



**STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097**

March 31, 2011

**TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION**

**SENATE BILL NO. 1328, SD1, HD1**

**COMMITTEE ON TRANSPORTATION**

The Department of Transportation strongly supports Senate No. 1328, SD1, HD1. Senate Bill No. 1328, SD1, HD1 will amend Section 249-31, Hawaii Revised Statutes to increase the annual vehicle registration fee.

The original bill proposes to increase the annual vehicle registration fee rate from \$25 to \$45 and the amount to be deposited into the State Highway fund from each annual vehicle registration fee from \$20 to \$40. The bill also appropriates monies out of the State Highway Fund for fiscal years 2011 - 2012 and fiscal year 2012 -2013 for the operations and maintenance of the state highways program.

The increase in the vehicle registration fee is estimated to provide an additional \$22.9 million annually for the State Highway Fund. The increase in revenues for the State Highway Fund will improve the Department of Transportation's ability to construct, operate and maintain the State Highway System.

**OPERATIONS AND ROUTINE MAINTENANCE**

The current needs for the routine operation and maintenance of the State Highway System is over \$115,000,000 per year. Without the additional funding, the Highways Division will not be able to properly maintain the State Highway System that is essential to the health, welfare, and safety of our motoring public. The State Highway System includes 2,479.36 miles of lane miles. Although the State has increased the lane miles of the State Highway System, the routine operation and maintenance budget was not increased to properly maintain the additional lane miles.

The funding for the routine operation and maintenance is used for maintaining and repairing the pavement and shoulders; bridges and other structures; fencing and walls; drainage systems; traffic signs; guardrails; highway pavement markings; highway lighting system; sidewalks and wheelchair ramps; landscaping and irrigation systems; cleaning the streets; and restoring State Highways after slides, storm damages, accidents, and other catastrophic events. Additionally, operations and maintenance activities on Oahu includes a 24-hour, 7-days-a-week schedule, a traffic management center, all mechanical, electrical, electronic, plumbing and drainage,

ventilation, traffic monitoring and control, fire control systems in our major tunnels; and managing and monitoring the National Pollutant Elimination System (NPDES) – Municipal Separate Storm Sewer System (MS4) Program.

Also, Federal laws require that the State maintain all State Highways that were constructed with the use of Federal funds. Not properly maintaining our highways may jeopardize our ability to obtain Federal funds.

### **SPECIAL MAINTENANCE PROGRAM (SMP)**

In prior years, when the Highways Division has had its budget cut, the Special Maintenance Program (SMP) was reduced to keep the State Highways Fund in the black.

The Highways Division changed its resurfacing cycle for State Highways from an average of once every 10 years to once every 14 years. Studies have shown that after 10 years the pavement condition deteriorates at an accelerated rate. The overall condition of the State Highway System has deteriorated because of the reduced SMP funding and to date the department has not caught up with its resurfacing program. As the highway pavement deteriorates, the cost increases exponentially. The average cost of preventive maintenance is approximately \$98,000 to \$289,000 per lane mile (\$183,000 average), while the cost for rehabilitation and/or reconstructing the pavement ranges from \$321,000 to \$2,200,000 (\$555,000 average) per lane miles.

In the fiscal year 2005-2006, the SMP state funded budget was \$72,810,487. Due to fiscal constraints, the SMP program has been reduced as follows:

FY 2006-2007	\$67,200,407
FY 2007-2008	\$49,906,862
FY 2008-2009	\$57,577,883
FY 2009-2010	\$57,842,859
FY 2010-2011	\$55,914,860
FY 2011-2012	\$27,000,000*
FY 2012-2013	\$27,000,000*

\*proposed FB 11-13 budget request.

A reduction in the Special Maintenance Program will result in a poorer overall condition of the State Highway System and the deferred maintenance significantly increases the future costs to rehabilitate and/or reconstruct our highways.

### **CAPITAL IMPROVEMENT PROGRAM (CIP)**

The State Highway Fund supports the CIP program in the following ways:

1. Direct salary, fringe benefits, and administrative costs for 366 Highways Division project-funded positions are paid from the State Highway Fund. Since fiscal year 2005-2006, the Highways Division budgets \$12,500,000 in state funds for this purpose.
2. The State Highway Fund pays for debt service of Highway Revenue Bonds, the primary state funding source for the CIP program. Debt service includes interest and principal

payments for the revenue bonds. Every two years, the Division sells approximately \$80,000,000 in revenue bonds.

3. In addition to the revenue bonds, the State Highway Fund also pays for the debt service of Reimbursable General Obligation (G.O.) bonds. Although Reimbursable G.O. bonds are no longer used by the Highways Division to finance new projects, debt service for Reimbursable G.O. bonds previously issued will continue until 2017.
4. Finally, in the event of emergencies or other unforeseen circumstances, CIP projects may be funded from the State Highway Special Fund. An example of this would be when the heavy rainfall in the months of March and April of 2006 created severe damage to highways on the islands of Kauai and Oahu. Act 118, Session Laws of Hawaii, 2006, appropriated CIP funds to pay for emergency projects. It is estimated that about \$8,171,763 in expenditures as of November of 2009 has been spent for emergency CIP projects for Oahu, and another \$4,213,963 in expenditures as of June of 2010 has been spent for Kauai emergency related CIP projects.

