

SB 2946

RELATING TO TRANSPORTATION.

Extends the increase in the rental motor vehicle surcharge tax to \$7.50 per day until June 30, 2013, and deposits \$4.50 per day of the tax into the general fund until that date; extends the suspension of the rental motor vehicle customer facility charges until June 30, 2013.



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

IN REPLY REFER TO:

February 8, 2012

**SB 2946
RELATING TO TRANSPORTATION**

SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS

The Department of Transportation (DOT) provides the following comments on the bill:

The bill extends the increase in the rental motor vehicle surcharge tax to \$7.50 per day until June 30, 2013, and deposits \$4.50 per day of the tax into the general fund until that date; extends the suspension of the rental motor vehicle customer facility charges until June 30, 2013.

The Airports Division has the following project planned which will utilize the rental vehicle surcharge as a means of financing:

1. Honolulu International Airport Consolidated Car Rental Facility Design
Project Cost \$22,500,000
Project Timeline October 2011 to June 2012
2. Honolulu International Airport Consolidated Car Rental Facility Roadway Improvements
Project Cost \$11,600,000
Project Timeline June 2012 to January 2013
3. Honolulu International Airport Consolidated Car Rental Facility Interim Facility
Project Cost \$43,000,000
Project Timeline December 2012 to May 2013
4. Honolulu International Airport Consolidated Car Rental Facility
Project Cost \$270,000,000
Project Timeline November 2013 to November 2016
5. Kahului Airport Consolidated Car Rental Facility Design
Project Cost \$8,000,000

Project Timeline June 2012 to June 2013

6. Kahului Airport Consolidated Car Rental Facility
Project Cost \$180,000,000
Project Timeline June 2013 to December 2014
7. Kahului Airport Access Road and Parking Improvements
Project Cost \$67,000,000
Project Timeline June 2013 to December 2014

The rental vehicle surcharge was created to provide a funding source to build consolidated car rental facilities at airports throughout the state including the projects listed above. Projects 1, 2 and 5 have been funding with collections received before the moratorium on the rental vehicle surcharge took effect. Suspension of the fund through 2013 will need to be managed so the projects listed above can proceed as planned.

At Kahului Airport construction of a consolidated rental car facility is necessary to provide a new location for the existing on airport car rental companies since their current location is where a runway extension is planned. The Department will be extending Runway 5-23 in order to make necessary repairs to the airport's main Runway 2-20. Without such repairs Kahului's main runway will eventually fail structurally and wide body aircraft will not be able to land at Kahului. The extension of Runway 5-23 will result in adjustments to the runway protection zones at each end of the runway. On the Kahului end of the runway the protection zone will extend into property currently used by the car rental companies for operations and parking which is why they will need to relocate. The new \$180 million consolidated car rental facility will provide expanded facilities to better serve the traveling public, will eliminate the need for excessive shuttling of vehicles through common bussing, and will reduce congestion in front of the terminal building by removing rental cars from the traffic flow before they reach the terminal. It is planned to be available prior to when the adjusted runway protection zones will impact car rental operations.

A larger consolidated car rental facility planned for Honolulu International Airport will provide similar benefits. The planned \$300 million project will provide common bussing to the facility to eliminate rental car shuttles on terminal roadways, will bring all car rental companies on airport which will improve revenue, will remove congestion on terminal roadways by exiting rental cars on alternate routes, and will improve passenger convenience with its proximity to the terminal. This project is currently in design and construction is planned for the end of 2012.

While the bill removes the funding source for the above projects, there are ways the funding can be managed to provide resources for financing the projects listed above. The DOT will work with the legislature on financing alternatives.

In addition to providing improved rental car facilities for the traveling public the above projects will provide construction jobs for Hawaii residents.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
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FREDERICK D. PABLO
DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

To: The Honorable J. Kalani English, Chair
and Members of the Senate Committee on Transportation and International Affairs

Date: Wednesday, February 8, 2012

Time: 1:15 p.m.

