NEIL ABERCROMBIE
GOVERNOR

GLENN M. OKIMOTO
DIRECTOR

Deputy Directors
FORD N. FUCHIGAMI
JAN S. GOUVEIA
RANDY GRUNE
JADINE URASAKI

IN REPLY REFER TO:

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

April 8, 2011

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE COMMITTEE ON WAYS AND MEANS

HOUSE BILL NO. 1039, HD1 SD1 (Proposed SD2)

The Department of Transportation opposes the temporary suspension of the ($4.50) Rental Motor Vehicle Customer Facility Charge (CFC) for two years and rather increases the Rental Motor Vehicle Surcharge Tax (RMVS) by ($4.50) and then deposits that portion of the tax revenue into the general fund.

The Department of Transportation (DOT) is administering proceeds from the CFC in accordance with Hawaii Revised Statute §261-5.6. The statute states, "Moneys in the rental motor vehicle customer facility charge special fund shall be used for enhancement, renovation, operation, and maintenance of existing rental motor vehicle customer facilities and the development of new rental motor vehicle customer facilities and related services at state airports."

To fulfill the above statutory requirement, the DOT has been working closely with the rental motor vehicle industry and has established a statewide master plan for development of new rental motor vehicle customer facilities along with a plan of finance. The plan of finance requires an accumulation of rental motor vehicle customer facility charges in the rental motor vehicle customer facility charge fund so that future lump sum encumbrances can be made for construction projects. Prior to the encumbrance there may be unexpended collections in the rental motor vehicle customer facility charge fund, however, these funds are reserved for specific future uses.

The timeline for construction of the Honolulu International Airport (HNL) consolidated rental car facility will commence in the fall of 2012, with completion in early 2016. Design of the HNL facility has been underway since 2009 and schematic design will be complete by the end of March 2011. Design for the various planned Kahului, Lihue, and Big Island airport projects identified in the program is scheduled to begin in late 2011 and 2012, with all facilities constructed and operating by the end of 2017.

As of this date, the total projected programmed capital expenditure is approximately $550 million, to be funded completely from the CFC Special Fund. The current plan of finance for the program is based upon collection of the $4.50 per day CFC. The HNL consolidated facility would be funded from CFC collections without the need to sell bonds. The Neighbor Island projects would be funded through the sale of CFC-backed revenue bonds (currently estimated to be approximately $250 million).

The rental motor vehicle customer facility charge fund is the only source of funding available for new rental motor vehicle customer facilities since these projects are not eligible for Federal funding and airport special funds and revenue bond funds cannot accommodate these improvements due to essential capital development and operating needs.

L E G I S L A T I V E

TAXBILLSERVICE

126 Queen Street, Suite 304 TAX FOUNDATION OF HAWAII Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: RENTAL MOTOR VEHICLE AND TOUR VEHICLE SURCHARGE, Increase tax; disposition for general fund

BILL NUMBER: HB 1039, Proposed SD-2

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 251-2 to increase the rental motor vehicle surcharge from $3 to $7.50 between July 1, 2011 and June 30, 2013.

Amends HRS section 251-5 to provide that a portion of the rental motor vehicle surcharge that is the equivalent of $4.50 shall be deposited into the general fund.

Amends HRS section 261-7 to suspend the imposition of the rental motor vehicle facility charge of $4.50 per day between July 1, 2011 and June 30, 2013.

Repeals this act on June 30, 2013 and HRS sections 251-5 and 261-7 shall be reenacted in the form in which they read on the day before the effective date of this act.

EFFECTIVE DATE: July 1, 2011

STAFF COMMENTS: The legislature by Act 226, SLH 2010 increased the rental motor vehicle customer facility charge from $1 to $4.50 per day on September 1, 2010 to provide consolidated car rental facilities for the car rental agencies and other related improvements for the department of transportation's airport modernization program. This fee, which is earmarked to finance the construction of coordinated rental vehicle facilities at all the state's airports, is in addition to the rental motor vehicle and tour vehicle surcharge which was adopted nearly 20 years ago to supplement the state highway fund.

This measure proposes to suspend the imposition of the $4.50 passenger facility charge under HRS section 261-7, while increasing the rental motor vehicle surcharge by $4.50 under HRS section 251-2, and divert $4.50 of the rental motor vehicle surcharge to the general fund between July 1, 2011 and June 30, 2013. This could have been achieved more simply by diverting the rental motor facility charge of $4.50 into the general fund between July 1, 2011 and June 30, 2013. As proposed by this measure, the customer will now see a charge of $7.50 for a rental motor vehicle surcharge instead of a rental motor vehicle surcharge of $3 and a rental motor vehicle facility charge of $4.50 under the current law. No doubt this convoluted process is to avoid the criticism that the legislature is raiding yet another special fund. However, this is precisely what the rental car industry was warned would happen when the rate was raised to $4.50 per day. Now the fee is being deemed as premature as no site has been selected, so there appears no immediate need for these funds to go toward the building of the facility.

While this measure is proposed to generate additional revenues for the state general fund and address the state's budgetary mess, it should be remembered that these "revenue enhancement" measures will not work unless state spending is curtailed.

Digested 4/7/11

Dollar Thrifty
Automotive Group, Inc.
DOLLAR Thrifty

April 7, 2011

Honorable David Ige, Chair
Committee on Ways and Means
Hawaii State Senate

Re: HB 1039, SD2; Hearing April 8, 2011, at 9:35 a.m.

Chair Ige and Honorable Committee Members:

My name is Garrick Higuchi, and I am Hawaii Area Director of Operations for DTG Operations, Inc., d/b/a Dollar Rent A Car and Thrifty Car Rental ("DTG").

