

SB 1426

RELATING TO PUBLIC FUNDS.

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.

TESTIMONY BY KALBERT K. YOUNG
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON PUBLIC SAFETY, GOVERNMENT
OPERATIONS, AND MILITARY AFFAIRS
ON
SENATE BILL NO. 1426

February 12, 2011

RELATING TO PUBLIC FUNDS

Senate Bill No. 1426 proposes to have the City and County of Honolulu return a portion of the moneys transferred to it pursuant to Sections 46-16.8 and 248-2.6, HRS, to meet the current and future financial needs of the State. Section 46-16.8 authorized the City to impose a county surcharge on general excise and use taxes attributable to activity derived in the City for the purpose of operating or capital costs of a locally preferred alternative for a mass transit project. Section 248-2.6 specifies the process for distributing the proceeds of the county surcharge imposed under Section 46-16.8 from the State to the City.

The bill specifically: (1) requires the City to return to the State \$200 million of the county surcharge revenues; (2) authorizes the Director of Finance to issue up to \$300 million of general obligation bonds for the purpose of replacing the county surcharge revenues that are returned to the State by the City; and (3) extends the sunset date of the county surcharge by an additional two years from 2022 to 2024. The bill restricts the issuance of general obligation bonds until the State receives affirmative advice from the State's bond counsel on the suitability of using general obligation bond proceeds for the purpose of replacing county surcharge revenues from the City.

Governor Abercrombie is open to ideas for utilizing the county surcharge funds to create jobs and stimulate the economy if those funds will otherwise remain idle. He believes it is important to put all available public funds to good use especially in the midst of the economic slowdown that the State is currently experiencing. But the Governor is not inclined to use those funds merely to plug the short-term budget shortfall in a way that creates long-term liabilities for the State. Any plans for utilizing the county surcharge funds need to be related to immediate job creation.

The question raised with the approach proposed in Senate Bill No. 1426 is that it may be only a short-term solution that does not address the State's long-term fiscal requirements. The concept as proposed could be considered deficit borrowing and therefore the issue of credit rating implications needs to be explored.

Further, the City must be a willing participant in the proposed replacement of county surcharge revenues with general obligation bond funds because it is our belief that by terms of the process embodied in this bill the State cannot unilaterally require the City to return \$200 million of county surcharge revenues. The State, through enactment of Section 46-16.8, authorizes the City the option to impose the county surcharge – the City (alone among the four counties) took action on its own to impose the county surcharge. At a minimum, we need to work with the City on any plan or arrangement using the surcharge revenue, or surcharge authorization so as not to jeopardize the viability of the transit project.

Furthermore, in the current financial market environment, and considering the investment returns opportunities available to the City, the terms being proposed in Senate Bill No. 1426 could be considered to be overly generous to the City. The City is being given \$3 dollars in general obligation bond funds for every \$2 dollars in

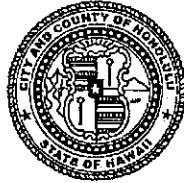
county surcharge revenues it returns as well as having the county surcharge being extended for two additional years. Given that current county surcharge revenue collections average about \$163 million per year, it is conservatively estimated that the additional two years will yield the City, at least, \$326 million more in county surcharge revenues.

Finally, regarding the technical issue of whether general obligation bond proceeds can be used as contemplated in Senate Bill No. 1426, bond counsel indicates that taxable general obligation bonds, as opposed to lower cost tax-exempt general obligation bonds, would need to be used for this purpose.

OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU

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PETER B. CARLISLE
MAYOR



DOUGLAS S. CHIN
MANAGING DIRECTOR

February 12, 2011

The Honorable Will Espero, Chair
Senate Public Safety, Government Operations,
and Military Affairs
State Senate
State Capitol
Honolulu, Hawaii 96813

Dear Chair Espero and Committee Members:

Re: S.B. 1426; Relating to Public Funds

The City and County of Honolulu submits this testimony in opposition to S.B. 1426 which proposes the State "borrow" \$200 million collected by the City from its surcharge on the State general excise tax and repay the City by issuing \$300 million in State general obligation ("GO") bonds and placing the GO bond proceeds in escrow to the City. In addition, S.B. 1426 extends the life of the surcharge for two additional years.

Although we fully appreciate the intent of this proposal which is to assist the State in closing its budget gap and potentially providing the City with more funds in the future for the City's rail project, we must oppose this bill at this time.

First, we would like to correct the misimpression that the surcharge funds are unencumbered and not needed in the immediately foreseeable future. As of January 31, 2011, the City has received approximately \$621 million (this is after the State has taken its 10 percent of the gross surcharge receipts) in county surcharge and interest. Of this amount, the City has spent or has committed approximately \$342 million and will be committing an additional \$155 million by June 30, 2011. This leaves approximately \$124 million which the City needs to carry forth as working cash for the Honolulu Authority for Rapid Transportation's FY 2012 operating and capital improvement budgets. In addition to the carryover balance, City GO bond proceeds are currently anticipated in FY 2012 for capital commitments.

The Honorable Will Espero, Chair
Senate Public Safety, Government Operations,
and Military Affairs
State Senate
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Second, S.B. 1426 requires the affirmative advice from the State's bond counsel on the suitability of using the proceeds from the issuance of the State GO bonds for the purpose of replacing the tax revenues "borrowed" from the City. We have not, as of yet, heard whether the State's bond counsel has given such affirmative advice, and therefore a fundamental question regarding the viability of this proposal has not been answered, and the City would not be responsible if it supported this proposal without this question being answered, not just by the State's bond counsel, but the City's bond counsel, as well. The City would appreciate knowing whether such a bond counsel opinion has been requested, and by whom.

Third, the State does not have the authority to unilaterally require the City to turn over the existing GET surcharge monies to the State, so another fundamental question is whether and how the City can agree to turning over said monies. The GET surcharge funds were collected pursuant to Section 6-60.1, Revised Ordinances of Honolulu 1990 ("ROH"). Both Hawaii Revised Statutes ("HRS") Section 46-16.8(c) (Supp. 2010) (which authorized the counties' GET surcharge) and ROH Sections 6-60.2 and 6-61.4 currently 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 the Americans with Disabilities Act (ADA). Currently, no other use of the surcharge is permitted. Not only do Act 247 (2005) and HRS Section 46-16.8(c) have to be amended, but the Honolulu City Council would also have to act by amending the ROH to provide the \$200 million loan to the State. This matter has not been put before the City Council, and we cannot confirm that the City Council would be willing to amend ROH Sections 6-60.1, 6-60.2, and 6-61.4, especially given the issues raised above.

Lastly and most importantly, the City has concerns that federal entities, including Congress, may view this proposal as tampering with the GET surcharge, and this may risk endangering future federal funding. One of the most important components of the rail project's financial plan is a stable and dedicated local revenue source. If the Federal Transit Administration (FTA) and Congress do not consider the dedicated transit fund to be secure and reliable, the City's commitment to the rail project may be questioned and federal support for the project may be put in jeopardy. We understand the State's financial situation, but especially given the state of our economy and the magnitude of the economic stimulus that only rail at this point has the potential to provide, we firmly believe that this is not the time to cast doubts on the City's commitment to provide its share of funds for the rail project.

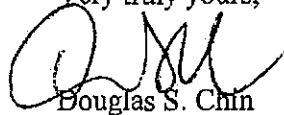
In closing, we would like to reiterate that the Honolulu City Council, the Mayor and the citizens of Honolulu have all affirmed their desire to construct an elevated rail system that would begin to relieve Honolulu's traffic congestion and improve future mobility for Oahu. The rail project is the largest stimulus available for our recovering economy and it is ready now. The legislature's own construction industry task force has recently made Honolulu's rail project its top priority, stating "No other project on the horizon has the same potential for generating jobs,

The Honorable Will Espero, Chair
Senate Public Safety, Government Operations,
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assisting local businesses and contributing to Hawaii's overall economy." We believe that we must continue to demonstrate resolve and commitment to this worthwhile and critical public works project and for this reason, we must respectfully oppose this bill and ask that you hold it in committee.

