

DAVID Y. IGE
GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 15, 2017
9:00 A.M.
State Capitol, Room 423

**H.B. 1442
RELATING TO TAXATION**

House Committee on Transportation

The Department of Transportation (DOT) is in strong **support** of H.B. 1442 which proposes to authorize counties to establish a surcharge on state tax. The bill also provides that an unspecified amount of the revenues collected shall be deducted by the State and used by the DOT.

The bill will provide additional funding resources needed to enable DOT to accomplish its primary mission of providing a safe, efficient, accessible and well maintained sustainable transportation system to the public. The increase in revenues will improve the DOT's ability to operate, maintain and construct the State Highway System. This would enable the DOT to increase the highways capital improvement project and special maintenance programs which are used to make safety and operational improvements and provide new capacity. Funds traditionally designated to capacity are currently being repurposed for safety and preservation purposes, as sanctions including, loss of federal funds, may be imposed by the Federal Highway Administration should the State fail to properly maintain the State Highway System.

With the bulk of DOT current funding going towards safety and maintenance, only a small portion of the funds is available for projects that would add lanes and capacity. Therefore, we will not be able to afford projects that widen freeways and highways without additional funds. Instead, DOT must look at solutions that will bring immediate congestion relief at lower costs and with shorter lead times. These solutions include retiming signals and upgrading equipment in corridors, adding contraflow operations in congested areas, using more shoulders as travel lanes during peak hours, adding traffic control to busy intersections, and building out transportation systems that allow us to control signals remotely and inform the public of any incidents or delays. These changes can be implemented faster and cheaper than building new roads.

At this time, the needs of the highways system and its users already outweigh available funding. If revenues are not increased, more of the available funds will be repurposed to safety and maintenance, and there would be little to no funding available to address

Testimony by:

FORD N. FUCHIGAMI
DIRECTOR

Deputy Directors
JADE T. BUTAY
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

congestion and delay. Examples of projects to address congestion and delay that would be deferred if the funding issue is not resolved are: The Farrington Highway turning lane extension; H-1 Freeway eastbound widening projects; Kahekili Highway widening; Daniel K. Inouye west side extension and Kuhio Highway short-term improvements.

The additional State Highway Fund revenues will also enable the DOT to address any unforeseen emergency highway projects that may be critical to ensure the safety of the public. The DOT has historically been required to expend approximately \$5 million to \$10 million of unbudgeted State Highway Funds each year to address emergency highway projects due to flooding, shoreline erosion, lava flow, earthquakes and other natural disasters or events. The lack of available funds in the State Highway Fund may significantly impact the DOT's ability to respond to emergencies such as the erosion of Kamehameha Highway in Kaaawa in a timely manner.

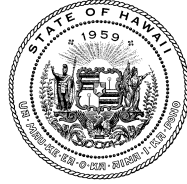
The increase in revenues will provide safer infrastructure enhancements for all users including pedestrians, bicyclists, transit users and motorists and would positively impact the department's ability to qualify state matching funds for the highways federal-aid program. The normal federal share for projects on the interstate system is 90 per cent and for other eligible roadways it is 80 per cent.

HDOT has no comments on the portion of the bill related to counties that have established a surcharge on state tax prior to July 1, 2015.

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Henry Aquino, Chair
and Members of the House Committee on Transportation

Date: Wednesday, February 15, 2017
Time: 9:00 A.M.
Place: Conference Room 423, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 1442, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 1442 and provides the following comments for your consideration.

H.B. 1442 deletes the sunset date of the county surcharge tax, and authorizes each county to establish a surcharge on state tax at rates no greater than one-half percent of all gross proceeds and gross income taxable under chapter 237, Hawaii Revised Statutes (HRS), General Excise Tax (GET), and chapter 238, HRS, Use Tax, to fund public transportation systems in their respective counties by ordinance.

H.B. 1442 also provides that for each county that has not established a surcharge on state taxes prior to July 1, 2017, no surcharge tax shall be assessed prior to January 1, 2018. A county electing to adopt the surcharge tax is required to notify the Department within ten days after its adoption of the surcharge tax. The Department is required to collect the surcharge tax beginning on January 1, 2018.

H.B. 1442 requires the Department to pay into the state treasury all county surcharges on state tax collected on a monthly basis, rather quarterly, within ten working days after collection. It changes the ten percent deduction from county surcharge revenues to an unspecified amount and allocates an unspecified amount of the county surcharge revenues to the Department of Transportation. The measure is effective upon approval.

First, the Department notes that H.B. 1442 may have inadvertently excluded amendments to sections 237-8.6 (b) and 238-2.6(b), HRS. If the intent of the measure is to allow for the adoption or the continued imposition of the county surcharge, the Department suggests amending these sections to consistent with the intent of the measure.

Second, in order for the Department to administer a county surcharge for the rest of the counties, the Department strongly recommends that all counties be required to adopt the same tax rate. As the Department has noted in the past, different tax rates increase administrative and enforcement issues, and may cause taxpayers to improperly source their income to counties with lower tax rates. If each county adopts its surcharge at the same tax rate, there will be no incentive for a taxpayer to improperly source its income and ensure that each county receives the proper amount of revenue.

Third, the Department collects and reports the county surcharge amounts to the Department of Budget and Finance and Department of Accounting and General Services each month. The Department defers to these agencies regarding the requirement to increase the frequency of the payments.

Finally, due to the substantial number of changes that must be done to the forms, instructions and computer system, the Department requests that the effective date for implementation of the surcharge for the other counties be no earlier than January 1, 2019.

Thank you for the opportunity to provide comments.



IN REPLY REFER TO:
CMS-AP00-01982

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Krishniah N. Murthy
INTERIM EXECUTIVE DIRECTOR AND CEO

BOARD OF DIRECTORS

Damien T.K. Kim
CHAIR

HOUSE COMMITTEE ON TRANSPORTATION

Terrence M. Lee
VICE CHAIR

Wednesday, February 15, 2017
9:00 a.m.
State Capitol, Conference Room 423

John Henry Felix
Ford N. Fuchigami
Terri Fujii
William "Buzz" Hong
Mark Kikuchi
Colbert M. Matsumoto
Glenn M. Nohara
Kathy Sokugawa

Chair Aquino and Members of the House Committee on Transportation:

The Honolulu Authority for Rapid Transportation (HART) **supports House Bill 1442**, which proposes to authorize counties that have established a surcharge on state tax prior to July 1, 2015, to extend the surcharge in perpetuity. Counties that have not established a surcharge by July 1, 2017, would be authorized to establish a surcharge on State tax. The State would retain an unspecified portion of surcharge proceeds for the State Department of Transportation, and a county's share of the county surcharge on State tax would be paid to the county on a monthly basis.

HART is responsible for construction of the Honolulu Rail Transit Project and estimates the cost to complete construction of the Project will be \$8.2 billion, not including finance charges. Consequently, financing the Project through the issuance of bonds will be in addition to the \$8.2 billion in capital project costs.

While the current draft of House Bill 1442 does not specify the portion of the surcharge proceeds to be retained by the State, the greater the percentage of surcharge revenue dedicated for the rail project the stronger the financial viability of the project. The City and County of Honolulu, as the issuer of the bonds, assumes the responsibility for the repayment of the bonds. The source of bond repayment is the general excise and use tax (GET) surcharge. GET surcharge revenues are subject to fluctuations due to changes in economic conditions, consumer spending, and collection processing. Potential resource fluctuation and a decreased share of GET revenue would impact the total amount of debt needed, the number of years to bond maturities, total interest costs, and financial risks.

HART supports the intent of this bill to provide funding to complete the Project. The City and County of Honolulu has previously provided testimony stating the current 90%/10% share of the GET surcharge revenue in perpetuity is preferred to complete the Project, address any potential financial plan variations, and repay the bonds.

In addition, this bill changes the State's quarterly transfer of collected GET revenues to monthly transfers to the Project. This monthly revenue transfer will save approximately \$11 million in interest costs to the Project.

Thank you for this opportunity to provide written testimony.



Randy Perreira
President

HAWAII STATE AFL-CIO

345 Queen Street, Suite 500 • Honolulu, Hawaii 96813

Telephone: (808) 597-1441

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The Twenty-Ninth Legislature, State of Hawaii
Hawaii State House of Representatives
Committee on Transportation

Testimony by
Hawaii State AFL-CIO
February 15, 2017

H.B. 1442 – RELATING TO TAXATION

The Hawaii State AFL-CIO strongly supports H.B. 1442 which authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity, authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax, provides that the State shall retain an unspecified portion of surcharge proceeds for DOT and requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis.

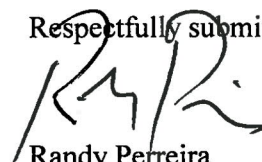
Traffic on Oahu is continually getting worse. Each year, there are thousands of new vehicles on the road creating additional gridlock, increased frustration, and more time spent in a vehicle instead of at home with loved ones. Increasingly, commuters from West Oahu face the daunting reality that traveling to Honolulu or back to West Oahu can take upwards of three to four hours round-trip and on a bad day it could be considerably worse. Rail will help alleviate the daily traffic nightmare that so many commuters face and improve the quality of life for many.

Further, Oahu voters in 2008 approved the Honolulu Rail Transit Project and were promised a rail system that would be operational no later than 2020. In addition, the U.S. Department of Transportation signed a \$1.55 billion federal funding agreement to help build the 20-mile rail project. Unfortunately, lawsuits and other complications caused significant delays resulting in a number of unexpected costs. As a result, the rail project has gone over budget. Without extending or making permanent the half-percent increase to the general excise tax, the HART will not be able to complete the 20-mile planned route and Oahu taxpayers will be on the hook of paying back the federal government the \$1.55 billion they provided. In addition, a shortened rail line may not have as great of an impact reducing traffic.

Consequently, the Hawaii State AFL-CIO strongly urges the passage of H.B. 1442 to ensure rail is built as planned.

Thank you for the opportunity to testify.

Respectfully submitted,



Randy Perreira
President



HAWAII LABORERS-EMPLOYERS COOPERATION AND EDUCATION TRUST
650 Iwilei Road, Suite 285 · Honolulu, HI 96817 · Phone: 808-845-3238 · Fax: 808-845-8300

**TESTIMONY OF HAWAII LECET
CLYDE T. HAYASHI - DIRECTOR**

HOUSE COMMITTEE ON TRANSPORTATION
Rep Henry J.C. Aquino, Chair
Rep. Sean Quinlan, Vice Chair

NOTICE OF HEARING

DATE: Wednesday, February 15, 2017
TIME: 9:00 a.m.
PLACE: State Capitol, Conference Room 432

TESTIMONY ON HOUSE BILL NO. 1442 RELATING TO TAXATION

ALOHA COMMITTEE CHAIR HENRY AQUINO, COMMITTEE VICE CHAIR SEAN QUINLAN, AND COMMITTEE ON TRANSPORTATION MEMBERS:

My name is Clyde T. Hayashi, and I am the Director of Hawaii LECET. Hawaii LECET is a labor-management partnership between the Hawaii Laborers Union, Local 368, and its unionized contractors.

Mahalo for the opportunity to testify in **STRONG SUPPORT** of House Bill No. 1442. Authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity.

The Honolulu Rail Project must be completed to Ala Moana Shopping Center (the full 20 miles, 21 stations and 80 cars) or we may jeopardize the \$1.55 billion in federal funds. It is the only major transportation project planned for Oahu to provide major traffic relief and will provide a much needed transportation alternative for residents, and because it is elevated, will be independent from our highway system. The rail system will take cars off the road and provide a daily commuting alternative, especially for the thousands of residents whose destinations are the airport, Downtown, Kakaako/Ala Moana, and Waikiki areas.

The completion of the Honolulu Rail Project will provide us the opportunity for building more affordable housing, especially around rail stations. With properly planned TOD, it will help us to build a modern, sustainable Honolulu.

We believe that extending the Rail .5 percent GET Surcharge beyond the December 31, 2027 sunset date is the best way to ensure that the Rail Project can be completed to Ala Moana Shopping Center. We support a Rail GET Surcharge extension in perpetuity, which will allow the extensions to UH-Manoa and West Kapolei to be built, along with further extensions to serve other parts of Oahu. Oahu residents are already set to pay the Rail .5 percent GET Surcharge until December 31, 2027. An extension of the surcharge to complete Rail means that residents will NOT pay anything more until January 1, 2028.

Regardless of how the Rail project is funded, the residents of Honolulu will have to pay for it. We are set to pay the Rail .5 percent GET Surcharge until December 31, 2027 and any other tax enacted to pay for Rail will be in addition to the GET surcharge. It which will burden Oahu tax payers even more.

Our thousands of members and our contractors have benefited from the many construction jobs that Rail has created and will continue to create. We also look forward to working on TOD and on the affordable housing projects the completion of Rail will bring about.

For these reasons, I **strongly support** House Bill No. 1442.

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Website: www.gcahawaii.org



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 15, 2017

TO: HONORABLE HENRY AQUINO, CHAIR, HONORABLE SEAN QUINLAN,
VICE CHAIR AND MEMBERS OF THE HOUSE COMMITTEE ON
TRANSPORTATION

SUBJECT: **SUPPORT OF H.B. 1442, RELATING TO TAXATION.** Authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity. Authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax. Provides that the State shall retain an unspecified portion of surcharge proceeds for DOT. Requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis.

HEARING

DATE: February 15, 2017
TIME: 3:00 PM
PLACE: Conference Room 423

Dear Chair Aquino, Vice Chair Quinlan and Members of the Committees,

The General Contractors Association (GCA) is an organization comprised of over 500 general contractors, subcontractors, and construction related firms. The GCA was established in 1932 and is the largest construction association in the State of Hawaii. The mission is to represent its members in all matters related to the construction industry, while improving the quality of construction and protecting the public interest.

The GCA **supports the intent** of H.B. 1442, which proposes to extend the current surcharge on state general excise taxes and also deletes the repeal date for Act 247 (2005) allowing the counties to levy a surcharge to fund public transportation systems in their county. This measure also could provide the State with an unspecified portion of surcharge proceeds for DOT. GCA **supports** the Honolulu Rail project's completion as planned to Ala Moana so the residents of the City and County of Honolulu have options in public transportation.

Rail has been a big job stimulus available in the state of Hawaii and is putting many people to work. In turn workers will put this money back into the economy, additionally, the Rail Project will also encourage Transit-Oriented Development (TOD) around the rail stations and along the route, which will result in sustainable, affordable, and more livable communities.

Rail is the transportation infrastructure necessary for our island's quality, growth and prosperity. The Rail Project will include significant side benefits which has since proven to be an economic stimulus benefitting our entire state now and for years to come.

GCA respectfully requests that this Committee pass this measure. Thank you for the opportunity to express our views on this matter.

TESTIMONY
OF THE KAPOLEI CHAMBER OF COMMERCE
IN SUPPORT OF
HB1442 AND HB349
RELATING TO TAXATION



Working together for Kapolei

House Committee on Transportation
Date: February 15, 2017
Time: 9:00 AM
Place: Conference Room 423
Re: HB1442 and HB349

To: Chair Henry Aquino, Vice Chair Sean Quinlan and Members of the House Committee on Transportation

My name is Kiran Polk, and I am the Executive Director of the Kapolei Chamber of Commerce, submitting this testimony **in favor** of HB1442 and HB349. These measures extend the general excise tax surcharge for construction of the Honolulu rail transit project.

The Kapolei Chamber of Commerce is an advocate for businesses in the Kapolei region. 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. The Chamber is a member-driven, member-supported organization representing the interests of all types of business: small, medium or large, for profit or non-profit businesses or sole proprietorship.

Much of the State's future population growth is slated for Kapolei and the Ewa region. Exciting things are happening and Kapolei is quickly becoming a new urban center for Oahu. In the next 20 years, there will be many more new jobs in the region, new homes and thousands of new residents will call Kapolei home.

The Kapolei Chamber and its members have long supported Honolulu's rail transit project. We view rail as an important component of much needed transportation infrastructure that will facilitate the growth, development and long term prosperity of the city of Kapolei.

We wish to express our continued support for the rail project, and support an extension of the GET surcharge that would provide sufficient funding to complete the full 20 mile, 21 station project as planned. Therefore, we respectfully request your approval of HB 1442 and HB 349 to continue funding for the rail project to keep rail moving forward, and minimize future delays. Thank you kindly for allowing me to submit this testimony.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Polk". The signature is written in a cursive, flowing style.

Kiran Polk

The Twenty-Ninth Legislature
Regular Session of 2017

HOUSE OF REPRESENTATIVES
Committee on Transportation
Rep. Henry J.C. Aquino, Chair
Rep. Sean Quinlan, Vice Chair
State Capitol, Conference Room 423
Wednesday, February 15, 2017; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1442
RELATING TO TAXATION**

The ILWU Local 142 supports H.B. 1442, which authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity. The bill further authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax. S.B. 1183 also provides that the State shall retain an unspecified portion of surcharge proceeds for DOT and requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis.

H.B. 1442 has real potential for addressing the rail project on Oahu, the single largest capital improvement project in the State's history. Given the number of challenges currently facing the project, especially the financial shortfall based on the plans that were first proposed, this bill offers support to address these challenges.

The rail project is partially completed and it would make no sense to "pull the plug". Polling of the Oahu residents have made this point clear. H.B. 1442 provides a beginning point to resolve some of the key issues that will hopefully lead to the completion of the Oahu rail project. It also provides other counties with options to address significant challenges on their own islands.

The ILWU urges passage of H.B. 1442. Thank you for the opportunity to share our views on this matter.



HAWAII REGIONAL COUNCIL OF CARPENTERS

February 15, 2017
Hawaii State Capitol, 9:00 a.m.
House Transportation Committee

Statement of the Hawaii Regional Council of Carpenters – SUPPORTS INTENT HOUSE BILL 1442, 349

Dear Chair Aquino and Members of the House Transportation Committee:

The taxpayers of Honolulu have paid an additional .05 surcharge to build rail for the last 10 years and will continue to do so for years to come. For their investment, we must deliver a fully functioning elevated system of 20 miles and 21 stations.

We urge the members of the Hawaii State Legislature to lift the county surcharge sunset date to complete the Minimal Operating Segment of 20 miles with 21 stations.

Thank you for the opportunity to voice our opinion.

STATE HEADQUARTERS & BUSINESS OFFICES

OAHU: 1311 Hougtailling Street, Honolulu, Hawaii 96817-2712 • Ph. (808) 847-5761 Fax (808) 841-0300

HILO OFFICE: 525 Kilauea Avenue, Room 205, Hilo, Hawaii 96720-3050 • Ph. (808) 935-8575 Fax (808) 935-8576

KONA OFFICE: 75-126 Lunapule Road, Kailua-Kona, Hawaii 96740-2106 • Ph. (808) 329-7355 Fax (808) 326-9376

MAUI OFFICE: 330 Hookahi Street, Wailuku, Maui 96793-1449 • Ph. (808) 242-6891 Fax (808) 242-5961

KAUAI OFFICE: Kuhio Medical Ctr. Bldg., 3-3295 Kuhio Hwy., Suite 201, Lihue, Kauai 96766-1040 • Ph. (808) 245-8511 Fax (808) 245-8911

Testimony of
Christopher Delaunay
Pacific Resource Partnership

HOUSE OF REPRESENTATIVES
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

COMMITTEE ON TRANSPORTATION
Representative Henry J.C. Aquino, Chair
Representative Sean Quinlan, Vice Chair

NOTICE OF HEARING

DATE: Wednesday, February 15, 2017
TIME: 9:00am
PLACE: Conference Room 423

Aloha Chair Aquino, Vice Chair Quinlan, and Members of the Committee:

We support the intent of House Bills 1442 and 349, Relating to Taxation.

We respectfully urge the members of the Hawaii State Legislature to lift the county surcharge sunset date to complete the Minimal Operating Segment of 20 miles with 21 stations. This project will create thousands of jobs in construction, engineering, and professional services. In addition, thousands of other indirect jobs will be created by the businesses that provide goods and services to the project. The direct investment of federal and local funds will boost the economy and increase demand for goods and services at local businesses, while increasing tax revenues for the City and State. Transit oriented development around all 21- rail stations will sustain the demand for jobs in a variety of industries for many years into the future.

For the reasons mentioned above, we respectfully request your support in moving HB 1442 and HB 349 forward. Thank you for allowing us to voice our opinion on this matter.



(Continued From Page 1)

About PRP

Pacific Resource Partnership (PRP) is a not-for-profit organization that represents the Hawaii Regional Council of Carpenters, the largest construction union in the state, and more than 240 of Hawaii's top contractors. Through this unique partnership, PRP has become an influential voice for responsible construction and an advocate for creating a stronger, more sustainable Hawaii in a way that promotes a vibrant economy, creates jobs and enhances the quality of life for all residents.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 14, 2017 8:58 AM
To: TRNtestimony
Cc: ben@bikesharehawaii.org
Subject: Submitted testimony for HB1442 on Feb 15, 2017 09:00AM

HB1442

Submitted on: 2/14/2017

Testimony for TRN on Feb 15, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Ben Trevino	Bikeshare Hawaii	Support	No

Comments: TESTIMONY OF BIKESHARE HAWAII IN SUPPORT OF HB1442 AND HB349 RELATING TO TAXATION House Committee on Transportation Date: February 15, 2017 Time: 9:00 AM Place: Conference Room 423 Re: HB1442 and HB349 To: Chair Henry Aquino, Vice Chair Sean Quinlan and Members of the House Committee on Transportation My name is Ben Trevino, and I am the president and COO of Bikeshare Hawaii, submitting testimony in favor of HB1442 and HB349. These measures extend the general excise tax surcharge for construction of the Honolulu rail transit project. BIKESHARE is part of an ecosystem of alternative forms of transportation that includes rail. BIKESHARE, carshare, and ride hauling all provide dynamic on-demand services to meet flexible transportation needs and make cities and transportation efficient. But non can provide the high capacity of rail which I addresses the biggest fundamental challenge in transportation. Equitable access to resources around the island for everyone, not just those with infinite time on their hands or who can afford cars and flexible schedules. We support extending the GET surcharge to provide sufficient funding to complete the full 20 mile, 21 station project as planned. We humbly request your approval of HB 1442 and HB 349 to continue funding for the rail project that will contribute to the future transportation needs of the island. Thank you for allowing me to submit this testimony. Sincerely, Ben Trevino

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Indefinitely Extend County Surcharge on State Tax

BILL NUMBER: HB 1442

INTRODUCED BY: AQUINO

EXECUTIVE SUMMARY: This bill not only allows the City & County of Honolulu to adopt the county surcharge on the general excise tax indefinitely, but it also allows the other counties to adopt a similar surcharge.

The bill presents many policy issues, including the scope of what the tax is supposed to cover. Policymakers need to decide exactly what it is they are funding, and the extent to which they are willing to write the counties a blank check. If it is to fund operational and maintenance costs, the statute needs to be amended to permit this, and taxpayers may well conclude that they have been lied to when the tax was adopted.

One large problem that has not yet been addressed is the 10% of all collections that goes directly into the general fund, ostensibly to pay for costs of collection but which is grossly in excess of those costs. The Foundation has contended in court proceedings that it is an unconstitutional tax that discriminates against Oahu businesses, and must be fixed. This bill does not attempt to fix this issue, instead redirecting the skimmed amount to the highway fund.

EFFECTIVE DATE: Upon approval.

SYNOPSIS: Amends HRS section 46-16.8 to allow any county to establish a surcharge on GET by ordinance in perpetuity. For any ordinance adopted after July 1, 2017, the state will collect the surcharge beginning on January 1 of the year following the adoption of the ordinance.

For a county with population greater than 500,000, the surcharge revenue shall be only used for capital costs of a locally preferred alternative for a mass transit project and Americans with Disabilities Act compliance, and not for operating costs or to build or repair public roads or highways, bicycle paths, or support preexisting public transportation systems.

For a county with population 500,000 or less, the surcharge revenue shall be used only for operating or capital costs of public transportation within each county for public transportation systems, including public roadways or highways, public buses, trains, ferries, pedestrian paths or sidewalks, or bicycle paths, or ADA compliance relating to such projects.

Amends HRS section 248-2.6 to provide that the State will retain ___% of the gross revenues. The retained amount is to be used by the department of transportation. collections of the surcharge be paid to the appropriate county or counties monthly.

STAFF COMMENTS: This bill relates to the 0.5% surcharge on the general excise tax that is currently imposed in the City and County of Honolulu, sometimes known as the “rail surcharge.”

As originally enacted, the rail surcharge was scheduled to sunset on December 31, 2022. The surcharge authority was extended to December 31, 2027, by Act 240, Session Laws of Hawaii 2015, and the City & County of Honolulu extended the surcharge as authorized by Ordinance 16-1. To date, no other county has adopted a surcharge ordinance.

When the surcharge legislation was adopted back in 2006, taxpayers, especially those in Honolulu, were assured that the 0.5% surcharge was going to be temporary. And, as is now explicitly stated in HRS section 46-16.8. the funds were supposed to be paid to build the system, and not go toward operations and maintenance (which are never-ending expenses). It now appears that the rail project may have cost overruns and additional funding is necessary.

This measure presents a number of issues.

Should the Surcharge Be Extended, and If So, By How Much? This measure makes the surcharge permanent. An extension from 2027 to forever is a very long time, and it marks a shift in philosophy.

If the surcharge is to pay for the capital cost of the system as it is now proposed which seems to have been the original intent, then an extension to finish what was started appears to be unavoidable, but our lawmakers must be vigilant to make sure the scope does not creep beyond what the people are willing to allow.

If the surcharge is to pay for the capital cost of the system and extensions of it, such as the mayor's proposal to extend the system from Ala Moana Center to the University of Hawaii, then lawmakers need to ask themselves if this is properly part of the deal. If it is, then a somewhat longer extension of the surcharge may be needed to fund it.

If the surcharge is to pay for the capital cost and operations (which is not allowed by section 46-16.8 as it is now written), then an indefinite extension is required. But it will then be obvious to voters across the state that they had been lied to when they were assured that the surcharge was to be temporary. This brings to mind the famous quote by Darth Vader in *The Empire Strikes Back*: "I am altering the deal. Pray I don't alter it any further."

What Is to Be Done About the 10% Diversion for Administrative Costs? Under the existing surcharge in the case of the City and County of Honolulu, a contributing factor to the financial woes of the City and County is the fact that the state is siphoning 10% of all surcharge collections into the general fund. This diversion was supposed to represent payment to the state for the costs incurred in administering the surcharge. After all, the department of taxation collects and enforces the tax and just writes the county a check. But the amount diverted turns out to be a massive amount of money, roughly \$25 million a year which is almost as much as the entire operating budget of the department of taxation. The amount is obviously far more than the costs involved. The Foundation has contended that a diversion of the City and County's revenue of that magnitude is unconstitutional and its lawsuit is still pending in the court system.

The bill as currently worded throws off the pretense that the 10% skim is an administrative charge. It is a money grab, pure and simple, as the proceeds are redirected to an agency having nothing to do with the administration or collection of the tax.

If the measure were to approximate the costs involved, our estimate is that the deduction should be about 40 or 50 basis points (0.4% to 0.5%) instead of 10%.

Is It “Fair”? Our tax system has been roundly criticized for being unfair to those on the lower end of the income spectrum. In particular, a 2015 study from the Institute on Taxation and Economic Policy (ITEP) (<http://www.itep.org/pdf/whopaysreport.pdf>) asserts that the lowest 20% of our population pays 13.4% of its income in state and local taxes, while the top 1% pays 7.0%. Because of this, that study called our tax system the 15th most unfair in the country.

Our biggest issue is that we have very broad excise taxes, which fund basically half of our state government. Excise taxes apply without regard to the payer’s ability to pay the tax. The lower your income, the greater the portion of your income must be spent to buy essentials like food, water, and power. Those who have more money spend as well, but they don’t need to spend as much in proportion to what they make. Our excise taxes are imposed on spending, so naturally they will fall more heavily on the poor as a proportion of their incomes. Here, the chart shows that excise taxes take up 11% for those in the lowest 20% income group, while taking up 1.2% for those in the top 1%. That difference explains the regressivity of our tax system, and is the root of the unfairness called out in the ITEP study.

The general excise tax is all-encompassing. The Hawaii courts have said it covers “virtually every economic activity imaginable.” *Pratt v. Kondo*, 53 Haw. 435, 436, 496 P.2d 1, 2 (1972). Not only does the general excise tax increase the cost of doing business, but it affects the cost of all other non-food purchases, be it clothes, textbooks for university students, rent for those people who don’t own their shelter which are generally the poor and middle class, the price at the pump for gasoline – everything right down the line.

More importantly, because the general excise tax is a tax on gross income, most businesses will try to recover as much of the cost of the tax by passing it on to the customer; that recovery is itself taxable. As Oahu taxpayers learned when the 0.5% surcharge on the general excise tax for transit went into effect, the amount passed on to the customer went not from 4% to 4.5% but the charge passed on at the drug store, grocery store, and so forth went from 4.166% to 4.712%. Thus, the tax rate passed on is more than the nominal 0.5%.

The bottom line is the same across the board. It is not a matter of not having enough revenue as it is the unwillingness of elected officials to tighten the counties’ or the state’s purse strings in bringing expenditures into line with resources and setting priorities for what resources are already available. Instead of doing the fiscally responsible thing, the easiest response is to just raise more taxes, as evidenced by this measure.

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Federal and city officials ramp up rail melodrama

Last week's meeting of city leaders and the Federal Transit Administration in San Francisco was more like an audition for the Academy Awards than a responsible attempt to fix what's wrong with Oahu rail.

It disappointed because until then, officials on both sides seemed finally serious about controlling runaway rail deficits.

As rail costs soared from \$5.2 billion to \$6.8 billion to \$8.3 billion to a worst-case projection of \$10.8 billion, the FTA — which put up \$1.55 billion — signaled flexibility on the route and number of stations and urged the city to “think

outside the box.”

Mayor Kirk Caldwell sensibly suggested that rail stop at Middle Street while the city figures out how to stop the bleeding and raise the \$1.5 billion to \$3 billion more needed to finish the route to Ala Moana Center.

City Council Chairman Ernie Martin endorsed a Middle Street pause and said emphatically he wouldn't support another extension of the half-percent rail excise tax, insisting, “We need to build rail with what we got.”

The Honolulu Authority for Rapid Transportation, led by Colleen Hanabusa, pursued possible options that, in addition to stopping

at Middle Street or Aloha Tower, included raising private capital, eliminating some of the 21 stations to save money, building part of the line at ground-level and avoiding Dillingham Boulevard and its costly utility relocations.

