

LINDA LINGLE
GOVERNOR



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DEPARTMENT OF TRANSPORTATION
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IN REPLY REFER TO:

March 26, 2010

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

COMMITTEE ON FINANCE

SENATE BILL NO. 2461, SD2, HD1
RELATING TO TRANSPORTATION

The Department of Transportation (DOT) **supports** this bill. The increase in the CFC charge will enable the DOT to move forward with the effort to provide modern rental car facilities for travelers and residents.

The projects funded in this bill will assist the industry in providing services more effectively and efficiently, and will add to the overall impression of Hawaii as a world class visitor destination.

Thank you for considering our testimony.

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, HD-1

INTRODUCED BY: House Committee on Transportation

BRIEF SUMMARY: Amends HRS section 261-7(h) to statutorily establish and increase the rental motor vehicle customer facility charge from \$1 to \$4.50 per day on a rental motor vehicle that is rented or leased by a rental motor vehicle concession at a state airport beginning September 1, 2010. Stipulates that the \$4.50 charge shall not be reduced by the department of transportation for at least 20 years following its imposition, or as necessary for the repayment of bonds. Permits the department of transportation to establish, levy, assess, and collect the rental motor vehicle customer facility charge without regard to HRS chapter 91.

Makes conforming amendments to Act 226, SLH 2008, and repeals the \$25 million cap of the rental motor vehicle customer facility charge special fund which shall take effect on September 1, 2010.

Appropriates \$286,000,000 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 261-5.6 to permit any resolution or certificate authorizing any issue of bonds, relating to the use of the rental motor vehicle customer facility charge for an airport capital improvement program project approved by the legislature, to establish other accounts within the rental motor vehicle customer facility charge special fund and require the transfer of the passenger facility charge into the other accounts to pay debt service on the related bonds.

EFFECTIVE DATE: Upon approval

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.

While the measure would allow a resolution or certificate authorizing any issue of bonds relating to the use of the rental motor vehicle customer facility charge for an airport capital improvement program project to establish other accounts within the rental motor vehicle customer facility charge special fund and require the transfer of the passenger facility charge into the other accounts to pay debt service on the related bonds, care should be exercised to insure that these funds shall only be used for building the specified facilities and cannot be raided. A special fund of this size could become a very tempting target to bail out general fund programs in these difficult economic times.

Digested 3/24/10



HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO

Gentry Pacific Design Center, Suite 215A * 560 N. Nimitz Highway, #50 * Honolulu, Hawaii 96817
(808) 524-2249 - FAX (808) 524-6893

NOLAN MORIWAKI

President

Bricklayers & Ceramic Tile Setters

Local 1 & Plasterers/Cement Masons

Local 630

JOSEPH O'DONNELL

Vice President

Iron Workers Local 625

DAMIEN T.K. KIM

Financial Secretary

International Brotherhood of

Electrical Workers Local 1186

ART TOLENTINO

Treasurer

Sheet Metal Workers I.A. Local 293

MALCOLM K. AHLO

Sergeant At Arms

Carpet, Linoleum, & Soft Tile

Local 1296

REGINALD CASTANARES

Trustee

Plumbers & Fitters Local 675

THADDEUS TOMEI

Elevator Constructors Local 126

JOSEPH BAZEMORE

Drywall, Tapers, & Finishers

Local 1944

RICHARD TACGERE

Glaziers, Architectural Metal &

Glassworkers Local 1944

GARY AYCOCK

Boilermakers, Ironship Builders

Local 627

LYNN KINNEY

District Council 50

Painters & Allied Trades Local 1791

EUGENE SOQUENA

Operating Engineers Local 3

DOUGLAS FULP

International Assoc. of Heat & Frost

Insulators & Allied Workers Local 132

RONAN KOZUMA

Hawaii Teamsters & Allied

Workers Local 996

PETER GANABAN

Laborers' International Union of

North America Local 368

VAUGHN CHONG

Roofers, Waterproofers & Allied

Workers United Union of Roofer

Local 221

March 23, 2010

Honorable Representative Marcus R. Oshiro, Chair
Honorable Representative Marilyn B. Lee, Vice Chair
Members of the House Committee on Finance
Hawaii State Capital
415 South Beretania Street
Honolulu, HI 96813

