

Honolulu, Hawaii

FEB 16 2017

RE: S.B. No. 1012
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Ninth State Legislature
Regular Session of 2017
State of Hawaii

Sir:

Your Committee on Transportation and Energy, to which was referred S.B. No. 1012 entitled:

"A BILL FOR AN ACT RELATING TO TRANSPORTATION,"

begs leave to report as follows:

The purpose and intent of this measure is to increase the motor vehicle registration fee and various liquid fuel and motor vehicle weight taxes.

Your Committee received testimony in support of this measure from the Department of Transportation, Department of Taxation, Hawaii Energy Policy Forum, and American Society of Civil Engineers. Your Committee received testimony in opposition to this measure from Ho'omana Pono, LLC; and five individuals. Your Committee received comments on this measure from the Hawaii Transportation Association, Tax Foundation of Hawaii, Building Industry Association of Hawaii, and one individual.

Your Committee finds the Department of Transportation must provide a safe, efficient, and effective land transportation system for the movement of people and goods. The state land transportation system, however, has not kept abreast with the State's growing economy, land use development patterns, and increased demand for travel. The costs of programs and projects far exceed the available resources.

Your Committee further finds that the land transportation system will continue to deteriorate as demand for travel continues



to increase, and the costs to manage, construct, and administer the system also increase. As the average fuel economy of motor vehicles improves in accordance with the Corporate Average Fuel Economy standards and the increase in electric, plug-in hybrid electric vehicles, and alternative fuel vehicles, it is clear that the current gas fuel tax is not sustainable for future highway funding. The fate of the State's ability to provide safe and efficient roadways to the public relies upon its ability to acquire the needed funding for all highway programs and projects.

According to testimony, the increase in revenues will provide safer infrastructure enhancements for all users, including pedestrians, bicyclists, transit users, and motorists, and would positively impact the Department of Transportation's eligibility to qualify state matching funds for the highways federal-aid program.

Your Committee has struggled with the issue of raising fuel taxes and motor vehicle fees. Your Committee believes that research is necessary into alternative means of funding highway construction projects. More innovative revenue generating programs need to be studied to support the state highway fund revenues.

According to a research paper published by the National Conference of State Legislatures (NCSL), "Tax Policy Handbook for State Legislatures" (Third Edition, February 2010), the motor fuel excise tax is the primary funding source for state highway and other transportation programs. The tax typically includes gasoline, diesel fuel, and blended motor fuels and is imposed in all fifty states. Revenue is dependent upon gallons consumed, which is influenced by oil prices, motor vehicle fuel efficiency, alternative fuel sources, and consumer driving patterns. The NCSL found that the motor fuel tax is an inelastic state revenue source, meaning that collections fail to keep pace with inflation and economic growth at a given tax rate. States must periodically increase tax rates to generate the revenue growth required to keep pace with highway maintenance and construction needs. The problem is exacerbated by increased fuel efficiency of cars and trucks, which has prevented fuel tax collections from keeping pace with the number of miles driven.

Your Committee realizes that the fuel tax is a regressive tax, particularly in poor rural areas where residents must commute longer distances to work, shopping, and other necessary



activities. Low income people pay a much larger percentage of their incomes in fuel taxes than do middle- and upper income taxpayers. In this sense those persons living in rural and less affluent districts tend to bear the brunt of any increase in fuel taxes because of the longer distances driven.

Your Committee further finds that while fuel taxes raise money, they also influence behavior. By raising fuel taxes, the government would make it more expensive to drive. As a result, people might look for ways to drive less, such as carpooling or taking public transportation. This would reduce air pollution, encourage governments to improve public transportation, and promote energy self-sufficiency.

On the other hand, lower fuel taxes encourage people to drive more and to drive bigger cars, which leads to faster depletion of a finite fossil fuels such as oil, adverse effects on the environment and air quality, more traffic congestion, and faster road and bridge deterioration.

While your Committee understands the position of those who support and those who oppose this measure, your Committee believes it is important to keep the discussion open and to allow this issue to receive further consideration during the legislative process.

Your Committee has amended this measure by:


- (1) Further increasing the fuel tax in each county to 26 cents;
- (2) Reducing the proposed increase of the motor vehicle registration fee from \$75 to \$50 and requiring that \$45 of that fee be deposited into the state highway fund;
- (3) Reducing the proposed increases in the motor vehicle weight tax as follows:
 - (A) For vehicles weighing four thousand pounds or less, from 2.75 cents a pound to 2.00 cents a pound;
 - (B) For vehicles weighing more than four thousand pounds and up to and including seven thousand pounds, from 3.00 cents a pound to 2.25 cents a pound;



- (C) For vehicles weighing more than seven thousand pounds and up to and including ten thousand pounds, from 3.25 cents a pound to 2.50 cents a pound; and
 - (D) For vehicles weighing more than ten thousand pounds, from a flat rate of \$400 to \$325; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Transportation and Energy that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1012, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1012, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Transportation and
Energy,


LORRAINE R. INOUE, Chair



The Senate
 Twenty-Ninth Legislature
 State of Hawai'i

Record of Votes
Committee on Transportation and Energy
TRE

Bill / Resolution No.:* SB1012	Committee Referral: TRE, WAM	Date: 2/13/17		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
INOUYE, Lorraine R. (C)	✓			
DELA CRUZ, Donovan M. (VC)				✓
ENGLISH, J. Kalani				✓
HARIMOTO, Breene		✓		
SHIMABUKURO, Maile S.L.	✓			
TOTAL	2	1	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes