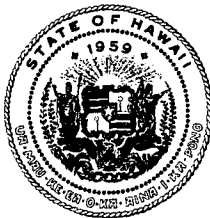
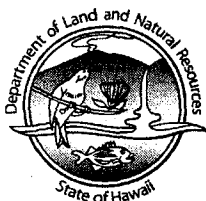


LINDA LINGLE
GOVERNOR OF HAWAII



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

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KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

**TESTIMONY OF THE CHAIRPERSON
OF THE BOARD OF LAND AND NATURAL RESOURCES**

On Senate Bill 3149 – Relating To Highways

**BEFORE THE SENATE COMMITTEE ON
TRANSPORTATION AND INTERNATIONAL AFFAIRS**

January 30, 2008

Senate Bill 3149 requires the remittance of the general excise tax revenues from liquid fuel sales to the State Highway Fund and repeals provisions authorizing transfers of revenues deemed excess out of the State Highway Fund. The Department of Land and Natural Resources (Department) supports the intent of this measure with the exception of SECTION 4 which the Department strongly opposes because it would remove a significant source of funding and staffing for the Na Ala Hele Program (NAH) that manages the network of dirt roads and trails used by off-road vehicles.

Specifically, SECTION 4 of the bill deletes the portion of Section 248–8, Hawaii Revised Statutes, which allocates a small 0.3% share, capped at \$250,000, of the State Fuel Tax to the Department's Special Land and Development Fund for the purposes of management, maintenance, and development of trails and trail access under the Department's jurisdiction. This funding was originally established in 1997 directing a portion of the state fuel tax being collected for non-highway recreational uses to help manage and maintain unimproved dirt-roads used by hunters and other off-road recreational users, and to qualify for a new federally funded recreational trails program. A 1995 study conducted by the Department of Transportation (DOT) calculated that approximately \$641,270 of the fuel taxes collected in the State are attributed to off-road vehicles – primarily four-wheel drive trucks. The allocation of 0.3%, is substantially less than the 1995 DOT study identified, but was based on a minimum formula established by the Federal Highways Administration (FHA) to qualify for the federal program.

The Department, through its Division of Forestry and Wildlife (DOFAW) and NAH manages approximately 367 miles of unimproved access roads used by four-wheel drive vehicles. In addition, there has been a dramatic increase in public off-highway recreational use, and the Department through NAH, has established additional motorized riding areas for off-road motorcycles and all terrain vehicles on Oahu and Hawaii, and is researching areas on Maui – which this funding will help to support.

In Fiscal Year 2007, the 0.3% of State Fuel Tax allocated to the Department was \$230,328, and was used to fund 3.5 permanent DOFAW positions that are directly responsible for the

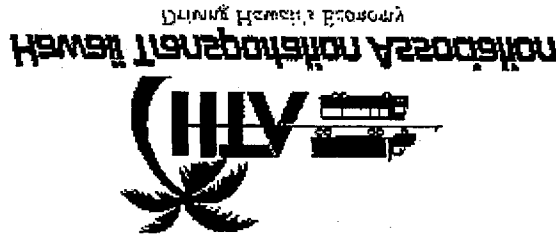
implementation, management and sustainability of the Statewide NAH Trail and Access Program.

The permanent NAH positions funded from the State Fuel Tax revenue are:

1. Oahu Trail and Access Technician IV, Pos. No. 52386 – 100% funded.
2. Kauai Trail and Access Specialist V, Pos. No. 52396 - 100% funded.
3. Oahu Trail and Access Specialist V, Pos. No. 47596 – 50% funded.
4. Maui Trail and Access Specialist V, Pos. No. 47597 – 50% funded.
5. Statewide Program Manager, Trails and Access Specialist V, Pos. No.47599 – 50% funded.

The State Fuel Tax and these positions are used as the 20% state funds matching requirement for \$750,000 in federal funds received from FHA for the Recreational Trails Program.

Passage of the proposed amendment in SECTION 4 of Senate Bill 3149 would severely cripple NAH by eliminating the key leadership and management positions for the Program, which is currently comprised of 10 total positions. Further, the bill would jeopardize the Department's ability to administer and match the \$750,000 in federal Recreational Trails Program funding now received. To continue the services under this Program would require additional general or other state funding and replacement positions. Although the \$250,000 in question is just a small portion of the annual State Fuel Tax revenue, it is a critical source of funding for this worthwhile and popular program.



January 30, 2008

**TESTIMONY BEFORE THE SENATE COMMITTEE ON
TRANSPORTATION & INTERNATIONAL AFFAIRS
ON SB 3149 RELATING TO HIGHWAYS**

Thank you Chair English 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.

**Cement and Concrete Products Industry of Hawaii**

2153 N. King St. # 327 Honolulu, HI 96819 Telephone (808) 848-7100 Fax (808) 848-2626

January 29, 2008

To: Senator J. Kalani English, Chair and TIA Committee Members

From: Wayne Kawano, President CCPI

Subject: Written Testimony in Support of SB 3149, Relating to Highways

In behalf of the Cement and Concrete Products Industry of Hawaii (CCPI), we are submitting this written testimony in support of SB3149, relating to Highways.

CCPI is a non-profit trade organization, representing over 30 companies statewide. For over 43 years, CCPI has represented the local suppliers of cement, concrete, and masonry products. Our purpose is not only to promote but to also protect and advance the welfare and interests of the concrete products industry as may be deemed more satisfactorily performed by group action rather than individual action.

