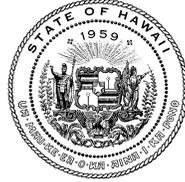


DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

JOSEPH K. KIM
DEPUTY DIRECTOR

To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: February 29, 2016

Time: 1:30 P.M.

Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 2938, S.D. 1, Relating to Transportation.

The Department of Taxation (Department) supports S.B. 2938, S.D. 1, an Administration measure, and offers the following comments for your consideration.

S.B. 2938, S.D. 1, changes the fuel tax rates found at section 243-4, Hawaii Revised Statutes to unspecified amounts. The measure additionally changes the rates for motor vehicle registration and the motor vehicle weight tax, as well as changing the amounts deposited into the state highway fund. The measure is effective on July 1, 2016.

The Department defers to the counties regarding their ability to administer the changes to the motor vehicle weight tax and the motor vehicle registration fee. The Department notes that it is able to administer changes to the fuel tax, provided that amounts are specified. If the fuel tax rates set forth in S.B. 2928 are adopted, this measure will generate an increase of \$65.4 million in FY 2017 (11 months), and \$71.3 million in FY 2018 and thereafter.

Thank you for the opportunity to provide comments.

DAVID Y. IGE
GOVERNOR OF
HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

SUZANNE D. CASE
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

KEKOA KALUHIWA
FIRST DEPUTY

JEFFREY T. PEARSON, P.E.
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

**Testimony of
SUZANNE D. CASE
Chairperson**

**Before the Senate Committee on
WAYS AND MEANS**

**Monday, February 29, 2016
1:30 PM
State Capitol, Conference Room 211**

**In consideration of
SENATE BILL 2938, SENATE DRAFT 1
RELATING TO TRANSPORTATION**

Senate Bill 2938, Senate Draft 1 proposes to increase the State Fuel Tax to generate additional revenues for the State Highway Fund, allow for an increase in the state motor vehicle registration fee and increase the amount of the fee to be deposited into the state highway fund, and increase the state motor vehicle weight tax. **The Department of Land and Natural Resources (Department) appreciates the intent of this measure and provides the following comments.**

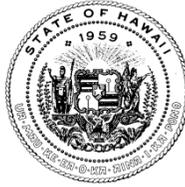
Under Section 248-8, Hawaii Revised Statutes (HRS), 0.3% of the Highway Fuel Tax (Liquid Fuel Tax/State Fuel Tax), but not more than \$250,000 collected under Chapter 243, HRS, is allocated each fiscal year for the purposes of management, maintenance, and development of trails and trail accesses under the jurisdiction of the Department established under Section 198D-2, HRS.

The Department's Na Ala Hele Program (NAHP) is designated to be the recipient of the \$250,000, which provides access to and maintains approximately 500 miles of public trails statewide. These trails are used by residents, visitors, and in many cases access for emergency and land management purposes. As the general and visitor populations continue to grow, so do the needs to utilize these trails, which require ongoing maintenance to keep them from becoming dangerous to use.

Due to these consistent pressures on these trail systems, the Department requests that any increases in the State Fuel Tax proportionately increase the funds to the NAHP.

We also believe that biofuels should be exempt from a fuel tax increase in order to support Hawaii's sustainability goals and to address the threat of climate change.

Thank you for your consideration of this testimony.



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

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

February 29, 2016
1:30 p.m.
State Capitol, Room 211

**S.B. 2938, S.D. 1
RELATING TO TRANSPORTATION**

Senate Committee on Ways and Means

The Department of Transportation (DOT) **strongly supports** S.B. 2938, S.D. 1. This bill will provide additional funding resources needed to accomplish its primary mission and sustainability goals by increasing the user fees on fuel, State motor vehicle registration, and the State weight tax.

The Highways Division (HDOT) requires \$70 million in additional funding for its Highways Program. The additional funding would increase resources utilized to provide a safe, efficient, accessible, well maintained, and sustainable transportation system to all users. HDOT requests that user fees collected through fuel sales, State motor vehicle registration, and the State motor vehicle weight fees are increased to provide the additional funding. The adjustment would help HDOT catch up with maintenance of the State's aging system, provide operational congestion relief at key bottlenecks, deliver on key widening projects, and implement its Intelligent Transportation System Statewide.

