

**NEIL ABERCROMBIE**  
GOVERNOR

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STATE OF HAWAII  
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To: The Honorable Joseph M. Souki, Chair  
and Members of the House Committee on Transportation

Date: Wednesday, March 14, 2012

Time: 9:00 a.m.

Place: Conference Room 309, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. No. 2946, S.D. 2 Relating to Transportation

The Department of Taxation (Department) offers the following comments on this measure.

S.B. 2946, S.D. 2 extends the Rental Motor Vehicle and Tour Vehicle Surcharge Tax's \$7.50 per day rate until June 30, 2015, after which it reverts to \$3 per day. The Department notes that it will be able to implement this bill by the time of its June 29, 2012 effective date.

This measure also authorizes the issuance of airport revenue bonds. The Department defers to the Department of Transportation and Department of Budget and Finance on the merits of such an issuance.

Thank you for the opportunity to provide comments.

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON TRANSPORTATION  
ON  
SENATE BILL NO. 2946, S.D. 2

March 14, 2012

RELATING TO TRANSPORTATION

Senate Bill No. 2946, S.D. 2, proposes to extend the increase in the rental motor vehicle surcharge tax of \$7.50 per day from June 30, 2012 to June 30, 2015 and authorize the Department of Transportation to issue \$500 million of airport revenue bonds for airport capital improvement projects.

The department supports the intent of the bill. Even though the Council on Revenues' March 7, 2012 projections reflect increased State tax revenues, the Administration is taking a cautious approach in spending and revenues. Revenue projections based on the revised Council on Revenues' advisements present a more optimistic picture of overall State revenues. The projection reduces the severity of the revenue shortfalls over the next two fiscal bienniums in the 6-year financial plan. However, the Administration is cautious to avoid an overly-optimistic position on future revenue growth because there are still a number of economic risk factors that could curtail revenue actualization.

First, there are still a number of significant economic uncertainties that could adversely effect economic growth and tax revenues, including:

- Rising oil prices due to heightened tensions in the Middle East;
- Europe's debt situation and its impact on Europe's and the world's economy;
- Tourism at near record levels – limited carrying capacity for continuous expansion; and

- Impact of pending federal spending cuts on Hawaii's economy.

Second, there are various funding considerations that are not currently accounted for in the Administration's financial plan, such as:

- Other post retirement benefit obligations (retiree health benefits) pre-funding);
- Increased debt service for additional CIP initiatives;
- Increased State funding to offset federal funding cutbacks;
- Programmatic department/agency funding (i.e., DHHL, DOH, DHS, etc.); and
- Collective bargaining.

The rental vehicle surcharge revenue is an attractive source of funds to supplement the general funds as a contingency for unexpected loss of revenues or increased expenditures. Although the bill does reduce the amount collected via the surcharge to the general fund from its current levels, the Administration is supportive of this concept.

Regarding Section 4 of the bill, we defer to the Department of Transportation's recommended changes relating to revenue bond authorization using rental motor vehicle customer facility charges. The Administration would support whatever 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.

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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**SUBJECT:** RENTAL MOTOR VEHICLE AND TOUR VEHICLE SURCHARGE, Amend dates

**BILL NUMBER:** SB 2946, SD-2

**INTRODUCED BY:** Senate Committee on Ways and Means

**BRIEF SUMMARY:** Amends HRS section 251-2 to extend the increase in the rental motor vehicle surcharge of \$3 to \$7.50 from June 30, 2012 to June 30, 2015.

Amends Act 104, SLH 2011, to extend the suspension of the rental motor vehicle customer facility charge from June 30, 2012 to June 30, 2015.

Authorizes the department of transportation to issue \$500 million in airport revenue bonds for airport capital improvement projects.

**EFFECTIVE DATE:** June 29, 2012

**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 that was adopted nearly 20 years ago to supplement the state highway fund.

Act 104, SLH 2011, suspended the imposition of the \$4.50 passenger facility charge under HRS section 261-7 and increased the rental motor vehicle surcharge by \$4.50 under HRS section 251-2, and diverted \$4.50 of the rental motor vehicle surcharge to the general fund between July 1, 2011 and June 30, 2012. This measure proposed to extend the June 30, 2012 expiration date for another two years until June 30, 2015. It should be noted that while these provisions were adopted to generate additional revenues for the state general fund and address the state's budgetary mess, these "revenue enhancement" provisions will not work unless state spending is curtailed. The long and short of this proposal is that it is just another way to raise funds for the general fund. Hopefully, the car rental industry has learned a very important lesson about trusting lawmakers.

Digested 3/13/12

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**TO:** Representative Joseph M. Souki  
Chair, Committee on Transportation  
Hawaii State Capitol, Room 426  
*Via Email TRNtestimony@Capitol.hawaii.gov and Hand Delivery*

**FROM:** Gary M. Slovin

**DATE:** March 13, 2012

**RE:** **S.B. No. 2946, SD2 – Relating to Transportation**  
**Hearing Date: Wednesday, March 14, 2012 at 9:00 am**  
**Conference Room 309**

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Dear Chair Souki and Members of the Committee on Transportation:

I am Gary Slovin, submitting comments on behalf of EAN Holdings, LLC, operating Enterprise Rent-A-Car, Alamo Rent-A-Car and National Car Rental in Hawaii (collectively referred to as “Enterprise”).

