

Testimony by:

JADE T. BUTAY
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

Wednesday, March 21, 2018
1:30 p.m.
State Capitol, Room 225

H.B. 2601, H.D. 1
RELATING TO TRANSPORTATION

Senate Committee on Transportation and Energy, and
Senate Committee on Commerce, Consumer Protection and Health

The Department of Transportation (DOT) offers **comments** to H.B. 2601, H.D. 1 and appreciates the recognition of need for additional revenues, which, in this case, would be generated by a proposed Supplemental Rental Motor Vehicle User Fee that is intended for the DOT to implement capacity road projects statewide. This bill is intended to enable DOT to finance capacity improvement projects that would not otherwise be possible with our current levels of State and Federal funding.

The DOT references and defers to the Attorney General's testimony with respect to the legal issues of whether this bill is conflict with or is preempted by federal law, specifically, 49 U.S.C. § 47107(b)(1), violates the terms of federal grants or grant assurances, and/or conflicts with existing State law, specifically Section 261-5(a), Hawaii Revised Statutes.

If the event these legal issues are resolvable, the DOT offers comments from its Highways and Airports Divisions.

The Highways Division offers the following comments to H. B. 2601, H.D. 1:

1. We recommend that the supplemental rental motor vehicle fee amount be specified.
2. Given that there is no listing of projects shown in section 248-9(c) we recommend that HRS 261-_(d) be removed.
3. 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.

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 SENATE COMMITTEES ON TRANSPORTATION AND ENERGY AND
COMMERCE, CONSUMER PROTECTION, AND HEALTH
ON
HOUSE BILL NO. 2601, H.D. 1

March 21, 2018
1:30 p.m.
Room 225

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 types of projects. The purpose of the SHF is to fund all highway operations and projects.

Thank you for your consideration of our comments.



HAWAI'I LODGING & TOURISM
A S S O C I A T I O N

Testimony of

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

Committees on
Transportation and Energy
Commerce, Consumer Protection, and Health
March 21, 2018

House Bill 2601 HD1: Relating to Transportation

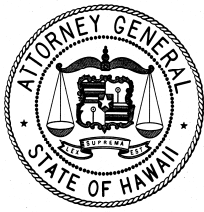
Chair Inouye, Chair Baker and members of the committees:

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 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:

SENATE COMMITTEES ON TRANSPORTATION AND ENERGY AND ON
COMMERCE, CONSUMER PROTECTION AND HEALTH

DATE: Wednesday, March 21, 2018 **TIME:** 1:30 p.m.

LOCATION: State Capitol, Room 225

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

Chairs Inouye and Baker and Members of the Committees:

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.



**Maui Metropolitan
Planning Organization**

200 South High Street
Wailuku, HI 96793
www.mauimpo.org

March 20, 2018

TESTIMONY OF LAUREN ARMSTRONG
MAUI MPO EXECUTIVE DIRECTOR

BEFORE THE SENATE COMMITTEE ON TRANSPORTATION AND ENERGY

March 21, 2018 at 1:30pm
Conference Room 225

HB2601 HD1 RELATING TO TRANSPORTATION

Honorable Lorraine R. Inouye, Chair
Honorable Will Espero, Vice Chair
Honorable Members of the Senate Committee on Transportation and Energy

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.

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 exceed our available budget.

I would like to request that the bill be amended to ensure that funding will go to projects within the County where the surcharge was collected, to assure equitable distribution throughout the State. Capacity projects that are funded should be those that are a priority for each County or MPO as determined by: Priority projects identified in a County General Plan, Community Plan, or MPO transportation plan, and/or projects identified as priorities based on a performance measure evaluation process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lauren Armstrong".

Lauren Armstrong, Executive Director, Maui MPO

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

March 20, 2018

TO: Honorable Lorraine R. Inouye, Chair
Committee on Transportation & Energy
Rosalyn H. Baker, Chair
Committee on Commerce, Consumer Protection, and Health
Honorable Members of the Senate Committee on
Transportation & Energy and Senate Committee on
Commerce, Consumer Protection, and Health

FROM: Kelly King
South Maui Councilmember

SUBJECT: **TESTIMONY IN SUPPORT OF HB2601 RELATING TO
TRANSPORTATION**

Thank you for the opportunity to testify in **support** of HB2601, 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 certain highway projects 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 and state funds currently 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.

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 and be deposited into a transportation improvement county fund. For islands with an MPO, the funds should be spent according to the recommendations of the metropolitan planning process as determined by: priority projects identified in a County General Plan, Community Development Plan, or MPO transportation plan, and/or projects identified as priorities based on a performance measure evaluation 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.

HB-2601-HD-1

Submitted on: 3/21/2018 8:14:08 AM

Testimony for TRE on 3/21/2018 1:30:00 PM

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

Comments:

I support 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.



Maui Hotel & Lodging

ASSOCIATION

Testimony of

Lisa H. Paulson

Executive Director

Maui Hotel & Lodging Association

on

HB 2601 HD1

Relating To Transportation

COMMITTEE ON TRANSPORTATION AND ENERGY

COMMITTEE ON COMMERCE, CONSUMER PROTECTION AND HEALTH

Wednesday, March 21, 2018, 1:30pm

Conference Room 225

Dear Chairs Inouye and Baker; Vice Chairs Espero and Tokuda: 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.

HB-2601-HD-1

Submitted on: 3/19/2018 11:40:28 AM

Testimony for TRE on 3/21/2018 1:30:00 PM

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

Comments:

Aloha Chairs and Senators The Kihei Community Assoc is in support of this bill if amended to insure that funding will go to projects within the County where the surcharge was collected, to assure equitable distribution throughout the State.. KCA supported the original bill when it was proposed for our (Maui) County, and understand the other regional reps saw a good concept and worked to insure it applied to their region. Please insure Maui reaps their fair share as we have the most rental cars here on Maui. Mahalo. Mike Moran



SanHi

GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 20, 2018

TO: Senator Lorraine R. Inouye
Chair, Committee on Transportation and Energy

Senator Rosalyn H. Baker
Chair, Committee on Commerce, Consumer Protection, and Health

Submitted Via Capitol Website

RE: **H.B. 2601, H.D. 1 Relating to Transportation**
Hearing Date: Wednesday, March 21, 2018 at 1:30 p.m.
Conference Room: 225

Dear Chair Inouye, Chair Baker and Members of the Committee on Transportation and Energy and the Committee on Commerce, Consumer Protection, and Health:

We submit this testimony on behalf of Enterprise Holdings, which includes Enterprise Rent-A-Car, Alamo Rent-A-Car, National Car Rental, Enterprise CarShare and Enterprise RideShare (Van Pool).

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

Senator Lorraine Inouye, Chair
Senator Will Espero, Vice Chair
Senate Committee on Transportation and Energy

Senator Rosalyn Baker, Chair
Senator Jill Tokuda, Vice Chair
Senate Committee on Commerce, Consumer Protection and Health

Wednesday, March 21, 2018; 1:30 PM
Hawaii State Capitol; Conference Room 225

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

Aloha Chairs Inouye and Baker, Vice Chairs Espero and Tokuda, and Members of the Committees:

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 and requires the Director of Transportation to cease collecting the supplemental rental motor vehicle fee upon completion of the specified highway projects.

Federal law mandates that revenues generated at the airport can only be used for airport purposes. If the highway projects are not for the airport area, this would be unlawful diversion of revenues. We also 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.

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.

We urge the Committees to hold this measure.

HB-2601-HD-1

Submitted on: 3/19/2018 10:23:52 AM

Testimony for TRE on 3/21/2018 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Owen Miyamoto	Individual	Oppose	No

Comments:

Using airport revenues to finance highway projects is a violation of the federal grant agreement between the FAA and the Hawaii DOT. In the past, this was attempted and opposed by the federal government. The Hawaii Highways Division has the regular sources of revenue to finance highway improvements. Their problem is their inability to implement needed highway improvements.