

**SB 2653**

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON TRANSPORTATION, INTERNATIONAL AND  
INTERGOVERNMENTAL AFFAIRS  
ON  
SENATE BILL NO. 2653

February 3, 2010

RELATING TO TAXATION

Senate Bill No. 2653 requires the City and County of Honolulu to return to the State \$200 million in rail transit surcharge revenues, provided the Director of Finance reimburse the City with general obligation bond funds. The Director of Finance is authorized to issue up to \$300 million in general obligation bonds for this purpose.

We oppose this bill. It is not prudent to use bond funds, which typically have a payback of 20 years in exchange for unencumbered transit revenues, to cover the immediate financial needs of the State. Further, the general obligation bonds issued under this bill would have to be taxable, which would impose more costs onto the State.

DEPARTMENT OF TRANSPORTATION SERVICES  
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 3RD FLOOR  
HONOLULU, HAWAII 96813

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MUFI HANNEMANN  
MAYOR



WAYNE Y. YOSHIOKA  
DIRECTOR

SHARON THOM  
DEPUTY DIRECTOR

February 2, 2010

The Honorable J. Kalani English, Chair  
and Members of the Committee on Transportation,  
International and Intergovernmental Affairs  
State Senate  
State Capitol  
Honolulu, Hawaii 96813

Dear Chair English and Members:

**Subject: Senate Bill No. 2653, Relating to Taxation**

The City and County of Honolulu Department of Transportation Services (DTS) objects to the proposal presented in SB 2653. This Bill directs the City and County of Honolulu (City) to return \$200,000,000 from the funds generated by surcharge on state general excise tax revenues to the State of Hawaii (State) general fund. It authorizes issuance of \$300,000,000 GO bonds to offset loss of tax revenues to the City in fiscal year 2010-2011. It also extends authorization of the General Excise Tax (GET) surcharge for two years.

There are several major reasons for our concerns with SB 2653. These reasons involve the encumbrances of the existing GET surcharge, our future commitments for the GET surcharge, the authority of the State to require the City to return GET surcharge, and the danger in tampering with the local funding source for rail transit.

First, there are no existing GET surcharge funds to return to the State. They have either been encumbered or allocated. As of November 25, 2009, the City has collected \$428.9 million (this is after the State has taken its 10 percent of the gross surcharge receipts) in surcharge and interest. We have either spent or committed approximately \$374 million. This leaves about \$54.9 million that we need to carry forward as working cash.

Second, we need all available monies to manage the future commitments on the rail project. We have approximately \$1.316 billion in fiscal year (FY) 2011 CIP commitments programmed for the rail project. The \$54.9 million carryover plus the projected GET surcharge revenue for FY 2011 would be needed along with monies obtained through GO bond instruments to pay for these commitments.

The Honorable J. Kalani English, Chair  
and Members of the Committee on Transportation,  
International and Intergovernmental Affairs

Page 2

February 2, 2010

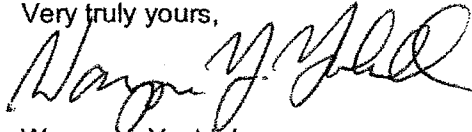
Third, we fundamentally disagree that the State has the authority to require the City to return existing GET surcharge monies to the State. The GET surcharge monies were collected pursuant to City Ordinance 05-27. It would require action by the City Council to use the surcharge monies to provide a \$200 million loan to the State. Further, both State Act 247 and City Ordinance 05-27 provide that the surcharge can only be used for operating or capital costs of a locally preferred alternative (LPA) for a mass transit project and expenses in complying with Americans with Disabilities Act (ADA) with respect to the LPA. No other use of the surcharge is permitted.

Fourth, tampering with the GET surcharge would endanger future federal funding. One of the keys to the project financial plan is a dedicated local revenue source. If the Federal Transit Administration (FTA) and the Congress do not consider the dedicated transit fund to be secure and reliable, it may cause them to question Honolulu's commitment to build the rail transit system. FTA's announcement today that they are planning to sign an agreement before October 2011 that would provide \$1.55 billion in federal funds is a major step forward in implementing the Honolulu Rail Transit Project. Now is not the time to cast doubt on the local commitment to provide its share of the funds for the project.

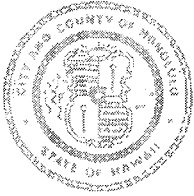
Finally, the City Council, the Mayor, and the citizens of Honolulu have all affirmed the desire to construct an elevated rail transit system that would begin to address the traffic congestion we see today and to assure future mobility for Oahu. This is the largest stimulus available for the local economy and it is ready now. The legislature's own construction industry task force recently made the Honolulu Rail Transit Project its top priority, stating "No other project on the horizon has the same potential for generating jobs, assisting local businesses and contributing to Hawaii's overall economy. We stand on the verge of implementing this important and worthwhile project. Now is the time to demonstrate commitment and resolve. SB 2653 detracts from them both. Again, please reconsider and defer this bill.

Thank you for the opportunity to provide our testimony.

Very truly yours,



Wayne Y. Yoshioka  
Director



**CITY COUNCIL**  
CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII 96813-3065 / TELEPHONE 547-7000

February 3, 2010

Committee on Transportation and Intergovernmental Affairs  
The Senate  
State of Hawaii

Testimony of  
**Honolulu City Councilmember Nestor Garcia**  
Senate Bill 2653  
Regular Session 2010

Chair English, Vice Chair Gabbard and members of the Committee:

Thank for you this opportunity to offer testimony in opposition to SB 2653.