Through the years, we have supported and serviced the infrastructure projects of the Department of Transportation. It is vital that our infrastructures are properly maintained and rehabilitated on a continual basis...avoiding major repairs from neglect. SB3149 will provide for better long term planning of our maintenance programs, improve capabilities of asset management of our infrastructures, and provide an opportunity for innovative design and construction applications, i.e. concrete pavement overlays. The net result will mean more effective and efficient spending of our highway funds.

Thank you for your consideration of our written testimony in support of SB 3149.

Sincerely,

A handwritten signature in black ink that reads 'Wayne Kawano'. The signature is written in a cursive, flowing style.

Wayne Kawano, CCPI

Member Firms: Ameron International / Ameron Hawaii - Maui / BOMAT, Ltd / Con-Agg of Hawaii / GPRM Prestress, LLC / Jas. W. Glover, Ltd / Glover Honsador Kauai / Hawaii Precast Inc. / Hawaiian Cement / Hawaiian Cement Halawa / Hawaiian Cement Maui / Island Ready Mix Concrete, Ltd / O. Thronas, Inc. Ready Mix Concrete / TileCo. Inc. / Walker Industries, Ltd / West Hawaii Concrete

Associate/Affiliate Members: BASF Admixtures / Concrete Coring Company of Hawaii / Grace Pacific Corp. / Haggith's Structural Scan & Inspection / Hawaiian Dredging Construction Co. / Jensen Precast / Kincaid & Associates - Euclid Chemicals / Miyake Concrete Accessories Inc. / OK Hardware & Construction Supply / Puna Rock Co. / Simpson Strong Tie Co. / White Caps Hawaii / Wiss, Janney, Elstner & Associates Inc.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Disposition of fuel tax revenues to highway fund

BILL NUMBER: SB 3149; HB 2868 (Identical)

INTRODUCED BY: SB by Hanbusa by request; HB by Say by request

BRIEF SUMMARY: Amends HRS section 237-31 to provide that the moneys realized from the manufacturing, production, wholesaling, and retailing of liquid fuel sold for use in motor vehicles or internal combustion engine equipment, excluding airplanes or small boats, shall be deposited into the state highway fund.

Amends HRS section 248-8 to repeal the provision diverting 0.3% of highway fuel tax revenues to the special land and development fund for the purposes of the management, maintenance, and development of trails and access.

Amends HRS section 248-9 to repeal the provision allowing the director of transportation to transfer state highway fund revenues which are determined to exceed 135% of the requirements for the ensuing 12 months for the state highway fund.

Makes conforming amendments to HRS section 37-53.

The amendments made to HRS section 237-31 by this act shall not be repealed when that section is reenacted on June 30, 2008 pursuant to Act 304, SLH 2006.

EFFECTIVE DATE: July 1, 2008

STAFF COMMENTS: This measure is proposed to ensure that collections of the state highway fund remain in the fund and the fund is used for its intended purpose, that is to maintain the state highway system. The proposed measure also proposes to bolster the highway fund revenues by providing that general excise taxes realized from the manufacturing, production, wholesaling, and retailing of liquid fuel used in motor vehicles are deposited into the highway fund.

General excise tax revenues derived from the sale of gasoline are normally receipts of the state general fund. The legislature by Act 159, SLH 1981, realized the need to increase the revenue base of the state highway fund and provided that general excise tax revenues derived from the sale of gasoline were to be deposited into the highway fund until June 30, 1984. This transfer of the general excise tax revenues was further extended through 1987 by Act 163, SLH 1984. The legislature by Act 239, SLH 1985, extended the transfer to June 30, 1991. Rather than extending the transfer of general excise tax revenues to the highway fund, the 1991 legislature established a rental motor vehicle and tour vehicle surcharge as well as increases in the state fuel tax, the motor vehicle registration fees and weight tax.

This measure also repeals the provision allowing the transfer of 0.3% of fuel tax revenues to the special

SB 3149; HB 2868 - Continued

land and development fund for maintenance of the trails and access program, which was enacted by Act 273, SLH 1993. The measure also repeals the provisions permitting the transfer of highway funds when the director of transportation determines that the available moneys in the fund will exceed 135% of the requirements for the ensuing 12 months for the state highway fund.

While the adoption of this measure would greatly enhance the viability of the state highway fund, it by no means is the only solution. It should be noted that while Act 258, SLH 2007, mandated that a special joint senate and house task force was to conduct a review of the financial requirements of the state highway fund, in its final report, it acknowledged that the future projections of highway fund revenues are insufficient; the task force report deferred to the department of transportation and the administration to formulate a plan to raise revenue for the highway fund. It is incredible that a task force convened to find a resolution to the ailing highway fund would abdicate any sort of responsibility for bringing forth a resolution to the problem facing the state highway fund. Similarly, a task force convened by the administration likewise walked away without a recommendation on how to solve the financing problems of the state highway fund.

In that light, then what is offered in this proposal comes close to a resolution of the problem and staves off the bankruptcy of the highway fund for at least the immediate future. Depositing the receipts of the general excise tax collected on the sale of highway fuels gives the highway fund some elasticity such that its resources grow along with the inflation affected costs for maintaining the state highway system. Further, by eliminating the threshold over which funds can be transferred from the highway fund lends some certainty that the highway fund cannot be raided as it was over the past decade. However, it would seem prudent that a specific prohibition be inserted to forever bar tapping into this special fund to underwrite other programs.

Finally, while it seems that neither the legislature nor the administration has the nerve to address the financing issue this year, taxpayers should know that any further delay in dealing with this problem will bring the promise of a much more painful solution.

Digested 1/29/08