

HOUSE OF REPRESENTATIVES  
TWENTY-FIFTH LEGISLATURE, 2010  
STATE OF HAWAII

H.B. NO. 2370

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## A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

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

SECTION 1. The legislature finds that although car rental concessions at Hawaii's public airports contribute over \$30,000,000 a year in concession revenues to support Hawaii's public airports, the legislature in 2008 recognized that no facility improvements to those concessions would be made given other airport priorities as to the use of the funds. Thus, in spite of years of discussions, the facilities over time have deteriorated and have not kept pace with car-rental facilities and services provided to visitors and residents at other public airports across the United States.

As a result the legislature in 2008 passed Act 226, which established a car-rental-facilities-charge program similar to programs at more than seventy-five other airports across the United States. The Act initially established a car-rental-facility charge of \$1 per day and initially appropriated \$10,000,000 for planning, design, and some improvements. Recognizing the importance of the program to Hawaii's construction industry and economy, the legislature required the department of transportation to provide annual reports and timelines to ensure the "fast-tracking" of the facility projects and services.

The department has sought to fast-track the program in keeping with the legislative directive and, with the assistance of planners, designers, and other consultants, has completed initial designs and plans for the state-

wide program. The goal of this Act is continue the fast-tracking by:

- (1) Taking the program to the next level by increasing the car-rental-facility charge to \$4.50 daily as recommended by consultants; and
- (2) Making further appropriations to support the program including but not limited to the construction of a \$230,000,000 consolidated-facility at Honolulu International Airport and an overflow storage facility at Kahului airport.

According to reports prepared by consultants, the increased charge of \$1 daily to \$4.50 daily is expected to fund the planned state-wide program with no anticipated future increases. This fee and one-time step up is comparable to similar charges and programs at other airports. Delayed generation of revenues by stepping up such charges as proposed could likely result in the fee rising higher than \$5 daily which must be avoided.

The charge of \$4.50 daily and revenues generated will strongly support both the program as well as the bonds to finance the related construction projects, which will total about \$500,000,000. It is very important that the program have strong financing and the stream of revenues to attract the buyers of the bonds during these turbulent economic times, to avoid program delays. The one-time-increased charge as opposed to stepped-up charges will also result in as much as \$300,000,000 saved in finance costs. By fast-tracking the projects, it is anticipated the program will benefit from about thirty per cent to forty per cent in construction cost savings.

As reported by consultants, the increased charge to \$4.50 daily is expected to have no negative impact as to car-rentals at public airports or public airport revenues. Other cities and airports have studied similar concerns and repeatedly the studies have found no correlation or negative impact related to an increased charge. In fact, airports generally have seen an increase in revenues since the facilities attract car-rental

companies to conduct their business at the airport.

The program does not require visitor and residents to rent a car at a public airport. Individuals will have the opportunity to rent vehicles from off-airport locations and thereby avoid having to pay the car-rental-facility charge. To minimize the impact to travel agents and others marketing travel packages and quoting prices, the legislature will delay implementation of the increased car-rental-facility charge until September 1, 2010.

While the goal of fast-tracking was to start the construction of the Honolulu International Airport facility as early as the first quarter of 2010 and thereby provide critical jobs and support for Hawaii's economy, the collection of the increase charge to \$4.50 daily has delayed the implementation of this start date as well as any related sale of bonds. Although the Act provides that the department has the discretion to raise and adjust the car-rental-facility charge to meet the program's goals notwithstanding any law to the contrary, the department recently commented that the law needs to be clarified and that it cannot increase charges without proceeding through the rules process, which could take twelve months or longer. The legislature finds that it is preferable that increased charges be implemented as of September 1, 2010, to avoid further delays to the program.

Some of the major purposes of this Act are to continue the fast-tracking of this program and its projects, thereby providing critical jobs to Hawaii's residents and stimulating Hawaii's suffering economy by:

- (1) Raising the initial car-rental-facility charge set by the legislature from \$1 daily to \$4.50 daily as recommended by consultants so the strength of the program can be maintained and it can benefit from various anticipated costs savings;

- (2) Raising the initial collection ceiling of car-rental-facility charges from \$10,000,000 to about \$484,000,000 based upon consultant estimates and reports provided to date;
- (3) Clarifying the law so that the department can adjust the car-rental-facility charge without having to establish rules, as recently reported by the department; and
- (4) Appropriating \$301,300,000 for the program for its continued fast-tracking of projects, including the construction of projects at Honolulu International Airport and and Kahului airports.

SECTION 2. Section 261-7, Hawaii Revised Statutes, is amended by amending subsection (h) to read as follows:

"(h) Notwithstanding any laws to the contrary, including but not limited to chapter 91, the department may establish, levy, assess, and collect rental motor vehicle customer facility charges, which shall be paid to the department periodically as determined by the department~~[-]~~; provided that a public informational hearing shall be held for any type of rental motor vehicle charge. These charges shall be used to pay for, or finance on a long-term basis where appropriate, the design, planning, construction, and other uses of the rental motor vehicle customer facility charges as set forth by the rental motor vehicle customer facility charge special fund in section 261-5.6.

The rental motor vehicle customer facility charges shall be levied, assessed, and collected from all rental motor vehicle customers who benefit from the use of any type of rental motor vehicle facility or service provided by the department at a state airport.

All rental motor vehicle customer facility charges shall be collected by lessors as defined in section 437D-3 and who operate a car rental concession awarded by the department at a state airport; provided that

customers of lessors, as defined in section 437D-3, who do not operate a car rental concession at a state airport but whose customers benefit from the use of a car rental facility or service at a state airport paid for by rental motor vehicle customer facility charges, shall collect from such car rental customers, rental motor vehicle customer facility charges in an amount determined by the department that represents a fair share of the cost and ongoing expenses relating to customer use of such a facility or service. All rental motor vehicle customer facility charges collected by such lessor shall be paid to the department.

Notwithstanding any law to the contrary, the department may contract the management, maintenance, and operations of the facility and related services with airport concessions or their designee that share in the use of a rental motor vehicle customer facility at a state airport."

SECTION 3. Act 226, Session Laws of Hawaii 2008, is amended by amending sections 9 and 10 to read as follows:

"SECTION 9. Notwithstanding section 7 of this Act, the department of transportation, as of September 1, [~~2008~~] 2010, shall levy, assess, and collect a rental motor vehicle customer facility charge of [~~\$1~~] \$4.50 per day, or any portion of a day that a rental motor vehicle is rented or leased, by a rental motor vehicle concession where customers pick up and return rental vehicles to a facility at a state airport as determined by the director. Moneys shall continue to be collected only until such time that the sum of [~~\$25,000,000~~] \$483,908,000 is collected and deposited into the rental motor vehicle customer facility charge special fund. The provisions of this section shall not impair, limit, or restrict the department of transportation from levying, assessing, establishing, and collecting rental motor vehicle customer facility charges as set forth in section 7 of this Act.

SECTION 10. There is appropriated out of the rental motor vehicle customer facility charge special fund established by section ~~[261-5.6,]~~ 261-5.6, Hawaii Revised Statutes, the sum of \$10,000,000 or so much thereof as may be necessary for fiscal year 2008-2009 for the:

- (1) Planning, conceptual design, and design of rental motor vehicle customer facilities at state airports and related services; and
- (2) Planning, conceptual design, design, and improvement, pavement, lighting, construction, and fencing to an existing ground-level storage area shared by rental motor vehicle concessions at the state airport located in Kahului, Maui.

The sum appropriated shall be expended by the department of transportation for the purposes of this Act.

Any unexpended or unencumbered balance of any appropriation made by this Act as of the close of business on June 30, 2011 shall lapse into the rental motor vehicle customer facility charge special fund."

SECTION 4. There is appropriated out of the rental motor vehicle customer facility charge special fund established by section 261-5.6, Hawaii Revised Statutes, the sum of \$291,300,000 or so much thereof as may be necessary for fiscal year 2010-2011 for the:

- (1) Planning, design, and temporary relocation of rental motor vehicle operations and related expenses;
- (2) Construction costs relating to temporary relocation of current rental motor vehicle operations during the construction of a consolidated facility at the Honolulu International Airport and related expenses;
- (3) Planning and design of rental motor vehicle facilities at the Honolulu International Airport and related expenses;
- (4) Planning, design, and construction of an overflow storage lot at

Kahului Airport and related expenses;

- (5) Initial planning and design of consolidated facilities at Kahului Airport and related expenses;
- (6) Statewide development and program management of a car rental facilities program and related expenses; and
- (7) Construction of a consolidated rental motor facility at Honolulu International Airport and related expenses.

