2010 HAWAII PORK REPORT

“The Book Hawaii's Government Doesn’t Want You to Read!”

GRASSROOT INSTITUTE OF HAWAII
CITIZENS AGAINST GOVERNMENT WASTE
Grassroot Institute of Hawaii
Citizens Against Government Waste

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“The Book Hawaii’s Government Doesn’t Want You to Read!”

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The Grassroot Institute of Hawaii is a nonprofit, nonpartisan research institute dedicated to the principles of individual liberty, the free market and limited, accountable government. Through research papers, policy briefings, commentaries and conferences, the Institute seeks to educate and inform Hawaii’s policy makers, news media and the general public.

Committed to its independence, the Grassroot Institute of Hawaii neither seeks nor accepts any government funding. The institute is a 501(c)(3) organization that enjoys the tax-deductible support of individuals, foundations and businesses sharing a concern for Hawaii’s future and an appreciation of the role of sound ideas and a more informed debate.

Citizens Against Government Waste (CAGW) is a private, nonprofit, nonpartisan organization dedicated to educating the American public about waste, mismanagement, and inefficiency in the federal government.

CAGW was founded in 1984 by J. Peter Grace and nationally syndicated columnist Jack Anderson. CAGW has 1.2 million members and supporters nationwide. Since 1986, CAGW and its members have helped save taxpayers $1 trillion. CAGW publishes a newsletter, Government Waste Watch, and produces special reports, monographs and television documentaries examining government waste and what citizens can do to stop it.
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When the *Hawaii Pork Report* was first published in January 2009, the state legislature was grappling with a $650 million budget shortfall brought on by a combination of years of increased spending and lower revenues due to the economic downturn.

Unfortunately, state legislators find themselves stuck with even more difficult problems than those that plagued them in 2009. By the beginning of the 2010 legislative session, state legislators faced a $1.2 billion shortfall—86 percent higher than a year earlier.

To help address the 2009 budget shortfall, Governor Linda Lingle (R) requested 10 percent cuts to all state agencies. One result was the Department of Education’s (DOE) now infamous and controversial “Furlough Fridays”—a public relations fiasco that created more problems than it solved.

In the 2009 legislative session, lawmakers passed many tax increases, including the state income tax, transient accommodations (i.e. tourism), and tobacco. When all was said and done, Hawaii had the highest state income tax rate in the United States at 11 percent. Proving that misery loves company, Oregon quickly stepped up to join Hawaii for the lead. However, the 2009 tax increases pale in comparison to those being proposed in the 2010 legislative session. Dozens of bills have been filed to increase taxes in one way or another, and dozens of other bills would increase fees on everything from car registration to fireworks permits. One bill would “temporarily” increase the liquor tax an unspecified amount, and one measure would raise the cigarette tax to $3.00 per pack later this year. Another bill would further bump up the state’s highest income tax rate to 13.55 percent, solidifying Hawaii’s first-place ranking. And another threatens to hike the general excise tax (GET) one percentage point from a base of 4 to 5 percent, or a 25 percent increase.

Taxing more rather than spending less seems to be the typical response to solving the state’s economic crisis as lawmakers often claim that spending has been cut to the bone. In an effort to help lawmakers identify places to
cut one of the largest areas of the state budget, the DOE, the Grassroot Institute of Hawaii held the first-ever DOE “Trim the Fat” contest in the summer of 2009. Hawaii citizens, many of them DOE employees, submitted more than 100 ideas for the DOE to cut costs without impacting the quality of education. In all, they identified hundreds of millions in potential savings, and their ideas were forwarded to the governor, members of the Board of Education, and key legislators. Unfortunately, policymakers failed to act on these excellent suggestions and resorted to school furloughs instead.

But as is often the case, this cloud has a silver lining. Fed up with politicians, bureaucrats, and government sector unions, Hawaii’s taxpayers are fighting back. An estimated 2,000 citizens rallied at the April 15, 2009 Tax Day Tea Party at the State Capitol, while hundreds more gathered at concurrent events on the neighbor islands. On May 7, 2009, Governor Lingle held Hawaii’s first-ever public veto ceremony, which hundreds of citizens, including even union members, attended in support of her tax bill vetoes. Early support and planning for the 2010 Tea Parties indicate that they will be bigger and better than ever.

The Grassroot Institute of Hawaii and Citizens Against Government Waste present the 2010 Hawaii Pork Report as a primary tool in the push for smaller, more accountable government. This year’s report identifies $308.8 million in waste, fraud, and abuse of taxpayer dollars at the local and state level. For policymakers, it provides a blueprint for the process they can follow to cut unnecessary spending. For candidates, it helps make the case for interrupting “politics-as-usual.” And for “Tea Partiers” and other activists, it can serve as the “intellectual ammunition” to back up impassioned calls for smaller government and greater individual liberty.

The Grassroot Institute was founded in 2001 and is the state’s only free-market think tank focused solely on Hawaii issues. The Institute’s mission is to promote individual liberty, the free market and limited, more accountable government. Through research papers, policy briefings, commentaries and conferences, the Institute seeks to educate and inform Hawaii policymakers, news media and the general public.