Then in San Francisco, hopes of more responsible leadership went “poof.”

The FTA reversed itself on flexibility, demanding that the city either build straight to Ala Moana or forfeit the federal share.

Caldwell abandoned pausing at Middle Street and begged to delay writing a rail recovery plan until the city can lobby next year's Legislature for another tax increase.

Martin dropped his pledge not to ask the Legislature for further tax extensions, saying he's seen the light and it's the “only way.”

Hanabusa cheered the political orchestration that reduced the range of options to only two: Either the Legis-

lature writes another blank check without a credible plan to stop the bleeding, or rail is left hanging unfinished somewhere over Halawa.

Key legislators say it's a nonstarter, but the city and FTA are betting they'll cave in to the theatrics just as they did in 2015, when they gave a five-year tax extension that was promised to be enough to finish, only to see the rail deficit triple within months.

So after 10 years of deceit, mismanagement and failure, little has changed; Honolulu rail is being built on politics and melodrama instead of sound engineering and honest accounting.

Cries to stay the course at any price carry a steep cost for the community.

Our tax base is only so deep, and billions squandered on rail cost overruns are billions lost for addressing homelessness, massive pension debt, decaying infrastructure and climate change.

Reach David Shapiro at volcanicash@gmail.com.

Rail Tax SENATE BILL NO. 1183, House HB1442

Testimony by John Bond, FTA HART Rail PA Consulting Party

Aloha Senate Chairs and committee members

REASONS TO REJECT INSANELY EXPENSIVE HONOLULU RAIL REGRESSIVE TAXATION PLAN

HART Rail Plan Remains Largely Guesswork Costing Billions With No Reliable Accountability

“Rail is already paid for” “Rail has a solid finance plan” “Rail will be built on time and on budget”

The public was told last year that we would know the cost to build rail by June 2016 and then we were told we would know the cost when the new financial plan was completed. And yet here we are today, with Mayor Caldwell and HART still trying to figure out just how much is needed to build rail. They don't know so why should they be given a blank check?

The City has already BROKEN the FTA Full Funding Grant Agreement (FFGA)- it has not and likely will not meet the terms of the agreement, which is why the FTA has held back two years of funding due to lack of City financial accountability and lack of a credible plan.

The mayor claims he wants to build rail everywhere with a forever tax but there are hundreds if not thousands of unanswered engineering questions. As usual the push is for Transit Oriented Development NOW and then in 10-15 years a huge range of real rail problems "might" be solved. Currently the HART rail project plans to end the rail at Kona Street, Ala Moana Center. However in order to actually take rail further to the University of Hawaii would be in itself another massive engineering fiasco of running through blocks of three story shopping center buildings and then rising high into the air to reach the University Avenue area. There are better route ways to get there but all were rejected due to politics and insider deals.

Aloha Stadium The Ideal Transit Hub

Rail should be stopped at Aloha Stadium which is outside of tsunami, hurricane storm surge flood zones (which the rest of the projected rail line IS NOT, especially Section 4 downtown) and become a major Oahu rail, BRT transit hub, which is why Aloha Stadium was built where it was in the first place in the 1970's. All major Oahu roads pass directly by the Aloha Stadium site. No better place to become a smart multi-modal car, bus, BRT hub for the 21st Century. The Aloha Stadium site also has the potential option to reactivate a Pearl Harbor ferry landing that could take huge numbers of defense workers off H-1 freeway and directly to base jobs from Ewa- Kapolei. For a fraction of the cost in time and money a real proven transit solution.

Rail Vote A Bait and Switch Con Job

"We made a commitment to build this 20-mile, 21-station system, approved by the voters and we have to work together to follow through on that promise." The truth is the November 2008 vote was extremely close, within a few percentage points, and based upon a low \$4.2 Billion cost with service starting in 2013. The City spent millions in public funds sending color brochures to every Oahu resident promising massive traffic reduction and photos of commuters riding in luxury rail coaches. The ballot question asked voters if they wanted the city to move forward with the steel wheel on steel rail transit system in which the Federal government was paying **one-third of the cost**, and the vote was non-binding. It didn't mean the City had to build the rail system; it only authorized the city to proceed with a plan. The massive Final EIS document was also released just before the vote providing little time for comment and analysis.

Rail EIS Fraud

\$300 million was spent on the Final EIS which was full of outright false statements and lies, as well as never factoring in the huge rail power requirements expected to be the largest public

electricity bill on Oahu. Also, much of the project would be built in identified tsunami and hurricane storm surge flood zones wiping out all of the surface station infrastructure and rail power sources. All Federal advice, lessons of Hurricane Sandy, are against this bad routing.

Eventual analysis showed the badly done AIS which forced a lawsuit as well as a fraudulent rail contractor form stating the Ewa farmland where the rail would run through was “below par-low quality” and also that the rail wouldn’t be in low sea level flood zones- which will cause billions in infrastructure loses from future hurricane storm surge and tsunamis. Previous public route plans showed the rail going directly into Kapolei via Farrington Hwy avoiding the farmland and showed rail above tsunami flood zones going to UH Manoa. Nearly all of the approved better commuter service routes were switched after a City Council vote. Rail manipulators continued changing the design into something much different than what the community was promised and voted for. Costs soared. Lies, Fraud and Misrepresentation increased every year.

Poor Rushed Rail Construction Will Cost Huge Future Maintenance Fees

Bad, rushed construction pushed by the City to create a sense that “we can’t stop now” caused widespread poor contractor work on the WOFH columns and railway supports. WOFH contractor Kiewit later agreed to replace the critical railway support “cost saving” plastic shims – with more plastic shims which substitute for reliable and durable concrete plinths. This means that in five years and before the railway actually goes into service the plastic shims will be going bad and will need to be replaced AGAIN. The use of plastic was a cost saving scheme at the time to sound good, but rail should have used concrete plinths for permanent durability. Just another big expensive O&M cost coming up later before rail even officially runs in 2025 ?

There will be a major rail disaster because of using plastic shims to keep elevated rail cars from toppling over the guideway after a derailment. PLASTIC is no way to run a railroad that runs night and day. They will all need to be replaced AGAIN in five years and should have been concrete plinths. HART has already approved \$265 million in change orders to Kiewit/Kobayashi for the first 10 miles of guideway so taxpayers are already paying for it with much more to come. HART will have a future bad accident as a result and give Honolulu rail a bad reputation.

21st Technology Rapidly Passing 19th Century HART Rail Scheme

Rail will cost more in environmental impacts that will cars on H-1. The fossil and non-renewable fuels to generate rail power is far more polluting. In addition, solar power can charge electric cars and buses overnight to run 150 miles all day while rail cannot use solar power because of the huge amount of constant traction power required on such a massive scale needed by rail.

By the way, 750 V DC that HART rail cars will be using are notorious for failing air conditioning systems. It is well known and another problem being hidden from the public for now.

Regressive Tax Hurts Low Income The Most – Nothing “Fair” About It.

Hawaii’s regressive tax system has been roundly criticized for being unfair to those on the lower end of the income spectrum. In particular, a 2015 study from the Institute on Taxation and Economic Policy (ITEP) <http://www.itep.org/pdf/whopaysreport.pdf> asserts that the lowest

20% of our population pays 13.4% of its income in state and local taxes, while the top 1% pays 7.0%. Because of this, that study called Hawaii's tax system the 15th most unfair in the country.

The University of Hawaii Economic Research Organization, also known as UHERO examined the "administrative fee" of 10% that is now being skimmed off the General Excise Tax (GET) surcharge for Honolulu rail and concluded the State was hugely profiting with a cost between 0.35% and 0.50%, while retaining 10.00% of the surcharge collected. Caldwell wants to increase the State skim profit up to 25-30% in exchange for a permanent extension of the regressive tax. Clearly an intended bribe and an incredible lack of ethics to even suggest this evil scheme.

Oahu residents pay the most regressive tax of almost anywhere in the US, every single item sold or transacted is taxed making the true tax one of the highest anywhere, a tax of about 12 percent. The lowest income are hurt the worst in a state with extremely low salaries and extremely high cost of living. Don't pretend offering some tax credits will help low income. Their lives are day to day, paycheck to paycheck survival. They will never see it helping them.

The Hawaii general excise tax is all-encompassing with the Hawaii courts stating it covers "virtually every economic activity imaginable" (unlike most other states.) Not only does the general excise tax increase the cost of doing business, (which gets passed down) but it affects the cost of all other non-food purchases, be it clothes, textbooks for university students, rent for those people who don't own their shelter, which are generally the poor and middle class, and at the price at the pump for gasoline – everything right down the line. It really hurts.

Hawaii Mayor Harry Kim, unlike the mayor of Honolulu, has a sense of compassion and ethics. Most people on the island are one or two paychecks away from being homeless. "How can I raise taxes on these people?" he asked. (Doesn't this also apply to Honolulu and Oahu?)

Rail Job Creation - Another Con Job

The public was promised "thousands" of rail jobs- "Each year during construction, the rail transit project will help generate an average of 10,000 jobs. " (In fact, that's still listed on HART's website, <http://honolulutransit.org/inform/rail-facts?tag=Jobs>.) As of June 2016, there were less than 2,000 direct local jobs. What actually happens is rail work crews, many hired from the mainland, just move along to the next construction segment. The "10,000" is actually just the same smaller work force. The City and HART are just lying as usual. Councilmember Kobayashi says the train hasn't delivered what was promised in terms of jobs. "First it was 17,000 jobs, then 10,000 and here we are at 1,300," said Councilmember Kobayashi.

Rail is 4 times the cost of what the public was sold on. \$2.7 B to 9.5 B and rapidly climbing

The rail proponents are the ones with the tired argument that rail is for traffic relief when the rail EIS admitted that rail will have no significant traffic impact and there are many more cost effective traffic reduction measures that could have been built for a fraction of the cost including an Ewa Pearl Harbor vehicle ferry system such as Washington State has that could be entirely operational at a cost less than a single rail mile of construction (\$500 million.) Far more cars could be taken off H-1 with this logical and proven financially sane concept.

Rail Cost per capita to the 990,000 Oahu population is approximately \$6700 - \$7000 (based on a lower \$10 Billion cost projection and factoring in a 20% tourist contribution) with the Federal percent (\$1.5 Billion) now down now to just 15% of the share. Originally the Federal contribution was one third of the project cost. These incredible rail cost numbers would be political suicide on the mainland where people take the concept of “millions” wasted seriously. Honolulu completely DWARFS the costs of all other rail projects around the US and world- placing Honolulu off the charts in massive historic cost overruns- with no end yet in sight.

Rail Proponents and HART website make false claims

It is claimed that rail lawsuits were the major reason why the HART project ran billions over budget. The truth is delay costs from litigation added up to approximately \$78 million, according to HART officials. The bill for outside attorneys raised that by an additional \$3 million, meaning the city and HART have incurred at least \$81 million in costs related to litigation. The reason for litigation included the Hawaii Supreme Court finding in August 2012 that the city and state didn't follow the law when it began building rail columns in West Oahu. The rail rush job mentality, rather than doing the rail project right, was caught by the law requiring identification and protection of Native Hawaiian burials along the rail line. Why was it not done previously?

The Federal lawsuit to stop rail gave the plaintiffs access to FTA's internal email, which revealed intra-FTA concerns about the city's "lousy practices of public manipulation," Use of "inaccurate statements," Culture of "never [having] enough time to do it right, but lots of time to do it over," and an observation that the city had put itself in a "pickle" by setting unrealistic start dates for construction. Absolutely the way it was all done by City politicians who are arrogant.

No TOD without Rail - False

Included in the Mayor's testimony on SB1276: "Rail is the 'Transit' in Transit-Oriented Development. There is no TOD without rail and we need TOD to provide workforce housing." This is totally untrue as most cities in the world build TOD's around Bus Rapid Transit (BRT) or with at grade light rail trams. Nothing prevents work force housing NOW without TOD and it could be done easily with TOD's using buses or trams. Actually Caldwell really wants TOD real estate dealings to please his campaign contributors and could care less how long rail takes.

False - Tourists Pay For Rail Caldwell and HART Website Claims

". . . funding the project with the general excise tax, which is effectively a sales tax, because roughly one-third of it comes from tourists." Caldwell. – this is absolutely NOT TRUE. The property tax on hotels and visitor tax could be raised so that tourists actually pay a one-third share of the rail cost. But THAT will never happen. Instead right now the local Oahu public through regressive taxation is paying at least 80% of the rail cost. This is documented fact.

Electric Power Costs Will Be Huge – Larger than DoD, Biggest Monthly Bill in Oahu History

HECO has said over and over rail just can't be "Plugged into the grid." The power system has not even been defined as to where exactly it will be, how much it will cost to power rail, and a

wide range of additional engineering costs that are largely unknown. The biggest cost not explained is the ELECTRICITY, which will be competing at peak hours with other users will therefore drive up everyone's electricity rates, possibly causing brown outs. In the 1980s, San Francisco's BART was near bankrupt from PG&E electric bills. How can HART have an estimated Operations and Maintenance cost when the key power system cost is just guesswork? And then there is the issue of major high voltage power lines that need to be moved from the rail corridors and placed underground. Another guesswork cost by HART.

Rail On Prime Farmland Rather Than On Farrington Hwy Into Kapolei Required Falsification

The rail right of way was run through high grade valuable West Oahu farmland by having the City's Parsons Brinkerhoff rail contractor falsely fill out a federal form called the Farmland Conversion Impact Rating declaring the highly productive prime agricultural farmland land as "low grade, low quality." This form allowed a Federal Section 4f declaration by the Federal Transit Administration that no rail right-of-way mitigation was required. And now the City is running an Important Agricultural Lands dog and pony show as a way to cover up the Farmland Conversion Impact Rating fraud they perpetrated. And also another coverup of City Council Resolution 12-013 intended to preserve the high grade Ewa farmland, keeping it as farmable open space preservation within the larger Ewa Kapolei community. It is fraud upon fraud.

Rail Will Be Of No Use In A Major Emergency

Rail won't help when emergency services are needed. A bus way lane allows emergency vehicles like ambulances, fire trucks, and police to use it unimpeded during rush hour and provide lifesaving access that rail cannot and never will. In fact electrically powered rail is highly vulnerable to storm power loss and will be one of the very first transportation systems shut down during a major hurricane or tsunami. Once rail station access points are flooded and rail platforms are hit by high winds they will be evacuated and useless. Buses are far more flexible in natural emergencies and will continue to operate evacuating thousands of people mauka.

Buses and cars will be far more preferable than rail

HART Rail is basically obsolete technology, circa 1890, while far more efficient, practical and convenient autonomous cars and buses are coming very soon, with rides arranged through smart phone apps. All the smart investment money is going there – Google, Apple, Ford, GM, Chrysler, Uber, Lyft, etc. Cities are switching to less expensive electric buses which can be charged for 150 miles using solar power. HART Rail will require continuous high demand electrical traction power supplies that will skyrocket in cost, especially in warmer weather.

Commuting on TheBus from Ewa Beach to downtown can typically take 50 minutes. Taking a bus to a rail station and then a bus again and repeating that twice a day will be more expensive, exhausting and time consuming. This is why the vast majority of commuters on Oahu, who don't live like people in New York, will look to any and all other transit systems that don't require this insanity. Destroying the best bus system in America and forcing bus riders onto trains will only make everyone angry at how really stupid and fraudulent the whole rail concept is (Oh wait, rail isn't even ready and everyone is already coming to that conclusion.)

