
A BILL FOR AN ACT

RELATING TO REVENUE FOR DEPARTMENT OF EDUCATION BUDGETED
EXPENSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the imposition of
2 teacher furloughs by the department of education as part of a
3 budget deficit reduction plan is one of the most drastic
4 measures taken in the current efforts to balance the State's
5 budget. The furloughs will close public schools statewide
6 seventeen Fridays for the 2009 and 2010 school years,
7 respectively. The furloughs amount to a 7.9 per cent pay cut
8 for teachers. The savings would add up to about \$5,000,000 for
9 each furlough day.

10 The legislature further finds that teacher furloughs
11 adversely affect the education and learning of Hawaii's
12 children. Hawaii presently has one of the lowest rates of
13 school attendance in the nation. With the furloughs, Hawaii
14 will have one of the shortest school years in the nation. The
15 United States Secretary of Education has commented about the
16 furloughs, stating that no other states are cutting so much
17 learning time, despite facing their own financial pressures.



1 The legislature further finds that public education in
2 Hawaii is uniquely an exclusive state function. Public
3 education in Hawaii should be a top priority. The education of
4 students affects the entire state, including the counties. The
5 legislature seeks to end furloughs, and by doing so to ensure
6 that the future of education remains a priority.

7 The transient accommodations tax was originally enacted by
8 Act 340, Session Laws of Hawaii 1986, which did not provide for
9 any distribution of the revenues other than into the state
10 general fund. Act 185, Session Laws of Hawaii 1990, enacted the
11 provision for distribution of the transient accommodations tax
12 revenues to the counties, on the basis of providing a more
13 equitable method of sharing revenues with the counties.
14 (Conference Committee Report No. 207, Regular Session of 1990.)

15 The legislature further finds that the distribution of the
16 transient accommodations tax to the counties was never intended
17 to become an entitlement, but it was rather in response to the
18 plea from the counties to augment their revenue. Conference
19 Committee Report No. 207, Regular Session of 1990, also stated:

20 Since your Committee intends this measure to be an
21 equitable plan to distribute funds, your Committee
22 notes that the Legislature may re-examine this TAT



1 sharing mechanism if the county uses its present real
2 property taxing powers to selectively impose a heavier
3 burden on one industry over other industries who are
4 currently paying the nonresidential real property tax
5 rate.

6 The conference committee believed that, in general, the counties
7 have the flexibility to pursue alternate means of generating
8 revenues.

9 The purpose of this Act is to:

- 10 (1) Redistribute seventy-five per cent of the counties'
11 share of the transient accommodations tax revenue to
12 provide a dedicated source of funding for the
13 department of education, to be used primarily for the
14 purpose of adding back instructional school days that
15 have been reduced by department of education furloughs
16 and secondarily to otherwise augment classroom
17 instruction;
- 18 (2) Make corresponding proportionate reductions in the
19 counties' share of the transient accommodations tax
20 revenue; and



1 (3) Repeal the sunset date of Act 61, Session Laws of
2 Hawaii 2009, which increased the transient
3 accommodations tax.

4 SECTION 2. Section 237D-2, Hawaii Revised Statutes, is
5 amended by amending subsection (b) to read as follows:

6 "(b) There is levied and shall be assessed and collected
7 each month an additional:

8 (1) One per cent for the period beginning July 1, 2009, to
9 June 30, 2010; and

10 (2) Two per cent for the period beginning July 1, 2010,
11 [~~to June 30, 2015,~~] and thereafter;

12 on the gross rental or gross rental proceeds derived from
13 furnishing transient accommodations. The rate levied and
14 assessed under this subsection shall be additional to the rate
15 levied and assessed under section 237D-2(a)(3)."

16 SECTION 3. Section 237D-6.5, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "§237D-6.5 Remittances; distribution [~~to~~]; counties[-];
19 department of education. (a) All remittances of taxes imposed
20 under this chapter shall be made by cash, bank drafts, cashier's
21 check, money order, or certificate of deposit to the office of
22 the taxation district to which the return was transmitted.