The Central Oahu Sustainable Communities Plan passed in 2003 envisions that by 2025, the Central Oahu Area is expected to experience moderate growth as existing areas zoned for residential development are built out. Population will have grown from almost 149,000 people in 2000 to over 173,000 in 2025. Over 11,000 new housing units will have been built since 2000 in master-planned communities.

Significant job growth is also expected, rising from almost 39,000 jobs in 2000 to over 65,000 in 2025 (almost 10% of Oahu total projected). The bulk of the private non-construction job growth is projected to be in services, retail, or transportation/communications/utilities (70 percent) with another 20 percent in industrial occupations."

Likewise, by 2030, the Ewa Development Plan Area will have made significant progress toward providing a Secondary Urban Center for Oahu. Population growth is projected to be over 77,000 from 68,000 people in 2000. Between 2000 and 2030, more than 37,000 new housing units are forecast via a series of master planned communities.

Job growth is expected to rise from 16,000 non-construction jobs in 2000 to almost 65,000 in 2030. Oahu residents and visitors will be attracted to Ewa by a new university campus, the Ko Olina Resort, the Ocean Pointe/Hoakalei Resort, a major super regional park, and a thriving City of Kapolei, which has retail and commercial establishments and private and government offices.

The proposed mass transit project approved by the City Council in December 2006 will provide our communities with another transportation alternative for our friends, families and neighbors needing to commute to town and all points in between.

From the time we began this process in 2005, the City has continually stated that the FTA's New Starts program is a competitively based funding program in which we have to compete with other Cities for transit funding. Make no mistake, we are one of more than 300 Cities that are and will be competing for these discretionary federal transit funds. The reality is that there are no more discretionary highway funds available to build a HOT lane or any other additional freeway lane.

Testimony – Councilmember Nestor Garcia  
Senate Committee on Transportation & Intergovernmental Affairs  
SB 2653  
February 3, 2010  
Page 2

The collection of the ½ percent GET surcharge, which began in January 2007, is the factor that puts Honolulu far ahead of other cities and will be the basis by which I have no doubt will lead to our acceptance into the New Starts funding program.

To reiterate for the record, the project cost is a projection that is continuously subject to federal and independent scrutiny. To be eligible for the New Starts federal funding process for mass transit projects, the Federal Transit Administration contracted Jacobs Engineering and Booz Allen Hamilton, two of the most reputable transit engineering firms nationwide. Both independently confirmed that the City's proposed project is within the estimated costs and timeline for construction and operability. They have each recommended that the City be allowed to proceed into the Preliminary Engineering phase, which is a major accomplishment in the New Starts process.

In my opinion, to now "borrow" from the fund, would greatly jeopardize the City's position to compete for these much needed funds to stimulate our stagnant economy. It may also cause breach of contract issues between the City and the company selected last year for construction of the first phase of the superstructure.

I recall that when I served in the state House of Representatives, then Governor Cayetano came to the Legislature with a request for \$2 billion in capital improvements. This was needed, he said, to prime the pump of Hawaii's economy with government funds during our last crisis, which followed the tragic events of 9/11.

Honolulu's planned elevated, fixed guideway project will in fact do just what the Governor wanted back then. It will:

- Create jobs for both the short- and long-term;
- Spur investment in Hawaii; and
- Help cushion this State against this financial crisis.

If government-initiated capital improvements would have worked back then, why wouldn't it work now?

Mahalo for this opportunity to provide testimony.

Nestor R. Garcia, Member  
Honolulu City Council  
District 9 – Makakilo, Mililani, Waipahu



**Senate Committee on Transportation, International Affairs, and  
Intergovernmental Affairs**

**Wednesday, February 3, 2010**

**2:05 p.m.**

**Conference Room 224**

**Re: SB 2653 Relating To Taxation**

Dear Chair English and Members of the Committee:

My name is Jim Tollefson and I am the President and CEO of The Chamber of Commerce of Hawaii ("The Chamber"). I am here to state The Chamber's opposition to SB 2653.

The Chamber is the largest business organization in Hawaii, representing more than 1,100 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The bill proposes to:

1. Require the city and county of Honolulu to return \$200,000,000.00 derived from the county surcharge on state tax for the Honolulu High Capacity Transit System;
2. Authorize the issuance of general obligation bonds to reimburse the city and county of Honolulu; and
3. Extend the sunset of Act 247, Session Laws of Hawaii 2005, by two years from December 31, 2022 to December 31, 2024.

The bill finds that based on the struggling world-wide economy, the legislature needs to find innovative ways to balance its budget for the current fiscal biennium and beyond. Sizeable budget shortfalls for the current and upcoming fiscal year require immediate and decisive action.

Each year there are various innovative attempts to increase revenues to the State or counties through various fees, exactions and taxes. As the economy continues to deteriorate and tax revenues shrink, there is an inverse relationship in the number of proposals to increase government revenues.

The proposed bill is the perfect example of why the legislature is unable to address the problems most important to the residents of Hawaii. Political leadership requires the discipline to stick with public policy decisions once the decision has been made. The voters decided on supporting the Honolulu transit system. A funding source was established and the project is well along in the planning phase and in the final stages of securing the necessary approvals and additional federal funding. Depleting the funds for the transit system at this time would mean the end of the project. If that happens, what traffic solution does the legislature offer to the residents of Central and Leeward Oahu?

Also, the Honolulu Transit project is the single largest stimulus project that will provide thousands of jobs and provide a sustained boost to Hawaii's economy thus avoiding another lost decade like that experienced in the 1990s. What alternative stimulus project does the legislature offer to off-set the loss of the massive rail transit project, its federal funding, and the indirect economic benefits of transit oriented development around the transit stations?