Currently, there are 1.3 million registered vehicles in the State of Hawaii, one for each man, woman, and child living in the islands. The amount of cars and people continue to rise, but our ability to add more lanes for drivers is severely limited due to land restrictions and funding. We simply cannot build ourselves out of congestion. Therefore, HDOT is focusing its resources toward making the system that we have work better. We are holding the safety and maintenance of the highway facilities as the #1 priority. We are putting nearly 80% of highways funding into repaving and reconstructing roads, repairing and rebuilding bridges and tunnels, revising bike and pedestrian facilities, and reconfiguring roadways to be safer. From a regulatory perspective, this approach is what is required by the previous Moving Ahead for Progress in the 21st Century Act (MAP-21) and Fixing America's Surface Transportation Act (FAST), the new funding legislation for the federal highways program. From a practical perspective, if we don't refocus the program in this way, the system will degrade, the roads will be less safe, and interruptions to commutes will increase.

The new 5-year Federal FAST funding increases the allocation of Federal-aid Highway funds for the State of Hawaii by approximately 5% for fiscal year 2016 with additional

annual increases of 2% to 2.4% in future years. The DOT is required to provide qualifying state matching funds for any additional funding from the Federal-aid Highways program. The availability of State Highway Funds to meet federal matching requirements is necessary to enable DOT to utilize its share of available federal funds. The normal federal share for eligible projects on the interstate system is 90 percent and for other eligible roadways it is 80 percent.

With the bulk of HDOT funding going towards safety and maintenance, only a small portion of the funds will be available for projects that would add lanes. Therefore, we will not be able to afford projects that widen freeways and highways. Instead, HDOT will be looking at solutions that will bring immediate congestion relief at lower costs and with shorter delivery times. These solutions include retiming signals and upgrading equipment in corridors, adding contra flow operations in congested areas, using more shoulders as travel lanes during peak hours, adding traffic control to busy intersections, and building out transportation systems that allow us to control signals remotely and inform the public of any incidents or delays. These changes can be implemented faster and cheaper than building new roads.

At this time, the needs of the highways system already outweigh available funding. Therefore, if revenues are not increased, more of the available funds will be repurposed to safety and maintenance, and it would be difficult to see much funding being available to address congestion and delay. The current fee structure is not sustainable for future highway funding. The fate of the State's ability to provide safe and efficient roadways to the public relies upon its ability to raise the needed funding for programs and projects.

The additional State Highway Fund revenues will enable the DOT to address any unforeseen emergency highway projects that may be critical to ensure the safety of the public. The DOT has historically been required to expend approximately \$5 million to \$10 million of un-budgeted State Highway Funds each year to address emergency highway project due to flooding, shoreline erosion, lava flow, earthquakes and other natural disasters or events. The lack of available funds in the State Highway Fund may significantly impact the DOT's ability to respond to emergencies in a timely manner.

Additionally, the net pension liability allocation for the Highways Division as of June 30, 2015 was \$97.3 million which is an additional expense that may be incurred. The current State Highway Fund balance and expenditure plan does not currently reflect this potential additional expense which will require additional revenues to settle the unfunded liability.

The DOT strongly supports the amendments to Section 243-3, Revised Statutes subsection (a) to increase the fuel tax; amend Section 249-31, Hawaii Revised Statutes to increase the annual vehicle registration fee; and amend Section 249-33, Hawaii Revised Statutes subsection (a) to increase the annual vehicle weight tax.

Act 188, 2012 Session Laws of Hawaii repealed the 17 cents per gallon liquid fuel tax that was enacted in Act 207, 2007 Session Laws of Hawaii on December 31, 2015 to the current 16 cents per gallon liquid fuel tax. Therefore, the DOT is requesting to restore the 17 cents per gallon fuel tax to maintain its current fuel tax collections from the previous fiscal years with an increase of 2 cents per gallon. Each one cent per gallon in the state tax on liquid fuel is estimated to cost an average driver an additional \$5.50 annually per one cent increase while generating approximately \$5.1 million in

revenues for the State Highway Fund. The state fuel tax revenue for fiscal year 2015 was \$86.58 million or 32 per cent of the total State Highway Fund revenue.

