



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

BRENNON T. MORIOKA  
DIRECTOR

Deputy Directors  
MICHAEL D. FORMBY  
FRANCIS PAUL KEENO  
BRIAN H. SEKIGUCHI  
JIRO A. SUMADA

IN REPLY REFER TO:

March 23, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 1611, SD 2

COMMITTEE ON TRANSPORTATION

Senate Bill 1611 SD 2 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 supports this bill.** However, we prefer that these tax and user fee increases be made through a trigger that reflects a recovered economy such that the public understands that we are not trying to put additional financial burdens on them when they cannot afford it and that 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 Highways Modernization Program has been developed as a comprehensive approach to meet critical statewide land transportation needs. The proposed increases in taxes and fees reflected in the original form of the bill generate the necessary revenue needed to accomplish the highest priority programs and projects to achieve the greatest benefit in saving lives, time, and money. This bill also identifies the specific programs and projects that are to be pursued over the next six years as apart of this Highways Modernization Program. The budgetary estimates for each of these critical programs and projects were developed through technical analyses and evaluations and reflect the highest priorities of the Department in providing the greatest public benefit.

For these reasons, we respectfully request reinstatement of the taxes, fees, program costs, and project costs identified in the original bill.

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

## PROPOSED DOT AMENDMENTS TO SB 1611, SD 2

Proposed amendments to Section 12 would remove references to DOTAX, authorize DOT to compensate participants in pilot programs to test alternatives to fuel taxes, and authorize DOT to adopt necessary rules. Proposed amendments to Sections 14 and 15 would clarify wording and correct references to other sections of the bill.

SECTION 12. The department of [~~taxation~~] transportation may refund motor vehicle fuel taxes paid by participants in pilot programs under section 3 of this Act. The department of [~~taxation~~] transportation may otherwise compensate participants in pilot programs under section 3 of this Act. Any compensation to participants in such pilot programs [~~under this Act~~] may be administered uniformly or may be administered as a sweepstakes. The department of [~~taxation~~] 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 department of transportation may adopt rules under Chapter 91 as necessary to administer section 3 and this section.

SECTION 14. In addition to other moneys appropriated by the General Appropriations Act of 2009 in fiscal year 2009-2010 for highway administration (TRN 595), highway planning, statewide, item no. C- , there is appropriated an additional sum of \$20,000,000 of highway revenue bonds, and the sum of \$1 of federal funds, of which \$6,000,000 may be [~~designated~~] used for the execution of a master agreement with a consultant under section 13, and [~~the~~] there is appropriated an additional sum of \$2,500,000 of highway revenue bonds, and the sum of \$1 of federal funds, which may be used for the [~~vehicle miles tax~~] pilot programs under [~~section 2 and 3~~] sections 3 and 12 of this Act, or so much thereof as may be necessary to carry out the purposes of this Act, including any necessary expenditures for expenses, staff, or consultants.

The sums appropriated shall be expended by the department of transportation. This project is deemed necessary to qualify for federal aid financing and reimbursement.

SECTION 15. If additional federal funds become available for land transportation infrastructure improvements, programs, or projects under the economic stimulus plan or similar program, the department of transportation is authorized to pursue, apply, and expend federal funds on any of the programs or projects identified in [~~section 12~~] this Act notwithstanding any other law to the contrary.

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  
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**HOUSE COMMITTEE ON TRANSPORTATION  
TESTIMONY REGARDING SB 1611 SD 2  
RELATING TO HIGHWAYS**

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

**DATE: MARCH 23, 2009**

**TIME: 9AM**

**ROOM: 309**

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

The 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 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 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 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 an indeterminate impact due to blanks.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

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

**BILL NUMBER:** SB 1611, SD-2

**INTRODUCED BY:** Senate Committee on Ways and Means

**BRIEF SUMMARY:** Amends HRS section 243-4 to increase the state fuel tax on gasoline by \_\_\_ 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 \$\_\_\_, except on any island with a total resident population of less than 20,000 persons. Directs the director of transportation to deposit \$\_\_\_ 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 \_\_\_ cents a pound for motor vehicles weighing up to and including 4,000 pounds; from 1.00 cent a pound to \_\_\_ cents a pound for motor vehicles weighing over 4,000 pounds and up to 7,000 pounds; from 1.25 cents a pound to \_\_\_ cents a pound for vehicles weighing over 7,000 pounds and up to 10,000 pounds; from \$150 to \$\_\_\_ 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.

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 \_\_\_ cents per gallon; (2) a portion of the state registration fee equal to \$\_\_\_ for each annual motor vehicle registration fee collected; (3) a portion of the state vehicle weight tax equal to \_\_\_ cents a pound for vehicles up to and including ten thousand pounds net weight, and a rate of \$\_\_\_ per vehicle for vehicles over ten thousand pounds net weight; (4) interest from investments; and (5) 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.

The department of transportation shall establish the vehicle miles traveled pilot program and evaluate a vehicle miles traveled user fee as a more equitable means of assessing all highway users based on their actual use and impact on the highways.

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 or compensate 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 taxation may terminate a pilot program at any time and may terminate participation by any person at any time. Termination from a pilot program under this act shall not entitle any person to additional compensation.

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

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

Appropriates \$\_\_\_\_\_ of highway revenue bonds, and \$\_\_\_\_\_ of federal funds, of which \$\_\_\_\_\_ 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 \$\_\_\_ 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 similar program, the department of transportation is hereby authorized to pursue, apply, and expend federal funds on any of the programs or projects.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: This measure proposes increases to the state fuel tax, motor vehicle registration fee and weight 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.

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.

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 would be insufficient. The task force report deferred to the department of transportation and the administration to formulate a plan to raise revenue for the highway fund. It is incredible that a task force convened to find a resolution to the ailing highway fund would abdicate any sort of responsibility for bringing forth a resolution to the problems facing the state highway fund. Similarly, a task force convened by the administration likewise walked away without a recommendation on how to solve the financing problems of the state highway fund.

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

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

Digested 3/20/09

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

Hearing: March 23, 2009

Re: SB 1611, SD2 - RELATING TO HIGHWAYS

Chair Souki and Honorable Committee Members:

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

We have concerns about this bill and object to any attempt to increase the daily surcharge tax for u-drive vehicles as contained in an earlier version of this bill.

Some of our concerns are:

1) The Governor has taken the position of "no tax increases" and yet the Administration by this bill is asking the Legislature to pass this ambitious \$4 billion dollar program which will be started by this Administration and bind future administrations and legislatures. Why is the Legislature passing this bill if the Governor wants no tax increases?

2) Why are we creating a separate program when we already have the highway fund and program with the same legislative priorities and goals? Why is there a need to confuse matters? If projects need to be expedited then simply expedite those projects already a part of the highway program and its existing funding sources.

3) In the past it was reported that our highway fund may be short on revenues as early as July 1, 2010. If so, why this separate bill raising monies and placing the monies in a special fund and not the highway fund? Will monies again need to be raised for purposes of the highway fund? Can monies from these special funds be transferred to the highway fund if it needs monies? Why not just raise monies for the highway fund if they are needed?

4) Since at least 2007 this legislature has asked the Administration to produce a study suggesting how to fairly raise much needed revenues for the highway fund given the needs of the State's highway program. To date such a comprehensive study recognizing both the present use by users of our highways as well as their contributions to our economy has not been completed. Such a study with public input should be completed first especially in view of the repeated requests to the DOT for such a study.

5) If monies are needed for the highway programs, why not direct that GET tax on fuels (an estimated \$40 million a year) be deposited into the highway fund? Such a tax is user related. The more you use the highways (tourist or local resident) the more you pay.

6) Given the federal stimulus funding, shouldn't funding for some of these projects be reduced. This bill has just \$1 from federal funding and that is far from correct.

7) In the original versions of this Administration bill the daily surcharge tax is suppose to be raised from a permanent \$2 daily to \$5 daily, a 150% "daily" tax increase. Since the list of projects in the bill has not diminished we suspect and fear u-drives will be targeted again as a revenue source. We also note that the Senate has sought to raise "only surcharge taxes" for just u-drives and tour vehicles in a separate bill, SB 698.

Such a previously suggested increase in the daily surcharge taxes should not occur given its negative affects on tourism. For destinations competing for the same type of tourists (Florida at \$2 daily), Hawaii already has the highest daily surcharge tax in the United States which is temporarily at \$3 daily. If it is already the highest, then why do you want to raise it higher since that will only further deter tourism? Are you raising the hotel room tax to the highest in the country? Clearly this is no time to raise taxes especially if your daily surcharge tax is the highest in the United States. Tourist satisfaction is linked to enjoying the wonders of Hawaii as they visit the sights, restaurants and shops in their u-drive vehicles at their leisure. Discouraging such activities will have a negative affect on tourist satisfaction and small business revenues.