We recognize the severe economic conditions we face in this state, which are not unique. Other States and municipalities are using this opportunity to right-size government services that grew beyond manageable proportions when the economy was doing well. Perhaps, this is an opportunity for the legislature to come up with a plan to trim the size of state government and redefine the role of government in Hawaii. What is the sustainable size of government given the economic conditions of the time?

Once the government priorities have been determined, the existing government funded programs that are not priorities should be eliminated and funds reorganized around the new government priorities. This would be a more rational and reasonable public policy decision than simply raiding the funds collected for the City's transit system and thereby likely sinking our biggest and best hope for an immediate stimulus project that will provide a huge sustained boost to Hawaii's economy over a decade.

Thank you for this opportunity to express our views.





Testimony to the Senate Committee on Transportation,  
International and Intergovernmental Affairs  
Wednesday, February 3, 2010, 2:05 p.m., Room 224  
**Strong Opposition to SB 2653 – Relating to Taxation**  
by Alicia Maluafiti, GoRailGo

Aloha Chair English, Vice Chair Gabbard, 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 2653.**

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 2008 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 2653 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 shovel-ready economic stimulus package for the next 12 years

But it is contingent upon an intact rail fund 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 three 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. Please vote “no” on SB 2653.

To: Honorable J. Kalani English  
Chairman, Committee on Transportation, International and  
Intergovernmental Affairs  
State Senate  
Hawaii State Capitol, Room 205  
415 South Beretania Street  
Honolulu, HI 96813

From: Roy Yonaoshi,  
President - WOEDA

Subject: SB 2653 RELATING TO TAXATION  
DATE: Wednesday, February 3, 2010  
TIME: 2:05 P.M.  
PLACE: Conference Room 224,  
State Capitol  
Honolulu, HI 96813

Chairman English and members of the Senate Transportation Committee.

I am Roy Yonaoshi, president of the West Oahu Economic Development Association ("WOEDA"), speaking in opposition to SB 2653. This bill proposes to divert \$200 Million of the rail surcharge to the State General Fund.

WOEDA is comprised of approximately 80 business entities, organizations and community and government leaders dedicated to supporting the economic growth of West Oahu. Our goal is to insure the region is a great place to live, work and play. We do this through advocacy, program development and partnerships, and are a voice for job creation in West Oahu.

WOEDA was created in 2001 to meet the needs of Hawaii's fastest growing area. The number of businesses in Ewa and Kapolei has doubled over the last decade as more businesses recognize the value of being situated where the population growth will occur. Our members recognize the importance of infrastructure, especially transportation infrastructure, to serve the area's current and future businesses and residents. WOEDA has been and continues to be a strong supporter of the rail transit system.

The city's rail transit project will be an important transportation link connecting west Oahu with urban Honolulu, providing efficient and reliable service without having to contend with traffic delays or accidents on the highway. Rail will enable the orderly growth of Kapolei as a secondary urban center and a major employment region for the entire state.

We are concerned that any diversion of rail funds by the Legislature could seriously jeopardize the viability of the project, cause delay, and put federal funding at risk. We are close to the realization of a rail transit system for the island. Failing to implement rail transit in the past has led to extreme traffic congestion, especially for those living on the west side. Now is the time to build the rail to address the existing congestion and assure mobility for the future. Thank you for allowing us to express our views.

Sincerely

Roy Yonaoshi,  
President  
WOEDA  
P.O. Box 700972  
Kapolei, Hawaii 96709  
Phone: 372-8889

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Tuesday, February 02, 2010 11:11 AM  
**To:** TIATestimony  
**Subject:** 10sb2653

Feb. 3, 2010, 2:05 p.m.

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The Senate  
Committee on Transportation, International  
and Intergovernmental Affairs  
February 3, 2010, 2:05 p.m.  
Conference room 224

Statement of the Hawaii Carpenters Union in Opposition to S.B. 2653

The Hawaii Carpenters Union strongly opposes the passage of S.B. 2653. The risks are too great for the rail transit program.

G.E.T. proceeds from the City and County of Honolulu are funds that can go directly into our economy and bring additional federal dollars, without the near term uncertainty of actual dollars from G.O. bonds. The rail transit program is at a critical juncture, where one more uncertainty, particularly concerning funding commitments, can jeopardize the entire project.

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, now estimated at \$1.5 Billion, in addition to tax revenue to the State.
- Addresses dire transportation needs of today and the future.
- Provides an important urban planning and economic stimulus vehicle – Transit Oriented Development focusing future development along the Kapolei – Ala Moana corridor.

The project is so close to actual construction, yet so vulnerable to obstruction. If substantial construction was underway, alternate financing approaches might receive more open consideration. However, with the future of the entire system hanging in the balance, it is not the time to risk any perception that funding commitments are wavering. Accumulated funds are not “just sitting there”, but are needed to secure Federal dollars, and to get work started on the construction contract already awarded for the first major phase ...at a very favorable price. A continuous series of design and build contracts are out for proposals and bids.

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. We have gone through a referendum vote by the people of the City and County of Honolulu, City Council approvals, very specific taxation approval by the Legislature, and Federal and City administrative approvals. A perceived reversal at this stage can be terminal, not temporary.

The mass transit program and related planned development will 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. Do not pass this Bill.

Thank you for considering of our testimony strongly opposing S.B 2653.

# 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 2653

INTRODUCED BY: Tsutsui and 1 Democrat

BRIEF SUMMARY: Provides that the city and county shall return to the state \$200 million derived from the county surcharge on state tax when the proceeds from the issuance of general obligation bonds are placed in escrow for transfer to the city and county of Honolulu.

Authorizes the state director of finance to issue and appropriate general obligation bonds of \$300 million for fiscal 2011 for the purpose of replacing surcharge revenues that are returned from the city and county of Honolulu to the state general fund.