In 1982, President Ronald Reagan empanelled a team of 161 senior business executives and more than 2,000 private sector volunteers to undertake a comprehensive review of the federal government. The report of the President’s Private Sector Survey on Cost Control, better known as the Grace Commission after the panel’s chairman, the late J. Peter Grace, made 2,478 recommendations to eliminate waste, mismanagement, and inefficiency in Washington, with three-year savings of $424.4 billion. After the report was completed in 1984, Peter Grace joined with syndicated columnist and Pulitzer Prize-winner Jack Anderson to form Citizens Against Government Waste (CAGW) to promote implementation
of Grace Commission recommendations and promulgate additional recommendations at every level of government. Over the past 26 years, CAGW and its one million members and supporters have helped taxpayers save $1.08 trillion.

CAGW’s most well-known publication is the Congressional Pig Book. Since 1991, CAGW has published this annual exposé of pork-barrel spending in the federal appropriations bills.

CAGW also produces Prime Cuts, a comprehensive look at the depth and breadth of waste throughout the federal government. Recommendations range from eliminating corporate welfare to cutting unneeded defense systems. Prime Cuts 2010 identified $350 billion in potential one-year savings and $2.2 trillion in five-year savings. Considering that the federal deficit is projected to be a record $1.6 trillion in 2010, Prime Cuts alone could go a long way in bringing back fiscal sanity to Washington.
The public education system in Hawaii has long been scrutinized by concerned parents, teachers, and policy makers. Teacher furloughs implemented in the 2009-2010 school year have brought a new level of urgency to the call for reform. Renewed debate over lagging student achievement, despite massive increases in spending, has brought the mismanagement of Hawaii’s Department of Education (DOE) into the spotlight.

Due to the 17 furlough days, students have only 167 scheduled instruction days, the fewest in the country and 13 days fewer than the national average of 180. In addition, according to many teachers and students, the school system enforces an extremely lax attendance policy, so it is no surprise that Hawaii’s scores are consistently below the national average as reported by the National Assessment of Educational Progress (NAEP). In the most recent NAEP (2009 for math, 2007 for reading), Hawaii’s math students ranked 40th in the country in the fourth grade, and moved down to 44th by the 8th grade. Reading scores were even worse: fourth graders ranked 44th, while eighth graders were 47th.¹

As education scores have been spiraling downward, spending has increased. Per pupil operating expenditures in Hawaii in FY2007 ranked 14th in the nation at $11,060, compared to the national average of $9,666.² Total expenditures, including capital expenses and retirement benefits, added up to $16,627 per student³—more than the tuition at almost all private schools in the state. And prices are only rising. Total DOE spending rose from $2.27 billion in FY2005 to $2.98 billion in FY2007, an increase of 31.3 percent in just two years.⁴ In comparison, inflation was six percent over the same time period.⁵ Meanwhile, the overall enrollment declined from 189,280 students in 1997 to 179,230 in 2007.⁶ For fiscal year 2010-2011, the DOE budget is $2.46 billion, a result of reductions required by the Department of Budget and Finance and the state legislature beginning in 2008.⁷,⁸

It is obvious that the overall level of spending is not the problem in Hawaii schools—it is the way those dollars are spent. As lawmakers struggle with addressing the DOE’s budget gap and furlough problem, here are some examples of how the DOE can cut costs without compromising the quality of education.
An analysis by a “concerned citizen” in Hawaii uncovered that on Oahu alone, the DOE employs 1,036 individuals in central administration, including 112 secretaries and 46 clerk typists. Cost savings could be realized through more efficient use of computer technology—and perhaps some typing lessons for DOE employees. If even one-third of this cost were trimmed, using a conservative cost estimate of $50,000 per employee (salary plus benefits), the DOE would realize cost savings of more than $2.6 million per year. That would be enough to eliminate a few furlough days for the school year.

The 2009 Hawaii Pork Report exposed $2.4 million budgeted for substitute custodians, compared to just $800,000 for substitute teachers. Despite inquiries to the DOE and widespread media coverage of the figures, no plausible explanation has been given. Now, substitute pay information has surfaced for other positions. The DOE budget for substitute security attendants was $264,736 in 2008. Even more shocking, substitute clericals received a whopping $1,719,914. Perhaps some of these substitute custodians and secretaries could fill in for the furloughed teachers on Fridays.

With a $2.4 billion budget, administrators apparently don’t recognize the need to spend DOE funds wisely. According to a February 2009 state audit report, the Office of School Facilities “regularly outsources basic management functions that should be performed in-house, including responsibility for overseeing, evaluating, and negotiating with other vendors.” The report cited problems such as conflicts of interest, poorly structured contracts, and a lack of competition. Apparently one consultant assisted the DOE with the award process while also competing for those same contracts, “and ultimately was awarded a related $2.4 million program management contract.”

In the same audit, the assistant superintendent of the Office of School Facilities acknowledged during an interview that contracting out program and construction management functions is an inefficient way of doing business. Ultimately this inept process translates to 13 cents of every dollar not being used to improve the schools, but rather to pay a program or construction manager. For example, the Whole School Classroom Renovation Program received an additional $160 million to renovate 96 schools in 2006. Of the $160 million, $21 million disappeared.
F is for “Fantom” Website

The Hawaii Teacher Standards Board (HTSB) has one primary, simple function: to expeditiously license new and continuing teachers in the public school system. For failing to achieve even this basic task, the Board receives a huge F. In the 2008-2009 school year, 11,459 teachers were licensed, while 1,400 individuals taught without proper credentials.14

Now more than $1 million has been spent to develop and launch an online licensing system started in 2002 and scheduled to be completed in 2006. A January 2009 audit revealed the website had still not been completed.

