

JAN 22 2007

S.B. NO. 1514

A BILL FOR AN ACT

RELATING TO TRANSFERS FROM THE GENERAL FUND TO THE STATE HIGHWAY FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$36,400,000, or so
3 much thereof as may be necessary for fiscal year 2007-2008, and
4 the sum of \$36,400,000, or so much thereof as may be necessary
5 for fiscal year 2008-2009, to be deposited into the state
6 highway fund.

7 SECTION 2. There is appropriated out of the state highway
8 fund, the sum of \$36,400,000, or so much thereof as may be
9 necessary for fiscal year 2007-2008, and the sum of \$36,400,000,
10 or so much thereof as may be necessary for fiscal year 2008-2009
11 for the purposes of the state highway fund.

12 SECTION 3. The sums appropriated shall be expended by the
13 department of transportation for the purposes of this Act.

14 SECTION 4. This Act shall take effect on July 1, 2007.

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INTRODUCED BY: _____

BY REQUEST

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JUSTIFICATION SHEET

DEPARTMENT: Transportation

TITLE: A BILL FOR AN ACT RELATING TO TRANSFERS FROM THE GENERAL FUND TO THE STATE HIGHWAY FUND.

PURPOSE: To transfer \$36.4 million from the general fund to the State Highway Fund in each of the fiscal years 2007-2008 and 2008-2009.

MEANS: Appropriates general funds for deposit into the State Highway Fund.

JUSTIFICATION: Bill needed to transfer a total of \$72,800,000 from the general fund: \$36,400,000 in fiscal year 2007-2008 and \$36,400,000 in fiscal year 2008-2009 into the State Highway Fund.

Impact on the public: The public will not be burdened with any additional taxes from this proposal.

Impact on the department and other agencies: The transfer of general funds into the State Highway Fund will provide funding for the Department of Transportation to continue to operate, maintain and construct the State Highway system, and to continue to improve road quality.

This measure is to replace \$143 million of past transfers out of the State Highway Fund from fiscal years 1996 to 2003. In the recent past when the general fund balance was faced with revenue shortfalls, this amount was transferred from the state highway fund into the general fund; an amount equivalent to 3 year's worth of Special Maintenance Projects (SMP) that the Highways Division would have constructed based on average funding levels from 1996 to 2003. These transfers resulted in a reduction in the highways SMP budget and the Highways Division

changed its resurfacing cycle from an average of one every 10 years to once every 14 years. As a result, road conditions deteriorated.

Since the highways SMP is funded out of the State Highway Fund, any reductions to the State Highway Fund has a direct affect to the maintenance of state highways

The proposed transfers will provide the means for the State Highways Division to implement its projected SMP projects to catch up on deferred maintenance in the 2007-2008 and 2008-2009 biennium period. Having sufficient balances available will also provide the opportunity to have a ready source of matching funds if the State Highways Division elects to federalize some SMP projects. The normal federal share for interstate system projects is 90 percent and for other eligible roadways is 80 percent. It would not be prudent to risk the possible loss of these funds because the state lacks the 10 percent or 20 percent matching share.

The proposed general fund transfers into the state highway fund will aid the CIP program in the following ways:

1. To adequately fund debt service for both Reimbursable G.O. Bonds and Revenue Bonds.
2. Fund emergency projects or other unforeseen needs as circumstances merit such as:
 - A. Kalaniana'ole Highway, Emergency Landslide Repairs at Castle Junction; and
 - B. Kauai Emergency Flood Repairs at various locations and repairs required by earth movements on the island of Hawaii.

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3. To fully or partially fund one or more high cost priority CIP projects.

Transferring a total of \$72,800,000 from the general fund into the highways special fund will ensure that funding required to operate, maintain and construct the state highway system is available for the 2007-2008 and 2008-2009 fiscal year biennium period.

GENERAL FUND: The general fund will transfer a total of \$72,800,000 into the state highway fund: \$36,400,000 in fiscal year 2007-2008 and \$36,400,000 in fiscal year 2008-2009.

OTHER FUNDS: The state highway fund will receive transfers from the general fund.

PBS PROGRAM DESIGNATION: TRN 595.

OTHER AFFECTED AGENCIES: Department of Budget and Finance.

EFFECTIVE DATE: Effective July 1, 2007.