



Via Capitol Website

April 1, 2009

House Committee on Finance

Hearing Date: Wednesday, April 1, 2009, at 12:00 p.m. in CR 308

**Testimony in Support of SB 1611 SD2, HD1: Relating to Highways
(Increases state liquid fuel tax to fund 6-year modernization program.)**

Honorable Chair Marcus Oshiro, Vice Chair Marilyn Lee and
House Committee on Finance 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 support of SB 1611, SD2, HD1**, which will authorize the Department of Transportation (DOT) to pursue a six-year highway modernization program by amending the state liquid fuel tax, state vehicle registration fee state vehicle weight fee, and rental motor vehicle surcharge through the increases of various taxes. It also authorizes the implementation of a Vehicle Miles Traveled Pilot Program. Effective upon its approval.

SB 1611 SD2, HD1 will amend sections 243-4(a), 249-31, 249-33(a), and 251-2(a), Hawaii Revised Statutes. SB 1611 SD2, HD1 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:

- Increase on liquid fuel tax;
- Amends Rental motor vehicle surcharge tax from \$2 per day to \$3 per day;
- Increases vehicle registration fees increase to annual flat rate fee; and

- Increase in state vehicle weight tax.

SB 1611 SD2, HD1 includes a list of projects that the DOT is authorized to expend funds for. SB 1611 SD2, HD1 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 12.

Amendments in SD2. The Senate Committee on Ways and Means amended this measure in the SD2 version by:

- (1) Changing all amounts of increases in fees and taxes and all appropriation amounts to unspecified amounts;
- (2) Changing the effective date to July 1, 2050, to facilitate further discussion; and
- (3) Making technical nonsubstantive amendments for the purposes of clarity, consistency, and style.

Amendments in HD1. The House Committee on Transportation amended this bill to the HD1 version by deleting its contents and replacing it with the language contained in H.B. 1167, H.D. 1. in addition to the following amendments:

- (1) Increases the state liquid fuel tax for all islands with a total resident population of 20,000 or more;
- (2) Increases the state vehicle registration fee on vehicles registered on all islands with a total resident population of 20,000 or more;
- (3) Increases the vehicle weight tax and flat rate fees on vehicles registered on all islands with a total resident population of 20,000 or more;
- (4) Permanently increases the rental motor vehicle surcharge tax from \$2-a-day to \$3-a-day;
- (5) Authorizes DOT to expend funds for various projects and programs dealing with land transportation improvement projects and programs;
- (6) Requires DOT to develop one or more pilot programs to test alternatives to the current state and county motor vehicle fuel tax systems;
- (7) Allows DOTAX to refund motor vehicle fuel taxes paid by participants in a pilot program established by DOT;
- (8) Allows DOT to terminate any pilot program established at any time and requiring DOT to notify DOTAX if a pilot program is terminated; and
- (9) Requires DOT to submit various reports to the Legislature on the status of the Land Transportation Modernization Program as well as a Vehicle Miles Traveled Pilot Program.
- (10) Deleting provisions establishing and referring to the Land Transportation Modernization Special Fund (Special Fund) and instead providing for tax and fee increases to be deposited directly to the Highway Special Fund;
- (11) Removing provisions exempting the transfer of funds from the Special Fund from fees charged by the Director of Finance for central services expenses;
- (12) Deleting provisions exempting the Special Fund from administrative expenses incurred by the Special Fund;
- (13) Stipulating that the tax and fee increases shall take effect immediately by changing its effective date to upon approval; and
- (14) Making technical, nonsubstantive amendments for clarity, consistency, and style.

LURF's Position. LURF supports SB 1611, SD2, HD1 because it will help alleviate traffic congestion on all islands, and it is the vehicle necessary to kick start Hawaii's economy. Although the increase in taxes may not be favored by island residents, the long term savings and improvements outweigh the benefits to the state and our island residents.

In a January 23, 2009 article in the Honolulu Star Bulletin, House Transportation Chair, Representative Joseph Souki was quoted as follows: "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. 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, "[w]e expect this to be quite a stimulus for the recovery of the state."

DOT recognizes that due to the extreme imbalance between programmatic needs and available resources, DOT 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.

DOT has developed the \$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.

SB 1611 SD2, HD1 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.

Overall, SB 1611, SD2, HD1 will not only help create jobs, but will alleviate traffic and help reduce congestion from West Oahu, make improvements to major roadways on the neighbor islands, initiate shoreline protection, improve bikeway and pedestrian walkways and address some drainage issues on all islands. The massive repairs to Hawaii highways would include 183 projects across the state, which are noted in SB 1611, SD2, HD1.

Based on the above, we respectfully request your **favorable consideration of SB 1611, SD2, HD1.**

Thank you for the opportunity to express our **support** for SB 1611, SD2, HD1.

LATE



Via Capitol Website

April 1, 2009

House Committee on Finance

Hearing Date: Wednesday, April 1, 2009, at 12:00 p.m. in CR 308

**Testimony in Support of SB 1611 SD2, HD1: Relating to Highways
(Increases state liquid fuel tax to fund 6-year modernization program.)**

Honorable Chair Marcus Oshiro, Vice Chair Marilyn Lee and
House Committee on Finance Members:

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SB 1611 SD2, HD1 includes a list of projects that the DOT is authorized to expend funds for. SB 1611 SD2, HD1 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 12.

Amendments in SD2. The Senate Committee on Ways and Means amended this measure in the SD2 version by:

- (1) Changing all amounts of increases in fees and taxes and all appropriation amounts to unspecified amounts;
- (2) Changing the effective date to July 1, 2050, to facilitate further discussion; and
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LURF's Position. LURF supports SB 1611, SD2, HD1 because it will help alleviate traffic congestion on all islands, and it is the vehicle necessary to kick start Hawaii's economy. Although the increase in taxes may not be favored by island residents, the long term savings and improvements outweigh the benefits to the state and our island residents.

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Based on the above, we respectfully request your **favorable consideration of SB 1611, SD2, HD1.**

Thank you for the opportunity to express our **support** for SB 1611, SD2, HD1.