An August 2009 HTSB newsletter headlined that the licensing process was “To Go Online” and directed readers to “Watch for an announcement in the News Headlines section of our website.”15 No such announcement has arrived.

On top of the $1 million in development costs, the Board had contracted for $220,000 for extended IT support services in 2004 related to the ghost website.16

One Dirty Contract

A former principal of the DOE system was paid $17,100 to provide schools with restroom cleaning consultation. In 2005, the department awarded and executed a $600,000 contract for project management and technical assistance on repairs and maintenance and capital improvement projects. Under an addendum to this contract, a second individual was paid $85,310 for providing consulting services regarding a restroom cleaning and restoration project.17 Neither individual had any experience with cleaning or construction.
The Rail Saga Continues

The Honolulu Rail Transit Project on Oahu, a 20-mile elevated rail line that will connect west Oahu with downtown Honolulu and the Ala Moana Center, made headline news even before it was first voted on in 2008. Mayor Mufi Hannemann won the majority vote for his pet project by a slim margin of 53 percent, even though he outspent rail opponents by 20-to-1. Pro-transit groups spent $243,000 before the vote, twice as much money as transit opponents, and the city spent another $2.5 million on transit “public education,” which many foes called pro-transit propaganda.

Since the narrow win, the rail project’s groundbreaking has fallen significantly behind schedule and projected costs have skyrocketed. The environmental impact statement, necessary for commencement of the project, has still not been completed. Even after the document’s estimated completion in the summer of 2010, Gov. Lingle still must approve the plan. The governor was criticized for her decision to conduct an independent analysis of the city tax revenue forecasts, which is the foundation of the project’s financial plan.

Estimated costs rose from $3.9 billion in 2006 to $5.3 billion in 2009. On February 2, 2010, Gov. Lingle told Transportation Secretary Ray LaHood that no other transit project has ever cost so much per person. The proposed rail project will cost each Hawaii taxpayer $5,875 in additional taxes.

City Spends (a lot) More Promoting the Choo-Choo

In response to a Freedom of Information Act request filed by the Honolulu Advertiser, the City and County of Honolulu finally disclosed the amount of money spent on the rail project’s public information campaign since 2005: more than $5.6 million as of July 31, 2009. This amount more than doubles the $2.6 million already spent on the campaign as exposed in the 2009 Hawaii Pork Report.

From June 30, 2008 to July 31, 2009, the city spent $1.97 million on “community outreach efforts,” which included the creation of a speaker’s bureau, multiple rail station workshops and the production of a local TV show:

- $738,500 was allocated for printed material, which included newsletters, community event materials and related postage;
- $192,375 was spent on online
publicity efforts, which included
the creation of a website and the
production of DVDs; and

• $46,806 was spent on a June 23
symposium, including $12,389 on
airfare and hotel rooms for
featured speakers.21

The expenses are particularly alarming
when Hawaii residents and visitors
are already being stretched thin to
pay the $5.3 billion cost for the rail
system in the form of new and
improved taxes. As City Council
member Ann Kobayashi said, “This
isn’t the time to be spending money
on this kind of stuff when the vote
has already been taken.”22

Mayor Hannemann Spends $10,000 for
Rail Speech

In October 2009, Mufi Hannemann’s
“State of the Rail” address to 200
invited guests at the Mission Memorial
Auditorium was simultaneously
broadcast on three local TV stations.
Bill Brennan, city
spokesman, stated
that the $10,000 cost
of broadcasting the
speech was part
of a city public
involvement
campaign.23

Rail isn’t the Only
Problem with
Transportation
in Hawaii

Who Wants To Be a
Millionaire?
Work for the DOT

No matter how much an individual
makes now, he or she could
most likely be making more at
the Honolulu’s Department of
Transportation (DOT). In its 2009
Executive Operating Budget,
$104,547,334 was allocated to
25 positions in the DOT Public
Transit division. That is $4,181,893
per position.24 Inquiries to discover
what exactly these lucky individuals
do (or don’t do) went unanswered.

It is likely that the governor could
make one phone call and find out
the reason for these apparently
exorbitant salaries. Perhaps Hawaii’s
citizens should ask her to do that.

Hiding in
Broad Street Light

Ask the residents of Hawaii Kai who
live off of Lunalilo Road what they
think of the recent $2.5 million
project to brighten their roads, and
they may give the questioner more
than one dark look.
On June 24, 2009, the neighborhood board unanimously passed a motion asking the city to put a temporary hold on the project until the residents could be consulted and provided with more details. Unfortunately, this motion was completely disregarded by the City and County of Honolulu. Instead, Gerald Hamada from the city Department of Design and Construction suggested moving forward with Phase I and then leaving Phase II up to the verdict of the board.25

The new street lights, which triple the current number of lights from 48 to 144, are replacing structures that are only 50 years old. Since these new lights will utilize the same 150-wattage each as did the old lights, the purpose of this project becomes even more environmentally and fiscally questionable.

In addition, the implementation of the plan and the placement of the light poles have been comical at best. From previous spacing of 150 to 300 feet, light poles are now only 100 feet apart, illuminating the road like a stadium, or as one Hawaii Kai resident put it, “like a Christmas tree.”26 Some poles have been carelessly placed and some are completely blocked by trees. One was within two feet of a fire hydrant until it was subsequently moved to comply with Board of Water Supply standards, which require a fire hydrant to have a minimum three-foot clearance.27

An independent study suggested that the project would “overlight the road by about 50 percent and cost the city about $21,000 a year to light this part of the road.”28 This is one project about which the residents of Hawaii Kai may prefer to have been kept in the dark.

