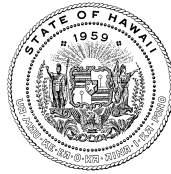


DAVID Y. IGE
GOVERNOR



LAUREL A. JOHNSTON
DIRECTOR

KEN N. KITAMURA
ACTING DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY LAUREL A. JOHNSTON
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2601, H.D. 1

February 27, 2018
11:00 a.m.
Room 308

RELATING TO TRANSPORTATION

House Bill No. 2601, H.D. 1, creates a supplemental rental motor vehicle fee (unspecified amount) to be levied, assessed, and collected by lessor, as defined in Section 437D-3, HRS. Fee revenues are to be deposited into the State Highway Fund (SHF) and to be expended for capacity road projects statewide. The bill also requires the Director of Transportation to cease collections of the supplemental motor vehicle fee upon completion of the capacity road projects.

The Department of Budget and Finance has policy concerns with earmarking of the unspecified fees in the SHF for specific projects. The purpose of the SHF is to fund all highway operations and projects.

Thank you for your consideration of our comments.

HB-2601-HD-1

Submitted on: 2/25/2018 7:55:16 PM

Testimony for FIN on 2/27/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Yuki Lei Sugimura	Individual	Support	No

Comments:

I strongly support HB 2601 HD1 which adds the \$4.50 additional tax for rental cars, which now will apply statewide and I agree that taxes collected should go back to the county where the funds originated. The taxes to be used for capacity will help build the much needed by-passes for Lahaina and Paia.

As a Councilmember for Maui County, I see the need to upgrade our infrastructure as our island population and visitors have grown over the years. This bill will help bring funding into our County to pay for capacity infrastructure to meet with growing demands of the people.

Thank you for vision and help to the people.

Council Member

Maui County

Yuki Lei Sugimura

HB-2601-HD-1

Submitted on: 2/25/2018 11:44:28 AM

Testimony for FIN on 2/27/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mike Moran	Kihei Community Association (KCA)	Support	No

Comments:

Aloha Chair Luke, Chair Aquino and committee members. I am submitting testimony for our all volunteer, non profit organization in South Maui in support of this measure before you. Maui residents find ourselves caught between an overabundance of commercial development and insufficient corresponding infrastructure. We hear both state and county government advising us they do not have the funds necessary to rectify this imbalance, and federal funds are evaporating, so how do we accomplish this need, without piling even more tax burden on our community? This is a solution. It is our understanding that our island has the largest fleet of rental cars in Hawaii. Adding a daily fee on these rentals is a reasonable way to have the users pay for the infrastructure. We need your yes vote please. Mahalo, Mike Moran Kihei



SanHi

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 26, 2018

TO: Representative Sylvia Luke
Chair, Committee on Finance
Submitted Via Capitol Website

RE: **H.B. 2601, H.D. 1 Relating to Transportation**
Hearing Date: Tuesday, February 27, 2018 at 11:00 a.m.
Conference Room: 308

Dear Chair Luke and Members of the Committee on Finance:

We submit this testimony on behalf of Enterprise Holdings, Inc., operating Enterprise Rent-A-Car, Alamo Rent-A-Car and National Car Rental in Hawaii (collectively referred to as "Enterprise").

Enterprise opposes H.B. 2601, H.D. 1, which establishes a supplemental rental motor vehicle user fee to be used for capacity road projects statewide.

Enterprise appreciates the amendments in H.B. 2601, H.D. 1 which allows for the proposed supplemental rental motor vehicle user fee to be passed through to customers.

Enterprise is concerned that by more than doubling this category of fees and taxes for highway project purposes represents a significant increase in the total taxes and fees when compared to the cost of an average rental. An increase of \$4.50/day, proposed in the original H.B. 2601, would make the total amount of taxes and fees assessed on a rental transaction in Hawaii greater than a similar transaction in Los Angeles, Seattle, Miami, and New York.

Thank you for the opportunity to submit this testimony.



Robert Muhs, Esq.

Vice President Government Affairs,
Corporate Compliance &
Business Ethics

T - 973 496-3532

Robert.muhs@avisbudget.com

Representative Sylvia Luke, Chair
Representative Ty Cullen, Vice Chair
House Committee on Finance

Tuesday, February 27, 2018; 11:00 AM
Hawaii State Capitol; Conference Room 308; **Agenda #1**

RE: HB 2601 HD1 – Relating to Transportation – IN OPPOSITION

Chair Luke, Vice Chair Cullen, and Members of the Committee:

My name is Robert Muhs, Vice President Government Affairs, Corporate Compliance and Business Ethics for Avis Budget Group. Thank you for giving us this opportunity to offer testimony in opposition of HB 2601 HD1, which creates a supplemental daily rental motor vehicle user fee to be levied, assessed, and collected for rental motor vehicles rented from a rental motor vehicle concession located in any airport; uses revenues to pay for certain highway projects.

