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## Hawaii Legislature focusing on targeted tax hikes, special funds

*Lawmakers sticking with targeted tax hikes, spending cuts*

**By Derrick DePledge**  
Advertiser Government Writer

State House and Senate lawmakers yesterday preserved an array of difficult and unpopular options to contain the state's \$1.2 billion deficit, moving into the final weeks of the session with the tools — if not the consensus — to balance the budget.

While differences remain on ideas to contain the deficit, House and Senate leaders have so far avoided a broad-based tax increase, and appear inclined to stick with targeted tax hikes, siphoning from special funds and cutting spending on state programs to complete the job.

Lawmakers prepared dozens of bills for the second crossover between the chambers tomorrow, the last step before House and Senate negotiators meet in conference committee to

produce the final drafts before session ends later this month.

Pressure from county mayors, business interests, investors and social-service providers will likely increase as they appeal to lawmakers to save favored programs.

Lurking in the background, meanwhile, is the question of whether lawmakers will set aside money to reduce teacher furloughs, even if no deal is reached between Gov. Linda Lingle and educators.

One of the main conflicts in conference may be whether lawmakers will take hotel-room tax revenue from the counties, as the Senate wants, or suspend the general-excise tax exemption on about 36 business activities and impose a new 1 percent GET on those activities, as the House proposes.

The Senate, in a 14-11 vote, agreed to cap the hotel-room tax revenue sent to counties at \$50 million a year, instead of the \$94 million counties receive now. County mayors have warned that taking that revenue could lead to property tax increases.

Suspending the GET exemption on targeted business activities could generate about \$100 million a year, removing the need to scoop the hotel-room tax money from counties, but businesses and some senators have complained that ending the exemptions may be damaging, as businesses try to climb out of an economic downturn.

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State Rep. Marcus Oshiro, D-39th (Wahiawā), the chairman of the House Finance Committee, said the bill offers a more equitable way to raise revenue for the state than a general-excise tax increase.

But state Rep. Gene Ward, R-17th (Kalama Valley, Queen's Gate, Hawai'i Kai), said the bill was no more than a "job killer" in the form of a veiled tax increase at a time when no taxes should be raised.

## investment credits

The House and Senate also may suspend investors' ability to take advantage of technology infrastructure and high-technology investment tax credits for three years to help with the deficit. The move has drawn protests from some investors and lawmakers, who say they believe the state would be renegeing on an incentive for investing in emerging technology.

But many lawmakers believe it would be better to delay the tax credits for people who can afford it than to levy new taxes or further cut state programs for low and middle income residents.

"Once you get the credit, you can use it. This just delays it," said state Sen. Donna Mercado Kim, D-14th (Hālawa, Moanalua, Kamehameha Heights), the chairwoman of the Senate Ways and Means Committee.

## teacher furloughs

State Sen. Carol Fukunaga, D-11th (Makiki, Pāwa'a), the chairwoman of the Senate Economic Development and Technology Committee, said she doubts lawmakers will save as much as they think they will by suspending the tax credits.

"It would have the likely impact of killing off companies that have gone forward in raising

money, and now, potentially, if the investors can't use the credits, they may pull their money out," she said.

The House agreed to divert an unspecified amount of money from the state's Hurricane Relief Fund to reduce teacher furloughs, and has set an April 12 deadline for the governor and educators to reach an agreement.

Lingle told reporters yesterday that no meetings with educators are scheduled. Lingle also said the state has little room to budge from its position that a recent deal between the teachers union and the school board is too costly.

"We like to keep the lines of communication open as long as we can," the governor added.

In a letter yesterday to state House Speaker Calvin Say, D-20th (St. Louis Heights, Pālolo Valley, Wilhelmina Rise), the Hawaii State Teachers Association repeated that it has no further plans to negotiate with the governor and asked lawmakers to fund the \$92 million deal reached between the union and the state Board of Education.

The teachers union said lawmakers could choose to only fund part of the deal by leaving the four furlough days remaining this school year and

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ending the 17 furloughs for next school year.

Oshiro said the possibility that lawmakers could focus only on next school year may create some flexibility on the April 12 deadline. But he said the teachers union has to recognize that Lingle has the power over whether to release any money to reduce furloughs, whether it comes from the Hurricane Relief Fund or general fund money in the state budget.

## **governor decides**

Lingle has proposed spending \$62 million to end teacher furloughs.

"I'm very practical, and realistic, and pragmatic. And I want to end the furlough Fridays," Oshiro said. "Like it or not, at the end of the day, you're going to need the governor in some form in the settlement. She needs to release the money."

The House and Senate also moved a constitutional amendment asking voters in November whether the school board should be appointed by the governor or elected, as it is now. Lingle had wanted voters to consider whether the governor should have power over the state schools superintendent, instead of the school board, but lawmakers have so far declined to put that question on the ballot.

Lawmakers envision that an appointed school board would function similarly to the University of Hawai'i Board of Regents, but many Republicans deride the idea as a half measure that will not provide true accountability, while some Democrats believe it would give the governor too much power.

"I believe this bill is an overreaction to the furloughs and the situation we have right now," said state Rep. Joseph Souki, D-8th (Wailuku, Waihe'e, Waiehu).

## **other measures**

The House advanced a bill that seeks to stop the state Department of Human Services from shutting down most of its eligibility offices and laying off 228 workers in June. Closing the offices, according to the state, could save \$8 million and give people easier access to services by applying online and over the telephone.

The House bill would require a task force to study the conversion before it moves forward.

The Senate backed a bill to increase the barrel tax on petroleum products from 5 cents to \$1.55, which would provide \$22 million a year to help with the deficit and about \$11 million for food and energy security programs.

The Senate also voted to increase transparency in corporate campaign contributions by requiring corporations to report direct donations to political candidates after donating more than \$1,000 in an election cycle.

The Senate also supported the creation of clean energy bonds that homeowners could tap as loans to help pay for the conversion to solar or other energy efficient systems. The loans would be repaid through assessments on county property tax bills.

In a rare floor vote to kill a measure, the Senate

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voted 17 to 8 to reject a study of a statewide ferry system. Senators who wanted the bill believe the study could have outlined future options in ocean transportation, but many found it odd given the failure last year of the private Hawaii Superferry project.

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