
A BILL FOR AN ACT

RELATING TO PRIVATE FINANCING FOR MASS TRANSIT AND REPEALING
GENERAL EXCISE TAX SURCHARGE.

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

1 SECTION 1. The legislature finds that the cost of
2 constructing the rail has greatly exceeded prior estimates and
3 will continue to increase. The rail was initially projected to
4 cost \$4.6 billion, but that number is now \$8.2 billion. Tax
5 payers are being forced to cover the overrun through the county
6 surcharge increase on Hawaii's general excise tax, enacted in
7 2015.

8 The legislature further finds that Hawaii residents face an
9 extremely high cost-of-living. In a 2014 report Hawaii was
10 ranked the second most expensive state in the nation and
11 Honolulu was ranked as the second most expensive city. Hawaii's
12 general excise tax is deemed the most burdensome in the country
13 when equated to a sales tax. The effects of the increase in the
14 county surcharge on the state general excise tax are untenable
15 for Hawaii families, and disproportionally inhibit Hawaii's low-
16 income residents.



1 Furthermore, other countries have found creative ways to
2 fund state-of-the-art rail systems without reaching into the
3 pockets of tax payers. Cities like Tokyo and Hong Kong have
4 incorporated private companies into rail development by selling
5 land development rights along rail routes. These companies are
6 then able to develop stations and diverse revenue streams from
7 rail-related projects and services, such as real estate
8 development, advertising, retail sales, and passenger travel
9 services. A share of total development profits is then paid to
10 the government.

11 The purpose of this Act is to repeal the five-year increase
12 in the county surcharge on Hawaii's general excise tax that was
13 enacted to fund Honolulu's rail system, and instead provide
14 funding through private entities.

15 SECTION 2. Section 51-4, Hawaii Revised Statutes, is
16 amended to read as follows:

17 "**§51-4 Financing the acquisition, construction, etc., of**
18 **mass transportation systems.** (a) Any mass transportation
19 system owned or operated or to be acquired by a county is a
20 public improvement of the county within the meaning and purview
21 of chapter 47, and an undertaking of the county within the



1 meaning and purview of chapter 49. Any county may issue its
2 general obligation bonds or notes pursuant to chapter 47, or its
3 revenue bonds or notes pursuant to chapter 47 or 49, or both
4 general obligation and revenue bonds or notes in order to pay
5 the costs to the county of acquiring, constructing,
6 reconstructing, improving, bettering, extending, equipping, or
7 furnishing a mass transportation system or systems in the
8 county.

9 (b) Provided that a county is developing a rail mass
10 transportation system, the county shall offer development rights
11 to a private entity according to the following guidelines:

12 (1) A responsible public entity may solicit, receive,
13 consider, evaluate, and accept a proposal for a
14 qualifying transportation facility.

15 (2) In soliciting and selecting a private entity with
16 which to enter into a public-private initiative, the
17 responsible public entity may utilize one or more of
18 the following procurement approaches:

19 (A) Competitive sealed bidding;

20 (B) Competitive selection of proposals, based on
21 qualifications, best value, or both; or



- 1 (C) Any other competitive selection process that the
2 responsible public entity determines to be
3 appropriate or reasonable and in the best
4 interest of the public.

- 5 (3) The responsible public entity may consider the
6 following factors in evaluating and selecting a bid or
7 proposal to enter into a public-private initiative:
- 8 (A) The ability of the transportation facility to
9 improve safety, reduce congestion, increase
10 capacity, and promote economic growth along the
11 rail corridor;
- 12 (B) The proposed cost of and financial plan for the
13 transportation facility;
- 14 (C) The general reputation, qualifications, industry
15 experience, and financial capacity of the private
16 entity;
- 17 (D) The proposed design, operation, and feasibility
18 of the transportation facility;
- 19 (E) Comments from citizens within affected
20 jurisdictions;
- 21 (F) Benefits to the public;



1 (G) The safety record of the private entity; and
2 (H) Other criteria that the responsible public entity
3 deems appropriate.

4 (4) The responsible public entity may select multiple
5 private entities with which to enter a public-private
6 initiative for a transportation facility if it is in
7 the public interest to do so.

8 (d) The private entity will be responsible for the
9 development of stations and diverse revenue streams from rail-
10 related projects and services, such as real estate development,
11 advertising, retail sales, and passenger travel services. A
12 portion of revenues from the aforementioned activities will be
13 used to fund further rail extensions.

14 (e) Any contract for services executed pursuant to this
15 section shall be exempt from chapter 103D, Hawaii Revised
16 Statutes."

17 SECTION 3. Act 240, Session Laws of Hawaii 2015, is
18 repealed.

19 SECTION 4. New statutory material is underscored.

20 SECTION 5. This Act shall take effect on July 1, 2017.

21



H.B. NO. 970

INTRODUCED BY:



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A handwritten signature in black ink, appearing to be 'Tom ...'.

JAN 23 2017



H.B. NO. 970

Report Title:

Mass Transit Project; Financing; Private Entity

Description:

Repeals the extension of the increase in the county surcharge on the State general excise tax, and replaces financing for the Honolulu mass transit project with private funding.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

