TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 2800

February 24, 2012

RELATING TO TRANSPORTATION

House Bill No. 2800 proposes to reduce the remittance of rental vehicle surcharge to the general fund from $4.50 to $3.50 and extends the sunset date from June 30, 2012 to June 30, 2017.

The department supports the intent of the bill. The most recent Council on Revenues advisement in January has resulted in projected State revenue 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.

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. 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 June 30, 2017, but would also support determination of an 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.

L E G I S L A T I V E

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

BILL NUMBER: HB 2800

INTRODUCED BY: Say

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, 2017.

Amends HRS section 251-5 to provide that of the rental motor vehicle surcharge taxes assessed and collected, the equivalent of $3.50 instead of $4.50 of the tax assessed and collected per day shall be deposited into the state treasury to the credit of the general fund.

Amends Act 104, SLH 2011, to extend the suspension of the rental motor vehicle customer facility charge from June 30, 2012 to June 30, 2017.

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 funding for the construction of 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, it should be remembered that these "revenue enhancement" provisions will not work unless state spending is also curtailed. The long and short of this measure is that it is a continued tax increase designed to maintain the status quo in state government. As such, it is a siphoning off of money that would otherwise be circulating in the economy to help create the jobs Hawaii's people need.

Digested 2/7/12

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Representative Marcus Oshiro, Chair
House Committee on Finance

Friday, February 24, 2012; 10:00 AM; Agenda #1
Hawaii State Capitol; Conference Room 308

RE: HB 2800 – Relating to Transportation – In Opposition

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

My name is Martin Mylott, Hawaii Regional Manager for Avis Budget Group. We are in opposition to HB 2800, which extends the sunset date for Act 104, sections 4 and 5, SLH 2011, from 2012 to 2017.

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. Hawaii should not continue to have an inferior level of customer facilities compared to other resort destinations. 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.

The DOT has stated it remains committed to construction of the consolidated facilities and is working on a plan of finance so that the project can proceed. The concern is repaying the debt for bonds and borrowed money. Without the CFC, there is no identified revenue source to repay the debt.

The bill also proposes reducing the remittance of the rental vehicle surcharge to the general fund, from $4.50 to $3.50. We believe this should result in a reduction in the rental vehicle surcharge from $7.50 to $6.50.

Thank you for the opportunity to provide comments.

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

HOUSE COMMITTEE
ON
FINANCE

February 24, 2012

House Bill 2800 Relating to Transportation

Chair Oshiro and members of the House Committee on Finance, I am Rick Tsujimura, representing The Hertz Corporation ("Hertz").

Hertz opposes House Bill 2800 Relating to Transportation, which extends the rental motor vehicle surcharge from 2012 to 2017. While we recognize the current fiscal situation, we also understand that the state administration is optimistic about the ability of the state's economy to turnaround sooner than 2017. 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 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. We understand that the administration is currently evaluating an increase in the CFC from "$0" to "$1". Unfortunately, the measure does not state as much. Indeed, the rental vehicle surcharge is being amended to reduce the general fund diversion from $4.50 to $3.50 but the remaining dollar difference seems to be headed to the highway fund not the CFC. If the intent is not to increase the CFC to a dollar, we also believe that the amount diverted to the general fund which is currently set at $4.50 and proposed to be reduced to $3.50, should result in a commensurate reduction in the rental motor vehicle surcharge from $7.50 to $6.50. The increase in payment to the highway fund is unnecessary and no justification for the increase in the funds for the highway fund have been presented.

Thank you for the opportunity to present this testimony.

Owen Miyamoto, PE
3209 Paty Drive
Honolulu, HI 96822-1439

February 22, 2012

To: Honorable Marcus R. Oshiro, Chair
Honorable Marilyn B. Lee, Vice Chair
Honorable Members of the House Committee on Finance

Subject: Comments on House Bill 2800, Relating to Transportation

The purpose of HB 2800 is to suspend the rental motor vehicle customer facility charge (CFC) until June 30, 2017. The CFC was previously authorized to fund the construction of consolidated facilities for rental car companies operating at state airports. Revenues from the collections of the CFC have been used to fund studies and preliminary designs for facility improvements at Honolulu International Airport (HNL) and Kahului Airport (OGG).

The House Committee on Transportation received testimony from the Department of Transportation at the hearing on HB2800. The Department stated that funds from the CFC would be used to finance planning and construction of new consolidated rental car facilities at HNL and OGG.

The Department's testimony did not describe the location of facilities proposed by the planning study prepared by the consultant for the rental car companies. The consolidated rental car facilities would displace existing public and employee parking areas. Further, the HNL project would require providing interim facilities to accommodate rental car operations during the construction. Interim facilities would cost $43,000,000 and roadway improvements an additional $11,600,000, both of which are not required if a vacant site available on airport property is utilized.

The OGG project would be built within the existing public parking area in front of the terminal building based on the assumption that Runway 5-23 will be extended to allow closing the existing main runway for reconstruction. Using Runway 5-23 as proposed would have a substantial impact on residential areas under the aircraft departure flight path. Alternatives for the runway reconstruction plan have not been finalized.

Funding for the rental car improvements needed by the operators should be provided through the issuance of special facility revenue bonds. Using airport revenue bonds will impact the borrowing capacity of the airport for financing urgently needed planning and construction of terminal and airfield improvements, especially at neighbor island airports.

I recommend the Department of Transportation be requested to review the plans for consolidated rental car facilities before proceeding with construction presently planned for the end of 2012. The suspension of the CFC will provide sufficient time to review current plans to reduce the cost of the projects and give careful consideration to the impact on airport users and adjacent neighborhoods.

Sincerely,

Owen Miyamoto

Owen Miyamoto

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TO: Representative Marcus R. Oshiro
Chair, Committee on Finance
Via Facsimile: 586-6001

FROM: Gary M. Slovin

DATE: February 22, 2012

RE: **H.B. 2800 – Relating to Transportation**
Hearing Date: Friday, February 24, 2012 at 10:00 a.m.
Conference Room 308

Dear Chair Oshiro and Members of the Committee on Finance:

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 H.B. 2800, which would reduce the present remittance of the present rental vehicle surcharge to the general fund from $4.50 to $3.50 and extend the sunset date for Act 104, sections 4 and 5, SLH 2011, from 2012 to 2017.

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 H.B. 2800 would extend the diversion of the surcharge to the year 2017.

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 tourists 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, particularly given the fact that the bill now proposes to extend the surcharge to 2017.

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 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.

While Enterprise has general concerns about the impacts of the surcharge on the rental car industry, tourism and local business people and residents, if it is the decision of the committee that the surcharge continues to be diverted, we strongly recommend that the surcharge be continued for no more than one year.

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