Already A 50% Tax Increase. As mentioned, although there is no surcharge tax increase in this bill as in a prior version, u-drives are already paying a 50% surcharge tax increase being deposited into the highway fund. About 10 years ago just the u-drive industry was singled out for a temporary tax increase in the daily surcharge tax from \$2 to \$3 daily for highway fund purposes. No other vehicles were singled out. This temporary tax was suppose to sunset back to \$2 daily 3 years ago but that has not occurred. Thus, in the past 10 plus years u-drives have contributed more than \$150 million extra into the highway fund by this additional tax while other users of our highways were not similarly taxed or charged. This continuing 50% tax increase contributes an estimated extra \$15 million a year into the highway fund. Clearly, u-drives have been paying more than their fair share for over 10 years. Given the circumstances there is no need and it is not fair to increase surcharge taxes to u-drives in this bill.

An extra \$10 million annually to be paid by u-drives via this bill. At an estimated \$170 per vehicle, u-drive vehicles will be contributing more than \$10 million annually by taxes, fees and charges set forth in this bill. Such taxes, fees and charges will add to the daily cost of a u-drive vehicle which obviously is not good for our businesses during these harsh economic times.

In closing, please consider our concerns about this bill including depositing monies collected into the highway fund and not into any special accounts as proposed in this bill. Otherwise, you will need to raise taxes, fees and charges again in 2010 or 2011? Also, since u-drives are already paying a 50% "daily" surcharge tax increase, there should be no such further increase set forth in this bill. Thank you for allowing us to testify.



**Martin Mylott**  
Hawaii Regional Manager

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Martin.Mylott@avisbudget.co

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

Hearing: March 23, 2009

Re: SB 1611, SD2 - RELATING TO HIGHWAYS

Chair Souki and Honorable Committee Members:

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

We have concerns about this bill. We also support Catrala-Hawaii's views on this bill.

Our concerns are as follows:

- 1) Our highway projects will have future changing priorities and needs so is it dangerous to lock yourself into these specific long-term projects?
- 2) Since our highway fund is short of funds and in need of future funding as early as July 1, 2010, why are we collecting revenues for these projects and putting them into accounts separate and apart from the highway fund? Are you going to raise fees and charges and taxes again in July 2010 or 2011 for the highway fund? Tax users of highways again in near future?
- 3) If these projects are already part of the State's highway program with its set of priorities why do we need to treat them differently as proposed in this bill? Are we making government operations more complicated?

Already A 50% Tax Increase. Although there is no surcharge tax increase in this bill as in a prior version, u-drives are already paying a 50% surcharge tax increase being deposited into the highway fund. About 10 years ago just the u-drive industry was singled out for a temporary tax increase in the daily surcharge tax from \$2 to \$3 daily for highway fund purposes. No other vehicles were singled out. This temporary tax was suppose to sunset back to \$2 daily 3 years ago but that has not occurred. Thus, in the past 10 plus years u-drives have contributed more than \$150 million extra into the highway fund by this additional tax while other users of our highways were not similarly taxed or charged. This continuing 50% tax increase contributes an estimated extra \$15 million a year into the highway fund. Clearly, u-drives have been paying more than their fair share for over 10 years. Given the circumstances there is no need and it is not fair to increase surcharge taxes to u-drives in this bill.

An extra \$10 million annually to be paid by u-drives via this bill. At an estimated \$170 per vehicle, u-drive vehicles will be contributing more than \$10 million annually by taxes, fees and charges set forth in this bill. Such taxes, fees and charges will add to the daily cost of a u-drive vehicle which obviously is not good for our businesses during these harsh economic times.

In closing, please consider our concerns about this bill including depositing monies collected into the highway fund and not into any special accounts as proposed in this bill. Otherwise, you will need to raise taxes, fees and charges again in 2010 or 2011? Also, since u-drives are already paying a 50% surcharge tax increase, there should be no such further increase set forth in this bill. Thank you for allowing us to testify.