Thank you for this opportunity to appear before you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Douglas S. Chin', written over the typed name.

Douglas S. Chin
Managing Director

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 1426

INTRODUCED BY: Tsutsui

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, 2011

STAFF COMMENTS: Due to the state's financial crisis, this measure proposes to "borrow" \$200 million in county surcharge funds which are 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 an additional two-year period from 2022 to 2024. 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 the imposition of the county surcharge tax is totally unacceptable.

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 of Honolulu 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 1426 - 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.

Finally, if this measure is adopted, there is no doubt that this "borrowing scheme" may open the door and be used again to address other financial shortfalls. If spending is not reined in, the state will remain in "hock" to the loan shark with the loan paid back by taxpayers.

Digested 2/10/11



**Testimony to the Senate Committee on Public Safety, Government
Operations, and Military Affairs
Saturday, February 12, 2011
10:00 a.m.
Conference Room 229**

RE: SB 1426 RELATING TO PUBLIC FUNDS

Chair Espero, Vice Chair Kidani, 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"). The Chamber opposes SB 1426.

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:

1. 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.
2. 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.
3. Extends surcharge for two years.
4. Requires a memorandum of understanding between the State and city and county of Honolulu to return the \$200,000,000.

The bill finds that based on the struggling world-wide economy, the legislature seeks to find different 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.

The proposed bill is one option that is being reviewed. While we understand the current situation, 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 result in a high probability to the end of the project. If that happens, what traffic solution will be offered 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 do we have to offer to off-set the loss of the transit project and its federal funding?

We recognize the current economic conditions we face in this state, which is not unique. Other States and municipalities are using the opportunity to assess governmental agency structures, function and performance. Perhaps this is an opportunity for our State to look into and seek ways to maximize efficiency and find a sustainable size of government given the economic conditions.

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 preferable option than borrowing funds collected for the City's transit system, which could have greater economic consequences.

Thank you for this opportunity to express our views.



Testimony to the Senate Committee on Public Safety,
Government Operations, and Military Affairs
Saturday, February 12, 2011, 10:00 a.m., Room 229
Strong Opposition to SB 1426 – Relating to Public Funds
by Alicia Maluafiti, Board Member, GoRailGo

Aloha Chair Espero, Vice Chair Kidani, and members of the committee,

My name is Alicia Maluafiti and I am a board member for GoRailGo, a grassroots advocacy alliance of individuals and organizations committed to affordable transportation on Oahu. **GoRailGo is strongly opposed to SB 1426.**

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 should listen to their constituents and the 80 percent of the state’s population that resides on the most congested island.

The compound interest on the rail fund will generate additional revenue for the project over the next 10 years. Tacking on an additional two years at the end does not guarantee replacement of those unrealized gains if \$200 million is removed from the fund. Complicating the equation is the acknowledgement that although 2007 and 2008 were good collection years because of a booming economy, we continue to face some of the worst recessions 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 us 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 four 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:

Join us in our commitment to providing affordable transportation alternatives for future generations. Please vote “no” on SB 1426.



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**Testimony to the Senate Committee on Public Safety, Government Operations, and
Military Affairs**

Saturday, February 12, 2011

10:00 a.m.

Conference Room 229

RE: Relating to Public Funds – Senate Bill 1426

Chair Espero, Vice Chair Kidani and Members of the Committee:

My name is Gary Kai and I am the Executive Director of the Hawaii Business Roundtable.

The Hawaii Business Roundtable members represent 50 companies in Hawaii. These companies employ thousands of people who live on Oahu who would benefit from the Rail Transit System. The Roundtable opposes Senate Bill 1426. As we have expressed in the past, the Roundtable believes that taking funds from Honolulu County's General Excise and Use Tax surcharge (GET surcharge) is not in the interests of the State of Hawaii.

The rail transit project is at a critical juncture with construction about to begin. It is creating jobs in our state, at a time when jobs are sorely needed; the City's Draft Environmental Impact Statement estimates rail construction will create an average of 10,000 jobs a year. The majority of jobs will be in the construction sector, but the multiplier effect will create jobs in virtually every sector of the economy. The Legislature's Construction Industry Task Force agreed and stated, in calling Rail Transit it's the top priority, that "no other project on the horizon has the same potential for generating jobs, assisting local businesses, and contributing to Hawaii's overall economy."

We believe that the start of the rail transit will not only create jobs but will help to increase consumer and business confidence as work is begun. In our recently conducted People's Pulse survey, consumer confidence remains at an all-time low, but we believe that because of its magnitude, the start of the transit work will help to rebuild that confidence. Returning confidence in our economy is an important step in our state's economic recovery.

In a 2009 letter, U.S. Senator Daniel K. Inouye expressed concern that federal transportation officials could be skeptical of Honolulu's commitment to rail if the integrity of the GET surcharge is broached.

We join in the Senator's concern. Any skepticism about Hawaii's commitment by Congress could also have serious negative implications. In light of the significant benefits to Hawaii, we cannot risk the loss of over \$1 billion dollars of federal investment in Hawaii's rail transit system.

On behalf of the Hawaii Business Roundtable I urge the committee to vote no on SB 1426.

Thank you for the opportunity to testify.

Gary K. Kai, Executive Director
Hawaii Business Roundtable
1003 Bishop Street, Suite 2630
Honolulu, Hawaii 96813

1065 Ahua Street
Honolulu, HI 96819
Phone: 808-833-1681 FAX: 839-4167
Email: info@gcahawaii.org
Website: www.gcahawaii.org



GCA of Hawaii
GENERAL CONTRACTORS ASSOCIATION OF HAWAII
Quality People. Quality Projects.

February 10, 2011

TO: THE HONORABLE SENATOR WILL ESPERO, CHAIR AND MEMBERS OF THE
COMMITTEE ON PUBLIC SAFETY, GOVERNMENT OPERATIONS, AND
MILITARY AFFAIRS

SUBJECT: S.B.1426, RELATING TO TAXATION.

AMENDED NOTICE OF HEARING

DATE: Saturday, February 12, 2011
TIME: ~~9:00 a.m.~~ **10:00 a.m.**
PLACE: Conference Room 229

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.1426, 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.1426, and recommends that the bill be held.

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

BIA-HAWAII
BUILDING INDUSTRY ASSOCIATION

February 12, 2011

The Honorable Will Espero, Chair and Member
Committee on Public Safety, Government Operations, and Military Affairs
State Senate
State Capitol, Room 229
Honolulu, Hawaii 96813

Dear Chair Espero and Members:

Subject: Senate Bill No. SB 1426 Relating to Public Funds

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. 1426.

The bill proposes to:

1. 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.
2. 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.
3. Extends surcharge for two years.
4. Requires a memorandum of understanding between the State and city and county of Honolulu to return the \$200,000,000.

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.



Chief Executive Officer
BIA-Hawaii

The Senate
The Twenty-Sixth Legislature
Committee on Public Safety, Government Operations,
and Military Affairs
February 12, 2011
9:00 a.m., Room 229

Statement of the Hawaii Carpenters Union on SB 1426, Relating to Public Funds

The Hawaii Carpenters Union wishes to express its clear and strong opposition to SB 1426, which would move \$200,000 meant for mass transit development into the General Fund.

Federal funds remain essential for Honolulu's mass transit project and as an infusion to Hawaii's economy. After many years of work, we must not provide an opening for anyone in the Federal administration, the newly constituted Congress, or competing jurisdictions, to question Honolulu's commitment to building our mass transit system. Recent statements of support at the Federal level have specifically noted the existence of Honolulu funds ready for use.

