NEIL ABERCROMBIE
GOVERNOR

GLENN M. OKIMOTO
INTERIM 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

February 23, 2012

S.B. 2946 S.D.1
RELATING TO TRANSPORTATION

WAYS AND MEANS

The Department of Transportation supports the intent of this bill, but requests the following changes:

- Reducing the deposit of $4.50 per day of the tax revenue into the general fund to $3.50 for fiscal year 2013 and reinstating $1.00 to the Airport Customer Facility Charge (CFC) Special Fund to be used as payment on future financing. We request that the amount increase incrementally in future fiscal years.

- The Department of Transportation (DOT) be authorized to issue CFC revenue bonds in the amount not to exceed $500,000,000, instead of $50,000,000, based on its most current planned Statewide Rental Car Facilities Development Program.

- We wish to point out that CFC Revenue bonds should be utilized rather than Airport Revenue bonds and secured by revenue generated by the airport rental car customer facility charges, rather than airline, concession and other rental revenue sources.

The funding source for the rental car facility capital projects has been intended, from its inception, to be the CFC. All CFC revenues in the CFC Special Fund collected to date have been allotted and encumbered. There are no available CFC funds remaining to pay debt service for any bond.

Federal law prohibits the use of Passenger Facility Charges for rental car facility capital projects. DOT is required under its Airline Lease Agreement to obtain airline approval for the use of any airport revenues to pay debt service for the rental car facility capital improvement. Airline approval is considered to be extremely unlikely.

Thank you for the opportunity to submit this testimony.

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 2946, S.D. 1

February 23, 2012

RELATING TO TRANSPORTATION

Senate Bill No. 2946, S.D. 1, proposes to extend the increase in the rental motor vehicle surcharge tax of $7.50 per day from June 30, 2012 to June 30, 2013 and authorize the Department of Transportation to issue $50 million of airport revenue bonds for airport capital improvement projects.

The department supports the intent of the bill. The most recent Council on Revenues advisement in January has resulted in projected State revenues to be less than was anticipated at the start of FY 12. While the overall revenue effect still provides that the State budget should be balanced for the current fiscal biennium, there are projected revenue shortfalls beginning in the next fiscal biennium. The revenue deficit is projected to grow to as much as $313 million in FY 16. The rental vehicle surcharge revenue is an attractive source of funds to supplement the general funds as an option to balance the State's general fund financial plan.

It is noted that Section 4 of the bill authorizes $50 million of airport revenue bonds whereas Standing Committee Report No. 2120 mentions that $500 million of airport revenue bonds is authorized for airport capital improvement program projects. Should revenue bond authority be granted for these projects, the Administration would encourage the Legislature to consider extending the surcharge revenue to the general fund beyond June 30, 2013 considering the current and projected fiscal condition. Additionally, consideration could be given that not all of the surcharge needs to be directed to the general fund for the duration. The Administration would support whatever duration and structure is most palatable to the Legislature as long as the strategy does not delay or compromise the projects for the Department of Transportation.

The Administration is prepared to work with the Legislature as this measure and concept continues to evolve during the process. We look forward to having discussions with the Legislature to determine the best course of action for the State and respectfully request that the bill be passed.

Thank you for the opportunity to provide our testimony on this bill.

avis budget group

Martin Mylott
Hawaii Regional Manager

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Senator David Ige, Chair
Senate Committee on Ways and Means

Thursday, February 23, 2012; 9:00 AM
Hawaii State Capitol; Conference Room 211

RE: SB 2946 SD1 – Relating to Transportation – In Opposition

Chair Ige, Vice Chair Kidani, and Members of the Committee:

My name is Martin Mylott, Hawaii Regional Manager for Avis Budget Group. We are in opposition to SB 2946 SD1, which extends the suspension of the rental motor vehicle customer facility charges until June 30, 2013.

We are aware that last year's legislative action to suspend of the collection of the customer facility charges (CFC) for one year, increase the rental car surcharge tax by $4.50 and deposit said amount to the general fund, was to address the budget deficit facing the State. However, the consolidated rental car facilities, financed by the CFC, support a critical revenue generator in the state's economy, tourism. The legislative justification for the imposition of the CFC in the first place 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."

Consolidated rental car facilities exist in most major airports. Hawaii should not continue to have an inferior level of customer facilities compared to other resort destinations. The industry and the Department of Transportation (DOT) agreed to the CFC financing concept to support the construction of consolidated rental car facilities. CFC funds are currently committed to completing design and preliminary projects. The CFC needs to be reinstated to prevent further delay and increased costs in the construction of these facilities.

The DOT has stated it remains committed to construction of the consolidated facilities and is working on a plan of finance so that the project can proceed. The concern is repaying the debt for bonds and borrowed money. Without the CFC, there is no identified revenue source to repay the debt.

Thank you for the opportunity to testify.

Martin Mylott
Regional Manager, Hawaii
Avis Budget Group, Inc.

Owen Miyamoto, PE
3209 Paty Drive
Honolulu, HI 96822-1439

February 22, 2012

To: Honorable David Y. Ige, Chair
Honorable Michelle N. Kidani, Vice Chair
Honorable Members of the Committee on Ways and Means

Subject: Comments on Senate Bill 2946, S.D. 1, Relating to Transportation

The purpose of S.B. 2946, S.D. 1 is to suspend the rental motor vehicle customer facility charge (CFC) until June 30, 2013. The CFC was previously authorized to fund the construction of facility improvements for rental car companies operating at state airports. Revenues from the collections of the CFC have been used to fund studies and preliminary designs for facility improvements at Honolulu International Airport (HNL) and Kahului Airport (OGG).

The Senate Committee on Transportation and International Affairs report on SB 2946 stated that funds from the CFC would be used to finance planning and construction of new consolidated rental car facilities at HNL and OGG. Further, the Department of Transportation would be authorized to issue Airport Revenue Bonds to finance the construction contracts.

The committee report did not describe the location of facilities proposed by the planning study prepared by the consultant for the rental car companies. The consolidated rental car facilities would displace existing public and employee parking areas. Further, the HNL project would require providing interim facilities to accommodate rental car operations during the construction. Interim facilities would cost $43,000,000 and roadway improvements an additional $11,600,000, both of which are not required if a vacant site available on airport property is utilized.

The OGG project would be built within the existing public parking area in front of the terminal building based on the assumption that Runway 5-23 will be extended to allow closing the existing main runway for reconstruction. Using Runway 5-23 as proposed would have a substantial impact on residential areas under the aircraft departure flight path. Alternatives for the runway reconstruction plan have not been finalized.

Funding for the rental car improvements needed by the operators should be provided through the issuance of special facility revenue bonds. Using airport revenue bonds will impact the borrowing capacity of the airport for financing urgently needed planning and construction of terminal and airfield improvements, especially at neighbor island airports.

I recommend the Department of Transportation be requested to review the plans for consolidated rental car facilities before proceeding with construction presently planned for the end of 2012. The suspension of the CFC will provide sufficient time to review current plans to reduce the cost of the projects and give careful consideration to the impact on airport users and adjacent neighborhoods.

Sincerely,

Owen Miyamoto

Owen Miyamoto