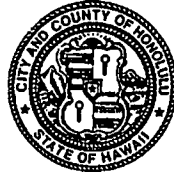


**SB 1328**

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

February 23, 2011

The Honorable David Y. Ige, Chair  
and Committee Members  
Committee on Ways and Means  
The Senate  
State of Hawaii  
State Capitol, Room 205  
Honolulu, Hawaii 96813

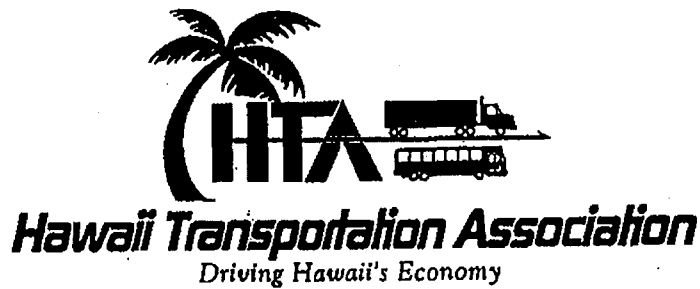
Dear Chair Ige and Committee Members:

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

In order to develop and test the appropriate computer programming that is necessary to implement this bill, the City and County of Honolulu recommends that the effective date of the bill be amended to December 1, 2011.

Sincerely,

*for*   
Gail Y. Haraguchi  
Director



February 25, 2011

**TESTIMONY BEFORE THE SENATE COMMITTEE ON WAYS & MEANS  
ON SB 1328 RELATING TO MOTOR VEHICLE REGISTRATION**

Thank you Chair Ige and committee members. I am Gareth Sakakida, Managing Director of the Hawaii Transportation Association (HTA) with over 400 transportation related members throughout the state of Hawaii.

Hawaii Transportation Association opposes the amount of the increase of motor vehicle registration fees, especially in light of legislation to propose increases in the vehicle weight fee and liquid fuel tax.

In spite of economic forecasts showing some improvement for Hawaii in the coming years, those times are not yet here and the transportation industry still suffers from losing as much as half its activity over the past three years.

Then Oahu carriers were hit by the City & County of Honolulu's increase of the vehicle weight tax in 2010 and this year, boosting our per vehicle cost an average of \$400 in 2010 and another \$400 this year. Last year the Legislature increased the barrel tax which added about \$200 per vehicle per year.

Add those hits to this year's proposals to increase the per vehicle cost by \$170 (registration and weight proposals), and each penny of fuel tax increase means an average of \$55 in additional cost.

Unlike governments, we do not have the power to mandate price increases so we have been cutting budgets and making do with less. The industry just cannot afford the kind of money you are seeking for the highway fund - if it even remains there.

We understand the highway fund needs shoring up, but the amount of the increase at this time is objectionable.

Thank you.

# 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; HB 1101 (Identical)

INTRODUCED BY: SB by Tsutsui by request; Say by request

BRIEF SUMMARY: Amends HRS section 249-31 to increase the state motor vehicle registration fee from \$25 to \$45.

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: Upon approval

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 which use the state highway system. These include exemptions which have been adopted in recent years and those vehicle 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 emotions than good sound financial policy.

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 veterans 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 1/28/11

Douglas Meller  
2749 Rooke Avenue  
Honolulu, HI 96817

HAWAII STATE SENATE COMMITTEE ON WAYS AND MEANS  
9 AM FEBRUARY 25, 2011, DECISION MAKING HEARING

COMMENTS OPPOSING SB 1328 RELATING TO MOTOR VEHICLE REGISTRATION  
COMMENTS OPPOSING SB 1329 RELATING TO MOTOR VEHICLE WEIGHT TAX

Before I retired, I used to work for the State DOT. Practically every year before I retired, I heard complaints that the Legislature, the Governor, the Department of Budget and Finance, and/or the DOT Director were inappropriately restricting both expenditures for State highway maintenance and the number (and filling) of positions required for State highway maintenance. Although responsibility is shared by many parties, I believe that State highway maintenance has been underfunded and understaffed because elected officials and political appointees have other priorities for use of highway funds and do not understand the consequences of their actions.

Regardless of State priorities, deferral of timely public expenditures for State highway maintenance will substantially increase the cumulative long-term public expenditures which will inevitably be required for highway maintenance. (For example, because State highway maintenance has been underfunded, the DOT might need to spend as much as \$1 billion to fix or replace existing deficient and dilapidated State highway bridges.) It also is relevant that the short-term public costs to fund routine highway maintenance will normally be less than the additional short-term private costs (for vehicle maintenance and fuel) which would be incurred without routine public expenditures to keep highways smooth.

To ensure timely and adequate funding of State highway maintenance, instead of enacting permanent highway tax increases, I recommend that the Legislature authorize the State DOT to administratively assess highway user fees (on some equitable combination of vehicle weight, fuel consumption, miles traveled), to be collected in the manner of taxes currently deposited to the State highway fund, with all highway user fee revenues earmarked to pay for maintenance, operation, and management of highways under DOT's jurisdiction. In Hawaii Insurance Council v. Lingle, the State Supreme Court ruled that transfer of user fees to the general fund would unconstitutionally blur the distinction between the executive power to assess user fees and the legislative power to tax for general purposes. If DOT assessed user fees could not be spent for purposes other than highway maintenance and operation, there obviously would be less incentive for elected officials and appointees to inappropriately defer State highway maintenance.

Unfortunately, there is no way the current Legislature can limit the future expenditure of highway tax revenues for purposes unrelated to State highways or guarantee that future highway tax revenues will be used for timely highway maintenance rather than capital improvements to increase highway capacity. There obviously are political pressures to defer highway maintenance so that State highway tax revenues and DOT's apportionment of FHWA revenues could be used for other purposes. Between 1996 and 2003, about \$144 million was transferred from the State highway fund to the State general fund. Act 178, Session Laws of Hawaii 2005, appropriated \$10 million from the State highway fund for use by the counties. Act 125, Session Laws of Hawaii 2006, amended Section 248-9(a)(4), Hawaii Revised Statutes, to allow unlimited future use of State highway tax revenues for county road work. For federal FY 2002 through federal FY 2010, about \$190 million of DOT's share of FHWA funds was contractually "obligated" to reimburse county expenditures for county projects. DOT's most recently adopted Statewide Transportation Improvement Program for federal FY 2011 through federal FY 2016 programs about \$346 million of FHWA funds for proposed county projects. (The Legislature has not set policy concerning programming of FHWA funds for county expenditures. However, it should be noted that much of the FHWA funds obligated or programmed for county projects could instead be used to reimburse eligible DOT expenditures for maintenance of State highways.)