Hawaii rental car customers currently pay the following charges - a rental motor vehicle customer facility charge of \$4.50 per day and a rental motor vehicle surcharge tax of \$3.00 per day which is applied to the state highway fund.

This bill adds another daily fee. We question whether an economic elasticity study has been done, as we believe this supplemental surcharge could lead to an overall decline of transaction days, thereby generating less overall revenue. A decline in transaction days could also directly impact the bond obligation for the consolidated rental car facility projects being built at the Daniel K. Inouye Honolulu International and Kahului airports.

We urge the Committee to hold this measure.



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 2601 HD1

Relating To Transportation

COMMITTEE ON FINANCE

Tuesday, February 27, 2018, 11:00am

Conference Room 308

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee,

The Maui Hotel & Lodging Association (MHLA) is the legislative arm of the visitor industry. Our membership includes 185 property and allied business members in Maui County – all of whom have an interest in the visitor industry. Collectively, MHLA's membership employs over 25,000 residents and represents over 19,000 rooms. The visitor industry is the economic driver for Maui County. We are the largest employer of residents on the Island - directly employing approximately 40% of all residents (indirectly, the percentage increases to 75%).

MHLA is **opposed** to HB 2601 HD1, which creates a supplemental daily rental motor vehicle user fee to be levied, assessed, and collected for rental motor vehicles rented from a rental motor vehicle concession located in any airport. Uses revenues to pay for certain highway projects. Requires the Director of Transportation to cease collecting the supplemental rental motor vehicle fee upon completion of the specified highway projects.

MHLA believes that this measure would harm car rental business. An increase of \$4.50/day, proposed in the original H.B. 2601, would make the total amount of taxes and fees assessed on a rental transaction in Hawaii greater than a similar transaction in Los Angeles, Seattle, Miami, and New York.

Keeping our costs level is critical to our ability to compete against other sun destinations, especially now when we are seeing an increased amount of competition with new resort locations and other destinations' deeply discounted air/hotel/car packages. Hawaii has reached the point where high business costs and tax rates make it increasingly difficult for business to be profitable and competitive, in both the domestic and international markets.

Thank you for the opportunity to testify.



February 26, 2018

TESTIMONY OF LAUREN ARMSTRONG
MAUI MPO EXECUTIVE DIRECTOR

BEFORE THE HOUSE COMMITTEE ON FINANCE

Tuesday, February 27, 2018, 11:00 A.M.
Conference Room 308

HB2601 RELATING TO TRANSPORTATION

Honorable Sylvia Luke, Chair
Honorable Ty J.K. Cullen, Vice Chair
Honorable Members of the House Committee on Finance

Thank you for the opportunity to testify in **support** of HB 2601, with amendments requested below. The purpose of this bill is to create a supplemental daily rental motor vehicle user fee to be levied, assessed, and collected for rental motor vehicles rented from a rental motor vehicle concession located in any airport. Uses revenues to pay for capacity road projects statewide.

The Maui MPO Policy Board has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as Executive Director.

As the Maui MPO works to select projects and allocate federal highway funds for 2019-2022 through its Transportation Improvement Program, it is clear that the amount of federal funds available will not be sufficient to meet all the needs of Maui. Our transportation infrastructure needs funding to keep what we have in good, useable, and safe condition, as well as an increased ability to handle more users of the roadway network.

Maui's citizens and leaders have discussed many ideas for additional revenue sources, including toll roads, general excise tax surcharge, and traffic impact fees on development. We will continue to pursue a variety of solutions, but the concept of an additional fee on rental cars has by far the greatest level of public support on Maui compared to other options.

I would like to request that the bill be amended to ensure that funds generated within each County are used for transportation improvements within the same County. Revenues generated by the supplemental rental motor vehicle user fee should be deposited into a transportation improvement fund for each County. For islands with an MPO, the funds should be spent according to the recommendations of the metropolitan planning process.

Traffic congestion on several Maui roadways has steadily increased over the years, in large part to the vibrant tourism-based economy. Around 40,000 daily visitors make up a very large portion of Maui's public highway users.

Kahului Airport rents the most cars of all the airports in the state, averaging 2,200 cars daily – more than twice the amount of Honolulu. We estimate that an additional rental car fee of \$4.50 per day could generate \$30 million or more annually on Maui for critically needed projects that are simply outside of our existing budget (considering County, State and Federal funds). It is vital that this additional revenue source be used for projects on Maui.

