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February 18, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 1734, RELATING TO MANAGEMENT OF STATE FUNDS.

COMMITTEE ON FINANCE

This measure provides for an increase of the annual rate of central service expenses assessments fees on special funds from 5% to 6%, for the period of 6 years, effective July 1, 2009 to June 30, 2015. It also removes all exemptions from central service expenses assessments for all special funds beginning June 1, 2009.

Although the Department of Transportation (DOT) has the following concerns about this measure, we **defer** to the Department of Budget and Finance (B&F) as to the Administration's position on this bill.

For fiscal year 2008, the DOT's 5% assessment was approximately \$22.7 million. This was the amount that was transferred to the General Fund for central service expenses under Section 37-27, Hawaii Revised Statutes. Given our current financial situation, the DOT is looking for new ways to: 1) generate more revenues, 2) maintain our current revenue levels, and 3) cut our operating and maintenance costs. It is critical that we have a sustained level of funding to support our current operations, as well as to implement the Airports, Harbors, and Highway's modernization plans. Any increase to our assessment costs will have a significant adverse impact to our programs.

Thank you for the opportunity to testify on this bill.