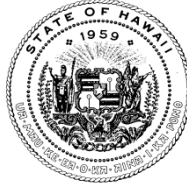


SB 1012

RELATING TO TRANSPORTATION.

Increases the State Fuel Tax to generate additional revenues for the State Highway Fund by amending section 243-4, Hawaii Revised Statutes. Allows for increase in the state motor vehicle registration fee and deposits the money into the State Highway Fund by amending section 249-31, Hawaii Revised Statutes. Increases the state motor vehicle weight tax and deposits the money into the State Highway Fund by amending section 249-33, Hawaii Revised Statutes.



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

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

February 13, 2017
2:30 P.M.
State Capitol, Room 225

S.B. 1012
RELATING TO TRANSPORTATION

Senate Committee on Transportation and Energy

The Department of Transportation (DOT) strongly **supports** S.B. 1012. This bill will provide additional funding resources needed to accomplish its primary mission and sustainability goals by increasing the user fees on fuel, State motor vehicle registration, and State weight tax.

The Highways Division (HDOT) requires \$100 million in additional funding for its Highways Program. This funding would increase available resources to provide a safe, efficient, accessible, well maintained, and sustainable transportation system to all users. HDOT is requesting an increase in user fees collected through fuel sales, State motor vehicle registration, and the State motor vehicle weight fees to provide the necessary additional funding. The adjustment would help HDOT catch up with maintenance of the State's aging system, which was delayed by approximately two years when money was drawn from the State Highways Fund in 1996, 1997, 1998, 1999, 2000, 2001, 2003, and 2006.

The sooner the maintenance cycle on State roadways is reset, the less it will cost to keep State roads in good condition. An analogy is the cost of routine roof maintenance (i.e., replacing shingles when needed) versus having to replace your roof and dealing with damage from a leaky roof. If additional funding is not received, conditions on State interstates, highways, and roads are expected to degrade. In other words, system preservation and repaving projects would focus on the roads in the poor condition status and pavement preservation for roads currently in good condition would be deferred.

The estimated \$100 million raised by the proposed user fee adjustment would also provide funding for operational congestion relief at key bottlenecks, key widening projects, and allow implementation of the Intelligent Transportation System (i.e., traffic cameras, fiber connectivity, remote traffic signal control, and GoAkamai) Statewide.

Currently, there are approximately 1.3 million registered vehicles in the State of Hawaii, one for each man, woman, and child living in the islands. The amount of cars and

people continue to rise, but our ability to add capacity through more lanes for drivers is severely limited due to land restrictions and funding. We cannot build ourselves out of congestion. Therefore, HDOT is focusing resources toward making the system that we have work better. Safety and maintenance of highway facilities are now our #1 priorities. Nearly 80% of highways funding is now earmarked for repaving and reconstructing roads, repairing and rebuilding bridges and tunnels, revising bike and pedestrian facilities, and reconfiguring roadways to meet federal safety requirements.

From a regulatory perspective, this approach is required by the Moving Ahead for Progress in the 21st Century Act (MAP-21) and Fixing America's Surface Transportation Act (FAST), the new funding legislation for the federal highways program. From a practical perspective, if we don't refocus the program in this way, the system will degrade, the roads will be less safe, and interruptions to commutes will increase.

FAST funding increases the allocation of Federal-aid Highway funds for the State of Hawaii by approximately 2% to 2.4% for a Federal Fiscal Years 2017 - 2020. Future Federal-aid Highway funding after the next four-year period will be largely determined by the new President and his administration.

HDOT is required to provide qualifying state matching funds for any funding from the Federal-aid Highways program. The availability of State Highway Funds to meet federal matching requirements is necessary to enable DOT to utilize its share of available federal funds. HDOT has spent down the pipeline of available federal funds from a historic high of \$940 million in 2010 to \$561 million as of December 2016. The normal federal share for eligible projects on the interstate system is 90% and for other eligible roadways it is 80%.

With the bulk of HDOT funding going towards safety and maintenance, only a small portion of the funds will be available for projects that would add lanes and capacity. Therefore, we will not be able to afford projects that widen freeways and highways. Instead, HDOT will be looking at solutions that will bring immediate congestion relief at lower costs and with shorter lead times. These solutions include retiming signals and upgrading equipment in corridors, adding contraflow operations in congested areas, using more shoulders as travel lanes during peak hours, adding traffic control to busy intersections, and building out transportation systems that allow us to control signals remotely and inform the public of any incidents or delays. These changes can be implemented faster and cheaper than building new roads.

