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Yes, we are left holding the bag

by Lowell L. Kalapa
Sunday, September 30, 2007 7:25 AM HST

As taxpayers, more often than not, we are so busy trying to eke out a living in the high cost of living environment for which Hawaii is known that we don't pay attention to the hand of government reaching deep into our pocketbooks to bail out public officials who have made bad decisions, usually on purpose with supposedly good intent.

What public officials don't want you to realize is that the decision they made was not based on sound principles of cost benefit analysis but more so on political and emotional motivation. In the past few weeks, we have looked at how elected officials approached affordable housing, squandering \$50 million to purchase, no preserve, the affordable rental housing at Kukui Gardens and all the while not adding one more additional unit of affordable housing to the inventory.

Purchasing that project at the expense of not only taxpayers, who must foot the bill, but those homeless still living at the beach, elected officials were more concerned about pandering to the vocal minority instead of listening to the hopes and struggles of the great silent majority, some of whom are struggling to make those monthly mortgage payments, others who are paying soaring rents and especially at the expense of those who have no shelter over their heads. Now it's at the point where elected officials would just like those vocal protesters to go away.

It is not that those with experience in affordable housing didn't advise public officials that there were better alternatives. These alternatives would, in fact, have increased the stock of affordable housing, utilizing a valuable footprint in urban Honolulu, and created a new era for the urban core, but public officials would rather bury their heads in the sand so they would not have to listen to the vocal protests.

And taxpayers will be left holding the bag paying the principle and interest on \$50 million for years to come. Thus, taxpayers who aren't so privileged to live in Kukui Gardens will have to pay more in taxes to subsidize Kukui Gardens at a time when they themselves either are struggling to pay enormous monthly mortgage payments or market rents or are still living on the beach.

Then there is the farce of the exemption for alcohol-based fuels. Taxpayers were fooled into the belief that a continuance of the exemption of gasohol from the general excise tax would save them pennies at the pump. Originally intended to encourage the use of alcohol-based fuels as an alternative to fossil fuels, that incentive became a moot point once the governor mandated that nearly all motor fuels be alcohol based. Thus, the exemption from the general excise tax became nothing more than a huge

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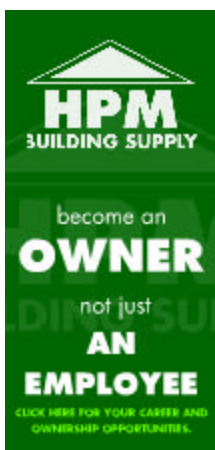
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windfall for the gasoline companies as the general excise tax is a tax imposed for the privilege of doing business in Hawaii. So while all the rest of the businesses must continue to pay the general excise tax in order to do business in Hawaii, the oil refiners get away scott free.

In the meantime, those revenues could have been used to supplement the resources of the state highway fund, and highway users may soon find themselves paying more at the pump anyway as fuel taxes, vehicle weight taxes and registration fees may have to go up to bail out the state highway fund. Again, the taxpayers, in this case the highway users, end up holding the bag whereas no increase in highway user taxes and fees might have been necessary had the general excise tax exemption for alcohol-based fuels not been extended.

Finally, there is the continuing saga of the Superferry and the trials and tribulations it must now endure because a few public officials tried to "expedite" the ferry service by ignoring some of the very environmental laws those same public officials profess to advocate. The problem is that they have not learned that they can't talk out of both sides of their mouths and expect to fool the people all the time.

But more important is that public officials gambled with taxpayer dollars that will guarantee the \$140 million loan made by the federal maritime administration. Should the Superferry not be able to begin service as proposed and the red ink begins to flow, neither the investors nor local government officials will be held accountable for the loss of the funds. No indeed, once more the taxpayer will be left holding the bag in making good on that loan. How about that for setting up a "private" business where there is no risk and the only fools are the taxpayers who will end up paying off the loan?

Talk is cheap when it is not their money. It is just us taxpayers who end up with an empty bag.

Lowell L. Kalapa is president of the Tax Foundation of Hawaii.



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