RE: **IN SUPPORT OF SB 2461, SD2, HD1**
RELATING TO TRANSPORTATION

Dear Chair Oshiro, Vice Chair Lee and the Committee on Finance

For the Record my name is Buzz Hong, the Executive Director for the Hawaii Building & Construction Trades Council, AFL-CIO. Our Council is comprised of 16-construction unions and a membership of 26,000 statewide.

The Council **SUPPORTS** the passage of **SB 2461,SD2,HD1** that ensures long term funding for various Department of Transportation Capital Improvement Projects throughout the state of Hawaii.

Thank you for the opportunity to submit this testimony in support of **SB 2461,SD2,HD1.**

Sincerely,

William "Buzz" Hong
Executive Director

WBH/kb

Honorable Marcus Oshiro, Chair
Committee on Finance
House of Representatives, Hawaii

Hearing: March 26, 2010, 10:00 a.m.; Room 308

Re: SB 2461, HD1 – Relating To Transportation
Chair Oshiro and Honorable Committee Members,

My name is Paul Kopel and I am the Chair of Catrala-Hawaii's Legislative Committee. Catrala's membership consists of the major u-drive (car rental) companies in Hawaii and the many businesses which support the industry.

Our company supports this bill with clarifying amendments. Please see attachments. Exhibit 1 clarifies a typo. Exhibit 2 clarifies the appropriation amounts sought. Initial appropriation passed by House companion bill was for \$320 million but that has been clarified and lowered to \$281 million. Exhibit 3 clarifies Catrala's understanding of appropriation amounts being sought by the Administration and by Catrala. Catrala is being more aggressive in the appropriation amounts being sought. All amounts to be paid for by special funds. To ensure continuity of program without disruption and delays due to lack of funding or lack of appropriation or improper description of use of funds we respectfully ask that ***requested appropriations set forth in this bill be also set forth in the CIP budget with descriptions as set forth in this bill.***

We thank you for passing the House companion bill to this Senate bill which as mentioned contained total appropriations of \$320 million. 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.

Studies of similar programs at other airports in the United States demonstrate that such increased fees will not result in any loss of airport rentals or fees paid to the public airports. To the contrary studies show that renters value such enhanced facilities and services resulting in more rentals at public airports as well as increased revenues paid to the airports.

Still further, these projects could not have come at a more critical time given the thousands of unemployed construction workers and the need to stimulate our struggling economy. Such public work projects are so important during these times of hardship. Please pass this important bill.

SB 2461 HD1 (proposed change HD 2 by Catrala as of March 21, 2010)

New language in CAPS.

Deleted language in [[brackets]].

SECTION 2 OF BILL

(d) Any resolution or certificate authorizing any issue of bonds relating to the use of the rental motor vehicle customer facility charge for an airport capital improvement program project approved by the legislature may establish other accounts within the rental motor vehicle customer facility charge special fund and require the transfer of the RENTAL MOTOR VEHICLE CUSTOMER [[passenger]] facility charge into the other accounts to pay debt service on the related bonds."

EXHIBIT I

CATRALA CHANGES AS OF 3/22/10 AT 6 PM

~~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 5. 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 ~~\$286,000,000~~ ^{\$281 M} or so much thereof as may be necessary for fiscal year 2010-2011 for:

- (1) Planning, design, and construction relating to and for the temporary relocation of rental motor vehicle operations and related expenses at Honolulu International Airport; ^{\$ 31.7 M}
- (2) Planning, design, and construction of consolidated rental motor vehicle facilities at the Honolulu international airport and related expenses; ^{CONSTRUCTION - \$185 M}
^{PLANNING & DESIGN - \$14.5 M (LESS \$6.7 M IF POT 09-10 BUDGET)}
- (3) ~~Planning, design, and~~ Construction of an overflow vehicle storage lot at Kahului airport and related expenses; ^{\$ 6.5 M}
- (4) Planning and design of consolidated facilities at Kahului airport and related expenses; ^{\$ 17 M}
- (5) Statewide development and program management of a vehicle rental facilities program and related expenses; ^{\$ 7.5 M}
- (6) Purchase of, or reimbursing of the department of transportation or any department or agency of the state that purchases lands, together with any supporting utility and utility allocation needs for such lands, near the Lihue Airport for purposes of locating a consolidated rental motor vehicle facility on such lands; and ^{\$20 M}
- (7) Initial planning and design of a consolidated rental motor vehicle facility on lands at or near the Lihue Airport, and related expenses. ^{\$ 2.5 M}

EXHIBIT 2

CFC Program CIP Overview by Catrala as of March 22, 2010 for Legislative Meetings at 6 PM

NOTE: CATRALA POSTION IN (PARENTHESIS)

	09-10 Budget	10-11 Budget
Kahului Overflow design	\$.8 mil last year DOT	
Kahului Overflow construction		\$ 5.5 mil this year DOT (\$6.5 [11] mil Catrala)
Gov Message for Honolulu Conrac 15% to 100%	\$ 6.2 mil appro correction from last year	
	(\$6.2 mil	\$ 7.3 mil \$8.3 [11.8] mil Catrala)
Gov Message Honolulu Interim Facilities		\$31.7 (\$33 mil Catrala)
Gov Message Kahului Conrac Design		\$ 5.1 mil for 30% (\$17 mil Catrala 100% Design; 30% then 70%)
Gov Message Statewide Program Mgmt		\$ 1.5 mil (\$ 2.5 mil Catrala more projects)
Gov Message Lihue Land Purchase & utility costs		\$17 mil* (\$20 mil Catrala)*
Catrala Lihue initial planning and design		(\$ 2.5 mil Catrala)
Catrala HNL Conrac Construction		(\$185 mil Catrala)
Gov Message Total New Appropriations:	\$68.8 mil not presently in budget	
Catrala Totals:	\$ 281 286 mil since higher estimates than DOT plus added projects	

*Due to errors in appraisals; corrections since Gov Message costs increased to approx. \$20 mil

EXHIBIT 3



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

Honorable Marcus Oshiro, Chair
Committee on Finance
House of Representatives, Hawaii

Hearing: March 26, 2010, 10:00 a.m.; Room 309

Re: SB 2461 HD1 – Relating To Transportation

Chair Oshiro 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.

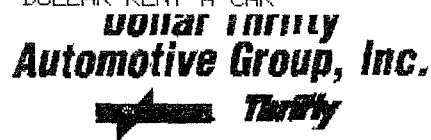
It is now time to take this Program to the next level by generating sufficient revenues to fund approximately \$500 million in projects statewide. This bill proposes to do this through a one-time increase of the CFC fee to \$4.50 daily. By doing so and avoiding stepped up increases, consultants have 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



Honorable Marcus Oshiro, Chair
Committee on Finance
House of Representatives, Hawaii
a.m.; Room 308

Hearing: March 26, 2010, 10:00

Re: SB 2461, HD1 – Relating To Transportation

Chair Oshiro and Honorable Committee Members,

My name is Garrick Higuchi and I am the Area Director with Dollar Thrifty Automotive Group.

Our company supports this bill with amendments proposed 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.

We thank you for allowing us to testify and we urge you to pass this important bill which will not only provide greater services and facilities to Hawaii's travelers but will also stimulate Hawaii's economy with important and critical construction jobs. We are willing to answer any questions you may have.

Sincerely,

A handwritten signature in cursive script that reads "Garrick Higuchi".

Garrick Higuchi
Area Director
DTG Operations, Inc. – Pacific Area

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