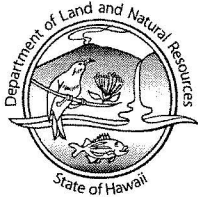


LINDA LINGLE
GOVERNOR OF HAWAII



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

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

Laura H. Thielen
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

RUSSELL Y. TSUJI
FIRST DEPUTY

KEN C. KAWAHARA
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 THE CHAIRPERSON
OF THE BOARD OF LAND AND NATURAL RESOURCES**

**On Senate Bill 2816, Senate Draft 1, House Draft 1 – Relating To Intra-County
Ferry Service**

**BEFORE THE HOUSE COMMITTEE ON
FINANCE**

March 27, 2008

Senate Bill 2816, Senate Draft 1, House Draft 1 proposes to provide priority assignment of mooring space in Maalaea Small Boat Harbor (Harbor) for any new ferry operating from the Harbor to Lahaina Small Boat Harbor, and provide an exemption from the fuel tax for fuel purchases for the ferry service. The Department of Land and Natural Resources (Department) comments are limited to SECTION 2 of this bill as it pertains to assigning priority mooring space in Harbor to any intra-county ferry service, and defers to the Department of Taxation for comment on the portion of the bill that pertains to exemption from the fuel tax for fuel purchase for the ferry service. The Department does not support SECTION 2.

The Department's Division of Boating and Ocean Recreation (DOBOR) has had conversations with the current ferry service operator and has explained that once the ferry improvements are completed at the Harbor, they will reassess whether additional mooring space is available at the end of the mole where the current ferry terminal is located. Should mooring space be available, DOBOR would be willing to offer mooring at the ferry terminal for authorized ferry vessels. A concern DOBOR has is that if they are required to provide mooring space for all ferry operators, then existing tenants of the Harbor may have to be asked to vacate in order to accommodate the additional vessels.

Also, due to ongoing construction, vessels are being relocated throughout the Harbor and this will continue until construction is completed resulting in very limited mooring space. When mooring space does become available, it is offered to the first qualified applicant on the wait list according to the Department's administrative rules. Currently, applicants on the wait list for the Harbor have been waiting for over ten years for mooring space. As such, the Department feels that giving preferential treatment to a new commercial operation would not be fair to those who have been on the wait list for years.

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

HOUSE COMMITTEE ON FINANCE

TESTIMONY REGARDING SB 2816 SD1 HD 1 RELATING TO INTRA-COUNTY FERRY SERVICE

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

DATE: MARCH 27, 2008

TIME: 4:00PM

ROOM: 308

This legislation, among other things, provides a fuel tax exemption for fuel sold to an intra-county ferry service.

The Senate Committee on Transportation & International Affairs amended the bill by adding the phrase "rates and exemptions" to the fuel tax section title.

The Senate Committees on Economic Development & Taxation and Ways & Means passed this measure unamended.

The Senate passed this measure unamended.

The House Committees on Transportation and Water, Land, Ocean Resources & Hawaiian Affairs amended the measure to incorporate requests of the Department relating to a proper location for the fuel tax exemption in Chapter 243. .

The Department of Taxation (Department) **provides comments.**

I. THE DEPARTMENT FINDS TRANSPORTATION ALTERNATIVES ARE IMPORTANT.

The Department recognizes the transportation infrastructure limitations currently experienced in Maui County. Providing additional transportation methods is an issue worth pursuing.

II. REVENUE ESTIMATE

This legislation will result in no impact to general fund. Highway fund annual revenue will be decreased by \$21,200, starting FY2009. Estimated gallonage was determined from the distance between the relevant harbors for each of the routes. From this, the revenue impact is estimated gallonage times the tax rate, which is \$.02 per gallon for non-highway diesel.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Exempt intra-county ferry service

BILL NUMBER: SB 2816, HD-1

INTRODUCED BY: House Committees on Transportation and Water, Land, Ocean Resources and
Hawaiian Affairs

BRIEF SUMMARY: Amends HRS section 243-7 to provide that the fuel tax shall not be imposed on the sale of liquid fuel used by an intra-county ferry service that serves a county with a population of less than 500,000 residents and includes at least three islands inhabited by permanent residents.

Makes a nontax amendment that directs the department of land and natural resources to assign priority mooring space to any intra-county ferry service as delineated.

EFFECTIVE DATE: July 1, 2008

STAFF COMMENTS: While this measure proposes a fuel tax exemption on fuel sold to an intra-island ferry operating between Lanai and Maui, it is questionable whether the proposed exemption alone will reduce the price of its operations to make it possible to operate on a regular basis. On the other hand, one has to question the precedent this proposal sets and begs a response for other intra-island modes of transportation.

Digested 3/25/08