The sum appropriated shall be expended by the department of transportation for the purposes of this Act.

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect on July 1, 2010.

INTRODUCED BY: \_\_\_\_\_

**Report Title:**

Aeronautics; Rental Motor Vehicle Customer Facility Charge Special Fund

**Description:**

Raises rental motor vehicle customer facility charge from \$1/day to \$4.50/day. Appropriates funds out of the rental motor vehicle customer facility charge special fund for multiple purposes.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*



# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** MISCELLANEOUS, Rental motor vehicle customer facility charge

**BILL NUMBER:** SB 2461; HB 2370 (Identical)

**INTRODUCED BY:** SB by English and 3 Democrats; HB by Souki, Aquino, Awana, Hanohano, Keith-Agaran, M. Lee, Nakashima, Rhoads, Yamashita and 1 Democrat

**BRIEF SUMMARY:** Amends Act 226, SLH 2008, to increase the rental motor vehicle customer facility charge from \$1 to \$4.50 per day on September 1, 2010. Increases the threshold when the charge shall not be imposed from \$25,000,000 to \$483,908,000.

Also amends Act 226, SLH 2008, to provide that any unexpended or unencumbered balance of any appropriation made by this act as of June 30, 2011 shall lapse into the rental motor vehicle customer facility charge special fund.

Appropriates \$291,300,000 out of the rental motor vehicle customer facility charge special fund for fiscal 2011 for the: (1) planning, design, and temporary relocation of rental motor vehicle operations and related expenses; (2) construction costs relating to temporary relocation of current rental motor vehicle operations during the construction of a consolidated facility at the Honolulu International Airport and related expenses; (3) planning and design of rental motor vehicle facilities at the Honolulu International Airport and related expenses; (4) planning, design, and construction of an overflow storage lot at Kahului Airport and related expenses; (5) initial planning and design of consolidated facilities at Kahului Airport and related expenses; (6) statewide development and program management of a car rental facilities program and related expenses; and (7) construction of a consolidated rental motor facility at Honolulu International Airport and related expenses.

Amends HRS section 261-7(h) to require a public hearing for any type of rental motor vehicle charge.

**EFFECTIVE DATE:** July 1, 2010

**STAFF COMMENTS:** The legislature by Act 226, SLH 2008, provided for the imposition of a rental motor vehicle customer facility charge to be used to develop, renovate, enhance, and maintain car rental facilities at state airports. It should be noted that the rental motor vehicle customer facility charge is based on the number of cars rented and as visitor counts fluctuate, so will the amount of revenues in the fund which may make the car rental customer facility charge an undependable source of revenue. As the purpose clause notes, this measure is to “fast-track” the building of a consolidated rental car facility at the state’s airports, in particular at Honolulu International Airport. It is an ambitious project as the ceiling on the special fund is being raised to more than \$480 million. Care should be exercised to insure that these funds can not be raided to be used for purposes other than building the specified facility. A special fund of this size could become a very tempting target to bail out general fund programs in these difficult economic times.

Digested 1/29/10

Honorable Joseph Souki  
Committee on Transportation  
House of Representatives, Hawaii  
a.m.; Room 309

Hearing: February 3, 2010, 9:00

**Re: HB 2370 – Relating To Transportation**

Chair Souki and Honorable Committee Members,

My name is Dave Wilson and I am the Remarketing Manager with National Car Rental.

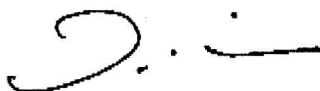
We support this bill and testimony by Catrala-Hawaii.

This Legislature with the passage of Act 226 in 2008 sought to fast-track improved services and projects relating to the u-drive (car rental) operations at Hawaii's airports. Initially the Act provided funding with a CFC fee of \$1.00 daily and appropriation of \$10 million for statewide planning and design.

It's now time to take this Program to the next level by providing for a source of funds that will generate sufficient revenues to fund approximately \$500 million in projects statewide. This bill proposes to do this by a one-time increase of the CFC fee to \$4.50 daily. By doing so and avoiding stepped up increases consultants have reported this will seek to avoid such CFC fee being raised to higher than \$5.00 daily in the future and will also result in \$300 million dollars in finance savings. Fast tracking these projects will also result in anticipated construction-cost savings of 30% to 40% while providing critical jobs to Hawaii's economy.