The reduction of revenues will have a negative effect on the CIP program the following ways:

1. Reductions in revenues may negatively affect the current bond rating. In 2008, the uninsured ratings for the \$60,000,000 bond offering by S&P, Moody's, and Fitch were AA+, AA3, and AA- respectively, the second and third best bond ratings possible. The strong ratings were directly attributed to the fact that revenues were in excess of 4 times the amount needed for bond debt service.
2. Any downgrade in bond ratings caused by revenue reduction will increase the cost of borrowing for the Highways Division. In fiscal year 2009-2010, approximately \$38,600,000 was paid for revenue bond debt service and approximately \$8,000,000 for Reimbursable General Obligation (G.O.R.) Bond debt service. A higher cost of borrowing may restrict the ability for the Highways Division to maintain the current annual \$40,000,000 revenue bond program and may force the Highways Division to reduce future bond offerings from the \$40,000,000 annual levels.
3. The Highways Division will be forced to defer future CIP projects if the revenue bond program is reduced. Current CIP needs outweigh revenue sources.
4. Finally, the projected depletion of the State Highway Fund caused by the revenue reduction will take away the ability for the Highways Division to fund emergency projects or other unforeseen needs with cash. As demonstrated in the past, the Highways Division was able to cope with emergency projects such as:

- Kalaniana'ole Highway, Emergency Landslide Repairs at Castle Junction;
- Kailua Road Rockfall Mitigation, Permanent Repairs for Kailua Road;
- Kauai Emergency Flood Repairs at Various Locations;
- Emergency Culvert Repair on H-1 at Olopana Street, and
- Kalaniana'ole Highway Drainage Improvements, Vicinity of Keolu Hills (Emergency Repairs).



## DISABILITY AND COMMUNICATION ACCESS BOARD

919 Ala Moana Boulevard, Room 101 • Honolulu, Hawaii 96814  
Ph. (808) 586-8121 (V/TDD) • Fax (808) 586-8129

March 31, 2011

### TESTIMONY TO THE HOUSE COMMITTEE ON FINANCE

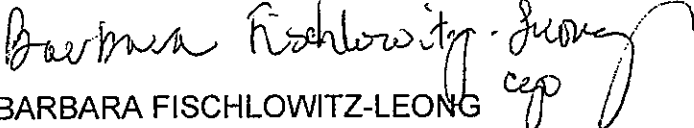
#### Senate Bill 1328, SD1, HD1 - Relating to Motor Vehicle Registration

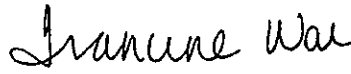
The Disability and Communication Access Board (DCAB) supports and offers comments on Senate Bill 1328, SD1, HD1 that proposes to increase the motor vehicle registration fee to augment the depleted Highway Fund. From our perspective as the agency reviewing state and county construction projects, we are aware of the increased construction to maintain our highways, particularly as the Department of Transportation strove to meet its access obligations for ADA compliance.

We cannot speak to the dollar amounts needed by the Department. Nor do we wish to take away from their needed funds. We note, however, that your Committee and the full House passed House Bill 916, a bill that we strongly support to also increase the motor vehicle registration fee by a modest \$1 to pay for the parking program for persons with disabilities. There is no Senate companion to House Bill 916 coming to your Committee. Therefore, for the purposes of discussion we suggest an amendment to include the language of House Bill 916 in Senate Bill 1328, SD1, HD1. We are prepared to offer the Senate a proposed draft that combines the two bills. We strongly believe that the content of the bills should be combined so as to put forth one bill that increases the motor vehicle registration fee to an amount that includes both the Department of Transportation's needs as well as our request (\$46).

Thank you for the opportunity to comment.

Respectfully submitted,

  
BARBARA FISCHLOWITZ-LEONG  
Chairperson  
Legislative Committee

  
FRANCINE WAI  
Executive Director

DEPARTMENT OF CUSTOMER SERVICES  
**CITY & COUNTY OF HONOLULU**  
DIVISION OF MOTOR VEHICLE, LICENSING AND PERMITS  
ADMINISTRATION  
P.O. BOX 30300  
HONOLULU, HAWAII 96820-0300

PETER B. CARLISLE  
MAYOR



GAIL Y. HARAGUCHI  
DIRECTOR

DENNIS A KAMIMURA  
LICENSING ADMINISTRATOR

March 28, 2011

The Honorable Marcus Oshiro, Chair  
and Committee Members  
Committee on Finance  
House of Representatives  
State of Hawaii  
State Capitol, Room 306  
Honolulu, Hawaii 96813

Dear Chair Oshiro and Committee Members:

Subject: S.B. No. 1328 S.D.1 H.D.1, Relating to Motor Vehicle Registration

The City and County of Honolulu has no objections S.B. No. 1328 S.D.1 H.D.1 which will increase the state motor vehicle registration fee from \$25 to \$45 to be effective with the motor vehicle registration period beginning December 1, 2011.