Rail requires too many bus-rail transfers for acceptable travel times- currently local City bus service is faster and better than rail will ever be. Low income riders pay much more each way in lost time at home as well as through the regressive taxation stealing every dime they make to survive. HART Rail is a cruel social injustice and making it forever is totally mean and vicious.

Rail will take nearly 10-15 years to become operational because of many, many bad planning, funding and design issues. The public was lied to. The existing financial “plan” is a disaster, getting worse with future higher O&M costs. The new rail cars are already found to be defective and need replacement while the cracking guideway is also badly defective, a dangerous accident waiting to happen with plastic shims needing replacement in just 5 to 10 years.

Meanwhile Honolulu Oahu has potholed roads which are not being repaired, water mains and sewer lines that break almost daily flooding streets and beaches with mud and sewage, badly maintained park facilities and a constantly failing City zoo. The City has a very bad Operations and Maintenance record. No one believes rail will be any different or any better.

Rail Will Become A Magnet For Criminals And Massive Homeless Populations

A massive growing Honolulu homeless population will be attracted to rail stations as panhandling campsites and the ideal location for drug dealing of all kinds. Homeless with free social services passes and people falling onto the rail tracks will shut the entire transit system down for hours making it unreliable as a commuter system. Tourists will be turned off as Honolulu rail extends the homeless and drug abuse problems across an entire 20 miles of Oahu. Driverless rail cars offers many new crime avenues for pickpocket and purse snatcher skills learned from decades of mainland rail venues and it will all be coming to Honolulu via rail.

John Bond, President
Kanehili Cultural Hui
A HART-FTA rail consulting party

Honolulu Mayor’s rail tax plan brings rail to new level of insanity

- Honolulu Star-Advertiser
- 5 Feb 2017
- DAVID SHAPIRO ——— Reach David Shapiro at volcanicash@gmail.com.

Mayor Kirk Caldwell and City Council Chairman Ron Menor think Oahu taxpayers are so rich we can pay not only for a \$10 billion rail system that’s \$5 billion over budget and climbing, but also for road projects on the neighbor islands.

The two offered leery lawmakers a ludicrous bribe if they bail out the city from its rail deficit by extending the Oahu’s half-percent rail excise tax surcharge. They invited the state to increase its controversial 10 percent skim of the tax to 20 percent or 25 percent, which could boost the state’s annual rake from nearly \$25 million to more than \$60 million.

Most preposterously, Caldwell suggested these funds raised solely from Oahu taxpayers be used for projects such as a highway widening on the Big Island and a bypass road on Kauai. Adding a 25 percent political premium to a grossly expensive project that's already wildly over budget would move Oahu rail past train-wreck status to bats-in-the-belfry crazy.

The scheme comes the same week a University of Hawaii study called the state's skim exorbitant and said it should be cut to 1 percent or less. Caldwell has been mired in rail's dysfunction since 2008, when he was former Mayor Mufi Hannemann's self-described "primary point person" on the project.

He's lost any conscience about the burden he'll put on his constituents to avoid needed cost-cutting adjustments as he and his cohorts continue to bungle rail.

It's easy to give away taxpayers' money when you've got it made with a \$165,000 mayoral salary and a \$200,000-to-\$300,000 side job at the bank.

But the excise tax he's so eager to spread around must also be paid by a homeless mother buying milk for her kids or a hardworking laborer who will never be able to afford one of the luxury condos along the rail route. Caldwell himself complained in 2011 that the state's skim, intended only to cover the cost of collecting the rail tax for the city, yielded enough to pay for the entire operation of the state tax department. Gov. David Ige says he's depending on the state's rail-tax share to cover an \$80 million upgrade to the tax department's computer system.

Why should Oahu taxpayers alone bear the cost of the tax department or a computer system that serves the whole state? Charging one county's residents a higher tax to fund projects in other counties is unprecedented and possibly unconstitutional.

If rail-tax revenues are to be spent statewide, the tax should be levied statewide. (Hear neighbor islanders scream about having to help pay for Oahu rail.)

Let's hope Oahu legislators, a sizable majority, have more scruples than our mayor and Council in protecting their constituents and will scuttle this shabby ploy.

US Transit Moving Into 21st Century While Honolulu Mentally Stuck In 19th Century

Local Oahu residents will be regressively taxed for 9-10 years with no working rail according to official HART rail PMOC warnings, while the HART project eats up tax cash and capital dumping money into off shore bank accounts. No US city has a more inept, corrupt and stupid "transit" scheme than Honolulu, the national poster child for 19th century in bred mental midget limited imaginations.

Breaking the best bus system in America that can deliver commuters downtown from Ewa Beach using express lanes in approximately 50 minutes, the substitute is a 100 times more expensive incompetently built HART rail extending commute times to at least double- 150 minutes each way

and costing at least four times as much in ticket fair while providing 2% or less highway traffic relief.

No city has a more socially unjust criminal conspiracy than Honolulu to defraud taxpayers and force long term financial suffering costing nearly \$500 million a mile. The City Council and mayor are devoid of any concept of ethics and fiduciary responsibility while lining their own pockets. All other American cities are making far more intelligent and socially just decisions than Honolulu. Bribes and payoffs are the reason.

Meanwhile 21st century electric buses and advanced autonomous vehicles are being rapidly deployed nationwide as at far greater cost savings than rail, which in Honolulu costs nearly 500 million a mile. Electric buses are quiet, can travel about 150 miles on a full charge and can be solar charged when parked while continuous electrical demands of HART rail will require the most expensive annual power bill in Oahu history, well over the US Department of Defense.

LA's first regular electric bus line is currently humming along DTLA streets after debuting last month; the first of four buses to be eventually rolled out by the Los Angeles Department of Transportation.

Ford is investing \$1 billion in a secretive artificial intelligence startup headed by former Google and Uber execs to advance its self-driving car efforts. Many major smart money transit investments are now going towards near-full-autonomy cars, vans, buses and trucks which will soon revolutionize the transportation industry.

General Motors has invested \$500 million in ride-hailing service Lyft and spent nearly \$1 billion acquire Cruise Automation, a self-driving startup. Ford recently bought Chariot, a shuttle-bus service based in the Bay Area.

The technology will deliver near-full-autonomy — a "level 4" capability — that can be used in very large geo-fenced urban areas. The Argo AI founder and Ford executives characterized the eventual application as an order of magnitude more sophisticated as the semi-self-driving systems currently on the road.

Ford just invested \$1 billion in a secretive AI startup founded by former Google and Uber execs

<http://www.businessinsider.com/ford-invests-1-billion-argo-ai-for-self-driving-cars-2017-2>

Dash Buses Go Electric While Metro Sticks With Natural Gas

<http://www.lamag.com/driver/dash-buses-go-electric-metro-sticks-natural-gas/>

VOLCANIC ASH



DAVID
SHAPIRO

City needs to prove rail's worth before funding flows

Mayor Kirk Caldwell is begging the Legislature for another excise tax bailout for Oahu's runaway rail project, claiming, "This project is just too important to let it die (or) let it stop at Middle Street."

Lawmakers should make him prove it before dumping more money into this end-

less fiasco.

The last cost-benefit analysis on rail was back when the projected cost was \$4.5 billion — \$3 billion from a local excise tax surcharge and \$1.5 billion from federal funds.

Expected benefits in terms of ridership and traffic relief are unchanged; if anything, critics contend those numbers are as over-optimistic as original financial projections.

Costs have changed massively. The \$4.5 billion is now \$10 billion and climbing. The local share is up from \$3 billion to \$8.5 billion.

Caldwell won't say what he thinks rail will ultimately cost. Rather than nail it down, he wants legislators to write a blank check for future overruns by permanently extending the half-cent excise tax that was supposed to last only 15 years.

The near-tripling of local costs with no increase in benefits cries for a fresh

cost-benefit study to assess if it's still worth pushing rail to Ala Moana, or if it makes sense to trim back and pursue cheaper traffic-relief measures.

Caldwell is pressuring the Legislature with a federal threat to withhold its funding unless local money covers the deficit by April.

But with the new regime in Washington, who knows if our funding will be released no matter what we do? And it makes no sense to let the feds, whose share is now 15 percent and shrinking, call 100 percent of the shots.

Out-of-control rail is devouring funds sorely needed for other state and city priorities.

In addition to the forever excise tax surcharge, the city is plotting a \$65 million increase in gas taxes and parking fees, which usually fund road maintenance, to pay for rail. Higher property taxes and garbage fees for rail are also on the table.

The Legislature, which already scoops 10 percent of

the rail excise tax, is threatening to take even more, meaning strapped Oahu taxpayers must not only pay for rail overruns, but also pay more for state services than neighbor islanders.

Our tax base is only so deep, and if every available penny is sucked out for rail, where do we get money for roads, schools, hospitals, decaying infrastructure, affordable housing, and pension debt?

The Legislature should pause further rail bailouts until the city produces a credible bottom-line cost for finishing to Ala Moana and an honest new cost-benefit analysis to prove it's worth it.

Meantime, the city can use existing funds to get rail to Middle Street, feed it into the bus system and provide commuters a measure of relief.

Reach David Shapiro at volcanicash@gmail.com.



Testimony of Move Oahu Forward
Before the House Committee on Transportation
Wednesday, February 15, 2017 at 9:00 a.m. in Room 423

Move Oahu Forward (MOF) is pleased to provide comments on House Bill 1442 & 349. We support the imperative need for a steady funding source for the Honolulu rail project to allow for the completion of a 20-mile, 21 station system, as envisioned in the Full Funding Grant Agreement between the Federal Transit Administration (FTA) and the City and County of Honolulu.

MOF was established in 2012 as an organization of Hawaii business and community leaders to support the completion of the Honolulu rail project – 20-miles and 21 stations – and its integration with TheBus for a quality, public transportation system on the Island of Oahu for residents and visitors alike. Today, we have more than 50 members, representing builders, landowners, small business advocates to hopeful users of a completed rail system - beginning on the westside and extending thru the end of the planned route at Ala Moana Center.

Like you, we had truly hoped not to find ourselves back at the Legislature asking for continued funding. The City and HART have and will continue to explain the likely reasons for the miscalculations and resulting shortfall. Senior officials have lost or left their positions as a result. Being too conservative or providing the “best case scenarios” did not serve the project well. We believe that important lessons have been learned and with the first 10 miles of guideway quickly nearly completion and 8 of the 9 stations starting construction, there is more clarity on what will be required for the remaining portion of the project.

We understand that it is early in the legislative process of briefings, hearings and negotiations. As such, we will not in this writing address the merits of the individual bills, other than to state that extending the ½% of general excise tax (GET) would be the cleanest and steadiest revenue source for the rail project. It is already in place and would not require legislators to find other monies, important and needed for other priorities. This ½ GET could be shared with the Department of Transportation for their road priorities, should the Legislature in its wisdom, decide to pursue this avenue.

FTA has required HART to submit a recovery plan by April 30th. Its purpose is to ensure that HART take it seriously and pursue the securing of additional funds at the Legislature with vigor. This they have. The recovery plan need not be fully baked, with a passed/enacted funding measure by April 30th. But, it must provide milestones, active discussions and the possibility of a positive outcome.

The Full Funding Grant Agreement is an enforceable contract between the federal government and the City. Because HART is in a recovery stage, remaining federal monies are being held until parties can come to terms and agree on a workable plan moving forward. This is no different from what many other cities have experienced and worked thru for the benefit of their citizens. The most recent include Seattle and Los Angeles.

What does make it different is that we are between Administrations. As we all know, there are many changes afoot in Washington, D.C . Hence, we must be very careful about taking any action to alter the Full Funding Grant Agreement at this time which could change the responsibilities and obligations of the parties.

Enhanced mobility, equity for those in West Oahu, quick commutes to and from the airport from urban Honolulu, and between the UH campuses are important goals to strive for as we work together to establish a more livable city we can all be proud of.

No one said transforming how people get to work, school and play would be easy. Change and transformation are never easy. It takes vision, grit, a bit of risk taking, resilience and a good measure of optimism. We thank you for your leadership.



**Testimony to the House Committee on Transportation
Tuesday, February 15, 2017 at 9:00 A.M.
Conference Room 423, State Capitol**

RE: HOUSE BILLS 1442 AND 349 RELATING TO TAXATION

Chair Aquino, Vice Chair Quinlan, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **supports the intent of** HB 1442 and HB 349.

HB 1442 authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity; authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax; provides that the State shall retain an unspecified portion of surcharge proceeds for DOT; requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis.

HB 349 authorizes a county that has established a county surcharge on state tax to make the surcharge permanent; reduces the rate of the surcharge from 0.5% to 0.375% after 12/31/22; reduces the amount deducted from the county surcharge on state tax to reimburse the State for costs of assessment, collection, and disposition from 10% to 5%; requires counties to provide matching funds in order to receive surcharge proceeds.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ 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 members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber has always supported rail and, this session, supports a limited extension of the county surcharge on the excise tax for rail. However, we do not have a position on the length of the extension, other than to have enough funding to see the completion of the project as set forth in the Full Funding Grant Agreement between the City & County of Honolulu and the Federal Transit Administration, and to see the completion of rail at the least to Ala Moana. We do not support an extension in perpetuity.

The decision is a challenging one and concerns about the financial situation are valid. We agree that the stakeholders should be held more accountable and held to higher standards as we see the price of rail escalate. We also see opportunities for more collaboration and partnerships.

With that said, this transportation solution is in line with one of the Chamber's primary missions: to improve the quality of life for the people of Hawaii, while supporting initiatives that



Chamber *of* Commerce HAWAII

The Voice of Business

are the catalyst for business growth opportunities. It will create livable and connectable communities, improve the well-being of individuals and families, provide opportunities for entrepreneurs and small businesses, and increase the inventory of housing among many other reasons.

By looking at the big picture and long-term benefits of this project, we believe that rail will be a positive step for Hawaii and an investment that should be made. This is about planning for the future and not for the past or the present.

Thank you for the opportunity to testify.

quinlan1 - Neil

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 13, 2017 8:27 AM
To: TRNtestimony
Cc: eschiff5@gmail.com
Subject: Submitted testimony for HB1442 on Feb 15, 2017 09:00AM

HB1442

Submitted on: 2/13/2017

Testimony for TRN on Feb 15, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Eric Schiff	Individual	Oppose	No

Comments: I strongly oppose HB1442. No extension of the tax surcharge whatsoever.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

February 15, 2017

Dear Madam Chair and Committee Members:

I am in opposition of extending the GET surcharge in perpetuity, and any legislature, to increase funding for the Rail project.

I'm sure you have heard the saying..."Fool me once, shame on you. Fool me twice, shame on me." Since we are talking about formally adding more funding for a failing project yet again, I have to believe this is either a nightmare or the world's worst joke.

The Rail project is plagued with issues ranging from construction quality, design and ridership projections to the ballooning construction costs. The latter of which, we are here to address today. I am finding it impossible to believe that the Hawaii legislature is entertaining any Bills which would provide additional funding for the Honolulu Rail project, given the countless missed projections and failure to meet critical milestones.

The Mayor only cares about his own agenda in completing rail, regardless of the cost to the taxpayers. He is trying to sell you and the public on our commitment to the Feds. That SAME \$1.55 Billion carrot continues to be dangled in front of us to distract us from all the problems for which the Mayor and HART are at fault. What about the commitment to stay on budget to Honolulu constituents? We are on the receiving end of diminishing returns for our tax dollars by continuing the spending. We are well down the path to bankrupting the county. I demand accountability for the currently approved scope and budget. The timeline is already so blown, it can't be meaningfully discussed.

