

**Testimony to the House Committee on Transportation
Representative Darius K. Kila, Chair
Representative Tina Nakada Grandinetti, Vice Chair**

**Tuesday, March 18, 2025, at 10:00AM
Conference Room 430 & Videoconference**

RE: SB1638 SD2 Relating to Air Carriers

Aloha e Chair Kila, Vice Chair Grandinetti, and Members of the Committee:

My name is Sherry Menor, President and CEO of the Chamber of Commerce Hawaii ("The Chamber"). The Chamber supports Senate Bill 1638 Senate Draft 2 (SB1638 SD2) which establishes within the Department of Transportation the Molokai Air Carrier Subsidy Program to provide subsidies to airlines operating out of Molokai Airport.

HB960 aligns with our 2030 Blueprint for Hawaii: An Economic Action Plan, specifically under the policy pillar for Business Services. This bill promotes policies that drive economic growth, enhance workforce opportunities, and improve the quality of life for Hawaii's residents.

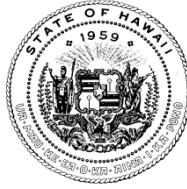
Molokai urgently needs more affordable and reliable air travel to support its local economy and ensure residents can readily access essential services, including specialized healthcare on neighboring islands. This bill creates a Molokai Air Carrier Subsidy Program under the Department of Transportation, offering financial incentives to airlines to reduce operational costs, boost competition, and ultimately lower ticket prices. Making inter-island flights more accessible not only stimulates business activity and job growth but also ensures that residents can seek advanced medical treatments, reinforcing the broader healthcare network of the State.

The measure includes robust oversight provisions and detailed reporting requirements to ensure transparent and responsible use of public funds, supported by coordination with federal agencies where needed. The Chamber supports this legislation because investing in improved air travel infrastructure elevates Molokai's economic prospects while simultaneously enhancing healthcare outcomes for residents throughout the State.

The Chamber of Commerce Hawaii is the state's leading business advocacy organization, dedicated to improving Hawaii's economy and securing Hawaii's future for growth and opportunity. Our mission is to foster a vibrant economic climate. As such, we support initiatives and policies that align with the 2030 Blueprint for Hawaii that create opportunities to strengthen overall competitiveness, improve the quantity and skills of available workforce, diversify the economy, and build greater local wealth.

We respectfully ask to pass Senate Bill 1638 Senate Draft 2. Thank you for the opportunity to testify.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



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DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
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March 18, 2025
10:00 A.M.
State Capitol, Room 430

**S.B. 1638, S.D. 2
RELATING TO AIR CARRIERS**

House Committee on Transportation

The Hawai'i Department of Transportation (HDOT) provides the following comments on S.B. 1638, S.D. 2, which proposes establishing the Moloka'i Air Carrier Subsidy Program within HDOT to provide direct financial subsidies to airlines operating out of Moloka'i Airport.

As an airport operator receiving federal funding, HDOT is subject to Federal Aviation Administration (FAA) grant assurances that prohibit the direct subsidization of air carriers. Establishing a state-funded subsidy program within HDOT would conflict with these federal requirements and could jeopardize HDOT's eligibility for federal funding.

Rather than providing direct subsidies, HDOT is actively working to procure an air charter service contract that will enable the State to support the transportation of high-priority travelers, including medical personnel, patients, and other essential service providers, to and from Moloka'i.

To implement this service, \$1,000,000 Million in General Funds (GF) funding is needed for this fiscal year to ensure timely execution and availability of critical air transportation. By the next fiscal year, HDOT will have a sustainable funding mechanism in place, with departments utilizing the service contributing to the cost, ensuring long-term viability without reliance on additional general funds.

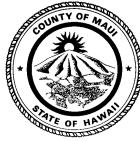
Thank you for the opportunity to provide testimony.

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March 15, 2025

TO: The Honorable Darius Kila, Chair
House Committee on Transportation

FROM: Alice L. Lee
Council Chair 

SUBJECT: **HEARING OF MARCH 18, 2025; TESTIMONY IN SUPPORT OF SB 1638, SD2, RELATING TO AIR CARRIERS**

I **support** this measure to establish the Molokai Air Carrier Subsidy Program within the Department of Transportation to provide financial assistance to airlines operating out of Molokai Airport.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I **support** this measure for the following reasons:

1. Molokai residents depend on affordable and reliable air travel for essential needs, including medical appointments, work, and family obligations. With only one airline serving the island, high ticket prices create financial hardships for residents who rely on interisland flights.
2. Providing subsidies to air carriers encourages competition and service expansion, helping to lower fares and improve accessibility for Molokai travelers. Supporting additional air carriers will create more options and reduce the burden on a single carrier serving the community.
3. A structured subsidy program ensures accountability and efficiency, requiring compliance with state and federal regulations while ensuring funds are used solely for operational costs that benefit Molokai residents. The program also mandates annual reporting to the Legislature, providing transparency in how subsidies are allocated.

Thank you for your consideration.