At this time, the needs of the highways system and its users already outweigh available funding. If revenues are not increased, more of the available funds will be repurposed to safety and maintenance, and there would be little to no funding available to address congestion and delay. Examples of projects to address congestion and delay that would be deferred if the funding issue is not resolved are: The Farrington Highway turning lane extension; H-1 Freeway eastbound widening projects; Kahekili Highway widening; and, Kuhio Highway short-term improvements.

The additional State Highway Fund revenues will enable the DOT to address any unforeseen emergency highway projects that may be critical to ensure the safety of the public. The DOT has historically been required to expend approximately \$5 million to \$10 million of unbudgeted State Highway Funds each year to address emergency

highway projects due to flooding, shoreline erosion, lava flow, earthquakes and other natural disasters or events. The lack of available funds in the State Highway Fund may significantly impact the DOT's ability to respond to emergencies such as the erosion of Kamehameha Highway in Kaaawa in a timely manner.

The DOT strongly supports the amendments to Section 243-4, Hawaii Revised Statutes subsection (a) to increase the fuel tax; amend Section 249-31, Hawaii Revised Statutes to increase the annual vehicle registration fee; and amend Section 249-33, Hawaii Revised Statutes subsection (a) to increase the annual vehicle weight tax.

The bill proposes to amend Section 243-4, Hawaii Revised Statutes to increase the state fuel tax from 16 cents per gallon to 22 cents per gallon. Act 188, 2012 Session Laws of Hawaii repealed the 17 cents per gallon liquid fuel tax that was enacted in Act 207, 2007 Session Laws of Hawaii on December 31, 2015 to the current 16 cents per gallon liquid fuel tax. Each one cent per gallon in the state tax on liquid fuel is estimated to cost an average driver an additional \$5.50 annually per one cent increase while generating over \$5.0 million in revenues for the State Highway Fund. The state fuel tax revenue for fiscal year 2016 was \$87.77 million or 31.6% of the total State Highway Fund revenue.

The bill also proposes to amend Section 249-31, Hawaii Revised Statutes, to increase the annual vehicle registration fee rate from \$45 to \$75 and the amount to be deposited into the State Highway fund from each annual vehicle registration fee from \$40 to \$70.00. This adjustment in the vehicle registration fee would provide an estimated additional \$30 million annually for the State Highway Fund.

The bill also proposes to amend Section 249-33, Hawaii Revised Statutes subsection (a) to increase the annual vehicle weight tax rates from 1.75 cents to 2.75 cents per pound for each vehicle up to and including four thousand pounds net weight; from 2.00 cent to 3.00 cents per pound for vehicles over four thousand pounds up to and including seven thousand pounds; from 2.25 cents to 3.25 cents a pound for vehicles over seven thousand pounds and under ten thousand pounds; and the flat rate for vehicles over ten thousand pounds from \$300 to \$400. The increase in the state vehicle weight tax is estimated to provide an estimated additional \$27 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 state fuel tax, the state motor vehicle registration, and the state motor vehicle weight tax are the major revenue sources for the State Highway Fund. It is also the major sources of pledged revenues for the Highway Revenue Bonds. The additional revenue sources will positively impact the Highways Revenue Bond ratings of AA, Aa2, and AA+ from Fitch, Moody's, and Standard & Poor's respectively. The high bond ratings decrease our cost of borrowing.

The highways financial plan relies on the state fuel tax, the state motor vehicle registration, and the state motor vehicle weight tax to support the continued operations and maintenance of the State Highway System. Appropriations from the State Highway Fund are used for the construction, operations, and maintenance of the State Highway System.

Any increases in these primary sources of revenues for the State Highway Fund will enhance the Department's ability to construct, operate and maintain the State Highway System. This would enable an increase in the highways capital improvement program and special maintenance programs. The failure of the State to properly maintain the State Highway System may result in sanctions by the Federal Highway Administration including the loss of federal funds.

The increases in revenues will provide safer infrastructure enhancements for all users including pedestrians, bicyclists, transit users and motorists and would positively impact the department's ability to qualify state matching funds for the highways federal-aid program. The availability of state matching funds will result in attracting its share for federal funds. The normal federal share for eligible projects on the interstate system is 90% and for other eligible roadways it is 80%.

To meet the economic needs of the State and preserve the unique quality of life of its residents and visitors to these precious islands, 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 pace with our growing economy, land use development patterns, and increased demand for travel. For example, when the interstate was authorized in 1960, it was planned to accommodate 90,000 drivers per day. In 2016, H-1 sees approximately 240,000 drivers daily. The land transportation system will continue to deteriorate as demand for travel continues to increase; and costs to manage, construct, and administer the system increases.

Fuel tax revenues have been affected by the increased sales of fuel efficient and electric vehicles. These types of vehicles will decrease the amount of fuel tax revenue collections significantly in the future. 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 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. With the funding needs of the State Highway Program severely outweighing the revenues being generated through the state fuel tax, more innovative and diverse revenue generating programs are needed to sustain the State Highway Fund revenues.

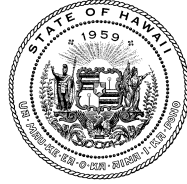
The DOT feels that the proposed user fee adjustments is the most equitable method to provide funding for the State Highway Program, which has not seen a significant increase in revenue since the last time the vehicle weight tax and vehicle registration fees were increased in 2011. The proposed registration fee would affect all vehicles the same. Those driving heavier vehicles causing more wear and tear would pay more than those with lighter vehicles. The smallest increase comes from the proposed fuel fee. People who do not own a vehicle will not pay any of these fees directly.

The increase in revenues will allow DOT to provide more infrastructure enhancements for all users including pedestrians, bicyclists, transit users and motorists and would positively impact the department's ability to qualify state matching funds for the highways federal-aid program. The normal federal share for projects on the interstate system is 90 per cent and for other eligible roadways it is 80 per cent.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Lorraine R. Inouye, Chair
and Members of the Senate Committee on Transportation

Date: Monday, February 13, 2017

Time: 2:30 P.M.

Place: Conference Room 225, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1012, Relating to Transportation

The Department of Taxation (Department) supports the intent of S.B. 1012 and provides the following comments for your consideration.

S.B. 1012 increases the liquid fuel tax by: one cent on diesel and aviation fuel; and from 16 to 22 cents on other liquid fuel, other than alternative fuels. The measure additionally raises the vehicle registration fee and the motor vehicle weight tax. The measure is effective on July 1, 2017.

The Department notes that it can administer the changes to the liquid fuel tax by the effective date of this measure. The motor vehicle registration fee and the motor vehicle weight tax are administered by the counties; the Department defers to the counties as to those portions of this measure.

Thank you for the opportunity to provide comments.



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAI'I AT MĀNOA

Hawaii Energy Policy Forum

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Hajime Alabanza, Hawaii Solar Energy Association
John Antonio, US Dept of Agriculture
Karlie Asato, Hawaii Government Employees Assn
David Bissell, Kauai Island Utility Cooperative
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Matthias Fripp, REIS at University of Hawaii
Ford Fuchigami, Hawaii Dept of Transportation
Justin Gruenstein, City & County of Honolulu
Dale Hahn, Ofc of US Senator Brian Schatz
Michael Hamnett, SSRI at University of Hawaii
Senator Lorraine Inouye, Hawaii State Legislature
Randy Iwase, Public Utilities Commission
Brian Kealoha, Hawaii Energy
Darren Kimura, Energy Industries
Kelly King, Sustainable Biodiesel Alliance
Kal Kobayashi, Maui County Energy Office
Representative Chris Lee, Hawaii State Legislature
Gladys Marrone, Building Industry Assn of Hawaii
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Ben Sullivan, Kauai County
Terry Surles, Hawaii State Energy Office, DBEDT
Lance Tanaka, Par Hawaii, Inc.
Maria Tome, Public Utilities Commission
Kirsten Turner, Ofc of US Representative Tulsi Gabbard
Alan Yamamoto, Ofc of US Senator Mazie Hirono

Testimony of the
Hawaii Energy Policy Forum
Before the

Senate Committee on Transportation and Energy
February 13, 2017 at 2:30 pm in Conference Room 225

In **SUPPORT** of **SB 1012** Relating to Transportation

Chair Inouye, Vice-Chair Dela Cruz, and Members of the Committee,

The Hawaii Energy Policy Forum (“HEPF”), created in 2002, is comprised of over 40 representatives from Hawaii’s electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision, mission, and comprehensive “10 Point Action Plan” serve as a guide to move Hawaii toward its preferred energy goals. It is for that reason that we support SB 1012.

