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Hawaii News

State Senate approves extension on Oahu of the GE tax for rail

[Marcel Honoré](#) and [Kevin Dayton](#)

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Dennis Oda / doda@staradvertiser.com

Rail transit construction continues its march toward town. Support columns shown here are outside Pearl City

A bill that would extend Oahu's rail tax has cleared the Senate, providing state lawmakers the chance to hash out its details — or even kill it — largely in closed-door negotiations leading up to conference committee meetings.

House Bill 134, which the Senate approved with a 22-3 vote, was among nearly 300

measures passed Tuesday in the House and Senate combined. They covered a slew of topics, including mail-in balloting, medical marijuana dispensaries, Turtle Bay conservation and creating a new state inspector general's office.

The rail tax, and with it the future of Honolulu's cash-strapped elevated-rail public transit system, is among the most significant and controversial issues in this year's legislative session. The project faces as much as a \$910 million budget gap, primarily due to construction delays.

HB 134, as it's currently written, would extend Oahu's 0.5 percent general excise tax surcharge an additional five years through 2027. Rail leaders say such an extension would allow construction of the 20-mile line to proceed uninterrupted, but they've pressed for a 25-year extension that would allow them to keep building rail to Kapolei and the University of Hawaii's Manoa campus.

Sens. Laura Thielen (D, Hawaii Kai-Waimanalo-Kailua) and Gil Riviere (D, Heeialaie-Waialua) joined the chamber's lone Republican, Sam Slom, to vote in opposition to HB 134. 

The bill will likely be changed when Senate and House members hash out its final details in conference. When the House sent over HB 134 several weeks ago, it had proposed trimming the surcharge rate in half but allowing it to be charged in perpetuity.

"At some point we have to say no, and we have to represent the taxpayers," said Slom (R, Diamond Head-Kahala-Hawaii Kai). "We're not paying for this extension; the taxpayers are."

No other senator weighed in on the measure Tuesday before voting, although state lawmakers have already attended marathon meetings during this legislative session at which they heard public testimony and gave their opinions on the matter.

HB 134 would also give neighboring counties a chance to enact the 0.5 percent GET surcharge. If any of the counties were to pass it, the surcharge would run through 2027.

It remains to be seen whether Gov. David Ige would sign any extension into law during this session. Ige has said in recent weeks that he still does not see the need to approve such an extension this year.

The House and Senate also each advanced bills that would authorize a medical marijuana dispensary system across Hawaii some 15 years after the drug was approved for medicinal purposes in the Aloha State. Nine of the House's 51 members voted against Senate Bill 682, and two of the Senate's 25 members voted against House Bill 321. The votes came as the House and Senate considered each other's bills.

Several senators expressed concerns about provisions in HB 321 that would tax

dispensaries' medical pot sales by 25 percent, but Sen. Josh Green (D, Naalehu-Kailua-Kona), a leading proponent of the effort, said he would work to remove that detail in conference committee meetings. Others expressed concern that those seeking a license under the program would have to pay a \$25,000 nonrefundable application fee, but Green said the provision, modeled after measures in other states, would ensure that only those applicants who can keep their dispensaries running get licenses.

"We don't want any fly-by-night dispensaries," he said.

Other measures that advanced to conference committee Tuesday:

» House lawmakers approved a bill to study the impact of the state's mandate to blend ethanol with gasoline for transportation fuel despite some criticism that a study isn't needed. The Senate version of the same bill, Senate Bill 717, would abolish the ethanol mandate in Hawaii. The state imposed the blending mandate in 2006 in the hope it would encourage local ethanol production and provide a boost to local agriculture. That didn't happen, and today all of the ethanol blended in Hawaii is imported.

House Consumer Protection and Commerce Chairman Angus McKelvey said there is no need to study the impact of ethanol on consumers because it is already well established across the county that ethanol mandates distort food pricing and cost consumers money. "To do a study of something where the facts are already pretty clear is like bringing a knife to a gunfight," said McKelvey (D, Lahaina-Kaanapali-Honokohau).

» The House also approved a bill to create a state office of the inspector general to search out fraud, waste or corruption in state government — over the objections of a number of House Republicans.

Minority Policy Leader Rep. Gene Ward (R, Kalama Valley-Queen's Gate-Hawaii Kai) said adding another government watchdog to oversee Hawaii state government is important but that the inspector general proposal is "too expensive, and it's not timely."

Ward joined four other Republicans and four Democrats in voting against SB 286 to create the office.

The inspector general proposal won praise from Rep. Aaron Johanson (D, Fort Shafter-Moanalua Gardens-Aliamanu), who said the federal government now has 72 inspectors general to identify waste and fraud, and to prevent waste by identifying potential problem areas.

» House lawmakers also approved a bill that would establish mail-in balloting in Kauai's 2016 primary election and expand that mail-in voting to all of the neighbor islands in 2018. The bill would then require statewide mail-in elections starting in 2020. The

Senate has already approved a similar bill, and the state Office of Elections predicts the measure will cut the cost of elections while encouraging voter turnout.

MEASURES PASSED TUESDAY

State lawmakers are tackling proposals that aim to fix the troubled health exchange, ban sex trafficking and prevent youth from smoking. Here's a sampling of the hundreds of bills that were passed Tuesday:

>> **HEALTH EXCHANGE:** The Hawaii Health Connector estimates it will need about \$28 million over the next several years to break even and become profitable. But without a plan to achieve profitability, the federal government could assume responsibility for some functions of the troubled health exchange. A bill that might enable ways for the exchange to make money, SB 1028, was passed by the House.

>> **SEX TRAFFICKING:** People forced into prostitution would be treated as victims instead of criminals under SB 265, which was passed by the House.

>> **UNDERAGE SMOKING:** They may be allowed to fight to defend their country, but youngsters between 18 and 21 years old would no longer be allowed to smoke traditional or electronic cigarettes under SB 1030, which was passed by the House.

>> **AUTISM COVERAGE:** Insurance companies in Hawaii are not required to cover autism treatments, and SB 791, which was passed by the House, would change that by requiring coverage for diagnosis and treatment of the condition.

>> **HOSPITAL HELP:** The Maui region of the Hawaii's public hospital system would be able to enter into a public-private partnership to help run one or more of its financially troubled facilities under HB 1075, which was passed by the Senate.

>> **RAIL TAX:** Honolulu's proposed rail transit system is facing a potential \$900 million shortfall. A bill to extend the county surcharge on a state tax by five years, HB 134, was passed by the Senate.

>> **GENDER IDENTITY:** It may become unnecessary to have gender reassignment surgery to change the gender marker on a birth certificate in Hawaii. The Senate passed HB 631.

>> **TAXI TROUBLES:** Alternative transportation companies like Uber and Lyft are popular among smartphone users who can call for a ride with a click of a button. But companies like Uber and Lyft are operating with little regulation in the state. A bill to change that, SB 1280, was passed by the House.

>> **BODY CAMS:** Body cameras would be ordered for about 100 Honolulu police officers for a pilot program under HB 365, which was passed by the Senate.

Source: Associated Press