

1 means of achieving a balanced budget for state operations
2 without adversely impacting the city and county of Honolulu's
3 fiscal status or resorting to a drastic reduction in state
4 services or personnel.

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

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



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

5 The purpose of this Act is to:

- 6 (1) Require the city and county of Honolulu to return to
7 the State moneys derived from the county surcharge on
8 state tax;
- 9 (2) Authorize the issuance of general obligation bonds to
10 reimburse the city and county of Honolulu; and
- 11 (3) Extend the sunset of Act 247, Session Laws of Hawaii
12 2005, to extend, for an additional two years, the
13 county surcharge on general excise and use taxes and
14 the ordinance levying that surcharge.

15 SECTION 2. The city and county of Honolulu shall return to
16 the State, \$200,000,000 of the revenues transferred to the city
17 and county of Honolulu pursuant to section 248-2.6, Hawaii
18 Revised Statutes; provided that the city and county of Honolulu
19 shall not return any of those revenues to the State until the
20 State deposits in escrow the same amount of moneys, from the
21 proceeds of general obligation bonds issued pursuant to section
22 4 of this Act, for transfer to the city and county of Honolulu



1 as repayment. The State and the city and county of Honolulu
2 shall enter into a memorandum of understanding to coordinate and
3 effectuate the transfer of revenues from the city and county of
4 Honolulu to the State and the transfer of the general obligation
5 bond proceeds in escrow to the city and county of Honolulu, in
6 accordance with this Act.

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

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

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

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



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

3 (A) The ordinance shall be repealed on December 31,
4 [~~2022~~] 2024;

5 (B) This Act shall be repealed on December 31,
6 [~~2022~~] 2024; and

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

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



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. Requires a memorandum of understanding between the State and city and county of Honolulu to return the \$200,000,000.

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