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SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION

TESTIMONY REGARDING SB 3149 SD 1 RELATING TO HIGHWAYS

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

DATE: FEBRUARY 12, 2008

TIME: 1:15PM

ROOM: 224

This legislation seeks to direct all general excise tax revenues received from the sale of liquid fuel for all purposes other than airplanes and boats to the Highways Fund.

The Senate Committee on Transportation & International Affairs amended portions of the measure unrelated to the general excise tax revenues.

The Department of Taxation (Department) has concerns relating to the general excise tax revenue diversion.

I. FUNDING HIGHWAY IMPROVEMENTS IS IMPORTANT.

The Department understands the importance of ensuring that the Department of Transportation has sufficient and consistent revenue streams to ensure that Hawaii's transportation infrastructure is adequately maintained and improved from time to time.

II. THE DEPARTMENT IS CONCERNED WITH GET REVENUE DIVERSIONS.

The Department is always cautious about policy that redirects general excise tax revenue away from the general fund and into specific special funds. The Department is concerned because the general excise tax represents over one-half of the State's overall operating revenue stream. The Department strongly prefers that a direct appropriation be the means for funding this program so that the amount may be budgeted and prioritized just as any other program.

III. ADMINISTRATION ISSUES

The Department also points out that tracking the specific fuel revenues as contemplated by this measure is likely unworkable. The Department does not track the gross proceeds of sales of fuel to the extent requested in this measure. The Department would need an appropriation for computer and form enhancements, as well as additional time, in order to capture the data requested in this measure. Again, the Department reiterates that a direct appropriation is more appropriate.

IV. REVENUE ESTIMATE.

This bill will result in loss to the general fund and gain to the highways fund as follows:

- FY2009 (loss): \$36.8 million
- FY2010 (loss): \$78.0 million
- FY2011 (loss): \$79.1 million

The taxable gallonage from fiscal year 2007 was used to derive the excise tax receipts derived from the selling of these fuels. Note that gasoline was mostly subject to the GE exemption for alcohol-based fuels, and that oil and gas refining has a special GE exemption for multiple refineries in multi-step refining processes.

The revenue impact of each fuel was calculated by:

$(\text{Gallons sold in FY07}) * [(\text{Avg retail price}) * (\text{Retail GE } \{4\% \text{ or } 0\%\}) + (\text{Avg wholesale price}) * (\text{Wholesale GE})]$. The impacts of the individual fuels were summed to get the total revenue impact.

For FY 2010 / FY 2011, the repeal of the GE exemption for ethanol-blended fuels was added to the total.

testimony

From: Dale Evans [dale@charleystaxi.com]
Sent: Monday, February 11, 2008 3:51 PM
To: testimony
Subject: SB 3149, hearing 2/12/08, 1:15 pm, Rm 224

EMAIL: testimony@capitol.hawaii.gov

Re: Hearing on SB 3149—Relating to Highways
February 12, 2008 at 1:15 pm
Conference Room 224, State Capitol
http://www.capitol.hawaii.gov/session2008/hearingnotices/EDT_02-12-08_1_.pdf

TESTIMONY IN SUPPORT

Honorable Senators Fukunaga, Chairman, and Espero, Vice Chairman, and Members:

Founded in 1938, Charley's Taxi is Hawaii's oldest passenger ground transportation company. Our 300-plus drivers in a fleet of about 250 taxicabs, vans and limousines, carry over 2.5 million passengers a year on Oahu. Now in its third generation as a kama'aina small business, Charley's provides the finest premium on-demand transportation service to the public with highly specialized services such as MediCab, TaxiShuttle and ExecutiveTaxi.

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Thank you for the opportunity to provide testimony in support of SB 3149—Relating to Highways. This bill requires the remittance of general excise tax revenues from liquid fuel sales to the state highway fund. Repeals provisions authorizing transfers of revenues deemed excess out of the state highway fund.

The impending bankruptcy of the federal HTF, predicted to actually occur in May this year 2008, raises deep concerns about the future of our transportation programs statewide. How the revenue shortfall will be covered? The state's HTF is projected be in deficit by 2012. However, depending upon the severity of the federal deficit, could the state deficit occur sooner than 2012?

Unsafe and poor conditions and performance of our highways leads to thinking that we are just throwing good money after bad. Deferred maintenance is taking longer and costing more, as construction costs are sky high.

At a time when the national and state economies are slowing, the transportation funding deficit can no longer be ignored. Raising gas taxes is a hard sell as Hawaii motorists pay the highest gas prices and taxes in the USA. Hawaii's families are struggling with soaring costs: electricity prices are highest in the nation. Food prices have jumped due to the ethanol fad of growing food for fuel.

We respectfully urge you approve this measure, SB 3149. Close the loopholes that divert highway trust funds and user fees. Restore the GETax on fuel to the state HTF.

The transportation funding process must be reliable and sufficient to ensure systematic and cost-effective programs for the preservation, maintenance, operations, expansion and innovation of highway and bridges.

CHARLEY'S TAXI



February 12, 2008

**TESTIMONY BEFORE THE SENATE COMMITTEE ON
ECONOMIC DEVELOPMENT & TAXATION
ON SB 3149 SD-1 RELATING TO HIGHWAYS**

Thank you Chair Fukunaga and committee members. I am Gareth Sakakida, Managing Director of the Hawaii Transportation Association (HTA) which has 360 transportation related members throughout the state of Hawaii.

Hawaii Transportation Association strongly supports this bill.

Our transportation infrastructure is key to our standard of living in Hawaii and key to the commercial transportation industry's ability to maintain that standard of living. Our timely deliveries provide Hawaii's citizens with everything they consume, and the only way we can accomplish that is to have a safe and well maintained infrastructure.

That infrastructure also needs vast improvements if we are to keep up our service levels into the future. The State Department of Transportation's highway revenue fund is in dire need of enhancement partly because of the transfer of monies from that fund over the years.

We have anguished over the transfer of funds from the highway fund to the general fund during the past decade of some \$155 million. While the fund is in dire straits, we do not like to pay more taxes and fees when they are NOT used for its intended purpose.

Various taxes and fees were imposed on a very specific portion of the state's population, drivers and the commercial transportation industry, with the promise that it would fund the construction and maintenance of transportation facilities. It was a promise to benefit those who paid in.

Furthermore, the general excise tax on sales of liquid fuels was a critical source of revenue for the highway fund until 1991 - or thereabouts. That loss has greatly contributed to our nearing deficit position in the fund. That fund needs this sort of infusion now.

Thank you.

Honorable Carol Fukunaga, Chair
Committee on Economic Development
and Taxation
Hawaii State Senate

Hearing: February 12, 2008, 1:15 PM, Conf. Room 224

Re: SB 3149, SD1 --- Relating To Highways

Honorable Chair Fukunaga and Honorable Committee Members:

My name is Wayne Tanaka and I am the Legislative Committee Chair for Catrala-Hawaii. Catrala's members consist of the major u-drive (car rental) companies in Hawaii and the major businesses which support our industry.

Catrala supports this bill and commends your Committee and the Legislature for dealing with this difficult but important issue.

As recognized and reported by your Special Joint Senate and House of Representatives Task Force, serious concerns exist that future projections and available monies in the state highway fund are insufficient. Changes to the resurfacing cycle for state highways in the past while temporarily saving monies has exponentially increased the future resurfacing costs of preventive maintenance from \$300,000 per lane mile to \$1,000,000 per lane mile. During these times of temporary savings, there have been various reports that up to \$150,000,000 has been transferred out of the highway fund and used for other purposes.

Still further, your task force recognized that starting in 2009 the cut back in future federal subsidies of up to 43% will place further strains on revenues for the state highway fund. Yet during these expected times of federal cutbacks and rising exponential costs, the highways must be maintained and reserves must be adequate if the DOT is to maintain its good bond ratings. At the same time the reserves must also be adequate to periodically take care of the costly but vital emergency highway projects that occur but must be dealt with as a result of heavy rains and disasters.

To maintain and ensure public confidence in government, sources of revenues generated by or from motorists must and should be deposited into the highway fund and not directed elsewhere or used for other purposes. The raising of fees and charges for highway fund purposes while periodically redirecting or diverting monies from the highway fund and using it for other purposes in our opinion will reduce public confidence in government.

We respectfully urge you to pass this important bill. Thank you for allowing us to testify.

testimony

From: James Stone [jstone@nulaw.net]
Sent: Monday, February 11, 2008 2:07 PM
To: testimony
Subject: SB 3149, SD1 testimony for Feb 12
Attachments: Feb 12 08 CtrlA tstmy to EDT.doc

Please see attached testimony.

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