Let's quickly review some of the historical highlights to date:

1. In the beginning, the GET surcharge was controversially approved to partially fund the rail project in the amount of \$3.6 Billion, with the remaining monies amounting to \$1.55 Billion expected to come from the Feds under the FFGA. At this time, the project cost was to be approximately \$5.13 Billion.
2. A substantial funding shortfall amounting to \$900 Million was identified only two years ago which led to the GET surcharge extension, voted and passed by this legislature. These additional monies were expected to not only cover funding shortfalls, but also the costs associated with the construction of rail extensions from East Kapolei and UH Manoa per Mayor Caldwell's testimony of March 18, 2015, which I have included below my testimony. The new cost was \$6.3 Billion.
3. Shortly after the GET surcharge extension approval, an additional funding gap of \$500 Million was identified. The new amount is now \$6.8 Billion. At this time, the Mayor assured the public that this shortfall would be covered by private-public partnerships. That was an epic fail. The Mayor was not about to propose any further taxes as he was in the middle of a campaign cycle.
4. Due to the incompetent actions of the HART Officials, the project was allowed to press on without an updated financial plan. The financial plan was identified as being problematic in April

of 2014...nearly three years ago. Because the financial plan was neglected, the FTA demanded a recovery plan which put the \$1.55B Federal funding at risk.

5. Future debt financing expenses are reeling out of control and we are told the project needs more funding. Finance expenses were estimated at \$173M under the FFGA and are now projected to be at least \$2B, more than 10X over the approved amount.
6. Funding to cover ongoing maintenance and operations have not been accurately identified. Ridership is questionable and fares have not been published. It is deplorable to base finances for project of this magnitude on a best guess.

Now we are looking at the GET surcharge to cover funding shortfalls due to failures to contain costs, losing federal funding due to incompetent management, unplanned debt financing AND maintenance and operations? These are just to name a few. It seems like every day I read the news, someone else has found another way to spend the GET revenue and make it more and more sparse for the intent we are talking about today. At the end of the day, it is impossible for the proposed GET projections to cover all these expenditures. Has anyone considered the significant revenue opportunities from legalizing recreational marijuana and lottery sales? These are two very lucrative and proven revenue streams that would not impose ANY hardships on taxpayers.

The Rail recovery plan is akin to throwing spaghetti at a wall and seeing what will stick. HART Officials and the Mayor are grasping at straws as a last ditch effort to shove it down the taxpayers' throats. Additionally, there are still unknown costs relative to utility relocation. Trust me, this is not the end. What happened to the Mayor's mantra, on-time and on budget? That ship has sailed. If you are still open to hearing the rail woes with intent to giving HART any additional funding, I have a bridge I would like to sell you.

When you were sworn in, you took an oath to faithfully discharge your duties to the best of your abilities. It is a fact that each and every one of you did not have a campaign agenda to bankrupt the county. You owe it to your constituents to deny proposals which require your blind faith. Blind faith is why this project has failed. Acting on blind faith demonstrates YOU breaching your fiduciary responsibilities to the tax payers and is a disservice to us all.

The taxpayers have been lied to each and every time funding has been sought. The FTA refuses to be fooled by empty promises to deliver and holds HART to what has been previously agreed to under the FFGA. You should be impeached if you do not hold this project to the same level of scrutiny. This citizen urges the legislature to demand the HART officials and Mayor to be accountable to deliver Rail, as promised within the current approved funding of \$6.8B, with no additional tax burden.

It is unconscionable to fathom that the "new" costs are projected at ~\$8B with knowledge that this figure is wrong. The cost is at least \$10B due to the financing costs, which are conveniently left out of the equation. To not include the financing costs in the "new" estimate is misleading. How can it not be a serious red flag to have financing costs increase by more than 10X of the previous cost projection? Further, HART officials and the Mayor are insulting the community by attempting to lead us to believe that the same GET extension proposal will cover the \$3B shortfall, debt financing and ongoing maintenance and operating costs. The GET extension will not be sufficient. Mayor Caldwell openly admits he has no idea what rail will really cost. The new number is his best guess.

Stop throwing good money after bad. The project is now twice what the taxpayers agreed to. The project continues to miss deliverables to the FTA. The public cannot afford any more taxes. Anyone believing that making the GET permanent will fully solve the shortfalls is ignorant and blind to the big picture. It is a very sad story, but learn the lesson and move on to addressing the homeless and aging infrastructure. There is not a fiscally responsible person in the world that would approve the magnitude of this funding increase, knowing by the admission of the Mayor, that the full project costs are unknown.

The only way to save this project is to build the rail to the budget which is currently approved. If that means stop at Middle Street, then stop at Middle Street and serve downtown, Waikiki and UH Manoa with feeder busses. The county is already bankrupt.

I implore you to STOP THE BLEEDING! If you entertain the idea of extending the GET surcharge, you are either uninformed, have amnesia or are not representing your constituents' best interests.

Sincerely,
Lawrence M. Friedman

**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813
PHONE: (808) 768-4141 • FAX: (808) 768-4242 • INTERNET: www.honolulu.gov

KIRK CALDWELL
MAYOR



ROY K. AMEMIYA, JR.
MANAGING DIRECTOR
GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

March 18, 2015

The Honorable Clarence K. Nishihara, Chair
and Members of the Committee on Transportation
The Honorable Will Espero, Chair
and Members of the Committee on Public Safety,
Intergovernmental and Military Affairs
State Senate
State Capitol, Room 229
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Senator Nishihara, Senator Espero and Members of the Committees:

SUBJECT: Testimony on House Bill No. 134 H.D. 1

As Mayor of the City and County of Honolulu, I appreciate this opportunity to submit testimony regarding House Bill No. 134, H.D. 1.

By now, each of you is aware of the City's request for an extension of the General Excise Tax (GET) surcharge to cover revenue shortfalls and cost increases projected by the Honolulu Authority for Rapid Transportation (HART) for construction of the minimal operating segment (MOS), as well as future costs associated with the planning, design and construction of extensions to East Kapolei and U.H. Manoa set forth in the locally preferred alternative (LPA). Having appeared and answered questions before both Senate and House committees, your collective concerns were made well known. Working with HART, we committed to provide you the information you need to make informed decisions. As Mayor, I also agreed to work with the City Council in communicating the City's unequivocal commitment to this key transportation infrastructure project.

Today, my resolve to continue working with both the Senate and the House on an extension of the GET surcharge honoring the City's commitment to build a robust multi-modal transportation system with an elevated driverless rail line through Oahu's most dense urban corridor remains firm.

The Honorable Clarence K. Nishihara, Chair
and Members of the Committee on Transportation
The Honorable Will Espero, Chair
and Members of the Committee on Public Safety,
Intergovernmental and Military Affairs
March 18, 2015
Page 2

While I appreciate the rigors of the legislative process, any legislation that proposes a reduction in the existing GET surcharge not only complicates the financial challenges confronting HART, but introduces uncertainty into the existing agreement with our financial partners at the Federal Transit Administration (FTA). As such, I remain committed to advocating for a twenty-five (25) year extension of the existing .5% GET surcharge beyond 2022, an extension that will empower the City and County of Honolulu, the Capital of the State of Hawaii, to deliver a robust multi-modal transportation system linking East Kapolei with U.H. Manoa via elevated rail, a system that will benefit residents, students, workers, employers and tourists alike.

As we continue our discussions, the City is prepared to work with the Legislature on crafting a process that will provide fiscal accountability, along with financial, reporting and program management assurances to the State, as HART moves through the planning, design and final construction of the rail project.

I look forward to our further discussions on this very important issue and thank you for the opportunity to testify on House Bill No. 134, H.D. 1.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirk Caldwell", with a long horizontal flourish extending to the right.

Kirk Caldwell
Mayor

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 14, 2017 12:21 PM
To: TRNtestimony
Cc: stab625@yahoo.com
Subject: *Submitted testimony for HB1442 on Feb 15, 2017 09:00AM*

HB1442

Submitted on: 2/14/2017

Testimony for TRN on Feb 15, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Arnold	Ironworkers Stabilization	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

**TESTIMONY IN SUPPORT OF HB1442 AND HB349
RELATING TO TAXATION**

House Committee on Transportation

Date: February 15, 2017

Time: 9:00am

Place: Conference room 423

Re: HB 1442 and HB349

To: Chair Henry Aquino, Vice Chair Sean Quinlan and Members of the House Committee on Transportation

My name is Keith Timson testifying in support of HB1442 and HB349, relating to taxation, which extends the general excise tax surcharge for construction of the Honolulu rail transit project.

I am a long-time resident of Makakilo and spent on average two to three hours daily commuting to and from work. I spent a great bulk of my commute time in traffic and as the new development began to flourish my time spent on the road increased significantly. Now that I am retired, my life is still controlled by traffic because I must arrange my time going and returning from town to avoid the snarling traffic.

I am in full support of extending the GET surcharge in perpetuity. We need to complete this project so that we all have a better means of commuting to and from work and just being mobile.

I request that you pass both bills and thank you for this opportunity to present written testimony in support of both bills.

Mahalo for passing along both bills.



**Keith D. Timson
92-684 Nohona St.
Kapolei, Hi. 96707**

**TESTIMONY IN SUPPORT OF HB1442 AND HB349
RELATING TO TAXATION**

House Committee on Transportation

Date: February 15, 2017

Re: HB 1442 and HB349

To: Chair Henry Aquino, Vice Chair Sean Quinlan and Members of the House Committee on Transportation

My name is Greer Cruz of Nanakuli testifying in support of HB1442 and HB349, relating to taxation, which extends the general excise tax surcharge for construction of the Honolulu rail transit project.

I am a retiree. As we age, we prefer to leave our vehicles behind us and try public transportation. Unfortunately, that has not been possible for me as the buses are not always on time and often very crowded with no where to sit, so I must drive. The bottle neck traffic coming out and going into Nanakuli has limited my "retiree adventures". In fact it has gotten worse, as a simple trip into Kapolei is a nightmare. When it requires me to go to town, I must plan an entire day watching for the least traffic out and into Nanakuli. I would love to take rail but cannot unless you help build it. I just think its my turn to enjoy life after all these years of contributing to all other projects through paying taxes over my entire career.

I am in full support of extending the GET surcharge in perpetuity. We must complete this rail project

I request that you pass both bills and thank you for this opportunity to present written testimony in support of both bills.

**Greer Cruz
89-968 Lahikiola Place
Waiānae, HI. 96792**

TESTIMONY IN SUPPORT OF HB1442 AND HB349
RELATING TO TAXATION

House Committee on Transportation
Date: February 15, 2017
Re: HB 1442 and HB349

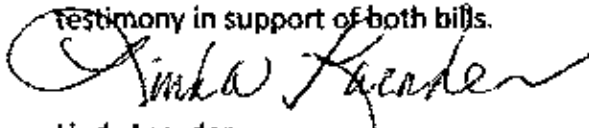
To: Chair Henry Aquino, Vice Chair Sean Quinlan and Members of the House Committee on Transportation

My name is Linda Lacaden testifying in support of HB1442 and HB349, relating to taxation, which extends the general excise tax surcharge for construction of the Honolulu rail transit project.

I am a resident of Kapolei and spend on average two to three hours daily commuting to and from work. Over the past several years the time and frustration in traffic has diminished my quality of life as I now see my home and community in the dark five days a week. This is not how people should live.

I am in full support of extending the GET surcharge in perpetuity. We must complete this rail project or we will see an exit from Kapolei as we are all tired.

I request that you pass both bills and thank you for this opportunity to present written testimony in support of both bills.



Linda Lacaden
91-1038 Haulele St.
Kapolei, HI. 96707

**TESTIMONY IN SUPPORT OF HB1442 AND HB349
RELATING TO TAXATION**

**House Committee on Transportation
Date: February 15, 2017
Re: HB 1442 and HB349**

To: Chair Henry Aquino, Vice Chair Sean Quinlan and Members of the House Committee on Transportation

My name is Maeda Timson of Kapolei testifying in support of HB1442 and HB349, relating to taxation, which extends the general excise tax surcharge for construction of the Honolulu rail transit project.

For more than 40 years I have been a strong and active advocate of the development of Kapolei. Hundreds and hundreds of hours of time, people, meetings and testimonies were spent on the dream of a new City—Kapolei. The increasing traffic and now traffic gridlock has plagued us over the years. Today, it's a daily 2-3 hours commute of less than 50 travel miles—so ridiculous and tearing apart our quality of life. We've waited long enough to receive our chance for a normal life, filled our commitment and invested our lives and families to the City of Kapolei, but government did not. Don't let another session go by and you leave us behind.

I am in full support of extending the GET surcharge in perpetuity. We must complete this rail project

I request that you pass both bills and thank you for this opportunity to present written testimony in support of both bills.


**Maeda Timson
92-684 Nohona St.
Kapolei, HI 96707**

LATE

TO: Members of the Committee on Transportation

FROM: Natalie Iwasa (10 pages)
Honolulu, HI 96825
808-395-3233

HEARING: 9 a.m. Wednesday, February 15, 2017

SUBJECT: HB1442 and HB349 – **OPPOSE Surcharge Extension
Support Repeal or Reduction of 10% Fee
Support Monthly Payment**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on HB1442 and HB349, which relate to the county surcharge. Two years ago when the legislature considered the county surcharge extension, I provided examples of errors and inconsistencies in HART's numbers. Here we are two years later, and the problem persists.

In November 2016, HART presented its FY 2018 budget package to the board. The package includes projected cash flows. On December 1, 2016, HART sent the FTA an updated financial plan. That plan also includes projected cash flows, but they are significantly different than those presented to the board.

Attached is a calculation of the differences between the budgeted cash flows and the amounts reported to the FTA. The explanation I was given for the \$43.6 million variance for the beginning of fiscal year 2018 is that there are differing assumptions underlying the two plans. Given that the beginning of fiscal year 2018 (July 1, 2017) was just seven months from the date of the report to the FTA, that explanation didn't make sense. Also note the \$101 million difference between the cash projection provided to the FTA and HART's own audited numbers. Since the ending balance of cash is correct, the revenue and/or expenditures is FY 2016 must also be incorrect.

In addition, if we look at the line items for the inflows and outflows for fiscal year 2018, more questions come to mind. Why are federal and GET funding each almost \$50 million higher in the budget package?

Why is there apparently no debt repayment for fiscal year 2018 in the budget package?

Questions should also be asked about details of the cash projection sent to the FTA. (See attached page 4 of my testimony.) For example, why is there a negative cash flow of \$140 million for total project costs in year 2035, eight years after the last expenditure?

Why is there over \$.5 billion in additional borrowing in year 2025, when projected cash inflows are about \$87 million higher than outflows? This apparent unneeded borrowing drives up the debt costs and interest expense.

Natalie Iwasa

Page 2 of 10

Last year HART also had an error in the cash balance that it reported to the board in its monthly report. According to a report given to the Honolulu City Council, which included audited cash balances as of March 31, 2016, cash was \$159,111,026. HART's monthly progress report, however, indicated the cash balance was \$158,655,626 or \$455,400 lower. Prior quarterly reports that I checked were no more than \$1 different. (See attached pages 8 - 10.)

We simply cannot rely on HART's numbers. In addition, now that we are looking at almost \$10 billion (and counting) for the cost of building rail, we have to ask ourselves whether we can even afford to spend that much. We should not continue to blindly follow HART. It's time to limit funding and look at other alternatives.

