

Honolulu, Hawaii

Feb 17, 2006

RE: H.B. No. 1929

H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Third State Legislature  
Regular Session of 2006  
State of Hawaii

Sir:

Your Committee on Water, Land, & Ocean Resources, to which was referred H.B. No. 1929 entitled:

"A BILL FOR AN ACT RELATING TO THE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose of this bill is to provide for much-needed repair and maintenance of Hawaii's small boat harbors by depositing into the Boating Special Fund (Special Fund), 10 percent of all general excise tax (GET) revenue realized from all permittees whose vessels are used for commercial activities carried out in small boat harbors.

Frogman Charters, TRILOGY, EXPEDITIONS, Lahaina Divers, Ocean Tourism Coalition, Jack's Diving Locker, Ala Wai Marina Community Association, Hawaii Boaters Political Action Association, and numerous concerned individuals supported this bill. The Department of Land and Natural Resources and the Department of Taxation (DOTAX) opposed this measure. The Department of Budget and Finance (B&F) and Tax Foundation of Hawaii submitted comments.

Your Committee notes that although there are actions to increase the moorage fees at the state's small boat harbors, the income to be generated will likely still be woefully inadequate to address the current backlog of at least \$250,000,000 in repair and maintenance (R&M) and capital improvement projects (CIP). In fact, there was discussion concerning the possibility of



increasing the percentage of GET revenues deposited into the Special Fund to at least 25 percent, if not more.

Your Committee is also aware of the concerns raised by several state departments. B&F, for example, submitted testimony citing the increased expenses that will be incurred by DOTAX in developing new amended tax forms and in making computer-related adjustments. B&F also indicated that it was more appropriate for the Special Fund to meet needs by generating its own revenues through its fee structure instead of diverting GET revenues into the Special Fund.

Your Committee recognizes that, in principle, it may not be appropriate or fair that boaters, as a special user group, be subsidized by the general public through general fund receipts. However, in reality, there is little practical difference in terms of actual results between:

- (1) Depositing GET revenues derived from boating into the general fund and then subsequently appropriating general funds for boating R&M and CIP; and
- (2) Allocating the same amount of GET revenues directly into the Special Fund to be used for R&M of boating facilities.

In fact, your Committee believes that the latter approach may be more acceptable to the general public as a means of funding critical R&M of our boating facilities since it directly ties GET revenue derived from boating to R&M of boating facilities.


In light of the concerns raised regarding this bill, your Committee has amended this bill by:

- (1) Changing the percentage of GET revenues to be deposited into the Special Fund to an unspecified amount to encourage further discussion;
- (2) Repealing the provisions of this bill on June 30, 2011; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Water, Land, & Ocean Resources that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1929, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1929, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Water, Land, &  
Ocean Resources,



---

EZRA R. KANOHO, Chair



