



CITY COUNCIL

CITY AND COUNTY OF HONOLULU

TOM BERG
HONOLULU CITY COUNCIL - DISTRICT I
PH: (808) 768-5001
FAX: (808) 768-5011
EMAIL: tberg@honolulu.gov

March 28, 2011 - **FOR IMMEDIATE RELEASE**
Contact Tom Berg – (808) 768-5001

COUNCILMAN BERG LEADS COLLEAGUES TO SEND A MESSAGE TO STATE LEGISLATURE: "GET YOUR HANDS OFF CITY MONIES FOR THE RAIL PROJECT"

Honolulu, Hawaii - At this morning's meeting of the City Council's Committee on Safety, Economic Development, Councilman Tom Berg led a successful effort to obtain unanimous passage of Berg's urgent resolution which sends a message to the Legislature to reduce the State of Hawaii's excessive administrative charge to the City for collecting the half-percent GET rail project tax surcharge.

Since 2007, the State has been keeping a full ten percent of the roughly one hundred eighty million dollars collected each year through the rail tax surcharge; even though actual expenses are estimated to be no greater than three percent of revenues collected per year to cover the total cost of tax collection and processing. As a result, according to Berg's newly-adopted Council resolution #11-91 CD1, the City loses out on roughly \$18 million per year, which will amount to nearly \$300 million in lost City revenue for the rail project by the time the tax expires at the end of 2022.

Following today's committee meeting Berg remarked: "The skimming off the top is unjust and unwarranted. As most people are aware, the City's financial plan for rail is in jeopardy due to declining tax revenues and an astonishing level of uncertainty about what would be the ultimate level of federal funding for the City's East Kapolei to Ala Moana Center rail project. With the elevated heavy rail project potentially at risk of being financially insolvent before the first of one thousand pilings is driven into the ground and the first of twenty-one aerial stations is built and before the first steel wheel touches the first steel rail, we owe it to taxpayers to be pennywise with this multi-billion dollar project, rather than allowing it to be continually exploited for extra monies by a cash-hungry state government. By profiteering off the rail project, the State has been acting in bad faith."

Prior to being sworn in as a councilmember, Berg served for eleven years as a staffer at the legislature working in part to draft and secure passage of the bill allowing Honolulu to adopt the rail tax surcharge. Since then, Berg has worked to remedy the overcharging of the City by the State for the tax collection. Act 247, adopted in 2005 to authorize the City's rail tax surcharge, could be amended through an existing bill being considered by the legislature. By 'gutting and replacing' the existing contents of Senate Bill 1426, which now intends to borrow \$200 million from the City's rail project

fund, replacing this is the best legislative strategy to advance the reduction of the State's share of the City's rail tax, according to Berg.

“Although the full council won't have the opportunity to vote on this measure before the part-time legislature is pau with its work for the year, we clearly would have been able to adopt this measure as City policy, since five councilmembers unanimously supported today's resolution. The bottom line is that instead of sitting back and watching the State grab another \$200 million from the City's rail fund, we stood tall and informed our counterparts at the state to cease and desist with overcharging Oahu taxpayers for collecting the monies needed for this City project.”

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Council reso #11-91

<http://www4.honolulu.gov/docushare/dsweb/Get/Document-110210/5w1h0rc5.pdf>