Place: Conference Room 224, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 2946 Relating to Transportation

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

S.B. 2946 extends the Rental Motor Vehicle and Tour Vehicle Surcharge Tax's (RV Tax) \$7.50 per day rate until June 30, 2013, 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.

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 SENATE COMMITTEE ON TRANSPORTATION
AND INTERNATIONAL AFFAIRS
ON
SENATE BILL NO. 2946

February 8, 2012

RELATING TO TRANSPORTATION

Senate Bill No. 2946 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.

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 fiscal year 2012. 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.

In light of the projected condition of the general fund financial plan and future years' revenue streams, consideration should be given to extending the surcharge (and its contribution to the general fund) to beyond June 30, 2013. The Administration would want further discussions through the Legislative process on this and similar bills to ensure that accessing the rental vehicle surcharge funds can be accomplished without delaying or jeopardizing the project. Input from the

Department of Transportation is critical in this regards. The Department of Budget and Finance supports extending the sunset date of the surcharge going to the general fund to as late as June 30, 2017, but would also support a portion of the amount of the revenue going to the rental vehicle surcharge fund as well.

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.

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

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TO: Senator J. Kalani English
Chair, Committee on Transportation and International Affairs
Via Email: TIAtestimony@capitol.hawaii.gov

FROM: Gary M. Slovin

DATE: February 7, 2012

RE: **S.B. No. 2946 – Relating to Transportation**
Hearing Date: Wednesday, February 8, 2012 at 1:15 pm
Conference Room 224

Dear Chair English and Members of the Committee on Transportation and International Affairs:

I am Gary Slovin, testifying 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** on S.B. 2946, which extends the increase in the rental motor vehicle surcharge tax to \$7.50 per day until June 30, 2013 and extends the suspension of the rental motor vehicle customer facility charges until June 30, 2013.

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. Proposed S.B. 2946 would extend the diversion of the surcharge to the year 2013.

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 \$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.

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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.

While it certainly may not be obvious, the fact is that 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. It goes without saying that 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 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.

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Enterprise does also have general concerns about the impacts of the surcharge on the rental car industry, tourism and local business people and residents. However, if it is the decision of the committee that the surcharge continues to be diverted, we respectfully ask the committee to consider adding the relief of a 14 day limitation.

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

**SENATE COMMITTEE
ON
TRANSPORTATION AND INTERNATIONAL AFFAIRS**

February 8, 2012

Senate Bill 2946 Relating to Transportation

Chair English and members of the Senate Committee on Transportation and International Affairs, I am Rick Tsujimura, representing The Hertz Corporation (“Hertz”).

Hertz opposes Senate Bill 2946 Relating to Transportation, which extends the rental motor vehicle surcharge from 2012 to 2013. While we recognize the current fiscal situation, we also understand that the state administration is optimistic about the state’s economy ability to turnaround. 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. Thus we believe the amendment to Act 104 (SLH 2011) should not be extended to coincide with the payment of debt service.

Thank you for the opportunity to present this testimony.



Martin Mylott
Hawaii Regional Manager

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Senator J. Kalani English, Chair
Senate Committee on Transportation and International Affairs

Wednesday, February 8, 2012; 1:15 PM
Hawaii State Capitol; Conference Room 224

RE: SB 2946 – Relating to Transportation – In Opposition

Chair English, Vice Chair Espero, and Members of the Committee:

My name is Martin Mylott, Hawaii Regional Manager for Avis Budget Group. We are in opposition to SB 2946, 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. 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.

Hawaii should not continue to have an inferior level of customer facilities compared to other major resort destinations. We urge this committee to hold this measure. Thank you for the opportunity to testify.

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

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: SB 2946

INTRODUCED BY: Ige

BRIEF SUMMARY: Amends HRS section 251-2 to extend the increase in the rental motor vehicle surcharge from \$3 to \$7.50 from June 30, 2012 to June 30, 2013.

Amends Act 104, SLH 2011, to extend the suspension of the rental motor vehicle customer facility charge from June 30, 2012 to June 30, 2013.

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 which 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. 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 2/6/12