Sincerely,

*for*   
Gail Y. Haraguchi  
Director

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MOTOR VEHICLE, Increase state motor vehicle registration fee

BILL NUMBER: SB 1328, HD-1

INTRODUCED BY: House Committee on Transportation

BRIEF SUMMARY: Amends HRS section 249-31 to increase the state motor vehicle registration fee from \$25 to \$45. Increases the amount from \$25 to \$40 from each annual motor vehicle registration fee that shall be deposited into the state highway fund and \$5 shall continue to be deposited into the emergency medical services special fund.

Appropriates an unspecified amount out of the state highway fund for fiscal year 2012 and the same sum for fiscal 2013 for the operations and maintenance of the state highway fund.

EFFECTIVE DATE: December 1, 2011

STAFF COMMENTS: This was an administration measure submitted by the department of transportation TRN-14(11). This measure proposes to increase to the state motor vehicle registration fee to provide additional funds for the ailing state highway fund.

Of the three major sources of funding for the state highway fund, the vehicle registration fee can be viewed as an admission charge for the privilege of being able to "enter" the state highway system. While a modest increase may be in order, since the fee has not been raised since 2004 and then not for highway maintenance but for emergency medical services, lawmakers need to look at all vehicles that use the state highway system. These include exemptions which have been adopted in recent years and those vehicles that enter state highways but pay no vehicle registration fees such as bicycles and electric vehicles. More recently lawmakers have exempted vehicles of certain armed services personnel based more on emotion than good sound financial policy. Such exemptions should be repealed as everyone who uses the state highways should be asked to fund the repairs and maintenance of those roads.

As a result, these exemptions erode the base for this fee and pass the cost on to those who cannot qualify for the exemption. This is patently unfair since the fees and taxes paid into the highway fund provide the same basic services to all drivers regardless of whether they are members of the armed services or the disabled.

While it is generally recognized that the current resources of the highway fund will not keep up with the rising costs of highway construction and maintenance, lawmakers should not blithely accept the cost of the highway program without closely scrutinizing the cost of running the state highway program. Just because the resources are earmarked solely for the highway program, it should not go without close examination such as the spending of general funds is subjected to in the appropriation process. Highway administrators need to be held accountable for their methods and practices in administering the program to insure that the highway users' tax dollars are spent wisely and efficiently.

Digested 3/29/11

Katherine T. Kupukaa  
Mililani Town, Hawaii 96789  
(808) 623-7070

Committee on Finance  
Rep. Marcus R. Oshiro, Chair  
Rep. Marilyn B. Lee, Vice Chair

Date: Thursday, March 31, 2011  
Time: 3:00 P.M.  
Place: Conference Room 308  
State Capitol  
415 South Beretania Street

**Opposition to:** SB1328 Relating to Motor Vehicle Registration  
SB1329 Relating to Motor vehicle Weight Tax

I am opposed to both of these bills because of the impact of my financial situation it will cause. The increase in fees and taxes may seem insignificant to you legislators but as for me, being unemployed for 3½ years every dollar counts. I am aware you are required to balance the State's budget; however the increase is quite sizeable. I notice the difference in the amount that I am required to pay has increased steadily over the last six years where it was about \$130 and with this increase it will be about \$215. Last December I waited until the last day of the month because I didn't have the money and the City does not allow credit card payments. Usually I mail in my check several weeks earlier so I can receive my sticker by the end of the year.

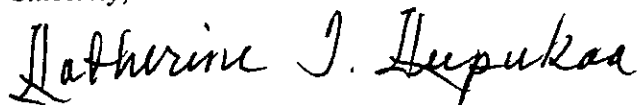
There are many individuals in our State who are experiencing difficult times financially as you may be well aware of. The low unemployment rate in Hawaii is not an accurate picture. As an example, I no longer receive unemployment benefits but I am still looking for a job. Presently, more people in Hawaii qualify for food stamps than any other state in the Union. Foreclosure of homes continues to be a huge problem in Hawaii.

What if I were to humbly suggest that you reduce your pay by 30%, how would you feel? Would you feel the pain? I would like to tell you that I would be able to live quite comfortably for two years with \$28,000. For me it has been a humbling experience and I am able to survive only because of my faith in the God Almighty.

If you do not pass this bill, will you be able to balance the budget? If you still go forward with passing this bill, are you able to put a gradual increase over four years so our pocketbook will not be dramatically impacted? Please give these bills your careful consideration and not pass it.

Thank you for allowing me the opportunity to voice my concern.

Sincerely,



Katherine T. Kupukaa