

**SB 1626**

The Pacific Resource  
**PARTNERSHIP**



Testimony of C. Mike Kido  
External Affairs  
The Pacific Resource Partnership

Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

SB 1626 Proposed SD1 – RELATING TO TAXATION  
Wednesday, March 4, 2009  
9:30 am  
Conference Room 211

Chair Donna Mercado Kim, Vice Chair Shan Tsutsui and members of the Senate Ways and Means Committee:

My name is C. Mike Kido, External Affairs of the Pacific Resource Partnership (PRP), a labor-management consortium representing over 240 signatory contractors and the Hawaii Carpenters Union. PRP and its member contractors oppose SB 1626 Proposed SD1 – allowing the state to borrow \$150,000,000 out of surcharge on state tax revenues transferred to the city and county of Honolulu and also authorizing issuance of GO bonds to offset loss of tax revenues to the city and county of Honolulu in FY2009- 2010.

PRP understands and appreciates the difficulty faced by the Legislature in determining a way to solve the projected shortfall in the State budget. However, diverting the funds that should be used to build the transit system will cause great harm to our community and residents.

The tax surcharge was created specifically to finance the rail project, with anticipated construction set to begin in 2009. This has been welcome news to a community that is dealing with a severe economic downturn. Investing in infrastructure has been identified as one of the key ways of stimulating the economy. And the transit project will be creating 11,000 jobs and bringing millions of dollars to our state at the time when we need it most. This investment will have an even greater positive impact because studies have shown that construction spending has a multiplier effect greater than any other industry.

Allowing the state to borrow from the transit fund would delay this much-needed economic stimulus.

In addition, any attempt to divert transit funds would send a dangerous message to the Federal Government, which may jeopardize the federal funds that would otherwise flow into our community.

Testimony of C. Mike Kido  
SB1626 Proposed SD1 – Relating to Taxation  
Page 2

The Legislature is faced with a very difficult task in dealing with Hawaii's budget deficit. And while taking the transit funds may seem to be a solution to the immediate problem, we urge the Legislature to take a long-term view and consider the greater impact the rail transit project will have on Hawaii's economic well-being.

Thank you for allowing us to share our views.

**BIA-HAWAII**  
BUILDING INDUSTRY ASSOCIATION

March 4, 2009

Senator Donna Mercado Kim, Chair  
Senate Ways and Means Committee  
State Capitol, Room 308  
415 South King Street  
Honolulu, Hawaii 96813

Dear Chair Kim:

**Subject: Senate Bill No. 1626 SD 1 Relating to Taxation**

I am Karen Nakamura, Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is strongly opposed to S.B. No. 1626 SD1 which proposes to "borrow" \$150,000,000 out of one-half percent surcharge on state tax revenues transferred to the City and County of Honolulu, to fund the Honolulu High Capacity Transit project. The bill authorizes the issuance of General Obligation bonds to offset loss of tax revenues to the City and County of Honolulu in fiscal year 2009-2010.

The legislation is based on global economic crisis that is impacting government tax revenues. The legislation fails to recognize that this global economic crisis is impacting everyone, not only government. Businesses are being forced to significantly reduce expenses to meet their projected reductions in revenue. Rather than confront the problems and identify government services that we can afford based on reduced revenue projections, the proposal merely postpones this decision by transferring funds from the City's rapid transit project.

What happens if the revenue short fall extends beyond the two years mentioned in the bill? Will the legislature "borrow" additional funds from the City's rapid transit project or other dedicated funding sources?

The real problem is the need to develop a budget with appropriate level of government services based on the anticipated reduction in state revenues. To do anything less is irresponsible.

We appreciate the opportunity to express our views on this matter.



Chief Executive Officer  
BIA-Hawaii

OFFICE OF THE MAYOR  
**CITY AND COUNTY OF HONOLULU**  
530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813  
PHONE: (808) 768-4141 • FAX: (808) 768-5552 • E-MAIL: mayor@honolulu.gov

MUFI HANNEMANN  
MAYOR



March 3, 2009

The Honorable Donna Mercado Kim, Chair  
and Members of the Committee on  
Ways and Means  
State Senate  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair Kim and Members:

**Subject: Senate Bill 1626, SD 1**

We request a serious reconsideration of this proposal as presented in SB 1626, SD1 because it jeopardizes a timely implementation of the rail project. The following points apply:

- We have a fundamental disagreement as to the State of Hawaii's (State) authority to withhold the GET surcharge without the City and County of Honolulu's (City's) consent. The GET surcharge is a City enacted tax dedicated to the City's transit project. It appears that the City must take legislative action to provide a \$150 million loan to the State.
- If the City were to consent to the loan of \$150 million to the State, the language in the proposed bill would have the State pay back the City by issuing General Obligation (GO) bonds. This is a great risk for the City because the State's Executive branch must authorize the bond issuance and bond counsel must agree that the GO bonds were issued for a proper purpose. With regard to the issuance of bonds to repay the loan, the Governor has not been consistent in complying with statutes enacted by the legislature regarding other issues in the past.
- Future federal funding may be jeopardized if the Federal Transit Administration (FTA) and the U.S. Congress do not consider the dedicated transit fund to be secure and reliable to fund the project. The State's action to divert the fund would send to FTA and Congress an undesirable message that the transit fund is not secure.
- It would be difficult for the City, after enacting increases in fees and property tax rates, to then allow the State to "borrow" \$150 million.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "Mufi Hannemann".

Mufi Hannemann  
Mayor



**March 4, 2009**

Senator Donna Mercado Kim, Chair  
Senate Ways and Means Committee  
State Capitol, Room 308  
415 South King Street  
Honolulu, Hawaii 96813

Dear Chair Kim:

**Subject: Senate Bill No. 1626 SD 1 Relating to Taxation**

My name is Shane Peters, President of the Hawaii Developers' Council (HDC). We represent over 200 members and associates in development-related industries. The mission of Hawaii Developers' Council (HDC) is to educate developers and the public regarding land, construction and development issues through public forums, seminars and publications.

It is also the goal of HDC to promote high ethics and community responsibility in real estate development and related trades and professions.

The HDC is strongly opposed to S.B. No. 1626 SD1 which proposes to "borrow" \$150,000,000 out of one-half percent surcharge on state tax revenues transferred to the City and County of Honolulu, to fund the Honolulu High Capacity Transit project. The bill authorizes the issuance of General Obligation bonds to offset loss of tax revenues to the City and County of Honolulu in fiscal year 2009-2010.

The legislation is based on global economic crisis that is impacting government tax revenues. The legislation fails to recognize that this global economic crisis is impacting everyone, not only government. Businesses are being forced to significantly reduce expenses to meet their projected reductions in revenue. Rather than confront the problems and identify government services that we can afford based on reduced revenue projections, the proposal merely postpones this decision by transferring funds from the City's rapid transit project.

What happens if the revenue short fall extends beyond the two years mentioned in the bill? Will the legislature "borrow" additional funds from the City's rapid transit project or other dedicated funding sources?

The real problem is the need to develop a budget with appropriate level of government services based on the anticipated reduction in state revenues. To do anything less is irresponsible.

We appreciate the opportunity to express our views on this matter.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** MISCELLANEOUS, Extend county surcharge on state tax

**BILL NUMBER:** SB 1626, Proposed SD-1

**INTRODUCED BY:** Senate Committee on Ways and Means

**BRIEF SUMMARY:** Provides that the city and county of Honolulu shall return \$150 million in county surcharge on state tax revenues to the state.

Authorizes the state director of finance to issue \$150 million in general obligation bonds in fiscal 2010 to replace the tax revenues returned from the city and county of Honolulu. Appropriates \$150 million which shall be transferred to the city and county of Honolulu by the department of budget and finance.

Amends Act 247, SLH 2005, to extend the county surcharge on state tax from 2022 to 2024.

**EFFECTIVE DATE:** The proposed measure would allow the state to “borrow” \$150 million in revenues collected from the county surcharge on the state general excise tax that are being collected to finance a mass transit system for the city and county of Honolulu. The state will then issue general obligation bonds in the amount of \$150 million to return the borrowed revenues back to the city and county of Honolulu.

While the measure also proposes to extend the imposition of the county surcharge on the state general excise tax for two years from 2022 to 2024 to “help ameliorate any financial impact to the city and county of Honolulu,” it is questionable why this provision is necessary since the city and county of Honolulu will be refunded the borrowed moneys in the same fiscal year. The extension of the county surcharge will have a great impact on taxpayers as the added imposition of the county surcharge on state general excise tax adds to the cost of living and doing business in the state.

