

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

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

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

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

WRITTEN COMMENTS
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1183, PROPOSED SD2

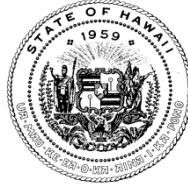
February 27, 2017
1:30 p.m.
Room 211

RELATING TO TAXATION

Senate Bill No. 1183, Proposed SD2, repeals the state administrative assessment on the county surcharge on state tax. The Department supports this proposal and will work with the Committee to determine how this proposal might fit into the financial plan being developed by the legislature.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR



Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

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

IN REPLY REFER TO:

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

February 27, 2017
1:30 a.m.
State Capitol, Room 211

S.B. 1183, S.D.1
RELATING TO TAXATION

Senate Committees on Ways and Means

The Department of Transportation (DOT) **supports** S.B. 1183 which authorizes counties to establish a surcharge on state tax. The bill also provides that ten per cent of the gross proceeds shall be deducted by the State and an unspecified per cent of the amounts retained shall be used by the DOT for transit oriented development and infrastructure improvement purposes.

The DOT recommends the following revisions be made to Section 11 of the bill.

SECTION 11. Section 248-2.6, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

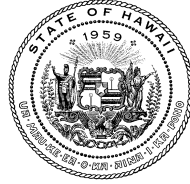
"(a) If adopted by county ordinance, all county surcharges on state tax collected by the director of taxation shall be paid into the state treasury quarterly, within ten working days after collection, and shall be placed by the director of finance in special accounts. Out of the revenues generated by county surcharges on state tax paid into each respective state treasury special account, the director of finance shall deduct ten per cent of the gross proceeds of a respective county's surcharge on state tax [~~to reimburse the State for the costs of assessment, collection, and disposition of the county surcharge on state tax incurred by the State. Amounts];~~ provided that ___ per cent of the amounts retained shall be [general fund realizations of the State.] used by the department of transportation for transit oriented development, and infrastructure improvement purposes, multimodal infrastructure related to transit and costs associated with the administration of the federally required State Safety Oversight program for rail transit."

DOT has no comments on the other portions of the bill.

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 Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: Monday, February 27, 2017
Time: 1:30 P.M.
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1183, S.D. 1, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of S.B. 1183, S.D. 1, and provides the following comments for your consideration.

S.B. 1183, S.D. 1, contains various provisions on county surcharge on all gross proceeds and gross income taxable under chapter 237, Hawaii Revised Statutes (HRS), general excise tax (GET), and chapter 238, HRS, use tax; GET and use tax rate increases; and an income tax provision as discussed below. The bill has a defective date of July 1, 2050.

Authority to Extend or Adopt County Surcharge Tax

First, Sections 1, 5, and 10 of this bill amend section 46-16.8, HRS. It seems that the intent of Sections 1, 5, and 10 of this bill is to: (1) extend or delete the sunset date of the City and County of Honolulu surcharge tax by ordinance; and (2) authorize the other counties to establish a surcharge tax by ordinance at the same rate of 0.5% of all gross proceeds and gross income taxable under GET and use tax laws, to fund public transportation systems in their respective counties.

The Department, however, notes that there are conflicts between the amendments made in Sections 1, 5, and 10 of this bill:

- Section 1 of this bill amends subsections (b) and (c) of section 46-16.8, HRS, to: (1) authorize the City and County of Honolulu to extend the surcharge tax beyond January 1, 2028 by ordinance; and (2) authorize each county that has not established a surcharge tax prior to July 1, 2017, to establish a surcharge on state tax at a rate equal to 0.5%, as specified in Sections 6 and 7 of this bill.
- Section 1 authorizes the counties that did not adopt a surcharge by July 1, 2017 to establish a surcharge.

- Section 5 amends section 46-16.8 (a), (b), (c), (d), (e), (f), and (g), HRS, to allow each county to establish a surcharge tax by July 1, 2018, at a rate equal to 0.5%.
- Section 5 also provides that a county electing to adopt the surcharge tax is required to notify the Department within ten days after its adoption of the surcharge tax. For any ordinance that is adopted after July 1, 2017, no surcharge shall be collected prior to January 1 of the year succeeding the adoption of the authorizing ordinance.
- Section 10 amends subsections (b) and (c) of section 46-16.8, HRS, to: (1) authorize the City and County of Honolulu to extend the sunset date of the surcharge tax from January 1, 2028 to December 31, 2032 by ordinance; and (2) authorize each county that has not established a surcharge tax prior to July 1, 2017, to establish a surcharge equal to 0.5% to fund public transportation systems in their respective counties by ordinance.
- Section 10 provides that 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, but not after December 31, 2032.

If the Committee wishes to advance this bill, the Department suggests that the Committee combine Sections 1, 5, and 10 of this bill, and address the conflicting proposals.

Second, 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 ensures that each county receives the proper amount of revenue.

Due to the substantial number of changes that must be done to the forms, instructions and computer system, the Department requests that the deadline for the counties to adopt an ordinance is no later than April 30, 2018, for new county surcharges that are effective beginning January 1, 2019. The Department will not be able to properly implement new county surcharges without sufficient time to prepare its operations, and to prepare affected taxpayers.

Disposition of the County Surcharge Tax Revenues

Sections 2, 8, and 11 of this bill amend section 248-2.6, HRS. It seems that the intent of these sections is to change the frequency of payment to the county, and to change the percentage deducted from county surcharge revenues to reimburse the State for costs of assessment, collection, and disposition of the surcharge tax. As currently drafted, these amendments conflict. The Department suggests combining these sections to eliminate any ambiguity.

The Department notes that it 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 amendments.

Act 247, Session Laws of Hawaii 2005 (Act 247)

Act 247 authorized the counties to establish a surcharge tax on GET and use tax by adopting an ordinance prior to December 31, 2005. Sections 3, 9, 12, and 24 amends Act 247 by either deleting the sunset date of December 31, 2027, or extending the sunset date from December 31, 2027 to December 31, 2032. If the Committee wishes to advance this bill, the Department suggests that Sections 3, 9, 12, and 24 be combined into one section addressing the sunset date of Act 247 for clarity.

Low-Income Tax Credit

Section 4 of this bill amends chapter 235, HRS, to create a new low-income tax credit per taxpayer to reduce the State income tax liability for low-income taxpayers. The credit for *each taxpayer* is determined after completing the income tax calculations as specified below:

Federal Adjusted Gross Income (AGI):	A Credit that Reduces the Taxpayer's Income Tax Liability by:
Federal AGI below the federal poverty guidelines	___%
Federal AGI at least 100% but not more than 125% of the federal poverty guidelines	___%
Federal AGI above 125% the federal poverty guidelines	___%

The bill defines the "federal poverty guidelines" as the guidelines set forth by the United States Department of Health and Human Services (USDHS) each year for Hawaii.

First, the Department notes the federal poverty guidelines vary by the number of persons in a family or households. If the intent of the bill is to provide the credit to taxpayers based on federal poverty guidelines based on family size, this should be clarified; qualification for the credit can be based on the number of personal exemptions claimed on the tax return. For example, if joint taxpayers have three dependents (total of 5 personal exemptions), those taxpayers' income should be compared to the federal poverty guidelines for a household of 5 in Hawaii.

Second, the Department suggests adding a provision that married taxpayers who file separately need to combine their two incomes in order to determine qualification for the credit. This requirement will simplify the administration of the credit and is similar to the administration of the low-income renter's credit.

Third, the USDHS generally publishes preliminary and final poverty guidelines each year. The Department suggests specifying that the federal poverty guidelines published by the USDHS by January 31 of each year, will be applied to determine qualification for the credit.

Finally, due to the substantial number of changes that must be done to the forms, instructions and the computer system, the Department requests that the effective date for implementation of the credit be for taxable years beginning after December 31, 2017.

Increase in GET and Use Tax Rates

Part IV of this bill increases the GET and use tax rates from 4% to 4.5% for the purpose of transferring an unspecified portion of the increase to a county that has already adopted a county surcharge and to support the State's education, transportation, affordable housing, and elderly care needs.

Section 21 of this bill directs the additional revenues generated by the increase in the GET and use tax pursuant to this bill be deposited into a special account in the general fund beginning January 1, 2019. The Department notes that it is unable to determine the additional revenues collected due to the increase in the GET and use tax. This is because any change in revenue cannot be solely attributed to the change in rate. If the intent is to identify a method of dedicating an amount to these specific uses, the Department suggests that there be an allocation of 11.1% of the total GET and use tax revenue collected instead (0.5% divided by the new rate of 4.5% equals 11.1%).

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 a GET and use tax rate increase be effective for tax periods beginning January 1, 2019.

Thank you for the opportunity to provide comments.



Hawaii Republican Party State House District 41

(Ewa, Ewa Beach, Ewa Gentry, Ewa Villages, Hoakalei, Ocean Pointe)

February 24, 2017

Senate Committee on Ways and Means
Hawaii State Capitol
415 South Beretania Street, Room 211
Honolulu, HI 96813

Committee Hearing: Monday, February 27, 2017, 1:30pm

RE: STRONG OPPOSITION for Senate Bill 1183 SD1 – 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.

Aloha Chair Tokuda, Vice Chair Dela Cruz and fellow committee members,

House District 41 of the Hawaii Republican Party rejects the use of taxation to redistribute income, fund unnecessary or ineffective programs, or foster the crony capitalism that corrupts both politicians and corporations.

This legislation is nothing more than a BAIL OUT for the City's mismanagement of the rail project from its inception. The need for a GET extension is based solely on the deceitful misinformation provided by the Mayor, City Council and HART. Supporting this extension will make the State complicit in the rail conspiracy created by the Mayor, City Council and HART.

The Hawaii general excise tax is all-encompassing and negatively affects virtually every economic activity imaginable. Not only does the general excise tax increase the cost of doing business in Hawaii, but also it affects the cost of all other purchases, from clothes to the price at the pump for gasoline – everything right down the line! It really hurts our lower and middle-income earners of whom many (over 50%) are already living pay-check to pay-check.

Extending this tax into perpetuity is not only irresponsible, its condemning our children and grandchildren to never-ending debt for a project that will never be self-sufficient and will never relieve our traffic congestion, which was its original intended purpose. We ask you, "Can you simultaneously love your children and betray their generation and generations unborn?"

We strongly OPPOSE this legislation, and encourage you to vote NO.

Mahalo,
Brett Kulbis
District Chairman

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
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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 COMMENTS

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1183, SD1

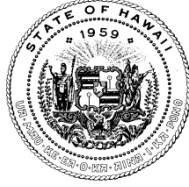
February 27, 2017
1:30 p.m.
Room 211

RELATING TO TAXATION

Senate Bill No. 1183, SD1 proposes various county surcharges and tax credits under different county matching requirements, and with earmarks of surcharge revenues for education, transportation, housing and human services programs. The Department has concerns about the administrative complexity of the proposals and using earmarked funds for programs that are not subject to the annual budget process.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR



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

February 27, 2017
1:30 p.m.
State Capitol, Room 211

S.B. 1183, Proposed S.D.2
RELATING TO TAXATION

Senate Committee on Ways and Means

The Department of Transportation (DOT) provides **comments** on S.B. 1183, Proposed S.D. 2, which proposes to repeal the requirement that 10 % of revenues from the county surcharge on state tax be withheld to reimburse the State for administrative costs.

The DOT recommends that the bill provide funds to be retained by the State for use by DOT for the administration of the HDOT State Safety Oversight Program required under federal law 49 U.S. Code § 5329(e) and set forth in title 49 Code of Federal Regulations Part 674 entitled "State Safety Oversight Program"

Thank you for the opportunity to provide testimony.

Testimony by:
FORD N. FUCHIGAMI
DIRECTOR

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

IN REPLY REFER TO:

COUNTY COUNCIL

Mel Rapozo, Chair
Ross Kagawa, Vice Chair
Arthur Brun
Mason K. Chock
Arryl Kaneshiro
Derek S.K. Kawakami
JoAnn A. Yukimura



OFFICE OF THE COUNTY CLERK

Jade K. Fountain-Tanigawa, County Clerk
Scott K. Sato, Deputy County Clerk

Telephone: (808) 241-4188
Facsimile: (808) 241-6349
E-mail: cokcouncil@kauai.gov

Council Services Division
4396 Rice Street, Suite 209
Lihu'e, Kaua'i, Hawai'i 96766

February 24, 2017

**TESTIMONY OF JOANN A. YUKIMURA
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON**

**SB 1183, S.D. 1 Proposed and S.D.2 Proposed, RELATING TO TAXATION
Senate Committee on Ways and Means
Monday, February 27, 2017
1:30 p.m.
Conference Room 211**

Dear Chair Tokuda and Members of the Committee:

Thank you for this opportunity to submit testimony on one of the most pressing issues affecting Kaua'i's future: a proposed ½ percent excise tax surcharge for public transportation.

While I bring the focus and expertise on transportation as chair of the Council Committee on Public Safety and Transportation, I am testifying as an individual councilmember, and the opinions expressed here are mine alone.

I write in support of a ½ percent excise tax surcharge authorization to be exercised at the option of each neighbor island county and to be used for public transportation capital and operating costs in perpetuity, with public transportation defined to include public transit, roads, bikeways and multi-use paths, pedestrian ways, and ADA improvements related thereto.

With all due respect and for the reasons articulated below, I oppose a portion of the revenues going to the State Department of Transportation (DOT). This would hopelessly entangle state and county finances in a structurally unsound way. If it is the desire of the State Legislature to provide monies for the DOT, I suggest that authorization of a ¼ percent excise tax surcharge be granted to the counties and that the state exercise its excise tax powers to raise the state excise tax by ¼% and those monies be used for the DOT.

If SB 1183, S.D. 2 is passed out of committee, please make sure that the references therein to requirements of a county do not apply to neighbor island counties because that does not appear to be the intention.

A “Thank You” and an Apology

First, I’d like to thank you for re-authorizing the excise tax surcharge for neighbor island counties in 2015. Without that re-authorization, we would have had no possibility for funding the expansion of the Kaua’i Bus outlined in the “Kaua’i Multimodal Land Transportation Plan” (“Multimodal Plan” or “Plan”). To my utter chagrin, Kaua’i County Council last year, by one vote, failed to approve the bill establishing an excise tax surcharge on Kaua’i. I am sorry that we failed to do our part. However, we cannot give up.

The Vision

Just as the implementation of a well-designed rail system is key to a good future on ‘Oahu, implementation of the Multimodal Plan on Kaua’i, with its transit component, is critical to a good future on Kaua’i. (See Figures 1.0 and 1.1 in Attachment). If Kaua’i County successfully implements the Plan, we will not have to pave over our island with asphalt, we will retain our rural character, and our economy will flourish because passengers and goods will move smoothly throughout the island and visitors will keep coming back to a beautiful island where it is easy to get around. The Multimodal Plan will also move us toward a more sustainable land transportation system by lowering the consumption of fossil fuels and reducing greenhouse gases. (See Fig. 1.2 in Attachment). To achieve this, the Plan, among other things, calls for a 1000% increase in weekday transit ridership over the next 20 years. This will require major inputs of capital and operating revenues.

What I Support

I support the basic concept of an excise tax surcharge in perpetuity for public transportation.

I would prefer that “public transportation” be defined as transit only, as with the City and County of Honolulu, and that spending be limited to transit. Many cities have recognized the urgency of establishing transit as a viable user-friendly option in order to move from a car dominated land transportation system to a more multimodal one. They’ve also recognized the environmental, economic and health benefits that come with the multimodal approach as compared simply building or widening roads. They have also considered that the excise tax is regressive and disproportionately hurts those who have fewer resources (see Fig. 1.4 in the Attachment).

It seems eminently unfair and unjust to use a regressive tax to fix damage caused by road users or to pay back bonds for the development of roads with the excise tax when user fees such as fuel and vehicle weight taxes could be used instead. On the other hand, the beauty of an excise tax surcharge earmarked for transit lies in the fact that expanding transit helps those most burdened by the regressive tax. Families can save much money using transit.

For example, a county worker who commutes by car daily from Waimea to Līhu‘e several years ago paid a monthly gas bill of \$350. Today, this county worker

commutes by bus at a monthly cost of \$35 by an annual pass for \$400. He thereby saves \$3,800 per year—“just as good as a pay raise!” he says.

While I prefer an excise tax surcharge earmarked for transit, I acknowledge that not all my colleagues on the Council agree; the flexibility to use the excise tax revenues for public transportation broadly defined to include roads, bike, and pedestrian facilities is important in order to get the votes and establish the tax.

What I Oppose

With all due respect and for the following reasons, I oppose general excise tax moneys being set aside for the State Department of Transportation for the development and maintenance of State highways:

1. It is a structurally unsound tax policy when the jurisdiction levying the tax is not the jurisdiction spending the money. There is no alignment of accountability. The DOT does not report to the county mayor or council; yet the county will levy the tax for the DOT. This will enable and encourage all kind of finger-pointing rather than accountability and transparency.
2. It is poor tax policy to use a regressive tax paid by road users and lesser-road users to support road development, when need is primarily due to vehicle drivers. This means that lesser-road users will be subsidizing frequent road users who aren't paying their fair share.
3. A Low Income Tax Credit for low income households is a good thing, but **it will not offset the regressive impacts of the surcharge** because those impacts affect more than just low income people. Fig. 1.5, line item “Sales & Excise Taxes” shows that the regressive impacts hit all but the richest income groups.
4. It is especially egregious that the heavy commercial trucks that cause the most road damage (see Fig. 1.3) would be pushing their cost of doing business, which they can deduct, on to the poor and those with fewer resources. This is widening the gap between the rich and the poor and is unjust.
5. When you price a service below actual cost there is more likely to be overuse and waste.

In summary, thank you for extending the possibility of an excise tax surcharge to neighbor island counties for public transportation. Please do not allow allocation of any of those revenues to the Department of Transportation. That would result a long term taxation framework that is not well structured. A better plan and source of revenue is necessary to put the DOT on firm ground for the future. I am willing to help develop and lobby for such a system.

Should you have any questions, please feel free to contact me at (808) 652-3988 or Council Services Staff at (808) 241-4188.

Chair Tokuda and Members of the Committee
Testimony of JoAnn A. Yukimura Re: SB 1183, S.D. 1 Proposed and S.D.2 Proposed,
Relating to Taxation
February 24, 2017
Page 4

Sincerely,

A handwritten signature in black ink that reads "JoAnn A. Yukimura". The signature is written in a cursive style with a prominent loop at the end of the last name.

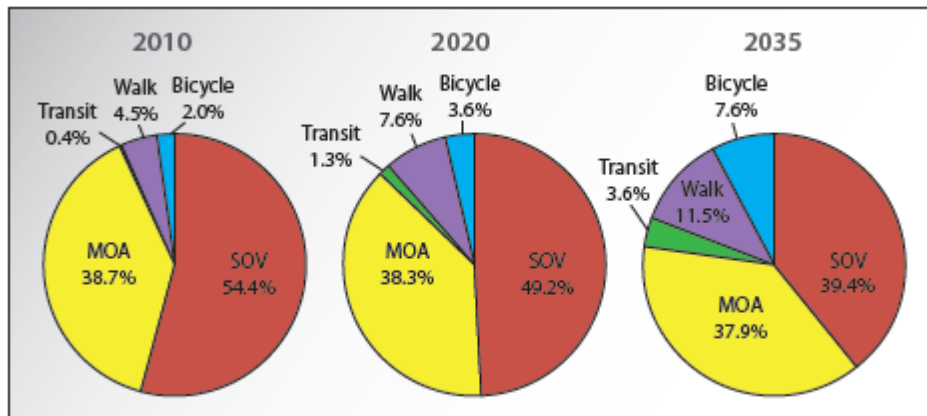
JOANN A. YUKIMURA
Councilmember, Kaua'i County Council

JA:cy
Attachment



Fig. 1.0. Example of road space savings and increased road capacity through a multimodal approach.

Preferred Mode Share - All Trips



* SOV = Single-Occupant Vehicle, MOA = Multiple-Occupant Auto

Fig. 1.1. The “Preferred Mode Share” chart from the Kaua’i Multimodal Land Transportation Plan shows the mode shift goals in the Kaua’i Multimodal Land Transportation Plan.

Indicator	2010 Level	Difference between 2010 and 2035	
		Baseline	Preferred
Annual VMT (Vehicle Miles Traveled)	771.5 million	↑19%	0%
Annual VMT per Capita	9,496	↓3%	↓18%
Annual Gallons of Motor Fuel Consumed	29.7 million	↓13%	↓27%
Annual Gallons of Motor Fuel Consumption per Capita	365	↓29%	↓40%
Annual GHG Emissions from Ground Transport (kg)	274 million	↓13%	↓27%
SOV* Mode Share	54.4%	0%	↓28%
MOA* Mode Share	38.7%	0%	↓2%
Transit Mode Share	0.4%	↑32%	↑839%
Walk Mode Share	4.5%	0%	↑156%
Bike Mode Share	2.0%	0%	↑274%
Fatalities from Motor Vehicle Collisions per 100 Million VMT	1.30	0%	↓15%
Weekday Transit Ridership	1,641	↑71%	↑1,002%
% of Adults Meeting the Minimum Levels of Physical Activity**	57%	0%	↑32%
Average Annual Household Transportation Costs	\$ 14,860	↑15%	↓6%

*SOV - Single Occupant Vehicle, MOA - Multiple Occupant Auto

**The CDC recommends adults get 30 minutes of moderate exercise 5 days a week to maintain a healthy lifestyle

Fig. 1.2. The indicator Chart above shows the projected impact that the preferred scenario of mode shift in the Kaua'i Multimodal Land Transportation Plan will have on various measures of environmental and human well-being.

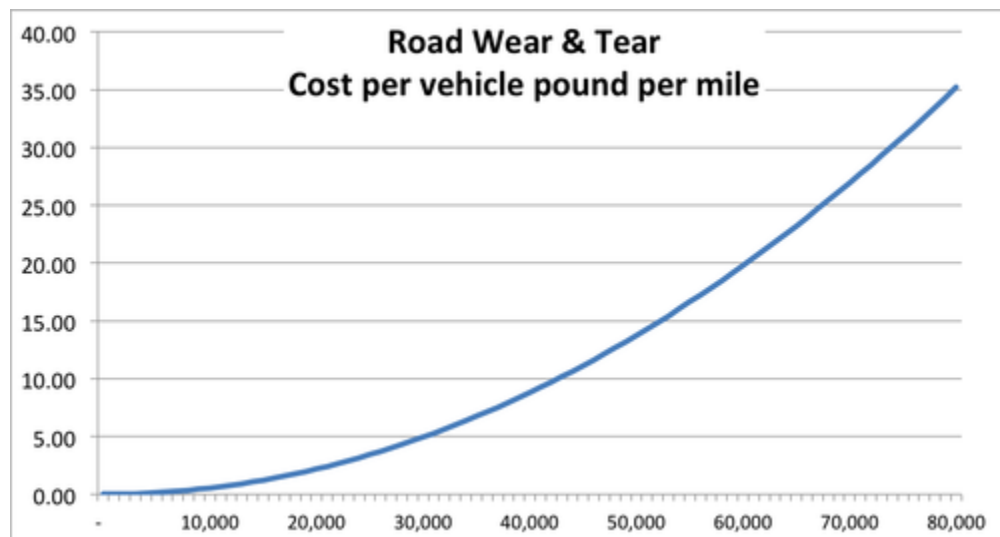


Fig. 1.3. Shows the exponential impact heavier vehicles have. From “Yes Bicycle Riders Should Pay Their Fair Share” by Walker Angell in Bicycling, October 24, 2016, streets.mn.



Fig. 1.4. Source: The Institute on Taxation and Economic Policy (ITEP), “State & Local Taxes in 2015” Report.

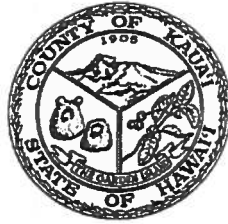
Hawaii State & Local Taxes in 2015

Details, Tax Code Features, & Tax Code Changes Enacted in 2013 & 2014

Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
	Income Range	Income Range	Income Range	Income Range	Next 15%	Next 4%	TOP 1%
Average Income in Group	\$10,100	\$25,000	\$42,100	\$66,800	\$116,800	\$236,500	\$811,300
Sales & Excise Taxes	11.0%	8.5%	6.5%	5.1%	3.7%	2.2%	1.2%
General Sales—Individuals	4.9%	3.9%	3.0%	2.3%	1.7%	1.0%	0.5%
Other Sales & Excise—Ind.	2.4%	1.6%	1.1%	0.9%	0.6%	0.3%	0.1%
Sales & Excise on Business	3.8%	3.0%	2.4%	1.9%	1.5%	0.9%	0.6%
Property Taxes	1.9%	1.2%	1.5%	1.3%	1.2%	1.3%	1.2%
Property Taxes on Families	1.8%	1.1%	1.4%	1.2%	1.1%	0.9%	0.5%
Other Property Taxes	0.1%	0.1%	0.0%	0.1%	0.2%	0.4%	0.7%
Income Taxes	0.5%	2.6%	3.7%	4.1%	4.3%	4.7%	5.9%
Personal Income Tax	0.5%	2.6%	3.7%	4.1%	4.3%	4.7%	5.8%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total Taxes	13.4%	12.3%	11.6%	10.5%	9.2%	8.3%	8.4%
Federal Deduction Offset	—	-0.1%	-0.2%	-0.5%	-0.9%	-1.1%	-1.4%
OVERALL TOTAL	13.4%	12.2%	11.4%	10.0%	8.3%	7.3%	7.0%

Fig. 1.5. Source: The Institute on Taxation and Economic Policy (ITEP), “State & Local Taxes in 2015” Report.

