



RESOLUTION

URGING THE HAWAII STATE LEGISLATURE TO PROVIDE THE CITY AND COUNTY OF HONOLULU ALL PROCEEDS OF THE COUNTY SURCHARGE ON STATE EXCISE TAX NOT NEEDED TO ADMINISTER THE SURCHARGE.

WHEREAS, the Council enacted Ordinance 05-027, establishing a one-half percent surcharge on the state general excise and use tax (hereinafter "county surcharge") to fund a mass transit project pursuant to Act 247, Session Laws of Hawaii (hereinafter "SLH") 2005 (hereinafter "Act 247"), the proceeds of which are collected by the State; and

WHEREAS, Act 247 provides that the State shall deduct ten percent of the gross proceeds of a respective county's surcharge to reimburse the State for the costs of assessment, collection, and disposition of the county surcharge incurred by the State; and

WHEREAS, the City began receiving county surcharge proceeds in Fiscal Year 2007; and

WHEREAS, according to a department of taxation report, the State collected \$187,903,947 of county surcharge proceeds for fiscal year 2008 and retained \$18,790,395 of that amount as its reimbursement for the costs of assessment, collection, and disposition of the county surcharge; and

WHEREAS, according to the department of taxation figures for the fiscal year 2009, the State collected approximately \$178,729,000 of county surcharge proceeds and retained ten percent of those proceeds; and

WHEREAS, the most recent department of taxation annual report required by Act 213, SLH 2007, details the level of staffing and funding necessary to administer county surcharge collections, identified 23 positions costing \$749,876 for fiscal year 2008 and 20 positions costing \$700,508 for fiscal year 2009 that support the collection of the surcharge; and

WHEREAS, based on the above, the amounts being retained by the State each year are grossly in excess of the funding needed to collect the surcharge, amounting to between \$17 million to \$18 million in unwarranted payments in the most recent years for which data on the county surcharge are available; and



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WHEREAS, the Council finds it unconscionable that the State annually keeps millions of dollars of county surcharge proceeds to reimburse itself for costs related to administering the surcharge which are far less than the ten percent retained by the State; and

WHEREAS, the Council further finds that retention by the State of millions of taxpayer dollars intended to fund a mass transit system but not used for the transit system undermines the justification for establishing the county surcharge and weakens the city's ability to implement a successful mass transit system; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that it urges the Hawaii State Legislature to immediately amend State law to reduce the amount of the county surcharge retained by the State to more closely approximate the cost of collecting and disbursing the county surcharge; and

BE IT FURTHER RESOLVED that in order to determine the amount needed, the Legislature is requested to provide that the cost of administering the surcharge be subject to verification by independent audit; and



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BE IT FINALLY RESOLVED that copies of this Resolution be transmitted to all members of the Hawaii State Legislature, the Governor, the Mayor, the Managing Director, and the Director of the Department of Budget and Fiscal Services.

INTRODUCED BY:

Tom Berg

DATE OF INTRODUCTION:

March 23, 2011
Honolulu, Hawaii

Councilmembers