Although it would seem appropriate to make the city & county whole by issuing the identical amount being taken in surcharge funds, the question is - is the need for those funds immediate? The purpose clause of the bill reports that the legislature finds that the \$150 million is “largely unencumbered and will not be needed in the immediately [sic] foreseeable future.” Given the fact that the state is already headed to “prime the pump” with a massive CIP program of nearly \$1.8 billion worth of projects, it would seem less than prudent to use some of the state’s borrowing ability to have the funds sit idle, especially when the credit markets are so tight. Perhaps the bonds could be authorized but not issued until a definite demand for those funds is indicated by the city. At that point the bonds could be issued and the moneys transferred to the city.

Digested 3/3/09



Testimony to the Senate Committee on Ways and Means  
Wednesday, March 4, 9:30 a.m., Room 211  
**Strong Opposition to SB 1626 SD 1**  
by Alicia Maluafiti, GoRailGo

Aloha Chair Kim, Vice Chair Tsutsui, and members of the committee,

My name is Alicia Maluafiti, Public Affairs Director for GoRailGo, a grassroots advocacy alliance of individuals and organizations committed to affordable transportation on Oahu. **GoRailGo is strongly opposed to SB 1626 SD 1.**

For more than 30 years, we have been talking about rail transit on Oahu. Today – we are as close as we’ve ever been. And despite the opposition, the Democratic process prevailed in November when Oahu voters decided to “build the train.” Oahu state legislators – and the Governor – should listen to their constituents and the 80 percent of the state’s population that resides on the most congested island.

SB 1626 sends the wrong message to Congress and jeopardizes \$1 billion in federal funds to build rail. Hawaii’s congressional delegates – including Sen. Daniel Inouye, chair of the powerful Senate Appropriations Committee, have cautioned lawmakers from sending mixed signals to Congress and tampering with the dedicated funding source for rail. The Oahu rail fund and matching federal funds will provide us with our own economic stimulus package for the next 12 years.

But it is contingent upon an intact rail fund with \$300 million in principle and the opportunity for that fund to compound interest that will generate additional revenue for the project over the next 12 years. Tacking on an additional two years at the end does not guarantee replacement of those unrealized gains. Complicating the equation is the acknowledgement that 2007 and 2008 were good collection years because of a booming economy. Today - we are facing the worst recession we’ve seen in 30 years, so adding an additional two years of collection at the end of the project is no safety net and provides no peace of mind.

It is inexcusable to consider balancing the state budget on the backs of Oahu taxpayers. We bare the burden of most of our state’s ills caused from urbanization – the loss of sense of place, and a loss of open space. We have some of the worst traffic congestion in the nation. Our island was the only county to take advantage of state legislation authorizing collection of the half-percent tax surcharge to finance rail. For two years, we - on Oahu - have paid into that fund to help alleviate our traffic burden. For years, our neighbor island friends and family have degraded our urban island - despite the fact that it is because of our critical mass that they can enjoy and appreciate their rural and casual lifestyles. We have paid the price for their paradise. Do not ask us to pay it again by borrowing from the fund to balance the state’s budget.

You – as lawmakers and elected leaders – have the difficult task of balancing the budget. And we realize that everyone needs to be ready to make concessions. But borrowing from the rail fund will do more damage than good because of the risks and unintended consequences:

- Losing federal funds
- Killing the rail transit project
- Eliminating thousands of jobs
- Relegating future generations to an even lower quality of life spent sitting in traffic instead of enjoy the time with their families.

Join us in our commitment to providing affordable transportation alternatives for future generations. Vote “no” on SB 1626.

**kim2 - Arline**

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**From:** Jim Lyon [Jim@lyonassociates.com]  
**Sent:** Tuesday, March 03, 2009 11:18 AM  
**To:** WAM Testimony  
**Subject:** SB1626, SD 1 - Testimony Opposing

Dear Chair Kim, Vice Chair Tsutsui:

A Bill for an Act. Relating to Taxation

I am in opposition to Senate Bill 1626 S.D. 1.

The electorate voted in November to proceed with a rail transit system to and currently the City is moving forward with a Design/Build package in the \$500 to \$600M range. This Phase 1 project will provide thousands of jobs and provide a positive ripple effect for hundreds of businesses. To raid the funds at this juncture would be a step in the wrong direction and I don't see another avenue right now to get us out of this recession.

Please consider voting against this bill.

Thank you for your consideration.