Honolulu’s “The Bus” prides itself in being the “#1 Bus System in the Country,” as the proud blue ribbons affixed to every city bus remind citizens. However, there is no pride in a $124,331,091 bus subsidy.29 Taxpayers are shelling out $340,633 a day—on top of fares paid by riders—for the “best system” in the country.30

At $2.25, a single ride fare is comparable to other transit systems around the country. The monthly and yearly passes, however, are well below the average market price. A single ride in New York City also costs $2.25. A monthly pass there, however, costs $89, compared to only $50 in Honolulu. The monthly fare for seniors in NYC is $44.50. In Honolulu, the monthly fare for seniors is $5, and an annual pass for seniors is only $30. While the riders most certainly appreciate these discounts, they come on the backs of the rest of Hawaii’s taxpayers.
Halawa Bridge
Enjoys an Endless Stream of Revenue

Originally set to be completed in 2006, the construction of the Halawa Stream Bridge has finally been finished, but at great cost to taxpayers. Located along Kamehameha Highway near the Arizona Memorial at Pearl Harbor, construction on the bridge began in early 2005 and was scheduled to be completed by June 2009. Problems included a faulty drill shaft, which had the potential to destabilize the entire foundation of the bridge. The State Department of Transportation pushed the opening back to October 2009 and then finally to December.

While the underground work was being done on the drill shaft, the state also decided to install new girders, which prolonged the construction of the deck, side railings and pavement transitions to the Kamehameha Highway on both ends. With the final price tag of the bridge at a reported $10.5 million, taxpayers had to pay the extra $3.3 million the state added to a project that was only meant to cost $7.2 million, resulting in a 46 percent cost overrun. By comparison, if the Oahu rail project faced the same overrun, its cost would balloon from a projected $5.3 billion to more than $7.7 billion.

Barging in to the Budget

It seems that the taxpayers of Hawaii are still not done paying for the state’s mishandling of the Hawaii Superferry project. The privately-owned and operated interisland ferry was shut down in March 2009, after just 15 months of operation, when the Hawaii Supreme Court declared unconstitutional a new law allowing its operation without an environmental impact statement. The company has since declared bankruptcy. Hawaii taxpayers are now not only without interisland ferry service, but they are also on the hook for $218,000 to move a defunct ferry loading barge from Maui to Honolulu.

The $10 million barge is being moved to Honolulu because its current location makes it susceptible to damage from high storm surges, something that might have been avoided had the state followed the proper procedures in completing an environmental impact statement in the first place. That being said, the barge has already sucked up $3 million in repairs, $414,000 of which occurred in 2009. Now that it is being transported to Oahu, it will stay in the Honolulu Harbor indefinitely. There are no potential buyers for the barge, and the state has no plans for its next use.
But have no fear. The legislature is now considering a bill that would authorize a feasibility study for a state-run interisland ferry system. Never mind that the government’s last attempt to operate travel by water, TheBoat, was recently discontinued by the City and County of Honolulu because its 97 percent subsidies were unsustainable (see the 2009 Hawaii Pork Report). It is doubtful that an even larger project run by the state government would fare any better.

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**First Class Only**

Spectacor Management Group, the marketer and operator of the Hawaii Convention Center, regularly utilizes limousine services to shuttle its business clients around town, even though government rules dictate that they use the least expensive mode of transportation. While the need for a limousine over a regular taxi or car service is questionable, the extravagant cost should be enough to end the practice.

In one instance, one-way limousine fares from the airport to the same hotel ranged from $75 to $121, a difference of 62 percent. On another occasion, five limousines were hired at a price of more $1,600 to transport potential clients to and from a promotional dinner event. When limousines aren’t expensive enough, a single helicopter ride can cost taxpayers $1,560, like the one that transported a meeting planner of an event at the Hawaii Convention Center between the airport and Turtle Bay Resort. Traffic can be bad, but this is ridiculous. Clearly there is no price too high when someone else foots the bill.
Behind the Kuan Yin Temple on Vineyard Boulevard, the Foster Botanical Garden traces its beginnings back to 1853 as a landmark of native Hawaiian plants and vegetation. But in more recent years, what began as an ambitious project to serve current and future generations of plant enthusiasts has simply led to endless construction and too many tax dollars, turning the garden into a symbol of bureaucratic struggle and red tape. The crown jewel of the garden, a proposed 10,000 square-foot conservatory—which has turned into a 4,573-square foot facility—is now stuck in limbo due to budget cuts.

The conservatory received $2.1 million in 2006 for garden and conservatory improvements and the construction of a maintenance facility. It quickly became clear that this amount, while adequate to complete construction and some aesthetic renovations, would not be enough to add new plant species and pay for upkeep of the conservatory. With the budget completely exhausted by construction and renovations, there was no money left to make necessary irrigation and other maintenance improvements, leaving the garden in a state of disrepair.

Although there have been numerous proposals floating around the community to finalize the garden along with the conservatory, Honolulu’s Department of Design and Construction (which is in charge of the project) has yet to approve or even make progress on the completion of the garden and its facilities. The garden and conservatory no longer stands for current and future generations of plant enthusiasts, but for poor planning and unfulfilled potential.