SB 1012 increases State highway fuel taxes and vehicle registration fees and weight taxes. Revenues will support the highway fund for use in “the operations and maintenance of the state highways program.” This directly supports improved operations, efficiency, and planning for Hawaii’s increasingly intermodal transportation systems and energy-efficient modes such as pedestrians, bicyclists, and “complete streets.”

The state fuel tax rate of 16 cents per gallon was put into place in 1991, twenty-six years ago. If adjusted for inflation, the rate of 16 cents in 1991 would be 28 cents today.^[1] This bill would increase the rate on highway fuels to 22 cents per gallon, or 37% below the rate that would have been in place if the fuel tax rate had been indexed to the rate of inflation.

The Forum believes that it is important that this tax be used for its stated purpose: for ground transportation. We support measures to provide needed funding for transportation, and encourage the Department and the Legislature to continue to seek fair funding mechanisms that balance simplicity of administration with flexibility and sustainability as transportation systems change. The Forum understands that this takes time and will require funding. Therefore, the Forum supports this measure, and respectfully requests your approval of this bill.

Thank you for the opportunity to testify.

1 Bureau of Labor Statistics, “CPI Inflation Calculator.” <http://data.bls.gov/cgi-bin/cpicalc.pl?cost1=.16&year1=1991&year2=2016>

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 9, 2017 4:05 AM
To: TRE Testimony
Cc: blawaiianlvr@icloud.com
Subject: Submitted testimony for SB1012 on Feb 13, 2017 14:30PM

SB1012

Submitted on: 2/9/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
De MONT R. D. CONNER	Ho'omana Pono, LLC.	Oppose	Yes

Comments: We STRONGLY OPPOSE this bill. As a native Hawaiian Advocacy Corporation, that operates out of the Wai`anae Coast, we ask you to compare the difference between Wai`anae, Hawaii Kai & Kailua: WAI`ANAE: Waianae, Hawaii, sales tax rate is 4.50%. Income tax is 8.25%. The income per capita is \$18,710, which includes all adults and children. The median household income is \$68,348. (Source: Sterling's Best Places) HAWAII KAI: Household Income and Average Income in Hawaii Kai Marina top Average Household Income \$126,481 Median Household Income \$104,911 Percent Increase/Decrease in Income Since 2000 28% Percent Increase/Decrease in Income Since 2010 8% Average Household Net Worth \$1,148,989 (Source: Hawaii Kai Marina Demographics & Statistics — Employment, ... www.point2homes.com > Honolulu > Ha...) KAILUA: Kailua (zip 96734), Hawaii, sales tax rate is 4.50%. Income tax is 8.25%. Kailua (zip 96734), Hawaii Income and Salaries The income per capita is \$38,998, which includes all adults and children. The median household income is \$93,892. (Source: Sterling's Best Places) So, we see that Wai`anae commuters to town, who are of a lower economic class than commuters from Hawaii Kai & Kailua, will suffer the greatest economically! This is the same "Triple Tax Threat" that was killed last year (an ELECTION year!). We hope that it wasn't politically motivated and that the same reason for killing this bill last year, is applied this year. Mahalo.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov



February 13, 2017

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION
ON SB 1012 RELATING TO TRANSPORTATION**

Thank you Chair Inouye and committee members. I am Gareth Sakakida, Managing Director of the Hawaii Transportation Association (HTA) with over 375 transportation related members throughout the state of Hawaii.

We concur that the department needs funds to perform their function. We have no consensus on how to raise the funds as preferences are as varied as the types of operations our industry encompasses. Therefore we defer to Director Fuchigami's balanced approach.