Bernard P. Carvalho Jr.
Mayor



Wallace G. Rezentes Jr.
Managing Director

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Testimony of
Wallace G. Rezentes Jr.

Before the Senate Committee on Ways and Means
Monday, February 27, 2017

In consideration of
SENATE BILL 1183, RELATING TO TAXATION

Aloha Honorable Chair Tokuda and Members of the Committee. Allow me to express my support for the overall intent of SB1183, which will provide the counties the authority to levy a surcharge on the general excise tax (GET).

It is critical that the counties be granted authority to levy a surcharge on the GET. Real property taxes now total over 81% of the county's main source of revenue, followed by the Transient Accommodations Tax (TAT), which as you know is presently capped. In FY 2015, Kaua'i's real property tax rates were increased for Residential, Commercial, Industrial, and Hotel and Resort classes so that they now more closely align with state averages. Furthermore, in FY 2016 the County created two new tax classes: Residential Investor and Commercialized Home Use which resulted in increased real property tax revenue for the County. By these actions, the County of Kaua'i responded to legislative concerns about the County independently seeking the appropriate action to pursue revenue resources in addition to its desire for the TAT and GET. Other revenue sources for the County include the vehicle weight tax, the annual vacation rental permit renewal fee, and the vehicle registration fee which have been increased as well.

There are many expensive capital improvements, service improvements and charter driven obligations that we must find a way to fund in the coming decade. These include: expansion of The Kauai Bus, catching up on \$100 million in deferred roadway repairs and improvements, constructing a new landfill and resource recovery park, seeking critical remediation to our multiple transfer stations to remain compliant with state and federal environmental regulations, and building more affordable housing. Consideration for some

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flexibility in the use of GET funds to meet a range of important needs would be appreciated. Also, we would appreciate a reasonable timeframe to enact such a surcharge.

For the past two years we have been in discussions with the legislature about expanding our revenue portfolio via the authorization of a county-specific GET surcharge. We feel that being granted this authority, coupled with the adoption of a fair distribution of the TAT, will provide us with the resources we need to enact a sustainable, long-term financial plan. We hope that discussion on this bill will continue and that agreement may be reached this session.

Mahalo for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read 'W. Rezendes Jr.', with a stylized, cursive script.

Wallace G. Rezendes Jr.
Managing Director

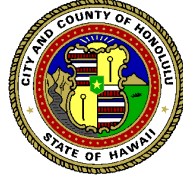
**OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU**

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KIRK CALDWELL
MAYOR

ROY K. AMEMIYA, JR.
MANAGING DIRECTOR

GEORGETTE T. DEEMER
DEPUTY MANAGING DIRECTOR



CITY AND COUNTY OF HONOLULU
BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
MONDAY, FEBRUARY 27, 2017; 1:30 PM

TO: THE HONORABLE JILL N. TOKUDA, CHAIR
THE HONORABLE DONOVAN M. DELA CRUZ, VICE CHAIR
AND MEMBERS OF THE COMMITTEE ON WAYS AND MEANS

FROM: KIRK CALDWELL, MAYOR
CITY AND COUNTY OF HONOLULU

SUBJECT: COMMENTS ON SB1183, SD2 PROPOSED RELATING TO TAXATION.

The City and County of Honolulu (City) appreciates the intent of SB1183, SD2 Proposed, which returns the State's portion of the county surcharge revenues on the general excise tax (GET) to the City. While this measure will ensure that the City receives approximately \$300,000,000 over the next ten years, this amount is insufficient to cover construction and financing costs of the minimum operable segment. The Honolulu Authority for Rapid Transportation estimates that the total construction cost for the rail project is \$8,200,000,000, exclusive of the financing costs.

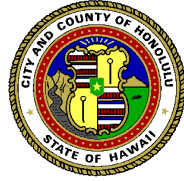
To ensure that the City is able to cover financing costs, we respectfully request that this measure be amended to allow the City to extend the surcharge in perpetuity. Allowing the surcharge to be extended into perpetuity ensures that the City will have sufficient funds to cover construction and financing costs of the rail project and ensure that we can build the full twenty-mile guideway with all twenty one rail stations.

Extending the county surcharge on the GET is the best option to cover these costs because it is already in place. Non-residents pay nearly thirty percent of the GET. Rail is the "Transit" in Transit-Oriented Development. There is no TOD without rail. We need TOD to provide affordable housing.

The City has concerns about meeting the reporting requirements imposed by this measure. Thank you for considering these comments.

HONOLULU CITY COUNCIL
CITY AND COUNTY OF HONOLULU

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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 SENATE COMMITTEE ON WAYS AND MEANS

WEDNESDAY, FEBRUARY 27, 2017,

LATE

TO: THE HONORABLE JILL N. TOKUDA, CHAIR
THE HONORABLE DONOVAN M. DELA CRUZ, VICE CHAIR
AND MEMBERS OF THE SENATE COMMITTEE ON WAYS AND MEANS

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 SB1183 SD2 RELATING TO TAXATION

My name is Ron Menor, and I am submitting testimony 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.

SB1183 Proposed S.D. 2, proposes to repeal the requirement that ten (10) percent of revenues from the county surcharge on state tax be withheld to reimburse the State for administrative costs. SB 1183, S.D. 2 also proposes to sunset unless a county ordinance is enacted by December 31, 2017, that repeals

any provision in a county ordinance that prohibits the use of county funds for the capital cost of the project and interest to finance that capital cost. And finally, S.B.1183, S.D. 2 proposes to require the mayor of the county to submit certain plans with respect to the rapid transportation system.

We appreciate your consideration of this important measure and support its' intent.

The Council's official position is in support of the permanent or long-term extension of the current County excise tax surcharge to fund capital costs. It is the most straightforward and efficient way of ensuring adequate funding to complete the construction of the Honolulu rail project to Ala Moana as required under the Full Funding Grant Agreement (FFGA) the city signed with the Federal Transit Administration (FTA). It is also a funding mechanism that would likely be approved by the FTA as part of the recovery plan that HART is required to submit by April 30.

As elected officials, we recognize that there are no easy and inexpensive solutions to financing the capital costs for rail. If the legislature passes a measure that requires the City to share in the construction costs for rail, the City will be forced to tap into real property tax revenues to make up the difference. This would necessitate having to reallocate scarce dollars away from important core services that our constituents need and/or increasing real property taxes on our residents

who are already struggling with high real estate costs. For these reasons, City officials believe that the option for financing all of the capital costs for the rail project that would be the least burdensome on our constituents would be a permanent or long-term extension of the excise tax surcharge.

We appreciate the committee passing the bill out as a vehicle for future discussion. Thank you for the opportunity to offer comments on this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, INCOME, GENERAL EXCISE, Indefinitely Extend County Surcharge on State Tax, Low Income Tax Credit, GET Increase

BILL NUMBER: SB 1183, SD-1

INTRODUCED BY: Senate Committees on Transportation and Energy and Public Safety, Intergovernmental, and Military Affairs

EXECUTIVE SUMMARY: This bill, while nominally allowing the City & County of Honolulu to adopt the county surcharge on the general excise tax indefinitely and allowing the other counties to adopt a similar surcharge, fundamentally changes the game by enacting a statewide increase on general excise and use taxes to fund a low-income credit in the income tax system, ostensibly to make up for the regressive nature of the GET.

Lawmakers need to keep in mind that the surcharge is the County's money. Although the State provided the vehicle, the County had to, and did, adopt an ordinance imposing tax (to be collected through the GET system), and the tax is only imposed on county taxpayers and businesses. Ten percent of this money is now skimmed off the top to go directly to the State general fund, and various drafts of this and related measures earmarked that money for statewide programs ranging from the homeless to state highways and bridges. The State could perhaps keep what it takes to collect the money, but further diversion of county money to statewide programs and services obviously benefits the state at the expense of county taxpayers, which raises serious constitutional questions.

Even the bill as originally introduced 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, which would be the only rationale that would justify a perpetual extension, 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. The current draft throws numerous other issues into the mix, including roads in limbo, ownership of lands on which DOE schools sit, HCDA parcels, tax relief for the poor, and a general GET increase to fund educational, transportation, affordable housing, and elderly care needs.

We suggest that the bill focus on the task at hand, namely the Honolulu rail project, and give the City & County of Honolulu (and other counties that may be thinking of doing something similar) clear guidance on the extent to which this State will permit the GET to be bent out of shape for this purpose.

SYNOPSIS: This bill has several parts.

Part I: Extension of Surcharge in Perpetuity

Amends HRS section 46-16.8 to allow any county to establish a surcharge on GET in perpetuity by ordinance. Collection of the surcharge will begin on January 1, 2018 for any county that has not yet adopted one but does.

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 collections of the surcharge be paid to the appropriate county or counties monthly. Provides that ___ % of the gross proceeds shall be used by the state department of transportation.

Makes conforming amendments.

Part II: Low Income Tax Credit

Amends HRS chapter 235 to establish a tax credit for low-income taxpayers. A nonrefundable income tax credit of ___% of state tax liability is allowed to taxpayers with federal AGI between 100% and 125% of the federal poverty guideline amount, and a credit of ___% of state tax liability is allowed to taxpayers with federal AGI below the federal poverty guideline amount.

Requires all claims for this credit, including amended claims, to be filed on or before the end of the twelfth month following the close of the taxable year for which the tax credit may be claimed. Failure to do so constitutes a waiver of the right to claim the tax credit.

Amends HRS section 46-16.8 to allow any county to establish a surcharge on GET by ordinance. Collection of the surcharge will begin on January 1, 2018 for any county that has not yet adopted one but does.

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 collections of the surcharge be paid to the appropriate county or counties monthly. Provides that ___ % of the gross proceeds shall be directed to the state highway fund.

Makes conforming amendments.

Part III: Extension of Surcharge to 2032 Plus Laundry List

Amends HRS section 46-16.8 to allow any county to establish a surcharge on GET until December 31, 2032 by ordinance. Collection of the surcharge will begin on January 1, 2018 for any county that has not yet adopted one but does.

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 collections of the surcharge be paid to the appropriate county or counties quarterly. Provides that 10% of the gross proceeds will be retained by the State, ___ % of which shall be used by the state department of transportation for transit oriented development and infrastructure improvement purposes.

Sections 13, 14, and 15 of the bill require the City and County of Honolulu to accept various fragments of land now owned by the Hawaii Community Development Authority; perform various public works projects (such as creating a bus rapid transit lane connecting central Oahu to the Pearl Highlands station and creating a secondary access road into Leeward Community College); and to do another laundry list of things for the State (such as transferring to the State all land owned by the City on which the DOE has a school or facility, accept all roads and streets in which there is an ownership dispute between the City, the State, or private landowners).

Part IV: General Excise Tax Hike

Amends the general excise tax and use tax laws to increase the base rate by 0.5% to 4.5%.

Amends HRS section 237-31 to provide that effective January 1, 2019, and ending on _____, \$_____ shall be transferred on a quarterly basis to a county that has adopted a transportation surcharge, if the funds shall be used only for purposes specified in existing law, and if the county provides matching funds of at least half the state funds to be transferred.

Also provides that effective January 1, 2019, and ending on _____, \$_____ shall be expended for the purposes of education; highway and road construction, maintenance, and repair; affordable housing; and programs and services for the elderly.

After the ending date (referred to in the two paragraphs above), all of the additional revenues from the tax increase are to be expended for the purposes of education; highway and road construction, maintenance, and repair; affordable housing; and programs and services for the elderly.

EFFECTIVE DATE: July 1, 2050. Part II takes effect on July 1, 2017.

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 several issues.

First, the bill itself presents three different versions of the surcharge extension. It is unclear which version is to be used and under what circumstances. Perhaps this is not surprising because the committee report admits that there are inconsistent provisions in the current draft.

Second, the bill presents the City & County of Honolulu (and no other counties) a laundry list of things the State wants. It is unclear whether the City would be forced to comply with this list or whether it is going to have some incentive to do so. In this respect the bill looks more like a statement of negotiating position than a bill.

Next, there is a low-income tax credit, which appears to be hastily drawn. Thought must be given to how the proposed credit would interact with other provisions in the income tax law that are there to deliver poverty relief, such as the low-income household renters’ credit, the food/excise credit, and the earned income tax credit (which isn’t now in the law, but is being heavily touted and is contained in several bills that are now moving). Policy makers need to pick one approach and make sure it delivers results, rather than throwing half a dozen measures at the problem and hoping that one of them sticks.

Then, there is the GET increase. When it goes into effect on July 1, 2019, it is apparently intended to displace the county surcharges, but it is unclear if the bill language accomplishes this.

Finally, there are the policy issues surrounding the problem at hand: rail.

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. 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%.

The language used in this bill drops the pretense that the 10% retained is for administrative costs. Instead, the percentage is changed to a yet unspecified amount to be expended by the state department of transportation. As amended, the retained amount is a tax to benefit all state residents, and it is only paid by businesses and residents of the county authorizing the surcharge. Something is still gravely wrong.

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. Recall Darth Vader in *The Empire Strikes Back*: "I am altering the deal. Pray I don't alter it any further."

Why Use the GET Anyway? The City administration appears to be hell-bent on using the GET surcharge to get the dollars it needs. "Tourists pay one third of the surcharge," they say, "while residents and only residents pay real property tax." The Foundation has put together calculations indicating that the amount of GET exported is between 15% and 20%,¹ and Hawaii Free Press came up with 14.1% in August 2016.²

¹ Please see <http://www.tfhawaii.org/wordpress/blog/2015/02/our-best-export-our-taxes/>.

² Hawaii Free Press' article is at <http://www.hawaiifreepress.com/ArticlesMain/tabid/56/ID/18093/GE-Tax-Audit-Shows-Tourists-pay-only-141-of-Rail-Surcharge.aspx>.

Also, whatever the percentage of GET exported, not only residents pay real property tax. Not all property is residential, and not all residential properties are owner occupied. Owners of real property classified in the hotel / resort classification, which in the current fiscal year³ accounts for 5% of total property valuation and 14% of total property tax, surely factor property taxes into the price they charge their guests. The same can be said of property in the Residential A classification, which in the current fiscal year accounts for 7% of total property valuation and 9% of total property tax, that is rented out either on a short-term or long-term basis. Those two classifications count for 23% of the property tax base, and are likely to be heavily exported.

Focus! This draft of SB 1183 has been called the “kitchen sink” bill, for very good reason. There isn’t much that this bill does not contain. If this bill is to move forward, it should be focused. We suggest stripping away the pages and pages of extraneous provisions, and focusing it on the county transportation needs that must be addressed. It may well be that the most fiscally responsible thing to do, from the State’s perspective, is to tell the City & County that the State has plenty of fiscal problems of their own, and is not happy about further tightening the vise around taxpayers to solve someone else’s problem.

Digested 2/23/2017

³ Valuation and tax totals are taken from https://www.realpropertyhonolulu.com/media/1458/16_oahu.pdf.

Rail Tax SENATE BILL NO. 1183, SD1, SD2

Testimony by John Bond, FTA HART Rail PA Consulting Party

Aloha Senate Chair Tokuda and WAM committee members

The HART Rail "Plan" Remains Largely Guesswork Costing Billions More with no Reliable Accountability and "Maybe 2025, 2026, 2027" Promise to Complete something Usable.

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

How is this justification for reckless open ended perpetuity and no accountability?

Statements about "losing" the \$1.5 Billion are FALSE. HART has actually received Less than HALF (\$700,000) to date. Let's be honest- it was the City that BROKE the FFGA agreement. The FFGA has been abrogated. If the City ever wants to see the rest of the money they have to do what FTA asks in the July 21, 2016 letter.

Per then FTA Administrator Flower's letter dated July 21, 2016, the City needs to either:

"reduce the scope of the Project, consistent with the financial resources currently available, or seek additional, non-Federal resources to complete the functional scope of work under our Full Funding Grant Agreement of December 2012, or undertake some combination of these."

This means the FTA is letting the City complete much less and not lose any FTA funding. These are the terms the State Legislature should focus on.

It is well documented that the Mayor was originally supporting stopping at Middle Street based upon the FTA conversations in San Francisco in 2016. The FTA said that they would let the City "off the hook" and gave them several reasonable options.

The later push for getting EVERYTHING is clearly a result of the Mayors campaign contributors demanding he deliver to them everything he promised to them so that they can make big rail profits (without putting ANY of their "skin in the game.")

The overtaxed Oahu public are clearly just helpless pawns that the Mayor clearly does not care about. He is already lining up a huge number of City tax increases in property tax, gas skim, parking fees, etc. He has no problem making people's lives miserable. He is well off with a lucrative bank job. Why does the State legislature want to pile on the tax misery?

It is well documented that the Mayor came before the Legislature previously and said the rail tax extension money provided was enough to finish the project. He also provided information that was later proved to be false. The Mayor will say and do anything for his campaign donors and contractor-developer friends. The very last people he cares about are the under stress and duress Oahu tax payers.

The Mayor even promised to give the State a bribe of 25-30% of the rail tax in order to get it FOREVER. This is so incredibly unscrupulous and counter to all concepts of fiduciary responsibility that it raises the question of the Mayor's grasp on ethics.

The State Legislature is the last hope for fairness and salvation for Oahu citizens.

Now the Mayor wants more rail tax money forever with statements that do NOT address what FTA actually offers:

Reduce the Project- by far the best and most logical choice considering vast over budget rail construction expenditures among the highest per capita ever in the US.

OR

Seek non-Federal resources to complete the scope of the under the Dec 2012 FFGA. (How about making the fat cat rail profiteers put "skin in the game"?)

What the FTA asks doesn't require that the State should do anything more than was already done, which included a second and "final" granted tax extension?

Is the State Legislature STUPID? With all of the other major state issues needing funds why is the State Legislature willing to throw good money after bad?

Nearly everyone originally involved in the City rail project has "left the building" in one way or another. The original pusher of the rail project has always been Mayor Caldwell. He will likely bail out later and run for governor with bags of cash. After so many lies and false promises why does this huge fiasco deserve being rewarded with money forever, no accountability and NOT EVEN what the FTA is asking to be done in the July 21, 2016 letter?

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 the 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. *The State legislature should fund a Pearl Harbor Washington State ferry!*

City Rail EIS Fraud

\$300 million was spent on the Final EIS which included many outright false statements and lies, as well as never factoring in the huge rail electric power requirements expected to be the largest public electricity bill on Oahu. Also, much of the final fourth segment 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 very bad routing.*

FEIS analysis showed the badly done AIS which forced a lawsuit as well as a fraudulent rail City contractor form stating the Ewa farmland where the rail would run through was "below par-low quality." *Also that the rail would NOT be in low sea level flood zones- which will cause billions in infrastructure loses from future hurricane storm surge and tsunamis. The original public rail route plan 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 this EIS 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.*

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.*

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 most 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 lower 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 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.

Projected Rail Ridership Numbers Are Clearly FALSE

Rail officials projected that rail fares would cover approximately a third of operating costs, but that's extremely optimistic. They predicted 116,000 daily riders in 2030, which works out to about 5,800 riders per mile. *That's more than the number of riders per mile carried by the Chicago Transit Authority, Atlanta's MARTA, or the San Francisco BART system—and considerably more than carried by heavy-rail lines in Baltimore, Cleveland, and Miami.*

No TOD without Rail – False

Honolulu has one of the best used bus systems in the country, and the extremely high costs of the rail will lead to cannibalization of that bus system. The best thing Honolulu can do is stop spending money on the endless back hole rail project and go back to running an excellent bus system with Bus Rapid Transit Transit Oriented Development. (BRT-TOD)

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 which build TOD's around Bus Rapid Transit (BRT) or with at grade light rail trams. Any place with a bus stop or central bus transfer point is basically a Transit Oriented Development. Nothing prevents work force housing NOW without RAIL TOD and it could be done easily with BRT TOD's using buses or trams. Actually Caldwell really wants TOD real estate deals to please his campaign contributors and could really care less how long rail takes. Jacobs Engineering says in the PMOC that it will likely be 2026-27 if ever.

Poor Rushed Rail Construction Will Cost Huge Future Maintenance Fees

Bad, rushed rail construction pushed by the City to create a sense that "we can't stop now" caused widespread poor contractor work on the WOFH (West Oahu) 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 PR 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 2025-27 ?

There will someday 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. 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 change orders to come **based on low ball bids**. *HART will have a future bad accident as a result and this will give Honolulu rail a badly constructed unreliable reputation.*

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, now and in the future

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 NOW. *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 that 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.***

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 electric power is far more polluting because it will require non-renewable oil and gas. *Solar power can be stored and 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 the massive night and day operations needed by rail cars, energized guideway, platforms and support facilities that are NOT REQUIRED by electrically powered cars and buses running on roadways.

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.

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 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.***

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 and the true figure is less than 20%. 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 from auditors.

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 well defined as to where exactly where 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 nearly bankrupt from PG&E electric bills. How can HART have an estimated Operations and Maintenance cost when the key power system cost is 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.* 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 rail fraud upon fraud.

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, rail cars skating past precise station stopping points during heavy rain, etc. 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. Expect social media to be very very critical of Honolulu's rail.

Mahalo and please consider the social injustice this is and will cause in the future.

**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.

City will put massive rail debt on taxpayers using Rail Bonds

The original plan for rail did not include 30-year bonds. In fact, the FFGA specifically stated that all debt and related debt costs would be paid off by FY2023. The high-end pricetag of \$9.5 billion, almost \$1 billion higher than the high estimate of only two months ago, reflects the significant cost debt service.

A case in point is the Hawai'i Convention Center. Since 1995 when repayment for that project began, the state has paid more than \$450 million for the facility. House and Senate finance panels learned the Hawaii Tourism Authority still owes \$317 million in principal and interest.

Borrowing significant amounts of money to pay for the rail project will saddle city taxpayers with a crushing debt for decades.

Oahu Drivers Could Get Triple Tax Screw-Over By Pro Rail Councilmembers

<http://www.kitv.com/story/34580742/oahu-drivers-could-get-triple-taxed>

The Honolulu City Council advances three bills that could make your commute much more costly. The measures raise vehicle and fuel taxes, plus double metered parking rates.

"Right now it is \$3 for 2 hours so it adds up. Doubling it would be difficult, for most people," said Wahiawa resident Laura Julius.

Not only would people pay more to park, it would be more costly just to own a car or truck. Another bill would raise the vehicle weight tax by a penny a pound, in each of the next two years. Pennies may not sound like much, they add up quickly.

A standard sized car weighs 3200 pounds and has a current tax of \$160 per year. The additional penny a pound would increase the fee \$32 next year and another \$32 in 2019.

The costs would be much more for bigger, heavier vehicles. Which is why some drivers want to put the brakes on rising registration fees.

"Between the three of us, in a three household we pay about \$1,500 currently. They're not fancy cars. They are simple cars, small cars but everything gets added onto us as citizens of Hawaii," said Mela Kealoha-Lindsey, with Creations of Hawaii.

A third bill would change the county fuel tax from the current 16.5 cents on every gallon. It would tack on another 3.5 cents per gallon. This increase would be paid at the pump, which means it would impact those who drive the most .

"I ask that you kill this bill, because it is adding more discomfort for us on the west side. We drive all the way in from Waianae to town to talk to you guys, I pay a higher cost

than you guys," said DeMont Conner, with Ho'omana Pono LLC.

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

Local Oahu residents will be regressively taxed for 10 years or MORE 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 contractor bank accounts. No US city has a more inept, corrupt, expensive and stupid "transit" scheme than Honolulu, the national poster child for US rail fiascos.

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.

Rail operations will raise taxes 9%, officials say

Oahu property owners will pay the city's bill for the train, a City Council committee is told

- Honolulu Star-Advertiser
- 26 Jan 2016
- By Gordon Y.K. Pang gordonpang@staradvertiser.com

It was a short answer to a loaded question: How much will rail operations and maintenance cost Oahu property owners in taxes?

The response was that broadly speaking and “using today’s numbers,” property taxpayers can expect to see a 9 percent increase in rates to subsidize annual operational costs for the 20-mile rail system when it comes online in late 2021.