The DOT is requesting to amend Section 249-31, Hawaii Revised Statutes to increase the annual vehicle registration fee rate from \$45 to \$76.50 and the amount to be deposited into the State Highway fund from each annual vehicle registration fee from \$40 to \$71.50. The increase in the vehicle registration fee is estimated to provide an additional \$35 million annually for the State Highway Fund.

The DOT is also requesting to amend Section 249-33, Hawaii Revised Statutes subsection (a) to increase the annual vehicle weight tax rates from 1.75 cents to 2.75 cents per pound for each vehicle up to and including four thousand pounds net weight; from 2.00 cent to 3.00 cents per pound for vehicles over four thousand pounds up to and including seven thousand pounds; from 2.25 cents to 3.25 cents a pound for vehicles over seven thousand pounds and under ten thousand pounds; and the flat rate for vehicles over ten thousand pounds from \$300 to \$400. The increase in the state vehicle weight tax is estimated to provide an additional \$25 million annually for the State Highway Fund.

The increase in revenues for the State Highway Fund will improve the Department of Transportation's ability to construct, operate and maintain the State Highway System.

OPERATIONS AND ROUTINE MAINTENANCE

The state fuel tax, the state motor vehicle registration, and the state motor vehicle weight tax are the major revenue sources for the State Highway Fund. It is also the major sources of pledged revenues for the Highway Revenue Bonds. The additional revenue sources will positively impact the Highways Revenue Bond ratings of AA, Aa2, and AA+ from Fitch, Moody's, and Standard & Poor's respectively. The high bond ratings decrease our cost of borrowing.

The highways financial plan relies on the state fuel tax, the state motor vehicle registration, and the state motor vehicle weight tax to support the continued operations and maintenance of the State Highway System. Appropriations from the State Highway Fund are used for the construction, operations, and maintenance of the State Highway System.

Any increases in these primary sources of revenues for the State Highway Fund will enhance the Departments ability to construct, operate and maintain the State Highway System. This would enable an increase in the highways capital improvement program and special maintenance programs. The failure of the State to properly maintain the State Highway System may result in sanctions by the Federal Highway Administration including the loss of federal funds.

The increases in revenues will provide safer infrastructure enhancements for all users including pedestrians, bicyclists, transit users and motorists and would positively impact the department's ability to qualify state matching funds for the highways federal-aid program. The availability of state matching funds will result in attracting its share for federal funds. The normal federal share for eligible projects on the interstate system is 90 per cent and for other eligible roadways it is 80 per cent.

To meet the economic needs of the State and preserve the unique quality of life of its residents and visitors to these precious islands, the Department of Transportation must provide a safe, efficient, and effective land transportation system for the movement of people and goods. The state land transportation system, however, has not kept pace with our growing economy, land use development patterns, and increased demand for travel. Programmatic and project needs far exceed the available resources. The land transportation system will continue to deteriorate as demand for travel continues to increase; and costs to manage, construct, and administer the system increases.

Fuel tax revenues have not increased due to fuel efficient and electric vehicles which is expected to decrease significantly in the future. As the average fuel economy of motor vehicles improves in accordance with the Corporate Average Fuel Economy standards and the increase in electric, plug-in hybrid electric vehicles and alternative fuel vehicles, it is clear that the current gas fuel tax is not sustainable for future highway funding. The fate of the State's ability to provide safe and efficient roadways to the public relies upon its ability to acquire the needed funding for all highway programs and projects. With the funding needs of the State Highway Program severely outweighing the revenues being generated through the state fuel tax, more innovative and diverse revenue generating programs are needed to sustain the State Highway Fund revenues.

The increases in revenues will provide safer infrastructure enhancements for all users including pedestrians, bicyclists, transit users, and motorists and would positively impact the department's ability to qualify state matching funds for the highways federal-aid program.

Thank you for the opportunity to testify on this bill.