Last session the department sought to raise \$60.4 million with a fuel tax increase of three cents per gallon at the pump and one cent from distributors, a vehicle registration fee increase of \$15, and the weight tax increase. Although not successful, the session was not a total loss as Act 195 was passed to transfer \$37 million to the highway fund.

This bill's request to increase the fuel tax and registration fee by nearly double (sic cents and one cent) over last year's request, and double the registration fee, plus the weight tax increase seems to recover last year's request (totaling \$60.4 million), and add \$30 million on top of that.

This would result in generating over \$127 million in a two year span prompting a question of whether this is the intent.

Our transportation infrastructure is key to our standard of living in Hawaii and key to the commercial transportation industry's ability to maintain that standard of living for everyone. Our timely deliveries provide Hawaii's citizens with everything they consume, and we accomplish this by having a safe and maintained infrastructure.

Of course we are not without concerns about increased taxes and fees because unlike governments we do not have the ability to mandate revenue increases. We work to strike a balance between meaningful operations and losing customers. In addition to "normal" business taxes our industry also pays various fees specific to our industry operations:

- Federal heavy vehicle use tax;
- Federal excise tax on trucks, tractors, and trailers;
- State registration, fuel, and weight taxes;
- State PUC fees;
- State Airport fees (permittee; gross receipts; vehicle registration; merchandise delivery);
- State Harbor fees;
- State Tour Vehicle Surcharge;
- National Parks fee;
- County Loading Zone permits; and
- County fuel taxes and weight taxes.

Thank you.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: LIQUID FUEL, MISCELLANEOUS, Vehicle Registration, Vehicle Weight, and Fuel Tax Increases

BILL NUMBER: SB 1012, HB 1146 (Identical)

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

EXECUTIVE SUMMARY: Increases the fuel tax, vehicle registration fee, and vehicle weight tax that go 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: This bill is sponsored by the Department of Transportation TRN-05 (17). It amends HRS section 243-4 by increasing the state fuel tax on each gallon of liquid fuel as follows:

- Diesel oil and gasoline or other aviation fuel sold for use in or used for airplanes: from 1 cent to 2 cents.
- Liquid fuel other than the aforementioned fuels and other than alternative fuels sold or used in, or sold in any county for ultimate use in: the city and county of Honolulu, the county of Hawaii, the county of Maui, the county of Kauai: from 16 cents to 22 cents in addition to the counties' respective fuel taxes as prescribed in HRS section 243-5.

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.

Amends HRS section 249-33 by increasing the motor vehicle weight tax, based on net weight, for all vehicles and motor vehicles:

- Up to and including four thousand pounds: from 1.75 cents to 2.75 cents per pound.
- Over four thousand pounds and up to and including seven thousand pounds: from 2.00 cents to 3.00 cents per pound.
- Over seven thousand pounds and up to and including ten thousand pounds: from 2.25 cents to 3.25 cents per pound.
- Over ten thousand pounds: from \$300 to \$400 flat rate.

EFFECTIVE DATE: July 1, 2017

STAFF COMMENTS: These requested tax hikes all seek 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 a recent report from the nonprofit Reason Foundation, available at http://reason.org/files/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. Last year, the previous 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. Even with the amendment considered, the current analysis does not seem to represent a huge improvement over the prior year's rankings.

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 Reason Foundation report:

Hawaii

Hawaii's Complete Results	Ranking
Overall Rank in the 22 nd Annual Highway Report:	48
Overall Rank in 2012:	50
Overall Rank in 2011:	49
Performance by Category in the 22nd Annual Highway Report	
Total Disbursements per Mile	42
Capital-Bridge Disbursements per Mile	44
Maintenance Disbursements per Mile	41
Administrative Disbursements per Mile	49
Rural Interstate Pavement, Percent in Poor Condition	NA*
Rural Other Principal Arterial, Percent in Poor Condition	46
Rural Other Principal Arterial, Percent Narrow Lanes	24
Urban Interstate Pavement, Percent in Poor Condition	50
Urbanized Area Traffic Congestion, Annual Delay Per Auto Commuter	40
Bridges, Percent Deficient	48
Fatality Rate per 100 Million Vehicle-Miles of Travel	21

*Hawaii has no rural Interstate mileage for 2013

Hawaii ranks 48th in the nation in highway performance and cost-effectiveness in the 22nd Annual Highway Report by Reason Foundation.