Jim Lyon, P.E., LEED AP, CFM  
President  
Lyon Associates, Inc.  
841 Bishop St.; Suite 2006  
Honolulu, HI 96813  
ph. (808) 536-6621  
cl. (808) 216-3124  
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[www.lyonassociates.com](http://www.lyonassociates.com)

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The Senate  
Committee on Ways and Means  
March 4, 2009, 9:30 a.m.  
Conference room 211

Statement of the Hawaii Carpenters Union in Opposition to S.B. 1626

The Hawaii Carpenters Union strongly opposes the passage of S.B. 1626. We recognize current fiscal conditions. However, it would be a mistake to take from a program so many years into development, which will help return our State to economic health.

Much has been done to advance the rail transit program that:

- Is an economic stimulus both in construction and multiplier jobs, and for investor confidence.
- Brings substantial amounts of Federal funding to Hawaii.
- Addresses dire transportation needs of today and the future.
- Provides an important urban planning and economic stimulus vehicle – Transit Oriented Development.

The project is as “shovel ready” as all but the first tier “economic stimulus” projects. Accumulated funds are not “just sitting there”. Selection from among Design/Build contractor proposals is underway. The funds are needed for the continuous series of construction contracts that are scheduled.

Federal funding of this type is coveted by many other regions, and any doubt cast on Hawaii’s commitment poses a risk we cannot afford. This mass transit program moves forward with a referendum vote by the people of the City and County of Honolulu, City Council approvals, specific taxation approval by the Legislature, and Federal and City administrative approvals. We do not need rifts in our community to be reopened. A reversal at this stage can be terminal, not temporary.

Here we have funds that can go into our economy, with additional federal dollars, without dependence on a questionable bond market. While this advantage makes it attractive for taking, it also places repayment through a bond issue on shifting sands.

The mass transit program and related planned development will both help our economy recover, and provide stability decades into the future. We urge the Senate to take the longer view as to what can stabilize State revenues, and demonstrate full support for the transit program.

Thank you for your consideration of our testimony strongly opposing the passage of S.B. 1626.

1750 Kalakaua Ave #103-3744  
Honolulu, Hawaii 96826  
March 3, 2009

Measure: SB 1626  
Date and time of hearing: March 4, 9:30am  
Re: Testimony

Dear Senator Donna Mercado Kim, Chair, and Senator Shan S. Tsutsui, Vice Chair,

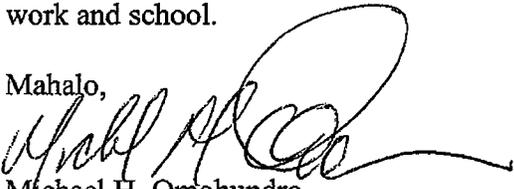
I was deeply disturbed to see the proposition of Senate Bill 1626. The funds raised for the rail were paid for by OAHU residents and not the other island residents. This is our money. We voted in favor 53% FOR the rail and to see our funds stolen by the Senate and Governor Lingle to pay for other projects, including projects on other islands, and thus threaten the lifeline of the rail is unethical and immoral.

Remember, 53% in favor of rail IS A MANDATE. These funds are for the rail as determined by the people in a fair referendum vote.

Senate bill 1626 is wrong and should be defeated. It should never have been proposed to begin with. Don't be thieves.

The rail is important to me and my ohana, as we will depend on it to get to and from work and school.

Mahalo,



Michael H. Omohundro  
Manoa resident

## kim2 - Arline

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 03, 2009 11:22 AM  
**To:** WAM Testimony  
**Cc:** mgolojuch@hotmail.com  
**Subject:** Testimony for SB1626 on 3/4/2009 9:30:00 AM

Testimony for WAM 3/4/2009 9:30:00 AM SB1626

Conference room: 211  
Testifier position: oppose  
Testifier will be present: Yes  
Submitted by: Michael Golojuch Jr.  
Organization: Individual  
Address: 92-954 Makakilo Dr. #71 Kapolei, HI  
Phone: 672-9050  
E-mail: [mgolojuch@hotmail.com](mailto:mgolojuch@hotmail.com)  
Submitted on: 3/3/2009

**Comments:**

I oppose this bill on the fact that this tax was collected for one purpose only and that is for mass transit for the island of Oahu.

This money does not belong to the State of Hawaii but to the City and County of Honolulu. If you want to raise taxes to help meet the budget needs then do that but do not touch this fund. Doing so will jeopardize the future of Oahu's mass transit project.

We on Oahu have waited decades for this project and now is not the time to put in peril.