**Testimony to the Senate Committee on Ways & Means
Wednesday, February 29, 2016 at 1:30 P.M.
Conference Room 211, State Capitol**

RE: SENATE BILL 2938 SD 1 RELATING TO TRANSPORTATION

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **has concerns regarding** SB 2938 SD 1, which proposes to:

- Increase the State Fuel Tax to generate additional revenues for the State Highway Fund by amending section 243-4, Hawaii Revised Statutes;
- Increase in the state motor vehicle registration fee and deposits the money into the State Highway Fund by amending section 249-31, Hawaii Revised Statutes;
- Increase the state motor vehicle weight tax and deposits the money into the State Highway Fund by amending section 249-33, Hawaii Revised Statutes.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

We understand the need for additional revenues for the State Highway Fund; however, as vehicles become more and more fuel efficient or switch over to electric or hydrogen, more and more of the tax burden is shifted to families or businesses using gas or diesel vehicles.

In addition, we believe that there needs to be more accountability on how these funds are expended, including how projects are prioritized in the use of the highway funds. The primary use of these funds should be to insure adequate transportation infrastructure is constructed to support population increases in areas of identified growth. The lack of investment in our State Highway system to support the planned growth in Kapolei is the major reason why there is congestion and grid-lock during rush hour between Honolulu and West Oahu.

The planning and implementation of transportation projects needs to be more focused, open and transparent. And once projects are prioritized and funded, they need to be constructed in a timely manner in order to take full advantage of the matching federal funds.

Increases in the taxes and fees without some assurance or game plan on how the projects will be identified, prioritized, and implemented would be irresponsible at this time. Thank you for the opportunity to express our views on this matter.



Thank you for the opportunity to testify.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUID FUEL, MISCELLANEOUS, Vehicle Registration, Vehicle Weight, and Fuel Tax Increases

BILL NUMBER: SB 2938, SD-1

INTRODUCED BY: Senate Committee on Transportation and Energy

EXECUTIVE SUMMARY: Increases the fuel tax, vehicle registration fee, and vehicle weight tax that go into the Highway Fund. The Department of Transportation is having difficulty spending the money it has, as shown by its backlog of \$650 million in federal grants. We suggest that the department be more efficient in spending the money it has before coming to taxpayers for more.

BRIEF SUMMARY: This bill is sponsored by the Department of Transportation TRN-12 (16). It amends HRS section 243-4 by increasing the state fuel tax on each gallon of liquid fuel as follows:

- Diesel oil and gasoline or other aviation fuel sold for use in or used for airplanes: from 1 cent to __ cents.
- Liquid fuel other than the aforementioned fuels and other than alternative fuels sold or used in, or sold in any county for ultimate use in: the city and county of Honolulu, the county of Hawaii, the county of Maui, the county of Kauai: from 16 cents to __ cents in addition to the counties' respective fuel taxes as prescribed in HRS section 243-5.

Amends HRS section 249-31 by increasing the registration fee for all vehicles and motor vehicles in the State from \$45 to \$__ annually and by increasing the amount of deposit from each registration into the state highway fund from \$40 to \$__ and \$5 into the emergency medical services special fund.

Amends HRS section 249-33 by increasing the motor vehicle weight tax, based on net weight, for all vehicles and motor vehicles:

- Up to and including four thousand pounds: from 1.75 cents to ____ cents per pound.
- Over four thousand pounds and up to and including seven thousand pounds: from 2.00 cents to ____ cents per pound.
- Over seven thousand pounds and up to and including ten thousand pounds: from 2.25 cents to ____ cents per pound.
- Over ten thousand pounds: from \$300 to \$__ flat rate.

EFFECTIVE DATE: July 1, 2016

STAFF COMMENTS: This bill asks for a tax hike.

Some of the requested increases bring the tax up to last year's levels because the sunset of Act 188, SLH 2012, dropped the tax rates to those that existed before passage of that Act. For example, the tax rate for gasoline and diesel was 17 cents per gallon last year, and the repeal of Act 188 rolled it back to 16 cents. DOT is now asking that it be raised to 19 cents.

These requested tax hikes all seek to generate additional revenue for the improvement of highways. The rationale for said tax hike is that while the average fuel economy of motor vehicles, number of electric, hybrid electric, and alternative fuel vehicles all increase, the fuel taxes don't keep up and so the current rates are not sustainable for future highway funding.

