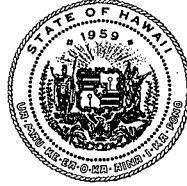


**SB 1614**



**LATE**

STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

March 3, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

COMMITTEE ON WAYS AND MEANS

SENATE BILL NO. 1614, S.D.1, RELATING TO  
THE PASSENGER FACILITY CHARGE SPECIAL FUND.

We **support** this bill, which will authorize the Department of Transportation (DOT) to use the Passenger Facility Charge (PFC) Special Fund for bonds and to establish subaccounts.

This bill is very similar to our Administration's Initiative, which was introduced as Senate Bill No. 984. It appears that the intent of both bills is the same and will result in the DOT having the ability to create subaccounts with the PFC Special Fund and to pay debt service on bonds issued to finance airport capital improvement projects, as permitted by the Aviation Safety and Capacity Expansion Act of 1990, recodified as Title 49 United State Code Section 40117.

The use of PFCs is governed by HRS Section 261-5.5. Presently, section 261-5.5 permits PFCs to be used only to directly pay the costs ("pay-as-you-go") of the Airport Projects approved by the legislature. As presently worded, the statute is unclear regarding the use of PFCs in indirect financing structures.

The DOT would like the flexibility to use PFC revenue more efficiently to better meet the needs of the State's Airports System. This bill would provide the DOT with the flexibility to finance the cost of the Airport Projects with the proceeds of bonds that would be completely or partially backed by the PFCs, as well as with pay-as-you-go. The DOT believes that using the PFC revenue to offset the State's debt service requirements on the Airport Bonds or to reimburse the State in the future for current Airport Project expenditures, will allow the DOT to use its PFC revenues more efficiently in meeting the financial needs of the Airport Projects.

The proposed bill would provide such benefits as: 1) Give the DOT more flexibility in financing the Airport Projects and make the DOT more efficient in meeting the air transportation needs of the State, 2) Instill confidence in the bond market regarding the investment quality of the Airport Bonds, 3) Be accepted by the bond market as an effective way of reducing debt service, and 4) Be permissible under federal laws governing the use of PFCs.

Accordingly, we ask for your favorable consideration of this bill.