Please vote "no" on extending the surcharge.

HART CASH FLOW PROJECTIONS DISCREPANCIES

	FTA Update 12/1/2016 \$ millions	HART Financial Audit	Budget Schedule FY 2018	HART Monthly Progress Rpt \$ millions	<i>Approximate Variances \$ millions</i>
Beginning FY 2016 (7/1/15)	192	293,010,823	n/a	293.0 ¹	101.0
Beginning FY 2017 (7/1/16)	95	94,658,680	n/a	94.7 ²	-
Beginning FY 2018 (7/1/17)	25	n/a	68,559,126	n/a	43.6
Beginning FY 2019 (7/1/18)	25	n/a	324,976,125	n/a	300.0

¹ July 2015 report page 17. (Attached page 6.)

² July 2016 report page 19. (Attached page 7.)

CASH FLOW PROJECTIONS VARIANCES

Fiscal Year 2018

	FTA Update 12/1/2016 \$ millions	Budget Schedule	<i>Approximate Variances \$ millions</i>
Beginning cash	\$ 25	\$ 68,559,126	\$ 43.6
Federal grant	246	294,587,133	48.6
GET	212	256,623,959	44.6
Debt proceeds	653	510,000,000	(143.0)
Total inflows	1,111	1,061,211,092	(49.8)
Total project uses	896	804,794,093	91.2
Debt repayment	215	-	215.0
Total outflows	1,111	804,794,093	306.2
Ending cash	\$ 25	\$ 324,976,125	\$ 300.0

Table A-1, Capital Plan and Ongoing Capital Cash Flows

Lighter font comments added by Natalie Iwasa.
 Dollar amounts listed are in millions.

Total	Inception thru Feb-2016	FISCAL YEAR																						
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035			
\$298	\$298	\$192	\$95	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$209	\$141	\$111	\$13	(\$415)	(\$644)	(\$1,273)	(\$1,701)	(\$2,130)	(\$2,569)
\$4,816	\$1,259	\$61	\$236	\$246	\$257	\$268	\$279	\$291	\$304	\$317	\$330	\$344	\$359	\$366	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$1,550	\$515	\$54	\$192	\$212	\$254	\$323	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$6	\$6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$6,372	\$1,780	\$115	\$428	\$458	\$511	\$591	\$279	\$291	\$304	\$317	\$330	\$344	\$359	\$266	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$6,372	\$1,780	\$115	\$428	\$458	\$511	\$591	\$279	\$291	\$304	\$317	\$330	\$344	\$359	\$266	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$6,165	\$1,885	\$213	\$706	\$875	\$870	\$1,158	\$691	\$773	\$571	\$333	\$116	\$89	\$26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$140)
\$1,337	\$0	\$0	\$7	\$20	\$34	\$51	\$74	\$94	\$112	\$125	\$128	\$120	\$112	\$103	\$92	\$79	\$66	\$52	\$38	\$23	\$8	\$6	\$0	\$0
\$9,502	\$1,885	\$213	\$713	\$896	\$904	\$1,209	\$765	\$868	\$682	\$458	\$243	\$209	\$137	\$103	\$92	\$79	\$66	\$52	\$38	\$23	\$8	\$6	\$0	\$0
(\$3,130)	(\$105)	(\$98)	(\$285)	(\$438)	(\$394)	(\$618)	(\$486)	(\$577)	(\$379)	(\$141)	\$87	\$136	\$222	\$163	(\$92)	(\$79)	(\$66)	(\$54)	(\$38)	(\$23)	(\$8)	\$0	\$0	\$0
\$6,155	\$0	\$0	\$215	\$653	\$660	\$892	\$836	\$946	\$777	\$649	\$526	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(\$6,170)	\$0	\$0	(\$215)	(\$267)	(\$274)	(\$350)	(\$370)	(\$398)	(\$398)	(\$508)	(\$429)	(\$204)	(\$251)	(\$281)	(\$337)	(\$350)	(\$363)	(\$377)	(\$391)	(\$406)	(\$421)	(\$437)	(\$453)	(\$470)
(\$2,817)	\$192	\$95	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$209	\$141	\$111	\$13	(\$415)	(\$644)	(\$1,273)	(\$1,701)	(\$2,130)	(\$2,569)	(\$3,008)	(\$3,447)	(\$3,886)

Note 1

Note 2

This table is rife with footing, i.e., addition, errors of \$1, which equates to \$1 million in each instance.

NOTE 1: Total projected costs from inception through 2034 total \$8,306, which is \$141 more than the "Total" column. HART has therefore included a negative cash flow of \$140 million in year 2035. At best, this is sloppy work. The cash flows up to 2034 should be adjusted so that the total is \$8,165, or the total projected cost should be changed to \$8,306.

NOTE 2: In 2025, projected tax revenues exceed projected expenditures by \$87, yet additional debt proceeds of \$526 is apparently planned, resulting in the highest cash balance over the entire 20 years. Why?

These projections should include the underlying assumptions as well as an explanation as to why debt repayment is \$15 higher than the debt proceeds.

FY 2018-2023 SIX-YEAR UPDATED CASH FLOW

Below is six-year cash flow based on assumed revenue sources, estimated financing costs, and forecasts for future years' capital expenditures.

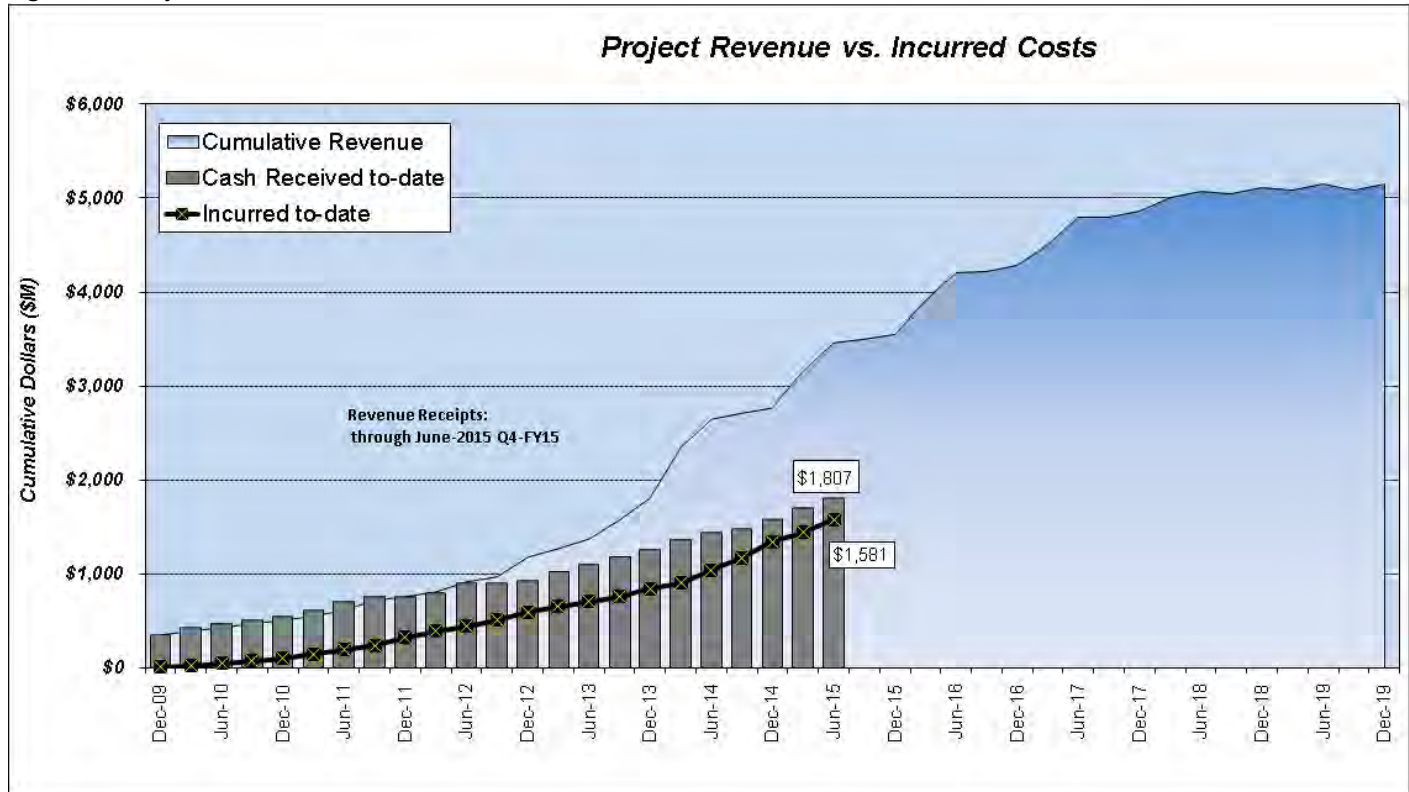
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Six-Year Total
BEGINNING BALANCE	\$ 68,559,126	\$ 324,976,125	\$ 404,658,288	\$ 206,040,573	\$ 308,681,484	\$ 313,070,129	\$ 68,559,126
Revenue & Debt Proceeds							
Revenue							
Federal Grant	294,587,133	229,474,254	213,628,152	2,929,669	-	-	740,619,208
G.E.T.	256,623,959	267,658,790	279,168,119	291,172,347	303,692,758	316,751,546	1,715,067,519
Private/Public	-	-	-	-	-	-	-
Total Revenue	551,211,092	497,133,044	492,796,271	294,102,016	303,692,758	316,751,546	2,455,686,727
Debt Proceeds							
Fixed Rate Bonds	402,302,800	226,602,800	291,862,800	251,702,800	101,102,800	-	1,273,574,000
G.O Bonds:	-	-	-	-	-	-	-
Less Issuance Costs	(2,302,800)	(1,602,800)	(1,862,800)	(1,702,800)	(1,102,800)	-	(8,574,000)
TECP (net) Max \$350 m	110,000,000	63,400,000	(55,800,000)	34,300,000	98,900,000	60,000,000	310,800,000
Variable Bonds	-	-	-	-	-	-	-
Total Debt Proceeds	510,000,000	288,400,000	234,200,000	284,300,000	198,900,000	60,000,000	1,575,800,000
Total Revenue & Debt Proceeds	1,061,211,092	785,533,044	726,996,271	578,402,016	502,592,758	376,751,546	4,031,486,727
Costs							
CIP Type							
Construction	500,759,019	506,074,575	753,111,616	288,844,618	149,774,530	82,345,995	2,280,910,353
Consultants	44,932,240	37,838,212	29,382,733	28,071,532	27,851,817	27,851,817	195,928,351
Contingency	-	-	98	7,955,740	172,127,494	31,600,374	211,683,706
Design	2,609,482	1,059,053	-	-	-	-	3,668,535
Inspection	20,387,315	21,950,961	25,285,309	27,573,371	27,318,236	17,960,329	140,475,521
Operating	12,092,289	11,772,592	11,133,198	11,133,198	11,133,198	11,133,198	68,397,674
Programmatic Agreements	733,874	453,042	-	-	-	-	1,186,916
Project-wide Art	622,830	794,280	794,280	794,280	794,280	794,280	4,594,230
Quality Audits	4,927,451	4,927,451	4,927,451	4,927,451	4,927,451	4,927,451	29,564,707
Recertifications	-	-	-	-	-	-	-
Right of Way	96,993,225	14,516,210	-	-	-	-	111,509,435
Utility Work by Private Utility Owners	84,642,024	68,165,443	60,415,284	63,568,698	58,990,280	27,914,937	363,696,665
Total CIP Costs	768,699,748	667,551,819	885,049,970	432,868,888	452,917,286	204,528,381	3,411,616,093
Operating (less Interest Expense)	24,094,345	25,299,062	26,564,015	27,892,216	29,286,827	30,751,168	163,887,634
Interest Expense	12,000,000	13,000,000	14,000,000	15,000,000	16,000,000	17,000,000	87,000,000
Total Operating Costs	36,094,345	38,299,062	40,564,015	42,892,216	45,286,827	47,751,168	250,887,634
Total CIP & Operating Costs	804,794,093	705,850,881	925,613,986	475,761,104	498,204,113	252,279,549	3,662,503,727
Net Change	256,416,999	79,682,163	(198,617,715)	102,640,911	4,388,645	124,471,997	368,982,999
ENDING BALANCE	\$ 324,976,125	\$ 404,658,288	\$ 206,040,573	\$ 308,681,484	\$ 313,070,129	\$ 437,542,125	\$ 437,542,125
Assumptions:							
1) Revenue & Debt Proceeds from current Cash Flow Annualized PMOC FY 2017							
2) \$6.8B CIP cost flow from Project Controls, Nov 2016							
3) Operating costs assumes 5% annual increase							
4) Interest expense assumes \$1M annual increase							

2.5 Project Revenue and Costs

(data as of June 26, 2015)

Ending Cash Balance 6/30/15 = \$293.0M
(previous report = \$327.3M)

Figure 10. Project Revenue versus Incurred Costs



Planned Funding levels as per the June 2012 FFGA Finance Plan
Data date for Revenue & Incurred Cost = June 26, 2015

Figure 11. Cash Balance Summary

JUNE 30, 2015 CASH BALANCE SUMMARY		
	JUNE	YTD Cumulative
Beginning Cash Balance	327,344,756	441,011,319
Expenditures:		
Operating Expenditures	(1,909,194)	(16,147,106)
Capital Expenditures	(42,790,284)	(508,808,372)
Expenditures Total:	(44,699,478)	(524,955,478)
Receipts:		
GET Surcharge	0	220,793,293
FTA Drawdown	10,276,116	155,546,605
Interest	27,319	239,997
Other (rental, refunds, copy fees, etc.)	62,109	375,088
Receipts Total:	10,365,544	376,954,982
Ending Cash Balance 06/30/15	293,010,823	293,010,823

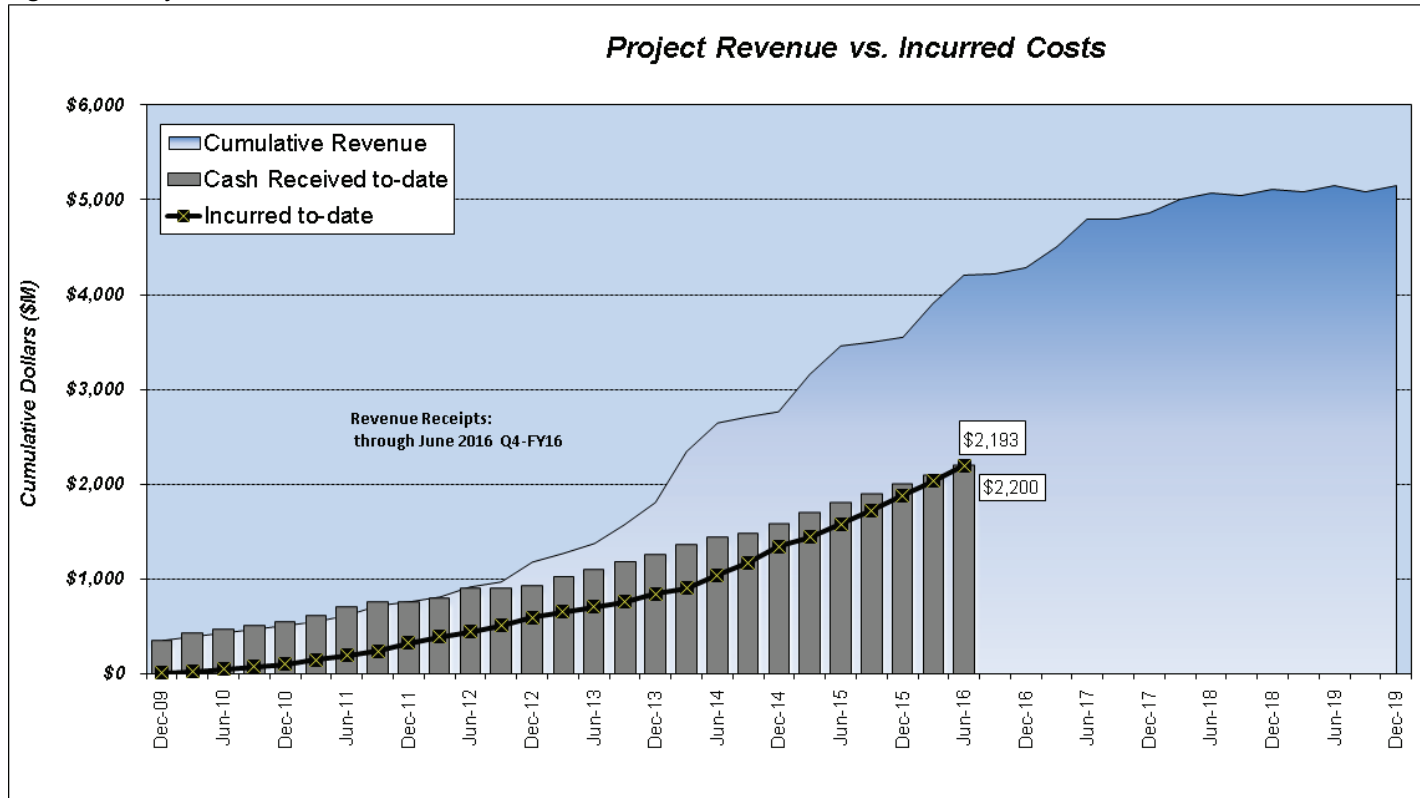
Note: Project Cost Reports can be found in Appendix C.