**BIA-HAWAII**  
BUILDING INDUSTRY ASSOCIATION

March 23, 2009

Representative Joseph Souki, Chair  
COMMITTEE ON TRANSPORTATION  
State Capitol, Conference Room 309  
415 South Beretania Street  
Honolulu, Hawaii 96813

Representative Souki:

Subject: **Senate Bill No. SB 1611, SD2 Relating to Highways**

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

BIA-HAWAII is in strong support of S.B. No. 1611, SD2 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 S.B. No. 1611, SD2 be approved as soon as possible.

Thank you for the opportunity to provide comments.



Chief Executive Officer  
BIA-Hawaii



**HOUSE COMMITTEE ON TRANSPORTATION**

**Monday, March 23, 2009**

**9:00 a.m.**

**State Capitol, Conference Room 309**

**Subject: Senate Bill No. SB 1611, SD2 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 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 S.B. No. 1611, SD2 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.

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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 S.B. No. 1611, SD2 be approved as soon as possible.

Thank you for the opportunity to provide comments.



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

Hearing: March 23, 2009

Re: SB 1611, SD2 - RELATING TO HIGHWAYS

Chair Souki and Honorable Committee Members:

My name is Garrick Higuchi and I am the Area Director with DTG Operations, Inc. dba Dollar Rent a Car and Thrifty Car Rental.

We have concerns about this bill. We also support Catrala-Hawaii's views on this bill.

Our concerns are as follows:

- 1) Our highway projects will have future changing priorities and needs so is it dangerous to lock yourself into these specific long-term projects?
- 2) Since our highway fund is short of funds and in need of future funding as early as July 1, 2010, why are we collecting revenues for these projects and putting them into accounts separate and apart from the highway fund? Are you going to raise fees and charges and taxes again in July 2010 or 2011 for the highway fund? Tax users of highways again in near future?
- 3) If these projects are already part of the State's highway program with its set of priorities why do we need to treat them differently as proposed in this bill? Are we making government operations more complicated?

Already A 50% Tax Increase. Although there is no surcharge tax increase in this bill as in a prior version, u-drives are already paying a 50% surcharge tax increase being deposited into the highway fund. About 10 years ago just the u-drive industry was singled out for a temporary tax increase in the daily surcharge tax from \$2 to \$3 daily for highway fund purposes. No other vehicles were singled out. This temporary tax was suppose to sunset back to \$2 daily 3 years ago but that has not occurred. Thus, in the past 10 plus years u-drives have contributed more than \$150 million extra into the highway fund by this additional tax while other users of our highways were not similarly taxed or charged. This continuing 50% tax increase contributes an estimated extra \$15 million a year into the highway fund. Clearly, u-drives have been paying more than their fair share for over 10 years. Given the circumstances there is no need and it is not fair to increase surcharge taxes to u-drives in this bill.

An extra \$10 million annually to be paid by u-drives via this bill. At an estimated \$170 per vehicle, u-drive vehicles will be contributing more than \$10 million annually by taxes, fees and charges set forth in this bill. Such taxes, fees and charges will add to the daily cost of a u-drive vehicle which obviously is not good for our businesses during these harsh economic times.

In closing, please consider our concerns about this bill including depositing monies collected into the highway fund and not into any special accounts as proposed in this bill. Otherwise, you will need to raise taxes, fees and charges again in 2010 or 2011? Also, since u-drives are already paying a 50% surcharge tax increase, there should be no such further increase set forth in this bill. Thank you for allowing us to testify.

DTG Operations, Inc.  
1600 Kapiolani Blvd.  
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Honolulu, HI 96814  
808-952-4242  
Fax 808-952-4255

# **E NOA CORPORATION**

March 23, 2009

## **House Committee on Transportation**

Chair Joseph Souki, Vice Chair Karen Awana, and Committee Members  
Public Hearing, March 23, 2009 9:00 a.m., Conference Room 309

### **TESTIMONY OF KATSUMI TANAKA, CEO E NOA CORPORATION IN OPPOSITION TO S.B. 1611 SD2**

My name is Katsumi Tanaka, I am the Chief Executive Officer of E Noa Corporation, a locally owned transportation company which has for over 30 years provided quality service to our island visitors and residents. Until such time as the economic conditions begin to stabilize, we oppose further increases in the current state liquid fuel tax, vehicle registration fee and weight fee assessments. Although the ground transportation industry supports having an adequate highway revenue fund in place, it should and must not come at the expense of Hawaii's ground transportation industry which is struggling to remain financially solvent.