Hawaii ranks 21st in fatality rate, 48th in deficient bridges, 50th in urban Interstate pavement condition, and 40th in urbanized area congestion.

On spending, Hawaii ranks 42nd in total disbursements per mile and 49th in administrative disbursements per mile.

Hawaii's best rankings are fatality rate (21st), rural arterial lane-width (24th), and urbanized area congestion (40th).

Hawaii's worst rankings are urban Interstate pavement condition (50th) and administrative disbursements per mile (49th).

Hawaii's state-controlled highway mileage makes it the smallest system.

The Annual Highway Report is based on spending and performance data submitted by state highway agencies to the federal government for 2013, the most recent year with complete data available. 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 first in deficient bridges has the smallest percentage of deficient bridges, not the smallest raw number of deficient bridges.

Digested 2/10/2017

POLICY STATEMENT 382 - TRANSPORTATION FUNDING

Approved by the Transportation Policy Committee March 26, 2015

Approved by the Public Policy Committee on May 18, 2015

Adopted by the Board of Direction on July 18, 2015

POLICY

The American Society of Civil Engineers (ASCE) recommends that adequate funding for operating, maintaining, and improving the nation's transportation system be provided by a comprehensive program with sustainable dedicated revenue sources at the federal, state, and local levels, including:

User fees such as existing motor fuel tax, ad-valorem motor fuel sales tax, mileage based user fees, freight waybill tax, carbon tax, barge taxes, container fees, airline passenger ticket tax; aviation fuel tax; passenger facility charges; and other relevant charges;

Tolling as a funding mechanism to repair, reconstruct and expand interstate highway system;

Indexing user fees to the Consumer Price Index (CPI) or other appropriate indices;

General treasury funds; oil surcharges; state and local sales, income, payroll and/or property taxes; corporate taxes and/or repatriation, impact fees; and other development-related fees; transportation maintenance and improvement districts; vehicle registration fees; and toll revenues; dynamic pricing; and

Public-private partnerships, state infrastructure banks, bonding, value capture from transit-oriented development, and other innovative financing mechanisms used as appropriate to leverage available transportation funding.

ASCE further recommends that these funds be managed efficiently through dedicated mode-neutral trust funds with budgetary firewalls to eliminate the diversion of transportation revenues for non-transportation purposes.

ISSUE

Funding programs for transportation systems, i.e., highways, public transportation, rail, airports, harbors, and waterways, need to be substantially increased to provide orderly, predictable and sufficient revenues to meet current and future demand. The 2013 Report Card for America's Infrastructure documents a transportation investment shortfall by 2020 of \$846 billion. This funding, from federal, state, and local sources, is needed to bring America's transportation infrastructure up to a good condition.

The ASCE Report Failure to Act - The Economic Impact of Current Investment Trends in Surface Transportation Infrastructure, showed that in 2010, deficiencies in America's roads, bridges, and transit systems cost American households and businesses roughly \$130 billion, including approximately \$97 billion in vehicle operating costs, \$32 billion in delays in travel time, \$1.2 billion in safety costs, and \$590 million in environmental costs.

If investments in surface transportation infrastructure are not made soon, those costs are expected to grow exponentially. By 2020, U.S. businesses would pay an added \$430 billion in transportation costs, household incomes would fall by more than \$7,000, and U.S. exports will fall by \$28 billion per year.

RATIONALE

Adequate revenues must be collected and allocated to maintain and improve the nation's transportation systems and to be consistent with the nation's environmental and energy conservation goals. A sustainable source or sources of revenue is essential to achieve these goals.

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Testimony to the Senate Committee on Transportation
Monday, February 13, 2017
2:00 p.m.
State Capitol - Conference Room 225

RE: SB 1012 – Relating to Transportation

Chair Inouye, Vice-Chair Dela Cruz, and members of the committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii appreciates the intent of S.B. 1012 which proposes to increase the State Fuel Tax to generate additional revenues for the State Highway Fund by amending section 243-4, Hawaii Revised Statutes. It also proposes an increase in the state motor vehicle registration fee and deposits the money into the State Highway Fund by amending section 249-31, Hawaii Revised Statutes. Finally it proposes increases to the state motor vehicle weight tax and deposits the money into the State Highway Fund by amending section 249-33, Hawaii Revised Statutes.