1 (b) Revenues collected under this chapter, except for
2 revenues collected under section 237D-2(b), shall be distributed
3 as follows, with the excess revenues to be deposited into the
4 general fund:

5 (1) 17.3 per cent of the revenues collected under this
6 chapter shall be deposited into the convention center
7 enterprise special fund established under section
8 201B-8; provided that beginning January 1, 2002, if
9 the amount of the revenue collected under this
10 paragraph exceeds \$33,000,000 in any calendar year,
11 revenues collected in excess of \$33,000,000 shall be
12 deposited into the general fund;

13 (2) 34.2 per cent of the revenues collected under this
14 chapter shall be deposited into the tourism special
15 fund established under section 201B-11 for tourism
16 promotion and visitor industry research; provided that
17 beginning on July 1, 2002, of the first \$1,000,000 in
18 revenues deposited:

19 (A) Ninety per cent shall be deposited into the state
20 parks special fund established in section
21 184-3.4; and



1 (B) Ten per cent shall be deposited into the special
2 land and development fund established in section
3 171-19 for the Hawaii statewide trail and access
4 program;

5 provided that of the 34.2 per cent, 0.5 per cent shall
6 be transferred to a sub-account in the tourism special
7 fund to provide funding for a safety and security
8 budget, in accordance with the Hawaii tourism
9 strategic plan 2005-2015; provided further that of the
10 revenues remaining in the tourism special fund after
11 revenues have been deposited as provided in this
12 paragraph and except for any sum authorized by the
13 legislature for expenditure from revenues subject to
14 this paragraph, beginning July 1, 2007, funds shall be
15 deposited into the tourism emergency trust fund,
16 established in section 201B-10, in a manner sufficient
17 to maintain a fund balance of \$5,000,000 in the
18 tourism emergency trust fund; and

19 (3) 44.8 per cent of the revenues collected under this
20 chapter shall be transferred as follows: Kauai county
21 shall receive [~~14.5~~] three per cent, Hawaii county
22 shall receive [~~18.6~~] four per cent, city and county of



1 Honolulu shall receive [~~44.1~~] twelve per cent, [~~and~~]
2 Maui county shall receive [~~22.8~~] six per cent[~~-~~], and
3 seventy-five per cent shall be deposited in a separate
4 account in the state treasury to be expended by
5 appropriation of the legislature for the department of
6 education solely to meet budgeted expenses, including
7 primarily to reduce or eliminate furlough days that
8 may be necessitated from time to time to balance the
9 State's budget and secondarily to otherwise augment
10 classroom instruction.

11 Revenues collected under section 237D-2(b) shall be deposited
12 into the general fund.

13 All transient accommodations taxes shall be paid into the
14 state treasury each month within ten days after collection and
15 shall be kept by the state director of finance in special
16 accounts for distribution as provided in this subsection.

17 (c) On or before January or July 1 of each year or after
18 the disposition of any tax appeal with respect to an assessment
19 for periods after June 30, 1990, the state director of finance
20 shall compute and pay the amount due to each county as provided
21 in subsection (b) to the director of finance of each county to



1 become a general realization of the county expendable as such,
2 except as otherwise provided by law."

3 SECTION 4. Act 61, Session Laws of Hawaii 2009, is amended
4 by amending section 4 to read as follows:

5 "SECTION 4. This Act shall take effect on July 1, 2009[
6 and shall be repealed on June 30, 2015; provided that sections
7 237D 2 and 237D 6.5, Hawaii Revised Statutes, shall be reenacted
8 in the form in which they read on June 30, 2009]."

9 SECTION 5. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 6. This Act shall take effect on July 1, 2010.

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INTRODUCED BY:

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Report Title:

Transient Accommodations Tax; County Distribution; Education

Description:

Diverts a portion of the counties' distribution of transient accommodations tax revenues to the department of education primarily to avoid teacher furlough days. Repeals sunset of transient accommodations tax increase that was implemented in 2009.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