We fully appreciate and understand the intent of this proposed measure, however the impact of these tax increases are but another burden for the industry, in particular in view of the federal government considering fuel tax increases, 15 cents a gallon for diesel and 10 cents a gallon for gasoline, this coupled with potential increases by each of our island counties who are also considering for fuel tax increases.

It is suggested that any increase be deferred during these economic times, and any future consideration be reviewed after the economy has had an opportunity to stabilize, this is particular critical for segments of the industry and the State's economy which rely heavily on tourism.

We would be willing and able to meet with all interested and effected parties in an effort to constructively find an amicably resolution to the State's budgetary shortfalls, however it should not be at the expense of the multi-island's critical transportation services.

*Mahalo for the opportunity to comment on SB1611 SD2 in opposition to the measure*

Respectfully,



Katsumi Tanaka  
CEO

*1580 Makaloa Street, Suite 777  
Honolulu, Hawaii 96814  
Telephone (808) 524-0832 | Facsimile (808) 432-9661*



March 23, 2009

Representative Joseph Souki, Chair  
COMMITTEE ON TRANSPORTATION  
State Capitol, Conference Room 309  
415 South Beretania Street  
Honolulu, Hawaii 96813

Representative Souki:

Subject: **Senate Bill No. SB 1611, SD2 Relating to Highways**

My name is Shane Peters, 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 S.B. No. 1611, SD2 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 S.B. No. 1611, SD2 be approved as soon as possible.

Thank you for the opportunity to provide comments.

***Hawai'i Ship Agents Association  
1240 Ala Moana Blvd., Suite 323  
Honolulu, Hawai'i, 96814***

March 23, 2009

**HOUSE COMMITTEE ON TRANSPORTATION**

Chair Joseph Souki, Vice Chair Karen Awana, and Committee Members  
Public Hearing, March 23, 2007, 9:00 p.m. Conference Room 309

**TESTIMONY OF WILLIAM F. ANONSEN, PRESIDENT  
HAWAII SHIP AGENTS ASSOCIATION  
IN OPPOSITION TO S.B. 1611 SD2  
RELATING TO HIGHWAYS**

My name is William Anonsen and I am the President of the Hawaii Ship Agents Association (HSAA) and respectfully submit this testimony on behalf of our membership. We oppose S.B. 1611 SD2 which proposes further tax increases in the state liquid fuel tax, vehicle registration fee and weight fee assessments. The HSAA supports having an adequate highway revenue fund in place, however during these economic times when the State's ground transportation service providers are struggling to remain financially viable this may not be the most appropriate time for to impose increases in fuel tax assessments.

We offer our wholehearted support to the State DOT and will continue to collaborate in the industry's concerted efforts to address our multi-island state's transportation service requirements with all three transportation modes (air, land and sea), hopeful not at the determinant of Hawai'i's transportation providers. We commend DOT for taking a vocal proactive role in promoting the improvement and expansion of our State transportation system.

State DOT's efforts clearly outline as a part of each division's Modernization Plans, a focused multi-year, concerted multi-stakeholder effort that has identified the necessary improvements to meet the future operational requirements of the transportation industry. It is paramount that our transportation systems be effectively planned to preserve and enhance current limited capacity and optimize the commercial utilization and resources in creating an efficient, productive, accessible, and user friendly transportation system.

**At this junction and economic down-turn we urge the deferment of this measure**

Sincerely,



William F. Anonsen

President

Hawai'i Ship Agents Association



March 23, 2009

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION  
ON SB 1611 SD2 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 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.



644 Ohohia Street, Ste 7  
Honolulu, HI 96819

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

Hearing: March 23, 2009

Re: SB 1611, SD2 - RELATING TO HIGHWAYS

Chair Souki and Honorable Committee Members:

My name is Michael Oh and I am the Regional Financial Manager with Alamo Rent A Car

We support Catrala-Hawaii's concerns regarding this bill. Our concerns are as follows:

- 1) This is a very expensive project with questionable future funding. Will the next Administration and Legislature be saddled with it? Can we afford this? What are we getting ourselves into?
- 2) This appears to create a new program separate and apart from the existing highway program – it is not clear to us why this is occurring. There are sufficient projects in the current highway program with priorities that can simply be expedited (shovel ready per President Obama) with more funding depending on what is affordable now and in the future. It is impossible to determine what will be truly affordable years from now.
- 3) This bill sets forth priorities which could likely change over time and perhaps conflict with priorities in future highway programs. Why are we creating such potential conflicts?
- 4) The proposed modernization program may create disagreement amongst various segments of our community, now and in the future. We may be creating confusion in having the general public understand the clear priorities of the State Highway program which, over time, may conflict with the priorities of the proposed modernization program.
- 5) We do not believe that the Department, to date, has conducted a fair and reasonable study involving all stakeholders who are being asked to fund this program. A credible, comprehensive study is needed, to establish that all proposed funding mechanisms are being fairly shared amongst all highway users.
- 6) Further, we believe that the proposed funding targets the u-drive industry and tourism, the latter being Hawaii's major economic engine. The repercussions of such targeting will be left to the future Administration and Legislature. We do not believe that this is prudent. Raising the "daily" surcharge tax to \$5 daily as a proposed funding source for this program (whether originally in this bill or now separately in S.B. 698) will result in Hawaii being the highest such tax in the United States for similar competing

tourist destinations. We doubt that the Legislature would raise Hawaii's transient accommodations tax to the highest in the United States, we do not believe that this should be done to the u-drive industry. Florida's daily surcharge tax for u-drives is \$2 daily. Will competitors point to the daily surcharge tax and identify Hawaii as a tax and fee hell for tourists? We do not believe that this is the appropriate message to send, especially during these economic times.

At the temporary \$3 daily tax the u-drive industry has been contributing \$40 million dollars a year into the highway fund, over and above other fees and taxes being paid on u-drives vehicles like all other owners of vehicles. Enterprise believes that this is enough.

In addition , the u-drive industry in the past has been paying in excess of \$30 million dollars a year to the airport special fund, and monies have been used to help keep landing fees low and to provide various airport improvements, but not major improvements for u-drive operators. Thus, the CFC bill was passed by the Legislature last year at the request of the industry, because that was the only way to get necessary airport improvements like other competing destinations. While the CFC fee is at \$1 daily, this fee is likely to rise to \$4 or more "daily" to pay for u-drive projects at our public airports. Such projects now in the works will seek to stimulate our economy and provide jobs, while providing long overdue improvements requested by the u-drive industry so that Hawaii will have facilities similar to other airports.

As you can see, with the proposed increase in the surcharge tax (the subject of S.B. 698, SD1) and the future CFC increase to fund government projects of \$4 daily and existing fee and charges, Catrala estimates that about one-third of the average daily cost of rental a vehicle will go to such fees and charges. With the reported average stay of 10 days for tourists, this will be a significant increase in their costs of their visit to Hawaii.

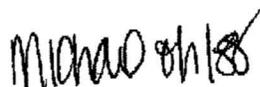
Recent studies show that Hawaii's tourist satisfaction has been dwindling in recent years. These increased costs and charges for u-drive vehicles will obviously not help matters.

Finally, the estimated costs for Hawaii's driver is estimated at \$170 a year. It is anticipated that such costs are likely to increase in future years. Such added costs will be affect u-drive companies – this will obviously increase the cost of doing business and likely result in increased rental fees and charges. In Hawaii, it is estimated by Catrala that there are 40,000 to 70,000 u-drive vehicles servicing the needs of Hawaii's visitors and residents. At a minimum of \$170 per vehicle plus a suggested \$5 daily surcharge tax plus a CFC fee of \$4 daily in the near future, the burdens being place on our industry are staggering, especially during these dire economic times.

As reported and should be understood by all, our industry is struggling. Our business levels are down similar to the hotels, and companies have reported that they are laying off workers and cutting back on expenses and inventory.

The programs proposed by S.B. 1611, SD1 are admirable. Nevertheless, in light of our concerns raised above and in our testimony in opposition to S.B. 698, SD1, we do have

significant concerns about S.B. 1611's approach, present form and proposed funding, which are burdens to the future Legislature and Administration, and unfairly targets the u-drive industry and tourism. Thank you for considering our comments on this measure.