The 90-second exchange on Jan. 13 between City Council Budget Chairwoman Ann Kobayashi and city Deputy Budget Director Gary Kurokawa was overshadowed by more immediate news that day. The Council Budget Committee had voted 4-1 to give its final approval to Bill 22 (2015), extending the contentious 0.5 percent Oahu surcharge on the general excise tax for five more years — setting the stage for a final vote by the full Council on Wednesday.

The estimate was based on the Honolulu Authority for Rail Transportation’s own early estimates that operations and maintenance would cost \$120 million annually with a return at the fare box of 30 percent.

Assuming no other sources of revenue, Kurokawa told the Budget Committee, that would leave a \$90 million shortfall for rail each year. This year’s expected property tax take is approximately \$1 billion, he said, “so if you need to raise \$90 million a year, that would make a 9 percent increase ... in the overall property taxes.”

Kirk Caldwell Mislead the Legislature on Rail Taxes - Can't Ever Be Trusted

Internal emails from Honolulu’s rapid transit agency raise questions about whether Mayor Kirk Caldwell was being honest with Hawaii lawmakers when pleading for an extension of a 0.5 percent general excise tax surcharge that pays for rail.

The project faces a nearly \$1 billion deficit, and in January Caldwell told legislators that if he

didn't get a GET surcharge extension he would have to raise Honolulu property taxes 30 percent to 43 percent to build and maintain the system. Construction costs are now estimated to be about \$6 billion.

But emails obtained by the Honolulu Star-Advertiser through a public records request indicate Caldwell overstated the severity of the situation.

Rep. Sylvia Luke, who heads the House Finance Committee and was a lead negotiator on the tax extension bill, told Civil Beat on Friday that the new information revealed in the emails is "troubling" and "unfortunate." She said the Legislature might have acted differently had it known that the city would only need to increase property taxes by 5.6 percent to cover the rail shortfall.

"It puts the mayor's credibility on the line," Luke said. "From the pre-session discussions to the end of session when we had to ultimately vote on this bill, we were always led to believe that the equivalent amount of property tax increase that the city would have to increase was 30 to 40 percent. I think the city, the mayor and HART had always been consistent on that number."

The mayor's office is defending the statements Caldwell made to the Legislature in January. In a written statement to the Star-Advertiser and released later to Civil Beat, Caldwell spokesman Jesse Broder Van Dyke said the mayor used the 30 percent to 43 percent figure when asking for a GET surcharge extension in perpetuity, and that it would cover building and operating the current 20-mile segment along with future extensions to downtown Kapolei and the University of Hawaii at Manoa.

The mayor's office provided figures that showed the 5.6 percent property tax increase would only pay for construction of the current estimated shortfall. An additional 8 percent increase in property taxes would be needed to cover operating costs. Property taxes would need to be increased an additional 24.8 percent to pay for the future extensions, which have been estimated to cost \$4 billion.

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.



Randy Perreira
President

HAWAII STATE AFL-CIO

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The Twenty-Ninth Legislature, State of Hawaii
Hawaii State Senate
Committee on Ways and Means

Testimony by
Hawaii State AFL-CIO
February 27, 2017

S.B. 1183, S.D.1 – RELATING TO TAXATION

The Hawaii State AFL-CIO strongly supports S.B. 1183, S.D.1 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.

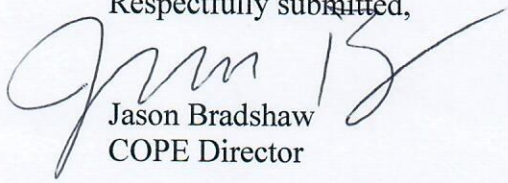
Traffic on Oahu is continually getting worse. Each year, there are thousands of new vehicles on the road creating additional gridlock, increased frustration, and more time spent in a vehicle instead of at home with loved ones. Increasingly, commuters from West Oahu face the daunting reality that traveling 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 S.B. 1183, S.D.1 to ensure rail is built as planned.

Thank you for the opportunity to testify.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jason B.", is written over the typed name and title.

Jason Bradshaw
COPE Director



HONOLULU AUTHORITY for RAPID TRANSPORTATION

IN REPLY REFER TO:
CMS-AP00-02004

Krishniah N. Murthy
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SENATE COMMITTEE ON WAYS AND MEANS

Monday, February 27, 2017
1:30 PM

State Capitol, Conference Room 211

Chair Tokuda, Vice Chair Dela Cruz and Members of the Senate Committee on Ways and Means:

The Honolulu Authority for Rapid Transportation (HART) **supports the intent of S.B. 1183, S.D.1,** and would like to offer **comments of concern** with regard to **S.B. 1183, Proposed S.D. 2,** for your consideration.

S.B. 1183, Proposed S.D. 2, proposes to repeal the requirement that ten (10) percent of revenues from the county surcharge on state tax be withheld to reimburse the State for administrative costs. SB 1183, S.D. 2 further proposes to sunset unless a county ordinance is enacted by December 31, 2017, that repeals any provision in a county ordinance that prohibits the use of county funds for the capital cost of the project and interest to finance that capital cost. And finally, S.B.1183, S.D. 2 proposes to require the mayor of the county to submit certain plans with respect to the rapid transportation system.

While HART favors and supports legislative measures which seek to explore revenues sources resulting in an increase of funding levels for the construction of the Honolulu Rail Transit Project (Project), HART believes extending the surcharge on State general excise and use tax (GET) beyond the sunset date of December 31, 2027, is the best option to achieve our immediate goal of meeting the City's obligations under the Full Funding Grant Agreement to complete this Project.

HART estimates the cost to complete construction of the Project will be \$8.2 billion, inclusive of contingency as required by the Federal Transit Administration (FTA), but excluding finance charges. Contingency, which is an important component of a construction budget, is based on historical experiences and industry standards and practices in terms of the utilization of a percentage of expected additional cost increases due to unanticipated and unforeseen conditions during construction. While the expectation is to manage and control the financial impacts of dealing with any unforeseen conditions, industry practice is such that a project should anticipate encountering these unexpected issues and plan accordingly to absorb the resultant costs.

Consequently, financing the Project through the issuance of bonds will be in addition to the \$8.2 billion in capital project cost. S.B. 1183, S.D.2 would potentially provide insufficient funding to complete the construction of the Minimum Operable Segment from East Kapolei to Ala Moana Center.

Because an acceptable contingency level that is approved by the FTA for an adopted financial plan is required as part of HART's Recovery Plan to be submitted to the FTA, HART must demonstrate that it has clear access to sufficient revenue to cover the entire project capital budget including contingency and financing charges through identified revenue sources that are committed solely to the project. If there is an insufficient amount of GET Surcharge revenue to cover the total capital budget, the City will be required to identify the general fund revenues that will be committed to the project and take the appropriate steps immediately prior to any submission of the Recovery Plan to the FTA.

Finally, we respectfully request your committee to consider amending Section 2 of the recommended form of this bill, specifically HRS Section 248-2.6, which requires the Department of Taxation to pay into the State treasury all county surcharges on State tax collected on a monthly basis, rather than quarterly. The Department of Taxation has testified that it collects and reports the county surcharge amounts to the Department of Budget and Finance and Department of Accounting and General Services each month. If the State Legislature agrees to amend payments to the counties from a quarterly to a monthly basis, the amount of savings to the Project is approximately \$11 million compared to the potential loss of interest earning to the State of approximately \$2 million. The State's current average target rate of return on treasury investments is 0.7% whereas the City's debt financing interest rates are projected to range from 3.0% to 4.5%.

Thank you for this opportunity to provide written testimony.

at (J. Oliveira/M. McGrane/S. Carnaggio/B. Morioka/KN Murthy)



February 26, 2017

Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair
Senate Committee on Ways and Means

Support of SB 1183, SD1 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.)

WAM Hrg: Monday, February 27, 2017, at 1:30 p.m., in Conf. Rm. 211

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

LURF appreciates the opportunity to express its **support of SB 1183, SD1**.

The most important part of this measure allows the City and County of Honolulu (City) to extend the surcharge on state general excise tax *in perpetuity*. An extension *in perpetuity* would ensure that the City has sufficient revenues to pay for construction and financing costs of the rail project for the full twenty mile guideway and all twenty-one rail stations.

For the above reasons, LURF **supports SB 1183, SD1** and respectfully urges your favorable consideration.

Thank you for the opportunity to provide comments in support of this important measure.



**Testimony to the Senate Committee on Ways and Means
Monday, February 27, 2017 at 1:30 P.M.
Conference Room 211, State Capitol**

RE: SENATE BILL 1183 PROPOSED SD2 RELATING TO TAXATION

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports** SB 1183 Proposed SD2, which repeals the requirement that 10% of revenues from the county surcharge on state tax be withheld to reimburse the State for administrative costs; sunsets if an ordinance that allows the capital costs of a rapid transportation system to be paid from county funds is not enacted before December 31, 2017; requires the mayor of the county to submit certain plans with respect to the rapid transportation system.

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 this bill as a means to provide additional funds to meet the projected shortfall in the city's rail project. We support this and other means, including funding from city sources, that are enough 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.

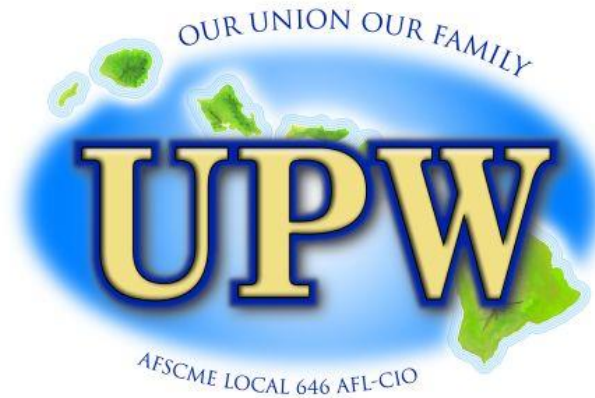
The decision is a challenging one and concerns about the financial situation are valid. We agree that the stakeholders should be held more accountable and held to higher standards as we see the price of rail escalate. We also see opportunities for more collaboration and partnerships.

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 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.



THE HAWAII STATE SENATE
The Twenty-Ninth Legislature
Regular Session of 2017

COMMITTEE ON WAYS AND MEANS

Senator Jill N. Tokuda, Chair
Senator Donovan Dela Cruz, Vice Chair

DATE OF HEARING: Monday, February 27, 2017
TIME OF HEARING: 1:30 p.m.
PLACE OF HEARING: State Capitol, Rm. 211
415 South Beretania Street

SENATE BILL 1183 SD1 RELATING TO TAXATION

By DAYTON M. NAKANELUA,
State Director of the United Public Workers,
AFSCME Local 646, AFL-CIO ("UPW")

My name is Dayton M. Nakanelua, State Director of the United Public Workers, AFSCME Local 646 AFL-CIO (UPW). The UPW is the exclusive bargaining representative for approximately 14,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

SB1183 SD1 authorizes counties that have established a surcharge on state tax prior to 7/1/2015 to extend the surcharge in perpetuity. It authorizes counties that have not established a surcharge by 7/1/2017 to establish a surcharge on state tax. The bill 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.

The UPW supports this bill and requests that the committee pass SB 1183 SD1.

Thank you for the opportunity to submit this testimony.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: darakawa@lurf.org
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM
Date: Sunday, February 26, 2017 1:41:24 PM

SB1183

Submitted on: 2/26/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
David Z. Arakawa	Land Use Research Foundation of Hawaii	Comments Only	No

Comments: The Land Use Research Foundation of Hawaii (LURF) submits COMMENTS IN OPPOSITION TO THE PROPOSED SB 1183, SD2 VERSION. LURF supports the intent of the SD2 VERSION, however, LURF OPPOSES it because it only allows the county surcharge revenues on the general excise tax (GET) to be provided to the City for rail construction and financing for the next ten years - which is insufficient to fund the total construction and financing costs of the Rail project. LURF respectfully recommends that this Committee either NOT APPROVE THE SD2 VERSION (AND PASS THE SD1 VERSION), or AMEND SD2 to extend the surcharge "in perpetuity."

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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The Twenty-Ninth Legislature
Regular Session of 2017



THE SENATE

Committee on Ways and Means

Senator Jill N. Tokuda, Chair

Senator Donovan M. Dela Cruz, Vice Chair

State Capitol, Conference Room 211

Monday, February 27, 2017; 1:30 p.m.

STATEMENT OF THE ILWU LOCAL 142 ON S.B. 1183 SD 1

RELATING TO TAXATION

The ILWU Local 142 supports S.B. 1183 SD 1, 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 SD 1 also provides that the State shall retain an unspecified portion of surcharge proceeds for the Department of Transportation and requires a county's share of the county surcharge on state tax to be paid to the county on a monthly basis.

S.B. 1183 SD 1 provides a vehicle 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 the financial and other challenges that the project faces. Given the financial resources and time already invested in this project, and the fact that it is substantially completed, provides strong justification to address the funding shortfall.

It would make no sense to "pull the plug" on the rail project. Polling of the Oahu residents have made this point clear. S.B. 1183 SD 1 provides a beginning point to move forward and resolve some of the key issues that will lead to the successful completion of the Oahu rail project.

S.B. 1183 SD 1 also increases the general excise and use tax from four per cent to four and one-half per cent on various businesses to address funding needs in transportation, education, affordable housing and the needs of our senior citizens. While noting that these are all general responsibilities of the State, this part of the bill may exceed the transportation focus that S.B. 1183 began with.

The ILWU urges passage of S.B. 1183 SD 1. Thank you for the opportunity to share our views on this matter.

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2017 12:39 AM
To: WAM Testimony
Cc: blawaiianlvr@icloud.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/27/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

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. We believe that the "perpetuity" clause in this bill goes against the spirit, if not the letter, of Hawaii Revised Statutes 525, which is the anti-perpetuity law in Hawaii. Thou shalt not make any law that runs contrary to any other law that is already on the books! Furthermore, without any measure or language mandating " forensic accountability", this legislative body is setting the taxpayers up for an over burdening tax hike, along with all your other tax hikes like vehicle weight tax, vehicle registration tax & gasoline tax, just to name a few! THIS IS THE TYPE OF OVER REACHING ABUSE BY GOVERNMENTS THAT LEAD TO REVOLUTIONS!

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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TESTIMONY
OF THE KAPOLEI CHAMBER OF COMMERCE
IN SUPPORT OF SB1183, SD1
RELATING TO TAXATION

LATE



Working together for Kapolei

To: Chair Tokuda, Vice Chair Dela Cruz and Members of the Senate
Ways and Means Committee

February 27, 2017

My name is Kiran Polk, and I am the Executive Director of the Kapolei Chamber of Commerce, submitting this testimony **in favor** of SB 1183, SD1. This measure extends 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 a GET extension that would provide sufficient funding to complete the full 20 mile, 21 station project as planned. Therefore, we respectfully request your approval of legislation that continues funding to finish the rail project, 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", written on a light-colored rectangular background.

Kiran Polk
Executive Director

LATE

Testimony of
Christopher Delaunay
Pacific Resource Partnership

THE SENATE
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

COMMITTEE ON WAYS AND MEANS
Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair

NOTICE OF HEARING

DATE: Monday, February 27, 2017
TIME: 1:30 p.m.
PLACE: Conference Room 211
State Capitol

Aloha Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee:

We **support the intent** of Senate Bill 1183, SD1 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 on moving Senate Bill 1183, SD1 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.

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



GCA of Hawaii

GENERAL CONTRACTORS ASSOCIATION OF HAWAII

Quality People. Quality Projects.

Uploaded via Capitol Website

February 27, 2017

TO: HONORABLE JILL TOKUDA, CHAIR, HONORABLE DONOVAN DELA CRUZ, VICE CHAIR AND MEMBERS OF THE SENATE COMMITTEE ON WAYS AND MEANS

SUBJECT: **SUPPORT INTENT OF S.B. 1183, SD1, 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.

SUPPORT INTENT OF S.B. 1183, PROPOSED SD2, 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: Monday, February 27, 2017
TIME: 1:30 p.m.
PLACE: Conference Room 211

Dear Chair Tokuda, Vice Chair Dela Cruz and Members of the Committee,

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 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. This measure proposes to remove the ten percent that the State uses to administer the surcharge tax for Honolulu and dedicate such funds to the project.

Rail is one of the biggest job stimulus available in the state of Hawaii and is putting many people to work, and they will in turn, put this money back into the economy. Rail will also encourage Transit-Oriented Development (TOD) around the rail stations and along the route, which will in turn support sustainable, affordable, and more livable communities.

Rail is transportation infrastructure necessary for our island's quality, growth and prosperity. But a significant side benefit is the economic stimulus effect it would bring to 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 support on this matter.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the Senate Committee on Ways and Means
Monday, February 27, 2017 at 1:30 P.M.
Conference Room 211, State Capitol**

LATE

RE: SENATE BILL 1183 SD1 RELATING TO TAXATION

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committees:

The Chamber of Commerce Hawaii ("The Chamber") **supports the intent of SB 1183 SD1**, 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.

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. We also do not take any position on other issues in the bill.

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 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.



Chamber *of* Commerce HAWAII

The Voice of Business

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.



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**

SENATE COMMITTEE ON WAYS AND MEANS
Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair

LATE

NOTICE OF HEARING

DATE: Monday, February 27, 2017
TIME: 1:30 p.m.
PLACE: State Capitol, Conference Room 225

TESTIMONY ON SENATE BILL NO. 1183 SD1, RELATING TO TAXATION

ALOHA COMMITTEE CHAIR TOKUDA, COMMITTEE VICE CHAIR DELA CRUZ AND COMMITTEE 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 **SUPPORT of the INTENT** of Senate Bill No. 1183 SD1. This bill 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. The Rail is elevated, will be independent from our highway system, will take cars off the road, and will 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.

The SB1183 SD1 PROPOSED has many changes and additions and a number of them are of concern to us. A number of the changes and additions do not seem related to the Rail GET Surcharge extension. We prefer a clean bill which extends the Rail .5 percent GET Surcharge in perpetuity.

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 **support of the intent** of Senate Bill No. 1183 SD1 PROPOSED.

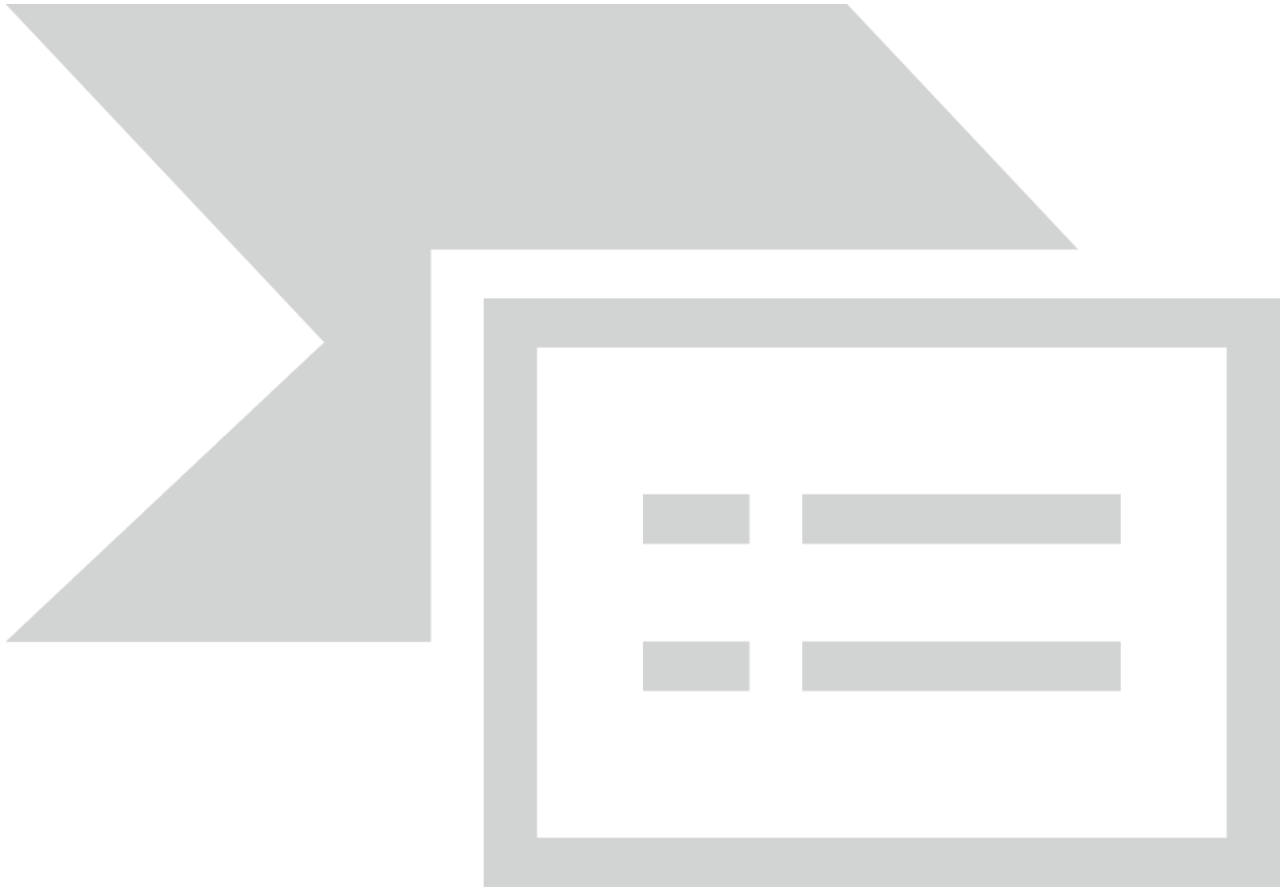
Another HART stunt to get the surcharge passed: Last night at our Makakilo-Kapolei-Honokai Hale Neighborhood Board meeting, HART spokesman, Pat Lee, confirmed that HART was backing out of building the parking structure for 1600 cars and the access ramps from H-2 and H-1 at the Pearl Highlands station if they don't get approval for the extension of the GET surcharge. This, of course, means no parking stalls for cars coming down H-2 and cars from Waipahu and Ewa-Ewa Beach. And it means 1600 more cars on the freeway and the greater gridlock that will come with it.

BUT One needs to really see what is happening here. HART will be using the parking at Pearl Highlands as their bargaining chip to get the GET surcharge extended indefinitely as a way of getting people to support it. Any extension must be resisted. **Fortunately, there are far better ways to save far more money. One is stopping the rail in downtown, since Ala Moana Center and the last five stations approaching it will be standing deep in water by mid-century due to Sea Level Rise.**

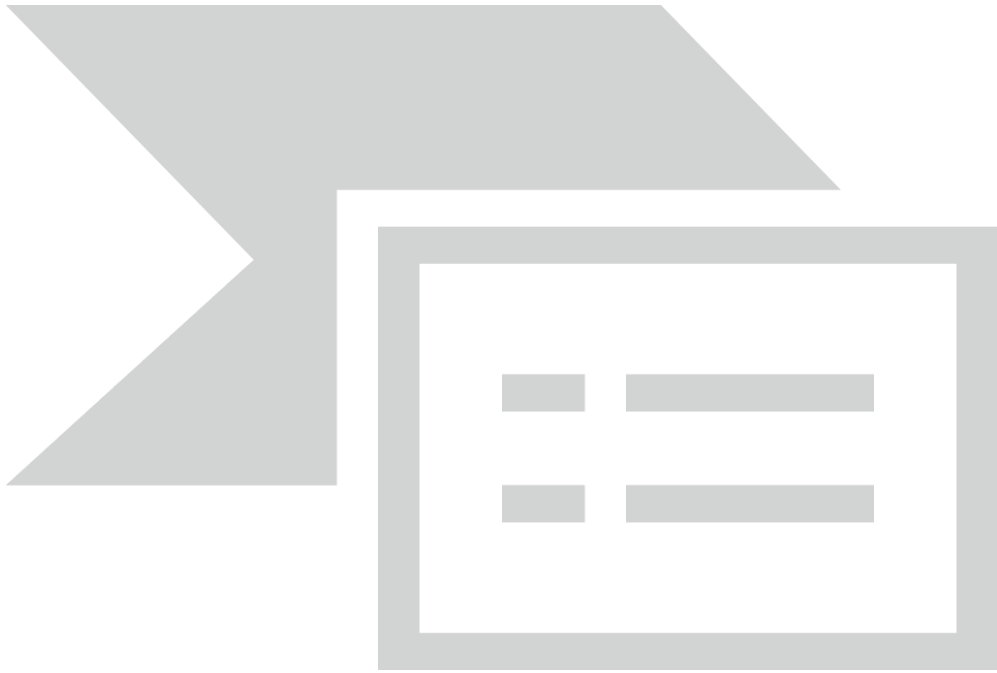
The first of two maps below, provided by U.H. SOEST, shows the flooding that will be caused by sea water with a three-foot sea level rise. The second map tells what will really happen since fresh water sits on top of sea water, and the fresh water is only a foot and half below ground level in much of Waikiki, Mo'ili'ili, Ala Moana, and Kaka'ako. Decades before the rising seas start to cover the land, the fresh water on top of it will break through the ground, turning it at first, into swampland, and then ever deeper water.



