



[ISLAND VOICES]

Stop state from using city's rail fund as its own piggy bank

BY TOM BERG

PERHAPS IT was inevitable that the multibillion-dollar rail transit endeavor, Hawaii's largest-ever public works project, would bring out the greedy side of our otherwise dedicated state politicians. But that can't possibly make it acceptable, especially when the No. 1 funding mechanism for the rail project is being exploited through systematic fleecing of rail tax collections before any money even makes it to the city.

The ploy was set into motion when the Hawaii Legislature in 2005 passed House Bill 1309 (Act 247) to allow the rail project to advance on Oahu. Begin-



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ning in 2007, the half-percentage point increase in the general excise tax, known as the "rail surcharge," has been improperly used to balance the state budget. For the last four years, the state has been collecting an administrative services fee to

projects statewide. But there's still time to fix this arrangement. The House Finance Committee has a bill currently being considered — Senate Bill 1426 SD2 — which unwarrantedly proposes to take \$200 million from the rail fund in a borrowing

scheme. I suggest a "gut and replace" maneuver to the bill: Remove the language that takes \$200 million in another money grab, then insert language that allows for an administrative fee to withhold only that amount which is needed to process the rail surcharge.

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process the surcharge levied on Oahu purchases.

As a Legislature staffer who helped advance the rail tax authorization bill, I remember that when the legislation was adopted, the state had little to no idea what the cost would be to administer this tax. As a result, the overly generous, arbitrary "guesstimate" of 10 percent was applied against the gross revenues as an administrative assessment. Averaging \$16 million per year above the real cost to collect the rail surcharge, this administrative fee surplus is being deposited into the state's general fund and is expected to shortchange the voter-approved rail project and city taxpayers by \$300 million during the life of the rail tax that expires in 2022.

Star-Advertiser readers can probably surmise that the state doesn't need nearly that big a cut to collect and process taxes for the city. Indeed, highly informed sources tell me that the state needs to retain only 3 percent or less to break even on the favor it's doing the city.

But "greed" is the operative word here, and sadly, "bad faith" is the byproduct. The rail fund is still being used to finance pet

Under no circumstances was Act 247 sold to the public to be a profiteering scheme for the state to make money off the rail endeavor. Yet year after year, both the Legislature continues to approve budgets that siphon crucial millions from rail construction.

NOW THAT the \$3.7 billion price tag narrowly approved by voters in 2008 has exploded to \$5.5 billion, the rail project's financial plan is in big trouble. Tax collections are down. Federal funding for rail from a penny-pinching Republican Congress is uncertain, to say the least. And city officials are being told by the feds and by City Council members to keep their hands off the budget for TheBus in order to find rail funds. Worse yet, city officials have notified the Council that we will need to approve issuing of bonds to make up the cash flow shortfall.

That's how bad things are looking. So if we are still going to do rail, we need to do it right. The Legislature needs to stop raiding the city's rail fund and taxpayers need to demand that they get their money's worth from a broken system.