

Honolulu, Hawaii

April 29, 2011

RE: H.B. No. 1039
H.D. 1
S.D. 2
C.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sirs:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 1039, H.D. 1, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TRANSPORTATION,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this bill is twofold. First this bill would mitigate the impact of sudden and severe economic events on concessionaires that operate at Hawaii's airports by:

- (1) Amending the authority granted to the Governor by Act 33, First Special Session Laws of Hawaii 2009, to provide rent relief to certain airport concessionaires to include providing rent relief to those concessionaires that do not have a self-adjusting rent formula; and
- (2) Extending the sunset date of Act 33 from July 1, 2011, to July 1, 2013.



This bill would also aid the State in addressing its current fiscal crisis while continuing to assist the rental motor vehicle industry develop necessary airport infrastructure by:

- (1) Increasing the motor vehicle rental surcharge tax from \$2.00 per day to \$7.50 per day until June 30, 2013;
- (2) Depositing \$4.50 of the motor vehicle rental surcharge tax levied into the general fund until June 30, 2013;
- (3) Suspending until June 30, 2013, the \$4.50 per day rental motor vehicle customer facility charge authorized by section 261-7, Hawaii Revised Statutes; and
- (4) Inserting provisions that authorize the issuance of general obligation bonds for the purpose of constructing car rental facilities at various airports throughout the State.

Due to sudden, extraordinary, and severe economic events that played a significant role in creating economic difficulties for the airport concessionaire industry, the Legislature granted the Governor the authority to provide relief to various airport concessionaires pursuant to Act 33, Special Session Laws of 2009. According to the airport concessionaires, however, that relief was inequitable, because it applied only to those concessionaires that had a self-adjusting eighty-five per cent guaranteed rent formula that provided relief in the event of adverse economic occurrences. This measure addresses this inequity by providing rent relief to those concessionaires that do not have a self-adjusting rent formula.

Like airport concessionaires, Hawaii's rental car industry plays a vital role in our most important industry, tourism. To provide better service to customers renting vehicles at the state's airports, improvements needed to be made to the many facilities located at the airports that serve rental car customers. Despite the substantial financial contributions rental car companies make to the state airports system, improvements of rental car facilities have not been high on the priority list for repair and improvements. As such, Act 226, Session Laws of Hawaii 2008 (Act 226) was enacted to allow DOT to establish and collect rental motor vehicle customer facility charges for deposit into a special fund to be used for these improvements. In 2010, the rental motor vehicle customer facility charges were increased to provide a funding source



to fast-track improvements to car rental facilities at Hawaii's airports.

However, the State is currently facing some of the most difficult economic periods it has ever experienced forcing the Legislature to search for additional sources of revenue. Your Committee on Conference notes that temporarily increasing the motor vehicle rental surcharge tax \$7.50 per day and depositing \$4.50 of that increase into the general fund is expected to generate approximately \$60 million in general fund revenues and is necessary in assisting the State in addressing its fiscal needs.

Your Committee on Conference has amended this bill by:

- (1) Increasing the motor vehicle rental surcharge tax for a period of one-year instead of two-years;
- (2) Suspending the \$4.50 per day rental motor vehicle customer facility charge authorized by section 261-7, Hawaii Revised Statutes, for one-year;
- (3) Deleting the provisions that authorize the issuance of general obligation bonds for the purpose of constructing car rental facilities at various airports throughout the State;
- (4) Inserting a severability clause; and
- (5) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 1039, H.D. 1, S.D. 2, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 1039, H.D. 1, S.D. 2, C.D. 1.



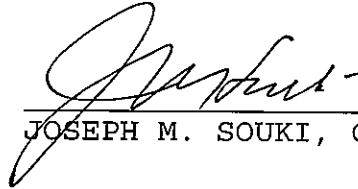
Respectfully submitted on behalf
of the managers:

ON THE PART OF THE SENATE

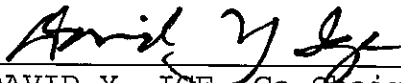
ON THE PART OF THE HOUSE



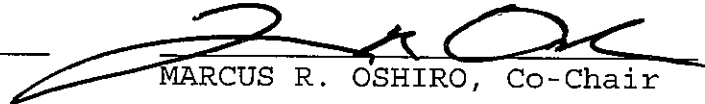
J. KALANI ENGLISH, Chair



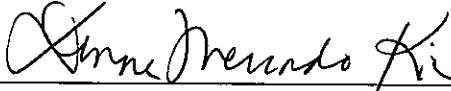
JOSEPH M. SOUKI, Co-Chair



DAVID Y. IGE, Co-Chair



MARCUS R. OSHIRO, Co-Chair



DONNA MERCADO KIM, Co-Chair