At least part of the rationale is questionable because the fuel tax is also applied to the fuel oil that is now used to generate electricity on all islands. Thus, electric and hybrid vehicles pay at the plug even if they might not pay at the pump.

On November 5, the Senate Ways and Means Committee held a hearing on federal moneys awarded but unspent. It heard from DOT, which has a backlog of over \$650 million in federal funding for highway projects. Some backlog is inevitable because the federal government encumbers the entire grant amount when it is awarded and then pays the money out as costs are incurred, which could be years later. The federal agency wrote us a letter "praising" us for reducing the balance down to that number from, well, 2010 when the unspent balance was \$940 million. We understand that the backlog level should be around \$450 million.

Why can't we spend the money? Let's look at the highway funding, which represents the biggest chunk. It was given to us for large construction projects, mostly bridges and highways. DOT told the Senate committee that there were "various issues that delayed these major construction project[s], including environmental issues, bid protests, utility and rights-of-way issues, and others."

Even so, \$200 million over what it "should be" is a tremendous amount of money, and the sheer size of this amount is an indictment of "the system" we now have in place.

Furthermore, in a report from the nonprofit Reason Foundation, available at http://reason.org/files/21st_annual_highway_report.pdf, Hawaii was found to have spent \$90,000 in administrative costs per state-controlled highway mile, the worst in the country and 100 times the \$900 per mile spent in Kentucky. The Department of Transportation states that there is an explanation for this variance, and we look forward to reading it.

It's apparent that the Department of Transportation needs to implement more efficient spending practices, or, if existing law is getting in the way of its work, it needs to ask the Legislature for appropriate changes so it can carry out its work, prior to squeezing the taxpayers for more and more funding.



SENATE COMMITTEE ON WAYS AND MEANS

February 29, 2016, 1:30 P.M.

Room 211

(Testimony is 2 pages long)

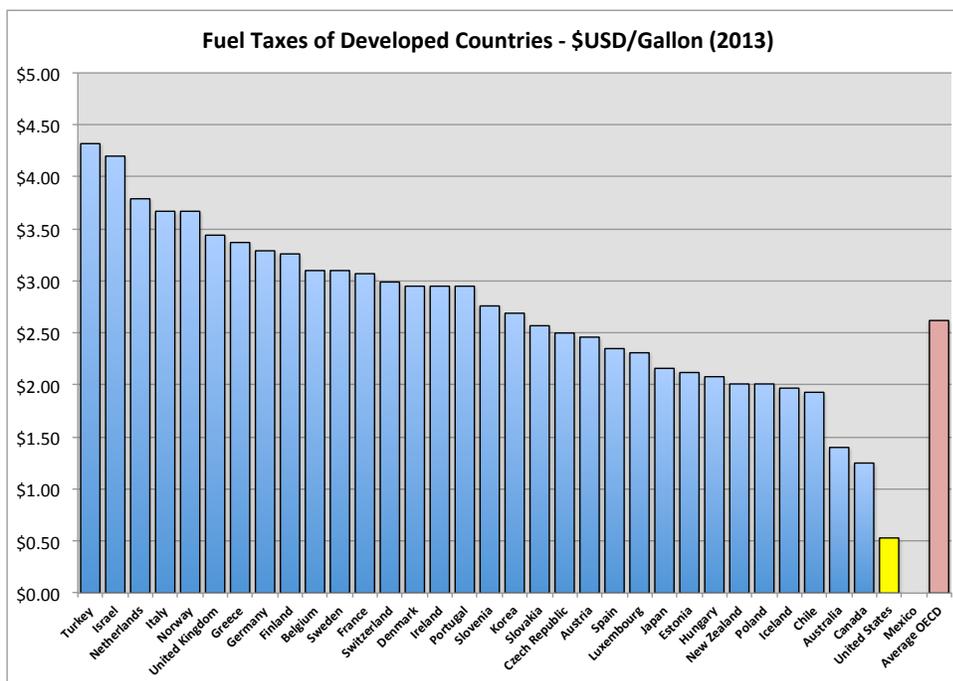
TESTIMONY IN SUPPORT OF SB 2938 SD1

Aloha Chair Tokuda, Vice Chair Dela Cruz and members of the Committee:

Blue Planet Foundation supports SB 2938 SD1, which seeks marginal increases in the State Fuel Tax, motor vehicle registration fee, and motor vehicle weight tax.