The Kealia Pond National Wildlife Refuge boardwalk opened to the public on September 8, 2009. No public announcement was made, and with good reason. It took the U.S. Fish and Wildlife Service, the Federal Highway Administration and its private contractors at least $2.6
Skateboarders should hold their wheels, because they will have to wait at least another two years for the Banzai Rock Skateboard Park to open. While the main work was supposedly completed in 2007 under a $587,760 contract, poor city planning, budget setbacks, and access issues continue to hamper the park’s opening. Cost overruns have ticked up to $100,789, or 17 percent of the projected cost.

First budgeted in 1999-2000, the park has suffered a series of setbacks including losing funding twice, delays attributed to soil problems, and an access issue that has held up the permit for two years. The state now says that it will be another year until the park opens and two more years until lights, bathrooms and water are installed. Parking, accessible paths, access driveways and landscaping are due to begin breaking ground in 2012.

If the new ground-breaking date in 2012 holds up, it will have taken the state of Hawaii 12 years to create a skate park from the time the process started. This delay is from the same city government that eagerly projects it can build a 20-mile rail system in just nine years.

Not only is the project over budget and past due, but its size has also been reduced. In the end, the originally-planned 11,000 square-foot park with state-of-the-art designs and facilities was downgraded to a 7,500 square-foot park filled with broken promises and the scars of graffiti.

Personal responsibility comes in many forms. Unfortunately, boat owner Leif Hart doesn't believe that when he sets sail. In May 2009, he ran aground the reef off of Kahala Beach. Then in November 2009, he ran aground the reef off of Waikiki Beach near the Sheraton Waikiki Hotel. Both of these groundings resulted in damage to his boats, but more importantly, damage to the pockets of taxpayers. Since 2002, the state has spent nearly $750,000 for the removal of such grounded and sunken vessels through its emergency boat removal services.

The sea can be a harsh mistress, but taxpayers are the ones who feel the gale force winds of reckless spending. It is time responsible citizens stopped paying for the carelessness of others.
Making Extra Sure Everyone Can Find the Giraffes

The Honolulu Zoo is run by the City and County of Honolulu to educate and entertain locals and visitors alike. However, running a $5.3 million operating budget with revenues of only $2 million leaves the taxpayers $3.3 million in the red.\(^{38}\)

In 2005 the city appropriated $2.75 million to improve the zoo entrance. \(^{[39]}\) Five years later, construction is far from being done, the entrance is blocked by construction boards and massive amounts of money are still being spent on this and other projects. As of December 2009, the city had paid an extra $402,000 to compensate the contractor for delays to the project.\(^{40}\)

The delays were caused “partly due to concerns from the Kapiolani Park Preservation Society that the project called for the demolition of the current entrance and encroached on park land.”\(^{41}\)

However, the $358 per day the state is needlessly paying the contractor could have been avoided if the contract had not been awarded prematurely in an effort by the Harris administration to push projects through in the last minutes of his term.\(^{42}\)

Apparently existing signage inside the zoo was not enough, as $330,000 was spent on new directional and animal graphic panels. Parking lot reconstruction will add a hefty $810,000. Another $560,000 will be spent on miscellaneous, undefined zoo improvements. At this cost, taxpayers better go look at those giraffes. As a result of the poor management, City Councilman Charles Djou suggested turning over zoo management to a private entity, as the Dallas Zoo successfully did in 2009. Dallas is expected to save $16 million over the course of five years.\(^{43}\)

Not surprisingly, the Honolulu Zoo director resigned in February 2010 after holding the position for just over a year.

There is No Joy in this Celebration

The Department of Accounting and General Services may be singing Joy to the World, but no one else is. In 2009, 1,715 additional sets of Holiday Creations LED Christmas lights cost taxpayers $32,290.\(^{44}\)

Presumably, the lights will be used for the annual Honolulu City Lights display, on which the city already spends an average of $60,000 per year. The Friends of Honolulu City Lights contribute an additional $80,000 to $100,000 a year in private contributions, leading many taxpayers to question the city’s continued financing of this holiday tradition.\(^{45}\)

For now, Honolulu is spending more, not less, to light up the season.
Hawaii taxpayers are about to pay $1.5 million to fill in a swimming pool at the Hawaii State Art Museum. The 82-year old courtyard pool, a remnant from the building’s previous use as a YMCA, is now scheduled to be filled in and converted into a seating area for the public. Essentially unused since the 1990s, the pool has become problematic for many reasons. The courtyard has been blocked off since the pool was closed, while the State also spends about $10,000 a year in pool cleaning and maintenance costs. According to the Honolulu Advertiser, the $1.5 million will be used for construction costs and disability access improvements to the facility.

Asked why the state should undertake such a task during a budget crisis, Oahu Commissioner for the State Foundation on Culture and the Arts (SFCA) Peter Rosegg replied that the construction would create jobs and improve the museum experience.47 But if improving the museum experience is a goal, one wonders why the project wasn’t undertaken 15 years ago, instead of wasting $10,000 each year in maintenance and waiting until a severe state budget shortfall to spend the $1.5 million.

A bill under consideration during the 2010 legislative session may explain how the SFCA is planning to pay for the renovations. Apparently, the SFCA is flush with inventory that the state legislature is now considering allowing the Foundation to auction off some of its surplus artwork to the public.48 Perhaps the legislature should also reconsider the state mandate that deposits one percent of the cost of all government building construction into the arts fund in the first place.