Please take a look at the following pictures and the continuing note beneath them.



This is what Kapiolani Blvd at Atchison will look like in mid-century. Other intersections along Kapiolani will look the same way. There will be no possibility of getting rid of the water.



The picture above is what Kapiolani Blvd. itself will look like in mid-century. The water rising through the ground will be permanent.



This is what the Ala Wai Canal and the area around it will look like.

There will be no way to get the water to recede. It will continue to rise over the decades, perhaps by as much as a foot a decade, with no end in sight for hundreds of years.

Rail development is not the only thing that needs to be stopped in these areas. Every few weeks, another developer announces a high-rise condo project. The staggering problems and costs these high-rises will bring for the people of O'ahu defy imagination.

Consider what will happen over the next thirty to forty years: As the water rises, people will abandon their apartments. Some will move to buildings on higher ground. The richest will just move away. Our descendants will eventually be stuck with hundreds of dark, abandoned, high rises, sticking up through the swamp. Our beaches will be gone. Our tourists will be gone. Our tax base will be gone. We won't have the hundreds of millions to tear down the derelict buildings. The U.S., with most of its borders facing the seas, will be overtaxed building mainland defenses against the water. We will be left to fend for ourselves in the muck, with no possible way to clear it and clean it up.

We need *now* to start preparing for the future. We need to take heed of the strong call by SOEST experts to move all future development inland. Residential high-rises need to be built in the higher valleys of Nu'uuanu, Manoa, and Kalihi. None should be allowed below the freeway. The city must expect King Street to one day become Shoreline Drive.

Those who would build in the low-lying areas must be forced to place enough money in city-held escrow accounts to pay for demolishing the buildings and cleaning the sites when the water begins to come through the surface. And developers must be forced to give notice to buyers that their buildings may have be demolished as the water rises. The city must insure

that purchasers know they buy at their own risk, and that the city cannot be sued for their relief.

We need to start preparing for the future *today*.

Dr. Kioni Dudley

Dr. Kioni Dudley
92-1365 Hauone Street
Kapolei, Hawai'i 96707
Telephone and fax: (808) 672-8888
E-mail: DrKioniDudley@hawaii.rr.com

Change will not come if we wait for some other person or if we wait for some other time.
We are the ones we have been waiting for. We are the change that we seek. (Barack Obama, 2008)

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 24, 2017 1:48 PM
To: WAM Testimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB1183 on Feb 27, 2017 13:30PM*

SB1183

Submitted on: 2/24/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	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.

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From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 24, 2017 11:24 AM
To: WAM Testimony
Cc: PALOLO@HAWAII.RR.COM
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/24/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Lynette Cruz	Individual	Oppose	No

Comments: absolutely oppose this forever tax!

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Testimony opposing HI SB 1183.

Hawaii State Senate Ways and Means Committee

Monday, February 22, 2017

Conference Room 211 at 1:30 pm

Chairwoman Jill Tokuda and members of the Committee,

My name is Jeremy Lam and I am strongly opposed to authorizing the “forever tax” for the completion of the rail project. From the very inception during Mufi Hanneman’s term in 1994, the project has been filled with untruths and yet the leaders of our community have continued to push this costly project forward. The City and HART have never apologized to the public or encouraged a moratorium until further financial and cost analyses could be done. Many leaders seem to have a hidden agenda. Some agendas are more obvious as Kirk Caldwell’s relationship to PRP. Some are less obvious till they later surface like Nestor Garcia’s vote on the project after failing to disclose his side employment benefits.

Transit lies have become commonplace. It will improve traffic. It can be done with no further taxes. It will have a robust ridership of 200,000 people for several hours during the day. The feds will pay a big portion of it. Rail is fast. The City did a thorough vetting of all the options. Steel on steel construction maybe noisy but is the state of the art. The public around the island wants rail. We are providing social equity. Transit oriented development will save us. Rail will save energy. We will not need human beings to handle security. It will be safe. There will be ample parking around all the stations. Everyone wants to go to Waikiki, Ala Moana and the University. A Councilman once stated the train will run at a profit! It will result in less bus transfers. It will not compete with the Bus or Handi Van for funding. Mufi said we have a contingency fund that will cover all lawsuits and cost overruns. The untruths are endless. The HART Board and the Mayor are accountable to no one and has there are no consequences to their continued lies.

With the costs now likely to run to \$11 billion, we would like you to stop the bleeding and let us get off the train. Take another poll. Do not ask if you want the

route to end at Ala Moana. Ask the voters if they want to pay over \$500 million a mile to complete the rail system. Do they want the “forever tax” passed? I think you know what the answer will be. You have only to look at input, comments and postings from social media to get a flavor of present public opinion. Sometimes I read facebook comments on a rail issue and I become sad.

The Senate leadership should stop, look and listen to its constituents and stand up to the developers, banks, electric company and all who will benefit monetarily from this money pit that is rail. Use the limit of the money that is already provided and no more. Consider giving the feds back the remaining monies we did not spend or even all of it. As you can plainly see, this will only save us money in the future. The ground level rail through town which will save money and viewplanes is being ignored.

We live in Honolulu on a small island. We appreciate the magnificent views from the mountains to the sea, the greenery and scenery. We have no aerial advertising. We have no billboards and thankfully no bus billboards. The giant concrete monoliths that make up the rail route is not Hawaii. Forcing the cement towers through the heart of our beautiful city is not what our island needs. And you are surely aware of the pension fund, the sewerage costs, the union raises and other demands on our budget. Please vote against moving this bill forward and burdening your constituents with this “forever tax”. Just use the money we have currently budgeted! Thank you for the opportunity to testify!

With warm regards,

Jeremy Lam

2230 Kamehameha Avenue

Honolulu, HI 96822

From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 24, 2017 3:32 PM
To: WAM Testimony
Cc: suzy.okino@gmail.com
Subject: *Submitted testimony for SB1183 on Feb 27, 2017 13:30PM*

SB1183

Submitted on: 2/24/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Suzy Okino	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 24, 2017 4:00 PM
To: WAM Testimony
Cc: culvyhouse@gmail.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/24/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
MJ Culvyhouse	Individual	Comments Only	No

Comments: Please listen to your constituents who are real people, and stop listening to developers and greedy politicians who are influenced (bribed) by lobbyists and stand to gain monetarily and politically. Enough is enough, and this mess will be the bane of our precious island for centuries. Do not continue to support our horrible, misguided and mismanaged rail dilemma: No more taxes. No more extensions. No more condemned land. No more displaced homes or businesses. No more traffic messes. No more LIES. Use the already constructed overhead route to transport buses and cars for the long haul. It's NOT TOO LATE, do the right thing. Our island is under siege and will soon be under water, so let's be proactive now. Sincerely, Mary J Culvyhouse 46-318 Haiku Road #55 Kaneohe, HI 96744

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From: mailinglist@capitol.hawaii.gov
Sent: Friday, February 24, 2017 7:55 PM
To: WAM Testimony
Cc: greggrundon@gmail.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/24/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Greggrey B. Grundon	Individual	Oppose	No

Comments: Hell No! Why do you idiots keep trying to take all the local people out of Hawai'i? Stop raising taxes, stop spending, pay our debts. Grow up!

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 25, 2017 9:47 AM
To: WAM Testimony
Cc: dean@oahuexpress.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/25/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
D. Kalani Capelouto	Individual	Oppose	No

Comments: City and County of Honolulu does NOT deserve additional funds for the mess they have created on Oahu. 300 percent over budget is GROSS mismanagement - and someone should have been fired long ago. On behalf of the taxpayers, please vote NO to this absurd mess - let the City and County dig themselves out of this mess, that they "alone" created... without impacting the rest of the State of Hawaii...

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 25, 2017 10:02 AM
To: WAM Testimony
Cc: patriciablair@msn.com
Subject: *Submitted testimony for SB1183 on Feb 27, 2017 13:30PM*

SB1183

Submitted on: 2/25/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Patricia Blair	Individual	Oppose	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 25, 2017 10:15 AM
To: WAM Testimony
Cc: arbeit@hawaiiantel.net
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/25/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Wendy Arbeit	Individual	Oppose	No

Comments: no, No, NO. It's money into a black pit. heavy rail is too expensive, now and forever. Switch now to BRT. It's cheaper to build, run and maintain. It's easier to board and has more extensive routes, which will result in higher ridership. Don't give in to the continuing shibai. It, along with escalating costs, will never end.

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The Future of Rail on Oahu: Plan A, B, or C?

By Randall W. Roth¹

I was one of the plaintiffs in a federal lawsuit to stop rail. Although that ended five years ago, it might make some people wonder if I have a bias against public transportation, or perhaps just rail. I do not.

I happen to believe quite strongly in the importance of public transportation that is clean, dependable, affordable, convenient, and safe. For several years in the 1970s I used Denver's bus system every day, as did my wife Susie. In fact, she and I met for the first time on bus #6.

I also happen to enjoy riding on commuter-rail lines, and go out of my way to do so when in large cities.

Tonight, I will explain why rail's future on Oahu is uncertain, and describe the City's options. But first, a bit of history about prior efforts to build rail on this island: Frank Fasi tried several times, and in 1992 came close to making it happen.² The Federal Transit Administration had agreed to provide nearly one-third of the \$2 billion estimated cost.³ But things fell apart when a 5-4 majority of City Council members refused to raise taxes needed to fund it.⁴

Fasi never used the term heavy rail, but that's how rail experts would have described his proposed system.⁵ When describing a rail system, the terms heavy and light are not primarily about weight. Light rail systems operate in or across city streets, while heavy rail systems run overhead or below ground, powered by a third rail.⁶

¹ This talk was delivered to members of the Social Science Association on December 5, 2016. The latest version is at <http://randallroth.com/files/Rail%20Speech.pdf>. Contact and other information about the author can be found at <https://www.law.hawaii.edu/personnel/roth/randall>. Regarding the Social Science Association, see <http://www.bizjournals.com/pacific/print-edition/2012/06/01/leaders-gather-to-share-their-cultural.html>.

² See, e.g., Honolulu Rapid Transit Development Program, Conceptual Definition of Alternatives, Honolulu Department of Transportation Services, Nov. 6, 1987, available at http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/Vol005_AR00085212/0001_AR00085212/AR00085811.pdf.

³ Fasi's 1992 rail line would have run from Waiiau to the current site of the Convention Center. The idea was to expand the route as money became available. In 1980 he had talked about building a line from Aloha Stadium to Hawaii Kai. He proposed other routes from time to time. See, e.g., Wallace Turner, Honolulu's Mayor Ends Proposal For Rail Line In Downtown Area, New York Times, June 28, 1981, available at <http://www.nytimes.com/1981/06/28/us/honolulu-s-mayor-ends-proposal-for-rail-line-in-downtown-area.html>.

⁴ They defeated a half-percent increase in general excise taxes needed to pay for rail. See Gordon Pang, Putting a dollar figure on a rail line, Honolulu Star-Bulletin, Dec. 17, 1998, at <http://archives.starbulletin.com/98/12/17/news/story3.html>.

⁵ See Definition: Heavy Rail, American Public Transportation Association ("Heavy rail refers to traditional high platform subway and elevated rapid transit lines"), at <http://www.heritagetrolley.org/defHeavyRail.htm>; Also, at least one local journalist, who happens to be a fellow Social Science Association member, correctly referred to Fasi's proposed system as heavy rail, see Jerry Burris, Rail transit has history of failure, Honolulu Advertiser, April 23, 2008, at <http://the.honoluluadvertiser.com/article/2008/Apr/23/In/hawaii804230400.html>.

⁶ See <http://www.honolulutraffic.com/LightHeavyRail.pdf>.

Fasi's successor, Jeremy Harris, expressed some interest in heavy rail, but then turned his attention to light rail, which the governor at that time, Ben Cayetano, endorsed. Cayetano explained to reporters that his opposition to rail on Oahu applied only to heavy rail.⁷

Harris's light-rail proposal eventually morphed into bus rapid transit, which is a lot like light rail, except that it uses rubber tires on pavement rather than steel wheels on steel rails. One of Cayetano's last official acts as governor was to approve an Environmental Impact Statement that rated bus rapid transit as superior to rail – for Honolulu.⁸

Everything changed when Mufi Hannemann took over from Harris.⁹ He tossed bus rapid transit and oversaw an alternatives analysis that considered three versions of elevated, steel-on-steel rail, each of which fit into a new category called metro-light.¹⁰

Like heavy rail, metro-light runs overhead or underground. But like light rail, metro-light has less carrying capacity than does a traditional heavy rail system. One mainland commentator has described metro-light as "a hybrid form of rail that [combines] the cost disadvantages of heavy rail with the capacity limits of light rail."¹¹

City officials sometimes mischaracterized Hannemann's proposed metro-light system as "light rail," which might have caused some citizens to picture something less expensive, less noisy, and less imposing than Hannemann had in mind.¹²

Hannemann said his proposed system could be built for \$3.0 billion, which would have been a shockingly high number for a traditional light rail system, but absurdly low for the elevated system he was proposing.¹³ The City's cost estimate grew with the passage of time, and by

⁷ Gordon Pang, Putting a dollar figure on a rail line, Honolulu Star-Bulletin, Dec. 17, 1998 ("Cayetano, to the surprise of some, endorses Harris' plan, saying he was against previous plans for heavy rail. 'A light rail proposal is another matter,' he said. 'I've never opposed that because I think that makes a little more sense economically.'"), at <http://archives.starbulletin.com/98/12/17/news/story3.html>.

⁸ Available at http://www.honolulutraffic.com/feis_Vol_1_complete.pdf.

⁹ Although BRT had been rated superior to rail in the 2003 EIS prepared by Parsons Brinkerhoff during the Harris administration, BRT was not even considered in the EIS prepared by Parsons Brinkerhoff during the Hannemann administration. That's right, it went from being the most attractive alternative to one that was not good enough to be considered a few years later ... despite use of the same consultant.

¹⁰ The City Director of Transportation, Wayne Yoshioka, would sometimes use the term light-metro rail in a way that led others to think he was talking about light rail. See, e.g., Randy Roth Clobbers Wayne Yoshioka, Hawaii Free Press, Aug. 8, 2012, available at http://www.hawaiifreepress.com/ArticlesMain/tabid/56/articleType/ArticleView/articleId/7409/Video-Randy-Roth-Clobbers-Wayne-Yoshioka.aspx?utm_source=August+12%2C+2012+News+From+Hawaii+Free+Press&utm_campaign=August+12+2012+Email&utm_medium=email.

¹¹ Randal O'Toole, The Worst of Both, June 3, 2014, Policy Analysis #750, available at http://object.cato.org/sites/cato.org/files/pubs/pdf/pa750_web.pdf

¹² See <http://www.honolulutraffic.com/LightHeavyRail.pdf>; Also see How Does Commuter Rail Differ From Light Rail, at http://www.trainweb.org/kenrail/Rail_mode_defined.html.

¹³ See [http://randallroth.com/files/\\$3B%20Cost.png](http://randallroth.com/files/$3B%20Cost.png). Hannemann had earlier said \$2.7 billion, which has been noted by others since then, but I have not been able to find any contemporaneous news coverage; see, e.g., <http://www.newgeography.com/content/005156-live-honolulu-hart-rail-a-megaproject-failure-making>.

2012, the official estimate was \$5.2 billion. That's the year the City and the FTA entered a contract called the Full Funding Grant Agreement: The FTA agreed to provide \$1.55 billion to the City, in installments, and the City agreed to build a 20-mile, 21-station, elevated rail line, running from East Kapolei to Ala Moana Center.

To pay for rail, the Legislature and City Council approved a temporary 0.5% excise surtax—over and above the permanent 4% general excise tax—that was supposed to expire after 15 years, in 2022. As the cost estimate grew, however, it became necessary to extend the expiration date.¹⁴ In 2015, Mayor Caldwell assured legislators and taxpayers that the City was finally in control of costs, and that a five-year extension, to 2027, would be enough for the City to complete the project, as planned.¹⁵ His assurances looked good until mid-2016, when the project's oversight contractor determined that the project was five years behind schedule and could not be completed without at least several billion dollars in additional funding.¹⁶

The FTA stopped making payments to the City, and threatened to demand a return of all the payments previously made, pending its review of the City's plans for going forward.¹⁷ The City raised its baseline cost estimate to \$8.1 billion, and increased the upper-bound number to \$10.8 billion, to bring it in line with the FTA's new thinking. The latter number is an amount that supposedly has no more than a 10% chance of ever being reached.

(By the way: Tonight, when I refer to the City doing this or that, I'm including HART ... and vice versa. The two are not the same, but the differences aren't directly relevant to the points that I'll be making tonight.)

The City sent an Interim Plan to the FTA, and asked for a seven-month extension before submitting its Final Plan.¹⁸ Obviously, it wants time to lobby the legislature for the needed funding. The FTA granted an extension, but only until April 30, 2017.

The Interim plan lays out what the City calls Plan A, which is to finish construction, as planned, without cutting any corners. But because there's no guarantee that the City will be able to

¹⁴ Gordon Pang, Mayor signs 5-year extension of tax surtax for rail project, Honolulu Star-Advertiser, Feb. 1, 2016, at <http://www.staradvertiser.com/2016/02/01/breaking-news/mayor-signs-5-year-extention-of-tax-surtax-for-rail-project/>.

¹⁵ The extension was expected to generate an additional \$1.2 billion, which would be more than enough since the cost estimate at that time--\$6.0 billion—was only \$0.8 billion over the estimate at the time of the Full Funding Grant Agreement. See this video of Mayor Caldwell's assurances:

<https://www.youtube.com/watch?v=BTYoRRfZ26o>. Earlier assurances are cringe-worthy when viewed with the clarity hindsight provides: See, e.g., Don Horner's 6-minute presentation on the cost of rail construction at <https://vimeo.com/9369308>.

¹⁶ See, e.g., Mileka Lincoln, HART Chair: New \$8.1B projection for rail project could lead to shortened route, Hawaii News Now, May 16, 2016, at <http://www.hawaiinewsnow.com/story/31988947/hart-chair-says-estimates-raising-costs-to-81-billion-may-led-to-shortened-rail-route>.

¹⁷ The FTA also "cautions the City to refrain from any procurements or other actions that would foreclose viable options for maximizing Project benefits or prejudice FTA's decision on a Recovery Plan."

¹⁸ Available at <http://hartdocs.honolulu.gov/docushare/dsweb/Get/Document-19327/20160930-hart-interim-plan.pdf>.

acquire the additional funds, the City acknowledges the possibility of having to pursue what it calls Plan B. The Plan B possibilities boil down to building the best rail system possible without additional funding. Stopping short of Ala Moana Center, and eliminating one or more stations, is an example of what a Plan B might look like.

The City has said nothing about a Plan C. I've added that, partly to add a bit of excitement to my presentation, but mostly because I believe that it warrants serious consideration. Option C boils down to pulling the plug on rail.

My overarching message tonight is that the decision-makers¹⁹ should engage in forward-looking cost-benefit analysis before deciding which plan—A, B, or C—makes the most sense. By forward-looking, I'm suggesting that the decision-makers avoid falling prey to the sunk-cost fallacy—i.e., thinking that the City has already spent too much, to stop now.²⁰

Such cost-benefit analysis would logically begin with decision-makers addressing certain basic questions, such as:

- How much more money would it take to pursue Plan A?
- What benefits would derive from Plan A, that would not otherwise be achievable?
- Who would provide the additional funding, and at what costs (e.g., political, economic, environmental)?

As mentioned, the City raised its baseline cost estimate to \$8.1 billion earlier this year. Since then, it has upped that number to \$8.6 billion, and may be on the verge of upping it again, perhaps to \$9.5 billion.²¹

That last number is approximately \$6.0 to \$6.5 billion more than the amount of money already sunk into the project. It's also about \$3 billion more than the total amount of revenue that the half-percent rail surtax is expected to generate before expiring in 2027.

But even \$9.5 billion would not be a certainty. The City's upper-bound estimate is still \$10.8 billion,²² and there are reasons to question it. For example, the upper-bound number just two

¹⁹ When I refer to the decision-makers tonight, I'll be referring primarily to the legislature and city council, because they hold the purse strings. If the City is to pursue Plan A, it will only be because the legislature or city council agreed to raise the additional tax revenue needed to finish rail as originally envisioned.

²⁰ See Johnson, Honolulu's Runaway Rail Project and the Fallacy of Sunk Costs, Civil Beat, June 20, 2016, at <http://www.civilbeat.org/2016/06/honolulu-runaway-rail-project-and-the-fallacy-of-sunk-costs/>.

²¹ See [http://randallroth.com/files/Cost%20could%20reach%20\\$9.5B.jpg](http://randallroth.com/files/Cost%20could%20reach%20$9.5B.jpg); see also Gina Mangieri, HART tells feds cost of rail could hit \$9.5 billion, KHON TV News, Dec. 2, 2016, at <http://khon2.com/2016/12/02/city-says-cost-of-rail-could-hit-9-5-billion/>.

²² And that's just to reach Ala Moana. Imagine for a moment what will happen if rail reaches Ala Moana and it turns out that the City's projections for ridership are as inaccurate as they have been for construction costs. Rail supporters would argue that the City had to add spurs to Manoa and Waikiki, to avoid wasting all the money

years ago was only \$7.6 billion.²³ Think about that a moment: the amount that only two years ago was judged to have only a 10% chance of ever being reached, has already been passed on the fly. And given the City's track record doing cost estimates, I'm unsure of why the decision-makers would assume that the City's latest cost estimate is any more accurate than were its previous estimates. Under these circumstances, prudence might suggest that the decision-makers assume that construction of Plan A rail would cost a total of *at least* \$10.8 billion.

Even if one were to ignore the entire cost overrun, the per-capita cost of Honolulu's rail system would still be dramatically higher than that of any other city.²⁴ Part of the reason is the high cost of building elevated rail on Oahu, particularly from Chinatown to Ala Moana Center. The rest of the explanation is our relatively low population: No city the size of Honolulu has ever tried to build a rail system. The next smallest metropolitan area is Cleveland, and its population is four times larger than Honolulu's.

I occasionally encounter a rail supporter who seems to think that the per-capita cost is a meaningless number. Some of them have expressed confidence that the City of Honolulu can afford to build and operate an elevated rail line, regardless of what the final cost might be.

But if there's no per-capita cost beyond which heavy rail ceases to make sense, why don't we put the entire system underground? That's totally doable from an engineering standpoint. And if per-capita costs are irrelevant, why in the name of equity aren't rail supporters demanding elevated rail systems for the neighbor islands? The answer is that per-capita cost does matter.

**

In addition to construction costs, the decision-makers need to consider the inevitable *non*-construction costs of rail. The City has acknowledged that the annual cost of operating and providing current maintenance on a Plan A rail line would cost more than \$100 million each year, after taking into consideration projected fare revenues. The City has not yet said from where that money would come.

The City has also said nothing about the inevitable refurbishment and replacement costs. Experience elsewhere shows that steel-on-steel rail systems start experiencing such costs almost from day one, and that major refurbishment is required every decade or so. There

already spent. No city has resisted that; ironically, it's been easier in cities with exceptionally poor ridership results.

²³ See Star-Advertiser article at <https://www.pressreader.com/usa/honolulu-star-advertiser/20160819/281487865758849>: The August 2014 FTA risk assessment put rail's "upper-bound" price tag—the most that rail could cost—at just under \$7.6 billion.

²⁴ See generally, Panos Prevedouros, Live From Honolulu: HART Rail, A Megaproject Failure in the Making, Jan. 27, 2016, at <http://www.newgeography.com/content/005156-live-honolulu-hart-rail-a-megaproject-failure-making>; Adam Nagourney, Hawaii Struggles to Keep Rail Project From Becoming a Boondoggle, New York Times, Mar. 20, 2016, at http://www.nytimes.com/2016/03/21/us/hawaii-struggles-to-keep-rail-project-from-becoming-a-boondoggle.html?_r=0; see also <http://honolulutraffic.com/JTW9000B.pdf> and <http://honolulutraffic.com/honjtw.htm>; <http://www.civilbeat.org/2016/01/10-billion-the-ultimate-price-tag-for-honolulu-rail/>; and http://www.honolulutraffic.com/Handout_110213_H.pdf.

currently is an eye-popping backlog of such costs across the country.²⁵ And although most transit trips in the U.S. are by bus, 75% of the backlog pertains to rail.²⁶ It's gotten so bad that the FTA now strongly recommends that cities not build or expand rail systems unless they contribute annually to a sinking fund, dedicated to keeping their rail system safe and reliable.

