



Testimony by:
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IN REPLY REFER TO:

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097
February 21, 2018
9:55 A.M.
State Capitol, Room 211

S.B. 1011
RELATING TO MOTOR VEHICLE REGISTRATION

Senate Committee on Transportation and Energy
and
Senate Committee on Ways and Means



The Department of Transportation (DOT) **strongly supports** **S.B. 1011**. This bill will provide additional funding resources needed to accomplish its primary mission and sustainability goals by increasing the state motor vehicle registration fee.

This bill proposes to increase the state motor vehicle registration fee which is a major revenue source for the State Highway Fund, accounting for 14.5% of the \$314.82 million of the total revenues for fiscal year 2017. Appropriations from the State Highway Fund are used for the construction, operation and maintenance of the State Highway System.

The estimated \$33 million annual increase in revenues will allow DOT to provide funding for capacity and congestion relief projects.

The state motor vehicle registration fee is also a major source of pledged revenues for the Highway Revenue Bonds. The additional revenue source may positively impact the Highways Revenue Bond ratings. A higher bond rating will decrease our cost of borrowing.

In addition to the registration fee, the highways financial plan relies on the state fuel tax to support the continued operations and maintenance of the State Highway System. DOT believes it is important for all users of the system to pay a fair share for its operation.

Given that electric motor vehicles and hybrid vehicles have historically paid less than their fair share via the state fuel tax collection, DOT suggests that all electric motor vehicles and hybrid vehicles in the State be subject to an additional registration fee: \$70 annual vehicle registration fee for electric motor vehicles and \$35 annual vehicle registration fee for hybrid motor vehicles. This suggestion is based on the following

statistics. For electric motor vehicles, fuel tax not paid for could be the annual average driving miles for all vehicles [10,390 miles] divided by the average manufacturers 25 miles per gallon multiplied by \$0.16 miles per gallon gas tax to equal approximately \$70 per year per electronic motor vehicle. For hybrid motor vehicles annual average of \$35 per year per vehicle is considered fair as fuel efficiency of hybrids is about twice that of the average considered.

Thank you for the opportunity to provide testimony.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MOTOR VEHICLE, Vehicle Registration Fee Increase

BILL NUMBER: SB 1011, HB 1145 (Identical)

INTRODUCED BY: SB by Kouchi by request; HB by Souki by request

EXECUTIVE SUMMARY: Increases the vehicle registration fee that goes into the Highway Fund. We suggest that some of the requested additional funding is due to inefficiency in the DOT, which needs to be addressed before taxpayers are made to dig into their wallets once again.

SYNOPSIS: Amends HRS section 249-31 by increasing the registration fee for all vehicles and motor vehicles in the State from \$45 to \$75 annually and by increasing the amount of deposit from each registration into the state highway fund from \$40 to \$70, with the remaining \$5 to the emergency medical services special fund.

EFFECTIVE DATE: January 1, 2018.

STAFF COMMENTS: This bill was sponsored by the Department of Transportation last session and is designated TRN-04 (17).

The requested tax hike seeks to generate additional revenue for the improvement of highways. The rationale for said tax hike is that while the average fuel economy of motor vehicles, number of electric, hybrid electric, and alternative fuel vehicles all increase, the fuel taxes don't keep up and so the current rates are not sustainable for future highway funding.

In the current report from the nonprofit Reason Foundation, available at https://reason.org/wp-content/uploads/2018/01/23rd_annual_highway_report.pdf, the Hawaii DOT was found to have spent \$18,545 in administrative costs per state-controlled highway mile, 33rd out of 50 states. This report reflects data provided to the federal government for 2015. That data may sound good, but the total costs per state-controlled highway mile was \$519,237, 45th out of 50 states.

In the 2016 report from the nonprofit Reason Foundation, available at https://reason.org/wp-content/uploads/2016/09/22nd_annual_highway_report.pdf, the Hawaii DOT was found to have spent \$77,962 in administrative costs per state-controlled highway mile, 48th out of 50 states, and 70 times the \$1,107 per mile spent in Kentucky. This report reflects data provided to the federal government for 2013.

The 2015 version of the report pegged the DOT's administrative costs at \$90,000 per mile and the worst in the country, with DOT stating that the number was largely a mistake and that it amended its data reported to the Federal Highway Administration.

DOT needs to implement more efficient spending practices, or, if existing law is getting in the way of its work, it needs to ask the Legislature for appropriate changes so it can carry out its work, prior to squeezing the taxpayers for more and more funding.

Here is the Hawaii summary from the current Reason Foundation report:

Hawaii's Complete Results	Ranking
Overall Rank in 2015:	47
Overall Rank in 2013:	48
Overall Rank in 2012:	50
Performance by Category in 2015	Ranking
Total Disbursements per Mile	45
Capital-Bridge Disbursements per Mile	48
Maintenance Disbursements per Mile	41
Administrative Disbursements per Mile	33
Rural Interstate Percent Poor Condition	NA**
Rural Other Principal Arterial Percent Poor Condition	46
Rural Other Principal Arterial Percent Narrow Lanes	40
Urban Interstate Percent Poor Condition	50
Urbanized Area Congestion, Peak Hours Spent In Congestion per Auto Commuter*	20
Bridges Percent Deficient	49
Fatality Rate per 100 Million Vehicle-Miles of Travel	12

* 2016 data

**Hawaii has no rural Interstate mileage for 2015

The *Annual Highway Report* is based on spending and performance data submitted by state highway agencies to the federal government for 2015. For more details on the calculation of each of the 11 performance measures used in the report, as well as the overall performance measure, please refer to the appendix in the main report. The report's dataset includes Interstate, federal and state roads but not county or local roads. All rankings are based on performance measures that are ratios rather than absolute values: the financial measures are disbursements per mile, the fatality rate is fatalities per 100 million vehicle-miles of travel, the urban congestion measure is the annual delay per auto commuter, and the others are percentages. For example, the state ranking 1st in deficient bridges has the smallest percentage of deficient bridges, not the smallest number of deficient bridges.

Digested 2/19/2018

SB-1011

Submitted on: 2/17/2018 8:57:03 PM

Testimony for TRE on 2/21/2018 9:55:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
De MONT R. D. CONNER	Testifying for Ho'omanapono Political Action Committee (HPAC)	Oppose	Yes

Comments:

We STRONGLY OPPOSE this bill! WE, THE PEOPLE ARE TIRED OF POLITICIANS TAXING US UNTO DEATH! WE WILL HIGHLIGHT THIS BILL IN THE 2018 ELECTION!!!

SB-1011

Submitted on: 2/20/2018 9:33:54 PM

Testimony for TRE on 2/21/2018 9:55:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Rachel L. Kailianu	Testifying for Ho`omana Pono, LLC	Oppose	Yes

Comments:



SB-1011

Submitted on: 2/17/2018 8:30:27 AM

Testimony for TRE on 2/21/2018 9:55:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lynn Murakami-Akatsuka	Individual	Oppose	No

Comments:

I strongly oppose SB 1011's increase of the annual vehicle registration fee from the current \$45 to the proposed \$75 fee. The fee adds on to our burden as Hawaii tax payers to live here. Per past news articles, many local residents have left or leaving the state to other lower taxation states over the years. This bill request is not mindful of the Hawaii residents who already have a great tax burden to pay for living here.

Thank you for the opportunity to testify in opposition of SB 1011.