Since a storm in December 2008 damaged the center bathhouse at Waimanalo Bay Recreational Area, the state of Hawaii has been slow to finish repairs, thus costing the taxpayers even more money. At the park, better known as Sherwoods, the men’s restroom has been closed since the storm due to roof damage. This forces guests to either use the portable bathrooms or to walk across the park to use the other restrooms. Roof repairs have been delayed due mostly to bureaucratic red tape, so the time frame is up in the air. In the meantime, the state has been paying for two portable bathrooms to alleviate the needs of guests.

While the exact cost is unknown, rates for portable bathrooms range from $100 to $225 a month. Assuming that the portable toilets were put into place in the spring of 2009, the state has spent an estimated $4,000 to $5,000 on portable toilets—money that could have gone toward fixing the permanent facility in the first place.
Federal and state government employees enjoy generous salaries and benefits. Job security is another perk of public service, considering it is virtually impossible to get fired from a government job.

There is an indication that these generous wages and benefits may be a contributing factor to many of the states’ fiscal problems. On February 18, 2010, the Pew Center on the States released a report on the dire condition of state pensions. According to the report, some states will experience “high annual costs that come with significant unfunded liabilities, lower bond ratings, less money available for services, higher taxes and the specter of worsening problems in the future.” 50 States have $2.4 trillion to meet $3.4 trillion in promised pension, health care and other post-retirement benefits as of 2008.

The report states, “The Hawaii Employees Retirement System had a funding level of 68.8 percent, a total liability of almost $16.6 billion in fiscal year 2008 and an unfunded liability that was about one and one-third times its payroll. Hawaii had several problems that contributed to its underfunded pension status. Its legislature diverted about $1.7 billion from annual contributions in the early years of this decade. Also, until 2006, all employees were in a non-contributory system, which means they did not pay anything for their pensions. This system is being phased out, with a new contributory plan that began in 2006.” 51

Overcharged is an Understatement

Talk to a lawyer and say goodbye to your money. Have the government talk to a lawyer, and say goodbye to even more money. The Hawaii Strategic Development Corporation employed the legal services of various lawyers, specifying an hourly rate of $285.00 as agreed upon by both parties. The contractor submitted invoices for various hourly rates ranging from $185.00 to $375.00 and additional staff that differed from the agreement, resulting in an overpayment of $1,391.06. 52 Lawyers overcharging an individual the same amount would face stiff resistance, but in government no one bats an eye.
Thank You, People of Hawaii

The owner of *Hawaii Tourism Japan* (HTJ) can thank the citizens of Hawaii for a hefty added bonus to his substantial paycheck. In 2007, in addition to his agreed upon compensation of about $120,000, he received a bonus of $8,700 paid with state funds. Bonuses are not provided for in the contract, so it is unclear what the owner of HTJ did to warrant the additional pay. Bureaucrats are certainly generous with other people’s money.

Paid Time Off

State and local government workers across the country receive, on average, 11 paid holidays per year. In 2010, Hawaii state workers received 13 paid holidays (which goes up to 14 in election years). With the daily state payroll of approximately $8.75 million, if government workers’ paid holidays were cut back to match the national average, that would lead to savings of between $18 to $26 million a year.
Hawaii Army National Guard Sitting Pretty

In June 2009, the Hawaii Army National Guard received a $27,246 gift from the state of Hawaii for the procurement of 29 computer desks. At $939.51 per desk, these Army National Guardsmen are now more than comfortable defending the state from all threats foreign and domestic. The desks, from OfficeMax, must be of a very rare vintage. A quick search on the OfficeMax website showed the highest priced desk was $899.99. Offering a “traditional style with distinctive plinth base, decorative molding and antique brass plated hardware,” these high-priced desks would put the competition to shame. The second-most expensive desk on the website is a comparative bargain at $659.99, while the cheapest desk offered at OfficeMax can be had or $49.00. But when spending other people’s money, only the best will do.

Shredding Documents, Shredding Money

While the state of Hawaii has been guilty of allocating funds for questionable reasons, one of the most intriguing allocations of taxpayer money is listed in the State Procurement Office website under contract number CAMHD 09-019. Not to be read by the faint of heart, this particular contract award was granted to Westwood Development Group Hawaii, LLC in the amount of $7,000 for the sole purpose of shredding documents. It is unclear why taxpayers are paying $7,000 to a real estate development company to feed paper through a shredder, a task that could be performed as needed by existing employees. That is the sound of the state shredding your money.

Pool of Sorrows

It appears that the state has given up the battle to remove all of the algae from the reflecting pool located at the State Capitol. The 80,000 square-foot pool has had an algae problem since its creation in 1969. With yearly cleaning costs amounting to $72,000, the state has explored various ways to combat the algae problem, none of which has done anything to alleviate the issue. Potential fixes that the state explored include trying to kill the algae with chlorine, manually scrubbing off the algae, and bringing in tilapia to eat away at it.

Instead of trying to completely solve the problem, it seems that the state of Hawaii is content with footing the yearly $72,000 bill that allows inmates to work on the pool with a small group of state workers in a weekly cleaning process. What
was supposed to be a beautiful clear pool representing the Islands of Hawaii in the vast Pacific Ocean has instead turned out to be an eyesore for visitors and locals alike. With green algae surrounding the building, the State Capitol now represents an island being invaded by pollution and disrepair.

