JAN 2 6 2011

#### A BILL FOR AN ACT

RELATING TO PUBLIC FUNDS.

#### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1	PART I
2	SECTION 1. The legislature finds that due to recent
3	worldwide economic events, the State, like the rest of the
4	nation and the world, is experiencing a severe economic crisis.
5	Although in the past, the State of Hawaii has displayed steady
6	long-term fiscal planning, prudent past decision-making
7	practices, relatively stable real property values, and
8	relatively low unemployment rates, it has still been unable to
9	avoid the negative effects of the struggling economy, and it
10	needs to find innovative ways to balance its budget for the
11	current fiscal biennium and beyond. Sizeable budget shortfalls
12	for the current and upcoming fiscal years require immediate and
13	decisive action.
<b>14</b>	To meet the current and future financial needs of the
15	State, the legislature believes that having the city and county
16	of Honolulu return a portion of the moneys transferred to it
17	pursuant to revenues derived from the imposition of a county
18	surcharge on state general excise and use taxes is a reasonable

- 1 means of achieving a balanced budget for state operations
- 2 without adversely impacting the city and county of Honolulu's
- 3 fiscal status or resorting to a drastic reduction in state
- 4 services or personnel.
- 5 The legislature further finds that the revenues already
- 6 derived from the county surcharge on state general excise and
- 7 use taxes and transferred to the city and county of Honolulu are
- 8 largely unencumbered and will not be needed in the immediately
- 9 foreseeable future. These moneys would be better utilized if
- 10 applied to the immediate financial needs of the State, of which
- 11 the city and county of Honolulu is a part.
- 12 To this end, the legislature finds that borrowing not more
- 13 than \$200,000,000 from the balance of the amount derived from
- 14 the county surcharge on state general excise and use taxes
- 15 already transferred to the city and county of Honolulu and
- 16 repaying the amount borrowed with revenues derived from the
- 17 issuance of state general obligation bonds is prudent and will
- 18 assist the State in maintaining current services and personnel
- 19 until such time as the state economy recovers. At the same
- 20 time, by ensuring that the loan is repaid in a timely manner
- 21 through revenues derived from state general obligation bonds,
- 22 any detrimental financial effect to the city and county of



- 1 Honolulu will be avoided. In addition, to help ameliorate any
- 2 detrimental financial impact to the city and county of Honolulu,
- 3 this Act extends the lifespan of the surcharge on state general
- 4 excise and use taxes for two additional years.
- 5 The purpose of this Act is to:
- 6 (1) Require the city and county of Honolulu to return to
  7 the State moneys derived from the county surcharge on
  8 state tax;
- 9 (2) Authorize the issuance of general obligation bonds to reimburse the city and county of Honolulu; and
- 11 (3) Extend the sunset of Act 247, Session Laws of Hawaii
  12 2005, to extend, for an additional two years, the
  13 county surcharge on general excise and use taxes and
  14 the ordinance levying that surcharge.
- 15 SECTION 2. The city and county of Honolulu shall return to
- 16 the State, \$200,000,000 of the revenues transferred to the city
- 17 and county of Honolulu pursuant to section 248-2.6, Hawaii
- 18 Revised Statutes; provided that the city and county of Honolulu
- 19 shall not return any of those revenues to the State until the
- 20 State deposits in escrow the same amount of moneys, from the
- 21 proceeds of general obligation bonds issued pursuant to section
- 22 4 of this Act, for transfer to the city and county of Honolulu



1	as repayment. The State and the city and county of Honolulu			
2	shall enter into a memorandum of understanding to coordinate and			
3	effectuate the transfer of revenues from the city and county of			
4	Honolulu to the State and the transfer of the general obligation			
5	bond proceeds in escrow to the city and county of Honolulu, in			
6	accordance with this Act.			
7	SECTION 3. Act 247, Session Laws of Hawaii 2005, is			
8	amended by amending section 9 to read as follows:			
9	"SECTION 9. This Act shall take effect upon its approval;			
10	provided that:			
11	(1) If none of the counties of the State adopt an			
12	ordinance to levy a county surcharge on state tax by			
13	December 31, 2005, this Act shall be repealed and			
14	section 437D-8.4, Hawaii Revised Statutes, shall be			
15	reenacted in the form in which it read on the day			
16	prior to the effective date of this Act;			
17	(2) If any county does not adopt an ordinance to levy a			
18	county surcharge on state tax by December 31, 2005, it			
19	shall be prohibited from adopting such an ordinance			
ÞÀ	nurguant to this last unloss otherwise authorized by			

the legislature through a separate legislative act;

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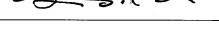
1	(3) II a	n ordinance to levy a county surcharge on state
2	tax	is adopted by December 31, 2005:
3	(A)	The ordinance shall be repealed on December 31,
4		[ <del>2022;</del> ] <u>2024;</u>
5	(B)	This Act shall be repealed on December 31,
6		[ <del>2022;</del> ] <u>2024;</u> and
7	(C)	Section 437D-8.4, Hawaii Revised Statutes, shall
8		be reenacted in the form in which it read on the
9		day prior to the effective date of this Act."
10	SECTION 4	. The director of finance is authorized to issue
11	general obliga	tion bonds in the sum of \$300,000,000 or so much
12	thereof as may	be necessary and the same sum or so much thereof
13	as may be nece	ssary is appropriated for fiscal year 2010-2011
14	for the purpos	e of replacing surcharge revenues that are
15	returned from	the city and county of Honolulu to the state
16	general fund p	ursuant to section 2 of this Act; provided that
17	the director o	f finance shall not issue the general obligation
18	funds until th	e State receives affirmative advice from the
19	State's bond c	ounsel on the suitability of using the proceeds
20	from the issua	nce of the general obligation bonds for the
21	purpose of rep	lacing the tax revenues returned from the city and
22	county of Hono	lulu pursuant to section 2 of this Act.

1	The sum appropriated shall be transferred to the city and
2	county of Honolulu by the department of budget and finance
3	pursuant to this Act and section 248-2.6, Hawaii Revised
4	Statutes.
5	PART II
6	SECTION 5. Act 226, Session Laws of Hawaii 2008, as
7	amended by Act 11, Session Laws of Hawaii 2009, is amended by
8	amending section 16 to read as follows:
9	"SECTION 16. This Act shall take effect on July 1, 2008;
10	provided that the amendments made to section 437D-8.4(a), Hawaii
11	Revised Statutes, by this Act, shall not be repealed when
12	section 437D-8.4, Hawaii Revised Statutes, is reenacted on
13	December 31, [ <del>2022,</del> ] <u>2024,</u> pursuant to Act 247, Session Laws of
14	Hawaii 2005[-], as amended by Act , Session Laws of Hawaii
15	<u>2011.</u> "
16	PART III
17	SECTION 6. Statutory material to be repealed is bracketed
18	and stricken. New statutory material is underscored.
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SECTION 7. This Act shall take effect on July 1, 2011.

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INTRODUCED BY:



#### Report Title:

County Surcharge Tax; General Obligation Bonds

#### Description:

Returns \$200,000,000 from the funds generated by surcharge on state general excise tax revenues transferred to the city and county of Honolulu to the State general fund. Authorizes issuance of \$300,000,000 GO bonds to offset loss of tax revenues to the city and county of Honolulu in fiscal year 2010-2011. Extends surcharge for two years. Requires a memorandum of understanding between the State and city and county of Honolulu to return the \$200,000,000.

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