Driving in the United States is underpriced. The consequences of this are higher levels of car ownership and driving, low-density land use development patterns, and low levels of public investment in alternative modes of transportation (walking, biking and transit).

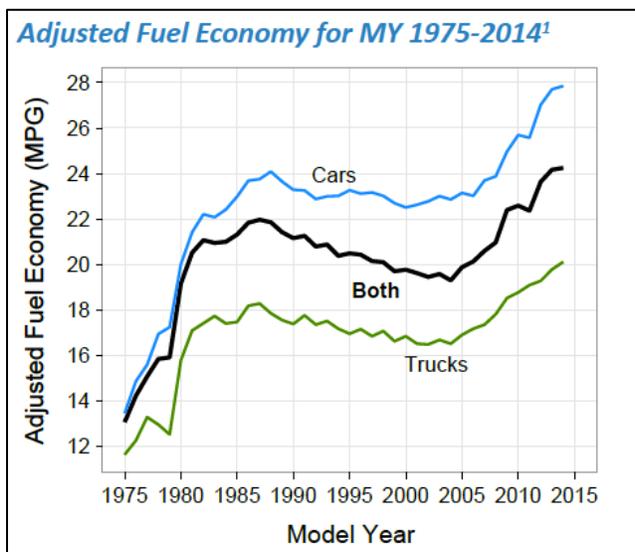
This leads to increased travel distances, increased traffic congestion, increased carbon emissions, reduced mobility and job access for non-drivers and low-income households, and increased exposure to the economic impacts of periodic global oil prices spikes.



Source: The Tax Foundation <http://taxfoundation.org/blog/how-high-are-other-nations-gas-taxes>

Of the 34 developed nations belonging to the Organization for Economic Co-Operation and Development (OECD), only one nation (Mexico) has no fuel tax. Of the remaining 33, the United States has the lowest fuel tax by a considerable margin. The average fuel tax paid per gallon of petroleum in the US is only \$0.53, approximately 1/5th the average for OECD countries (\$2.62). The next lowest tax per gallon is Canada at \$1.25, which is nearly 2 ½ times higher than the US.

Since 2005, the average fuel economy of cars and trucks in the US has been increasing steadily due to federal regulations, including the CAFÉ standards. However, the fuel tax has not been increased in many years. This means that the primary funding source needed to pay for the upkeep of our roadways is falling relative to the number of cars using the roads and the number of miles being driven.



Source: USEPA

Blue Planet Foundation believes that it is both necessary and appropriate to raise the state fuel tax and other fees to ensure sufficient funding to keep Hawaii's roadways properly maintained. We also believe that even higher fuel taxes could have a number of positive benefits including more efficient land-use, higher demand for (and utilization of) alternative modes of transportation, reduced green-house gas emissions and reduced exposure to the economic impacts of periodic global oil prices spikes.

Thank you for this opportunity to testify.