Amends Act 247, SLH 2005, to extend the imposition of the county surcharge on state tax from December 31, 2022 to December 31, 2024.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: Due to the state's financial crisis, this measure proposes to "borrow" \$200 million in county surcharge funds which is designated to build a mass transit system on Oahu. While the state will issue \$300 million in general obligation bonds and use the proceeds of the issuance to repay the city and county of Honolulu, the measure also proposes to extend the imposition of the county surcharge on state taxes for a two-year period from 2022 to 2024 as a "token of appreciation" by the state. While this will allow the city and county of Honolulu to receive an additional two years of surcharge tax revenue, this will come out of the pockets of the taxpayers of the city and county of Honolulu. This "extension of gratitude" by the state is totally unacceptable as it would result in the imposition of an additional 0.5% for another two years.

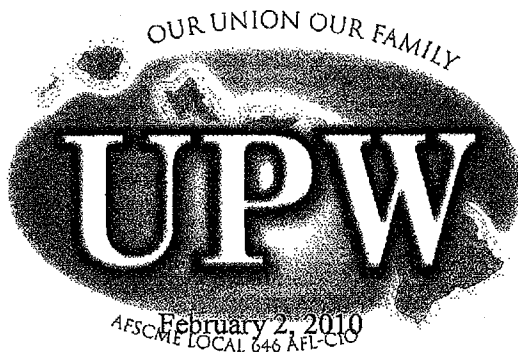
This slight of hand in taking and giving is an outright insult to taxpayers. The measure proposes to issue \$300 million in debt for which the principal and interest will be an obligation of all taxpayers across the state and in addition the surcharge is imposed for an additional two years on the residents of the city & county Honolulu. Thus, neighbor island taxpayers are being asked to pay for Honolulu's mass transit project because debt service must be paid out of the general revenues of the state paid by all taxpayers. Secondly, the people in the city & county of Honolulu are being asked to pay not only the debt service on the bonds but also for two additional years of the surcharge. Thus, Honolulu residents are being asked to pay twice for mass transit, once in the debt service on the bonds and a second time with two additional years of the surcharge. In addition, even more is being asked for of taxpayers as there is the additional \$100 million being given to the city & county and all of the interest costs associated with the debt.

The scheme proposed in this bill also raises questions about the propriety of the debt issue. As outlined, it appears that this bill does nothing more than "launder" borrowed funds so that they can be used for

SB 2653 - Continued

operations. Generally good public finance policy dictates that borrowed funds never be used for operations, that is goods or services that are consumed in the present will be paid for by future taxpayers who won't benefit from those goods or services. While proponents of the shell game may argue that the \$300 million in borrowed funds will be used to pay for the mass transit - a capital project - the fact of the matter is that it is a "payback" of the cash taken by the state that was to have paid for the mass transit project that will now be used to pay for everything from salaries to the electric bill. This "juggling" of the state's finances should be totally unacceptable to taxpayers.

Digested 2/2/10



Date: 02/03/10

Place: Conference Room 224

Time: 2:05pm

Dear Chair English and committee members:

**Regarding Senate Bill 2653 Relating to Taxation**

My name is Dayton Nakanelua State Director for the United Public WorkersAFSCME LOCAL 646AFL-CIO. We oppose Senate Bill 2653 relating to Taxation for the following reasons:

This Bill proposes to 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. (\$)

It would Jeopardize jobs. An estimated 4,700 direct construction job sand 5,3000indirect jobs will be generated by this project. This economy needs these jobs and interfering with the local funding source would jeopardize the jobs at the time when so many are struggling to make ends meet.

This measure would jeopardize federal funding: The GET surcharge is the primary component of the financing; plans for rail transit. It pays about 70 percent of the project. interfering with this local funding component could signal to the FTA that the local commitment for this project is not secured, endangering the \$1.5 billion in federal funds we are requesting that would benefit Hawaii's economy.

It would jeopardize future revenue. It is estimated the direct General Excise Tax revenue from the construction project alone would be about 200 million (2009 dollars). When you add the multiplier effect the amount spent by employees and companies amount would be even more significant.

Thank you,

HEADQUARTERS - 1426 North School Street ♦ Honolulu, Hawaii 96817-1914 ♦ Phone: (808) 847-2631  
 HAWAII - 362 East Lanikaula Street ♦ Hilo, Hawaii 96720-4336 ♦ Phone: (808) 961-3424  
 KAUAI - 4211 Rice Street ♦ Lihue, Hawaii 96766-1325 ♦ Phone: (808) 245-2412  
 MAUI - 841 Kolu Street ♦ Wailuku, Hawaii 96793-1436 ♦ Phone: (808) 244-0815  
 1-866-454-4166 (Toll Free, Molokai/Lanai only)





**SHOPO**  
STATE OF HAWAII ORGANIZATION OF POLICE OFFICERS  
"A Police Organization for Police Officers Only"

February 2, 2010

Date: 02/03/10  
Place: Conference Room 224  
Time: 2:05pm

Dear Chair English and committee members:

**Regarding Senate Bill 2653 Relating to Taxation**

My name is Tenari Ma'afala, State President for SHOPO. SHOPO **OPPOSES** Senate Bill 2653 relating to Taxation for the following reasons:

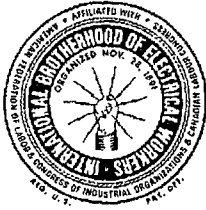
SB2653 would jeopardize future revenue. It is estimated that the direct general excise tax revenue from the construction project alone would be about \$200 million (2009 dollars). When you add the multiplier effect of the amount spent by employees and companies, the amount would be even more significant.

SB2653 would jeopardize jobs. An estimated 4,700 direct construction job sand 5,300 indirect jobs will be generated by this project. This economy needs these jobs and interfering with the local funding source would jeopardize these jobs at a time when so many are struggling to make ends meet.

SB2653 would jeopardize federal funding. The GET surcharge is the primary component of the financing plan for rail transit. It pays about 70 percent of the project. Interfering with this local funding component could signal to the FTA that the local commitment for this project is not secured; endangering the \$1.5 billion in federal funds we are requesting that would benefit Hawaii's economy.

For these reasons, SHOPO **OPPOSES** the passage of SB2653

Thank you



Local Union 1260

**International Brotherhood of Electrical Workers**

2305 So. Beretania St. • Honolulu, Hawaii 96826-1494 • email: office@ibew1260.org

Telephone (808) 941-9445

Fax No. (808) 946-1260

**LANCE M. MIYAKE**  
Business Manager-Financial Secretary

February 2, 2010

**LOREN TAGUCHI**  
President

Date: 02/03/10  
Place: Conference Room 224  
Time: 2:05pm

Dear Chair English and committee members:

**Regarding Senate Bill 2653 Relating to Taxation**

My name is Lance Miyake, Business Manager and Financial Secretary for IBEW Local 1260. IBEW Local 1260 **OPPOSES** Senate Bill 2653 relating to Taxation for the following reasons:

SB2653 is unfair to Oahu taxpayers. Taking money from Oahu taxpayers for the state budget is unfairly penalizing Oahu residents for a state government problem.

SB2653 would jeopardize jobs. Rail is the most powerful economic stimulus program we have. Rail will create an estimated 4,700 direct construction job sand 5,300 indirect jobs will be generated by this project. Borrowing money from the surcharge will jeopardize these jobs.

SB2653 would jeopardize federal funding. The GET surcharge is the primary component of the financing plan for rail transit. It pays about 70 percent of the project. Interfering with this local funding component could signal to the FTA that the local commitment for this project is not secured; endangering the \$1.5 billion in federal funds we are requesting that would benefit Hawaii's economy.

For these reasons, IBEW Local 1260 **OPPOSES** the passage of SB2653

Thank you

**HONOLULU TRANSIT PASSENGERS UNION**  
honolulutransitpassengers@org • [honolulutransitpassengers@gmail.com](mailto:honolulutransitpassengers@gmail.com)

February 2, 2010

Committee on Transp., Intl., and Inter-Gov Affairs  
Sen. J. Kalani English, Chair  
State Capitol, Rm. 205  
Honolulu, HI 96813

Re: Senate Bill 2653, Relating to Taxation

Honolulu Transit Passengers Union represents the more than 200,000 people who board a Honolulu bus every day. From the perspective of a regular bus rider, fast and frequent rail transit service is vital for maintaining and improving the speed of transit service now and in the future, not just from west Oahu, but across urban Honolulu.

The Passengers Union cautiously supports passage of SB2653, as currently drafted, because it seems to help solve both the state's need for operating funds, and the desire of the city to avoid short-term borrowing to meet shortfalls in the rail transit capital budget.

Our main concern is due to the potential for present and future Governors to violate the spirit of the laws by applying extreme interpretations to statutes, after the Legislature adjourns.

To help prevent the clear will of the Legislature from being frustrated, we propose the following amendment, to be inserted after Section 4 of the proposed bill:

Sect. 5: The tasks and duties described in Sect. 4 of this Act are ministerial and not discretionary. City and County governments, and any specially-affected person, may act to compel compliance with Sect. 4. The Supreme Court of Hawaii shall have original jurisdiction to compel any person to comply with Sect. 4 of this Act, or in the alternative, appoint another person or persons to perform these duties as an agent of the State of Hawaii, on terms the Court deems appropriate.

In addition, we would like the Report of this Committee to explain that any statute that expropriates county General Excise Tax revenue, or significantly delays construction of county projects, constitutes a breach of the trust obligations of the state to the citizens of Honolulu, and is therefore void as a violation of the rights of Honolulu citizens to equal protection and substantive due process. In particular, because the Honolulu rail transit project is financed on a "pay-as-you-go" basis, Honolulu taxpayers have a reasonable expectation that the pace at which the rail project is constructed will approximate the pace at which GET surcharge revenues are collected. Any undue state action that delays the proposed construction schedule frustrates this reasonable expectation of Honolulu taxpayers.

Thank you for considering the interests of Honolulu transit riders.

Sincerely,

Hannah Miyamoto



# AVALON GROUP

Development • Brokerage • Consulting

Avalon Development Company  
Avalon Commercial  
Avalon Realty  
Avalon Consulting  
Avalon SMC  
Avalon Capital

## **SB 2563**

February 3, 2010

Committee on Transportation and Intergovernmental Affairs  
The Senate  
State of Hawaii

Chair English, Vice Chair Gabbard and members of the Committee:

My name is Christine Camp, and I am the President and Chief Executive Officer of Avalon Group, LLC. Thank for you this opportunity to offer testimony in opposition to SB 2653.

The Avalon Group is Hawaii's premiere full service real estate brokerage, representation, and consulting firm. We provides full range of value-enhancing advisory services including project development and management, market studies, client lease negotiations, financial, feasibility, and highest and best use analysis, and project repositioning concepts.

One of the projects our company hopes to be able to bring to fruition soon is the Kapolei Pacific Center, a new metropolitan mix-use office and retail lifestyle center designed to provide the very best aspects of a contemporary workforce environment atop Kapolei's newest landmark shopping venue complete with gourmet dining, designer boutiques, and business-oriented services. As someone who has a vested interest in the planned development of the Leeward and Central Oahu region, let me state emphatically that the City's proposed rail transit project is something that is much needed for the region.

