

Honolulu, Hawaii

March 22, 2012

RE: S.B. No. 2946
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred S.B. No. 2946, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO TRANSPORTATION,"

begs leave to report as follows:

The purpose of this measure is to aid the State in addressing its current fiscal situation while assisting the Department of Transportation with addressing state highway transportation infrastructure and state airport infrastructure needs by:

- (1) Extending the increase in the rental motor vehicle surcharge tax made by Act 104, Session Laws of Hawaii 2011, for an additional three years;
- (2) Extending the deposit of \$4.50 per day of rental motor vehicle tax revenue into the general fund for an additional three years;
- (3) Extending the suspension of the \$4.50 per day rental motor vehicle customer facility charge for an additional three years; and
- (4) Authorizing the issuance of \$500,000,000 in airport revenue bonds for airport capital improvement program projects.



The Department of Transportation and Department of Budget and Finance testified in support of the intent of this measure. EAN Holdings, LLC, operating Enterprise Rental Car, Alamo Rent-A-Car, and National Car Rental in Hawaii, Avis Budget Group, and The Hertz Corporation testified in opposition to this measure. The Department of the Attorney General, Department of Taxation, and Tax Foundation of Hawaii provided comments.

In 2011, with the State facing some of the most difficult economic conditions it has ever experienced, the Legislature was forced to search for additional sources of revenue. Temporarily increasing the motor vehicle rental surcharge tax to \$7.50 per day and depositing \$4.50 of that increase into the general fund was expected to generate approximately \$60,000,000 in general fund revenues and was deemed necessary in assisting the State in addressing its fiscal needs. In an attempt to reduce the impact this increase would have on the rental car industry, the \$4.50 rental motor vehicle customer facility charge authorized by the Legislature in 2008, which was to be used for much needed improvements to the many facilities located at Hawaii's airports that serve rental car customers, was suspended for one year.

While Hawaii's economic outlook appears brighter, the recovery is occurring at a slower than anticipated pace and according to the Department of Budget and Finance, Hawaii's projected revenue deficit could reach \$313,000,000 by fiscal year 2016. Extending the increase of the rental motor vehicle surcharge tax and depositing a portion of these funds into the general fund will provide the State with an option in balancing its general fund financial plan.

Hawaii's public airports also require much needed repairs and maintenance as well as modernization upgrades to improve the overall airport experience. The issuance of \$500,000,000 in airport revenue bonds for various airport capital improvement program projects would go a long way to accomplishing this goal. However, your Committee was notified by both the Attorney General and the Department of Transportation that the bill, as currently written, uses airport revenues that are subject to certain prohibitive restrictions and that, after discussions were held with Federal Aviation Administration officials, it was determined that uses of these airport revenues would be prohibited.



Your Committee has amended this measure by:


- (1) Extending for an additional year, the increase in the rental motor vehicle surcharge tax and the suspension of the \$4.50 per day rental motor vehicle customer facility charge, i.e., until June 30, 2016;
- (2) Requiring the Department of Transportation to allocate and transmit the rental motor vehicle surcharge taxes assessed and collected pursuant to section 251-2(a), Hawaii Revised Statutes, to the Director of Finance for deposit into the state treasury as follows:
 - (A) In each of fiscal years 2012-2013 and 2013-2014:
 - (i) An amount equal to \$3 per day per rental transaction shall be deposited into the State Highway Fund;
 - (ii) \$10,000,000 shall be deposited into the Rental Motor Vehicle Customer Facility Charge Special Fund established pursuant to section 261-5.6;
 - (iii) \$50,000,000 shall be deposited into the general fund; and
 - (iv) The remainder shall be deposited into the Rental Motor Vehicle Customer Facility Charge Special Fund; and
 - (B) In each of fiscal years 2014-2015 and 2015-2016:
 - (i) An amount equal to \$3 per day per rental transaction shall be deposited into the State Highway Fund;
 - (ii) \$30,000,000 shall be deposited into the Rental Motor Vehicle Customer Facility Charge Special Fund;
 - (iii) \$30,000,000 shall be deposited into the general fund; and
 - (iv) The remainder shall be deposited into the Rental Motor Vehicle Customer Facility Charge Special Fund;



- (3) Authorizing the issuance of \$500,000,000 in rental motor vehicle customer facility revenue bonds for the enhancement and renovation of existing rental motor vehicle customer facilities and the development of new rental motor vehicle customer facilities, rather than authorizing the issuance of airport revenue bonds for airport capital improvement program projects; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2946, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2946, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Transportation,



JOSEPH M. SOUKI, Chair



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

HSCR1158-12

Record of Votes of the Committee on Transportation

Bill/Resolution No.: SB 2946, SD2	Committee Referral: TRN, FIN	Date: 3/19/12		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
TRN Members	Ayes	Ayes (WR)	Nays	Excused
1. SOUKI, Joseph M. (C)	✓			
2. ICHIYAMA, Linda (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. CULLEN, Ty				✓
5. LEE, Marilyn B.				✓
6. LUKE, Sylvia				✓
7. SAIKI, Scott K.	✓			
8. TAKUMI, Roy M.	✓			
9. YAMASHITA, Kyle T.	✓			
10. FONTAINE, George R.		✓		
11. JOHANSON, Aaron Ling	✓			
TOTAL (11)	7	1		3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: 10pt;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u><i>Linda Ichiyama</i></u>				
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