



Testimony by:
JADE T. BUTAY
INTERIM DIRECTOR

Deputy Directors
ROY CATALANI
ROSS M. HIGASHI
EDWIN H. SNIFFEN
DARRELL T. YOUNG

IN REPLY REFER TO:

RTS 18.003

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

February 7, 2018
10:00 am
State Capitol, Room 423

H.B. 2403
RELATING TO THE MASS TRANSIT SPECIAL FUND

House Committee on Transportation

The Department of Transportation (DOT) wishes to be recorded in **support** of H.B. 2403, which amends HRS § 26-19 Department of Transportation; to include safety oversight of rail fixed guideway public transportation systems in the State of Hawaii as required by federal law 49 U.S.C. Section 5329(e) and Executive Order 17-04.

H.B. 2403 also amends HRS § 248-2.7 Mass Transit Special Fund; to include an annual allocation of \$500,000 to be utilized by the DOT for operation of program for the safety oversight of the rail fixed guideway public transportation system.

The DOT requests that section 248-2.7(b) of section 2 of the bill be amended as follows:

(b) For the period beginning on January 1, 2018, to December 31, 2030, the first \$500,000 annually of the transient accommodations tax and surcharge on state tax revenues allocated to the mass transit special fund pursuant to sections 237D-2(e) and 248-2,6 shall be deposited into the [~~special~~] state department of transportation General Administration fund[-], with such moneys to be used for the operations of the program for the safety oversight of the rail fixed guideway system(s). All interest earned on the moneys in the special fund shall be credited to the general fund. The mass transit

special fund shall be exempt from the central service expenses deduction under section 36-27 and departmental administrative expenses deduction under section 36-30.

Thank you for the opportunity to provide testimony.



IN REPLY REFER TO:
CMS-AP00-02409

HONOLULU AUTHORITY for RAPID TRANSPORTATION

Andrew S. Robbins
EXECUTIVE DIRECTOR AND CEO

Krishniah N. Murthy
SENIOR ADVISOR

HOUSE COMMITTEE ON TRANSPORTATION

BOARD OF DIRECTORS

Wednesday, February 7, 2018
10:00 AM

Damien T.K. Kim
CHAIR

Conference Room 423, State Capitol

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VICE CHAIR

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John Henry Felix
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The Honolulu Authority for Rapid Transportation (HART) provides comments on **HB2403, Relating to the Mass Transit Special Fund**. HB2403 proposes to provide the Hawaii State Department of Transportation a credit of \$500,000 annually from the mass transit special fund for a period beginning January 1, 2018, to December 31, 2030.

This proposed credit to the Hawaii State Department of Transportation of \$500,000 on an annual basis would amount to a dedication of \$6,500,000 over a 13-year period from FY2019 to FY2031. Such action would send a wrong message to the Federal Transit Administration (FTA) regarding the local commitment to fund the Honolulu Rail Transit Project.

The FTA is currently in the process of reviewing HART's "baseline" financial plan submitted with HART's Recovery Plan on September 15, 2017. FTA's review is to ensure, among other things, adequate dedicated funding is available to complete the Project and that HART's cost estimates are reasonable. Under Act 1, revenues would be deposited into a Mass Transit Special Fund, subject to the State Comptroller certification of invoices that included:

- A dedicated 0.5% general excise tax (GET) surcharge, with the City and HART receiving 99% of the gross GET proceeds effective September 5, 2017 through December 31, 2030; and
- A dedicated 1.0% of the State-wide Transient Accommodations Tax, with the City and HART receiving 100% of the gross proceeds beginning January 1, 2018 through December 31, 2030.

A deduction of \$500,000 annually from the Mass Transit Special Fund as currently proposed in HB2403 would renew concerns of the FTA regarding the local funding commitment for the Honolulu Rail Transit Project only four (4) months after the approval of additional funding generated from the provisions of Act 1 (2017).

Thank you for this opportunity to provide written testimony.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Raid Mass Transit Special Fund

BILL NUMBER: HB 2403; SB 2830

INTRODUCED BY: HB by SAIKI by request; SB by KOUCHI by request

EXECUTIVE SUMMARY: Takes \$500,000 a year from the Mass Transit Special Fund that was established to hold county surcharge collections. This diversion appears suspicious; if legitimate, why wasn't it brought up any time in the past ten years?

SYNOPSIS: Amends section 26-19, HRS, to state that the Department of Transportation shall adopt and enforce safety oversight of rail fixed guideway public transportation systems in Hawaii, and to protect and promote safety and welfare.

Amends section 248-2.7, HRS, to credit \$500,000 from the mass transit special fund to the Department of Transportation annually.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This measure is an Administration-sponsored bill introduced by the Department of Transportation and designated TRN-07 (18).

The mass transit special fund at issue was created by Act 1, SLH 2017 (1st Special Session). It receives (1) the GET surcharge collected on behalf of any county that adopts the surcharge by ordinance, as Oahu and Kauai have; and (2) one percentage point of Transient Accommodations Tax revenues allocated under section 237D-2(e), HRS.

Of these two items, the first is money belonging to the counties. The State has delegated power to impose a surcharge, but the county adopts the ordinance actually imposing it. The second, of course, is State money because the TAT is a state tax.

Section 248-2.6, HRS, already skims off 1% of the county surcharge "to reimburse the State for the costs of assessment, collection, disposition, and oversight of the county surcharge on state tax incurred by the State."

It is very curious that the Department of Transportation's request for this half million dollars is coming now, a decade after the Honolulu rail project surcharge was enacted. Did no one know then, or at any time before now, that the Department of Transportation would be involved with safety oversight? Nothing about the project has recently changed that would make it fundamentally more unsafe.

Digested 2/5/2018