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IN REPLY REFER TO:

February 3, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 521

COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

House Bill 521 proposes to exempt the amendments made by Act 209, Session Laws of Hawaii 2007 to Section 243-4(a) from the repeal and reenactment provision of Act 103, Session Laws of Hawaii 2007, which will lower the license taxes paid by distributors on each gallon of liquid fuel sold.

The Department does not take a position on the naphtha fuel issue outlined in this bill. However, **the Department does support** the language that deletes the repeal date such that the one cent increase in the state fuel tax, approved as part of Act 103, Session Laws of Hawaii 2007, remains in place so as not to reduce the amount of revenue into the State Highway Fund.

Currently, this 1-cent increase generates \$5 to \$7 million each year in State Highway Fund revenues. If the fuel tax rate was lowered, we would lose this revenue. At a time when the Highways Division is looking for new ways to generate revenue and maintain current revenue levels, any decrease would be detrimental to the health of the State Highway Fund. The revenue from the fuel tax accounts for more than 40% of the State Highway Fund revenues and is the primary means of funding the operations and maintenance, and construction of our state highways.