Based on the rate of deterioration being experienced with rail systems elsewhere, the minimum annual contribution to the sinking fund here would need to be \$100 million.²⁷ And anyone who thinks our rail system would hold up better than steel-on-steel systems have fared elsewhere, recall Aloha Stadium. It was touted as being made with "non-rusting" steel, that quickly rusted.²⁸

If you are keeping track, that's \$100+ million for operations and day-to-day maintenance, and another \$100+ million for the sinking fund, to ensure a safe and reliable rail line with the passage of time. So, the City will need \$200+ million each year, over and above whatever construction ends up costing, and it has not yet said where any of it would come from. Hopefully our decision-makers will ask themselves, what would be the consequences of building Plan A rail if the City cannot find the extra \$200+ million each year once construction has ended?

Goodness knows, there are many rail cities where the answer to such a question is playing out before people's eyes. A recent Washington Post article called the Washington D.C.'s Metro system "dysfunctional," and proceeded to describe some of the obvious problems, including dirty rail cars, unpredictably long waits on overloaded platforms, 10-minute stops in pitch-dark between subway stations for no apparent reason, lines closed for emergency maintenance, and on one occasion an unannounced day-long closing of the *entire* system.²⁹ That last one was for emergency safety inspections following an electrical malfunction that caused serious injury to 70 riders, one of whom died.

I occasionally hear people say that rail needs to extend beyond Ala Moana Center, at least to Manoa, and probably to Waikiki, too. Given the costs described above, some would consider it nonsense to talk about adding spurs. But no city has built a rail line and then not added spurs

²⁵<http://randallroth.com/files/Administrator%20Peter%20Rogoff%20Remarks%20at%20the%20Boston%20Reserve%20Bank%20updated%20to%20March%202016.pdf>.

²⁶ See <https://www.transit.dot.gov/about/speeches/administrator-peter-remarks-boston-reserve-bank-next-stop-national-summit-future>.

²⁷ See generally Prevedouros, Slater & Roth, What Do We Do About The Honolulu Rail Project? Civil Beat, Oct. 3, 2016, at <http://www.civilbeat.org/2016/10/what-do-we-do-now-about-the-honolulu-rail-project/>; also see <https://www.transit.dot.gov/about/speeches/administrator-peter-remarks-boston-reserve-bank-next-stop-national-summit-future> and http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/Vol010_AR00138146/0001_AR00138146/AR00140569.pdf.

²⁸ Craig Gima, Stadium corrosion crates a \$129M safety concern, Honolulu Star-Bulletin, Jan. 27, 2006 at <http://archives.starbulletin.com/2006/01/27/news/story03.html>; see also The "Aloha Stadium Problem," Hawaii Reporter, Feb. 6, 2003.

²⁹ Nicholas Fandos, Washington Faces Breakdowns and Paralysis, and That's Just the Metro, Washington Post, Nov. 7, 2016, p. A10.

sometime later. Ironically, a major selling point for doing so has been low ridership on the initial line—that is, so much money has already been spent on the main line, that it only makes sense to spend a bit more, so that the system can work properly.³⁰

If it feels like the City may be past a point of no return after spending \$3 billion, just imagine how difficult it would be to just say no after spending \$10.8 billion?

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Rail would cost more than just money, and some of the non-monetary costs could indirectly add to the monetary costs. It's been written that our state's most valuable and fragile economic asset is its natural beauty, upon which Hawaii's tourism economy relies.³¹ If so, perhaps economy-conscious decision-makers should take an extra-close look at the aesthetics of rail.

The Outdoor Circle has described elevated rail as a “scar” on the face of our beautiful island. At its best, rail adds nothing to our Hawaiian sense of place.³²

The local branch of the American Institute of Architects was so taken aback by elevated rail's ugliness that they created renderings that they believe are more accurate than what the City has provided to the public.³³ Most audiences audibly gasp when shown these as part of a PowerPoint presentation.

The City of Honolulu has also played down the fact that steel-on-steel, elevated systems make uniquely irritating sounds, particularly as the cars accelerate and decelerate from 0 to 60 and back to 0 between stations. The so-called ambient sound issue has been a sore spot in every city with an elevated rail system. The decision-makers need to add this to their cost-benefit analysis.

I also hope that our decision-makers will seriously consider rail's impact on burial sites and historical structures, before deciding among Plans A, B, and C. In my opinion, the City has exhibited a cavalier attitude about these issues, never doing more than the absolute minimum

³⁰ See generally, Before-and-After Studies of New Starts Projects, Report to Congress, Dec. 2013, at https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/FY2013_Before_and_After_Studies_Report_to_Congress_Final.pdf; also see Laura Nelson and Dan Weikel, Billions spent, but fewer people are using public transportation in Southern California, Los Angeles Times, Jan. 27, 2016, at <http://www.latimes.com/local/california/la-me-ridership-slump-20160127-story.html>; and Joe Linton, What Factors Are Causing Metro's Declining Ridership? Los Angeles Times, Jan. 29, 2016, at <http://la.streetsblog.org/2016/01/29/what-factors-are-causing-metros-declining-ridership-what-next/>.

³¹ Ctr. for Bio-Ethical Reform, Inc. v. City & County of Honolulu, 345 F. Supp. 2d 1123.

³² See Peter Apo, What does sense of place mean to you? At <http://www.moolelo.com/Sense-of-Place.pdf>.

³³ The renderings can be viewed at <http://randallroth.com/files/Rail%20Renderings%20-%20Before%20and%20After.pdf>; Also see the AIA's Position on Light Rail for Honolulu, at <http://www.aiahonolulu.org/?434>.

required by law, and sometimes significantly less. The FTA expressed similar concerns with respect to burials.³⁴

Due to time constraints, I need to shift gears now and talk a bit about the putative benefits of having a Plan A rail system. Eventually I'll say a few things about cost-benefit analysis for Plan B and Plan C, too.

When I've asked people what they consider the primary reason for rail on Oahu, most have cited the need to reduce traffic congestion. Each time, it's been clear that they were talking about a reduction in the *existing* level of traffic congestion. This is understandable because Mayor Hannemann—and later mayors Carlisle and Caldwell—reinforced that misconception repeatedly. Hannemann, for example, described the public as “tired of being stuck in traffic,” and “wanting action, and wanting it now.”³⁵ The take-home message was that traffic congestion has become intolerable (particularly for commuters on the west side), and that the City is finally going to *do* something about it.³⁶

A Honolulu Advertiser/Ward Research poll, taken a few months before the 2008 ballot referendum on rail, asked people if Oahu needed rail to reduce traffic—which at least implied that rail *would* reduce the existing level of traffic congestion. Three out of four responded in the affirmative.³⁷

Two years later, the City's Director of Transportation acknowledged publicly, “... traffic congestion will be worse in the future with rail than what it is today....”³⁸ Anyone who was

³⁴ We now know that FTA officials noted in inter-office email that the City had put itself in a “pickle” by setting unrealistic start dates for construction, and starting construction “without authority despite warnings that it would create an ineligibility for the project.” FTA officials also commented in email on the City's “lousy practices of public manipulation,” willingness to “deceive with no remorse,” use of “inaccurate statements,” and its culture of “never enough time to do it right, but lots of time to do it over.” See, e.g., http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/,

http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/Vol010_AR00138146/0003_AR00146569/AR00150124.pdf, and http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/Vol010_AR00138146/0003_AR00146569/AR00150121.pdf.

³⁵ Mayor Hannemann's 2008 State of the City Address, “I've said time and time again that traffic congestion is the most significant challenge to our quality of life ... the fixed guideway presented the most effective means of relieving traffic congestion and accommodating the anticipated growth in West and Central Oahu... The bottom line is the people of Oahu are tired of studies and being stuck in traffic. They want action and they want it now.” Available at <http://www.hawaiinewsnow.com/story/7906671/mayor-mufi-hannemanns-state-of-the-city-speech>.

³⁶ See Misrepresentations outside of the Draft EIS at http://www.honolulutraffic.com/DEIS_Comments8_VII.pdf.

³⁷ Three months prior to the rail vote, 73 percent of Oahu residents agreed with the statement, “We need a light rail system in order to reduce traffic congestion and commute times along H-1.” Ward Research, Hawaii Poll, July 2008, question at http://www.honolulutraffic.com/HADV_poll_p9.pdf.

³⁸ http://www.honolulutraffic.com/City_Response_DEIS_comments.pdf pp. 24 & 25. See also p. 1252 in Appendix A of the Final EIS at <http://www.honolulutraffic.com/FinalEIS/AppendixA.pdf>. The full quote is:

“You are correct in pointing out that traffic congestion will be worse in the future with rail than what it is today without rail, and that is supported by the data included in the Final EIS. In fact, projections suggest that traffic

surprised by that, shouldn't have been. Reduced traffic congestion was not even included on the list of rail's stated purposes in its Environmental Impact Statement.³⁹

Perhaps some of you are wondering how the City justifies saying that elevated rail will reduce traffic congestion by as much as it is reduced when the schools are not in session. Here's the trick: The City is comparing the level of congestion expected in 2030 if rail is built, to the level of congestion expected in 2030 if the City does nothing between now and then to alleviate traffic congestion. Nobody I know thinks that the City should do nothing about traffic congestion. High profile rail critics like Ben Cayetano, Cliff Slater, and Panos Prevedouros have all expressed strong support for bold action designed to reduce the existing level of traffic congestion.

Speaking of Panos, I think you all know that he's a professor in, and chair of, the University of Hawaii's Civil and Environmental Engineering Department. You may also know that he's laid out a series of strategies for significantly reducing the *current* level of traffic congestion. These include installing flyovers and bypasses in chokepoint areas like the Middle Street merge; adding new contra-flow and bus-on-shoulder options; adding new traffic lanes to existing roads; and expanding Honolulu's bus system, such as by increasing the number of express buses that go where commuters want to go ... rather than eliminate most of them, as is part of the current rail plan.⁴⁰

Panos says these strategies are doable from an engineering standpoint, and that all of them could all be accomplished for less than half the money the City would save by selecting Plan C instead of Plan A.

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Many people in Honolulu probably just assume that the addition of a rail option to the current public transportation system would invariably increase the percentage of public transportation users on Oahu. In most of the rail regions, however, per capita transit ridership *declined* when rail was added.⁴¹ For example, transit's share of all commuting in Atlanta was 9.1% before rail was added in 1979; today it's less than 5%. The rate in Baltimore before it added rail in 1984

conditions will be worse in 2030 under any circumstances. ... The comparison that is key to the Project is that rail will improve conditions compared to what they would be if the Project is not built."

³⁹ See http://www.honolulutraffic.com/FEIS_Purpose_Need.pdf; "[T]he purpose of the Project is to provide an alternative to the use of congested highways for many travelers." See also, The congestion discussion is over; it IS going to be far worse with rail, at http://honolulutraffic.com/Congestion_2.pdf.

⁴⁰ See <http://fixoahu.blogspot.com/>.

⁴¹ See, e.g., Yonah Freemark, Have U.S. Light Rail Systems Been Worth the Investment? The Atlantic, Apr. 10, 2014 ("Despite modest success, most systems have neither increased mass transit commute share nor the vitality of city centers") at <http://www.citylab.com/commute/2014/04/have-us-light-rail-systems-been-worth-investment/8838/>; see also, Randy O'Toole, Defining Success: The Case against Rail Transit, Mar. 24, 2010, Table 2, available at http://www.honolulutraffic.com/OTOoles_Case_Against_Rail.pdf.

was 12.3%; today it's less than 8%. The rate in Charlotte before rail in 2007 was 5.5%; today the rate is less than 4%. Portland went from 9.8% in 1986 to less than 8% today.⁴²

On Oahu, the percentage of commuters using public transit has trended downward since the 1980s. Even the number of transit commuters has remained the same, despite large increases in the island's general and work-force populations. The peak year for the number of public transit users on Oahu was 1984.⁴³ The percentage currently commuting by bus is 6.0%. If the City's optimistic ridership projects were to come true (an assumption I question, below), the percentage would increase to 7.4%.⁴⁴ If ridership is significantly lower, as independent experts have predicted, post-rail transit ridership could end up being lower than the pre-rail rate, just as has happened in most rail cities.

Those who think the bus-plus-rail rate must always be higher than the rate prior to the addition of rail, are perhaps assuming rail would not adversely affect the existing bus system. But if a Plan A rail system gets built, many of the people who currently are commuting by bus will find themselves worse off. For example, virtually all the 34 express buses, which currently take commuters directly to where they want to go, will be turned into "feeders," that go no further than the nearest train station. There also is the issue of there not being enough money to maintain a high-quality bus system once the City starts to incur unavoidable post-construction costs, as described above.

Several of the other touted benefits of a Plan A rail system are equally suspect. For example, Mayor Hannemann predicted that rail would create 10,000 jobs during each year of construction. The actual count has been slightly less than one-tenth of the promised number, and even that may overstate rail's net impact on local jobs. The University of Hawaii's Economics Research Organization (UHERO) pointed out the silliness of this claim: "Proceeding with inefficient projects typically shrinks the economy, reduces its growth rate, and decreases employment."⁴⁵ When the jobs lost because of higher business taxes are also considered, the net impact is a negative 1,000 jobs each year, per these local economists.

The City claims that rail would save energy. But data from the U.S. Department of Transportation indicate that rail on Oahu would consume twice as much per-passenger-mile energy than does our existing bus system. Rail's per-passenger-mile energy use would even be

⁴² Ibid, Table 3.

⁴³ There have been large increases in the number and percentage of commuters who rely on ride sharing or telecommuting.

⁴⁴ See Table 3-12 of the Final Environmental Impact Statement for Rail on Oahu, available at http://www.honolulutraffic.com/FinalEIS/Chapter_3.pdf.

⁴⁵ Honolulu Rail Transit: Do the Benefits Justify the Costs? The Economic Research Organization at the University of Hawaii, Feb. 4, 2011, available at http://www.uhero.hawaii.edu/assets/UHERO_Brief_Rail.pdf.

slightly higher than the current per-passenger energy use of those commuters on Oahu who drive to work, alone in their cars.⁴⁶

To portray rail as an energy saver, the City had to assume that our rail system will consume energy on a par with the national average for heavy rail systems. The problem with that assumption is that the national average is heavily skewed by the data from New York City where an off-the-charts ridership levels makes it way more efficient than other places.

If it seems counterintuitive that rail would use more energy per-passenger-mile on Oahu than does a single person in an average car, recall that rail is scheduled to run 20 hours a day but will be busy only during rush hour. Rail cars will be virtually empty many of the 20 hours they are constantly running.

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The promised benefits of Transit Oriented Development (TOD) are more difficult to gauge. The basic idea of TOD is that a reliable transit line will catalyze development around the access points. Of course, that will happen only if there are enough people who want to live close to rail stations and businesses that want to locate there.

First, TOD does not require rail, much less elevated rail. What's needed is access to public transit that is dependable, affordable, convenient, and safe. Unlike traffic congestion, access is not a problem in Honolulu.

Second, train stations elsewhere tend to be noisy and relatively high-crime areas. Getting people to live next to them has not been an easy sell, at least not without large government subsidies to the developers. Two Berkeley professors, who happened to be rail supporters, studied BART's impact on development around the stations. To their surprise, it turned out that business and housing developed more in areas of the transportation districts not served by BART, than in those that were.⁴⁷

Just about everyone agrees that developing housing near BART stations [was] a good idea. In practice, it has always been a tough sell. ... Notwithstanding thirty years of demolition and construction, most near-BART housing is what it was and where it was two decades ago⁴⁸.

⁴⁶ See, e.g., Table 2.12 of the Transportation Energy Data Book, Edition 30, Office of Energy Efficiency and Renewable Energy, U.S. Department of Energy, June 2011, at http://www.honolulutraffic.com/Pages14-18_Ed_30_Ch_2.pdf; also see summary chart at http://www.honolulutraffic.com/rail_energy_use.pdf.

⁴⁷ [Cervero & Landis, Twenty Years of BART: Land Use and Development Impacts](#), 1997 ("Contrary to expectations, we found that population has grown faster away from BART than near it. The Metropolitan Transportation Commission divides the nine-county San Francisco Bay Area into 34 transportation planning superdistricts. In the twenty years since BART opened, population grew 35.2 percent in the 25 superdistricts not served by BART and only 17.1 percent in the nine BART-served superdistricts."), available at <http://www.uctc.net>.

⁴⁸ Ibid.

Finally, if rail is supposed to have developers on Oahu eager to build living and commercial units in and around the rail stations, why have no such plans been announced or incorporated into the design of any of the 21 stations?⁴⁹

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The City has projected an average of 119,000 riders on weekdays. While the actual number cannot be known ahead of time, there are reasons to question this projection. Panos has pointed out that “no modern light rail in the US, even in cities five times bigger than Honolulu, carries more than 38,000.”⁵⁰ Recall that metro-light rail systems have a capacity more like light than heavy rail.⁵¹

Actual ridership on relatively recent rail projects around the country has been 59.1% less than was predicted, on average.⁵² The last elevated rail system to be built is in San Juan. Its ridership turned out to be 75.9% less than was projected.⁵³ And like many other cities, its combined percentage of bus plus rail users has been less than was the percentage of those using just the bus system.⁵⁴ The consultant who did San Juan’s ridership analysis, Parsons Brinkerhoff, also did ours.⁵⁵

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Much of what I have said about a Plan A rail system would also apply to any Plan B option. All that Plan B has going for it is, one, it would not require additional funding;⁵⁶ two, it would leave

⁴⁹ See generally, Gene Park, If they build it, will developers come? Honolulu Star-Advertiser, Feb. 20, 2011 (“interest in development so far has been minimal”), at <http://www.staradvertiser.com/2011/02/20/hawaii-news/if-they-build-it-will-developers-come/>.

⁵⁰ See Fix Oahu, at <http://fixoahu.blogspot.com/> and Fighting Boondoggles at <http://www4.eng.hawaii.edu/~panos/PDP.ADC2013.pdf>; See also, Kawaguchi, Honolulu Rail—pie in the sky estimates on number of riders, Feb. 12, 2010 (“Even in Houston, where the population is 5 times higher, and the traffic far worse, only 381,000 people ride the rail system”), at <http://www.alohatony.com/blog/honolulu-rail-pie-in-the-sky-estimates-on-number-of-riders1.html>.

⁵¹ See also, Kevin Dayton, Rail costs low-balled, consultant says ... and ridership forecasts are too high, Honolulu Star-Advertiser, Jan. 14, 2012, at http://www.honolulutraffic.com/SA_Rail_costs_011412.pdf.

⁵² See Table 7: Predicted and Actual Ridership – Forecast vs. Most Recent Actual, listed by current vs. AA/DEIS, at http://www.honolulutraffic.com/Table_7_FTA_ridership_forecast.pdf; Also see Don Pickrell, A desire named streetcar: fantasy and fact in rail transit planning, Mar. 22, 1992, at <http://www.honolulutraffic.com/PickrellDesire.pdf>.

⁵³ See The Predicted and Actual Impacts of New Starts Projects – 2007, at http://www.honolulutraffic.com/NSPA_2008_Final.pdf.

⁵⁴ See http://www.apta.com/resources/statistics/Documents/Ridership/2010_q4_ridership_APTA.pdf and http://www.apta.com/resources/statistics/Documents/Ridership/2005_q4_ridership_APTA.pdf.

⁵⁵ Cliff Slater, Would our rail project result in a Tren Urbano? http://www.honolulutraffic.com/Tren_Urbano_2.pdf; Also see Slater, Unjustified forecasts: Ridership forecasts, Feb. 6, 2009 at http://www.honolulutraffic.com/DEIS_Comments8_V.pdf;

⁵⁶ Mayor Caldwell briefly supported stopping at Middle Street, at least for now, but quickly changed his tune again: <http://www.civilbeat.org/2016/06/hopelessly-over-budget-rail-should-stop-at-middle-street-mayor-says/>.

a smaller scar on the face of Oahu; and three, it would avoid the engineering challenges and business disruption between the termination point and Ala Moana Center.

Rail supporters tend not to like Plan B because it would probably get significantly fewer riders than would a Plan A rail line. Our Social Science Association colleague, Fudge Matsuda, has written that stopping the route at Middle Street would “cripple rail.”⁵⁷ Ironically, rail opponents also criticize Plan B ... because it would cost at least \$3 billion more than has already been spent, and accomplish little. They would rather see the money spent on a Plan C, which might include use of the existing guideway as part of an affordable and effective bus rapid transit system that, together with other congestion-reducing strategies mentioned above, would provide much-needed relief for transit users and others as well.⁵⁸

Like most rail critics, I prefer Plan B to Plan A ... but the least unattractive of the available options is Plan C. In other words, many of us have backed into our support for Plan C, somewhat like many people reportedly backed into their eventual choice for president this year. Sometimes there simply isn't an attractive option.

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In any event, our decision-makers should attempt to figure out what's gone wrong thus far. Making mistakes can be bad, but repeatedly making the exact-same mistakes would be inexcusable.

Some people have blamed the delays and cost overruns on those of us who sued the City in a failed effort to stop rail. If they are right, then it's possible that the City and its contractors knew what they were doing, and would have produced a good outcome, had I and others not sued.

There were two lawsuits that attempted to stop rail: The one in federal court briefly affected the City's ability to buy land in the downtown segment, but had absolutely no impact on rail construction or construction bidding.⁵⁹ The City has acknowledged that this lawsuit increased rail costs by less than one-tenth of one percent.⁶⁰

The other lawsuit was brought in state court by Paulette Kaleikini, because the City had started construction without first conducting an archaeological study, as is required by law. A unanimous state Supreme Court ordered construction stopped until the City completed the study ... and that took 13 months, during which time the construction market tightened noticeably. But blaming Ms. Kaleikini for that 13-month delay would be comparable to blaming

⁵⁷ Fujio Matsuda, Building rail from Kapolei to Manoa meets intention of Oahu General Plan, Honolulu Star-Advertiser, May 29, 2016, at <http://www.staradvertiser.com/2016/05/29/editorial/building-rail-from-kapolei-to-manoa-meets-intention-of-oahu-general-plan/>.

⁵⁸ See generally, Prevedouros drawings at <http://fixoahu.blogspot.com/2016/06/making-most-of-rail-fiasco.html>.

⁵⁹ See, e.g., <http://randallroth.com/files/Rail%20Appeal.pdf>.

⁶⁰ See, e.g., <http://randallroth.com/files/Cost%20of%20Litigation%20and%20Delays.png>.

an innocent victim for seeking a restraining order against the guilty party.⁶¹ The lesson from that debacle is the City and its contractors either did not know the applicable law, or simply ignored it in a rush to get construction beyond the proverbial point of no return.

Although the federal lawsuit did not stop rail, it gave the plaintiffs access to FTA's internal email.⁶² It was instructive to read inter-office chitchat 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 the observation that the City had put itself in a "pickle" by setting unrealistic start dates for construction, and concern about the City's "casual treatment of burials."⁶³

I'll say a few more things about competency in a minute or two, but first an observation about honesty. I'm sometimes asked if I think the City knew ahead of time that rail would cost far more than it had estimated; that there would be far fewer jobs than it had projected; or that ridership is not likely to be nearly as high as the projected number.

Let's start with the cost estimate: The City knew, or should have known, that they were low-balling, that the actual cost would be much higher. Consider, for example, a report commissioned by Gov. Lingle.⁶⁴ A highly-regarded team of world experts, known as the Infrastructure Management Group, double-checked the City's cost estimate, which at that time was just over \$5 billion.

This independent group came up with much higher numbers, including a baseline estimate of \$7.8 billion, and an upper-bound number was \$10.9 billion. The City immediately trashed the report, calling the estimates ridiculous. But now, more than six years later, the City's latest estimates are virtually identical to those of the independent group.

⁶¹ We now know that FTA officials noted in inter-office email that the City had put itself in a "pickle" by setting unrealistic start dates for construction, and starting construction "without authority despite warnings that it would create an ineligibility for the project." FTA officials also commented in email on the City's "lousy practices of public manipulation," willingness to "deceive with no remorse," use of "inaccurate statements," and its culture of "never enough time to do it right, but lots of time to do it over."

⁶² See, e.g.,

http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/.

⁶³ See Prevedouros, Slater & Roth, How to make the best of Honolulu's rail fiasco, Honolulu Star-Advertiser, June 29, 2016, at <http://www.staradvertiser.com/2016/06/29/editorial/island-voices/how-to-make-the-best-of-honolulu-rail-fiasco/>; See also,

http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/Vol010_AR00138146/0003_AR00146569/AR00150124.pdf, See

http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/, and

http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/Vol010_AR00138146/0003_AR00146569/AR00150121.pdf.

⁶⁴ Analysis and Evaluation of the City and County of Honolulu's proposed High Capacity Rail Transit Project, Dec. 2, 2010, at http://www.honolulutraffic.com/Final_Report_Honolulu_Rail_Transit_Financial_Plan.pdf.

In its report to Gov. Lingle, the group described “extreme difficulty in being able to obtain information from the City, and its consultants, both [of which were] unique in our collective experience, and [a serious hindrance to] our ability to perform the project.” And added this:

“A multi-billion-dollar transportation improvement project, particularly one that is proposed to be operated in, and funded by, an urbanized area that is far smaller than the norm for such projects, should have its financial plan developed with methodologies that incorporate the highest professional and technical standards and techniques. As we demonstrate [in this report], the financial planning and modeling process for [this] Project fails this ‘best practices’ test in many ways.”

Earlier this year, an independent financial audit found that the City had “failed to perform qualitative analysis” and had relied on “insufficient cost-control.”⁶⁵ The City’s response was to call the audit “a joke,” and kept doing what it had been doing.

The City’s failures thus far may reflect more than negligence or incompetence. Many studies have addressed what experts call strategic misrepresentation. It’s defined as the planned, systematic understatement of costs and overstatement of benefits, done to increase the chances of having a large construction project approved. As defined, strategic misrepresentation stems more from dishonesty than it does incompetence.

Consider a more colorful description of strategic misrepresentation, from the former Speaker of the California State Assembly and Mayor of San Francisco, Willie Brown:

In the world of civic projects, the first budget is really just a down payment. If people knew the real cost from the start, nothing would ever be approved. The idea is to get going. Start digging a hole and make it so big, there's no alternative to coming up with the money to fill it in.⁶⁶

I’m not sure what would be worse: if HART and City officials were surprised by the dramatic increase in costs, failure to produce 10,000 jobs annually, being five years behind schedule, etc., etc., or they knew all along but kept it from the public until rail would be too far along to stop.

From a practical standpoint, it might be better if the many problems stem more from dishonesty than incompetence. Imagine the impact on the decision-makers’ risk-analysis if they were to conclude that the folks in charge of building rail on Oahu don’t know what the hell they’re doing.

More specifically, consider the unexpected need to replace 165,000 shims even before train cars started rolling. And the surprise discovery that the guideway was being built too close to existing power lines. A complete list of such screw-ups would be too long for this speech, but the point is simple: Our decision-makers need to ask themselves if

⁶⁵ <http://randallroth.com/files/Financial%20Train%20Wreck%202016.jpg>.

⁶⁶ This appeared August 12, 2013, on page A15 in the U.S. edition of The Wall Street Journal.

these were mostly just bad luck, or evidence of incompetence.⁶⁷ If the latter, that makes Plan A, or even Plan B, a lot riskier than either would otherwise be.

The decision-makers need also to consider the turnover at virtually every position of significance, including HART's Executive Director, board members, chair, and vice-chair; the City's Director of Transportation, the primary contractor, Kiewit, and primary consultants, Parsons Brinkerhoff and InfraConsult. Is there any reason to expect more from the replacements than we got from the ones that are now long gone?

I liked the outgoing head honcho, Dan Grabauskas, on a personal level. I appreciated his willingness to engage in a public forum with Panos and me, and I appreciated his later off-the-record comments about deeply flawed decisions by his predecessors.⁶⁸ But Dan had never built a rail line, and his experiences were more those of a politician than an engineer or contractor. He was learning how to build rail on the job, and was being overseen by a HART board made up of people with zero experience building rail.

Shortly after Grabauskas was effectively fired, Mayor Caldwell gave a talk in which he said the City had learned an important lesson: It had learned that the person it puts in charge of building rail should be someone who has built a rail system before now.⁶⁹ Duh.

I don't mean to be unkind, but it's troubling that such a simple concept was somehow lost on our leaders for years, and that they had to find themselves hopelessly over budget and behind schedule before learning something that would strike most people as little more than common sense.

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Chances of the FTA or private developers providing a significant portion of the money needed for a Plan A rail system are virtually zero. That leaves Hawaii's taxpayers.

Mayor Carlisle has famously laughed at the suggestion that an additional half penny at the cash register could be burdensome to anyone. The kindest explanation I can think of, is that Peter doesn't understand that that general excise tax is notoriously regressive — that is, disproportionately burdensome to people with relatively low incomes. The concept of regressivity is not simple, but anyone who contends that Hawaii's general excise tax is not regressive, or that a regressive tax is not disproportionately burdensome to people with

⁶⁷ See <http://khon2.com/2016/10/17/hart-board-chair-wants-all-rail-shims-replaced-due-to-extensive-cracking/>.

⁶⁸ To access the audio recording of the public forum, go to <http://randallroth.com/files/Rail%20Panel%20with%20Grabauskas%20Lui-Kwan%20Panos%20and%20Roth%204-9-2013.MP3>.

⁶⁹ See <http://randallroth.com/files/Mayor%20Caldwell%20re%20replacing%20Grabauskas%20with%20someone%20who%20knows%20how%20to%20build%20rail.mp4>.

relatively low incomes, is simply wrong. What I have said about regressivity are facts, not opinions.

Many people don't understand that Hawaii's general excise tax is a tax on the sellers of just about everything in this state, including groceries, services, and business-to-business transactions. In that narrow sense, it's a business tax and isn't paid by the buyers of those goods and services. Consumers in Hawaii are often aware of only the portion that is shifted to them at the point of sale. A much larger portion of this business tax is invisible to consumers, but is borne by them anyway because it gets baked into the final price of all goods and services in Hawaii.

This hidden portion of the excise tax burden is surprisingly large for several reasons, including that taxes paid on business-to-business transactions pyramid. A national expert wrote in the first "Price of Paradise" book that it would take a sales tax rate of up to 16 percent to replace the revenue generated by the 4 percent excise tax at that time. Because of subsequent changes in the taxation of business-to-business transactions, the current equivalent rate is a bit more than 11 percent. The point is that Hawaii's general excise tax is quite different from conventional sales tax systems, which is why the above-mentioned expert cautioned that comparing a conventional sales tax to Hawaii's general excise tax is like comparing a firecracker to a hand grenade.

The 0.5% rail surtax currently raises about \$250 million each year. Only about 15 percent of that amount is paid directly by tourists.⁷⁰ The remaining 85 percent averages out to \$212 per man, woman and child on Oahu, which the Tax Foundation of Hawaii describes as slightly more than \$1,000 each year from an average family of five.

The City has called this number a "myth," based on the fallacious assumption that consumers bear the burden of the rail surtax only when it is identified at the point of a purchase. That reflects either ignorance or an effort to give people a misimpression of what rail is costing the taxpayers of Oahu.

It would take a 29% across-the-board increase in property taxes to raise the same amount raised by the 0.5% excise surtax. The latter is more burdensome on low-income people, but the amounts raised would be identical.

Any tax that extracts some quarter-billion dollars from residents each year (as does the current rail surtax), creates a quarter-billion-dollar burden. Yes, some of the excise tax is "exported" (i.e., some of it directly; almost as much indirectly) to non-residents, mainly tourists, but the export rate for property taxes is at least as high as it is for excise taxes, according to studies done for the State Tax Review Commission. The bottom line is that the portion borne by

⁷⁰ <http://www.tfhawaii.org/wordpress/>.

residents averages out to roughly \$200 per year, per person—or \$1,000 for an average family of five, as described by the Tax Foundation.

That’s just for construction. Don’t forget about the cost of operating the system and a sinking fund to ensure that the system is always clean, safe, and reliable.

What do you think the vote would be if an informed electorate was asked if they thought a Plan A rail system is important enough that an average family of five should be forced to contribute \$1,000 each year for the foreseeable future, just for construction; and up to \$1,000 each year to maintain and state of good repair?

As you mull that one over, keep in mind that an informed electorate would understand that traffic congestion in the future with rail will be worse than it is today ... and that the money saved by shutting down rail could be used on proven strategies for reducing the current level of traffic congestion.

The last time rail was on a ballot, the City was telling the public that two-thirds of its cost would be paid by the federal government and tourists. That was incredibly misleading then; now is dead wrong.

I suppose there’s a reason why mayors and council members keep saying that half a penny more at the cash register is relatively painless, but then act as though a 29% property tax increase would be very painful. Either one exacts the same from residents, and the excise tax is particularly burdensome to low-income residents. Even the homeless pay it!

Why not just honestly say: Here’s what Plan A would cost the public, directly or indirectly, and here’s how much of that would be borne, on average, by each man, woman, and child on Oahu?

**

If the decision-makers select Plan C, there’s still time to convert the guideway to bus rapid transit use. Importantly, no stations have yet to be built, and the guideway has not yet passed Aloha Stadium, where there’s plenty room for on-off ramps.

Perhaps the feds would go along with that. Even if they did not, there would be compelling reasons for not returning a penny of the federal money received thus far. Chris Christie took that position a few years ago, in New Jersey, and eventually settled with the feds by agreeing to return one-third of what they had previously provided. But in that case, there wasn’t even a hint of impropriety on the FTA’s part. Here we’ve got their own emails in which they see that the City had acted dishonestly and incompetently, yet the FTA did nothing about it.⁷¹ The FTA

⁷¹ We now know that FTA officials noted in inter-office email that the City had put itself in a “pickle” by setting unrealistic start dates for construction, and starting construction “without authority despite warnings that it would create an ineligibility for the project.” FTA officials also commented in email on the City’s “lousy practices of public manipulation,” willingness to “deceive with no remorse,” use of “inaccurate statements,” and its culture of “never

has a legal responsibility to provide oversight. Its silence in this matter equates to complicity. They have what the law refers to as “dirty hands.”

**

Finally, our decision-makers need to consider the possibility that rail will become obsolete, perhaps even before it is completed. Many experts are predicting that the future of public transportation, indeed any kind of transportation, will soon be revolutionized by the likes of Uber, Apple, Tesla, Google, and other companies known for innovation and disruption.

When Susie and I visit our oldest and youngest sons, both of whom live in Silicon Valley, we see Google’s driverless cars out on the streets and highways. They don’t even have a steering wheel or foot pedals. It seems kind of scary to me, but Panos tells me that those vehicles already have vision and reflexes better than mine. For example, when the light turns green, an average human needs 1 to 3 seconds to react. A driverless car needs three-tenths of a second.

Aha, you say. But what if someone from the side doesn’t stop, just because his light has turned red? Glad you asked: According to Panos, driverless cars are particularly adept at detecting and responding to potential collisions. That’s why they will be able to tailgate on the highway without increased risk of collision.

Combine driverless cars with the Uber concept, and you have a powerful recipe for a different way of living. If a driverless car can be at my doorstep in minutes, or less, and appear again when I’m ready to return home, or to go someplace else, why would I continue to put up with the expense of owning a car (or second car) that is used only a small percentage of the time? And don’t forget the humbug of finding and paying for a place to park it when I’m not actually using it.

I’ve read that up to 75% of the cost of a cab, goes to the driver. It just makes sense that a driverless vehicle that is constantly in use, except while being serviced, would bring down the cost of getting from here to there rather dramatically.

The December issue of Business Insider predicts that by the year 2026, 10% of all cars in the U.S. will be driverless, and more trips will be made using car-sharing programs than privately-owned cars.⁷² Construction on a Plan A rail system would not even be completed by then.

enough time to do it right, but lots of time to do it over.” See http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/, http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/Vol010_AR00138146/0003_AR00146569/AR00150124.pdf, and http://www.honolulutraffic.com/Admin_Record/Administrative_Record_rev_2.28.12/Administrative_Record_Volumes_1-11/Vol010_AR00138146/0003_AR00146569/AR00150121.pdf.

⁷² Cadie Thompson, 21 technology tipping points we will reach by 2030, Business Insider: Tech Insider, Dec. 1, 2016, at <http://www.businessinsider.com/technology-tipping-points-we-will-reach-by-2030-2016-11/#90-of-the-population-will-have-unlimited-and-free-data-storage-by-2018-1>.

Some of you may be skeptical. Maybe you still treasure your corded phone and use maps that fold up when you're finished figuring out how to get from here to there. All I'm suggesting is that decision-makers factor the possibility of obsolescence into their choice of a plan A, B, or C.

**

I'll close with a quote from FTA Administrator Peter Rogoff, from his speech about choosing between rail and bus rapid transit:⁷³

These [are] moral decisions about who we serve with scarce resources.... The solutions ... are not about engineering. ... They are about the necessity to tell truth to power. They are about the guts to say "no" when everyone around the table wants you to say yes....

Mahalo for your attention. I welcome your questions and comments.⁷⁴

⁷³<http://randallroth.com/files/Administrator%20Peter%20Rogoff%20Remarks%20at%20the%20Boston%20Reserve%20Bank%20updated%20to%20March%202016.pdf>.

⁷⁴ Here's a sampling of my commentary on rail over the years: [How the City Misled the Public on Elevated Heavy Rail \(link is external\)](#), Honolulu Star-Advertiser, Aug. 21, 2011, p. F1 (with Walter Heen, Benjamin Cayetano, and Cliff Slater); [Managed lanes would be superior to elevated rail \(link is external\)](#), PACIFIC BUSINESS NEWS, June 22, 2012 (with John Brizdle); [Job Numbers Don't Add Up \(link is external\)](#), HONOLULU STAR-ADVERTISER, Oct. 20, 2011 (with Walter Heen, Benjamin Cayetano, and Cliff Slater); [Rail Robbery \(link is external\)](#), HONOLULU WEEKLY, June 20, 2012 (with Walter Heen and Cliff Slater); [City Rail Project is Fundamentally Flawed \(link is external\)](#), HAWAII REPORTER, Mar. 27, 2012 (with Walter Heen and Cliff Slater); [It's not too late to make right call on rail](#), Honolulu Star-Advertiser, Sept. 18, 2016 (with Panos Prevedouros); [What To Do About The Honolulu Rail Project](#), Civil Beat, Oct. 3, 2016 (with Panos Prevedouros and Cliff Slater); [Politics in Hawaii: Is Something Broken? \(link is external\)](#), HONOLULU MAGAZINE, Vol. III, No. 11, p. 46 (2008). For links to a talk I gave about rail, see <http://www.hawaiifreepress.com/ArticlesMain/tabid/56/articleType/ArticleView/articleId/6294/Rails-Broken-Trust-Randy-Roth-Speaks.aspx>. The City Director of Transportation, Wayne Yoshioka, would sometimes use the term light-metro rail in a way that led others to think he was talking about light rail. See also, Randy Roth Clobbers Wayne Yoshioka, Hawaii Free Press, Aug. 8, 2012, available at http://www.hawaiifreepress.com/ArticlesMain/tabid/56/articleType/ArticleView/articleId/7409/Video-Randy-Roth-Clobbers-Wayne-Yoshioka.aspx?utm_source=August+12%2C+2012+News+From+Hawaii+Free+Press&utm_campaign=August+12+2012+Email&utm_medium=email.

February 24, 2017

Testimony opposing HI SB 1183.
Hawaii State Senate Ways and Means Committee
Monday, February 22, 2017
Conference Room 211 at 1:30 pm

Dear Chairwoman Jill Tokuda and members of the Committee:

My name is Jane Moulin, and I am writing in strong opposition to the above-mentioned bill. Although I originally voted for rail and hoped for an environmentally- and aesthetically-friendly solution, I am now totally dismayed and horrified at how this whole fiasco has been so ill-managed. The sums of money now required for completion impose an unbearable burden on our state for **a system that is non-sustainable—even with a "forever tax"**.

The whole rail project is seriously out of control, with multiple problems raised by others elsewhere over the months surrounding and following the previous vote to extend the tax. Bottom line--there are other workable solutions (e.g. continuing at grade as in so many other cities in the US and Europe) that have been proposed but not seriously considered.

Consequently, I will keep my comments short. My response to this bill is simply **NO, NO, NO.** And, yes, I am screaming!!

Sincerely,

Dr. Jane Moulin
2318 Beckwith St.
Honolulu, HI 96822

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 25, 2017 3:35 PM
To: WAM Testimony
Cc: kmheung@yahoo.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/25/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Tom Heung	Individual	Oppose	No

Comments: I am against this Bill

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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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 25, 2017 8:29 PM
To: WAM Testimony
Cc: cedric@alignmarketingllc.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/25/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

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

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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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 26, 2017 9:11 AM
To: WAM Testimony
Cc: jparsons250@gmail.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/26/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Joan Parsons	Individual	Oppose	No

Comments: I vehemently oppose any perpetual taxation of the citizens of Hawaii and Honolulu County. BART and the legislature have demonstrated a complete inability to manage funds already provided. Rail has become a bottomless pit of funding for incompetence, corruption and financial ineptitude. Either provide exact documentation for funding requirements that binds the state and legislature to meet budgets on a monthly or semi-annual basis with specific amounts of revenue, or end this travesty. Taxation into perpetuity is insanity.

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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TO: Members of the Committee on Ways and Means

FROM: Natalie Iwasa (7 pages)
Honolulu, HI 96825
808-395-3233

HEARING: 1:30 p.m. Monday, February 27, 2017

SUBJECT: SB1183, SD2 - **Oppose Additional Rail Construction Funding**
Support Additional Reporting
Support Disclosure of Funding Plan for O&M
Support Repeal or Reduction of 10% Fee
Comments regarding payment of rail construction with county funds

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB1183, SD2, which would mainly put the onus on the City and County of Honolulu to pay for any additional cost overruns as well as make clear that the county is also responsible for paying the operations and maintenance (O&M) of rail. The bill also requires certain reporting, including a plan for funding O&M.

Continuing Errors

Rail is a fiscal disaster, and we have consistently been given incomplete, inconsistent and incorrect information. Another example of this is the Business Plan for fiscal year 2017. A draft plan was presented at the HART board's May 12, 2016, meeting by Ron Tober from TransLoc and recommended for adoption by HART staff at the board's June 16, 2016, meeting.

Like many other reports from HART, it is rife with errors. (See examples attached.) I was surprised to see that not a single error was corrected when the plan was presented for adoption. The plan ultimately wasn't adopted, because proposed charter amendments were being discussed and assumptions regarding the plan had changed.

Rail Supporters' Modus Operandi

The only reliable plan that has been presented to us for rail is to ask for funding first and provide increased cost information afterward. This has to stop. The reporting requirements in this bill may help, especially the requirement to provide a funding plan for O&M, but we need to **have someone dig into the contracts and make sure taxpayer money is being spent properly and efficiently**. Decision making appears to be made with factors other than the best interest of the public in mind.

An example of this is the signal light work being done at certain intersections. The federal government came out with new guidelines that require bigger poles and more signal heads, as follows in an excerpt taken from the Manual on Uniform Traffic Control Devices:

Table 4D-1. Recommended Minimum Number of Primary Signal Faces for Through Traffic on Approaches with Posted, Statutory, or 85th-Percentile Speed of 45 mph or Higher

Number of Through Lanes on Approach	Total Number of Primary Through Signal Faces for Approach*	Minimum Number of Overhead-Mounted Primary Through Signal Faces for Approach
1	2	1
2	2	1
3	3	2**
4 or more	4 or more	3**

Notes:

* A minimum of 2 through signal faces is always required (see [Section 4D.11](#)). These recommended numbers of through signal faces may be exceeded. Also, see cone of vision requirements otherwise indicated in [Section 4D.13](#).

** If practical, all of the recommended number of primary through signal faces should be located overhead.

According to these guidelines, two signal lights above lanes are allowed when there are three or more through lanes, but my understanding is the state has adopted the higher standard (unless it is not practical). When an option like this is available, why is the more costly option taken?

County Funding of Rail Construction

With construction costs now projected to be almost double the amount planned in the full funding grant agreement, **it is time to reevaluate the entire project.** We cannot continue throwing money at this, with the hope that somehow it will be built and magically ridership will be as estimated. It's important to remember that less than 2,000 jobs related to the rail project have been generated when we were told it would be 10,000. What if ridership turns out to be only 20% of what we were told?

Perhaps if funding were required to come from the county, a more critical review would be given of rail's plan and costs, but based on what I've seen, **we simply cannot afford to continue giving HART more money and should take a serious look at alternatives.**

businesses impacted by construction and mention the Shop & Dine on the Line Program to receive special discount offers as an incentive to generate additional customers during construction. The special offers are distributed in brochures, using social media, and can also be found at www.ShopAndDineOnTheLine.com and via our mobile site.

- Shop, Dine & Shuttle: This free trolley service is provided to customers and area residents so that they can patronize businesses along the rail corridor. HART's initial service started at Aloha Stadium, which encouraged swap meet goers to participate, and ran along Kamehameha Highway, stopping at various shopping centers and plazas. A similar program will be considered for the Waipahu community.
- Art-In-Transit (AIT) Program: The Transit Art Committee (TAC) composed of art and design professionals and HART staff completed its evaluation of the artist applications received and recommended a pool of artists for all 21 stations and for the Operations and Service building at the ROC. Confidential negotiations with the artists for the nine westside stations and the ROC building began. Selection of the artist for each art opportunity is made public upon the execution of the contract. Three have been completed: UH-West Oahu and Ho'opili stations and the ROC/Operations and Service Building. These three artists are presently working on conceptual designs for their art work. Negotiations with the remaining seven artists are on-going at the end of FY2016.

Finances:

- Project Cost Estimate – The continued escalation of construction costs on Oahu driven by a high level of construction activity continued to be a major problem for the project. This fact plus challenges associated with utility relocations, in particular with HECO, has necessitated the need for staff and the agency's consultant team to update the Independent Cost Estimate for the project in the fall of 2015. The current project cost estimate is \$6.8 billion, an increase of \$800 million. This revised estimate does include \$539 million in contingency. The project cost estimate will be updated again in FY2017 following the results of the procurements for the two remaining guideway contracts and negotiations with HECO on a final utility relocation plan.
- Project Revenues – In early FY2016, the bill to extend the GET tax by five more years was signed into law by the Governor. In January of 2016 the Honolulu City Council approved the extension and it was signed into law by the Mayor on February 1st, 2016. These actions will provide the project an additional \$1.8 billion thru 2027. Additional revenue results in FY2016 include:
 - GET collections during the year are expected to total \$236.2 million, bringing the total collected to date to \$1.38 billion, which is \$45 million less than forecast in the project's June 2012 Financial Plan. Recent receipts have come in better than expected, but the projected \$100 million GET shortfall in the future remains an issue.
 - HART expects to receive \$161.5 million in FY2016 from the FTA, bringing total federal funding actually received to date for the HRTF to \$573 million. Congressional appropriations for the project are \$1.306 billion, which is approximately 85% of the \$1.55 billion committed to the project in the Full Funding Grant Agreement (FFGA). The President's FY2017 budget includes

typo

typo
Note 1

Note 1: \$100 million shortfall was to be covered by the extension and should not be considered a continuing "issue."

another \$244 million for the project which if appropriated will complete the federal commitment to the project under the FFGA.

- Financial Reporting – Staff continued to work on improving HART’s financial reporting to the HART Board, the City Council and the State Legislature and to the community through the HART website. The monthly reports and the agency’s quarterly Balanced Scorecard are distributed widely and regularly.
- Financial Audit – Completed the agency’s fourth annual financial audit cycle, which yielded overall favorable conclusions and only one finding concerning compliance with the federal Davis-Bacon Act prevailing wage requirement, specifically, that some contractors on the project were not timely submitting the required payroll reports. Staff has taken action to insure that all contractors and subcontractors are submitting payroll reports in a timely manner. s/b "ensure"
- Construction Insurance – HART continued administration and oversight of the project’s Owners Controlled Insurance Program (OCIP) which provides coverage for Workers Compensation, General Liability and Excess Liability for Construction Contractors performing work within the physical geographical limits of the project. The OCIP also includes such coverage for designated sites not within the physical limits of the project such as the casting yard and storage facilities. HART also provides Builders Risk coverage for Construction Contractors while performing construction work on the project within the project limits, including designated sites not within the physical limits of the project. The On-Call Construction Contracts are not covered by the OCIP and are not covered by Builders Risk. Marsh is the HART OCIP consultant and Aon Hawaii is providing brokerage services.

Organizational Development:

- Staffing – In FY2016, HART continued its efforts to insure that the organization has the technical and administrative capability needed to meet the challenges the project faces. Several key positions were filled with highly qualified people including: s/b "ensure"
 - Director of Planning, Right-of-way and Utilities
 - Director of Operations and Maintenance
 - Director of Design and Construction
 - Safety Certification Manager
 - Director of Communications
 - Chief Financial Officer

These efforts are mindful of the need for HART to continue to have the technical capacity needed to carry out the largest public works project in Hawaii’s history and to meet FTA requirements in accordance with the FFGA. All of the above positions were filled with people that have substantial experience in dealing with the type of construction and technology that are inherent in the H RTP and the administrative and management functions needed in a public agency that is undertaking the largest public works project in Hawaii history. In addition, HART continued the transition of consultant provided embedded staff in several positions to positions held by HART employees.

- Training activities for HART staff continued in FY2016 covering a wide variety of areas including ethics awareness, safety awareness, the Contract Management System and

FY2017 Work Program

Agency Business Operations

HART functions as a semi-autonomous agency of the City & County of Honolulu government. During FY2017, HART will continue to use various City business systems and administrative practices as appropriate when conducting the agency's business activities. On an ongoing basis, HART will evaluate the extent to which it should develop its own business systems to improve efficiency and delivery of needed business services consistent with the agency's Mission as described in the previous section.

During FY2017, HART will continue to take steps to further develop the organizational capacity and capability to fulfill its Mission. Several of the actions that will be taken are designed to ensure that HART will maintain eligibility to receive Federal funding for the H RTP. A preliminary listing of the priorities and tasks that will be pursued in FY2017 is as follows:

- Recruit and hire key management, technical, and support staff to fill key vacancies as they occur or needs arise.
- Update the project's Financial Plan in mid-year FY2017 to reflect:
 - The costs of the Airport and Center City guideway and stations based upon the competitive proposals that are received and negotiated
 - Updated cost estimates of other project elements including utility relocations, property acquisitions and ongoing construction and systems contracts
 - Updated estimates of income sources including GET receipts
 - Final actions to issue short term debt to meet the project's cashflow needs as construction proceeds over the next five years or so.
- Monitor ongoing construction activities to control or reduce costs and insure schedules are being met and to insure work is being completed in accordance with contractual requirements, best safety and environmental practices and minimizes impacts on communities and businesses s/b "ensure"
- Maintain a management reporting system on key performance metrics and financial information including:
 - Continue to develop internal processes that will enhance the control over fiscal processes while increasing processing efficiencies.
 - Achieve zero findings in the Authority's annual audit, specifically addressing any deficiencies identified in previous audit reports.
 - Continue to build finance, accounting and internal controls capability.
 - Address audit findings or recommendations as described in the Financial Strategy, Plans and Budgets chapter.
- Continue emphasis on safety and security as top priorities during construction and ultimately during future operations.

HART Financial Strategy, Plans and Budgets

Financial Strategy Overview

HART maintains a detailed 20-year financial plan in accordance with the requirements of the FTA to receive federal funding for the HRTP. The HART Financial Plan provides a summary of the capital costs and funding sources associated with both the HRTP and the City's ongoing operating and capital needs for the existing public transportation system. It also includes a preliminary plan to fund the future operations and maintenance (O&M) costs associated with the rail line, TheBus, and TheHandi-Van services. The current HART Financial Plan was prepared in June 2012. The Financial Plan is will be updated via a Risk Refresh with the FTA to be completed in the August/September timeframe with the complete update of the Plan completed between December 2016/January 2017. "is"

The financial strategy reflected in the HART Financial Plan can be summarized as follows:

- Implementation of the HRTP will be funded primarily by revenues from a one-half percent (0.5%) surcharge on the State's GET and grants from the federal government provided by the FTA. The 0.5% GET tax is currently set to expire on December 31, 2027.
- Short and medium term debt financing will be used to help manage cash flows during construction of the HRTP. However, the Financial Plan assumes that all debt will be retired by the time the GET tax expires.
- Ongoing funding for operation of the integrated bus and rail public transportation will be provided through a combination of fare revenues from passengers and other operating income, City and County general funds, and some FTA grant programs.

Events during the past two years caused a reassessment of the above described financial strategy in light of the roughly \$1.4 billion increase in the project's estimated cost to complete and the estimated \$310 million reduction in project reviews. This revenue gap includes \$100 million in lower projected error GET revenues and the withdrawal of \$210 million in federal capital grants the City expects to receive that were originally expected to be made available for the project. As noted earlier, this reassessment resulted in an effort in 2015 to gain state approval to extend the GET surcharge beyond the original 2022 termination date to 2027 to cover increased costs and the revenue shortfall.

The Financial Plan will be updated again mid-year in FY2017 to reflect the results from proposals for the remaining major construction contracts, the latest estimates of all project costs based upon then current trends in construction costs on Oahu and the final results from negotiations with HECO on utility relocations. The update will also reflect the latest projections of revenue sources especially the GET tax.

Appendix D contains a summary of revenues and expenses as shown in the approved HART 2012 Financial Plan for the HRTP and for operating the City's integrated bus – rail public transportation system over the 20-year period covered by the Plan.

FY2017 Operating and Capital Expense Budgets

HART staff prepared and submitted preliminary FY2017 Operating and Capital Budgets to the HART BOD in September 2015. On December 1, 2015, the HART Executive Director/Chief Executive Officer transmitted the proposed FY2017 Budgets to the Mayor and the City Council. This section of the FY2017 Business Plan describes in summary form the proposed Operating and Capital Budgets. City Council requested further detailed information of the HART proposed budget during the spring of 2016, and will ultimately include the HART budgets in the City’s budget bills anticipated to be approved before June 30, 2016. The HART Board is scheduled to discuss and adopt the FY2017 Operating and Capital budgets by June 30, 2016. The final version of the FY2017 Business Plan will reflect the final FY2017 Operating and Capital Budgets adopted by the HART BOD. The total budget request for FY2017 was as follows:

Operating Budget	\$ 31,380,800	
Capital Improvements	<u>182,299,000</u>	
Total FY2015 Budget Request	\$ 213,679,800	s/b FY2017

Appendix D includes a summary table which provides actual operating and capital expense historical information for FY2014-15 actual expenses, FY2016 budget and projected actual information, and the proposed FY2017 Operating and Capital Budgets which are described in more detail in the sections that follow.

FY2017 Operating Budget

The following table summarizes the FY2017 Operating Budget:

Expense Category	FY2016 Budget	FY2016 Projected	FY2017 Proposed
Personnel	\$14,019,000	\$12,912,448	\$14,577,200
Current Expenses	7,187,800	4,919,768	6,797,600
Equipment & software	6,000	17,625	6,000
Subtotals	\$21,212,800	\$17,849,842	\$21,480,800
Debt Service	8,000,000	619,339	10,000,000
TOTALS	\$29,212,800	\$18,469,181	\$31,480,800

s/b \$21,380,800
typo

The HART Operating Budget includes expenses for HART staff and administrative expenses (i.e. office and equipment rent and supplies, legal services, telecommunications and various administrative services). It also includes expenses related to the support HART receives from other City departments as well as a contribution to City overhead expenses. The HART Operating Budget has four major expense categories as shown in the table above. The table provides a breakdown of these cost components for FY2017 and a comparison against the budget and projected actual amounts for FY2016. The FY2016 projected amounts shown in the table are preliminary; there will be adjustments made through August 2016 to record payable amounts.

The Personnel category of the FY2017 Operating Budget includes funding for 139 full-time equivalent (FTE) positions, the same level since FY2013. As described in the Organizational Development Strategy section, the staffing level proposed is designed to ensure that HART has the technical capacity and capability to manage the implementation of the HRTP and meet the requirements of the FTA.

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 26, 2017 11:07 AM
To: WAM Testimony
Cc: joanne.amberg@gmail.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/26/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Joanne Amberg	Individual	Oppose	No

Comments: No more rail tax extensions. The Tax Foundation of Hawaii says the rail GET surcharge costs each person on Oahu \$200.00 per year. \$800.00 per year for a family of four. We have each paid ten years and have eleven more to go - that's enough! Plan A - Stop Rail at Middle St. Plan B - do an honest alternatives analysis starting with the new cheaper "Dual Power Trains" (can ride on the guideway and in the streets - no transfers) suggestion. Mahalo for considering this testimony.

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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Date: February 26, 2017

To: The Honorable Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair
Members of the Senate Committee on Ways and Means

From: Christine Trecker

Subject: SB1183 SD2: Relating to Taxation **Oppose**

We are at a critical turning point in the implementation of the biggest public works project in Hawaii's history. Given the multiple, complex challenges of the rail project and its skyrocketing costs, it is crucial that we reassess the advisability of the current rail plan before legislating the financing for it.

I strongly urge legislators to re-consider FTA Recovery Plan Option 2A, which is to build the elevated guideway as planned to Middle Street and then continue at grade for the last 5 miles. There have been various expert analyses of Option 2A in addition to those done by the Honolulu Transit Task Force, a group comprised of concerned local architects and planners. Option 2A is considered a viable and far preferable option to the current rail plan.

FTA Recovery Plan Option 2 will save between \$2.9 to \$4.2 billion in construction costs; dramatically reduce annual operating and maintenance costs; can be completed by 2020; will only increase rail travel time by about 3 minutes for the last 5 miles at grade (utilizing signal synchronization and traffic preempt systems) ; will greatly reduce visual and environmental impacts; and will also make route extensions to Waikiki and UH possible and cost effective, something the current elevated rail plan cannot do!

For more information read the Honolulu Transit Task Force's detailed report at www.salvagetherail.org or call: Scott Wilson, AIA (988-1876); Adria Estribou 291-6865.

For the sake of those you serve and future generations, I strongly urge you to defer SB1183 SD2 and carefully weigh the merits of the current rail plan with FTA Recovery Plan Option 2A.

Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 26, 2017 2:40 PM
To: WAM Testimony
Cc: darakawa@lurf.org
Subject: *Submitted testimony for SB1183 on Feb 27, 2017 13:30PM*

SB1183

Submitted on: 2/26/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
David Z. Arakawa	Individual	Oppose	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 26, 2017 3:03 PM
To: WAM Testimony
Cc: lgard@hawaiiantel.net
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/26/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Lila Gardner	Individual	Comments Only	No

Comments: My name is Lila Gardner and I strongly oppose authorizing the "forever tax" to complete this rail project. This will be an unending expense into the future for subsequent generations. Thank you, Lila Gardner, Makiki resident

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 26, 2017 3:23 PM
To: WAM Testimony
Cc: MSMatson@hawaii.rr.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/26/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Michelle Matson	Individual	Oppose	No

Comments: OPPOSE. OPPOSE. OPPOSE. STOP IT NOW.

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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From: [Ron Brown](#)
To: [WAM Testimony](#)
Subject: SB1183
Date: Sunday, February 26, 2017 12:00:37 PM

I would like to express my opposition to SB1183. Right now the rail project has severe problems, including large cost overruns (which the city wants this bill to help finance), major design problems (huge engineering problems in the last 5 miles, the near impossibility of extending the system beyond Ala Moana because of the planned point of termination on Kona Street), and devastating visual impacts. But there is a solution suggested by the FTA: the FTA revised plan option 2A, which calls for at grade light rail starting at Middle Street. The estimated cost saving: roughly 3 to 4 billion dollars. The estimated time savings: 5 years. Considerable savings in operating costs. Enormous flexibility in expanding the system. However if SB1183 is passed, the chance that the city will consider this option is nil, and the city will plunge ahead into an environmental and economic disaster. Please consider killing this bill to force the city to consider the workable option of street-level light rail starting at Middle Street..

I have been influenced by the Honolulu Transit Task Force, a remarkable group of distinguished experts. Critical issues involved are discussed with great clarity at <http://www.salvagetherail.org/report.html>.

Thank you, Ron Brown

From: [WAM Testimony](#)
To: [wam5 - Jennifer](#)
Subject: FW: Written Testimony for Senate Bill 1183
Date: Sunday, February 26, 2017 3:47:29 PM

Please put in for both bills.

OPPOSE SD1

SUPPORT – PROPOSED SD2

From: Frank Genadio [mailto:genadiof001@hawaii.rr.com]

Sent: Sunday, February 26, 2017 1:14 PM

To: WAM Testimony

Subject: Written Testimony for Senate Bill 1183

TO: State Senate Committee for Ways and Means

FROM: Frank Genadio

SUBJECT: Senate Bill 1183, SD1 and SD2

DATE: February 27, 2017

Chair Tokuda, Vice Chair Dela Cruz, and Honorable Ladies and Gentlemen:

This testimony is submitted in opposition to the passage of Senate Bill 1183, SD1 and in support of Senate Bill 1183, SD2. The surcharge applied to the General Excise and Use Tax (GET), effective January 1, 2007 through December 31, 2027, along with \$1.55 billion in federal funds, is sufficient for the development of a rail system on O’ahu. This legislature should reject any bills aimed at extension of the surcharge for rail and advise the city to devise a rescue plan that uses available funding.

A surcharge extension in perpetuity, through 2047, or even through 2032 is not necessary for completion of the 20-mile rail plan—if the City and County of Honolulu is ready to apply 21st Century urban magnetic levitation (maglev) rail technology. I have proposed this change to the administration and to the Honolulu Authority for Rapid Transportation (HART) to no avail. The lack of vision, built-in inertia, avoidance of competition at the outset of the rail project, mismanagement leading to cost overruns and delays, and inability to foresee problems in advance have resulted in the current opposition to rail by a majority of residents.

U.S. Representative Colleen Hanabusa, while still serving as the Chair of HART’s Board of Directors last year, called for a peer review of the rail project. I testified to HART (at her last meeting) supporting the review while asking that it includes a maglev engineering team. This review should cover costs, technology, and the alignment, and should be conducted with the cooperation and funding support of the Federal Transit Administration (FTA). The new officials who will be heading the FTA as well as its Region IX may look favorably upon a sincere effort to “rescue” the Honolulu rail project; they may even recommend the new plan for inclusion on the next list of the nation’s top 50 infrastructure projects, a list from which it is currently—and conspicuously—absent.

There will be an estimated \$6.8 billion budget available through 2027, an amount inadequate for completing the steel wheels on steel rails (SWSR) system’s minimum operable segment (MOS) to Ala Moana Center. There is now a proposal from the Honolulu Transit Task Force for a change to at-grade rail, at a cost slightly above the available budget. That proposal was mentioned by an opposition team in the rail debate at the State Capitol on February 24th. Apparently, none of the eight young debaters was aware of urban maglev; a little time on the Web would have revealed currently operational maglevs in Japan, Korea, and China as well as expansion plans for those and other nations.

The page following the signature block shows costing for conversion of SWSR to either an at-grade system or to an urban maglev based on American technology. It was necessary to extrapolate costing on the SWSR project to date due to the city’s and HART’s lack of transparency on funding.

The maglev conversion costs, based on a start at the 12-mile point of the SWSR guideway, are conservative; the figures are higher than costs derived from the 2014 book, "Maglev America," padded for the "price of paradise." It should be noted that procured SWSR trains could provide service to, perhaps, a convenient turnaround point at Aloha Stadium on guideway already built, with maglev trains able to operate on the full 20-mile length with embedded levitation panels between the rails of the SWSR segment.

I believe that conversion to urban maglev would restore public confidence in the project. Aside from the reduced costs for completion of the MOS, a maglev offers significant savings in operations and maintenance (O&M) costs. Calculations made for 30 years of O&M, and based on the current \$126 million O&M cost estimate for rail's first year of operations, indicate savings with maglev of \$2.9 billion at two percent inflation and \$3.4 billion at three percent. With transit fare revenues limited to 27-33 percent of O&M, conversion to maglev means a lot of money that can stay in taxpayers' pockets.

With a successful (maglev) project, it is not too early to think about extensions to provide service to Waikiki, the Manoa campus of the University of Hawaii, and West Kapolei (i.e., the council-approved locally preferred alternative, or LPA). Completing the current project within budget with maglev would bode well for public acceptance for extending the surcharge as well as for gaining federal funding support to the LPA under the New Starts program. Please think about the positive impact on rail ridership and the subsequent improvement of level-of-service on the roadways that was the supposed initial goal for implementing rail. Conversion to maglev can only start with the legislature's denial of the city's request for authority to extend the GET surcharge. Mahalo and Aloha.

Frank Genadio
92-1370 Kikaha Street
Kapolei, HI 96707
(808) 672-9170

Costs for Conversion to an At-grade Rail System, February 2017 (From Honolulu Transit Task Force Report)

Starting point: The projected cost of the current elevated system to Middle Street — \$6.22B.

Five miles of dual rail tracks at street level at \$139M/mile — \$695M for five miles.

Changing the 80 rail cars from high-floor to low-floor type. Based on the total car contract amount (\$200M) and using a 1/3-of-total change order charge — \$66M.

Modification of maintenance yard equipment to service low-floor rail cars — \$100M.

Preparation of EIS Technical Memorandum — \$10M.

A/E redesign of the street level route (typically 20% of construction cost) — \$139M.

Using the above figures, the total cost of a modified HART project would be **\$7.23B**.

Operating and Maintenance Costs — \$2.7M per mile, or **\$54M** yearly.

Costs for Conversion to an Urban Magnetic Levitation System, February 2017 (From "Maglev America")

Starting point: Twelve miles of completed guideway before pause, as follows:

Rail Car contract modified for 40 rail cars and systems — \$1B.

Maintenance and Storage (M&S) Facility — \$115M.

Guideway and Track elements for 12 miles — \$700M.

Sitework and special conditions for 12 miles — \$604M.

Right-of-way, Land, Existing Improvements — \$198M.

Professional Services — \$1.123B.

Total Cost (actual and estimated) for all 21 Stations — \$970M.

Cost for Pearl Highlands Transit Center — \$280M.

Sub-total for Modified Steel Wheels Project — \$4.99B.

Conversion of twelve guideway miles for maglev use — \$120M.

Modification of Maintenance and Storage Facility to accommodate maglev — \$50M.

Eight miles of maglev-only guideway (to Ala Moana Center) — \$400M.

Forty maglev rail cars (10 trains) — \$200M.

Contract renegotiation, manufacturing start-up, etc. — \$100M.

Unanticipated or unexpected costs (i.e., "buffer" for rounding) — \$40M.

Sub-total for Maglev Conversion Plan — \$910M.

Total of committed funding and maglev conversion plan funding required would be **\$5.9B**.

Contingency fund — \$900M.

Operating and Maintenance Costs — Less than half of steel wheels, or **\$51.66M** yearly.

(NOTE: Using “M” for million and “B” for billion.)

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 26, 2017 6:10 PM
To: WAM Testimony
Cc: mghsmart@yahoo.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/26/2017
Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Smart	Individual	Oppose	No

Comments: 1. I oppose SB 1183 for several reasons. I am disappointed that my own Senator has introduced this bill. I hope that this testimony will change her position. This testimony was originally prepared in opposition to Bill 3 in the Honolulu City Council -- which I also oppose. As I go through the eighty pages of the bill, the application of the taxes mentioned in the bill is oppressive. 2. The people of Hawaii are taxed enough already. Most residents are barely meeting their monthly financial obligations and our legislature keeps authorizing programs and projects that are at champagne costs when we only have beer budgets. The Rail and many other "good ideas" are beyond the means of your constituents to sustain. At some point you need to stop wasting our money -- and this is it. The 5 year extension should have been sufficient. The legislature needs to live within their means -- just as we must. With the wild and unbridled spending our legislature approves, it is not surprising that we have a severe homeless problem. The increased tax on manufactures, those selling tangible products, theaters, amusements, radio broadcasting stations, insurance producers, technicians ... and on and on... will continue to drive businesses and employers out of our state and will only be passed on to the consumer. 3. By establishing a "low income tax credit" you are establishing two classes of people in Hawaii. In the United States -- all people are equal. We are a classless society and want to remain equal. This provision gives government more involvement in our lives. If you want to treat all people fairly, don't obligate ANY Hawaii taxpayer to supporting over-priced, poorly managed, government boondoggles such as the Rail project. 4. The rail system is not a "locally preferred alternative". These rail systems are all part of the United Nation's "Sustainable Development" concept. Every use of the term "locally preferred alternative" should be removed. Expansion of roads and throughput features (underpasses/flyovers) are the most desired improvements. For mass transportation systems, enhanced bus service is cost effective, sustainable, and desirable. We wouldn't have so much waste if we stayed with those two improvements (roads and bus service). The groups who favor rail are those constructing it, managing it, politicians who see the opportunity for a larger tax base in a smaller land area, and developers who are more than happy to build the transit oriented development (TOD) urban ghettos of the future. 5. The build-out to Ala Moana is not "minimum operable segment" as suggested in Bill 3. The residents of

Oahu, including architects, have provided alternatives that end the rail before Ala Moana. Do not be held hostage by the federal government. Please delete each reference to the "minimum operable segment" or clearly define where that minimum segment is located and why it is the minimum. 6. The Rail project has been mismanaged from the beginning. Changing the financial reports from quarterly (crossed out paragraphs) to annual reporting will only exacerbate the problem. Those managing the project need to be held accountable minimally quarterly, if not monthly. The runaway cost of this project is disgraceful. Reinstitute quarterly reporting or change it to monthly. 7. There should be no funds expended on an expansion of this rail system (as Bill 3 authorizes). If given the chance to vote again, most residents would vote against it. Do not spend any funds on a plan to expand the project. The rail is a money pit and TOD will destroy the beauty and culture of our state. 8. Capital costs include "debt service" according to the bill. Debt is wasted taxpayer funds. We don't get anything tangible from debt service. It is normally a result of mismanagement. There should be a separate category for debt service so residents can determine where our hard earned taxes are being spent. 9. With the increase in multi-million dollar condos, the tax base must have greatly expanded. The State and City and County of Honolulu should be able to adhere to a budget within current receipts and not require this tax increase. 10. If the tax were extended and the limit removed, I would not approve the restriction of payment of operating expenses nor the prohibition of repair of roads, highways, bike paths, or current transport systems from that funding source (as Bill 3 in the City Council specifies). Your constituents prefer those modes (roads and buses) of travel and would want them funded first. Bill 1183 allows funds to be used for education, highway and road construction, maintenance and repair; affordable housing; and programs and services for the elderly (p. 67). 11. The guidance and authorization for purchase and design should be separated from the bill authorizing an extension, if those activities (land identification and value/new access roads, etc) are needed. All required actions should be performed in accordance with current funding levels -- and an extension of the tax in perpetuity. 12. The original projected cost tripled and there is no firm estimate for the final build-out cost. This rail project is not adequately planned nor managed. Do not pass SB1183.

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To: The Honorable Jill N. Tokuda, Chair and Members of the Senate Committee on Ways and Means

Date: Monday, February 27, 2017

Time: 1:30 P.M.

Place: Conference Room 211, State Capitol

From: Lawrence Friedman-private citizen

RE: STRONG OPPOSITION for Senate Bill 1183 SD1 and SD2



Good afternoon Madam Chair and Committee Members:

I am writing this to you today to express my opposition to extending the GET surcharge in perpetuity, and any legislation, 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 has been problematic since 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 has not been accurately identified. Ridership is questionable and fares have not been published. It is deplorable to base finances for a 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 AND cannot be any more controversial than legalizing prostitution under HB 1533.

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 "latest" 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 "latest" 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.

**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", written over a horizontal line.

Kirk Caldwell
Mayor

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 26, 2017 8:49 PM
To: WAM Testimony
Cc: steve@myplaceinparadise.com
Subject: *Submitted testimony for SB1183 on Feb 27, 2017 13:30PM*



SB1183

Submitted on: 2/26/2017

Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Steve Miller	Individual	Oppose	Yes

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.

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LATE

TO: Members of the Committee on Ways and Means

FROM: John Brizdle
Honolulu, HI 96816
808-286-1212

HEARING: 1:30 p.m. Monday, February 27, 2017

SUBJECT: SB 1183, SD1, SD2 –

Strongly Oppose Additional Rail Construction Funding

Aloha Chair and Committee Members,

Please vote against this bill that would extend the GET surcharge for the Honolulu Rail project.

1 - The benefits of this project in the area of transit are almost negligible. The benefits of this project in the area of Transit Oriented Development appear to have some potential, however TODs do not require elevated heavy rail.

2 - After ten years of taxation, the average family on Oahu has very little idea of how much they have paid through this tax. The Tax Foundation of Hawaii has estimated that each resident is paying approximately \$200.00 per year (\$2,000.00 so far) for this tax.

3 - The applicant, the County of Oahu and HART, have not been transparent. They have proven to be intentionally misleading and untrustworthy in their explanation of the project.

1 - Rail is a transit project that is supposed to replace certain bus routes that run East and West across our island with high speed - high capacity service. The proposed rail project is neither fast nor high capacity.

When I attended the first meeting to discuss this project in June of 2006, the engineers from Parsons Brinckerhoff told anyone there that rail would average 23 mph. Since then, the city and HART have raised the average speed to 30 mph. However, this Rail Fact from the HART website is intentionally misleading and dishonest. Do the math - 20 miles in 42 minutes. That number is 28.57 mph. Then imagine how extra seconds are added during rush hour at each stop to allow passengers to exit and enter - the average speed will decrease to around 25-28 mph. Our best Express buses that use H-1 are currently traveling faster than rail. This slow speed will negatively affect prospective buyers in any TOD.

The elevated rail guideway is exclusive to about 20 rail trains. When a train goes by, there is a 3 minute or 5 minute or 10 minute wait - on an entirely empty multi-billion dollar bridge. This cannot be high capacity. The entire system is closed for four hours at night. Any freeway lane can handle more passengers per hour in multiple kinds of transit vehicles than the proposed rail project.