**A Moving Sculpture**

Anyone who witnessed the removal and transport of the Alii Nui Sculpture by Jean Charlot from the Ala Moana Hotel to the Foreign Trade Zone should be asking why it was done. For $22,180, the State Foundation on Culture and the Arts removed the sculpture to a place hidden from the public eye. According to the contact person listed for the contract, it will stay there until they decide where to put it. One can only assume it will cost taxpayers at least $22,180 to move it again.

**Something to be Alarmed About**

The State Department of Defense purchased four electronic sirens at a cost of $42,409. A call placed to the Department made clear that no one knows what purpose they serve. They could not explain the purchase of the sirens and said they have no plans for them in the immediate future. The costliest siren on the Federal Signal Emergency Products website is listed at just under $3,000. The importance of disaster and emergency warning systems is undeniable, but the state’s lack of explanation leaves one to question the necessity of the $7,000 premium purchases.
Big Island Taxpayers: Paying for Harry Kim's Mistakes

According to the Big Island Deputy Corporation Counsel Brooks Bancroft, a car crash in 2006 caused by then, Big Island Mayor Harry Kim will cost taxpayers $99,500.61 Crash victim Debbie Balise originally sought $250,000 for damages and injuries she suffered in the collision; however, she has reportedly settled for $99,500.

The Hawaii County Council discussed the settlement in a private session and voted 8-0 in front of a public forum to accept the $99,500 settlement proposed by Balise. According to the police report, Kim had failed to yield the right of way on the way to Hilo from Keaau, inflicting permanent injuries on Balise. Kim was driving a county vehicle, but the case was settled without determining if he was on official business.62 Instead, Big Island taxpayers are left to wonder why they’re footing the bill.

Fire Hydrant Relocation

Visitors to Pier 34 in Honolulu Harbor may notice a subtle difference that includes a hefty price tag. In February 2009, the state of Hawaii awarded $39,300 to Site Engineering, Inc. to relocate a single fire hydrant on Pier 34.63 According to FireHydrant.org, it routinely costs between $1,500 to $5,000 to perform such an action.64

Dinner’s On Us

According to an expose by Hawaii Reporter, Honolulu City Council Member Rod Tam has been eating his way into the taxpayers’ pockets.65 From 2006-2009, Tam applied for and received $22,000 worth of reimbursements for 90 meals at local restaurants. An investigation by the Honolulu City Ethics Commission concluded that $14,500, or 66 percent of that amount never should have been paid.

The commission found that Tam committed numerous ethics violations, including charging the city more for a meal than the amount he paid, making false justifications for meals, seeking reimbursement for meals not related to official duties, and using tax dollars to pay for meals with family members and personal business associates. In one example, Tam took his wife and four others to dinner on Valentine’s Day and charged the expense to the city because he claimed that the dinner was used to talk about how the economy was impacting education. He also charged dozens of expenses totaling $3,000 for meals with
officers and directors in his private companies, hosted a family party and claimed it as a crime meeting in Chinatown, and also overcharged the city for his expenditures in 26 different cases, seeking $1,000 more in refunds than what he actually paid.

Tam did admit that he made some accounting errors but has claimed no other wrong doing, instead saying that his errors were “unconscious.”66 He also stated that dining out is important to his constituency because “it is less stressful than meeting in an office environment and it is easier to park,”67 adding that it is customary in local Chinese culture to meet over a meal rather than over a desk. Finally, Tam also justified his habits by stating that the allergens in city hall cause him sinus problems, hence he must dine out.

While the Ethics Commission has ruled that Tam must repay $11,700 and a $2,000 fine, there is no guarantee that Tam won’t file for further unauthorized reimbursements.
Charging $163,463.49 for Absolutely Nothing

Most people are accustomed to paying for goods and services received. The government may be the only entity that pays for goods and services not received. In 2007, Gov. Lingle outlined the Hawaii Innovation Initiative, a proposal designed to create a firm economic foundation for Hawaii in the new global economy. “Innovation has a tremendous economic impact on our state,” Governor Lingle said. “It improves existing industries and creates new ones, sustains and diversifies the economy and leads to a more skilled workforce with higher-paying jobs.”

The “economic diversification” that ensued was not especially commendable. A 2009 State Audit report noted that a contract awarded to the Pacific and Asian Affairs Council for the purpose of implementing the governor’s initiative on “Innovation in Linking Hawaii to the Global Economy” was paid without the contract being fulfilled. The Contract Administration Verification Report shows the first three scheduled payments—$81,731.75, $40,865.87, and $40,865.87—were approved, billed, and paid for by the department, even though the person responsible for the contract knew certain contract functions were never performed.

Chinese Technology Park Deal Ends in Costly Failure

An ill-fated business partnership with a Chinese technology park resulted in a loss of $112,191 to the state.

In 2005, Governor Lingle led a China trade mission where she negotiated a deal stipulating that Hawaii-based companies would search for licenses and suppliers in China while attracting Chinese businesses to Hawaii. In April of 2006, a lease for business incubator space was signed. Yet, in the years that followed, no Chinese businesses moved to Hawaii and no Hawaiian companies moved into the leased space. According to state and private officials, the key issues which kept the project from moving forward included changes in Chinese rules, a change in leadership at the Hawaii Technology Development Corporation, and a delay in funds available to build an international business incubator in Kaka’ako. The lease was terminated in March 2009. At the time the failed plan was reported, the state was still paying legal fees for this costly debacle.
FISCAL NOTES

The 2009 Hawaii Pork Report highlighted the Grassroot Institute’s difficulties with obtaining responses from open record requests as one major roadblock to a more transparent and accountable government. In partnership with Hawaii Reporter, the Institute has been more successful in navigating the open records process of late, and recently obtained the state expenditure data necessary to begin building its government transparency website. While much work still must be done in the area of public information, recent experience suggests that agencies are more willing now than in the past to cooperate with individuals and organizations seeking public information.

