
A BILL FOR AN ACT

RELATING TO TAXATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that, due to recent
2 worldwide economic events, the State, like the rest of the
3 nation and the world, is experiencing a severe economic crisis.
4 While the State of Hawaii, due to steady long term fiscal
5 planning, prudent past decision-making practices, and relatively
6 stable real property values and relatively low unemployment
7 rates, has avoided some of the economic pitfalls and suffering
8 shared by many other states, it still needs to find innovative
9 ways to balance its budget for the ensuing fiscal biennium and
10 beyond. Recent estimates project executive budget shortfalls of
11 \$123,000,000 for fiscal year 2008, \$459,000,000 for fiscal year
12 2009, \$655,000,000 for fiscal year 2010, \$740,000,000 for fiscal
13 year 2011, for a total of \$1,978,000,000.

14 To meet the current and future financial needs of the
15 State, the legislature believes that having the city and county
16 of Honolulu return a portion of the moneys transferred to it
17 pursuant to revenues derived from the imposition of a county

1 surcharge on state general excise and use taxes is a reasonable
2 means of achieving a balanced budget for state operations
3 without adversely impacting the city and county of Honolulu's
4 fiscal status or resorting to a drastic reduction in state
5 services or personnel.

6 The legislature also finds that the revenues already
7 derived from county surcharge on state general excise and use
8 taxes and transferred to the city and county of Honolulu are
9 largely unencumbered and will not be needed in the immediately
10 foreseeable future. These moneys would be better utilized if
11 applied to the immediate financial needs of the State, of which
12 the city and county of Honolulu is a part.

13 To this end, the legislature believes that borrowing not
14 more than \$150,000,000 from the balance of the amount derived
15 from the a county surcharge on state general excise and use
16 taxes already transferred to the city and county of Honolulu and
17 repaying the amount borrowed with revenues derived from the
18 issuance of state general obligation bonds is prudent and will
19 assist the State in maintaining current services and personnel
20 until such time as the state economy recovers. At the same
21 time, by ensuring that the loan is repaid in a timely manner
22 through revenues derived from state general obligation bonds,

1 any detrimental financial effect to the city and county of
2 Honolulu will be avoided. In addition, to help ameliorate and
3 detrimental financial impact to the city and county of Honolulu,
4 this Act extends the lifespan of the surcharge on state general
5 excise and use tax for two additional years.

6 SECTION 2. The city and county of Honolulu shall return to
7 the State, \$150,000,000 of the revenues transferred to it
8 pursuant to section 248-2.6, Hawaii Revised Statutes; provided
9 that the city and county of Honolulu shall not return any of
10 those revenues until the proceeds from any issuance of the
11 general obligation bonds authorized for issuance under section 4
12 are placed into escrow for transfer to the city and county of
13 Honolulu.

14 SECTION 3. Act 247, Session Laws of Hawaii 2005, is
15 amended by amending section 9 to read as follows:

16 "SECTION 9. This Act shall take effect upon its approval;
17 provided that:

18 (1) If none of the counties of the State adopt an
19 ordinance to levy a county surcharge on state tax by
20 December 31, 2005, this Act shall be repealed and
21 section 437D-8.4, Hawaii Revised Statutes, shall be

1 reenacted in the form in which it read on the day
2 prior to the effective date of this Act;

3 (2) If any county does not adopt an ordinance to levy a
4 county surcharge on state tax by December 31, 2005, it
5 shall be prohibited from adopting such an ordinance
6 pursuant to this Act, unless otherwise authorized by
7 the legislature through a separate legislative act;

8 (3) If an ordinance to levy a county surcharge on state
9 tax is adopted by December 31, 2005:

10 (A) The ordinance shall be repealed on December 31,
11 ~~[2022;]~~ 2024;

12 (B) This Act shall be repealed on December 31,
13 ~~[2022;]~~ 2024; and

14 (C) Section 437D-8.4, Hawaii Revised Statutes, shall
15 be reenacted in the form in which it read on the
16 day prior to the effective date of this Act."

17 SECTION 4. The director of finance is authorized to issue
18 general obligation bonds in the sum of \$250,000,000 or so much
19 thereof as may be necessary and the same sum or so much thereof
20 as may be necessary is appropriated for fiscal year 2009-2010
21 for the purpose of replacing tax revenues that are returned from
22 the city and county of Honolulu to the state general fund

1 pursuant to section 2; provided that the director of finance
2 shall not issue the general obligation funds until the State
3 receives affirmative advice from the State's bond counsel on the
4 suitability of using the proceeds from the issuance of the
5 general obligation bonds for the purpose of replacing the tax
6 revenues returned from the city and county of Honolulu pursuant
7 to section 2.

8 The sum appropriated shall be transferred to the city and
9 county of Honolulu by the department of budget and finance
10 pursuant to this Act and section 248-2.6, Hawaii Revised
11 Statutes.

12 SECTION 5. This Act shall take effect on July 1, 2009.

Report Title:

County Surcharge Tax; General Obligation Bonds

Description:

Borrows \$150,000,000 out of funds generated by surcharge on state general excise tax revenues transferred to the city and county of Honolulu. Authorizes issuance of GO bonds to offset loss of tax revenues to the city and county of Honolulu in fiscal year 2009-2010. Extends surcharge for two years. (SD1)