Michael Oh  
Regional Financial Manager



644 Ohohia Street, Ste 7  
Honolulu, HI 96819

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

Hearing: March 23, 2009

Re: SB 1611, SD2 - RELATING TO HIGHWAYS

Chair Souki and Honorable Committee Members:

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

We support Catrala-Hawaii's concerns regarding this bill. Our concerns are as follows:

- 1) This is a very expensive project with questionable future funding. Will the next Administration and Legislature be saddled with it? Can we afford this? What are we getting ourselves into?
- 2) This appears to create a new program separate and apart from the existing highway program – it is not clear to us why this is occurring. There are sufficient projects in the current highway program with priorities that can simply be expedited (shovel ready per President Obama) with more funding depending on what is affordable now and in the future. It is impossible to determine what will be truly affordable years from now.
- 3) This bill sets forth priorities which could likely change over time and perhaps conflict with priorities in future highway programs. Why are we creating such potential conflicts?
- 4) The proposed modernization program may create disagreement amongst various segments of our community, now and in the future. We may be creating confusion in having the general public understand the clear priorities of the State Highway program which, over time, may conflict with the priorities of the proposed modernization program.
- 5) We do not believe that the Department, to date, has conducted a fair and reasonable study involving all stakeholders who are being asked to fund this program. A credible, comprehensive study is needed, to establish that all proposed funding mechanisms are being fairly shared amongst all highway users.
- 6) Further, we believe that the proposed funding targets the u-drive industry and tourism, the latter being Hawaii's major economic engine. The repercussions of such targeting will be left to the future Administration and Legislature. We do not believe that this is prudent. Raising the "daily" surcharge tax to \$5 daily as a proposed funding source for this program (whether originally in this bill or now separately in S.B. 698) will result in Hawaii being the highest such tax in the United States for similar competing tourist destinations. We doubt that the Legislature would raise Hawaii's transient

accommodations tax to the highest in the United States, we do not believe that this should be done to the u-drive industry. Florida's daily surcharge tax for u-drives is \$2 daily. Will competitors point to the daily surcharge tax and identify Hawaii as a tax and fee hell for tourists? We do not believe that this is the appropriate message to send, especially during these economic times.

At the temporary \$3 daily tax the u-drive industry has been contributing \$40 million dollars a year into the highway fund, over and above other fees and taxes being paid on u-drives vehicles like all other owners of vehicles. Enterprise believes that this is enough.

In addition , the u-drive industry in the past has been paying in excess of \$30 million dollars a year to the airport special fund, and monies have been used to help keep landing fees low and to provide various airport improvements, but not major improvements for u-drive operators. Thus, the CFC bill was passed by the Legislature last year at the request of the industry, because that was the only way to get necessary airport improvements like other competing destinations. While the CFC fee is at \$1 daily, this fee is likely to rise to \$4 or more "daily" to pay for u-drive projects at our public airports. Such projects now in the works will seek to stimulate our economy and provide jobs, while providing long overdue improvements requested by the u-drive industry so that Hawaii will have facilities similar to other airports.

As you can see, with the proposed increase in the surcharge tax (the subject of S.B. 698, SD1) and the future CFC increase to fund government projects of \$4 daily and existing fee and charges, Catrala estimates that about one-third of the average daily cost of rental a vehicle will go to such fees and charges. With the reported average stay of 10 days for tourists, this will be a significant increase in their costs of their visit to Hawaii.

Recent studies show that Hawaii's tourist satisfaction has been dwindling in recent years. These increased costs and charges for u-drive vehicles will obviously not help matters.

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As reported and should be understood by all, our industry is struggling. Our business levels are down similar to the hotels, and companies have reported that they are laying off workers and cutting back on expenses and inventory.

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which are burdens to the future Legislature and Administration, and unfairly targets the u-drive industry and tourism. Thank you for considering our comments on this measure.

A handwritten signature in black ink, appearing to read 'D. Wilson', with a large, stylized initial 'D'.

**Dave Wilson**  
**Regional Fleet Manager**



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

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

Hearing: March 23, 2009

Re: SB 1611, SD2 - RELATING TO HIGHWAYS

Chair Souki and Honorable Committee Members:

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

We support Catrala-Hawaii's concerns regarding this bill. Our concerns are as follows:

- 1) This is a very expensive project with questionable future funding. Will the next Administration and Legislature be saddled with it? Can we afford this? What are we getting ourselves into?
- 2) This appears to create a new program separate and apart from the existing highway program – it is not clear to us why this is occurring. There are sufficient projects in the current highway program with priorities that can simply be expedited (shovel ready per President Obama) with more funding depending on what is affordable now and in the future. It is impossible to determine what will be truly affordable years from now.
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Paul Kopel  
V.P./General Manager