A government transparency issue that has seen no improvement, however, is the concept of fiscal notes. In the U.S. Congress, and in state legislatures across the country, independent government bodies estimate the cost and revenue implications of legislative bills. These estimates are found in fiscal notes, or fiscal impact statements, which are typically attached to bills at the time of voting. They equip legislators with the information they need to vote with fiscal responsibility.

While fiscal notes are used to varying degrees among the states, Grassroot Institute research has revealed that Hawaii has the only state legislature in the country that does not utilize fiscal notes at all. In other words, Hawaii legislators routinely vote without knowing the current and future costs of bills. That would be similar to a driver pumping gas at a station that does not display the price per gallon or a family doing back-to-school shopping without looking at the price tags.

Not only is this practice fiscally irresponsible, but it also prevents taxpayers from knowing how much their elected officials vote to spend, and thus limits the peoples’ ability to hold them accountable. Fiscal notes would enable an independent organization like the Grassroot Institute to rank legislators by how many total dollars they voted to spend during the legislative session.

In 2007, the Hawaii State Legislature passed House Bill 122, which called for the state to create a transparency website, or online searchable database of state expenditures. Unfortunately, state agencies have failed to comply with that law, and three years later the site still doesn’t exist. Whereas fiscal notes would inform the initial legislative approval of expenditures, such a website would disclose how those tax dollars are ultimately spent.

The implementation of fiscal notes would vastly improve transparency within the Legislature’s decision-making process, as its members decide how to spend Hawaii’s tax dollars and how many to spend.
Conclusion

The 2010 Hawaii Pork Report, much like its inaugural 2009 edition, is not pleasant reading for those who are a part of government or for the majority of citizens who work hard to fund the programs. But Hawaii taxpayers may have some reason for hope.

In a recession, local and state policymakers are forced to take a much closer look at how they spend taxpayer money. In 2009, the Honolulu City Council acknowledged that TheBoat's pathetic benefit-to-cost ratio was incompatible with shrinking city revenues, and they shut it down. Today, policymakers are taking a more critical look than ever at the not-quite-inevitable Oahu rail system. And educators and citizens alike are beginning to realize that a so-called shortage of funds is not the only challenge facing Hawaii's school system. The tides are turning—at least for now.

Hawaii's policymakers must take decisive steps now to continue this positive trend. The first step is to cut the waste identified in this report—from $22,180 to move a previously enjoyed sculpture to $124.3 million in subsidies for The Bus. By cutting such wasteful and ineffective spending, the heavy burden felt by all Hawaii taxpayers could be reduced.

In response to Hawaii's struggling education system, the legislature should require a full audit of the Department of Education—something the DOE has never undergone. Unfortunately, state lawmakers have already killed such a bill in the 2010 legislative session.

On a larger scale, lawmakers should establish a Hawaii version of the Grace Commission. This group would dig through every nook and cranny of the state budget to find waste, fraud, abuse and mismanagement. With private-sector expertise and the help of independent and nonpartisan organizations like the Grassroot Institute, such a commission would scrutinize expenditures, account for every tax dollar and ensure the elimination of wasteful spending.

These reforms address the final spending of taxpayer dollars, decisions that are often made at the agency or department level. Legislators must also add fiscal transparency to the initial stage of the spending process by using a fiscal note process to inform their own spending decisions.

Finally, Hawaii should strive to make the process for requesting public information as accessible and streamlined as possible. State government has already failed to create its own spending transparency website despite receiving a directive from the legislature, so the Grassroot Institute and partner individuals and organizations are working to create such
a resource using private funds. In order to make this possible, the state must cooperate by complying with its own rules in providing public information, such as expenditure data. The Office of Information Practices can facilitate this process and should consistently act as an advocate for taxpayers, not bureaucrats.

By implementing greater transparency and accountability at all levels of government, policymakers will pave the way for less waste and greater prosperity in Hawaii.


3 Calculated based on spending of $2.98 billion for 179,230 students.

4 Kubota (2).

5 Calculated using CPI calculator at http://data.bls.gov/cgi-bin/cpicalc.pl.

6 Kubota (2).


9 Memorandum and analysis from “George the Concerned Taxpayer” to Governor Linda Lingle, received by Grassroot Institute of Hawaii on January 15, 2010.

10 2008 DOE Budget by Org, received from “George the Concerned Taxpayer,” p. 74.


12 Ibid, Overview Summary.

13 Ibid., p. 40.


16 Study on the Appropriate Accountability Structure (14), p. 44.


22 Ibid.


28 Moriki.


34 Ibid., p. 42.


39 Ibid.

40 Ibid.

41 Ibid.
42 Ibid.


44 State of Hawaii Procurement Office website, PO#230298.


47 Ibid.


51 Ibid.


55 State of Hawaii Procurement Office website, Contract #09217161.


59 State of Hawaii Procurement Office website, PO 101555.


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To report waste, fraud or abuse of taxpayer dollars, please contact the Grassroot Institute of Hawaii at info@grassrootinstitute.org. Anonymity is guaranteed.