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAI'I AT MĀNOA

Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, Hawaii Inst. for Public Affairs
Karlie Asato, Hawaii Government Employees Assn
Joseph Boivin, Hawaii Gas
Warren Bollmeier, Hawaii Renewable Energy Alliance
Michael Brittain, IBEW, Local Union 1260
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Kyle Datta, Ulupono Initiative
Mitch Ewan, UH Hawaii Natural Energy Institute
Jay Fidell, ThinkTech Hawaii
Carl Freedman, Haiku Design & Analysis
Matthias Fripp, REIS at University of Hawaii
Ford Fuchigami, Hawaii Dept of Transportation
Mark Glick, Hawaii State Energy Office, DBEDT
Justin Gruenstein, City & County of Honolulu
Dale Hahn, Ofc of US Senator Brian Schatz
Michael Hamnett, SSRI at University of Hawaii
Senator Lorraine Inouye, Hawaii State Legislature
Randy Iwase, Public Utilities Commission
Ashley Kaono, Ofc of US Representative Tulsi Gabbard
Jim Kelly, Kauai Island Utility Cooperative
Darren Kimura, Energy Industries
Kelly King, Sustainable Biodiesel Alliance
Kal Kobayashi, Maui County Energy Office
Representative Chris Lee, Hawaii State Legislature
Gladys Marrone, Building Industry Assn of Hawaii
Stephen Meder, UH Facilities and Planning
Hermima Morita, Energy Dynamics
Sharon Moriwaki, UH Public Policy Center
Tim O'Connell, US Dept of Agriculture
Jeffrey Ono, Division of Consumer Advocacy, DCCA
Stan Osserman, HCATT
Darren Pai, Hawaiian Electric Companies
Melissa Pavlicek, Hawaii Public Policy Advocates
Randy Pereira, Hawaii Government Employees Assn
Rick Reed, Hawaii Solar Energy Assn
Cynthia Rezentes, Ofc of US Representative Mark Takai
Rick Rocheleau, UH Hawaii Natural Energy Institute
Will Rolston, Hawaii County, Research & Development
Riley Saito, SunPower Systems
Scott Seu, Hawaiian Electric Companies
Joelle Simonpietri, US Pacific Command Energy Ofc
H. Ray Starling, Hawaii Energy
Ben Sullivan, Kauai County
Lance Tanaka, Par Hawaii, Inc.
Maria Tome, Public Utilities Commission
Alan Yamamoto, Ofc of US Senator Mazie Hirono

Testimony of the
Hawaii Energy Policy Forum
Before the

Senate Committee on Ways and Means
February 29, 2016 at 1:30 pm in Conference Room 211

In SUPPORT OF SB 2938 SD1 Relating to Transportation

Chair Tokuda, Vice-Chair Dela Cruz, and Members of the Committee,

The Hawaii Energy Policy Forum (“HEPF”), created in 2002, is comprised of over 40 representatives from Hawaii’s electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision, mission, and comprehensive “10 Point Action Plan” serve as a guide to move Hawaii toward its preferred energy goals. It is for that reason that we support SB 2938 SD1.

SB 2938 SD1 increases State highway fuel taxes and vehicle registration fees. The revenues go directly into the highway fund, for use in “the operations and maintenance of the state highways program.” This directly supports improved operations, efficiency, and planning for Hawaii’s increasingly intermodal transportation systems, alternative fueled vehicles, and energy-efficient modes such as pedestrians, bicyclists, and “complete streets.” The state fuel tax rate of 16 cents per gallon was put into place in 1991, twenty-five years ago. If adjusted for inflation, the rate of 16 cents in 1991 would be 28 cents today.¹ SB 2938 SD1 would increase the highway tax on gasoline; although the amounts are unspecified, we previously testified in support of the 19 cents proposed by SB2938. The highway tax on diesel and alternative fuels would remain unchanged.

The Forum believes that it is important that this tax be used for its stated purpose: for ground transportation. We support measures to provide needed funding for transportation, and encourage the Department and the Legislature to continue to seek fair funding mechanisms that balance simplicity of administration with flexibility and sustainability as transportation systems and needs change. The Forum understands that this takes time and will require funding. Therefore, the Forum supports SB 2938 SD1, and respectfully urges passage of the bill.

Thank you for the opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies.

¹ Bureau of Labor Statistics, “CPI Inflation Calculator.” <http://data.bls.gov/cgi-bin/cpicalc.pl?cost1=.16&year1=1991&year2=2015>

SAH - Subcontractors Association of Hawaii

1188 Bishop St., Ste. 1003**Honolulu, Hawaii 96813-2938

Phone: (808) 537-5619 ✦ Fax: (808) 533-2739

February 26, 2016

Testimony To: House Committee on Finance
Representative Sylvia Luke, Chair

Presented By: Tim Lyons, President

Subject: H.B. 2051, HD 1 - RELATING TO THE STATE BUILDING CODE COUNCIL

Chair Yamane and Members of the Committee:

I am Tim Lyons, President of the Subcontractors Association of Hawaii and we support this bill. The SAH represents the following nine separate and distinct contracting trade organizations.

