

## Lack of detailed rail plan a concern - Hawaii News - Honolulu Star-Advertiser

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Uncertainty remains over how the city will pay to operate and maintain the system

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Those guiding Oahu's rail transit project are struggling to come up with the cash to finish building the system, but another challenge still looms down the track: How will the island pay for the rail line's operations once it's up and running?

It's not a new question, but the public has received no new answers in the past year as major construction pushes closer to town and the system's initial 2018 start approaches.

To date, the closest thing that rail officials have put forth resembling an operations plan consists of about six pages from a rail financial plan released three years ago to help secure more than \$1.55 billion in federal funding.

Transit leaders say it could be another two years or so before a detailed plan emerges.

The lack of specifics has state lawmakers anxious as they consider what to do about rail, and whether to extend the rail tax to help the project climb out of a construction-related budget hole that could be as deep as \$910 million.

The Senate Ways and Means Committee expressed that anxiety this month when its members passed a bill requiring that any rail tax extension passed in this session pay for capital costs only, and not for operations.

"We don't want to give the city a crutch, and a false crutch at that" to let the city spend those tax dollars on operations without a long-term plan, Ways and Means Chairwoman Sen. Jill Tokuda (D, Kailua-Kaneohe) said last week.

The committee has a "strong concern that the City and County of Honolulu does not have an adequate and sustainable plan to fund the operating and maintenance cost" for rail, its report added.

What's been clear for more than a year now is that rail leaders, including Hono-lulu Mayor Kirk Caldwell and Honolulu Authority for Rapid Transportation Board Chairman Ivan Lui Kwan, want to lift the 2022 expiration date on Oahu's 0.5 percent general excise tax surcharge as a steady way to fund annual operations.

Caldwell has touted the idea because island visitors and tourists would contribute to the costs — not just local residents. But various local tax policy analysts, including the Tax Foundation and the Hawaii Appleseed Center for Law and Economic Justice, emphasize that the GET is a regressive tax that burdens the island's lower-income residents more heavily than its higher wage earners.

"Every time you open your wallet or use your credit card the GET is in there somehow," Appleseed staff

attorney Jenny Lee said Wednesday. "The people who it hits harder are the people who produce things in Hawaii."

With the legislature reluctant to extend the GET surcharge in perpetuity as Caldwell and others have requested, an island rail operations plan remains in limbo.

It could be a while before the public gets a clear picture.

As long as rail stays on schedule to partially open in 2018, that gives the city another two years or so to set fares and determine how many more dollars they'll need on top of that to cover the full operational costs, HART Executive Director Dan Grabauskas said.

Typically, transit systems rely heavily on subsidies to keep fare prices affordable for the public. Passenger fares at TheBus, for example, only cover a third of costs.

Cities across the U.S. also rely on a mix of funding sources to subsidize their public rail systems. Those sources include local sales, property and gas taxes; advertising dollars; fees from developers who benefit from the transit system; and bond financing.

For example, passenger fares fund about 40 percent of operations costs for the Phoenix-area Valley Metro rail line, according to spokeswoman Susan Tierney. Dedicated transportation taxes from each of the three cities where the line runs cover most of the remaining costs, Tierney said.

Advertising also covered about \$1 million of the line's \$32 million operations budget in 2015, she added.

Valley Metro's 20-mile light rail system started running in 2008. Similar to what Honolulu rail leaders hope to eventually do on Oahu, the Phoenix-area light-rail is building extensions while it operates its existing line. The Arizona system is poised to put 6 more miles into service, stretching farther into Phoenix and Mesa, starting next year — part of a plan to add nearly 40 additional miles by 2034.

A half-cent tax supporting transit programs in Maricopa County, which is where the rail line runs, helps to fund some of those extension costs, Tierney said. The line extensions also rely on a mix of federal and city dollars, but exactly how they're funding varies depending on the extension, she added.

In Honolulu, no ideas are "off the table" to fund the island's 20-mile line, said Mike Formby, a HART board member and the city Department of Transportation Services director. He's part of the HART board's so-called "permitted interaction group," or "PIG," that formed recently to study fare policies and how to fund rail.

Some of the ideas they're weighing include using property tax revenues and implementing fees for developers of property along the rail line, Formby said. The local transit system might also rent out use of a high-capacity broadband cable that's to be installed in the concrete elevated guideway, he added.

"The goal is to come up with a revenue plan that is affordable," Formby said. "It's a concern for everybody, it's not just the public and the Legislature."

If the GET surcharge is used to fund rail operations, the Appleseed Center's Lee said that state lawmakers should boost the excise tax credits that many low-income residents rely on for food and rent, to help take some of the strain off of their already tight budgets.

Those local tax credits haven't been increased in years.

A measure that's still alive this year, Senate Bill 555, would increase the state's food excise tax credit somewhat for the first time since 2007. However, a similar measure that would have given poorer residents more excise tax relief on their rent costs died.

"It's only going to get tougher for low-income folks as prices rise," Lee said.

Although Caldwell has endorsed the regressive GET as the best option to fund rail construction and operations, he's added that once rail is running it will benefit lower- and middle-class families.

Rail will provide "transportation equity" — giving those who can't afford to live closer to town an option to get home to families sooner instead of sitting in H-1 freeway traffic, Caldwell has said.

He's also said it will give residents an option to ditch their cars and save thousands of dollars in annual insurance and maintenance costs.



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