Maui MPO will be updating the 20-year Maui Long Range Transportation Plan through a public and technical process by July 2019. Additional revenues generated through a supplemental fee on rental vehicles should be spent on transportation improvements as prioritized in the Maui Long Range Transportation Plan.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lauren Armstrong". The signature is fluid and cursive, with the first name "Lauren" written in a larger, more prominent script than the last name "Armstrong".

Lauren Armstrong

Executive Director, Maui MPO

HB-2601-HD-1

Submitted on: 2/26/2018 12:04:59 AM

Testimony for FIN on 2/27/2018 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Smart	Individual	Oppose	No

Comments:

You are taxing us into poverty. This affects residents of Hawaii that visit neighbor islands. You will drive the tourists (including residents) away -- and that is one of our major sources of income for our economy.

Vote no.

Council Chair
Mike White

Vice-Chair
Robert Carroll

Presiding Officer Pro Tempore
Stacy Crivello

Councilmembers
Alika Atay
Elle Cochran
Don S. Guzman
Riki Hokama
Kelly T. King
Yuki Lei K. Sugimura



COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

LATE

February 26, 2018

TO: Honorable Sylvia Luke, Chair
Honorable Ty J.K. Cullen, Vice Chair
Honorable Members of the House Committee on Finance

FROM: Kelly King
South Maui Councilmember

SUBJECT: **TESTIMONY IN SUPPORT OF HB 2601 RELATING TO
TRANSPORTATION**

Thank you for the opportunity to testify in **support** of HB 2601, with suggested amendments requested below.

The purpose of this bill is to create a supplemental daily rental motor vehicle user fee to be levied, assessed, and collected for rental motor vehicles rented from a rental motor vehicle concession located in any airport. Uses revenues to pay for capacity road projects statewide and requires the Director of Transportation to cease collecting the supplemental rental motor vehicle fee upon completion of the specified highway projects.

As a board member of the Maui MPO that works to select projects and allocate federal highway funds for 2019-2022 through the Transportation Improvement Program, I am aware that the amount of federal funds available will not be sufficient to meet the needs of Maui. Our transportation infrastructure needs funding to keep what we have in good, useable, and safe condition, as well as, an increased ability to handle more users of the roadway infrastructure.

While the County Council continues to pursue a variety of possible solutions including: toll roads, general excise tax surcharge, and traffic impact fees on development, the concept of an additional fee on rental cars has by far the greatest level of public support on Maui compared to other options.

February 26, 2018
Page 2

As a member of the Maui MPO I would like to request that the bill be amended to ensure that funds generated within each County are used for transportation improvements within the same County. Revenues generated by the supplemental rental motor vehicle user fee should be deposited into a transportation improvement fund for each County. For islands with an MPO, the funds should be spent according to the recommendations of the metropolitan planning process.

Traffic congestion on several Maui roadways, especially in and out of Lahaina and Paia, has steadily increased over the years, in large part to the success of our tourism-based economy. Around 40,000 daily visitors make up a considerable percentage of Maui's public highway users. We estimate that an additional rental car fee of \$4.50 per day could generate \$30 million, or more annually on Maui, for critically needed projects that are outside of our existing County, State and Federal funds.

I am in full support of additional revenues generated through a supplemental fee on rental vehicles, and also that the funds generated should be spent on transportation improvements as prioritized in the Maui Long Range Transportation Plan.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2018**

ON THE FOLLOWING MEASURE:

H.B. NO. 2601, H.D. 1, RELATING TO TRANSPORTATION.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

LATE

DATE: Tuesday, February 27, 2018

TIME: 11:00 a.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Russell A. Suzuki, Acting Attorney General, or
Reuel S. Toyama, Deputy Attorney General

Chair Luke and Members of the Committee:

The Department of the Attorney General respectfully opposes this bill based on the following concerns.

This bill creates a supplemental rental motor vehicle user fee to be levied, assessed, and collected for rental motor vehicles rented or leased from a rental motor vehicle concession located at an airport. The fee is collected by lessors in the business of providing rental motor vehicles to the public and paid to the Department of Transportation (department). The department deposits the revenues collected into the state highway fund and expends those funds for capacity road projects statewide. Once these projects are completed the director shall cease levying, assessing, and collecting the fee.

This bill appears to conflict with federal law, 49 U.S.C. § 47107(b)(1), which provides that:

revenues generated by a public airport will be expended for the capital or operating costs of -- (A) the airport; (B) the local airport system; or (C) other local facilities which are owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property.

Funds generated from car rental facilities on airport premises are airport revenues. To the extent the bill conflicts with federal law, it may be preempted.