If anything has changed since the 2009 proposal similar to SB 1426, it is that the time to actually expend the accumulated funds on rail transit development is upon us. The money will be needed. It will not be sitting unused.

Introducing uncertainty, and resultant delays, introduces the risk of losing the project. Indirect payment for government operations based on bond market transactions is not tried and true, and brings uncertainties.

We are in dire need of the major taxable economic activity, and a reduction of families in need of social services, that rail construction will bring. The referendum vote and specific taxation legislation were meant to build our transportation infrastructure and provide a backbone for city planning. Its additional impact on employment cannot be over emphasized.

We know from direct experience how fragile this major opportunity is. Do not be the body that is pointed to, should the rail transit project falter for any reason, as responsible for losing the future.

The stakes are high, both short and long term. We ask you to consider our testimony in opposition to SB 1426.

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

Senate Committee on Public Safety, Government Operations, and Military Affairs
Senator Will Espero, Chair
Senator Michelle Kidani, Vice Chair

SB 1426 Relating to Pubic Funds
Saturday, February 12, 2011
10:00 A.M.
Conference Room 229

Chair Espero, Vice Chair Kidani and Members of the Committee,

My name is C. Mike Kido, External Affairs 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 1426, 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 city has already raised \$612.8 million through the state general excise tax surcharge which was created specifically to finance the construction of the rail project and also received \$69 million in federal appropriations. The Federal Transit Administration gave its final approval to move forward with the estimated \$5.5 billion project. 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.

Testimony of C. Mike Kido
SB 1426 – Relating to Public Funds
Page 2 Pat Lee & Associates, LLC

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.

Thank you for allowing us to share our views on SB 1426 – Relating to Public Funds.



**INTERNATIONAL ASSOCIATION OF BRIDGE, STRUCTURAL,
ORNAMENTAL AND REINFORCING IRON WORKERS**

Affiliated with A.F.L.-C.I.O.

LOCAL UNION NUMBER 625
94-497 UKEE STREET • WAIPAHU, HAWAII 96797

February 10, 2011

T.G. Paris
President Emeritus
Wil Espero, Chair
Committee on Public Safety, Government Operations and Military Affairs
Senate
State Capitol
415 S. Beretania Street
Honolulu, Hawaii 96813

Dear Honorable Chair Espero and Members of the Committee on Public Safety, Government Operations and Military Affairs:

Re: Strong Opposition Against SB 1426 – Relating to Public Funds

We wish to state we are in strong opposition of SB 1426, Relating to Public Funds, 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 for the rail project 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.

For this reason we strongly oppose this measure for the sake of the working men and women of Hawaii. Thank you for your time and consideration.

Sincerely,

Joe O'Donnell
Financial Secretary/Business Manager

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 11, 2011 5:26 PM
To: PGM Testimony
Cc: mauricetmorita@gmail.com
Subject: Testimony for SB1426 on 2/12/2011 10:00:00 AM

Testimony for PGM 2/12/2011 10:00:00 AM SB1426

Conference room: 229
Testifier position: oppose
Testifier will be present: Yes
Submitted by: Maurice Morita
Organization: Hawaii LECET
Address:
Phone:
E-mail: mauricetmorita@gmail.com
Submitted on: 2/11/2011

Comments:

My name is Maurice Morita, Assistant Director of Hawaii Laborers-Employers Cooperation & Education Trust(Hawaii LECET), a partnership between the Laborers Union, Local 368, & our Union Contractors, and we strongly oppose SB 1426 which in essence, borrows money from the Rapid Transit Project GET Surcharge account of the City & County of Honolulu. With the Republicans taking over the U.S. House of Representatives, this bill may jeopardize the commitment from the federal government of \$1.5 billion to assist to build the largest construction project in the State of Hawaii, a transit rail in the City & County of Honolulu. Our members of the Laborers Union, Local 368, and the Unionize Contractors have been looking forward these past years for this rapid transit project to begin. Thank you for the opportunity to testify.