



February 15, 2017

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION
ON HOUSE BILL 1144 RELATING TO TAXATION**

Thank you Chair Aquino and committee members. I am Gareth Sakakida Managing Director of the Hawaii Transportation Association (HTA) with 375 members involved with the commercial ground transportation industry.

HTA supports this bill.

We concur that the department needs funds to perform their function, but have questions regarding the amounts requested for the fuel tax and registration, but have no reservations about the weight tax.

There are critical roads, tunnels, and bridge repairs throughout the state that greatly impact communities and need to be addressed.

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: MOTOR VEHICLE, Increase Vehicle Weight Tax

BILL NUMBER: HB 1144; SB 1010 (Identical)

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

EXECUTIVE SUMMARY: Increases the vehicle weight tax 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: This bill is sponsored by the Department of Transportation TRN-03 (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.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: The vehicle weight tax was adopted by Act 195, SLH 1977. At that time, the Conference Report accompanying the bill described the policy rationale:

Additional revenues to the state highway fund are required in order to pay for the increasing costs of operation and maintenance of the present system and future construction. Failure to provide such revenues would adversely affect the present highway system and would inevitably lead to indebtedness in excess of the state debt ceiling.

The fuel tax, which is the primary source of revenues for state highway fund, is an inadequate and unstable source of revenues. It not only unfairly penalizes those citizens with low incomes who must drive long distances, but it fails to address the problems of fuel conservation. An increase in the federal fuel tax and the possibility of another oil embargo could seriously affect the revenue producing capability of the state fuel tax by promoting or compelling a reduction in fuel consumption which, in turn, would result in reduced revenues for the state highway fund.

Rather than viewing the impending highway fund deficit as simply a revenue problem, the legislature finds that a more comprehensive and long-term solution must include the

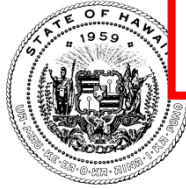
consideration of fuel conservation both as a goal and as it affects fuel tax revenues, tax equity, and the relationship between the numbers and sizes of vehicles, and our capacity to accommodate these vehicles .in terms of our limited land area, highway capacity, and funding ability. Your Committee agrees that a tax on a vehicle by weight would provide both a disincentive which would promote energy conservation and new revenues for the state highway fund.

Conf. Comm. Rep. No. 28 (1977).

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.

Digested 2/13/2017



LATE

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 15, 2017
9:00 A.M.
State Capitol, Room 423

**H.B. 1144
RELATING TO TAXATION**

House Committee on Transportation

The Department of Transportation (DOT) strongly **supports** H.B. 1144. This bill will provide additional funding resources needed to accomplish its primary mission and sustainability goals by increasing the state motor vehicle weight tax.

This bill proposes to increase the state motor vehicle weight tax which is a major revenue source for the State Highway Fund, accounting for 28.2 % of the \$277.85 million of the total revenues for fiscal year 2016. Appropriations from the State Highway Fund are used for the construction, operations and maintenance of the State Highway System.

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

The highways financial plan relies on the state fuel 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 increase in this major source of revenues for the State Highway Fund will enhance the Departments 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 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.

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 15, 2017 8:20 AM
To: TRNtestimony
Cc: blawaiianlvr@icloud.com
Subject: Submitted testimony for HB1144 on Feb 15, 2017

LATE

HB1144

Submitted on: 2/15/2017

Testimony for TRN on Feb 15, 2017 09:00AM in Conference Room 423

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

Comments: We OPPOSE this bill only because there are other bills that deal, at least in part with with this exact issue, like HB 1586, SB1010 & SB1012, which will be heard after this bill, and the Senate version that was heard a few days ago. If this bill passes, it would conflict with HB1587, SB1010 & SB1012. 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