In the latest revision to the Ewa Development Plan mandated by City Charter, the following changes in community demographics are anticipated by the year 2030:

- o Population growth from 68,000 in 2000 to over 177,000;
- o Addition of over 37,000 new homes to the 20,800 homes in Ewa in 2000;
- o Job growth from 16,000 non-construction jobs in 2000 to almost 65,000;
- o Growth of the City of Kapolei to include almost 10,000 residents and provide almost 18,000 private and public jobs;
- o Development of the University of Hawaii West Oahu campus to serve 7,600 students and employ 800 staff and faculty by 2020; and
- o Resort development at Ko Olina and at Ocean Pointe to include over 9,200 visitor units.

The proposed mass transit project approved by the City Council in December 2006 will provide our communities with another transportation alternative for our friends, families and neighbors needing to commute to town and all points in between.

The collection of the ½ percent GET surcharge, which began in January 2007, is the significant element that puts Honolulu ahead of other cities competing for the New Starts funding program. While recognizing the introducer's creative intent to help the State's financial picture, in my opinion, to now "borrow" from the fund would greatly jeopardize the City's position to compete for these much needed funds to stimulate our stagnant economy.

Thank you for this opportunity to provide testimony.

**BIA-HAWAII**  
BUILDING INDUSTRY ASSOCIATION

February 3, 2010

The Honorable Kalani English, Chair and Member  
Committee on Transportation, International and Intergovernmental Affairs  
State Senate  
State Capitol, Room 224  
Honolulu, Hawaii 96813

Dear Chair English and Members:

**Subject: Senate Bill No. SB 2653 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 strongly opposes S.B. No. 2653.**

The bill proposes to:

1. Require the city and county of Honolulu to return \$200,000,000.00 derived from the county surcharge on state tax for the Honolulu High Capacity Transit System;
2. Authorize the issuance of general obligation bonds to reimburse the city and county of Honolulu; and
3. Extend the sunset of Act 247, Session Laws of Hawaii 2005, by two years from December 31, 2022 to December 31, 2024.

The bill finds that based on the struggling world-wide economy, the legislature needs to find innovative ways to balance its budget for the current fiscal biennium and beyond. Sizeable budget shortfalls for the current and upcoming fiscal year require immediate and decisive action.

Each year there are various innovative attempts to increase revenues to the State or counties through various fees, exactions and taxes. As the economy continues to deteriorate and tax revenues shrink, there is an inverse relationship in the number of proposals to increase government revenues.

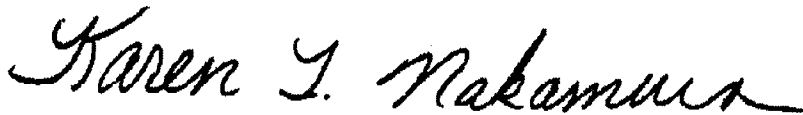
The proposed bill is the perfect example of why the legislature is unable to address the problems most important to the residents of Hawaii. Political leadership requires the discipline to stick with public policy decisions once the decision has been made. The

voters decided on supporting the Honolulu transit system. A funding source was established and the project has been in the process of securing the necessary approvals and additional federal funding. Depleting the funds for the transit system at this time would mean the end of the project. If that happens, what traffic solution does the legislature offer to the residents of Central and Leeward Oahu? Also, the Honolulu Transit project is in effect a stimulus project that will help Hawaii's recovery efforts. What alternative stimulus project does the legislature offer to off-set the loss of the transit project and its federal funding?

We recognize the severe economic conditions we face in this state, which is not unique. Other States and municipalities are using the opportunity to right-size government services that grew beyond manageable proportions when the economy was doing well. Perhaps, in a show of political leadership, the legislature should come up with a plan to trim the size of state government and redefine the role of government in Hawaii. What is the sustainable size of government given the economic conditions of the time?

Once the government priorities have been determined, the existing government funded programs that are not priorities should be eliminated and funds reorganized around the new government priorities. This would be a more rational and reasonable public policy decision than simply raiding the funds collected for the City's transit system.

Thank you for this opportunity to express our views.

A handwritten signature in black ink that reads "Karen I. Nakamura". The signature is written in a cursive, flowing style.

Chief Executive Officer  
BIA-Hawaii

# IRONWORKERS STABILIZATION FUND

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February 2, 2010

Kalani English, Chair  
Committee on Transportation, International & Intergovernmental Affairs  
Senate  
State Capitol  
415 S. Beretania Street  
Honolulu, Hawaii 96813

Dear Honorable Chair English and Members of the Committee on Transportation, International & Intergovernmental Affairs:

Re: Strong Opposition Against SB 2653 – Relating to Taxation

We wish to state we are in strong opposition of SB 2653, Relating to Taxation, that 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.

As you are aware, the intent of these funds was to ensure that the City and County of Honolulu has a stable funding source for the proposed rail transit project. Per the federal government one of the requirements to obtain federal funding was to have a stable funding stream. As you are aware the rail project will assist in providing needed jobs for the State. These jobs will not only be construction jobs, but this project will be a multiplier effect for the economy. By increasing other jobs and creates need taxes for the State.

We oppose this measure for it will weaken the local funding stream and put the rail project in jeopardy. Additionally, we have a lot of individuals unemployed and in the near future homeless that needs work. We believe that we cannot be short sighted and take funds from a project that will create long term jobs and taxes. A

For this reason we strongly oppose this measure for the sake of the economy. Thank you for your time and consideration.