This bill also seeks to ensure the Program's funding with construction projects by having the Legislature set the initial increase to \$4.50 as recommended by consultants to: 1) avoid any delays or problems due to lack of funding; and 2) ensure that the Program continues to move forward in meeting its fast-tracking goals as intended by the Legislature without diminished funding unless approved by the Legislature.

We thank you for your past support and respectfully urge you to pass this bill.



Dave Wilson  
Revenue Manager



514 Ohohia Street  
Honolulu, HI 96819  
808-836-0130  
www.enterprise.com

Honorable Joseph Souki  
Committee on Transportation  
House of Representatives, Hawaii

Hearing: February 3, 2010, 9:00 a.m.; Room 309

Re: HB 2370 – Relating To Transportation

Chair Souki and Honorable Committee Members,

My name is Chris Sbarbaro and I am the Vice President of Rental with Enterprise Rent A Car.

We support this bill and testimony by Catrala-Hawaii.

This Legislature with the passage of Act 226 in 2008 sought to fast-track improved services and projects relating to the u-drive (car rental) operations at Hawaii's airports. Initially the Act provided funding with a CFC fee of \$1.00 daily and appropriation of \$10 million for statewide planning and design.

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We thank you for your past support and respectfully urge you to pass this bill.

Chris Sbarbaro  
Vice President of Rental



544 Ochoa Street, Ste 7  
Honolulu, HI 96819

Honorable Joseph Souki  
Committee on Transportation  
House of Representatives, Hawaii  
a.m.; Room 309

Hearing: February 3, 2010, 9:00

Re: HB 2370 – Relating To Transportation

Chair Souki and Honorable Committee Members,

My name is Christian Heimbach and I am the Business Manager with Alamo Rent A Car.

We support this bill and testimony by Catrala-Hawaii.

This Legislature with the passage of Act 226 in 2008 sought to fast-track improved services and projects relating to the u-drive (car rental) operations at Hawaii's airports. Initially the Act provided funding with a CFC fee of \$1.00 daily and appropriation of \$10 million for statewide planning and design.

It's now time to take this Program to the next level by providing for a source of funds that will generate sufficient revenues to fund approximately \$500 million in projects statewide. This bill proposes to do this by a one-time increase of the CFC fee to \$4.50 daily. By doing so and avoiding stepped up increases consultants have reported this will seek to avoid such CFC fee being raised to higher than \$5.00 daily in the future and will also result in \$300 million dollars in finance savings. Fast tracking these projects will also result in anticipated construction-cost savings of 30% to 40% while providing critical jobs to Hawaii's economy.

This bill also seeks to ensure the Program's funding with construction projects by having the Legislature set the initial increase to \$4.50 as recommended by consultants to: 1) avoid any delays or problems due to lack of funding; and 2) ensure that the Program continues to move forward in meeting its fast-tracking goals as intended by the Legislature without diminished funding unless approved by the Legislature.

We thank you for your past support and respectfully urge you to pass this bill.

Christian Heimbach  
Business Manager



The Hertz Corporation  
677 Ala Moana Blvd., STE# 916  
Honolulu, HI 96813

Honorable Joseph Souki  
Committee on Transportation  
House of Representatives, Hawaii

Hearing: February 3, 2010, 9:00 a.m.; Room 309

Re: HB 2370 – Relating To Transportation

Chair Souki and Honorable Committee Members:

My name is Aaron Medina and I am the General Manager for Hawaii, with The Hertz Corporation.

We support this bill and testimony by Catrala-Hawaii.

The passage of Act 226 in 2008 sought to fast-track improved services and projects relating to the car rental operations at Hawaii's airports. Initially the Act provided funding through collection of a CFC fee of \$1.00 daily, and appropriation of \$10 million for statewide planning and design.

It is now time to take this Program to the next level by generating sufficient revenues to fund approximately \$500 million in projects statewide. This bill proposes to do this through a one-time increase of the CFC fee to \$4.50 daily. By doing so and avoiding stepped up increases, consultants have reported this will seek to avoid such having to raise the fee to \$5.00 daily or more in the future. Fast tracking these projects through sufficient funding will realize an estimated \$300 million in finance savings, as well as an anticipated construction-cost savings of 30% to 40%, while providing critical jobs to Hawaii's economy.

Thank you for allowing us to testify.

Respectfully,

A handwritten signature in black ink, appearing to read "Aaron Medina".

Aaron Medina  
General Manager, Hawaii