The building industry understands, on a daily basis, the need to improve our poorly maintained roadway transportation system in the State. In addition, the time lost due to increased traffic congestion, which is more prevalent and occurs for a longer duration during the day, cost business in lost productivity and resources. The building industry community also understands that there is a cost to improving our roadway systems throughout the state.

However, the overriding concern at this point is to insure that all of the funds collected through these various fees and taxes are used specifically to address and improve our roadway system in the State. People don't mind paying for something if they know they are getting what they paid for.

We suggest some language added to the bill that would require accountability and transparency in how the Department of Transportation uses the funds being collected from increasing the fuel tax.

We appreciate the opportunity to provide our input on this important legislation.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 7, 2017 7:06 PM
To: TRE Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB1012 on Feb 13, 2017 14:30PM*

SB1012

Submitted on: 2/7/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 9, 2017 8:58 AM
To: TRE Testimony
Cc: lkakatsu@hawaii.rr.com
Subject: Submitted testimony for SB1012 on Feb 13, 2017 14:30PM

SB1012

Submitted on: 2/9/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

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

Comments: I strongly oppose SB 1012. As a taxpayer we have enough taxes to pay. Our family has seen the increases to the motor vehicle registration and motor vehicle weight tax increase over time for our cars. Other taxes being proposed would add to the current gasoline tax. Legislators, please consider Hawaii residents when you vote on increasing tax matters. In the past years, there have been an increasing out-migration of residents as the cost of living increases and families can't afford the basic needs of food, shelter, health (prescriptions, health insurance premiums), and clothing. I strongly oppose this bill passing. Thank you for the opportunity to testify.

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Katherine T. Kupukaa
Mililani, Hawaii

COMMITTEE ON TRANSPORTATION AND ENERGY
Senator Lorraine R. Inouye, Chair
Senator Donovan M. Dela Cruz, Vice Chair

DATE: Monday, February 13, 2017
TIME: 2:30 p.m.
PLACE: Conference Room 225
State Capitol
415 South Beretania Street

RE: OPPOSE SB 1012 RELATING TO TRANSPORTATION

I oppose the raising of fuel, vehicle weight tax and motor vehicle registration fees. With Hawaii's cost of living, it is appalling that you keep on adding costs to the citizens of this State just because we are able to afford a car. Not all of us have the resources of keeping up with the maintenance of our vehicles. I am on a fixed income so I have to be quite frugal in spending.

The monies you collect from these taxes supposedly goes into the State Highway Fund and yet this fund is constantly raided and thus we have poorly maintained roads, highways and freeways. When can we expect to drive on roads, highways and freeways and not get a jolt going into a pot hole.

The City and County of Honolulu is also passing bills in collecting more taxes and fees for owners of vehicles. This taxes and fees is supposed to be for the failed rail project which is deep financial woes.

I am urging you to not pass this bill and think about all the citizens of this State who happen to owners of motor vehicles.

Thank you for allowing me to voice my concern.

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 10, 2017 10:10 AM
To: TRE Testimony
Cc: Radavison64@gmail.com
Subject: Submitted testimony for SB1012 on Feb 13, 2017 14:30PM

SB1012

Submitted on: 2/10/2017

Testimony for TRE on Feb 13, 2017 14:30PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Davison	Individual	Oppose	No

Comments: Please do not pass this burdensome Tax increase, my family and I cannot afford to pay more...we are barley making it now. Thank you

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Aloha,

I agree with the whole section on raising the liquid fuel tax. I can live with the increase in the registration fee. I am opposed to the increases in the vehicle weight tax. My husband has a large truck. I have an SUV. We are a relatively young couple with a family. We make about 90K-110K/year combined. Every year we struggle to pay the large registration fees as it is. His registration last year was \$430. Mine was \$360. Increasing the fees by approximately 60% (the proposed is a 57% increase) would mean it would cost us \$688 for his Nissan Titan and \$576 for my Toyota Highlander. That is ridiculous. We have one child in a public intermediate, one child in a private preschool, and a toddler. We can barely afford to pay all of our bills as it is. I would much rather pay small increments at a time (liquid fuel tax), where I'd be paying approximately \$.50 extra per fill up then try to figure out how to get the money to pay these exorbitant amounts. If my husband and I struggle financially and make about 100-120% Area Median Income (AMI) in Honolulu, and most Hawaii residents do not even fall into that category (most are at or below 80% AMI), how the hell do you think people are going to be able to pay for this? It is ridiculous and so far removed from the everyday people who live here.

