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IN REPLY REFER TO:

FREQUENTLY ASKED QUESTIONS FOR HB2409/SB2938 INVOLVING TRANSPORTATION FUNDING USER FEE ADJUSTMENTS

HONOLULU – The Hawaii Department of Transportation (HDOT) is requesting \$70 million in additional funding for its Highways Program. The additional funding would increase resources utilized to provide a safe, efficient, accessible, well maintained, and sustainable transportation system to all users. HDOT requests that user fees collected through fuel sales, State motor vehicle registration, and the State motor vehicle weight fees (House Bill 2409 and Senate Bill 2938) be increased to provide the additional funding. The adjustment would help HDOT catch up with maintenance of the State's aging system, expedite shoreline protection mitigation to preserve our coastal highways, provide operational congestion relief at key bottlenecks, deliver on key widening projects, and implement its Intelligent Transportation System Statewide.

Currently, there are 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 more lanes for drivers is severely limited due to land restrictions and funding. We simply cannot build ourselves out of congestion. Therefore, HDOT is focusing its resources toward making the system that we have work better. We are holding the safety and maintenance of the highway facilities as the #1 priority. We are putting nearly 80% of highways funding into repaving and reconstructing roads, repairing and rebuilding bridges and tunnels, revising bike and pedestrian facilities, and reconfiguring roadways to be safer. From a regulatory perspective, this approach is what is required by the 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.

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. 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 already outweigh available funding. Therefore, if revenues are not increased, more of the available funds will be repurposed to safety and maintenance, and it would be difficult to see much funding being available to address congestion and delay. The current fee structure is not sustainable for future highway funding.

Below are frequently asked questions and responses on the subject.

How much money is HDOT looking to raise with the proposed adjustment?

HDOT is seeking to generate an additional \$70 million a year for the State Highway Fund. An estimated \$25 million from the vehicle weight fee, \$35 million from the motor vehicle registration fee and \$10 million from the two cent increase in the fuel fee.

How much will the proposed increases cost an average driver?

The amount varies depending on a variety of factors. The more fuel you consume, the heavier your vehicle weighs and the amount of vehicles you own will impact the amount you pay. The proposed increases are expected to cost the average driver an additional \$77.50 per year.

How much more will drivers pay with the proposed adjustments?

We anticipate that the adjustments would result in the following approximate additional costs to drivers per car.

Fuel Fee = about \$11 on average considering about 12,000 miles traveled per year with a fuel efficiency of 22 miles per gallon

Weight Fee = about \$35 on average considering a 3,500-pound vehicle

Registration Fee = \$31.50

Does HDOT receive money from the General Fund or income tax?

The Hawaii Department of Transportation is self-sustaining, meaning it does not use money from the General Fund. HDOT does not receive money from the General Excise Tax (GET), income tax or sales tax. Instead money comes from the State Highway Fund, which is funded by the users of the highway system.

How much funding does HDOT currently receive?

HDOT Highways Program receives approximately \$270 million in revenue from the Highways Special Fund and \$171 million in fiscal year 2016 from the Federal Highways Administration, with incremental increases each year reaching \$187 million by fiscal year 2020.

What is the money used for?

The money collected from the user fees pays for all costs associated with operating and maintaining the highway system including facilities, staff, and equipment. Additional funds raised through increases in the user fees would be used to expedite needed maintenance and system reconstruction projects including shoreline protection, install more equipment that enhances operations and safety, and allow HDOT to move forward with widening projects. The funding would also provide a source for emergency repairs that may not have been budgeted. Recent examples of projects that used this money include the emergency project in Kaaawa which stabilized Kamehameha Highway after

suffering erosion damage; the emergency repairs in the Wilson Tunnel on the Likelike Highway; and the current replacement of the ventilation fans within the Tetsuo Harano Tunnel on the H-3 Freeway. Many projects are emergency based and would have significant impact without swift and immediate action. Currently, emergency projects are funded by pushing other needed projects back to the following year.

How does HDOT pay for maintenance and improvements?

The money used to operate and maintain more than 2,500 lane miles of State roadway comes from the State Highway Fund and the Federal Highways Administration. This money is generated from fees collected from highway users.

What if I don't own a vehicle?

If you do not own a vehicle you will not pay for any of the fees collected for the State Highway Fund. Although non-vehicle owners do not directly add to congestion and impacts to the system, they still benefit from the highways system if they take public transportation that utilizes our roads and property, and if they consume goods brought in through State harbors and airports and delivered on the highway system.

