

JAN 25 2010

S.B. NO. 2653

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 Although in the past, the State of Hawaii has displayed steady
5 long-term fiscal planning, prudent past decision making
6 practices, and relatively stable real property values and
7 relatively low unemployment rates, it has still been unable to
8 avoid the negative effects of the struggling economy, and it
9 needs to find innovative ways to balance its budget for the
10 current fiscal biennium and beyond. Sizeable budget shortfalls
11 for the current and upcoming fiscal year require immediate and
12 decisive action.

13 To meet the current and future financial needs of the
14 State, the legislature believes that having the city and county
15 of Honolulu return a portion of the moneys transferred to it
16 pursuant to revenues derived from the imposition of a county
17 surcharge on state general excise and use taxes is a reasonable
18 means of achieving a balanced budget for state operations



1 without adversely impacting the city and county of Honolulu's
2 fiscal status or resorting to a drastic reduction in state
3 services or personnel.

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

11 To this end, the legislature finds that borrowing not more
12 than \$200,000,000 from the balance of the amount derived from
13 the county surcharge on state general excise and use taxes
14 already transferred to the city and county of Honolulu and
15 repaying the amount borrowed with revenues derived from the
16 issuance of state general obligation bonds is prudent and will
17 assist the State in maintaining current services and personnel
18 until such time as the state economy recovers. At the same
19 time, by ensuring that the loan is repaid in a timely manner
20 through revenues derived from state general obligation bonds,
21 any detrimental financial effect to the city and county of
22 Honolulu will be avoided. In addition, to help ameliorate any



1 detrimental financial impact to the city and county of Honolulu,
2 this Act extends the lifespan of the surcharge on state general
3 excise and use tax for two additional years.

4 The purpose of this Act is to:

- 5 (1) Require the city and county of Honolulu to return to
6 the State moneys derived from the county surcharge on
7 state tax;
- 8 (2) Authorize the issuance of general obligation bonds to
9 reimburse the city and county of Honolulu; and
- 10 (3) Extend the sunset of Act 247, Session Laws of Hawaii
11 2005, providing for the deadline of a county adoption
12 of an ordinance.

13 SECTION 2. The city and county of Honolulu shall return to
14 the State, \$200,000,000 of the revenues transferred to it
15 pursuant to section 248-2.6, Hawaii Revised Statutes; provided
16 that the city and county of Honolulu shall not return any of
17 those revenues until the proceeds from any issuance of the
18 general obligation bonds authorized for issuance under section 4
19 of this Act are placed into escrow for transfer to the city and
20 county of Honolulu.

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



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

3 (1) If none of the counties of the State adopt an
4 ordinance to levy a county surcharge on state tax by
5 December 31, 2005, this Act shall be repealed and
6 section 437D-8.4, Hawaii Revised Statutes, shall be
7 reenacted in the form in which it read on the day
8 prior to the effective date of this Act;

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

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

16 (A) The ordinance shall be repealed on December 31,
17 ~~[2022+]~~ 2024;

18 (B) This Act shall be repealed on December 31,
19 ~~[2022+]~~ 2024; and

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



1 SECTION 4. The director of finance is authorized to issue
2 general obligation bonds in the sum of \$300,000,000 or so much
3 thereof as may be necessary and the same sum or so much thereof
4 as may be necessary is appropriated for fiscal year 2010-2011
5 for the purpose of replacing surcharge revenues that are
6 returned from the city and county of Honolulu to the state
7 general fund pursuant to section 2 of this Act; provided that
8 the director of finance shall not issue the general obligation
9 funds until the State receives affirmative advice from the
10 State's bond counsel on the suitability of using the proceeds
11 from the issuance of the general obligation bonds for the
12 purpose of replacing the tax revenues returned from the city and
13 county of Honolulu pursuant to section 2 of this Act.

14 The sum appropriated shall be transferred to the city and
15 county of Honolulu by the department of budget and finance
16 pursuant to this Act and section 248-2.6, Hawaii Revised
17 Statutes.

18 SECTION 5. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.

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1 SECTION 6. This Act shall take effect on July 1, 2010.

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INTRODUCED BY: S.S.T.H.
C.A.R. G.S.H.



Report Title:

County Surcharge Tax; General Obligation Bonds

Description:

Returns \$200,000,000 from the funds generated by surcharge on state general excise tax revenues transferred to the city and county of Honolulu to the State general fund. Authorizes issuance of \$300,000,000 GO bonds to offset loss of tax revenues to the city and county of Honolulu in fiscal year 2010-2011. Extends surcharge for two years.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

