

STAND. COM. REP. NO. 898

Honolulu, Hawaii

MAR 06 2015

RE: S.B. No. 19
S.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2015
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 19, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to address the county surcharge on state tax and transportation projects funded by the surcharge.

More specifically, this measure:

- (1) Diverts half of the ten percent administrative fee collected by the State to transit-oriented development projects;
- (2) Extends the ability of other counties to adopt a county surcharge on state tax to an unspecified date;
- (3) Extends the sunset date of the county surcharge on state tax to December 31, 2047;
- (4) Requires the Honolulu Authority for Rapid Transportation to complete the entire rail transit project by December 31, 2047, including extensions of the project to Ala Moana Center, the University of Hawaii at Manoa, and downtown Kapolei;



- (5) Requires buildings of each rail transit station to be physically connected, except for the Honolulu International Airport and Pearl Harbor rail stations;
- (6) Requires the City and County of Honolulu to plan transit-oriented development to accommodate anticipated population growth; and
- (7) Requires the Auditor to conduct a financial and management audit of the Honolulu Authority for Rapid Transportation and its rail transit project.

Your Committee received testimony in support of this measure from the Office of the Mayor of the City and County of Honolulu, Office of the Mayor of the County of Kauai, two members of the Honolulu City Council, two members of the Kauai County Council, The Chamber of Commerce of Hawaii, Faith Action for Community Equity, General Contractors Association of Hawaii, Hawaii Construction Alliance, Hawaii Government Employees Association, Hawaii Laborers-Employers Cooperation and Education Trust, Hawaii Operating Engineers Industry Stabilization Fund, Hawaii Regional Council of Carpenters, Hawaii State AFL-CIO, Honolulu Authority for Rapid Transportation, International Brotherhood of Electrical Workers Local Union 1186, Land Use Research Foundation of Hawaii, United Public Workers, West Oahu Economic Development Association, and two individuals. Your Committee received testimony in opposition to this measure from the Hawaii Association of Realtors and fifty individuals. Your Committee received comments on this measure from the Department of Budget and Finance, Department of Taxation, a member of the Kauai County Council, Tax Foundation of Hawaii, Grassroot Institute of Hawaii, and two individuals.

Your Committee finds that Act 247, Session Laws of Hawaii 2005, authorized the counties to adopt a county surcharge on state general excise and use taxes to be effective until December 31, 2022. In counties with a population of greater than five hundred thousand, the surcharge would be used to provide a funding source for the operating or capital costs of a locally preferred alternative for a mass transit project, while in other counties, the surcharge would be used for public transportation. In accordance with Act 247, Session Laws of Hawaii 2005, the City and County of Honolulu was the only county to adopt a surcharge on state tax. The City and County of Honolulu subsequently established the Honolulu Authority for Rapid Transportation to oversee a rail transit project.



Your Committee also finds that the rail transit project of the Honolulu Authority for Rapid Transit (HART) has experienced significant financial difficulties that will result in a projected deficit of over \$869 million if no extension is granted and is calling into question the ability for them to complete the project on time. In discussions with HART, your Committee determined that if the end goal was to finish what had been started, in terms of the Full Funding Grant Agreement with the federal government, a five year extension would be sufficient to both cover costs and provide for contingencies. Your Committee also determined that if there was both the political and public will to seek out an extension to either the University of Hawaii at Manoa or Kapolei from the initial 20.1 mile transit line, the City and County of Honolulu would have both the legal authority and fiscal resources available to initiate the federal funding and environmental impact statement process.

Your Committee notes that HART is in the process of re-engineering rail designs, reducing borrowing costs, and seeking public-private partnership costs to address its perennial financial challenges. Your Committee further notes, however, continued concern over financial decisions that have been made in light of projected deficits, such as unanimous approval for a raise for HART's Executive Director and a general lack of oversight from both the HART Board, City Administration, and the Honolulu City Council to contain costs and manage contracts.

Your Committee recognizes its fiduciary responsibility to the taxpayers of Hawaii. As such, it strongly recommends that the Board of Directors of HART continue to initiate all possible cost reduction measures, including overhead and operations, and would strongly advise the City Administration and the Honolulu City Council to consider taking a more proactive oversight role.

Your Committee has amended this measure by:

- (1) Changing the sunset date of the county surcharge on state tax from December 31, 2047, to December 31, 2027;
- (2) Providing counties that have not established a county surcharge on state tax with the ability to adopt a county surcharge on state tax; provided that the county adopts an ordinance to establish the surcharge by December 31, 2015. If the ordinance is adopted, the



surcharge will be levied from January 1, 2017, until December 31, 2027;

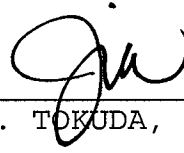
- (3) Requiring any county that has already adopted a county surcharge on state tax to adopt another ordinance and meet other requirements in order to extend its surcharge on state tax beyond December 31, 2022. If the ordinance is adopted, the surcharge will be extended from January 1, 2023, until December 31, 2027;
- (4) Deleting the provision diverting half of the ten percent administrative fee collected by the State to transit-oriented development projects;
- (5) Deleting the requirement that the Honolulu Authority for Rapid Transportation complete the entire rail transit project by December 31, 2047;
- (6) Deleting the requirement that the buildings of each rail transit station be physically connected;
- (7) Requiring the board of directors of the transit agency constructing the locally preferred alternative for a mass transit project that was established prior to the effective date of the measure to: conduct annual audits; submit annual reports to the Legislature and the Governor on transit-oriented development initiatives, management and financial performance, and status reports submitted to the federal government; and place audits and reports on the board's agenda and, in accordance with the sunshine law, take testimony on the audits and reports; and
- (8) Making technical nonsubstantive amendments for the purposes of consistency and clarity.

It is your Committee's intent that, in preparing the annual report to the Legislature and Governor required by this measure, the Honolulu Authority for Rapid Transportation should work with the Office of Planning and others to ensure that they are reflecting the Legislature's intent to achieve transit-oriented development integration with projected population growth and how each rail station will be integrated with surrounding buildings and structures.



As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 19, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 19, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



JILL N. TOKUDA, Chair



The Senate
 Twenty-Eighth Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB19 SD1	TRANSPM, WAM	3/4/15		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
TOKUDA, Jill N. (C)	✓			
KOUCHI, Ronald D. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
GALUTERIA, Brickwood	✓			
HARIMOTO, Breene	✓			
INOUYE, Lorraine R.	✓			
RIVIERE, Gil			✓	
RUDERMAN, Russell E.				✓
SLOM, Sam			✓	
TOTAL	9	0	2	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes