

# **SB 1213**

RELATING TO UTILITY FRANCHISES.

Allows the State Department of Transportation  
Highways Division to collect an equitable  
compensation from franchise utility companies  
for the use of the state right of way.



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

February 4, 2013  
1:16 p.m.  
State Capitol, Conference Room 224

**S.B. 1213**  
**RELATING TO UTILITY FRANCHISES**

Senate Committee on Transportation and International Affairs

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The Department of **Transportation (DOT) supports** this Administration bill as it will provide for one and one-fourth percent of the gross receipts from franchise utility companies for the use and occupancy of the state highway right of way. Franchise utility companies currently pay two and one-half percent of their gross receipts only to the counties for their use and occupancy of the county road systems. Further, the DOT, under Section 264-33, Hawaii Revised Statutes, is responsible to pay for the removal, relocation, replacement or reconstruction of the franchise utility companies' systems if they are impacted by a DOT highway project, at one-half of the cost to the franchise utility companies in excess of \$10,000. We believe this bill provides us with some relief in the maintenance and operation of our state highway right of way.

Thank you for the opportunity to provide testimony.



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CITY AND COUNTY OF HONOLULU

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KIRK CALDWELL  
MAYOR

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MANAGING DIRECTOR DESIGNATE

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DEPUTY MANAGING DIRECTOR

TESTIMONY OF KIRK CALDWELL, MAYOR  
CITY AND COUNTY OF HONOLULU  
BEFORE THE SENATE  
COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS  
Monday, February 4, 2013, 1:16 p.m., Conference Room 224

**SENATE BILL 1213: RELATING TO UTILITY FRANCHISES**

**Position: In Opposition**

To: The Honorable J. Kalani English, Chair  
And Members of the Committee on Transportation and International Affairs

The City & County of Honolulu opposes Senate Bill 1213, "Relating to Utility Franchises", which proposes to allow the State Department of Transportation Highways Division to collect compensation from franchise utility companies for the use of the state right of way.

According to Section 240-1, Hawaii Revised Statutes, public utilities pay a 2.5% tax to the county based upon its gross receipts for all electric light or power furnished to its consumers during each calendar year. The City & County of Honolulu's FY13 proposed operating budget projected \$53.8 million in revenues from this Public Utilities Franchise Tax. This is a significant amount of revenue that the City relies on for its annual operations. SB1213's proposal would essentially eliminate about half of what the City receives from this Public Utilities Franchise Tax. This drastic reduction in revenue would negatively impact the City's ability to serve the public. For this reason, the City & County of Honolulu respectfully requests that SB1213 be held in Committee.

Mahalo for this opportunity to testify on this bill. Should you have any questions or concerns, please feel free to contact me at 768-4141.

KIRK CALDWELL  
MAYOR



NELSON H. KOYANAGI, JR.  
ACTING DIRECTOR

GARY KUROKAWA  
DEPUTY DIRECTOR

**Testimony of  
NELSON H. KOYANAGI, JR.  
Acting Director of Budget and Fiscal Services  
City and County of Honolulu**

**Before the Senate Committee on  
TRANSPORTATION AND INTERNATIONAL AFFAIRS**

**Monday , February 4, 2012  
1:16 p.m.  
State Capitol, Senate Conference Room 224**

**In consideration of  
SENATE BILL 1213  
RELATING TO UTILITY FRANCHISES**

The **City and County of Honolulu (City)** submits the following testimony in **opposition to Senate Bill 1213.** The City understands the intent of Senate Bill 1213 is to provide additional funds to the State for relocation or reconstruction costs related to its roads, however, the bill does so by taking away half of the franchise tax revenue currently collected by the counties. The City would lose an estimated \$29 million in franchise tax revenues in fiscal year (FY) 2014 if this bill is enacted.

The City plans to make significant improvements to the City's roads and needs all of its Highway Fund revenues to accomplish this goal. In addition, the Highway Fund is used for other essential purposes related to roads including public safety, traffic signals, maintenance, and planning, as well as funding for the bus system. In FY 2013, the City appropriated \$168 million in operating funds from the Highway Fund for these purposes, as well as debt service on roads projects. The City's FY 2013 capital improvement program budget included about \$136 million for roads related projects, including \$100 million for rehabilitation of streets.

The effects of a loss of half of the City's franchise tax revenues on the City's taxpayers, and on City services, would be severe. The City would have to make the difficult choice between raising additional revenues or cutting necessary services. For

example, the City may have to raise the fuel tax by over 9 cents per gallon in order to make up the loss in Highway Fund revenues. Cuts in services could affect the filling of potholes and other maintenance of city streets, police traffic functions, as well as bus service. City residents would ultimately pay the price in higher taxes or fees, or reduced services.

Thank you for the opportunity to testify on Senate Bill 1213.

William P. Kenoi  
Mayor



Nancy E. Crawford  
Director

Deanna S. Sako  
Deputy Director

## County of Hawaii

### Finance Department

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February 3, 2013

The Honorable J. Kalani English, Chair  
and Members of the Senate Committee on  
Transportation and International Affairs  
Hawai'i State Capitol  
415 South Beretania Street, Room 224  
Honolulu, Hawai'i 96813

RE: Senate Bill 1213, RELATING TO UTILITY FRANCHISES

Aloha, Chair English and Committee Members:

The County of Hawai'i opposes Senate Bill 1213, which would divert to the state Department of Transportation about half of the franchise tax revenues that the County of Hawai'i now relies upon to maintain, improve and repair roads, to install and maintain street lights and to make traffic safety improvements to our roadways.

This measure would cost the county an estimated \$5 million per year in lost revenue, which amounts to more than 15 percent of the total annual revenue for our Highway Fund. This money is now used to make our roads more safe and functional.

The County of Hawai'i already faces very serious challenges as we seek to maintain and improve about 950 miles of county-owned roads. The county is also coping with maintenance and other problems on 122 miles of so-called "Roads in Limbo" that the state is unwilling to maintain. The loss of this franchise tax revenue would aggravate this situation and make it far more difficult to properly maintain our streets and keep our roadways safe.

We respectfully urge the committee to reject this bill. Mahalo for your consideration.

Nancy Crawford  
Director of Finance