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Monday August 14, 2017

10:00 AM

Auditorium

To: Senate Committee on Transportation & Energy

Sen. Lorraine R. Inouye, Chair

Sen. Will Espero, Vice Chair

Senate Committee on Public Safety, Intergovernmental & Military Affairs

Senate Committee on Ways & Means

House Committee on Transportation

House Committee on Finance

From: Grassroot Institute of Hawaii

President Keli'i Akina, Ph.D.

RE: Honolulu rail project

Dear Chairs and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on the Honolulu rail project, its cost overruns and the various proposals for paying for its future expenses.

On more than one occasion, we have offered comments concerning various tax proposals related to the city project. Each time we cited the need for a comprehensive audit, due to questions about rail's management and inexplicable cost overruns.

We're aware that the Legislature has been frustrated by the lack of straight answers from the Honolulu Authority for Rapid Transportation and other city officials, and many Hawaii taxpayers are frustrated by that, too.

That is why the Grassroot Institute of Hawaii in April launched a public petition drive demanding a forensic audit of the rail. In just a matter of weeks, thousands signed on — an indication of how far public trust has dropped on this project.

Opponents of a forensic audit have pointed out that there have been numerous audits and reviews of the rail project already. But rather than instill confidence in the project, this suggests that those audits have been little more than rubber stamps. How is it possible, after all, to claim

that nothing has gone amiss with a construction project that has leapt from \$3 billion to \$10 billion-plus and now is viewed skeptically even by the Federal Transit Administration, which committed to contributing \$1.55 billion to the project back in 2012.

What is needed is a full, independent forensic audit of the project, to identify the reason — or reasons — for its significant cost overruns and missed deadlines, thus helping state and city policymakers determine the best options for the project as everyone moves forward.

The Honolulu City Council’s decision in June to authorize the sale of \$350 million in bonds to cover HART’s short-term expenses through next year eliminates the argument that the legislature must act to fund the rail during the special session. On the contrary, it gives the Legislature some breathing room to more carefully consider all its options while waiting for the results of a forensic audit.

Since the Legislature being asked to convene a special session later this month to consider a variety of state-related funding proposals to help keep the rail project on track, it is especially critical that it have the answers only a forensic audit can provide.

Key rail proponents have urged state legislators to extend the Oahu surcharge on the state general excise tax, or implement new taxes of some sort to provide long-term funding for the project. But state policymakers should think twice before imposing such a burden on Hawaii taxpayers and the state’s §vulnerable economy – especially in absence of a forensic audit.

Taxes do not happen in a vacuum. The regressive general excise tax has the biggest impact on those with the lowest incomes. Taxing tourism could have a negative effect on one of the state’s most important industries. Increasing such taxes inevitably discourages consumption, which could result in even less tax revenue to the state than before, as consumers and tourists curtail their spending to keep up with Hawaii’s increased cost of living.

As you well know, trust in the Honolulu rail project is at an all time low. We also must not fall into the trap of throwing good money after bad. Both politicians and the public have serious questions about the status of the project. We think the best course would be to put aside any proposals aimed at securing long-term, state-related funding for the project, until the Legislature gets the answers it needs from an independent forensic audit.

Thank you for your time and consideration.

Sincerely,
Keli’i Akina, Ph.D.
President, Grassroot Institute of Hawaii