**awana3-Elenoa**

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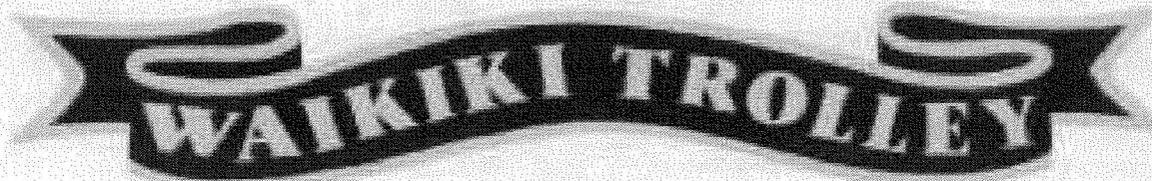
**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 22, 2009 11:37 PM  
**To:** TRNtestimony  
**Cc:** captcoon@hawaiiantel.net  
**Subject:** Testimony for SB1611 on 3/23/2009 9:00:00 AM

Testimony for TRN 3/23/2009 9:00:00 AM SB1611

Conference room: 309  
Testifier position: oppose  
Testifier will be present: No  
Submitted by: James Coon  
Organization: Ocean Tourism Coalition  
Address: 820 Mililani St. #810 Honolulu, HI 96813  
Phone: 537-4308  
E-mail: [captcoon@hawaiiantel.net](mailto:captcoon@hawaiiantel.net)  
Submitted on: 3/22/2009

**Comments:**

This is the wrong time to raise rates for our small businesses. Our economy is already very stressed and tourists are looking for less expensive places to travel. SB 1611 will increase the cost for transportation and this will be passed on the the consumer. Hawaii is one of the most expensive places to do business in America. Raising these fees is not wise at this time. Please HOLD SB 1611.



March 21, 2009

Maki Kuroda, President Waikiki Trolley  
Committee on Transportation, CHAIRED BY Rep. Joe Souki,  
DATE: Monday, March 23, 2009  
TIME: 9:00am  
SB 1611, SD2

SB1611 SD2

TESTIMONY OF WAIKIKI TROLLEY IN OPPOSITION TO  
DESIGNATED BILLS MOVING THROUGH THE HAWAII STATE LEGISLATURE  
FOR PROPOSED TAX INCREASES

- Although Waikiki Trolley supports having an adequate highway revenue fund in place, it should not be at the expense of the existing State infrastructure. A tax increase now could have a huge impact on the existing ground transportation infrastructure and the industries it supports.
- It should be noted that this is an additional burden, since the Federal Government is considering a fuel tax increase of 15 cents a gallon for diesel and 10 cents a gallon for gasoline.
- It has yet to be determined if or what our Island counties might now be planning for fuel tax increases.
- While implementing the bills now would be devastating, it is possible that certain elements could be phased in over the coming years once our economy improves.
- Again, any increase in diesel tax is devastating in today's economy for carriers like us who are unable to pass these additional costs to their customers.

In summary, because Waikiki trolley transportation system is experiencing such a sustained, dramatic drop in business, we consider any tax increase will directly – and with devastation – affect us at a time when we are struggling to bring in new business while keeping the existing business alive.

Careful consideration of the facts I have related here must be given by the State of Hawaii in the interest of the State of Hawaii, is much appreciated.

Sincerely,

  
Maki Kuroda  
President



Via Capitol Website

**March 23, 2009**

**House Committee on Transportation  
Hearing Date: Monday, March 23, 2009, at 9:00 a.m. in CR 309**

**Testimony in Support of SB 1611, SD1 Relating to Highways  
(Increases state liquid fuel tax to fund 6-year modernization program.)**

Honorable Chair Joseph M. Souki, Karen Leinani Awana  
And Members of the Committee on Transportation:

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 Hawaii's significant natural and cultural resources and public health and safety.

LURF is writing **in support of SB 1611, SD2**, which will increase the state liquid fuel tax; state vehicle registration fee; state vehicle weight fee. It also establishes the land transportation modernization special fund and provides funding for a six-year comprehensive modernization program. Effective 7/1/2012. The SD2 has amended this measure 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.

**LURF's Position.** LURF supports SB 1611, SD2 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.

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, SD2.

The State Department of Transportation recognizes that due to the extreme imbalance between programmatic needs and available resources, the department of transportation 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.

In response, the State department of transportation 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 department of transportation 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.

Overall, SB 1611, SD2 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.

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

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