Enterprise **submits comments in opposition** to S.B. 2946, SD2, which extends 1) the increase in the rental motor vehicle surcharge tax to \$7.50 per day; 2) the deposit of \$4.50 per day of the tax into the general fund; and 3) the suspension of the rental motor vehicle customer facility charges until 6/30/2015. The measure also authorizes the issuance of airport revenue bonds.

The fee that is the subject of this bill was originally imposed to provide funding for the construction of a consolidated rental car facility at Honolulu International Airport and similar facilities at other state airports. Because of the uncertain economic times and the budget deficit in 2011, the Legislature in 2011 suspended the rental car facility surcharge and instead diverted the money to the highway fund and the general fund. That legislation provided that the diversion of these funds would expire on June 30, 2012. The proposed S.B. 2946, SD2 would extend the diversion of the surcharge to the year 2015.

The original surcharge was intended to apply to only those rentals made at the airport. Pursuant to the legislation described above, the full \$7.50 charge, including the additional

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\$4.50 surcharge, was not imposed only upon renters at airport facilities, the original intent, but upon everyone in the state renting a car, including, inevitably, local residents.

Enterprise believes that the imposition of the surcharge has caused, and will continue to cause, a hardship to many local residents. We believe the legislation should be modified to relieve that fiscal impact.

Many local residents rent cars for extended periods of time for a variety of reasons. Some rent cars for business purposes while some rent cars for extended periods because they cannot afford a car or do not have the need to own a car. The economic recession that hit the state in 2008 is continuing and, despite some encouraging news, the everyday citizen in this community is still struggling and may well be struggling for several more years.

While an additional \$4.50 a day may not seem very much, for many people in the community it is a significant amount of money. For those persons who need to rent cars for an extended period, this charge is burdensome. For example, it is not unusual for persons to rent cars for more than two weeks. A local person renting a car for family or business purposes for 30 days is now required to pay an additional \$135.00 in order to rent a car. For many people in this community, an additional \$135.00 of expense that the person did not formerly have to pay is very significant and can make a difference in the quality of their lives.

Accordingly, Enterprise believes that consideration should be given to lessening the impact of the fee on local residents. There is a distinct and specific difference between a person renting a car for pleasure travel and a person using a car for business or personal reasons who is a local resident. Enterprise therefore proposes that there be a limitation of 14 days beyond which the \$4.50 surcharge would no longer apply. Statistics indicate that the average traveler coming to Hawaii rents a car for 6 days.

Therefore, setting a limitation that would assist the local residents who need to rent cars for longer periods treats both that resident and a tourist in an equal manner.

This approach would still enable the Legislature to continue to divert these funds into the general fund and the highway fund for the purposes identified in the law, but provide some relief to local residents who are being burdened by this additional fee.

Enterprise does also have general concerns about the impacts of the surcharge on the

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rental car industry, tourism and local business people and residents. However, if it is the decision of the committee that the surcharge should continue to be diverted, we strongly recommend that the surcharge be continued for no more than one year, and we respectfully ask the committee to consider including a provision relieving payment of the surcharge after 14 days.

Thank you for the opportunity to submit testimony on this measure.

**HOUSE COMMITTEE  
ON  
TRANSPORTATION**

March 14, 2012

Senate Bill 2946, SD 2 Relating to Transportation

Chair Souki and members of the House Committee on Transportation, I am Rick Tsujimura, representing The Hertz Corporation (“Hertz”).

Hertz opposes Senate Bill 2946, SD 2 Relating to Transportation, which extends the rental motor vehicle surcharge from 2012 to 2015. While we recognize the current fiscal situation, we also understand that the state administration is optimistic about the state’s ability to turn around the economy. Secondly, and more importantly, the Department of Transportation is committed to the construction of car rental facilities on Maui and Oahu, and is using current funds in the rental car facility fund (CFC) for engineering and planning studies. We also understand that the state is embracing the EB5 program to construct the facilities in lieu of capturing funds prior to construction. However, the state has also made it clear that it intends to fund the debt service for the facilities from the CFC. That debt service could begin as early as 2013. We also understand that the amount necessary for debt service is unclear. Hertz wants the facilities to be built and is seeking the mechanism to accomplish that purpose. We don’t believe this bill as presently written accomplishes that purpose.

Thus, we believe an amendment to Act 104 (SLH 2011) should be made which revives the CFC portion of the Act before the end of this year in order to fund the debt service for the facilities, which is currently anticipated to begin in 2013. If this section of Act 104 is not revived, the funding for the debt service will need to be made from either the highway fund or the general fund. Unfortunately, Senate Bill 2946, SD 2 does not revive the repealed CFC portion of Act 104 (SLH 2011) although it deposits monies into that fund. Thus, we believe that the funds designated to be deposited may be void as the fund does not exist.

Thank you for the opportunity to present this testimony.