Why do you collect a fee based on vehicle weight?

This is a specific user fee. Heavier vehicles cause more wear and tear on the roadways.

Does my compact car pay the same as a big truck?

The State vehicle weight fee is based on a tiered system. Those tiers would be increased one penny per pound and the lighter the car, the less you pay. The exception is vehicles weighing more than 10,000 pounds which pay a flat fee. The proposed annual flat fee would increase \$100 from \$300 to \$400.

Is HDOT asking for a 2 cent or 3 cents per gallon increase on fuel?

On Dec. 31, 2015 a one cent fee per gallon of fuel was repealed (Act 188 SLH 2012). Currently the fuel fee is \$0.16 cents per gallon of gasoline and diesel. HDOT is asking the State Legislature to restore the one cent fee which would bring it back to \$0.17 cents (as it has been since 2007) plus an additional two cents increase per gallon bringing the total to \$0.19 per gallon.

Are diesel and aviation fuel impacted?

On December 31, 2015 Act 188, 2012 Session Laws of Hawaii repealed the two cents per gallon of diesel oil and the two cents per gallon of aviation fuel to one cent per gallon each. HDOT requests the restoration of both fuel fees back to two cents per gallon.

How are federal funds involved?

The Federal-aid Highway Program, like many other grant programs, works on a reimbursement basis. Therefore, when we ask the federal government for the okay to start a project with federal money, they set aside or "obligate" the full amount of money needed for the project. We can't bill the federal government until we have incurred eligible costs—e.g. paid the contractor or paid for staff labor or purchased materials. For instance, if we have a 3-year project that is going to cost \$3 million, we might only expend \$500,000 the first year, \$2 million the second, and \$500,000 the third. On this single project, we would carry an unexpended balance, (or backlog as the media calls it), every year, albeit decreasing, until the project is completed and we have been fully

reimbursed. Because we have many projects that are started and completed at various times, we should always have some balance of obligated but unexpended federal funding.

The Pipeline, aka unexpended federal balance, is the difference between what is obligated for all projects and what we have expended and have been reimbursed for by the federal government. Again, every state carries an unexpended balance because of the reimbursement nature of the program and the time it takes to deliver projects.

I am still not clear on the pipeline funding, can you give me a comparison?

Pipeline funding is similar to a personal checking account. A person has money set aside for rent, utilities and other recurring monthly expenses. You may have the money in your checking account, but you don't pay the bill until it is due. While that money sits in your account it is obligated, but you wouldn't call it a backlog. Similarly, HDOT has money sitting in its account, but cannot pay its bills until the work is complete.

How much money does the Federal Government contribute and how much does the State match?

In many cases the federal government will pay for 80 percent of certain projects, if the State can match the remaining 20 percent. The additional revenue HDOT is asking for will ensure we can match our share and not miss out on much needed federal dollars. Hawaii residents pay their share of federal taxes like the rest of the nation. HDOT wants to get that money back in order to make improvements, just like other states.

What impact is there on Electric Vehicles?

As of December 2015, there were 3,990 registered electric vehicles in Hawaii, an increase of 26 percent from the prior year. Electric Vehicles use the roadways just like gasoline powered vehicles and are expected to contribute to the operation and maintenance of the highways system. Although electric vehicles don't pay gas fees, they are generally heavier than comparable sized vehicles and pay a little more in weight fees. Electric vehicles pay the same weight and registration fees as gasoline powered cars.

Are there other benefits to adjusting the user fees?

The state fuel fee, the state motor vehicle registration, and the state motor vehicle weight fee are the major revenue sources for the State Highway Fund. They are also the major sources of pledged revenues for the Highway Revenue Bonds. The additional revenue will positively impact the Highways Revenue Bond ratings. A higher bond rating is important because it brings a lower cost of borrowing and saves money.

When does all this begin?

The requested start date is July 1, 2016, if approved by the State Legislature, although the agencies that collect the fees may need some additional time to prepare the system.

How can my voice be heard?

Public testimony is welcome on this and every piece of legislation introduced at the State Capitol. The bill numbers for this subject are HB2409 and SB2938. You can monitor the progress, submit testimony and view hearing dates on the Hawaii State Legislature website which is www.capitol.hawaii.gov/