I have a Master's degree in Urban and Regional Planning from UH Manoa. I understand that the City and the State needs the money to repair infrastructure etc. But increasing the registration fees....AGAIN....is NOT the way to go.

Thank you for your kokua,
Sarah Afong

**TESTIMONY REQUESTING AMENDMENT OF SB 1012
RELATING TO TRANSPORTATION
SUBMITTED BY DOUGLAS MELLER FOR THE
FEBRUARY 13, 2017 2:30 PM HEARING OF THE
SENATE COMMITTEE ON TRANSPORTATION AND ENERGY**

1. DEFERRED MAINTENANCE COSTS DRIVERS MORE THAN TIMELY MAINTENANCE

Regardless of State priorities, deferral of timely maintenance will substantially increase the cumulative long-term public expenditures which will inevitably be required for state highway maintenance. Moreover, deferral of timely maintenance also results in drivers having to buy more fuel (because rough roads increase vehicle rolling friction) and to spend more for vehicle maintenance (because rough roads increase vehicle wear-and-tear.) Several mainland studies have found that the short-term public costs to keep highways sealed and smooth are significantly less than the additional short-term private costs (for additional fuel and vehicle repairs) which result without routine highway maintenance.

2. OUR EXISTING "SYSTEM" RESULTS IN DEFERRED MAINTENANCE

Way too many state highways are "bust up". Practically every year before I retired from the state DOT, I heard complaints that the Legislature, the Governor, the Department of Budget and Finance, and/or the DOT Director were inappropriately restricting expenditures, the number of positions, and/or filling of positions required for timely highway maintenance. Although many parties share responsibility, the real reason that state highway maintenance has been chronically underfunded and understaffed is that there are other competing priorities for use of tax revenues deposited to the state highway fund.

3. HIGHWAY MAINTENANCE SHOULD NOT HAVE TO COMPETE WITH OTHER PRIORITIES

To ensure adequate, timely funding of state highway maintenance, I recommend amending SB 1012 to authorize the state DOT to adopt rules to assess highway user fees, to be collected in the manner of taxes currently deposited to the State highway fund, with all highway user fee revenues deposited to a new special fund earmarked solely for maintenance, operation, and management of highways under DOT's jurisdiction. If DOT collected highway user fees, and revenues could only be used for maintenance and operation of DOT highways, no one would have inappropriate incentives to defer expenditure of user fee revenues for highway maintenance.

4. USER FEES MUST BE SPENT TO BENEFIT USERS - - TAXES CAN BE SPENT FOR ANYTHING

Hawaii courts have ruled that revenues from public taxes can be appropriated for any public purpose, but there must be a rational connection between the purpose for which public user

fees are collected and the purpose for which public user fees are spent. Moreover, in Hawaii Insurance Council v. Lingle, the Hawaii Supreme Court specifically ruled that transfer of state user fees to the state general fund would unconstitutionally blur the distinction between the executive power to assess user fees and the legislative power to tax for general purposes.

There is no way the current Legislature can prevent the future appropriation of state highway tax revenues for purposes unrelated to state highways or reserve future tax revenues for timely maintenance rather than for capital improvements to increase highway capacity. 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.

There also is no way the current Legislature can reserve the state's formula apportionment of federal highway funds for timely maintenance rather than for capital improvements to increase highway capacity. State law allows the Director of Transportation to decide how much of the state's apportionment of FHWA funds is used for county projects. While I don't have recent data, I know that from federal FY 2002 through federal FY 2010, about \$190 million of HDOT's apportionment of FHWA funds was contractually "obligated" to reimburse county expenditures for county projects to increase the capacity of county highways. ("Obligation is a federal commitment to reimburse local government expenditures.) This is relevant because practically all FHWA funds "obligated" for county projects could instead have been "obligated" to reimburse eligible DOT expenditures for maintenance of state highways.