HAWAII FLOORING ASSOCIATION

ROOFING CONTRACTORS ASSOCIATION OF HAWAII

HAWAII WALL AND CEILING INDUSTRIES ASSOCIATION

TILE CONTRACTORS PROMOTIONAL PROGRAM

PLUMBING AND MECHANICAL CONTRACTORS ASSOCIATION OF HAWAII

SHEETMETAL CONTRACTORS ASSOCIATION OF HAWAII

PAINTING AND DECORATING CONTRACTORS ASSOCIATION

PACIFIC INSULATION CONTRACTORS ASSOCIATION

The State Building Code Council performs a very valuable function in trying to harmonize the various code requirements as found in the building code. While it has had plenty of enthusiasm to do so, it has had virtually no resources to do so. In consideration of the importance and the purpose of the building code in making structures safe for human habitation, we think that giving the Council the appropriate resources is very necessary and essential.

Based on the above we highly recommend passage of this bill.

Thank you.

**TESTIMONY REQUESTING AMENDMENT OF SB 2938, SD 1
RELATING TO TRANSPORTATION
SUBMITTED BY DOUGLAS MELLER FOR THE
FEBRUARY 29, 2016 1:30 PM HEARING OF THE
SENATE COMMITTEE ON WAYS AND MEANS**

State tax rates are set by statute. State user fee rates are set by agency rules. To ensure timely and adequate funding of state highway maintenance, instead of enacting statutory highway tax increases, I recommend that the Legislature authorize the state DOT to adopt rules to administratively assess highway user fees (on some equitable combination of vehicle registration, vehicle weight, fuel consumption, miles traveled), to be collected in the manner as state taxes currently deposited to the state highway fund, with all highway user fee revenues earmarked to pay for maintenance, operation, and management of highways under DOT's jurisdiction.

In Hawaii Insurance Council v. Lingle, the Hawaii Supreme Court ruled that transfer of state user fees to the general fund would unconstitutionally blur the distinction between the executive power to assess user fees and the legislative power to tax for general purposes. If DOT assessed highway user fees could only be spent for state highway maintenance, operation, and management, there would be much less incentive for elected officials and political appointees to inappropriately defer state highway maintenance.

Before I retired, I used to work for the state DOT. Practically every year before I retired, I heard complaints that the Legislature, the Governor, the Department of Budget and Finance, and/or the DOT Director were inappropriately restricting both expenditures for state highway maintenance and the number (and filling) of positions required for state highway maintenance. Although responsibility is shared by many parties, I believe that state highway maintenance has been underfunded and understaffed because elected officials and political appointees have other priorities for use of state highway tax revenues and do not understand the consequences of their actions.

Regardless of State priorities, deferral of timely public expenditures for state highway maintenance will substantially increase the cumulative long-term public expenditures which will inevitably be required for highway maintenance. It also is relevant that the short-term public costs to fund routine highway maintenance will normally be less than the additional short-term private costs (for vehicle maintenance and fuel) which would be incurred without routine public expenditures to keep highways sealed and smooth.

There is no way the current Legislature can limit the future expenditure of state highway tax revenues for purposes unrelated to state highways or guarantee that highway tax revenues will be used for timely highway maintenance rather than capital improvements to increase highway capacity. There obviously are political pressures to defer state highway

maintenance so that state highway tax revenues and DOT's apportionment of FHWA funds can be used for other purposes. Between 1996 and 2003, about \$144 million was transferred from the state highway fund to the state general fund. Act 178, Session Laws of Hawaii 2005, appropriated \$10 million from the state highway fund for use by the counties. Act 125, Session Laws of Hawaii 2006, amended Section 248-9(a)(4), Hawaii Revised Statutes, to allow unlimited future use of state highway tax revenues for county roads. Even though most of the state's apportionment of FHWA funds could be "obligated" to reimburse DOT expenditures for maintenance of state highways, the Legislature has allowed HDOT to decide how much FHWA funds may be "obligated" for reimbursement of county highway expenditures. For federal FY 2002 through federal FY 2010, about \$190 million of HDOT's apportionment of FHWA funds was contractually "obligated" to reimburse county expenditures for county projects. (Actual FHWA reimbursement of county expenditures may have been smaller or larger than this.)