

STAND. COM. REP. NO. 1422

Honolulu, Hawaii

March 23, 2007

RE: S.B. No. 1500
S.D. 3
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred S.B. No. 1500, S.D. 3, entitled:

"A BILL FOR AN ACT MAKING AN EMERGENCY APPROPRIATION FOR DEPARTMENT OF TAXATION COUNTY SURCHARGE IMPLEMENTATION COSTS,"

begs leave to report as follows:

The purpose of this bill is to appropriate emergency funding to the Department of Taxation (DOTAX) to address unbudgeted expenses to implement the administration of the county surcharge on state general excise tax (GET). Specifically, this bill appropriates general funds for fiscal year 2006-2007 to:

- (1) Assure that the City and County of Honolulu's (City) county surcharge on GET is not adversely impacted; and
- (2) Ensure the ability to obtain federal funding for the City's mass transit project.

DOTAX and the Department of Budget and Fiscal Services of the City supported this bill.

Pursuant to the requirements set forth in Article VII, section 9, of the Constitution of the State of Hawaii, the Governor, in her Governor's Message No. 253 to the Legislature,

SB1500 HD1 HSCR TRN HMS 2007-3234



requested immediate consideration and passage of this bill by the Legislature citing an existing critical funding shortage.

Act 247, Session Laws of Hawaii 2005, (Act 247) provided the counties with the authorization to adopt a county surcharge on the GET to give the counties a means of financing mass transit. When the City adopted the surcharge, the responsibility of DOTAX to administer the county surcharge as provided for in Act 247 was triggered. However, Act 247 did not provide an appropriation to offset the initial costs that would be incurred in administering the county surcharge. As a result, the City agreed to guarantee DOTAX costs up to \$5,000,000 so as not to jeopardize funding for its mass transit project.

Although a mechanism for funding costs incurred in administering and collecting the county surcharge was placed in Act 247 by requiring the Director of DOTAX to deduct ten percent of the gross proceeds of the county surcharge, your Committee has been informed that the incidental costs were not covered under Act 247 and that without this emergency appropriation, the City will lose its \$5,000,000 guarantee.

Accordingly, your Committee has amended this bill by increasing the appropriation amount to \$5,000,000.

Technical, nonsubstantive changes were also made for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1500, S.D. 3, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1500, S.D. 3, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Transportation,


JOSEPH M. SOUKI, Chair