In addition or in the alternative to preemption, the Federal Aviation Administration (FAA) is statutorily mandated to ensure that airport owners and operators comply with federal grants and violation of grant assurances may result in consequences including but not limited to withholding grants, assessing civil penalties, and seeking judicial enforcement of grant assurances.

Finally we note a related provision in state law. Section 261-5(a), Hawaii Revised Statutes, provides in relevant part that:

all moneys received by the department from rents, fees, and other charges collected pursuant to this chapter, as well as all aviation fuel taxes paid pursuant to section 243-4(a)(2), shall be paid into the airport revenue fund created by section 248-8. All moneys paid into the airport revenue fund shall be appropriated, applied, or expended by the department for any purpose within the jurisdiction, powers, duties, and functions of the department related to the statewide system of airports, including, without limitation, the costs of operation, maintenance, and repair of the statewide system of airports and reserves therefor.

The bill as written also appears to conflict with this statutory mandate.

We respectfully ask the Committee to hold this bill.



Testimony of

Mufi Hannemann
President & CEO
Hawai'i Lodging & Tourism Association

before the
Committee on Finance
February 27, 2018

House Bill 2601 HD1: Relating to Transportation

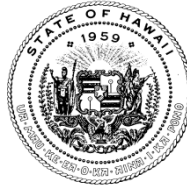
Chair Luke, Vice Chair Cullen and members of the Committee on Finance:

Thank you for the opportunity to testify on House Bill 2601 HD1, which calls for the imposition of a daily supplemental fee on motor vehicle rentals to be deposited into the state highway fund for capacity road projects statewide.

The Hawai'i Lodging & Tourism Association supports the maintenance and improvement of our transportation infrastructure, particularly our roads and freeways, as essential to the appeal of the islands as an international visitor destination, as necessary to the livelihoods of our tens of thousands of employees, and as a cornerstone of our quality of life.

However, we would caution against the addition of a separate fee, above the existing rental tax of \$3.00 per day for the highway fund. When compounded with general excise taxes, motor vehicle registration fees, gasoline costs, airport concession fees, and the ever-increasing operating costs facing any business, adding yet another monetary burden will affect our industry's overall competitiveness. Surely there must be broader-based means of generating the revenue necessary to improve our infrastructure, and we believe those should be explored before creating a special tax for this purpose.

We, therefore, oppose House Bill 2601 HD1 and thank you for the opportunity to share our views on this legislation.



Testimony by:
JADE T. BUTAY
INTERIM DIRECTOR

Deputy Directors
ROY CATALANI
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

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

Tuesday, February 27, 2018
11:00 A.M.
Conference room 308

H.B. 2601
RELATING TO TRANSPORTATION

House Committee on Finance

The Department of Transportation (DOT offers **comments** to H.B. 2601, H.D. 1. The DOT appreciates the proposed additional revenues that would be generated by the Supplemental Rental Motor Vehicle User Fee that is intended for the HDOT to implement Capacity Road Projects Statewide. This will enable DOT to finance these types of capacity improvement projects that would not be possible with our current levels of State and Federal funding. We understand the intent is to cease collection of this additional fee once the implementation of the capacity road projects specified in HRS 248-9(c) is completed.

From the highways perspective the DOT offers the following comments to this bill:

- To finance these high cost capacity road projects, it is highly likely that HDOT will issue revenue bonds to advance these projects in a systematic way, and these new revenue bonds will be paid from this dedicated income stream. This will allow funding to become available sooner and HDOT does not have to wait for sufficient cash balances to accumulate. Since repayment of bond debt service will continue past the physical completion date of the capacity road projects, we recommend that HRS 261-__ (d) be revised to read, "Upon completion and payment of the projects related to section 248-9(c), the director shall cease levying, assessing, and collecting the supplemental rental motor vehicle user fee established in subsection (a)."
- We recommend the following be added to HRS 248-9(c), "For the purposes of this subsection, capacity road projects shall be defined as undertakings for new State Highway roadway projects, major widening involving the addition of travel lanes on State Highways, and installation of permanent contraflow facilities on State Highways."

From the airports perspective the DOT offers the following comments to this bill:

- Any additional fees to on-airport rental car users may decrease rental car transaction days in which customers may opt for another mode of transportation resulting in a reduction of rental transaction days, thus decreasing Customer Facility Charge (CFC) revenues needed to meet current bond covenants, satisfy existing debt service obligations, retain high bond ratings, and ensure the marketability of the next bond issuance to be utilized to complete the construction of the consolidated rental car facility projects at the Daniel K. Inouye Honolulu International and Kahului Airports.
- In addition to future rental car projects at other Hawaii airports. It could also impact rental car concession revenues and risk dilution to potential investors in any future CFC backed bond financing.

Thank you for the opportunity to provide testimony.