Sincerely,

T. George Paris /s/  
Managing Director



The Pacific Resource  
**PARTNERSHIP**



Testimony of Kyle Chock  
Executive Director  
The Pacific Resource Partnership

Senate Committee on Transportation, International and Intergovernmental Affairs  
Sen. J. Kalani English, Chair  
Sen. Mike Gabbard, Vice Chair

SB 2653 Relating to Taxation  
Wednesday, February 3, 2010  
2:05 P.M.  
Conference Room 224

Chair Kalani English and members of the committee,

My name is Kyle Chock, Executive Director for 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 2653, which proposes to return \$200 million in funding for the rail surcharge to the State General Fund.

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

The tax surcharge was created specifically to finance the construction of the rail project. The city is nearing completion of its environmental impact statement which would allow the project to move to the next step, acquiring a record of decision from the FTA and starting construction. The contract for the first phase of rail has already been awarded to one of our PRP members, and has a value of \$480 Million which is most of the GET funds collected to date.

The rail project has been welcomed news to a struggling construction industry that is dealing with the severe economic downturn. Investment in public infrastructure has been identified as one of the key means of stimulating the economy. Rail is poised to be the largest public works project ever undertaken in the state, creating 10,000 new direct and indirect jobs each year. More encouraging news was reported on February 2, 2010 that the Federal Transit Administration said it plans to sign an agreement that will provide \$1.55 billion in federal funds to pay for Honolulu's elevated commuter rail project. This investment will have an even greater positive impact as construction spending multiplies through the economy to benefit non-construction industry businesses and construction workers purchase goods and services.

Testimony of Kyle Chock  
SB 2653 – Relating to Taxation  
Page 2

Allowing the state to divert the transit funds could delay or even jeopardize this much needed economic stimulus. Additionally, this action would send a wrong message to the federal government at a critical time, that Hawaii's commitment to funding rail is not secure.

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

1065 Ahua Street  
Honolulu, HI 96819  
Phone: 808-833-1681 FAX: 839-4167  
Email: [info@gcahawaii.org](mailto:info@gcahawaii.org)  
Website: [www.gcahawaii.org](http://www.gcahawaii.org)



# GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

February 2, 2010

TO: THE HONORABLE SENATOR J. KALANI ENGLISH, CHAIR AND MEMBERS OF  
THE COMMITTEE ON TRANSPORTATION, INTERNATIONAL AND  
INTERGOVERNMENTAL AFFAIRS

SUBJECT: S.B. 2653, RELATING TO TAXATION.

NOTICE OF HEARING

DATE: Wednesday, February 3, 2010  
TIME: 2:05 P.M.  
PLACE: Conference Room 224

Dear Chair and Members of the Committee:

The General Contractors Association (GCA), an organization comprised of over five hundred and seventy (570) general contractors, subcontractors, and construction related firms, is **opposed** to the passage of S.B. 2653, Relating To Taxation.

The Bill proposes to borrow the sum of two hundred million dollars (\$200,000,000), from the surtax of one half of one per cent, imposed on Oahu taxpayers to finance the construction of a rail system on Oahu. The money raised by this tax was intended to pay for the construction of the rail system and should not be used for any other purpose. Although the money is not currently being utilized any action to use such funds for other purposes even on a temporary basis could jeopardize the receipt of future federal funds for the project.

The GCA believes that this large construction project will create many new jobs and ultimately help Hawaii to alleviate the some of the effects of our current poor economic situation.

We should not do anything that may result in the loss of this potential to create new jobs for our resident construction workers.

The GCA is **opposed** to the passage of S.B. 2653, and recommends that the bill be held.

Thank you for the opportunity to provide our views on this issue.



*Working together for Kapolei*

**Re: SB 2653**

Senate Committee on Transportation and Intergovernmental Affairs  
Regular Session 2010  
February 3, 2010

Dear Chair English, Vice Chair Gabbard and members of the Committee:

My name is Attilio K. Leonardi, Jr., President of the Kapolei Chamber of Commerce. Thank for you this opportunity to offer testimony in opposition to SB 2653.

The Kapolei Chamber of Commerce is a member-driven, member-supported organization representing the interests of all types of business. With over more than 800 businesses in the region providing more than 27,000 jobs, the Chamber works on behalf of its members and the entire business community to improve the regional and State economic climate and help Kapolei businesses thrive.

As you go about deliberating the merits of this measure, please keep in mind that City Ordinance 02-52, currently assesses new homes in built in the Ewa, Kapolei, Makakilo, Village Park and Royal Kunia between \$1,800 (multi-family) and \$2,400 (single family dwelling) each to support regional roadway improvements. Commercial, retail, and industrial zoned parcels are also assessed similar square footage fees. The ordinance is used to fund six regional roadway projects – 5 of them State - : the Kapolei Interchange; the Makakilo Interchange; Ft. Barrette Road – Farrington Highway to Roosevelt Avenue; Ft. Weaver Road – Farrington Highway to North Road; North-South Road – H-1 to Kapolei Parkway; and Kapolei Parkway.

Building more highways or toll roads is not going to happen unless fuel taxes are increased to replenish the federal Highway Trust Fund. There have been overtures from the Federal and State governments to attempt to raise the fuel taxes nearly 50 cents per gallon combined just to keep up with our roadway maintenance needs. We are faced with raising fuel taxes to build more roads or simply stop using our cars.

The latest revision to the Ewa Development Plan projects that by the year 2030, Ewa will be developed with a transportation system which reduces congestion by providing connectivity, both within and between subdivisions, provides easy access to transit, uses traffic calming design, and encourages people to walk and bike, reducing the need for use of the automobile.

