

Honolulu, Hawaii

FEB 19 2015

RE: S.B. No. 19

S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committees on Transportation and Public Safety,
Intergovernmental and Military Affairs, to which was referred S.B.
No. 19 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

beg leave to report as follows:

The purpose and intent of this measure is to make permanent
the county surcharge on state tax.

Your Committees received testimony in support of this measure
from the Office of the Mayor, City and County of Honolulu;
Honolulu Authority for Rapid Transportation; International
Brotherhood of Electrical Workers Local Union 1186; Hawaii State
AFL-CIO; Hawaii Laborers-Employers Cooperation and Education
Trust; Faith Action for Community Equity; Hawai'i Construction
Alliance; Castle & Cooke Hawai'i; Pacific Resource Partnership;
Hawaii Regional Council of Carpenters; Hawaii Masons' Union
Local #1; Hawaii Operating Engineers Stabilization Fund; and two
individuals. Your Committees received testimony in opposition to
this measure from twenty-four individuals. Your Committees
received comments on this measure from the Department of Taxation,
Department of Budget and Finance, and Tax Foundation of Hawaii.

Act 247, Session Laws of Hawaii 2005, enacted a county
surcharge on state tax in the amount of one-half percent on excise
taxes. The surcharge is for operating or capital costs of a
locally preferred alternative for a mass transit project in
Honolulu and for public transportation in the other counties, as



well as expenses in complying with the Americans with Disabilities Act.

Your Committees find that the rail transit project of the Honolulu Authority for Rapid Transportation is in serious financial jeopardy which threatens the likelihood of completion of the project by 2022, when the surcharge is set to expire. The financial difficulties are attributable to:

- (1) Lawsuits that have caused planning and construction delays;
- (2) Declining general excise tax revenues;
- (3) Higher construction bids than were forecasted in the construction budget several years ago; and
- (4) Escalating material and labor costs for construction in Hawaii.

According to testimony of the Honolulu Authority for Rapid Transportation, the construction costs next year alone will be ten to fifteen percent over budget. The Honolulu Authority for Rapid Transportation must prove to bidders that it has sufficient money to pay the selected contractors five to seven years from now, since major construction projects such as the rail project typically have long horizons.

Your Committees further find that if the rail project is not completed, then the City will have to pay back federal grant monies of \$1,550,000,000. The federal Full Funding Grant Agreement provided the City with that amount in new starts funding. The agreement states that the City has an obligation to complete this project under the time frame specified in the agreement, regardless of any financial challenges the City might encounter. If the City defaults on this agreement, then the City will face even greater fiscal challenges, including repayment of these federal funds.

Your Committees further find that traffic on Oahu is continually getting worse. Each year, there are thousands of new vehicles on the road creating additional gridlock, increased frustration, and more time spent in a vehicle instead of at home with loved ones or engaging in other preferred activities. Increasingly, commuters from West Oahu face the daunting reality



that traveling to Honolulu and back to West Oahu can take upwards of three to four hours.

Your Committees further find that rail transit construction, as well as eventual operation, provides jobs, efficient transportation, more quality time for families by avoiding traffic congestion while also saving families the costs of wear and tear on their vehicles, helps control urban sprawl, and enhances the creation of affordable housing through transit oriented development.

Your Committees have amended this measure by:

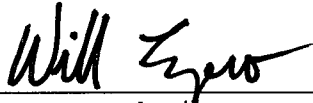
- (1) Adding a purpose section;
- (2) Diverting half of the ten percent administrative fee collected by the State to transit oriented development projects;
- (3) Extending the opportunity for other counties to adopt an ordinance to levy a county surcharge on state tax to an unspecified date;
- (4) Extending the sunset date of the county surcharge on state tax to December 31, 2047;
- (5) Requiring the Honolulu Authority for Rapid Transportation to complete the entire rail transit project by December 31, 2047, including extensions of the project to Ala Moana Center, the University of Hawaii at Manoa, and downtown Kapolei;
- (6) Requiring that buildings comprising each rail transit station be integrated so that all buildings are physically connected, except at Honolulu International Airport and Pearl Harbor rail stations;
- (7) Requiring the City and County of Honolulu to plan transient oriented development to accommodate the anticipated growth in population;
- (8) Requiring the Auditor to conduct a financial and management audit of the Honolulu Authority for Rapid Transportation and its rail transit project;



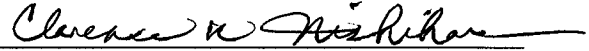
- (9) Inserting an effective date of July 1, 2050, to encourage further discussion; and
- (10) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Transportation and Public Safety, Intergovernmental and Military Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 19, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 19, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Transportation
and Public Safety,
Intergovernmental and Military
Affairs,



WILL ESPERO, Chair

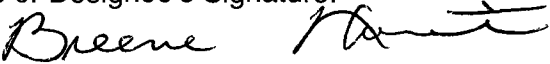


CLARENCE K. NISHIHARA, Chair



The Senate
Twenty-Eighth Legislature
State of Hawai'i

Record of Votes
Committee on Transportation
TRA

Bill / Resolution No.:* SB19	Committee Referral: TRA/PSM, WAM	Date: 2/12/15		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
NISHIHARA, Clarence K. (C)	✓			
HARIMOTO, Breene (VC)	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
INOUYE, Lorraine R.	✓			
KIDANI, Michelle N.	✓			
KOUCHI, Ronald D.	✓			
SLOM, Sam				✓
TOTAL	8			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