DTG strongly opposes HB 1039, SD2, which would suspend collection of the rental motor vehicle customer facility charge ("CFC"), increase the rental motor vehicle surcharge tax by that amount (plus an additional $1), and transfer these revenues to the state general fund. Diverting revenue from the CFC fund would have an adverse impact on tourism and the vehicle rental industry and cost jobs.

The legislative justification for the imposition of CFCs was "to expedite the provision of needed rental motor vehicle customer facilities and related services that can better serve Hawaii's visitors and resident...The lack of such facilities has a detrimental effect on residents and visitors alike." The tourism industry remains the economic engine that drives Hawaii's economy, but Hawaii's airport rental vehicle facilities have fallen behind those of other tourist destinations.

The vehicle rental industry has been working with the state Department of Transportation for years to develop a plan to improve all of the rental vehicle facilities at state airports. It will take several years of additional planning and construction in order to complete all of the identified projects. Adoption of this legislation will disrupt, and perhaps stop, the necessary projects that are vital to improving the rental experience of the travelling public. Additionally, delay in these projects cost construction jobs that would help to stimulate Hawaii's economy.

In summary, it is in Hawaii's best interests to continue to proceed quickly to accomplish the construction of state of the art vehicle rental facilities.

Sincerely,

Garrick Higuchi

DTG Operations, Inc.
1600 Kapiolani Blvd.
Ste. 825
Honolulu, HI 96814
808-952-4242
Fax 808-952-4255

Testimony to the
Senate Committee on Ways and Means

HB 1039 Proposed SD2 – Relating to Transportation – In Opposition
by
The Hertz Corporation, Avis Budget Group and EAN Holdings, LLC

April 8, 2011

Chair Ige, Vice Chair Kidani and members of the committee:

The vehicle rental industry opposes HB1039 proposed SD2, which amends certain Hawaii Revised Statutes to suspend for two years the $4.50 charged to rental car customers for the construction of consolidated rental car facilities, increases the rental car surcharge tax by $4.50, and deposits said amount to the general fund.

Suspension of the collection of customer facility charges (“CFC”) would have a severe adverse impact on tourism and the vehicle rental industry, defeat the purpose for which the CFC was established, jeopardize future bond funding, and cost jobs.

There is no doubt that the motivation behind these amendments is to address the budget deficit facing the State. The vehicle rental industry, like other industries in Hawaii, is acutely aware of the fiscal crisis facing the state and the enormous task facing the legislature and the Governor. However, consolidated facilities, financed by the CFC, support the most critical revenue generator in the state’s economy, tourism. Better, modern facilities will improve the experience of rental customers, and will enhance the overall experience of visitors to Hawaii. Moreover, construction of consolidated rental facilities at airports throughout the state will create solid jobs, and increased revenue, in the state economy. The legislature understood the importance of CFCs when it considered the legislation, now law, imposing the new charges. The legislative justification for the imposition of CFCs was “to expedite the provision of needed rental motor vehicle customer facilities and related services that can better serve Hawaii’s visitors and residents .. . .The lack of such facilities has a detrimental effect on residents and visitors alike.”

CFCs provide the revenue stream that, in some cases are used to build consolidated facilities, and in others back bonds necessary to finance such facilities. Even a temporary suspension of the collection of CFCs will undermine the sale of bonds, and unnecessarily delay, and perhaps halt, the process of planning and constructing needed customer facilities.

As noted by the Department of Transportation (DOT), the $4.50 was an amount intended to support the construction of consolidated rental car facilities at Honolulu International Airport, which is part of an overall plan to improve the visitor experience for those arriving in Honolulu, and other airports throughout the state. Similar facilities exist in most major airports. The industry agreed to the financing arrangement with the department with this concept and vision in mind. Previous legislatures supported this vision. The vision has not changed as the department is proceeding with all haste to implement the Honolulu Airport Modernization Plan, a plan which will create jobs and improve the gateway for most of Hawaii’s visitors. The department had planned to begin construction next year, adding needed construction jobs to a community which desperately needs jobs. Diverting the $4.50 makes the construction of this new facility problematic. Without the funds to construct the facility, the state will be forced to incur debt to pay for the construction as opposed to using a dedicated funding source.

The vehicle rental industry has been working with the DOT for years to develop a plan to improve the rental vehicle facilities at state airports. Adoption of this plan will disrupt, and perhaps stop, the necessary projects that are vital to improving the rental experience of the traveling public, and the new jobs that are critical to the state's economy.

Our industry wants to be a part of the economic recovery of Hawaii and the creation of jobs for our community. We respectfully request that the committee strongly consider the negative impacts of this legislation on the vehicle rental industry, the construction industry, and the state economy. We urge you to hold this measure.

Donald Fonte	Martin Mylott	Paul Kopel
Director, Government Relations	Hawaii Regional Manager	General Manager/Vice President - Hawaii
The Hertz Corporation	Avis Budget Group	EAN Holdings, LLC

TESTIMONY BEFORE THE SENATE COMMITTEE ON

WAYS & MEANS

RE: HB 1309, HD1,SD1, PROPOSED SD2 – RELATING TO TRANSPORTATION

FRIDAY, APRIL 8, 2011

CONFERENCE ROOM 211

9:35 A.M.

MAURICE T. MORITA, ASSISTANT DIRECTOR

HAWAII LABORERS-EMPLOYERS COOPERATION & EDUCATION TRUST

Chair Ige, and Members of the Committee:

The Hawaii Laborers-Employers Cooperation & Education Trust (LECET) strongly opposes the proposed SD 2 which will temporarily suspend the rental motor vehicle customer facility charges for two years and instead divert the revenues into the general fund for a period of two years.

The proposed SD 2 will temporarily halt the construction jobs that will help boost our economy that would put many of our members back to work.

Thank you for the opportunity to testify.