

A Bill for an Act Relating to Transportation.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The purpose of this Act is to address immediate deficits in the state highway fund. Projections from the department of transportation indicate that, beginning in fiscal year 2016-2017, revenue estimates for the state highway fund will fall well below planned expenditures, resulting in immediate deficits and the need to eliminate over \$200,000,000 in expenses over the next five years. To account for this shortfall, the State would be required to reduce highway special maintenance and capital improvement projects, which would also result in less timely responses to highway-related emergencies.

The primary causes for the decreased fund balance of the state highway fund are:

- (1) The lower rate of revenues generated from the fuel tax due to an increase in the number of fuel-efficient motor vehicles;
- (2) Increased costs to maintain existing state highways, operate the highways division of the department of transportation, and pay debt service on revenue bonds issued to construct state highways; and
- (3) Unanticipated costs arising from emergency repairs to and major restoration projects of the state highways.

The legislature finds that the fiscal health of the state highway fund must be addressed immediately. Delays in the construction, repair, and maintenance of state highways must be avoided to the extent possible. Further deterioration would require more costly re-construction in the future, including the need for expensive emergency repairs, exacerbating the shortfall of the state highway fund even further.

The legislature recognizes that, from 1981 to 1990, general excise tax revenues from fuel sales were diverted to the state highway fund. The legislature finds that re-enactment of the diversion of any portion of the general excise tax from the general fund is not in the public interest. General excise tax revenues are already eroded by numerous tax credits and exclusions. The general fund must also be preserved for other important public programs, especially those that do not have access to dedicated revenue sources.

The purpose of this Act is to provide an infusion of state general funds into the state highway fund while plans and immediate actions are taken to restore the state highway fund to solvency. The legislature very reluctantly makes this deposit. Subsidizing the state highway fund with state general funds is a drastic initiative contrary to recent past practices and sound budgetary policy. The legislature finds that the consequence of failing to provide the subsidy, however, would be more drastic: the decline of the condition and capacity of state highways, thus diminishing the general welfare and jeopardizing public safety.

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$37,000,000 or so much thereof as may be necessary for fiscal year 2016-2017 for deposit into the state highway fund.

The sum appropriated shall be expended by the department of budget and finance for the purpose of this section.

SECTION 3. The general funds deposited into the state highway fund under section 2 shall be expended in accordance with appropriations in:

- (1) Act 119, Session Laws of Hawaii 2015, as may be amended by House Bill No. 1700<sup>1</sup> of the regular session of 2016; or

- (2) Any other act enacted during the 2016 regular session that appropriates the proceeds of the state highway fund.

SECTION 4. No later than November 1, 2018, the governor shall submit a report to the legislature on the sustainability of the state highway fund. The report shall include:

- (1) Actions already taken to sustain the state highway fund;
- (2) A plan, including various options, for the continued sustainability of the state highway fund;
- (3) Five-year financial projections for the state highway fund and an analysis of those projections; and
- (4) Proposed legislation, if any.

SECTION 5. This Act shall take effect on July 1, 2016.

(Approved July 1, 2016.)

**Note**

1. HB 1700, HD1, SD1, CD1 became Act 124.