2.5 Project Revenue and Costs

(data as of June 24, 2016)

Ending Cash Balance 6/30/16 = \$94.7M
(previous report = \$123.0M)

Figure 10. Project Revenue versus Incurred Costs



Planned Funding levels as per the June 2012 FFGA Finance Plan
Data date for Revenue & Incurred Cost = June 24, 2016

Figure 11. Cash Balance Summary

JUNE 2016 CASH BALANCE SUMMARY		
	JUNE	FY16 YTD Cumulative
Beginning Cash Balance 06/01/16	123,016,451	293,010,823
Expenditures:		
Operating Expenditures	(2,587,741)	(17,995,780)
Capital Expenditures	(44,135,061)	(568,037,722)
Expenditures Total:	(46,722,801)	(586,033,502)
Receipts:		
GET Surcharge	0	229,344,241
FTA Drawdown	18,240,510	157,579,174
Interest	115,032	376,077
Other (rental, refunds, copy fees, etc.)	9,489	381,867
Receipts Total:	18,365,031	387,681,360
Ending Cash Balance 06/30/16	94,658,681	94,658,681

Note: Project Cost Reports can be found in Appendix C.

Natalie Iwasa Testimony
Senate Committees Monday, February 6, 2017
HART CASH BALANCE DISCREPANCY

	<u>March 31, 2016</u>
Cash & cash equivalents per report to council	\$ 159,111,026
Cash & cash equivalents per monthly progress report to HART board	158,655,626
Variance	<u>\$ 455,400</u>

NOTE: Amounts reported for 12/31/15 and other quarters agreed or were only \$1 off.

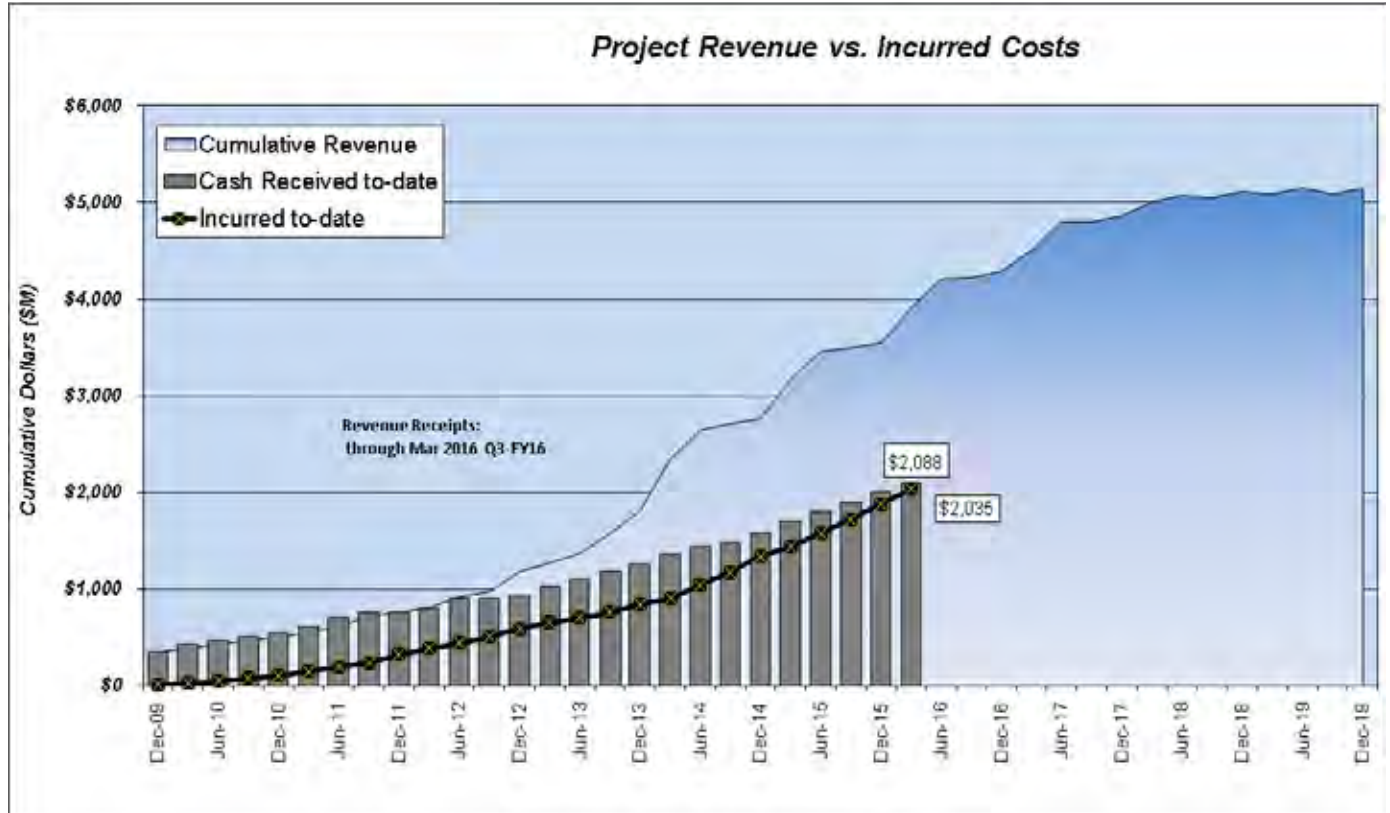
HONOLULU AUTHORITY FOR RAPID TRANSPORTATION
QUARTERLY CASH AND COUNTY SURCHARGE REVENUE REPORT
AS OF March 31, 2016
(Made Pursuant to City Council Resolution 12-188, CD1)

Interest Revenue			
	FY2007	\$	18,000
	FY2008		3,724,229
	FY2009		3,595,915
	FY2010		246,603
	FY2011		329,693
	FY2012		240,270
	FY2013		310,594
	FY2014		325,874
	FY2015		239,997
	FY2016, Q3		184,036
		\$	<u><u>9,215,210</u></u>
GET Surcharge Revenue			
	FY2007	\$	48,424,383
	FY2008		169,113,552
	FY2009		160,855,727
	FY2010		157,555,320
	FY2011		179,108,573
	FY2012		190,664,994
	FY2013		173,822,505
	FY2014		218,390,853
	FY2015		223,666,342
	FY2016, Q3		177,013,858
		\$	<u><u>1,698,616,107</u></u>
Expenditures to date			
	FY2007	\$	310,285
	FY2008		25,962,676
	FY2009		54,205,206
	FY2010		99,126,584
	FY2011		109,063,791
	FY2012		254,142,462
	FY2013		294,380,188
	FY2014		343,180,946
	FY2015		456,652,423
	FY2016, Q3		347,174,209
		\$	<u><u>1,984,198,770</u></u>
Cash & cash equivalents on hand at March 31, 2016		\$	<u><u>159,111,026</u></u>

2.5 Project Revenue and Costs
(data as of March 25, 2016)

Ending Cash Balance 3/31/16 = \$158.7M
(previous report = \$192.3M)

Figure 10. Project Revenue versus Incurred Costs



Planned Funding levels as per the June 2012 FFGA Finance Plan
Data date for Revenue & Incurred Cost = March 25, 2016

Figure 11. Cash Balance Summary

MARCH 2016 CASH BALANCE SUMMARY		
	MARCH	FY16 YTD Cumulative
Beginning Cash Balance 03/01/16	192,335,290	293,010,823
Expenditures:		
Operating Expenditures	(1,872,167)	(12,132,625)
Capital Expenditures	(41,840,257)	(404,598,819)
Expenditures Total:	(43,712,424)	(416,731,444)
Receipts:		
GET Surcharge	0	168,374,947
FTA Drawdown	9,976,903	113,484,563
Interest	33,400	184,036
Other (rental, refunds, copy fees, etc.)	22,456	332,701
Receipts Total:	10,032,759	282,376,247
Ending Cash Balance 03/31/16	158,655,626	158,655,626

Note: Project Cost Reports can be found in Appendix C.

Hawai'i Construction Alliance

P.O. Box 179441
Honolulu, HI 96817
(808) 348-8885

February 14, 2017

The Honorable Henry J.C. Aquino, Chair
The Honorable Sean Quinlan, Vice Chair
and members
House Committee on Transportation
415 South Beretania Street
Honolulu, Hawai'i 96813

RE: Support for Intent of HB1442, Relating to Taxation

Dear Chair Aquino, Vice Chair Quinlan, and members:

The Hawai'i Construction Alliance is comprised of the Hawai'i Regional Council of Carpenters; the Operative Plasterers' and Cement Masons' Union, Local 630; International Union of Bricklayers & Allied Craftworkers, Local 1; the Laborers' International Union of North America, Local 368; and the Operating Engineers, Local Union No. 3. Together, the member unions of the Hawai'i Construction Alliance represent 15,000 working men and women in the basic crafts of Hawai'i's construction industry.

We support the intent of HB1442, to the extent that elements of the bill would provide a sustainable funding mechanism to provide for a fully-constructed elevated rail transit system from East Kapolei to Ala Moana for the people of the City & County of Honolulu.

Currently, HB1442 authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity; authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax; provides that the State shall retain an unspecified portion of surcharge proceeds for DOT; and requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis.

As you know, we have been strong advocates for the full build out of the Honolulu Rail Transit Project from West Kapolei to the University of Hawai'i at Mānoa. We believe this project is an important endeavor which will:

- Provide commuters with a fast, safe, and reliable alternative to driving in traffic congestion, eliminating tens of thousands of car trips that would otherwise be taken in private vehicles;
- Generate thousands of jobs in construction, engineering, and related fields, as well as additional indirect jobs in all sectors of our island's economy;
- Create the potential for transit-oriented development to take place in and around station areas, giving families the opportunity to affordably live, work, shop, and play closer to home; and
- Offer a more sustainable future for our island home through reduced CO₂ emissions and less dependence on costly, imported oil.

We are proud that many of our members have already been involved in relocating utilities along the route, constructing the facilities at the Rail Operations Center, drilling and pouring hundreds of shafts and columns, preparing balanced cantilever structures over the H-1 freeway, casting and erecting the numerous segments which comprise the first half of the guideway, and performing the initial work for the westernmost stations. We look forward to having even more members work on this historic project in the years ahead.

To that end, we humbly request your favorable action on HB1442, and further request that your committee work to ensure that the bill contains a sustainable funding mechanism to provide for a fully-constructed elevated rail transit system from East Kapolei to Ala Moana for the people of the City & County of Honolulu.

Mahalo,

A handwritten signature in black ink, reading "Tyler Dos Santos-Tam". The signature is written in a cursive, flowing style.

Tyler Dos Santos-Tam
Executive Director
Hawai'i Construction Alliance
execdir@hawaiiconstructionalliance.org

LATE

House Committee on Transportation

Rep. Henry J.C. Aquino, Chair

Rep. Sean Quinlan, Vice Chair

February 15, 2017

9:00 a.m.

Conference Room 423

Re: HB1442, Relating to Taxation

Chair Aquino, Vice Chair Quinlan, and Members of the Committee,

I am writing in **STRONG SUPPORT** of HB1442, which authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity and authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax.

As a young professional and resident, I understand that rail and transit oriented development (“TOD”) is critical in my generation’s ability to continue to afford to live in Hawai‘i. I grew up in Pearl City, was fortunate to have the opportunity to attend college in Portland, Oregon before moving to Washington, D.C. to work. Portland and Washington, D.C. both have great public transportation options, including rail, which I utilized while living there. I particularly like Portland’s Free Rail Zone, which is a region of downtown Portland in which light rail and streetcar rides are free. I recently chose to move my family to Kaka‘ako as we can see the opportunities for new communities that are being created around rail stations. However, I strongly support HB1442, because it is a mechanism to ensure there is sufficient funding complete the full 20-mile, 21-station rail project as planned. This will allow residents another option to travel to Honolulu from the Ewa plains.

To say that “I won’t ride it, so I shouldn’t have to pay for it” is failing to understand how communities impact one another and are inherently interconnected. We built new development in Kapolei and West O‘ahu so that East O‘ahu and North Shore can continue to have our current quality of life without major developments. It is in O‘ahu’s General Plan for planned growth in West O‘ahu and I support the rail and growth in such areas, including Kaka‘ako, to preserve our rural areas in the North Shore and the Windward side.

While all projects have cost components, the GET surcharge has already been integrated into the business and consumer budgets and would have the least impact of the funding options currently being discussed. Rail and TOD is a critical piece of the picture to help make Hawai‘i a place that young people can afford to raise their families.

But building the homes without reasonable transit is like building the homes and no roads. Families deserve to be able to work and live in a way that doesn’t take 2 hours to drive 20 miles. Therefore, I humbly ask the Committee to PASS HB1442. Mahalo for the opportunity to provide testimony on this important measure.

Mahalo,
Jonathan Ching
Kaka‘ako, Honolulu

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MAILING:
P.O. BOX 970967
WAIPAHU, HAWAII 96797-0967

PHYSICAL:
94-487 AKOKI STREET
WAIPAHU, HAWAII 96797

LATE

**Testimony to the House Committee on Transportation
Wednesday, February 15, 2017
9:00 am
Conference Room 423**

RE: HB 1442 & HB 349 – Relating to Taxation

Chair Aquino, Vice-Chair Quinlan, & members of the committee:

My name is Gladys Quinto Marrone, CEO of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-Hawaii is in support of HB 1442 & HB 349, Relating to Taxation. BIA-Hawaii has been a strong proponent of the rail transit system as an appropriate "growth management" tool to increase the population density along the 20-mile transit corridor. To stop support for the transit system at this time would prevent future growth without a significant investment in roadway infrastructure, or allowing for more development into areas not currently planned for future growth (i.e. Hawaii Kai, Windward Oahu, North Shore, and Central Oahu-between Wahiawa and Waialua).

We continue, however, to be concerned about the level of transparency and accountability as the project moves forward. We understand that in any construction project you will encounter delays and unforeseen circumstances that may increase construction costs. For a project of this size, a certain degree of cost overrun should be expected.

Our biggest concern is with the lack of information and a plan for providing the necessary infrastructure to support the planned growth within the transit corridor. The City should be required to provide a comprehensive plan to provide the necessary sewer, water, and drainage infrastructure capacity to support the planned densities along the transit corridor. Rather than reacting to or pre-selecting possible or potential landowners/developers along the transit corridor, the City should be proactive in providing the basic backbone infrastructure capacity to support the planned growth and let the market dictate where and when density should be developed along the transit corridor.

Without leadership on how infrastructure capacity should be provided along the transit corridor, investors/developers will be reluctant to pursue projects due to the risk and uncertainty of who will pay for the regional infrastructure improvements.

Thank you for the opportunity to express our views on this matter.

**HAWAII OPERATING ENGINEERS
INDUSTRY STABILIZATION FUND**



*Uniting our strengths and working together
for a better tomorrow.*

Affiliated AFL-CIO
OPEIU - 8 - AFL-CIO (8)

LATE

February 14, 2017

Honorable Representative Henry J.C. Aquino, Chair
Honorable Representative Sean Quinlan, Vice Chair
HOUSE COMMITTEE ON TRANSPORTATION

RE: **SUPPORT H.B. 1442 RELATING TO TAXATION**

Aloha Committee Chair Henry J.C. Aquino, Sean Quinlan, Vice Chair, and committee members:

I am Pane Meatoga III, the Community Liaison representing the Hawaii Operating Engineers Industry Stabilization Fund (HOEISF). We are a labor management fund representing 4000 unionized members in the heavy engineering site work and 500 general contractors specializing in heavy site and vertical construction.

We **SUPPORT H.B. 1442 RELATING TO TAXATION**, which Authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity. Authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax. Provides that the State shall retain an unspecified portion of surcharge proceeds for DOT. Requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis.

HOEISF has always supported and advocated for the entire Honolulu Rail Project. This project must be completed to Ala Moana Shopping Center (the full 20 miles, 21 stations and 80 cars) or we may jeopardize the \$1.55 billion in federal funds. It is the only major transportation project planned for Oahu to provide major traffic relief and will provide a needed transportation alternative for residents, and because it is elevated, will be independent from our highway system. The rail system will take cars off the road and provide a daily commuting alternative, especially for the thousands of residents whose destinations are the airport, Downtown, Kakaako and Ala Moana areas.

Sincerely,

Pane Meatoga III
Community Liaison
Hawaii Operating Engineers Industry Stabilization Fund

LATE

Chairs Inouye and Nishihara and Members of TRE/PSM:

I am providing this testimony to you in support of the SB1183 and SB1176 as a measure to extend the GET surcharge and allow the rail line to be built as intended and as necessary for future generations.

I recently graduated from the University of Hawaii at Manoa and live at the Ko Olina boat harbor. Most days I commute via TheBus, and so I see first hand the value that would be brought to students, families, and businesses once the rail is built. If rail were built today, I would ride it every day. Instead, I spend an average of 5 hours on the road each day and have recently had to buy a boat slip at Ala Wai for days that traffic is even worse.

Few students have this option and instead miss school, miss extra-curricular activities, or miss key studying time. The traffic makes going to school nearly impossible for non-traditional students, who may have childcare, work, or other demands that already make achieving higher education more challenging.

The University of Hawaii System already has three campuses on the rail transit alignment: UH-West Oahu, Leeward Community College and Honolulu Community College. Allowing a rail line that can eventually connect to UH Manoa is important for our island's future. Each campus offers different programs and classes, and students need to have the option of being able to travel between campuses quickly and easily to access the courses they need and want. There are other private school campuses, including HPU, that will also benefit from the planned downtown rail station.

Rail is an important part of Hawaii's future, not only in transportation and development of sound neighborhoods, but also to ensure equal access to education for communities throughout the island.

I would like to ask the committee to extend the GET surcharge to ensure we can bring this project to completion and lay the groundwork for an extension to UH Manoa to expand the educational opportunities available to students in our institutions of higher learning.

Thank you for the opportunity to testify,

Katherine Vessels
William S. Richardson School of Law, c/o 2016
Small Business Owner

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 14, 2017 6:13 PM
To: TRNtestimony
Cc: rebecca.ji.soon@gmail.com
Subject: Submitted testimony for HB1442 on Feb 15, 2017 09:00AM

HB1442

Submitted on: 2/14/2017
Testimony for TRN on Feb 15, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Rebecca Soon	Individual	Support	No

Comments: I am happy to submit my testimony to you today in strong support of proposals to extend the 0.5% GET surcharge to support the Honolulu rail project's completion of the full 20 mile, 21 station plan. At its core, I support this measure because it is what is right. Whether you live on the rail route or off of it, rail IS the major infrastructure project of our generation that has the potential to make the difference for the future of Hawai'i. We all opine over the rising cost of land, rapid shrinking of the middle class, and lack of economic opportunities for future generations – rail is one piece in the puzzle that attempts to set Hawai'i on a positive path. As a recent graduate of UH Manoa, I have many peers that would greatly benefit from rail today. As a small business owner, and as a young professional, I know rail is a critical component in building an island community for our future that cares about all people, especially the most marginalized. Decades ago, we as a community decided to centralize growth in West and Central O'ahu. With the development of O'ahu's second city, rapid transit was envisioned as a component to ensure smart growth. Instead, we voted down two projects, which we now look back upon and wish we hadn't. Let's not make the same mistake again. Rail is about many things – creation of jobs, investment in local industry, development of affordable housing, building sustainable communities, and providing social equity through access to economic and educational opportunities. Hawai'i voters wanted each of these things when we voted to support rail in 2008. We now need our Senators and Representatives to make the difficult decisions, which will allow us to complete the project we need. I urge you to vote in favor of extending the GET surcharge and support the completion of this important project. Mahalo for the opportunity to share mana'o on this important issue.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

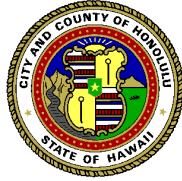
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OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU

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LATE

KIRK CALDWELL
MAYOR



ROY K. AMEMIYA, JR.
MANAGING DIRECTOR

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR

CITY AND COUNTY OF HONOLULU
BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION

FEBRUARY 15, 2017; 9:00 AM

TO: THE HONORABLE HENRY J.C. AQUINO, CHAIR
THE HONORABLE SEAN QUINLAN, VICE CHAIR
AND MEMBERS OF THE HOUSE COMMITTEE ON TRANSPORTATION

FROM: KIRK CALDWELL, MAYOR
CITY AND COUNTY OF HONOLULU

SUBJECT: SUPPORT OF HB1442 RELATING TO TAXATION

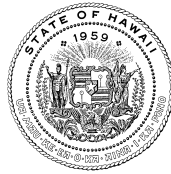
The City and County of Honolulu supports HB1442, which extends the county surcharge on the general excise tax (GET) in perpetuity. This bill ensures that the City will have sufficient funds to cover construction and financing costs of the rail project and ensure that we can build the full twenty-mile guideway with all twenty one rail stations.

Oahu needs rail as a traffic alternative because traffic congestion is terrible and getting worse. There are 90,000 additional registered vehicles on Oahu than there were when we started the rail project ten years ago. Rail is the "Transit" in Transit-Oriented Development. There is no TOD without rail and we need TOD to provide workforce housing.

The Honolulu Authority for Rapid Transportation estimates that the total construction costs are \$8,200,000,000, exclusive of the financing costs. Extending the county surcharge on the GET is the best option to cover these costs because it is already in place and tourists and non-residents pay nearly thirty percent of the GET.

Thank you for your consideration of this testimony in strong support of HB1442.

DAVID Y. IGE
GOVERNOR



LATE

WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON TRANSPORTATION
ON
HOUSE BILL NO. 1442 AND
HOUSE BILL NO. 349

February 15, 2017
9:00 a.m.
Room 423

HOUSE BILL NO. 1442, RELATING TO TAXATION
HOUSE BILL NO. 349, RELATING TO TAXATION

House Bill (HB) Nos. 1442 and 349 both extend without a sunset date, the half percent county surcharge on State tax for the City and County of Honolulu's (C&CH) rail transit project. Both measures take different approaches to imposition of new surcharges by other counties. HB1442 provides for an unspecified State deduction (rather than ten percent) from the gross proceeds of a respective county with the provision that an unspecified percent of those proceeds be used by the Department of Transportation. Additionally, HB349 also provides that any county that adopts a surcharge must match the state collections by 25 percent of the amount that the State distributes.

The Department of Budget and Finance strongly believes additional information is needed before the Legislature extends the half percent surcharge for the C&CH. Should this measure proceed for further consideration by the Committee on Finance, our Department is willing to assist the Committee in developing a list of relevant data

points that should be requested from the Honolulu Authority for Rapid Transportation and the C&CH Administration as part of further deliberations on this matter.

With regards to the various other provisions, the Department is open to continuing dialogue on the best mechanism for funding the administration of the surcharge as the State should receive some financial support for the additional administration required from the Department of Taxation. The Department supports the concept of requiring a county match, particularly for surcharges on transportation, as infrastructure and related operational costs should be shared proportionally between the counties and the State, and reviewed on a regular basis to ensure that such taxes are fair and reasonable.

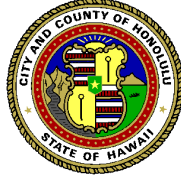
Thank you for your consideration of our comments.

HONOLULU CITY COUNCIL
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 202 • HONOLULU, HAWAII 96813
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Ron Menor
CHAIR & PRESIDING
OFFICER



IKAIKA ANDERSON
VICE CHAIR

Kymerly Marcos Pine
FLOOR LEADER

CITY AND COUNTY OF HONOLULU
BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION

WEDNESDAY, FEBRUARY 15, 2017, 9 AM

TO: THE HONORABLE HENRY J.C. AQUINO, CHAIR
THE HONORABLE SEAN QUINLAN, VICE CHAIR
AND MEMBERS OF HOUSE COMMITTEE ON TRANSPORTATION

FROM: COUNCIL CHAIR RON MENOR
COUNCILMEMBER JOEY MANAHAN, CHAIR OF COMMITTEE ON
BUDGET
COUNCILMEMBER IKAIKA ANDERSON, CHAIR OF COMMITTEE ON
TRANSPORTATION AND PLANNING
COUNCILMEMBER KYMBERLY MARCOS PINE, CHAIR OF COMMITTEE
ON ZONING AND HOUSING

SUBJECT: COMMENTS ON HB 1442 RELATING TO TAXATION

My name is Ron Menor and I am here to testify as the Chair of the Honolulu City Council. Along with Councilmembers Joey Manahan, Ikaika Anderson, and Kymerly Marcos Pine, we are members of a Permitted Interaction Group (P.I.G.) which was established by the Council to address the rail issue.

We would like to extend our appreciation to the Committee Chair for introducing this bill and for the consideration of this bill by the House Transportation Committee.

The official position of the Honolulu City Council is that we continue to support a permanent extension of the current County excise tax surcharge. This would be the most straightforward and effective way of ensuring adequate funding to complete the Honolulu rail project to Ala Moana as required under the FFGA.

However, we acknowledge the fact that the State has other concerns and priorities,

including the need for more highway and freeway improvements. Therefore, we are open to the provisions of this bill that would allow the State to retain a portion of surcharge proceeds for the Department of Transportation. One significant concern that we would have is that if the Legislature approves retention of too high a percentage of surcharge proceeds, the stream of revenues may not be sufficient to cover the total capital costs, including payment of debt service over the entire duration of the project until its completion. Therefore, we would ask that the Legislature carefully consider this issue in determining the appropriate retention amount.

Moreover, we would like to clarify that if the Legislature chooses to adopt this approach, our position is that surcharge revenues retained by the State should be used to fund programs and services only for those counties that have voted to establish a surcharge. The Honolulu City Council would not support use of Oahu surcharge revenues to fund programs and services for a neighbor island county that has not approved implementation of a surcharge.

Thank you for the opportunity to offer testimony on this important measure.



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

LATE

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The Twenty-Ninth Legislature, State of Hawaii
House of Representatives
Committee on Transportation

Testimony by
Hawaii Government Employees Association

February 15, 2017

H.B. 1442 and H.B. 349 –
RELATING TO TAXATION

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the purpose and intent of H.B. 1442 and H.B. 349 which authorize certain counties to extend a state tax surcharge in perpetuity or permanently, respectively. Additionally, H.B. 1442 allows the State to retain an unspecified portion or surcharge proceeds for the Department of Transportation and H.B. 349 reduces the rate of the surcharge in 2022 and reduces the state reimbursement from 10% to 5%. While we remain concerned about the increased construction costs above what was originally projected, the residents of Oahu have determined a need for a viable rapid transit system and additional funds are needed to continue the construction of the rail project until its completion.

Thank you for the opportunity to testify in support of H.B. 1442 and H.B. 349.

Respectfully submitted,


for Randy Perreira
Executive Director

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 15, 2017 8:23 AM
To: TRNtestimony
Cc: blawaiianlvr@icloud.com
Subject: Submitted testimony for HB1442 on Feb 15, 2017 09:00AM

LATE

HB1442

Submitted on: 2/15/2017

Testimony for TRN on Feb 15, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
De MONT R. D. CONNER	Ho'omana Pono, LLC.	Oppose	Yes

Comments: We STRONGLY OPPOSE this bill on the grounds that it may be in violation of Hawaii Revised Statutes Section 525, that has ended "perpetuities" in Hawaii. Mahalo.

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Cc: cedric@alignmarketingllc.com
Subject: Submitted testimony for HB1442 on Feb 15, 2017

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HB1442

Submitted on: 2/15/2017

Testimony for TRN on Feb 15, 2017 09:00AM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Cedric Duarte	Individual	Comments Only	No

Comments: I am writing today in staunch support of the measures that will extend the GET surcharge to provide sufficient funding to complete the project at the full 21 station plan. When I was a sophomore in high school, we had the opportunity to build rail from UH to the H1-H2 Exchange by 2004. That would have meant that for working families such as mine, now living with our two young children in 'Aiea, we would have a way today to commute into town in a reasonable amount of time, work a full day, and still be home to spend quality time raising our children. We missed that opportunity then – we cannot miss it again. Rail is about many things – creating jobs, investing in local industries, building our physical and economic infrastructure – but at its core, it is about our children's future. No one likes taxes. As a small business owner, I understand the initial feeling of pushback. But the GET surcharge is only 0.5% on a rate consumers already pay on goods and services, and it is absorbed in our normal buying habits. For most individuals, this will range from \$50 to \$200 a year spread out in \$1 increments on the things we already buy. When the future of affordable housing, livable communities, and a quality life for our children is at stake, this is more than worth it. Please support these efforts to extend the General Excise Tax surcharge. Mahalo for the opportunity to share our mana'o, Cedric Duarte

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