The city has continued to hide the fact that rail will not reduce traffic congestion on H-1. If you currently need to commute in your car, city engineers tell us that your commute time will increase as there will be more cars on the road. This data comes from the FEIS Chapter 3 and Appendix A, page 1151 - Wayne Y. Yoshioka, Director, Honolulu Transportation Services -

“You are correct in pointing out that traffic congestion will be worse in the future with rail than it is today without rail and that is supported by the data included in the Final EIS”.

Yet, today if we look at the HART website, here is what we find about rail and traffic - HART/Be Informed/Rail Facts/Benefits -

“Is rail transit going to make a difference in traffic congestion?

Yes. Rail will eliminate an estimated 40,000 car trips from our congested streets and highways. If you know what traffic is like when UH and private schools are out for the summer, you have an idea of the difference rail will make.”

This statement is intentionally misleading and dishonest. We all understand this analogy - when UH is out, so are approximately ten other public and private school in East Honolulu - and the traffic on H-1 is lighter because the students, teachers, and staff are not going to those schools on those days. This is an attempt to “fool” the reader. This is not transparency.

The benefits of TODs in our city sound wonderful. We all can imagine the beautiful, walkable, little communities with low cost housing as a component. However, the good news is that TODs do not require elevated heavy rail. TODs envision “Quality Transit”. That means the future occupants will consider transit more than they do now and perhaps have fewer cars per family. Quality Transit can be light rail or a bus. On the mainland there are BTODs - Bus Transit Oriented Development. So, Honolulu can have TODs around a bus station as well.

The benefits of this rail project are almost negligible and are not worth spending any more of our hard earned dollars. The city and HART have not been transparent about the benefits of rail.

2 - There has been almost no discussion of how much this tax has and will cost the average family on Oahu. The only independent review comes from the Tax Foundation of Hawaii. Many people are confused because they do not understand how an excise tax differs from a sales tax.

Here is an article from the Tax Foundation of Hawaii that tells us each person on Oahu will pay approximately \$200.00 per year because of this tax -

<http://www.tfhawaii.org/wordpress/blog/2016/09/mythbusting-hart-part-1/>

Once again, the information on the HART website is intentionally misleading and dishonest - HART/Be Informed/Media Center/Mythbusters -

“MYTH: An average family of five will pay more than \$1,000 a year extra in GET for the rail.

FACT: That is incorrect. The rail tax surcharge is already incorporated in the existing General Excise and Use Tax (GET) and amounts to ½ a penny tax on each dollar spent. If a household spends \$2 on groceries, it has paid one penny (\$0.01) to the rail fund.”

Again, HART is trying to “fool” the reader by pretending the tax is a sales tax.

We cannot afford to pay \$200.00 per person for any more than the 21 years we must pay now. How can any elected representative look their constituents in the eye and tell a family of five, “You must pay \$1,000 per year forever”. That is crazy. The city and HART are not being transparent about the true cost of the GET surcharge.

3 - Besides the three examples of dishonesty above, here is one more. The new Acting Executive Director and CEO of HART, Mr. Murthy wrote an article that was published in the Star-Advertiser recently about the “Dual Power Trains” that have the ability to ride on the guideway and also as Light Rail at grade. In that article, Mr. Murthy drapes himself in the misleading and dishonest cloak of the HART organization when he described how the construction techniques for rail would be less disruptive to the underground surroundings than the proposed light rail in the downtown area. Mr. Murthy argued that the small construction area needed for the slender rail columns was less than the area needed for Light Rail. Once again, as a representative of HART, he is intentionally misleading the public.

The construction techniques for rail in the downtown area are part of the public record. The giant “post hole” technique - Drilled Shafts - used out in Ewa cannot be used downtown. The technique needed downtown is called Piles and Pile Caps. This technique requires a very large rectangular hole in the ground where multiple piles can be placed and all connected with a large cement cap. This large underground cap is the support for each rail column.

Here is a description of this technique in the DEIS -

[-http://hartdocs.honolulu.gov/docushare/dsweb/Get/Document-16781/20110701-deis-appendix-c-1108.pdf](http://hartdocs.honolulu.gov/docushare/dsweb/Get/Document-16781/20110701-deis-appendix-c-1108.pdf) - See page 4.

We know that HART is aware of the need to use this technique downtown because they have already paid over 40 million dollars for the Final Design for this segment. The Final Design includes geotechnical surveys and structural engineering solutions.

Here is Mr. Murthy’s article -

<http://www.staradvertiser.com/2017/02/08/editorial/island-voices/at-grade-rail-wont-work-for-oahu/>

“This means more archaeological resources along the route would likely be impacted by an at-grade rail system than one that is elevated, where excavation is limited to 8-foot diameter columns every 100 feet or more along the route.”

Mr. Murthy is trying to “fool” the public just like the HART website.

The city and HART are not transparent and cannot be trusted with their public relations campaign to “fool” the public.

The legislature should not extend the rail GET surcharge. They should instead tell the city and HART to do an honest alternatives analysis using only the funds committed so far by the State.

Thank you very much,

John Brizdle

TO: Members of the Committee on Ways and Means

FROM: Natalie Iwasa (8 pages)
Honolulu, HI 96825
808-395-3233



HEARING: 1:30 p.m. Monday, February 27, 2017

SUBJECT: SB1183, SD1 - **OPPOSE Surcharge Extension**
OPPOSE Increase in GET/Use tax
OPPOSE Creation of New Special County Account
Support Monthly Payment
Support Repeal or Reduction of 10% Fee
Comments on Tax Credit
Correction to 2/15/17 Testimony

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB1183, SD1, which is quite complex and was summarized in my previous testimony dated February 15, 2017. (**Correction** to that testimony is in relation to the potential increase in general excise tax from 4% to 4.5%. It should have been 12.5% rather than the 25% I had indicated.)

Unreliable Numbers and Incomplete Information

HART's reports, tables and figures have had so many errors, we cannot rely on them. We have been told total construction costs for rail are now estimated to be \$8.2 billion. With financing costs, total costs to build rail are now close to \$10 billion. Note that all financing costs were included in the 2012 Full Funding Grant Agreement, and the separation of costs appears to be a way to make it appear costs are not as high as they really are projected to be.

Recent discrepancies in projections include the draft financial plan sent to the FTA in December. Attached are calculations of the variances as well as copies of the source documents. I was told that HART is checking into these variances, but you should be aware of them as you make decisions related to the rail project.

In response to Senator Ihara's questions from February 6, 2017, HART provided an explanation and graph regarding the need to extend the surcharge to 2047, but there's not enough information for us to check the numbers. (See Honolulu City Council communication D-092(17), here: [http://www4.honolulu.gov/docushare/dsweb/Get/Document-190625/D-092\(17\).PDF](http://www4.honolulu.gov/docushare/dsweb/Get/Document-190625/D-092(17).PDF).) Please ask for the details of the calculations behind the summary provided in this communication.

Misinformation

When rail first came up, we were told it was about traffic relief. Then it was about “social justice.” (How someone can say that knowing that rail is being funded with a tax on food, rent and medical services, I do not understand.) Now it’s about transit-oriented development (TOD). What’s not being said, however, is that TOD can be done with bus stations. Rail is not a requirement.

Questions

Mayor Caldwell supports extending the surcharge in perpetuity to ensure there are enough funds to build the full 20 mile guideway with 21 stations. What other costs are included that require a forever-tax?

As recent as last summer, HART’s draft business plan called for bonds to be issued for a period of 7 – 10 years. Why are they now asking to issue bonds for 30 years instead?

A recent HART report indicated that direct rail jobs to date were less than 2,000, yet their website includes a “FAQ” that still states direct jobs will be 10,000. Why? **What if ridership is 20% of what we were told?**

Tax Credit

An undetermined tax credit is included with this version of the bill. It would apply only to those taxpayers who have a tax liability. (Would it also apply to non-residents?) The general excise tax and related surcharge are regressive and hurt low-income people the most. Most states do not tax food. Rather than trying to fix this with an income tax credit, please consider removing the GET from food, rent and medical services.

Recommendations

Whatever the mechanism to pay for rail, it should be clearly labeled “rail tax.” Perhaps then people would start to understand how much this is costing them on a personal level.

Please do not extend the surcharge or increase the GET/use tax. We cannot continue blindly following HART. It’s time to stop, re-evaluate and consider other possible alternatives that are less costly and will actually improve traffic.

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 7.)

² July 2016 report page 19. (Attached page 8.)

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

Honolulu Authority for Rapid Transportation
(a component unit of the City and County of Honolulu)

STATEMENTS OF NET POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash & cash equivalents	\$ 94,658,680	\$ 293,010,823
Receivables	167,143,549	133,672,108
Prepaid and Other Assets	15,311,579	19,001,176
Cash Collateral Escrow Deposits Other	27,644,352	8,799,564
Total current assets	304,758,160	454,483,671
Capital assets:		
Equipment and machinery	171,540	171,540
Accumulated depreciation	(120,408)	(102,762)
	51,132	68,778
Land	113,504,869	91,102,437
Construction work in progress	2,146,119,219	1,617,447,432
Capital assets, net	2,259,675,220	1,708,618,647
Total assets	2,564,433,380	2,163,102,318
DEFERRED OUTFLOWS OF RESOURCES		
Total assets and deferred outflows of resources	\$ 3,253,105	2,913,149
	\$ 2,567,686,485	\$ 2,166,015,467
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 186,224,443	\$ 137,921,888
Accrued liabilities	400,211	373,203
Other long-term liabilities	6,826,754	33,455,078
Total current liabilities	193,451,408	171,750,169
Other long-term liabilities - noncurrent	28,066,246	48,757,933
Total liabilities	221,517,654	220,508,102
DEFERRED INFLOWS OF RESOURCES		
Total liabilities and deferred inflows of resources	968,485	1,671,889
	222,486,139	222,179,991
NET POSITION		
Net investment in capital assets	2,259,675,220	1,708,618,647
Unrestricted	85,525,126	235,216,829
Total net position	2,345,200,346	1,943,835,476
Total liabilities, deferred inflows of resources, and net position	\$ 2,567,686,485	\$ 2,166,015,467

The accompanying notes are an integral part of these financial statements.

Grantee: City and County of Honolulu, Hawai'i
DRAFT Update of the Financial Plan for Full Funding Grant Agreement

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

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

	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	
Beginning Cash Balance	\$298	\$192	\$95	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
Project Funding Sources:																						
G.E.T.	\$4,816	\$61	\$236	\$246	\$257	\$268	\$279	\$291	\$304	\$317	\$330	\$344	\$359	\$366	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Federal Grant	\$1,550	\$54	\$192	\$212	\$254	\$323	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
All Other	\$6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$6,372	\$1,115	\$428	\$458	\$511	\$591	\$279	\$291	\$304	\$317	\$330	\$344	\$359	\$366	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Project Sources	\$6,372	\$1,115	\$428	\$458	\$511	\$591	\$279	\$291	\$304	\$317	\$330	\$344	\$359	\$366	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Uses:																						
Total Project Costs	\$6,165	\$213	\$706	\$875	\$870	\$1,158	\$691	\$773	\$571	\$333	\$116	\$99	\$26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$140)
Debt Service	\$1,337	\$0	\$7	\$20	\$34	\$51	\$74	\$94	\$112	\$125	\$128	\$120	\$112	\$103	\$92	\$79	\$66	\$52	\$38	\$23	\$63	\$8
Total Project Uses	\$9,502	\$1,885	\$713	\$896	\$904	\$1,209	\$765	\$868	\$682	\$458	\$243	\$209	\$137	\$103	\$92	\$79	\$66	\$52	\$38	\$23	\$63	(\$102)
Net Current Change	(\$3,130)	(\$968)	(\$285)	(\$438)	(\$394)	(\$618)	(\$486)	(\$577)	(\$379)	(\$141)	\$87	\$136	\$222	\$163	(\$92)	(\$79)	(\$66)	(\$54)	(\$38)	(\$23)	(\$132)	\$132
Debt Proceeds	\$6,155	\$0	\$215	\$653	\$660	\$892	\$836	\$946	\$777	\$649	\$526	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less Debt Repayment	(\$6,170)	\$0	\$0	(\$215)	(\$267)	(\$274)	(\$250)	(\$370)	(\$398)	(\$508)	(\$429)	(\$204)	(\$251)	(\$261)	(\$337)	(\$350)	(\$303)	(\$377)	(\$406)	(\$421)	(\$421)	(\$421)
Ending Cash Balance	(\$2,847)	\$192	\$95	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	(\$2,589)

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

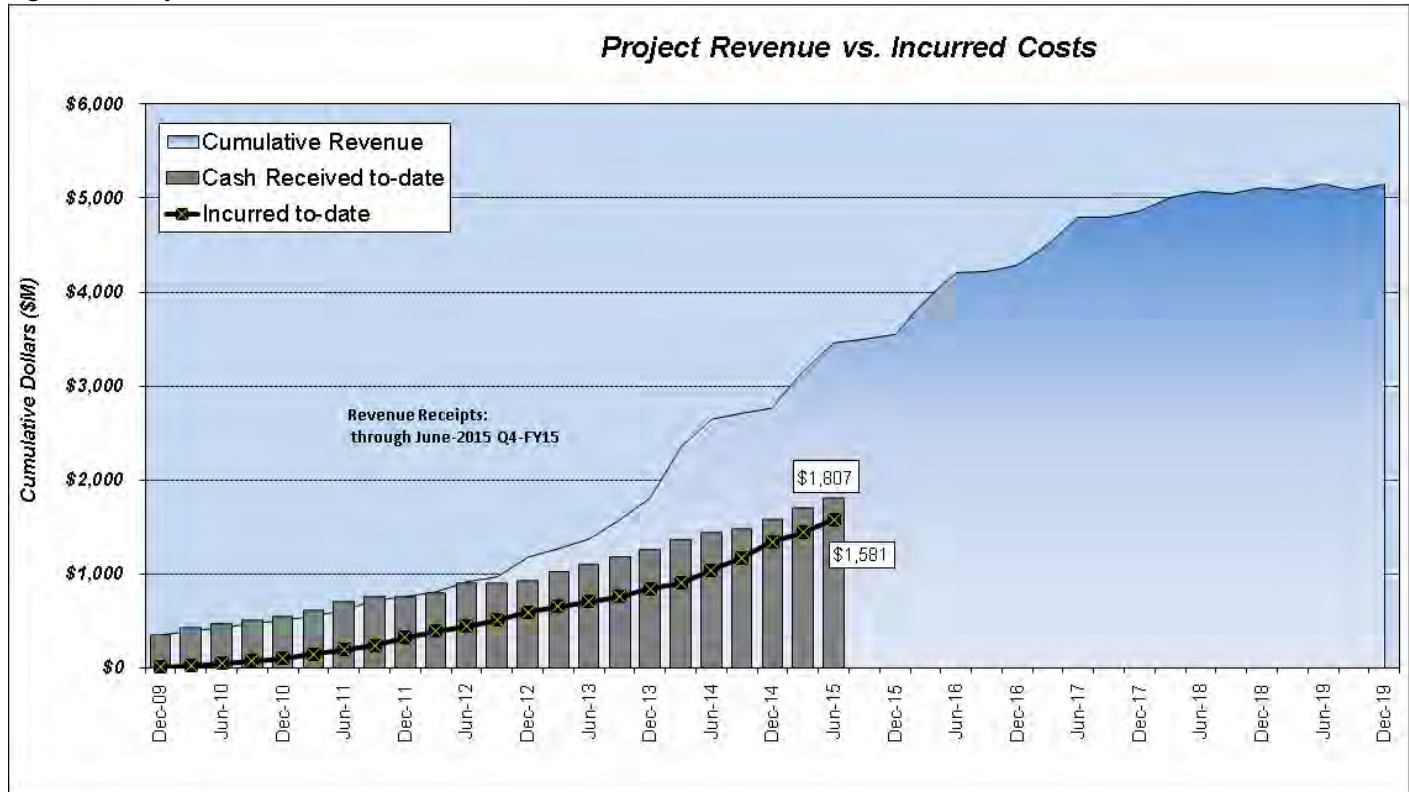
Below is six-year cash flow based on assumed revenue sources, estimated financing costs, and forecasts for future years' capital expenditures.

	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 Natalie Iwasa Testimony
 (data as of June 26, 2015) Page 7 of 8

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

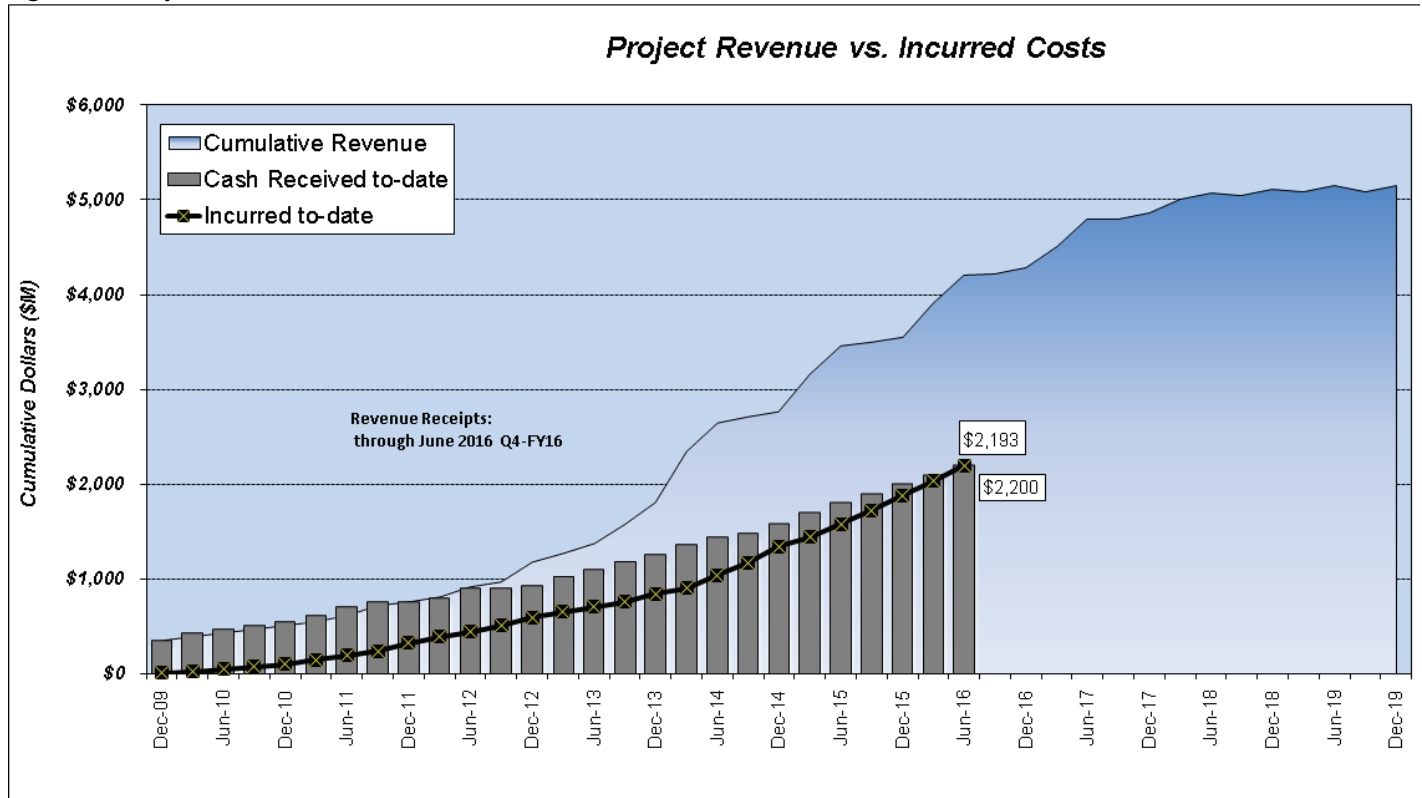
JUNE 30, 2015 CASH BALANCE SUMMARY		
	JUNE	YTD Cumulative
Beginning Cash Balance	327,344,756	441,011,319
Expenditures:		
Operating Expenditures	(1,909,194)	(16,147,106)
Capital Expenditures	(42,790,284)	(508,808,372)
Expenditures Total:	(44,699,478)	(524,955,478)
Receipts:		
GET Surcharge	0	220,793,293
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 Natalie Iwasa Testimony
Page 8 of 8
(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

\$1 higher than audit

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



From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2017 6:34 AM
To: WAM Testimony
Cc: jdefeo@hawaii.rr.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/27/2017
 Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Jack De Feo	Individual	Oppose	Yes

Comments: This testimony is submitted in opposition to the passage of Senate Bill 1183, SD1 and in support of Senate Bill 1183, SD2. The surcharge applied to the General Excise and Use Tax (GET), effective January 1, 2007 through December 31, 2027, along with \$1.55 billion in federal funds, is sufficient for the development of a rail system on O’ahu. This legislature should reject any bills aimed at extension of the surcharge for rail and advise the city to devise a rescue plan that uses available funding. A surcharge extension in perpetuity, through 2047, or even through 2032 is not necessary for completion of the 20-mile rail plan—if the City and County of Honolulu is ready to apply 21st Century urban magnetic levitation (maglev) rail technology. The lack of vision, built-in inertia, avoidance of competition at the outset of the rail project, mismanagement leading to cost overruns and delays, and inability to foresee problems in advance have resulted in the current opposition to rail by a majority of residents.

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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LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2017 7:03 AM
To: WAM Testimony
Cc: sanseironin@gmail.com
Subject: Submitted testimony for SB1183 on Feb 27, 2017 13:30PM

SB1183

Submitted on: 2/27/2017
Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Harry Yoshida	Individual	Oppose	No

Comments: Chairwoman Jill Tokuda and committee members: I oppose the increase in the excise tax as proposed in SB1183. The excise tax has always been very regressive and increasing it from 4.7% here on Oahu and 4.5% on the neighbor islands is just going to make things even more difficult for the average working person and many senior citizens. It does seem that those legislators that support this tax increase have no real understanding of how difficult it is becoming for the average person to live here with the ever increasing fee and taxes, of all kinds. As the Chairwoman of the Ways and Means Committee, I ask that you not support the passage of this bill. Thank you.

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 27, 2017 9:28 AM
To: WAM Testimony
Cc: tsakamoto1@honolulu.gov
Subject: *Submitted testimony for SB1183 on Feb 27, 2017 13:30PM*

SB1183

Submitted on: 2/27/2017
Testimony for WAM on Feb 27, 2017 13:30PM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Brandon Elefante	Individual	Support	No

Comments:

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Katherine T. Kupukaa
Mililani, Hawaii

LATE

COMMITTEE ON WAYS AND MEANS
Senator Jill N. Tokuda, Chair
Senator Donovan M. Dela Cruz, Vice Chair

DATE: Monday, February 27, 2017
TIME: 1:30 pm.
PLACE: Conference Room 211
State Capitol
415 South Beretania Street

RE: OPPOSE SB 1183, SD1 RELATING TO TAXATION

I oppose this bill as you were elected to office to serve the people of State of Hawaii in their best interests. This bill is counter to that. If you will remember that in 2015, the mayor of the City and County of Honolulu begged and pleaded with you to extend the surcharge for 5 years and that will be sufficient. He also stated he will not return and beg for more money. This bill authorizes to extend this surcharge in perpetuity. This totally unacceptable. I find it appalling that you would consider passing this bill.

This Rail project is failed project and it is shameful that it was allowed to begin construction. It will not serve the citizens, it will not reduce congestion, it will not get the ridership, and in the end the burden of this tax will be in the pocketbooks of generations to come.

The first leg of this Rail was scheduled to be operation in 2012. It is 2017 and yet to be constructed is the first rail station. Are you assured as to when the first leg of this rail will be in operation.

Last October I went to Okinawa and rode the rail in Naha City. This Yui Rail was completed 3 months ahead of schedule in 2003. What a concept! Since 2003 many of leaders in our State have visited Okinawa, like our Governor David Ige. Have you heard any of them talk about the successful Yui Rail? I rode the rail 6 times, rode on local city buses, tour buses, taxis, and ferry. Okinawa truly has a multi-model transportation system. I don't foresee this occurring here.

I plan to go back to Okinawa in October 2021 having met relatives that I didn't know existed. Do you see the first leg of Honolulu's Rail to be in operation by then? It will only be 9 years in delay.

I urge you not to pass this bill and think about the citizens of the City and County of Honolulu and the future generations to come. Thank you for allowing me to voice my concern.

Senate Committee on Ways and Means

Senator Jill N. Tokuda, Chair

Senator Donovan M. Dela Cruz, Vice Chair

February 27, 2017

1:30 p.m.

Conference Room 211

LATE

Re: SB1183 Proposed SD2, Relating to Taxation

Chairs, Vice Chairs, and Committee Members,

I am writing in **STRONG SUPPORT** of SB1183 Proposed SD2.

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 SB1183 Proposed SD2, 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 SB1183 Proposed SD2. Mahalo for the opportunity to provide testimony on this important measure.

Mahalo,
Jonathan Ching
Kaka‘ako, Honolulu