In addition, High Medium density housing and commercial development will be built along a rapid transit corridor extending from the City of Kapolei to Waipahu and will support efficient use of buses and other forms of mass transit along the corridor, allowing some residents to minimize automobile use. An elevated or an at-grade separated rapid transit system will be developed on the corridor. (An at-grade separated system would not be elevated and would have its own exclusive right-of-way.)

The proposed mass transit project provides that necessary linkage.

The collection of the ½ percent GET surcharge, helps to keep Honolulu at the forefront of the New Starts funding program. I do not believe that “borrowing” from it, no matter how well intentioned, will improve our ability to acquire those much needed funds to re-start our construction industry and stimulate our economic recovery.

Thank you for this opportunity to provide testimony.

February 2, 2010

Mr. Lance Wilhelm  
94-1183 Keahua Loop  
Waipahu, HI 96797

The Honorable J. Kalani English, Chair  
Committee on Transportation, International and Intergovernmental Affairs  
The Honorable Donna Mercado Kim, Chair  
Committee on Ways and Means  
State Senate  
State Capitol, Room 224  
Honolulu, Hawaii 96813

Dear Chairs English and Kim, and Members:

**Subject: Senate Bill No. SB 2653 Relating to Taxation**  
**Hearing Date/Time: February 3, 2010/2:05 p.m.**

My name is Lance Wilhelm, a lifelong resident of Honolulu, currently residing in Royal Kunia, Oahu.

**I strongly oppose S.B. No. 2653.**

The Senate Bill suggests that, based on current economic conditions, \$200,000,000 be diverted from the county surcharge specifically created and set-aside to fund the Honolulu High Capacity Transit System, and to reimburse those funds through general obligation bonds and an extension of the sunset of Act 247 by two years. My opposition of the Bill is based on the following points:

- 1) The citizens of Honolulu have clearly said they want a rail transit system, not once, but several times, in polls, at the ballot box, and through the actions of their elected representatives on the City Council and the Mayor's office. The funds this Bill seeks to divert, have been collected with one and only one purpose in mind, and that is to fund the system that the citizens want. To divert these funds would be to ignore the will of the people.
- 2) The eyes of the US Federal Government are on Hawaii at this critical juncture for the project. Any attempt to slow, modify, or alter the plans currently underway, would signal a lack of support for the project. The likely outcome of a manipulation of the funds as suggested by the bill would be the withdrawal of fiscal support from the Federal government, effectively killing the project. No effort to resuscitate this project, or any

other large transportation project requiring federal funding, will ever be successful in our lifetime.

- 3) The citizens of West Oahu have had to bear the costs of growth in Ewa, Kapolei, Makakilo and other West Oahu communities. These communities did not just happen to sprout up on this end of the island, they were developed as part of the State's long term growth plans. Among the most significant of these costs is the crushing traffic that residents endure daily. Not only are thousands of individual's quality of life impacted by the traffic, the actual costs to our economy from the lack of productivity caused by traffic, is enormous and grows day by day, week by week, and year by year. The rail project represents our best chance to provide a reliable and economical alternative for the residents in West Oahu and throughout the transit corridor.
- 4) While some of the State's financial challenges may be addressed through this bill, it is clear that its effect will be very short term in nature. Long term improvement to the State's fiscal health can only be made through growth in the economy as a whole. This bill will in fact, have the exact opposite effect. By killing the rail project, you will be stifling business when you could be encouraging business, and reducing tax receipts when you could be increasing tax receipts. It is precisely this type of short-term, quick-fix, narrow minded thinking that has prevented Hawaii from becoming the vibrant and dynamic place we all want it to be.

It is at challenging moments like this, that we look to our leaders to have a steady eye on the horizon. Think about our future and about the future of our children and stop this Bill from moving forward. I thank you for this opportunity to express my views.

February 2, 2010

Honorable Senator J. Kalani English  
Chairman  
Committee of Transportation, International and Intergovernmental Affairs  
State Senate  
Hawaii State Capitol, Room 205  
415 South Beretania Street  
Honolulu, HI 96813

Subject: SB 2653

Chairman English and Committee Members,

My name is Taeyong Kim and I am the Principal Planner for Environmental Communications, Inc. While Environmental Communications is not involved in any transit related projects, I would like to offer my testimony against SB 2653.

I have been an ardent supporter of grade-separated transit since the early 1990's and feel strongly that the transit project must stay on course both physically and financially. There is not question that such a large project warrants scrutiny and thoughtful consideration. The City and Mayor have done an admirable job in bring the project so far along despite many hurdles. To change the financing mechanism, a foundation element for this project, jeopardizes the project unnecessarily.

I understand the pressing financial issues facing the State but I feel that when funding is earmarked and committed, it must be followed through. Every exemption only weakens voter confidence. While I understand that SB 2653 is intended to provide a replacement source of revenue, General Obligation bonds only defer debt. As difficult as it is, everyone must live in "real time" and address the situation they are in now, with what they have now. For our State, this "here and now" does not include the use of the GET surcharge that we have now adopted.

I have reservations of this plan, especially when this project is so close to becoming a reality. These are difficult times for all of us and I applaud the Legislatures efforts to seek creative ways to finance and run our State but using the hard earned GET surcharge funds is one that I cannot support. Let the transit project continue as planned and I am certain the State will benefit in both the short and long-term.

Thank you for your consideration.

Taeyong Kim



**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, February 02, 2010 6:00 PM  
**To:** TIATestimony  
**Cc:** mgolojuch@hotmail.com  
**Subject:** Testimony for SB2653 on 2/3/2010 2:05:00 PM

Testimony for TIA 2/3/2010 2:05:00 PM SB2653

Conference room: 224  
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: 2/2/2010

Comments:  
I will bring it with me.